VIRIDIS CLEAN ENERGY

FACSIMILE

TO	Australian Stock Exchange	DATE	30 September 2010
ATTENTION	Ms Kate Kidson	FACSIMILE	+61 3 9614 0303
FROM	Duncan Jewell		
SUBJECT	VCE 2010 Annual Report		

Dear Ms Kidson,

Please find attached the 2010 Annual Report for Viridis Clean Energy (VIR).

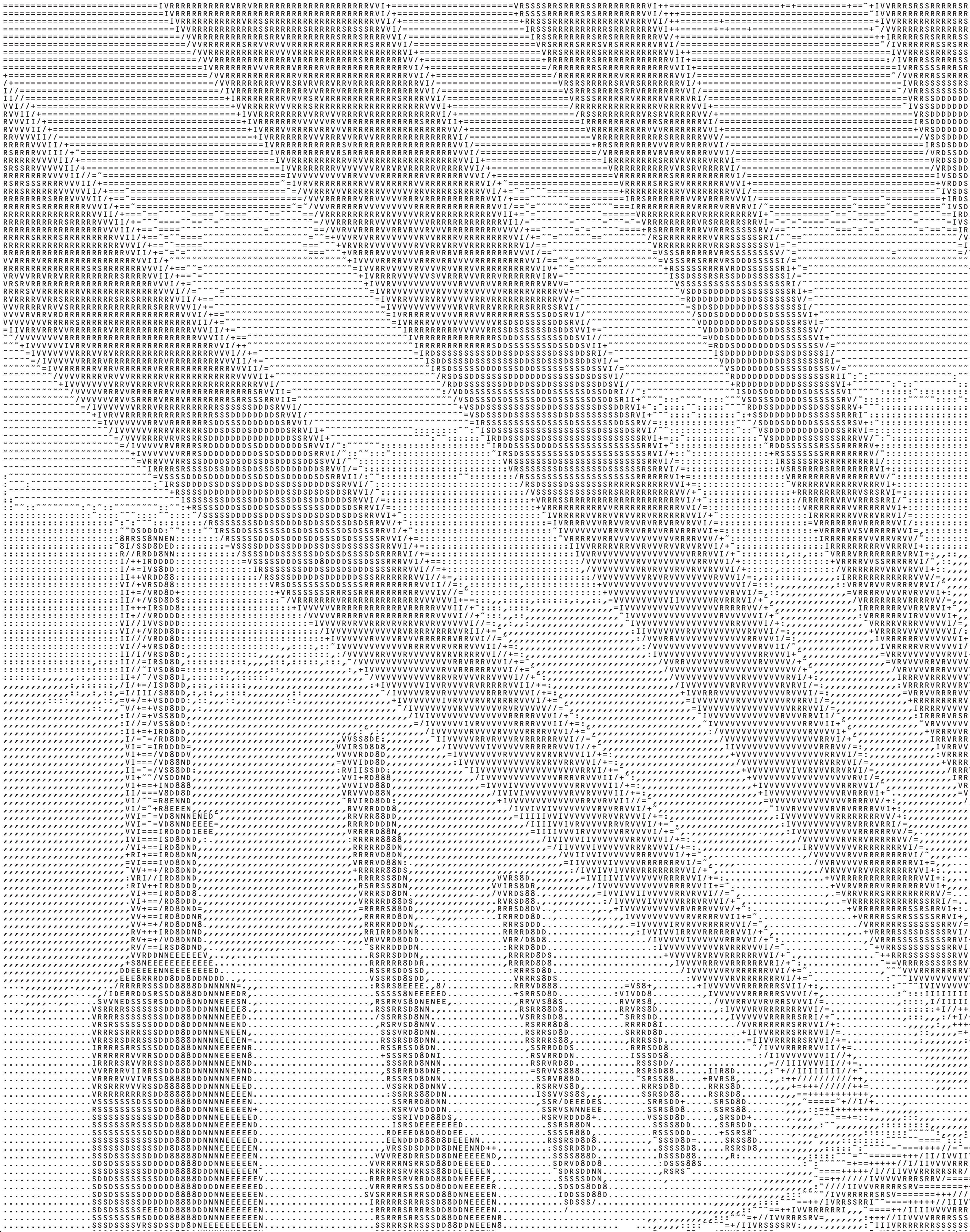
Yours sincerely,

Duncan Jewell
Company Secretary
Viridis Investment Management Limited

P: +61 3 9677 8050
F: +61 3 9677 8080

Annual report 2010

VIRIDIS
CLEAN ENERGY



Contents

Notice

Viridis Clean Energy ("VCE" or "the Fund") is an Australian registered managed investment scheme (ARSN 115 340 639). Viridis Investment Management Limited ("VIML") (ABN 51 099 788 431) is the responsible entity. Viridis Energy Capital Pty Limited ("VEC") (ABN 94 098 467 988) has been engaged as investment manager for VCE's clean energy assets. VIML and VEC are wholly owned subsidiaries of VCE.

Performance disclaimer

Investments in VCE are subject to investment risk, including possible delays in payment and loss of income and capital invested. None of VIML, VEC or any other member of the Viridis group of entities guarantees any particular rate of return on securities or the performance of the Fund, nor do they guarantee the repayment of capital from the Fund.

Not investment advice

This annual report is not an offer or invitation for subscription or purchase of or a recommendation of securities in VCE. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in VCE, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

About this report

This report has been prepared to enable VIML as responsible entity to comply with the requirements of the *Corporations Act 2001* and relevant Australian Accounting Standards for securities and to ensure compliance with the ASX Listing Rules. The responsibility for the preparation and issue of this report rests with the directors of VIML.

This report provides information about VCE's activities and performance during the period 1 July 2009 to 30 June 2010. It has been VIML's aim to make this report an informative and easy-to-read document for investors and other interested parties. Any suggestions on how we might improve future reports can be emailed to us at companysecretary@viridisenergy.com.

Pricing Policy

VIML has prepared policies documenting how it, as responsible entity, will determine any variable components of the price of units for any issue of securities in VCE. Copies of the policies are available on request from VIML free of charge.

Complaints handling

VCE has implemented a formal complaints handling procedure. VIML is a member of the Financial Industry Complaints Scheme. In the first instance, complaints should be directed to VIML. If you have any queries or complaints, please contact:

Company Secretary
Viridis Investment Management Limited
Level One 167 Flinders Lane
Melbourne Victoria 3000
P +61 3 9677 8000
F +61 3 9677 8080
enquiries@viridisenergy.com

Privacy

VCE has implemented a privacy policy to assist in protecting and maintaining the confidentiality of any personal information you may provide to us. A copy of the privacy policy is available on VCE's website at www.viridisenergy.com.

Production of this document

This document is digitally printed in Australia on papers sourced from responsibly managed mills. Digital printing reduces waste by providing a more accurate number of documents, and does not use printing plates. This document is designed and produced by Univers Graphic Design.

Asset summary

		Projects	Equity interest %	Capacity (MW)	Energy sales (MWh)	Contribution to group asset EBITDA[1] $'000	Contribution to group asset EBITDA[1] %
1	UK Landfill Gas	35	100	64	343,407	15,190	125
2	USA Landfill Gas	8	100	42	134,026	(3,061)	(25)
Total		**43**		**106**	**477,433**	**12,129**	**100**

1 Group asset EBITDA is earnings before interest income on cash balances, net unrealised derivatives and foreign currency gains/losses, transaction costs written-off and other extraordinary/abnormal items.

Financial summary

	Actual financial year ended 30 June 2010 ($'000)	Actual financial year ended 30 June 2009 ($'000)
Total revenue	53,283	68,234
Reported EBITDA	(5,285)	29,563
Adjusted EBITDA[1]	16,153	19,788
Depreciation & amortisation	(19,820)	(24,943)
Impairment of assets	(73,620)	(8,301)
Interest and financing expense	(22,895)	(18,083)
Net loss before income tax	(121,620)	(21,764)
Net loss after income tax	(80,506)	(16,306)
Profit from discontinued operations	16,359	2,789
Loss for the year	(64,147)	(13,517)
Distributions per security[2]	nil	3.23 cents
% Distributions tax deferred	n/a	20%
Cash balance at year end	10,145	21,036

1 Before interest income on cash balances of $0.1 million, net unrealised derivatives and foreign currency losses of $19.7 million, transaction costs written-off of $0.5 million, buyout of management contract of $2.4 million and other extraordinary/abnormal items (gain of $2.1 million).
2 Cash or cash equivalent distribution.

UK landfill gas

VCE owns a landfill gas fuelled power generation project portfolio located in the United Kingdom, comprising 35 individual generation sites with a current installed capacity of 64 MW.

Long-term site agreements with a series of landfill operators provide secure access to fuel supply. The portfolio's capacity is sold under a combination of NFFO contracts (UK government-backed, long-term fixed price power purchase agreements) and shorter term market based sales arrangements which include the sale of energy and UK Renewable Obligation Certificates.

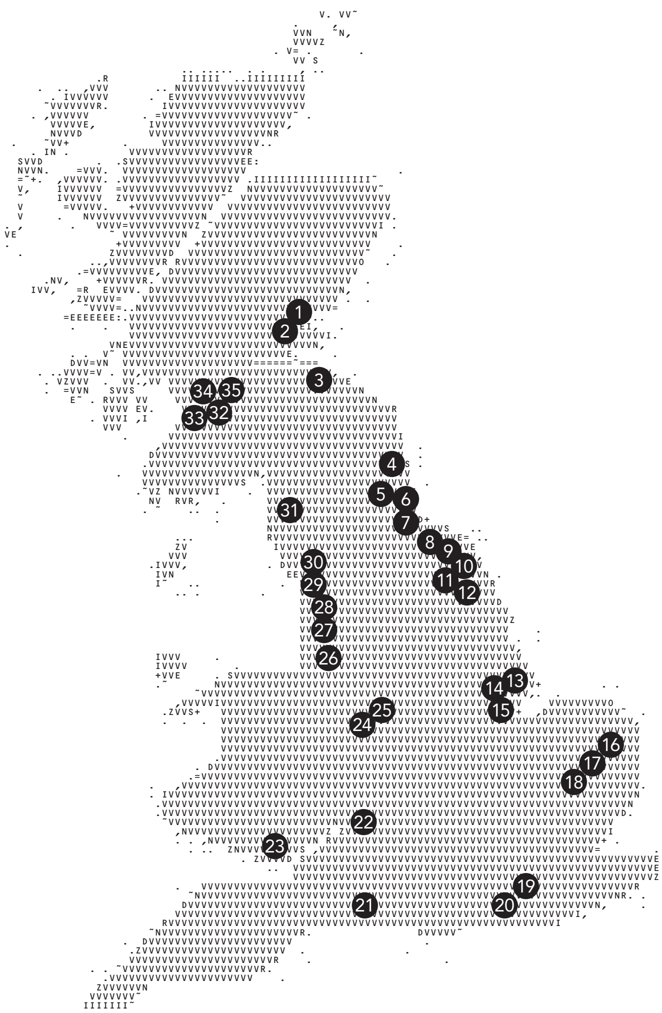
The projects use a combination of Caterpillar, Perkins and MAN gas engines, which may be relocated between sites to match the gas production profile.

ENER-G, the original project developer, provides operations and maintenance services for the projects under a long-term performance-based contract.

Location	Capacity (MW)	Number of engines
England	52	55
Scotland	11	13
Wales	1	1
Total	**64**	**69**

Type of engines: Caterpillar, Perkins and MAN

1 Lochhead
2 Binn
3 Melville
4 Burnhills
5 Brenkley
6 St Bedes
7 Chapmans Well
8 Marks Quarry
9 Scorton
10 Seamer Carr
11 Harewood Whin
12 Peckfield
13 Lincoln
14 Lount
15 Himley
16 Warboys
17 Godmanchester
18 Buckden
19 Redhill
20 Seale Lodge
21 Beacon Hill
22 Harnhill
23 Neath
24 Betton Abbotts
25 Granville
26 Lord St Helens
27 Elland
28 Horncliffe
29 Clifton Marsh
30 Salt Ayre
31 Hespin Wood
32 Auchinlea
33 Shewalton
34 Craignaught
35 Dalmacoulter



USA landfill gas

VCE owns a 42 MW portfolio of eight landfill gas fuelled power generation projects located in Texas and California, USA.

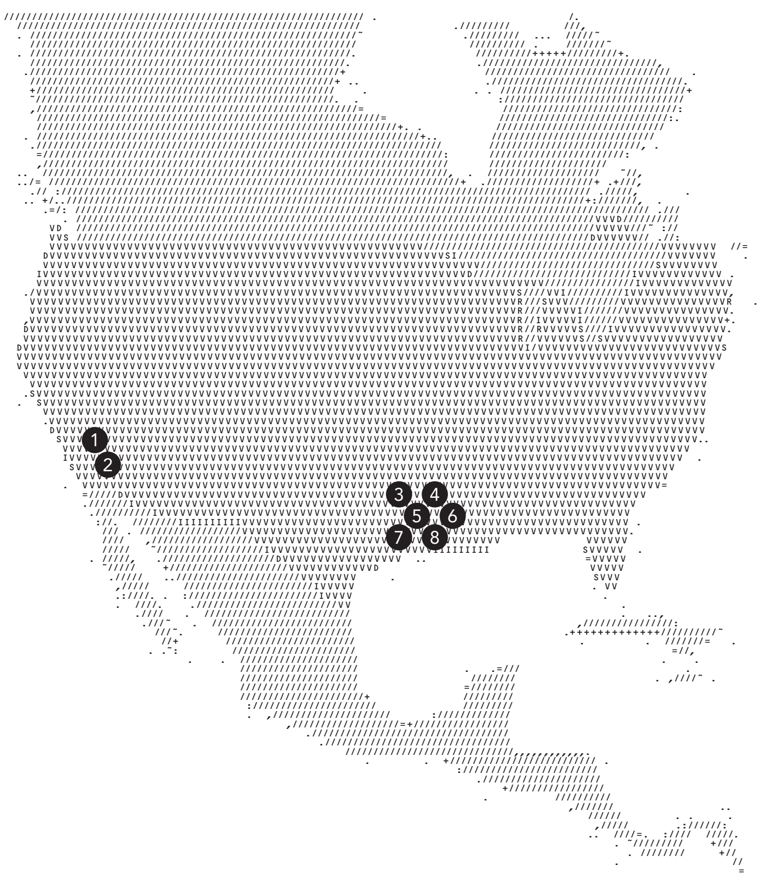
Gas engines for the Texas projects were supplied by GE Jenbacher, an industry leading manufacturer of equipment for landfill gas application. Run Energy has been engaged to provide operations and maintenance services for the projects.

In Texas landfill gas is supplied to the projects under fuel supply agreements with Waste Management Inc., which owns and operates the landfill sites and associated gas collection systems. The Texas Renewable Energy Credits from all six projects and the electricity from four of the projects are sold on the spot market. The remaining two projects sell their electricity output as “qualifying facilities” under the Public Utilities Regulatory Policy Act.

The Penrose and Toyon projects in California source landfill gas from the Penrose, Bradley and Toyon Canyon landfill sites. The projects are operated and maintained by SCS Engineers and electricity produced by the projects is sold under power purchase agreements with the City of Los Angeles. Electricity produced from the Penrose project is also eligible to receive s45 production tax credits which can be applied to reduce VCE’s US federal income tax liability.

Project	Location	Capacity (MW)	Number of engines	Type of engines
Atascocita	Texas	10	6	Jenbacher JGS 616
Baytown	Texas	5	5	Jenbacher JGS 320
Blue Bonnet	Texas	3	3	Jenbacher JGS 320
Coastal Plains	Texas	7	4	Jenbacher JGS 616
Conroe	Texas	3	3	Jenbacher JGS 320
Security	Texas	3	2	Jenbacher JGS 616
Penrose	California	7	4	Cooper Superior 165GTA
Toyon	California	4	2	Cooper Superior 165GTA
Total		**42**	**29**	

1 Penrose
2 Toyon
3 Conroe
4 Blue Bonnet
5 Coastal Plains
6 Baytown
7 Security
8 Atascocita



About Viridis

Viridis Clean Energy ("VCE") is an Australian registered managed investment scheme (ARSN 115 340 639).

VCE was established on 19 July 2004 and was subsequently registered as a managed investment scheme on 1 August 2005.

The responsible entity for VCE is Viridis Investment Management Limited ("VIML" or "the responsible entity"). The responsible entity has overall responsibility for the management and operation of VCE. The responsible entity has entered into an Investment Management Agreement with Viridis Energy Capital Pty Limited ("VEC" or "the manager") under which the manager provides investment management services to the responsible entity in respect of VCE's clean energy assets.

The responsible entity is entitled to seek reimbursement from VCE for expenses incurred by the responsible entity in relation to the proper performance of its duties in respect of VCE. The responsible entity is not entitled to receive any fees out of VCE. The manager is entitled to receive a fee equal to its costs incurred in providing investment management services in relation to VCE's clean energy assets. The fee arrangements were amended as part of the management internalisation transaction described below. Prior to this amendment the manager was entitled to receive a fee that included a base fee and a performance fee component. Details of the fees paid to the manager for the period 1 July 2009 to 20 August 2009 are detailed in note 24 to the financial statements.

On 19 August 2009 the VCE securityholders approved the internalisation of the VCE management arrangements through the acquisition by VCE of VEC and its subsidiary entity, VIML.

These arrangements became effective on 20 August 2009 such that, from that date, no external investment management fees are payable by VCE.

Securityholders

Viridis Clean Energy

Viridis Clean Energy Trust I

- UK landfill gas
- USA landfill gas

Viridis Energy Capital Pty Limited
Manager

Viridis Investment Management Limited
Responsible entity

Board

The board has considerable industry, finance and listed company experience. Following completion of the management internalisation transaction on 20 August 2009 the board of the manager was reconstituted to replicate the board of the responsible entity. The directors of the responsible entity and manager during the reporting period and until the date of this report are as follows:

Andrew J Berry

Chairman of the responsible entity
Chairman of the manager
(effective 28 August 2009)
Andrew has over 30 years' investment banking experience, primarily in the energy and resources sector.

Andrew worked for Chase Manhattan Bank for 22 years. During this time he was based in North America, Singapore, the Middle East, Hong Kong and Australia. He was managing director, Chase Manhattan Investment Banking Group, Australia 1980 to 1985 and managing director, Chase AMP Capital Markets Ltd, 1986 to 1990, and is a former director of Kalahari Mining NL, Pacific Energy Limited and Highlands Pacific Limited. He is presently a director of CorporActive Fund Limited and Leyshon Resources Limited which are companies that are focused on investment opportunities in the Peoples Republic of China.

Robert Webster

Director of the responsible entity
Director of the manager
(effective 28 August 2009)
(resigned 13 September 2010)
Robert is a senior client partner, Global Financial Markets, Australasia, and is based in the Sydney office of Korn/Ferry International.

Previously Robert spent five years as executive director of the International Banks and Securities Association of Australia.

Prior to his financial sector experience, Robert spent over a decade in politics. He was elected MP for Goulburn in 1984 and became a minister in the Greiner Government in January 1989. In May 1991, he was elected to the Legislative Council of New South Wales. His ministerial portfolios included Planning, Housing and Property Services, Family and Community Services, Energy, State Development, Tourism, Administrative Services and Transport.

Some of Robert's ministerial achievements included the redevelopment of Homebush Bay for the Sydney 2000 Olympics, the commercialisation of electricity authorities in New South Wales and corporatisation of the Sydney Water board into the Sydney Water Corporation.

Robert holds various directorships. He is a director of Allianz Australia and Brickworks Ltd. He is also a Justice of the Peace.

Walter Pahor

Director of the responsible entity
Director of the manager

Walter is the principal of a private investment group which owns and manages a diversified investment portfolio. He was the founding chairman of the manager and, before VCE purchased the manager, held a substantial interest in the manager.

Walter has more than 20 years' experience in the energy industry, including international project development, investment and operations.

Walter was previously the managing director of ASX-listed Energy Developments Limited, which he co-founded. The company was a pioneer of private-sector investment in power generation in Australia.

Walter's prior experience includes various commercial, engineering and operations roles in the petroleum, mining and chemical industries.

Edward Northam

Managing director of responsible entity (effective 28 August 2009)
Director of the manager

Edward was appointed as managing director of the responsible entity on 28 August 2009.

Edward was the founding CEO and has been a director of the manager since its inception. During this time the company has identified, evaluated and implemented the investments comprising VCE's asset portfolio and has put in place the infrastructure and personnel required to launch the Fund and manage its performance and growth.

Edward has more than 10 years' experience in the energy industry, both as an adviser and as a management executive. He previously held various management positions with Energy Developments Limited in Australia and in the United States of America, following a career as a lawyer with a leading Australian law firm practising in the areas of corporate law and energy.

Duncan Jewell

Company secretary and Chief financial officer of the responsible entity and the manager

Duncan was appointed as Chief Financial Officer of the responsible entity on 28 August 2009.

Duncan joined the manager as CFO and a director on its inception. Duncan has led the company's investment valuation and financing activities and has been responsible for the financial management and performance of its business.

Duncan has more than 10 years' experience in the energy industry. He was previously head of corporate finance with Energy Developments Limited, before which he held a range of positions in National Australia Bank Limited, involved predominantly in project and structured finance and including appointments in wholesale banking and credit.

Corporate governance report

Background

The responsible entity of Viridis Clean Energy (ARSN 115 340 639) ("VCE") is Viridis Investment Management Limited ("the responsible entity"). The board of directors of the responsible entity ("board") is committed to high standards of corporate governance.

The Corporations Act, the ASX Listing Rules, the constitution of VCE, the Investment Management Agreement and the general law regulate the governance and management of VCE and the activities and responsibilities of the responsible entity and Viridis Energy Capital Pty Limited ("the manager") (as manager of the clean energy assets of VCE) and the directors and other officers of each of them.

In August 2007, the ASX Corporate Governance Council published its revised "Corporate Governance Principles and Recommendations" ("ASX Principles") articulating eight core principles of good corporate governance and providing implementation guidance. Across the eight core ASX Principles, a number of recommendations ("ASX Recommendations") are made in relation to specific corporate governance practices.

Compliance with the ASX Principles and the ASX Recommendations in their entirety is not mandatory; they provide a framework that may not apply to all entities in all situations.

Listed entities (including VCE) are required by ASX Listing Rule 4.10.3 to include in their annual reports a statement disclosing the extent to which they have followed the ASX Recommendations during the relevant reporting period. If all of the ASX Recommendations have not been followed, the entity must identify those which have not been followed and give reasons for not following them. If an ASX Recommendation has been followed for only part of the period, the entity must state the period during which it has been followed.

So that investors can form a clear understanding of the extent to which VCE's corporate governance practices satisfy the ASX's requirements, this corporate governance report specifically discloses against each of the ASX Principles and ASX Recommendations.

ASX Principle 1— Lay solid foundations for management and oversight

ASX Recommendation 1.1— Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

Responsibility for corporate governance and the operations of VCE lies with the responsible entity. In turn, the responsible entity is directed and guided by the board as its ultimate decision-making body. The responsible entity does not have any senior executives (other than the managing director), however under the terms of the Investment Management Agreement the manager has been appointed to provide investment management services to the responsible entity in respect of VCE's clean energy assets. On 20 August 2009, VCE acquired all of the issued shares in the manager, which means that the manager is now wholly owned by VCE.

In outline, the allocation of key responsibilities in respect of VCE is as follows:

- the board is responsible for:

— oversight of VCE, including its control, accountability and resources;

— setting the overall strategic direction for VCE;

— overseeing VCE's business activities and performance;

— instituting and maintaining business processes to ensure proper controls, transparency and accountability;

— ensuring that VCE complies with the compliance plan, constitution and applicable laws;

— monitoring VCE's financial position and setting financial performance objectives;

— monitoring and evaluating the performance of the manager and other service providers to whom the responsible entity has delegated key functions;

— monitoring compliance with legal, regulatory, ethical and market requirements and standards;

— approving and monitoring financial and other reporting; and

— ensuring effective communication with securityholders and other stakeholders.

- the manager is responsible for:
  - — providing asset management services, including managing and reporting on asset performance;
  - — providing risk management services;
  - — providing capital and investment advice, including identifying investment opportunities that meet specified investment guidelines; and
  - — implementing investments and divestments approved by the board of the responsible entity.

Full meetings of the board are held regularly and at least six times a year, and non-scheduled meetings are called as required.

Each member of the board has received a letter of appointment which details the key terms of his appointment considered necessary by the board, including the matters recommended in the ASX Principles.

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

During the reporting period the board undertook an evaluation of the performance of the manager in accordance with the terms of the investment management agreement.

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

Refer above.

The board considers that VCE complied in all material respects with ASX Principle 1 throughout the reporting period.

ASX Principle 2— Structure the board to add value

ASX Recommendation 2.1— A majority of the board should be independent directors

1. Board members

During the reporting period the board consisted of four directors, identified below. On 13 September 2010 Robert Webster resigned as a director.

Andrew J. Berry (Independent chairman)

In his role as independent chairman, Mr Berry is responsible for:

- leadership of the board;
- organisation and conduct of the board's activities; and
- setting the board agenda.

The independent chairman carries a casting vote in the event of voting deadlocks.

Mr Berry has been in office from 25 July 2005 until the date of this annual report.

Edward Northam (Managing director)

Mr Northam has been in office from 28 August 2009 until the date of this annual report.

Robert Webster

Mr Webster held office from 25 July 2005 until 13 September 2010.

Walter Pahor

Mr Pahor has been in office from 4 May 2002 until the date of this annual report.

Each of the directors was also a director of the manager during the reporting period. Further details on each of the directors can be found on pages 5 and 6 of this annual report.

2. Independence of board members

The board considers that of the four directors that held office during the reporting period, two (Mr Berry and Mr Webster) were independent directors. In reaching that conclusion, the board gave consideration to the criteria for assessing the independence of directors set out in the ASX Principles and determined the level of materiality in relation to each director it believed was appropriate on a case-by-case basis. In particular, Mr Berry was not engaged in the management of VCE, the responsible entity or the manager or any of their activities. The board also considered that Mr Pahor was not an independent director on the basis that he was a substantial securityholder of VCE.

ASX Principle 2.1 states that a "majority" of the board of a listed entity should be independent directors. Although the independent directors on the board fell short of an absolute majority, the board considered that this did not compromise the good governance of VCE in its particular circumstances because the independent chair carried a casting vote.

Each board member is entitled to obtain independent professional advice at the cost of the responsible entity subject to the estimated costs being first approved by the chairman as reasonable.

While not relevant to the reporting period, since Mr Webster's resignation on 13 September 2010, the board has established an independent (non-board) compliance committee. This compliance committee consists of the following three members, two of whom (Mr Berry and Mr Estaban) are independent:

- Andrew Berry
- Fernando Estaban (non-board member, appointed 23 September 2010)
- Walter Pahor

ASX Recommendation 2.2— The chair should be an independent director

Mr Berry is an independent director according to the applicable standards under the ASX Principles.

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

Mr Edward Northam carries out the functions of managing director in relation to VCE.

ASX Recommendation 2.4— The board should establish a nomination committee

During the reporting period, the only committee established by the board was the audit and compliance committee. It is the directors' view that, given the size of the board, a nomination committee was not appropriate during the reporting period. The functions normally carried out by a nomination committee are managed by the full board. The board will, however, continue to monitor the position.

ASX Recommendation 2.5—
Companies should disclose the process for evaluating the performance of the board, its committees and individual directors
The board and the audit and compliance committee self-assessed their performances on a regular basis throughout the reporting period. The most recent self assessments by the board and the audit and compliance committee were conducted in August 2009.

ASX Recommendation 2.6—
Provide the information indicated in the Guide to reporting on Principle 2
Refer above.

Except as disclosed above, the board considers that VCE complied in all material respects with ASX Principle 2 throughout the reporting period.

ASX Principle 3— Promote ethical and responsible decision-making

ASX Recommendation 3.1—
Companies should establish a code of conduct and disclose the code or a summary of the code as to:
- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The board requires that the highest standards of ethics and integrity be observed in the conduct of VCE's business. The board recognises that it has obligations and responsibilities to a broad group of stakeholders which extends beyond VCE's securityholders. These "stakeholders" are employees, customers, counterparties, suppliers, regulatory agencies, governments and the broader community, all of whom have legitimate interests which are considered by the responsible entity in undertaking VCE's business activities.

The board has adopted a code of conduct which addresses some but not all of the ASX's suggested content for a code of conduct, as applicable to VCE. In the particular circumstances of VCE, including its size and activities, the board considers that a single, general code of conduct relating to ASX Principle 3 is appropriate and sufficient. The board will, however, continue to monitor the position and will amend the existing code of conduct, or adopt a new code or codes, when appropriate. A copy of the code of conduct may be found on VCE's website at www.viridisenergy.com.

ASX Recommendation 3.2—
Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy
The board has adopted specific policies relating to the management of conflicts of interest and securities trading. The securities trading policy applies to trading in securities of VCE by board members and employees of the responsible entity and the manager. A copy of the securities trading policy may be found on VCE's website at www.viridisenergy.com.

ASX Recommendation 3.3—
Companies should provide the information indicated in the Guide to reporting on Principle 3
Refer above.

Except as disclosed above, the board considers that VCE complied in all material respects with ASX Principle 3 throughout the reporting period.

ASX Principle 4— Safeguard integrity in financial reporting

The board has implemented processes to ensure that the presentation of VCE's financial position and financial performance is accurate, complete and in accordance with accounting standards.

ASX Recommendation 4.1—
The board should establish an audit committee
Until September 2010, the board had an audit and compliance committee, which consisted of the following board members:
- Mr Webster (who chaired the audit and compliance committee);
- Mr Berry; and
- Mr Pahor.

Each was qualified by virtue of his experience and responsibility to sit on the audit and compliance committee.

Since Mr Webster's resignation, the audit and compliance committee has been dissolved. It is the directors' view that, given the current size of the board, an audit committee is not required at this stage. However, the Board has established an independent compliance committee (see above at Recommendation 2.1).

ASX Recommendation 4.2—The audit committee should be structured so that it:
- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board;
- has at least three members.

All audit and compliance committee members were non-executive directors. The majority of the committee members were independent within the meaning of independence set out in the ASX Principles. The chairman of the committee (Mr Webster) was independent and the chairman of the board was not eligible to chair the audit and compliance committee. The committee met on a quarterly basis.

ASX Recommendation 4.3—
The audit committee should have a formal charter
The audit and compliance committee was governed by a charter, which set out the duties and responsibilities of the committee. Those functions included the review of financial and risk management matters for VCE as well as monitoring VCE's compliance arrangements. The committee reported quarterly to the board on these matters. A copy of the charter remains available on VCE's website at www.viridisenergy.com.

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

The board considers that VCE complied in all material respects with ASX Principle 4 throughout the reporting period.

ASX Principle 5—Make timely and balanced disclosure

ASX Recommendation 5.1—Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies
In accordance with the ASX Listing Rule disclosure requirements, the board seeks to keep the market fully informed at all times regarding any information, positive or negative, which may have a material impact on the price of VCE's securities. Written policies and procedures have been established to ensure compliance with this requirement.

The managing director has primary responsibility for bringing to the attention of the board any matters that may require disclosure to the market.

However, any director or any senior executive may raise a disclosure matter with the board. The directors consider each such matter promptly, decide whether or not disclosure is necessary (and, where necessary, seek advice from VCE's legal advisers) and instruct the content of any disclosure.

All disclosures to the market, written presentations and information, whether provided in a public forum or in private briefings, are published on VCE's web site www.viridisenergy.com.

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

The board considers that VCE complied in all material respects with ASX Principle 5 throughout the reporting period.

ASX Principle 6—Respect the rights of securityholders

ASX Recommendation 6.1—Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy
The board seeks to empower securityholders and ensure they are fully informed by:

- communicating effectively with them;
- making information regarding VCE readily accessible; and
- facilitating participation by securityholders in any meetings of investors.

VCE is not required under the Corporations Act to hold an annual general meeting, so meetings will usually only be convened when there is formal business to be considered or otherwise as required under the Corporations Act.

General meetings and investor briefings, if held, will as far as possible be held in an accessible location and all reasonable efforts are made to ensure that attendance is convenient for securityholders.

Effective communication is achieved through market disclosure (as discussed above in relation to ASX Principle 5), direct reporting to securityholders (half year report and the annual report) and prompt response to direct queries by securityholders.

VCE's website is also used to make relevant information readily and promptly accessible to securityholders. The web site is under continuous development to improve its content and clarity of presentation.

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

Except as disclosed above, the board considers that VCE complied in all material respects with ASX Principle 6 throughout the reporting period.

ASX Principle 7—Recognise and manage risk

ASX Recommendation 7.1—Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies
The board has adopted a formal risk management program in accordance with the new International Risk Standard AS/NZS ISO 31000:2009. Under the risk management program, the responsible entity and its compliance service providers identify, assess, monitor and manage material risks relevant to the responsible entity and VCE. A summary of the risk management program is available on VCE's website at www.viridisenergy.com.

ASX Recommendation 7.2—The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
The responsible entity and the manager are required to comply with the formal risk management program and the internal control system based upon the principles set out in the Australian Compliance Standard AS 3806:2006, as adopted by the board.

The manager has provided to the board a report confirming its view that the formal risk management program has been effective in managing VCE's material business risks.

ASX Recommendation 7.3—
The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks
The managing director and the chief financial officer of the manager are required to provide their assurance to the board (by way of a written statement) that the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

This assurance is provided on each occasion that VCE's financial results are released by the responsible entity.

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

The board considers that VCE complied in all material respects with ASX Principle 7 throughout the reporting period.

ASX Principle 8— Remunerate fairly and responsibly

ASX Recommendation 8.1—
The board should establish a remuneration committee
In its current circumstances the board does not consider it is necessary or appropriate for it to establish a separate remuneration committee in relation to VCE. In particular, the board felt that it was sufficient to engage an independent consultant with respect to the remuneration of the managing director and the chief financial officer following the internalisation of the manager in August 2009.

ASX Recommendation 8.2—
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives
Non-executive directors are remunerated by way of fees (in the form of cash, non-cash benefits or superannuation contributions). Non-executive directors are not provided with retirement benefits other than superannuation.

The manager is responsible for the remuneration of its employees engaged in providing services to VCE and is also responsible for the remuneration of the managing director and the chief financial officer. The manager is then remunerated in accordance with the terms and conditions of the Investment Management Agreement.

Following the internalisation of the manager, the board has been involved in determining the remuneration of the managing director and the chief financial officer. The employment agreements of the managing director and chief financial officer provide for long-term incentive plans and retention bonuses, details of which have been announced to the market. Details of the remuneration and indemnity arrangements for the responsible entity and its officers are set out in the directors' report, financial statements and notes thereto.

ASX Recommendation 8.3—
Companies should provide the information indicated in the Guide to reporting on Principle 8
Refer above.

Except as disclosed above, the board considers that VCE complied in all material respects with ASX Principle 8 throughout the reporting period.

Viridis Clean Energy (ARSN 115 340 639)

Annual financial report for the year ended 30 June 2010

Contents

Directors' report

The directors of Viridis Investment Management Limited, the responsible entity of Viridis Clean Energy (ARSN 115 340 639) ("VCE"), submit their report, together with the attached financial report, for the financial year ended 30 June 2010.

The consolidated financial statements incorporate the assets and liabilities of VCE and its controlled entities. These entities are referred to in this report and the financial report as the Viridis Clean Energy Group ("VCEG"), or the Group.

Principal activities

The principal activity of VCEG is to invest in and manage a global portfolio of clean energy assets. VCEG's investment focus is on assets that generate electricity or other consumable energy from renewable, waste or inherently low-emission energy sources including wind, hydro, biomass, geothermal, solar, waste fuel, coal seam methane and natural gas.

During the course of the reporting period VCEG embarked on an asset sale programme as part of a strategy to reduce debt levels. The programme resulted in the sale of VCEG's interest in its 82 MW German wind farm portfolio on 26 November 2009 and the sale of its 49% interest in the 30 MW Ardrossan wind farm on 21 April 2010.

In April 2010 the directors announced the continuation of the asset sale programme, under which it would seek and evaluate proposals for the sale of the remaining asset portfolios, or the sale of VCEG as a whole. VCEG has engaged a financial adviser to assist the Group in managing the sale process. The process is ongoing.

Assets held for sale

Consistent with the April 2010 directors' announcement to continue with the asset sale programme the directors have classified the assets of VCEG as "held for sale". This treatment reflects that the carrying value of the assets will likely be recovered principally through a sale transaction rather than through continuing use. Further detail on this treatment is contained in Note 1. m) Summary of significant accounting polices.

Following completion of the year-end asset impairment testing, the directors decided to write down the carrying value of "assets held for sale". Reflecting that the Group is engaged in commercially sensitive negotiations in relation to the sale of its assets the directors have determined that the most appropriate basis for determining the carrying value of assets held for sale is to base it on the value ascribed to those assets by securityholders. The Viridis Clean Energy three month VWAP (Volume Weighted Average Price) for the period ended 30 June 2010 was 8.2¢ per security, with net assets on this basis of $16.3 million resulting in an impairment charge of $73.6 million. The directors consider that a three month VWAP is appropriate as securityholders were fully informed of the intention to continue with the asset sale programme for the majority of this period.

Results and review of operations

Results

The net loss after income tax benefit for VCEG for the financial year ended 30 June 2010 was $64.147 million (2009: $13.517 million).

Operations

A summary of the revenues and adjusted EBITDA contributions by segment is given below[1].

	Total revenue		Adjusted EBITDA*	
		Year ended		Year ended
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	$'000	$'000	$'000	$'000
UK Landfill Gas	44,408	54,561	15,190	19,999
Texas Landfill Gas	8,118	9,987	(1,424)	3,389
California Landfill Gas	607	2,981	(1,637)	(104)
Realised gains on FX derivatives	–	–	9,378	6,335
Corporate	150	705	(5,354)	(9,831)
	53,283	68,234	16,153	19,788

* Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is calculated as follows:

Reported EBITDA	(5,285)	29,563
Exclude items included in reported EBITDA:		
• Interest income—other	(103)	(653)
• Unrealised losses on derivatives	5,261	3,595
• Unrealised FX losses/(gains)	14,480	(12,070)
• Transaction costs written-off	487	1,570
• Write-back of Texas maintenance costs accrual	–	(2,217)
• Buyout of management contract (acquisition of Viridis Energy Capital Pty Limited and associated transaction costs)	3,445	–
• Texas spare part credit	(2,132)	–
Adjusted EBITDA[2]	16,153	19,788

1 Does not include any contribution from discontinued operations

2 Refer Note 4 to the financial statements for a reconciliation of Adjusted EBITDA to profit/(loss) before income tax from continuing operations.

UK Landfill Gas

Total production from the portfolio in 2010 was 343,407 MWh (370,210 MWh in 2009). Production levels were impacted by the operating practices of the operations and maintenance contractor, which resulted in lower landfill gas production levels and reduced power plant capacity. Portfolio revenues were $44.408 million (2009: $54.561 million) and the adjusted EBITDA contribution from the portfolio was $15.190 million (2009: $19.999 million). The operating result was impacted by lower production levels and the effect of a strong Australian dollar against the pound sterling, which reduced reported results by approximately 17% on a comparative basis.

Texas Landfill Gas

Production from the portfolio was 121,441 MWh (134,908 MWh in 2009). Production levels were impacted by landfill gas supply interruptions resulting from the landfill operator's gas-field works programme, other unscheduled landfill gas supply interruptions and ongoing work on plant maintenance backlog following a change-out in operations and maintenance contractor. Total revenues for the year were $8.118 million (2009: $9.987 million), driven by lower production levels and a materially lower average power price than in the previous corresponding period. Adjusted EBITDA was a shortfall of $(1.493) million (2009: contribution $3.389 million) reflecting lower revenues and the increased cost associated with the change in operations and maintenance arrangements and operational issues. The effect of a strong Australian dollar against the US dollar decreased reported results approximately 14% on a comparative basis. Adjusted EBITDA excludes income from a spare part credit from the previous operations and maintenance contractor of $2.132 million.

California Landfill Gas

Total production from the portfolio was 12,585 MWh (35,029 MWh in 2009). The 7 MW Penrose facility operated at reduced capacity and was ultimately shut down in October 2009 as a result of an ongoing dispute with the project's major landfill gas supplier. The dispute is currently the subject of arbitration proceedings. Total revenues for the period were $0.607 million (2009: $2.981 million) and the adjusted EBITDA contribution from the portfolio was a shortfall of $1.637 million (2009: shortfall $0.104 million). The operating result was further impacted by reduced year-on-year revenues from the Toyon facility, primarily due to a falling power price, ongoing costs associated with VCEG continuing to meet its Penrose contractual commitments and inventory write downs.

Discontinued operations

Germany Wind

VCEG sold its 82 MW German wind farm portfolio to a European investment fund on 26 November 2009 for €20.2 million ($31.828 million) (equity value).

UK Wind—Ardrossan wind farm

VCEG sold its 49% share in the 30 MW Ardrossan wind farm to SSE Renewables on 21 April 2010 for £13.0 million ($21.712 million) (equity value).

Further information on the sale of discontinued operations is set out in Note 23 to the financial statements.

Investment and finance
At a general meeting of VCEG securityholders held on 19 August 2009 securityholders approved the internalisation of VCEG's management arrangements through the purchase by VCEG of Viridis Energy Capital Pty Limited ("VEC") and its subsidiary entities. On 20 August 2009, 12 million new stapled securities were issued to the owners of VEC at an issue price of $0.23 per stapled security using the cash received as consideration for VCEG's purchase of VEC.

During the reporting period VCEG negotiated an extension to its corporate debt facility to 31 March 2011. The net sale proceeds (post transaction costs) from the sale of the German wind portfolio of $29.0 million and of the Ardrossan wind farm of $20.0 million were applied to pay down the corporate debt facility, leaving a principal amount outstanding on the facility at 30 June 2010 of $12.6 million. Since 30 June 2010 working capital funding has increased debt outstanding on the facility to $13.4 million. The corporate loan facility also includes a letter of credit/bank guarantee of $3.9 million. Provided the corporate lenders are satisfied with the progress of the sale of the US and UK landfill gas businesses and other conditions precedent (including that there is no event of default or potential event of default under the corporate debt facility or UK landfill gas debt facility) VCEG is able to draw further funds under the facility to cover working capital requirements during the sale process and to enable VCEG to fund a £4.1 million capital injection required in the UK landfill gas business by 30 September 2010. If VCEG does not make the UK capital injection by 30 September 2010, this would constitute an event of default under the UK landfill gas debt facility. That breach would in turn constitute a breach of the corporate debt facility, meaning that VCEG may not be able to use the corporate debt facility to fund its working capital requirements.

Pursuant to the terms of the extended facility, on 30 April 2010 VCEG issued 29,853,086 options to the corporate lenders ("the Lenders"), equivalent to 15% of VCEG's issued capital. Each option carries the right to subscribe for one new security in VCEG at an exercise price of 10 cents per option. The options have a 12 month term from the date of issue, and as at the date of this report have not been exercised. The issue of these options was ratified by VCEG securityholders at a general meeting held on 11 June 2010.

If VCEG draws on the facility to fund the capital injection in its UK landfill gas business, then the Lenders will require the issue of a second tranche of options. This second tranche of options would be for a proportion of VCEG's issued capital at the time of drawdown, to be equal to the amount of the drawdown divided by the implied market capitalisation of VCEG at the time, but capped to 15% of the then current issued capital. These options will also have a 12 month term (from the time of issue), and will have an exercise price equal to the 30 day volume weighted average price of VCEG securities ending immediately prior to the drawdown. If VCEG does not draw the facility to fund the UK capital injection the second tranche of options will not be issued.

VCEG has also fully repaid the $7.0 million working capital facility in its UK landfill gas business.

Further details of these facilities are included in Note 18 to the financial statements.

Group Restructure
In June 2010 VCEG implemented a group restructure under which:
- the units in Viridis Clean Energy Trust I ("Trust I") and VCE were unstapled;
- all of the Trust I units were transferred to Viridis Investment Management Limited ("VIML") as responsible entity for VCE (so that Trust I became wholly-owned by VCE);
- new VCE units were issued to securityholders in consideration for the Trust I units; and
- all of the VCE units were consolidated (so that the number of VCE units on issue after the consolidation was the same as the number of units that were on issue prior to the issue of the new VCE units).

The restructure was approved at a general meeting of VCEG securityholders held on 11 June 2010.

Distributions
No distributions were declared during the period ended 30 June 2010. No interim distribution was declared for the six months ended 31 December 2009 (2008: 3.23 cents per stapled security (including a 0.14 cents foreign tax credit component) was paid on 16 February 2009). No final distribution was declared for the period ended 30 June 2010 (2009: nil). The total distribution amount for the reporting period was $nil (2009: $6.037 million).

Directors
Directors of the responsible entity of VCE in office during the reporting period and until the date of this report are:
- Andrew J. Berry (Chairman)
- Walter Pahor
- Edward Northam
(Managing director)
(appointed 28 August 2009)
- Robert Webster
(resigned 13 September 2010)
- Stephen Chipkin
(resigned 28 August 2009)

Further details on each of the directors can be found in the Structure, board and management section of the annual report.

Interests in securities of VCE
The interests in securities issued by VCE held by the responsible entity, directors of the responsible entity and their director-related entities at 30 June 2010 are detailed in Notes 24 and 25 to the financial statements.

Company secretary
The company secretary of the responsible entity in office during the reporting period and until the date of this report is Duncan Jewell.

VCE information
VCE is an Australian-registered managed investment scheme. The registered office of the responsible entity is located at Level One, 167 Flinders Lane, Melbourne, Victoria, 3000.

Securities on issue
At 30 June 2010, there were on issue 199,020,586 securities of VCE and 29,853,086 options over securities in VCE.

Group assets
At 30 June 2010, VCEG held assets to a total value of $139.6 million (2009: $413.4 million). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Fees to the responsible entity and associates

For the year ended 30 June 2010, Viridis Energy Capital Pty Limited was entitled to $166,440 (2009: $1,526,882) in fees as the manager of VCEG's clean energy assets and $174,572 (2009: $907,472) in relation to asset operations management fees prior to the acquisition of VEC by VCEG on 20 August 2009. Under the terms of the investment management agreement, the manager was also entitled to seek reimbursement of certain costs. Costs incurred by the manager on VCEG's behalf, and reimbursed to the manager, totalled $38,523 to 20 August 2009 (2009: $233,851).

There are no fees payable to Viridis Investment Management Limited as responsible entity. The responsible entity is however entitled to seek reimbursement of certain costs. Costs relating to directors' fees that were reimbursed to the responsible entity totalled $15,380 to 20 August 2009 (2009: $114,507). Refer to Note 24. Related party disclosures.

Significant changes in the state of affairs

Refer to the section Principal activities in this directors' report for significant changes in the state of affairs of VCEG.

Events occurring after balance date

On 17 September 2010 VCEG advised that it had entered into exclusive negotiations with a US-based infrastructure fund regarding the sale of VCEG's US landfill gas generation portfolio. At the date of this report negotiations are continuing.

Under the terms of the corporate debt facility VCEG must apply the net proceeds from the sale of its US business to pay down the facility. As at the date of this report the balance outstanding on the facility is A$13.4 million.

No other matters or circumstances, other than those referred to in this report, the financial statements or the notes thereto, have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of VCEG, the results of those operations or the state of affairs of VCEG in future financial years.

Likely developments and expected results

In the opinion of the directors of the responsible entity, the inclusion of information relating to likely developments in the operations of VCEG is likely to prejudice the interests of VCEG and therefore no such information has been included in this report.

Indemnification and insurance of directors and officers

So long as the directors and officers of the responsible entity act in accordance with the constitutions of VCE and the law, the directors and officers remain indemnified out of the assets of VCEG against any losses incurred while acting on behalf of VCEG.

During the financial year, VCEG paid a premium of $112,776 to insure the directors and officers of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

Environmental regulation

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

Auditor's independence declaration

The auditor's independence declaration is included on page 17 of this report.

Rounding of amounts

VCEG is an entity to which ASIC Class Order 98/0100 of 10 July 1996 applies. In accordance with the option available under this class order, the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars where rounding is applicable.

Signed in accordance with a resolution of the directors of Viridis Investment Management Limited as responsible entity of VCE.

A J Berry

Andrew J. Berry
Chairman
Melbourne
30 September 2010

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Auditor's Independence Declaration

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

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

This declaration is in respect of Viridis Clean Energy and the entities it controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
30 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Statement of comprehensive income for the year ended 30 June 2010

	Notes	VCEG 1 July 2009 —30 June 2010 $'000	VCEG 1 July 2008 —30 June 2009 $'000
Revenue from continuing operations			
Operating income	5	53,180	67,581
Interest income—other	5	103	653
Total revenue		**53,283**	**68,234**
Expenses			
Operating expenses	5	(39,799)	(42,570)
Fund expenses		(2,521)	(1,987)
Management fees		(166)	(1,527)
Net gain/(loss) on derivative financial instruments	5	4,117	2,740
Net foreign currency exchange gain/(loss)	5	(16,267)	6,243
Buyout of management contract	22	(3,445)	–
Transaction costs written off		(487)	(1,570)
Earnings before interest expense, tax, depreciation & amortisation		(5,285)	29,563
Depreciation of property, plant and equipment		(5,975)	(7,498)
Amortisation of intangibles		(13,845)	(17,445)
Impairment of assets	12	(73,620)	(8,301)
Earnings before interest expense and tax		(98,725)	(3,681)
Finance costs	5	(22,895)	(18,083)
Net profit/(loss) before income tax		**(121,620)**	**(21,764)**
Income tax benefit/(expense)	6	41,114	5,458
Profit/(loss) from continuing operations		**(80,506)**	**(16,306)**
Profit/(loss) from discontinued operations	23	16,359	2,789
Profit/(loss) for the year		**(64,147)**	**(13,517)**
Other comprehensive income			
Changes in the fair value of cash flow hedges		7,991	(16,005)
Currency translation differences		3,670	3,148
Income tax relating to components of other comprehensive income		(1,426)	4,049
Other comprehensive income for the year, net of tax		**10,235**	**(8,808)**
Total comprehensive income for the year		**(53,912)**	**(22,325)**
Profit/(loss) for the year is attributable to:			
VCE securityholders		(38,436)	(19,349)
Non-controlling interest holders		(25,711)	5,832
		(64,147)	**(13,517)**
Total comprehensive income for the year is attributable to:			
VCE securityholders		(28,201)	(27,857)
Non-controlling interest holders		(25,711)	5,532
		(53,912)	**(22,325)**

	Notes	VCEG 1 July 2009 —30 June 2010 Cents per security	VCEG 1 July 2008 —30 June 2009 Cents per security
Earnings per security for profit from continuing operations attributable to the VCE securityholders			
Basic earnings/(loss)	30	(27.76)	(11.84)
Diluted earnings/(loss)	30	(27.76)	(11.84)
Earnings per security for profit attributable to the VCE securityholders			
Basic earnings/(loss)	30	(19.47)	(10.35)
Diluted earnings/(loss)	30	(19.47)	(10.35)

The accompanying notes form part of the financial statements.

Statement of financial position as at 30 June 2010

	Notes	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Assets			
Current assets			
Cash and cash equivalents	8	10,145	21,036
Trade and other receivables	9	9,747	14,544
Income tax receivable	6	163	554
Derivative financial instruments	10	–	2,030
Other current assets	11	4,046	7,611
Assets classified as held for sale	12	115,538	–
Total current assets		139,639	45,775
Non-current assets			
Trade and other receivables	9	–	531
Investments accounted for using the equity method	13	–	3,126
Property, plant and equipment	15	–	191,749
Derivative financial instruments	10	–	3,340
Intangible assets	16	–	168,426
Other non-current assets	11	–	440
Total non-current assets		–	367,612
Total assets		**139,639**	**413,387**
Liabilities			
Current liabilities			
Trade and other payables	17	14,665	22,786
Interest-bearing liabilities	18	95,408	23,874
Provisions	19	3,542	–
Derivative financial instruments	10	9,704	449
Total current liabilities		123,319	47,109
Non-current liabilities			
Interest-bearing liabilities	18	–	239,261
Derivative financial instruments	10	–	6,675
Deferred tax liabilities	6	–	48,290
Provisions	19	–	5,498
Total non-current liabilities		–	299,724
Total liabilities		**123,319**	**346,833**
Net assets		**16,320**	**66,554**
Equity			
Contributed equity	20	174,010	171,250
Reserves	21	2,742	(8,411)
Retained earnings/(loss)		(160,432)	(96,285)
Total equity		**16,320**	**66,554**
Attributable to:			
Unitholders of VCE		16,320	(41,801)
Minority interests		–	108,355
Total		**16,320**	**66,554**

Statement of changes in equity for the year ended 30 June 2010

	Contributed equity $'000	Retained profits $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Security option reserve $'000	Total $'000
VCEG						
Balance as at 30 June 2008	**171,250**	**(76,731)**	**5,391**	**(4,994)**	**–**	**94,916**
Total comprehensive income for the period	**–**	**(13,517)**	**(11,956)**	**3,148**	**–**	**(22,325)**
Transactions with owners in their capacity as owners						
Distribution paid and declared	–	(6,037)	–	–	–	(6,037)
	–	**(6,037)**	**–**	**–**	**–**	**(6,037)**
Balance as at 30 June 2009	**171,250**	**(96,285)**	**(6,565)**	**(1,846)**	**–**	**66,554**
Total comprehensive income for the period	**–**	**(64,147)**	**6,565**	**3,670**	**–**	**(53,912)**
Transactions with owners in their capacity as owners						
Issue of capital	2,760	–	–	–	–	2,760
Issue of options	–	–	–	–	918	918
	2,760	**–**	**–**	**–**	**918**	**3,678**
Balance as at 30 June 2010	**174,010**	**(160,432)**	**–**	**1,824**	**918**	**16,320**

The accompanying notes form part of the financial statements.

Statement of cash flows for the year ended 30 June 2010

	VCEG 1 July 2009 —30 June 2010 $'000	VCEG 1 July 2008 —30 June 2009 $'000
Cash flows from operating activities		
Receipts from customers	69,556	94,828
Payments to suppliers	(52,010)	(62,089)
Derivative receipts	9,378	6,335
Interest received	139	3,265
Interest paid	(10,092)	(21,414)
Dividends received from equity accounted investment	2,743	3,757
Finance costs paid	(1,586)	(2,321)
Income tax received/(paid)	380	(271)
Net cash flows from operating activities	**18,508**	**22,090**
Cash flows from investing activities		
Payment for purchase of wholly owned subsidiaries, net of cash acquired	(3,256)	–
Proceeds from sale of German wind farm portfolio, net of cash on disposal	21,554	–
Proceeds from sale of Ardrossan	20,187	–
Purchase of property, plant and equipment	(5,336)	(4,296)
Loans to related parties	–	(2,640)
Repayment of loans—related parties	–	21,596
Purchase of other non-current assets	–	(15)
Net cash flows from investing activities	**33,149**	**14,645**
Cash flows from financing activities		
Proceeds from issue of units	2,760	–
Proceeds from borrowings from external parties	–	86,920
Repayment of borrowings from external parties	(62,495)	(121,076)
Distributions paid by VCET I	–	(14,856)
Net cash flow from financing activities	**(59,735)**	**(49,012)**
Net increase/(decrease) in cash assets held	**(8,078)**	**(12,277)**
Cash at the beginning of the period	21,036	33,230
Effects of exchange rate changes on cash and cash equivalents	(2,813)	83
Cash at the end of the period—Note 8.	**10,145**	**21,036**

The accompanying notes form part of the financial statements.

Notes to the financial statements for the year ended 30 June 2010

1. Summary of significant accounting policies

The financial report for the Viridis Clean Energy Group ("VCEG") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors of the responsible entity on 27 August 2010.

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

a) Incorporation

On 11 June 2010 the securityholders of VCEG approved a restructure of the Group. Until 24 June 2010, VCEG consisted of two stapled Australian registered managed investment schemes, Viridis Clean Energy Trust I ("VCET I") and Viridis Clean Energy ("VCE"). VCET I and VCE were established on 15 July 2005 and 19 January 2004 respectively as unit trusts and were subsequently registered as managed investment schemes under the Corporations Act 2001 on 1 August 2005. The restructure implemented on 24 June 2010 involved the de-stapling of VCET I from VCE by a process under which VCE acquired VCET I, such that VCET I became a wholly-owned subsidiary entity of VCE.

Viridis Investment Management Limited ("VIML") is the responsible entity for VCE. The responsible entity has an experienced board currently consisting of four directors, two of whom are independent external directors. One of the independent directors is the chairman. The independent chairman has a casting vote. On 19 August 2009 the securityholders of VCEG approved the acquisition of all of the shares of the manager, Viridis Energy Capital Pty Limited ("VEC"), which is the ultimate parent entity of the responsible entity. The consideration payable to the owners of VEC, including the Investec Group, was $2.76 million, which was used to subscribe for 12 million stapled securities at an issue price of $0.23 per stapled security.

b) Constitution

VCE was established under a constitution dated 19 January 2004.

c) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Equivalents to International Financial Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group (UIG). The financial report has been prepared on a historical cost and accrual basis, except for derivative financial instruments, which have been measured at fair value. In the prior year VCEG applied AASB Interpretation 1002 "Post-Date-of-Transition Stapling Arrangements" in the preparation of its financial statements. VCE was identified as the parent entity of VCEG with the results of VCETI included as minority interest in the consolidated financial statements. Other than changes to the internal structure of VCEG, there is no impact on VCEG as a result of the Group restructure, and as such it is appropriate to present the consolidated financial statements of VCE as a continuation of VCEG.

VCEG has a corporate loan facility which is repayable in full by 31 March 2011. At 30 June 2010 the amount drawn on the facility was $12.6 million. Since 30 June 2010 working capital funding has increased debt outstanding on the facility to $13.4 million. The corporate loan facility also includes a letter of credit/bank guarantee of $3.9 million. Provided the corporate lenders are satisfied with the progress of the sale of the US and UK landfill gas businesses and other conditions precedent (including that there is no event of default or potential event of default under the corporate debt facility or UK landfill gas debt facility) VCEG is able to draw further funds under the facility to cover working capital requirements during the sale process and to enable VCEG to fund a £4.1 million capital injection required in the UK landfill gas business by 30 September 2010 under the terms of the UK landfill gas project debt facility. If VCEG does not make the UK capital injection by 30 September 2010, this would constitute an event of default under the UK landfill gas debt facility. That breach would in turn constitute a breach of the corporate debt facility, meaning that VCEG may not be able to use the corporate debt facility to meet its working capital requirements.

VCEG is in negotiations to sell its US landfill gas generation portfolio.

The directors have been pursuing a sale of the UK landfill gas business. At this stage VCEG has not received an executable proposal for the sale of the business and the directors consider that it is unlikely that an executable sale proposal will be received for the UK business in the near-term. Due to the requirement to contribute capital to the UK landfill gas business by 30 September 2010 and uncertainty around the ongoing availability of the corporate debt facility, the directors are pursuing other options for meeting VCEG's near-term commitments, including commencing discussions with the UK banking group about re-scheduling the UK project debt and equity injection requirement and seeking alternative funding avenues in the event that the corporate facility is not able to be drawn. The UK banking group is proposing to grant a waiver from the requirement to contribute capital to the UK business for the period to 29 October 2010 so as to provide additional time to progress these discussions. During the waiver period VCEG will not be able to withdraw proceeds from the UK business.

The directors consider that discussions with the UK banking group have been progressing well and that a positive outcome to those discussions is achievable. VCEG currently has sufficient working capital for the period until 30 October 2010. The directors consider that discussions are progressing well with the corporate lenders in respect of the provision of further working capital funding for the period post 30 October 2010. In addition, discussions are progressing in respect of access to working capital from alternative funding avenues. These activities and associated discussions are ongoing. At this stage, the outcome remains uncertain.

The directors consider it appropriate to prepare the accounts on a going concern basis. However, as the outcome of the activities and associated discussions described above is not presently known, there remains significant uncertainty as to whether VCEG can negotiate a further extension to the capital injection waiver received from the UK banking group and secure future working capital funding through its corporate loan facility and therefore whether VCEG will continue as a going concern or realise its assets or settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

d) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

A summary of the significant accounting policies of VCEG under AIFRS are disclosed within Note 1.

Standards, interpretations and amendments to be published that are not yet effective.

Certain new and amended accounting standards and UIG interpretations have been published that are not mandatory for VCEG for the 30 June 2010 accounting period. VCEG's assessment of the impact of these new standards and interpretations is set out below.

- AASB 2009-8: Amendments to Australian Accounting Standards—Group Cash-settled Share-based Payment Transactions [AASB2]

AASB 2009-8 is applicable to annual reporting periods beginning on or after 1 January 2010. The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured; that is, whether it is measured as an equity—or a cash-settled transaction. VCEG will adopt AASB 2009-8 in the annual reporting period beginning 1 July 2010. It is expected there will be no material impact on the financial statements.

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9

The revised AASB 9 Financial Instruments and AASB 2009-11 are applicable to annual reporting periods beginning on or after 1 January 2013. AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. VCEG is yet to assess its full impact. VCEG has not yet decided when to adopt AASB 9.

- Revised AASB 124: Related Party Disclosures and AASB 2009-12: Amendments to Australian Accounting Standards

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. VCEG will apply the amended standard from 1 July 2011. When the amendments are applied, VCEG and VCE will need to disclose any transactions between its subsidiaries and its associates. No financial impact is expected due to the amendment on the related party disclosures.

Standards, interpretations and amendments that became effective this year

- AASB 8: Operating Segments and AASB 2007–3: Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007 –3 are applicable to annual reporting periods beginning on or after 1 January 2009. VCEG has assessed its impact for the year ended 30 June 2010. VCEG has adopted AASB 8, which has made a significant change to its approach to segment reporting by adopting management's approach to reporting on the financial performance. The information being reported is based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The adoption of AASB 8 has resulted in different segments and different types of information being reported in the segment note of the financial report. However, it has not affected any of the amounts recognised in the financial statements.

- Revised AASB 123: Borrowing Costs and AASB 2007 –6: Amendments to Australian Accounting Standards arising from AASB 123

The revised AASB 123 is applicable to annual reporting periods beginning on or after 1 January 2009. VCEG has assessed its impact for the year ended 30 June 2010. It has removed the option to expense all borrowing costs and requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This is consistent with the current group accounting policy and therefore there has been no impact on the financial statements.

• Revised AASB 101: Presentation of Financial Statements
The revised AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2009. VCEG has assessed its impact for the year ended 30 June 2010. VCEG has presented a statement of comprehensive income and altered the statement of changes in equity. It has not affected any of the amounts recognised in the financial statements. If, in the future, VCEG makes a prior-period adjustment or a reclassification of items in the financial statements, it will also need to disclose a third balance sheet, this one being as at the beginning of the comparative period.

e) Comparative information

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

f) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by VCEG, being Viridis Clean Energy Group and its wholly owned subsidiaries as at 30 June 2010. The effects of all transactions between entities in VCEG are eliminated in full.

Subsidiaries are all those entities over which VCEG has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether VCEG controls another entity.

Where control of an entity is obtained during a financial year, its results are included in the statement of comprehensive income from the date on which control begins. Where control of an entity ceases during a financial year, its results are included for that part of the period during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The results of VCET I, until its acquisition by VCE on 24 June 2010, are included as minority interest in the consolidated financial statements.

g) Segment reporting

In accordance with AASB 8: Operating Segments, management has determined the operating segments based on the reports reviewed by the board of directors. These strategic decision makers identified the reportable segments from both a product and a geographic perspective.

h) Revenue and expense recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to VCEG and the income can be reliably measured. Amounts disclosed as income are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before income and expenses are recognised.

Operating revenue
Operating revenue is recognised when the electricity is produced and title is passed. Revenue in respect of sales contracts deemed to be operating leases, in line with UIG 4: Determining Whether an Arrangement Contains a Lease, is recognised when electricity is produced.

Interest income
Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Interest expense
Interest expense represents interest payable on borrowings and is recognised as it accrues, using the effective interest method.

Financing costs
Loan arrangement and other fees incurred on the issuance of debt are amortised over the lower of the term of the loans to which they relate and the expected period of benefit, based on the effective interest method. Other finance costs are recognised as an expense when incurred.

Fund management and other expenses
Fund management and other expenses are brought to account on an accrual basis. The responsible entity is entitled under the constitutions to be reimbursed for certain expenses incurred in administering VCEG. The basis on which the expenses are reimbursed is defined in VCEG's constitutions. Refer to Note 24. Related party disclosures.

Realised and unrealised gains/(losses)
Gains and losses on derivative financial instruments and foreign currency exchange gains and losses are treated as realised when cash is received or paid, whereas unrealised gains and losses represent fair value movements.

i) Share-based payments

The options issued to the corporate lenders are equity settled share-based payments. The initial fair value is recognised at grant date as finance costs.

The rights issued to the managing director and chief financial officer are cash-settled share-based payments. The initial fair value and subsequent movements in the fair value are recognised as an employee benefits expense.

j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash includes cash and cash equivalents as defined above.

k) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that VCEG will not be able to collect the debts. Bad debts are written off when identified.

l) Inventories

Spares are stated at the lower of cost and net realisable value. Costs are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

m) Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probably and likely to occur in the next 12 months. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

n) Investments in associates

Associates are all entities over which VCEG has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting after initially being recognised at cost. VCEG's investment in associates includes intangible assets (net of amortisation) identified on acquisition (refer to Note 13. Investments in associates).

Significant influence exists where an investor has the power to participate in the financial and operating policy decisions of the investees but does not have control over those policies.

o) Property, plant and equipment

Plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their remaining expected useful lives, as follows:

Landfill gas assets	5 to 20 years
Wind farm assets	20 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1. q) Impairment of assets).

p) Business combinations

The purchase method of accounting is used for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of VCEG's share of the identifiable net assets (including intangible assets) acquired is recorded as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment annually (or more frequently if events or changes in circumstances indicate that it might be impaired) and is carried at cost less accumulated impairment losses.

q) Impairment of assets

At each reporting date, VCEG assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, VCEG makes a formal estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in those expense categories consistent with the type of impaired asset.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

r) Intangible assets

Identifiable intangible assets acquired separately are capitalised at cost and for business combination purposes are capitalised at fair value as at the date of acquisition, which is the asset cost.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the "amortisation of intangibles" line item.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. The policies applied to VCEG's intangible assets are summarised below.

s) Trade and other payables

Trade and other payables are carried at fair value and represent liabilities for goods and services provided to VCEG before the end of the period that are unpaid and arise when VCEG becomes obliged to make future payments in respect of the purchase of these goods and services.

t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value being the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

u) Provisions

Provisions are recognised when VCEG has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Decommissioning provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

Distribution provision

Provisions for distributions are recognised when declared by the responsible entity of VCEG.

v) Deferred income

Deferred income represents prepaid contracts made with customers. Income is brought to account over the period of the contracts.

w) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of VCEG's subsidiary entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is VCE's functional and presentation currency. Exchange differences arising from intra-group monetary items are recognised in the income statement.

Transactions

Foreign currency transactions are initially translated at the rate of exchange at the date of the transaction. At balance sheet date amounts payable and receivable in foreign currencies are translated at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year except when hedging specific forecast transactions. Also refer to Note 1. dd).

Translation of financial statements of foreign operations

The results and financial position of all VCEG's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date.
- Income and expenses are translated at average exchange rates for the month.
- All other exchange differences are recognised in the foreign currency translation reserve.

x) Contributed equity

Units in VCEG are classified as contributed equity.

Costs (net of income tax) directly attributable to the issue of new units are shown in equity as a deduction from the proceeds.

	Contracts—fuel	**Contracts—power purchase**
Useful life	Finite	Finite
Amortisation method used	• Lesser of term of site agreements or life of fuel resource • Straight line over 6 to 20 years	• Remaining term of power purchase agreement • Straight line over up to 20 years
Acquired/ Internally generated	Acquired	Acquired
Impairment test	• Amortisation method reviewed at each financial year end • Reviewed annually for impairment indicators	• Amortisation method reviewed at each financial year end • Reviewed annually for impairment indicators

y) Distributions

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

z) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit are calculated by dividing the profit attributable to unit holders of VCE by the weighted average number of units outstanding during the financial year.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of the basic earnings per unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential units.

aa) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Income taxes relating to items recognised directly in reserves are recognised in reserves and not in the income statement.

bb) Other taxes

Goods and Services Tax (GST) and Value Added Tax (VAT)

Income, expenses and assets are recognised net of the amount of GST/VAT (where applicable) except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

cc) Financial instruments issued by VCEG

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

dd) Derivative financial instruments

VCEG uses derivative financial instruments such as interest rate swaps and forward foreign currency contracts to economically hedge its exposure to interest rate risks and foreign exchange risks arising from operational, financing and investment activities. VCEG does not speculatively trade in derivative financial instruments. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The fair value of interest rate swaps and forward foreign currency contracts is determined by reference to the fair value as advised by the counterparty to the contract, which has been verified by management against observable market-based data, based on applying a discounted cash flow analysis.

Derivative financial instruments are initially recognised at their fair value on the date when a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument.

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

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

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within interest expense.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The forward foreign currency contracts have not been designated as cash flow hedges and do not qualify for hedge accounting. Changes in the fair value of the forward foreign currency contracts are recognised immediately in the income statement.

The fair value of various derivative financial instruments is disclosed in Note 10. Derivative financial instruments. Movements in the hedging reserve are shown in Note 21. Reserves.

ee) Operating leases

VCEG has various contracts which are categorised as leases under UIG 4: Determining Whether an Arrangement Contains a Lease. However, the amounts under the leases are dependent on future production volumes, and it is therefore not feasible to quantify these amounts for disclosure purposes.

ff) Rounding

VCEG is an entity to which ASIC Class Order 98/0100 applies. In accordance with the option available under this class order, the amounts contained in the financial report have been rounded to the nearest thousand dollars where rounding is applicable.

gg) Parent entity financial information

The financial information for the parent entity, Viridis Clean Energy, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Viridis Clean Energy.

2. Critical accounting estimates and judgements

The preparation of the financial report in accordance with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. 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 the preparation of the financial report are reasonable. Actual results in future periods may differ from those reported.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation assessments (impairment)

Management has performed impairment tests on VCEG's assets held for sale.

Management valued the assets based on the fair value less costs to sell and concluded that it was appropriate to record an impairment on assets held for sale. In reaching this conclusion management calculated values using the Viridis Clean Energy 3 month VWAP (Volume Weighted Average Price) for the period ended 30 June 2010 of 8.2¢ per security. The decision to use a VWAP reflects that the Group is engaged in commercially sensitive negotiations in relation to the sale of assets, and accordingly the carrying value of assets held for sale is that value ascribed by securityholders.

The total impairment charge of $73.6 million is included as the separate line item 'Impairment of assets' in the Statement of Comprehensive Income with net assets on this basis of $16.3 million.

The table below demonstrates a range of impairment scenarios based on different duration VWAP.

Period ended 30 June 2010	Cents per security	Impairment Amount A$'m	Net Assets A$'m
3 month VWAP	8.2	73.6	16.3
6 month VWAP	9.2	71.6	18.3
9 month VWAP	10.9	68.2	21.7
12 month VWAP	14.3	61.4	28.5
As at 30 June 2010	4.9	80.1	9.8
As at 24 September 2010	1.4	87.1	2.8

Decommissioning provisions

Decommissioning provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

3. Financial risk management

VCEG's activities expose it to a variety of risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. VCEG's overall risk management programme seeks to minimise potential adverse effects on the financial performance of VCEG.

VCEG enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward exchange contracts to manage the foreign currency risk associated with sale of businesses that are denominated in foreign currencies
- forward exchange contracts to manage the foreign currency risk associated with anticipated distributions including intercompany loan principal and interest payments, denominated in foreign currencies from subsidiaries and associates
- interest rate swaps and fixed rate loans to mitigate the risk of rising interest rates.

VCEG does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk management is carried out by the manager under policies approved by the board of directors of the responsible entity. Management identifies, evaluates and economically hedges financial risks in line with its risk management policy. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange and interest rate risks and use of derivative financial instruments.

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

The financial instruments held by VCEG are as follows.

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Financial assets		
Cash and cash equivalents	4,986	11,974
Trade and other receivables	9,226	14,544
Restricted deposits	5,159	9,062
Prepaid expenses	1,458	6,148
Foreign currency forward contracts	–	5,370
	20,829	**47,098**
Financial liabilities		
Trade and other payables	14,665	22,786
Bank loans	95,408	263,135
Foreign currency forward contracts	–	109
Interest rate swaps	9,704	7,015
	119,777	**293,045**

The sensitivity of these balances to movements in the underlying risk factors is quantified in the tables in the Summarised sensitivity analysis section below.

a) Market risk

(i) Currency risk

VCEG undertakes certain transactions denominated in foreign currencies and is exposed to fluctuations in exchange rates. The Group enters into forward currency exchange contracts and other arrangements to economically hedge the rate at which foreign currency distributions are converted into Australian dollars, for periods up to seven years. These forward foreign currency exchange contracts are economic hedges but are not designated as hedges and do not satisfy the requirements for hedge accounting. The contracts are subject to the same risk management policies as all other derivative contracts however they must be accounted for as held for trading. During the period all foreign currency contracts were closed out reflecting a change in forecast currency receipts.

Under certain circumstances, VCEG may also hedge its foreign currency capital commitments; for example when it has entered into a binding commitment to sell an asset but not completed the transaction.

The following table details the forward foreign currency contracts outstanding as at the balance sheet date:

Outstanding contracts	Average exchange rate 2010	Average exchange rate 2009	Foreign currency 2010 FC'000	Foreign currency 2009 FC'000	Contract value 2010 $'000	Contract value 2009 $'000	Fair value 2010 $'000	Fair value 2009 $'000
Sell Euros								
Less than 12 months	–	0.5519	–	2,079	–	3,767	–	127
1 year to 2 years	–	0.5627	–	1,657	–	2,945	–	(24)
2 years to 3 years	–	0.5849	–	1,585	–	2,887	–	(29)
3 years to 4 years	–	0.5356	–	1,477	–	2,758	–	(39)
4 years to 5 years	–	0.5174	–	1,023	–	1,977	–	(14)
Sell GB Pounds								
Less than 12 months	–	0.4000	–	3,488	–	8,721	–	1,445
1 year to 2 years	–	0.3971	–	3,388	–	8,533	–	1,303
2 years to 3 years	–	0.3948	–	3,351	–	8,487	–	1,137
3 years to 4 years	–	0.3931	–	1,345	–	3,423	–	407
Sell US Dollars								
Less than 12 months	–	0.7358	–	3,931	–	5,343	–	455
1 year to 2 years	–	0.7296	–	4,862	–	6,664	–	452
2 years to 3 years	–	0.7379	–	954	–	1,293	–	41
					–	**56,798**	**–**	**5,261**

The unrealised gains/(losses) in relation to the above contracts have been recognised in the income statement as these contracts do not satisfy the requirements for hedge accounting.

The international operations of VCEG trade in the local currency of their operation, which is their functional currency; therefore they are not exposed to any material exchange risk as a result of their operations. However, some subsidiaries have non-local currency loans with other VCEG companies that give rise to foreign exchange gains and losses in the income statement, both locally and at a VCEG level. The following table shows the Group's main exposures to foreign currency risk of this type as at the balance sheet date.

VCEG	2010	2009
Non-local currency loans		
Australian dollar loans to US dollar functional currency entities—A$'000	26,022	25,811
Australian dollar loans to Euro functional currency entities—A$'000	58,191	99,139
Pounds sterling loans from Euro functional currency entities—GBP'000	31,207	31,207

(ii) Interest rate risk
VCEG is exposed to adverse interest rate movements where funds are borrowed at a floating interest rate or the Group has not implemented hedging arrangements (for example, working capital facilities). VCEG's interest rate risk arises from term borrowings at variable interest rates. Borrowings made at variable rates expose the Group to cash flow interest rate risk. VCEG currently uses interest rate swaps and fixed rate loans to manage exposure to adverse interest rate movements. While VCEG intends to hedge interest rate exposures on its term facilities, any interest rate hedging has a limited term and there is no guarantee that future hedging arrangements will achieve the desired outcome.

VCEG is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

VCEG had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2010		30 June 2009	
	Weighted average interest rate* %	Balance $'000	Weighted average interest rate* %	Balance $'000
VCEG				
Bank loans	1.09	96,588	2.40	196,865
Interest rate swaps (notional principal amount)	4.91	(84,016)	4.71	(125,518)
Net exposure to cash flow interest rate risk		**12,572**		**71,347**

* Excludes margin

An analysis by maturities is provided in c) below.

Interest rate swap contracts
Under interest rate swap contracts, VCEG agrees to exchange the differences between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable VCEG to mitigate the risk of changing interest rates on debt held. The fair values of interest rate swaps are based on market values of equivalent instruments at the balance sheet date and are disclosed below. VCEG has adopted hedge accounting for interest rate swaps. Any unrealised gains or losses are recognised in equity.

3. Financial risk management—continued

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the balance sheet date of VCEG.

VCEG Outstanding floating (EURIBOR) for fixed contracts maturity date	Average contracted fixed interest rate 2010 %	 2009 %	Notional principal amount 2010 €'000	 2009 €'000	 2010 €'000	Fair value 2009 €'000
Less than 12 months	–	3.70	–	1,242	–	(41)
1 year to 2 years	–	3.70	–	1,273	–	(42)
2 years to 3 years	–	3.70	–	1,304	–	(43)
3 years to 4 years	–	3.70	–	1,338	–	(44)
4 years to 5 years	–	3.70	–	1,375	–	(45)
5 years +	–	3.70	–	5,677	–	(185)
			–	**12,209**	**–**	**(400)**

VCEG Outstanding floating (LIBOR) for fixed contracts maturity date	Average contracted fixed interest rate 2010 %	 2009 %	Notional principal amount 2010 £'000	 2009 £'000	 2010 £'000	Fair value 2009 £'000
Less than 12 months	4.91	4.91	2,915	3,008	(337)	(182)
1 year to 2 years	4.91	4.91	3,594	2,915	(415)	(177)
2 years to 3 years	4.91	4.91	3,331	3,594	(385)	(218)
3 years to 4 years	4.91	4.91	3,483	3,331	(402)	(202)
4 years to 5 years	4.91	4.91	4,331	3,483	(500)	(211)
5 years +	4.91	4.91	30,118	34,449	(3,478)	(2,088)
			47,772	**50,780**	**(5,517)**	**(3,078)**

The following table details the notional principal amounts and remaining terms of fixed interest rate loans outstanding as at the balance sheet date.

	Average contracted fixed interest rate 2010 %	 2009 %	Notional principal amount 2010 €'000	 2009 €'000	 2010 €'000	Fair value 2009 €'000
Less than 12 months	–	3.70	–	3,673	–	(104)
1 year to 2 years	–	3.71	–	3,752	–	(107)
2 years to 3 years	–	3.72	–	3,835	–	(110)
3 years to 4 years	–	3.73	–	3,922	–	(114)
4 years to 5 years	–	3.74	–	4,014	–	(117)
5 years +	–	3.70	–	20,266	–	(580)
			–	**39,462**	**–**	**(1,132)**

(iii) Price risk

While VCEG has entered into contracts to sell energy output, these contracts differ in their duration. When these contracts expire, VCEG will be exposed to future market prices and will implement alternative sales arrangements based on market conditions at the time.

Summarised sensitivity analysis

The following tables summarise the sensitivity to currency risk and interest rate risk of the financial assets and liabilities of VCEG. Management considers sensitivities of 10% for currency risk and 1% for interest rate risk to be reasonable for the purposes of this analysis, however, fluctuations may be lesser or greater than this in any given year.

Currency risk	Carrying amount $'000	–10% Profit $'000	VCEG +10% Profit $'000
30 June 2010			
Financial assets			
Cash and cash equivalents	4,986	357	(292)
Trade and other receivables	9,226	1,025	(839)
Restricted deposits	5,159	573	(469)
Financial liabilities			
Trade and other payables	(14,264)	(1,544)	1,263
Bank loans	(95,408)	(18,561)	15,186
Non-local currency inter-company loans	–	15,455	(12,645)
Interest rate swaps	(9,704)	(1,078)	882
Total increase/(decrease)		**(3,773)**	**3,086**
30 June 2009			
Financial assets			
Cash and cash equivalents	11,974	1,157	(947)
Trade and other receivables	14,544	1,615	(1,322)
Restricted deposits	9,062	1,007	(824)
Foreign currency forward contracts	5,370	(4,067)	3,327
Financial liabilities			
Trade and other payables	(22,786)	(2,393)	1,958
Bank loans	(263,135)	(22,535)	18,438
Non-local currency inter-company loans	–	20,999	(17,181)
Foreign currency forward contracts	(109)	(1,231)	1,007
Interest rate swaps	(7,015)	(779)	638
Total increase/(decrease)		**(6,227)**	**5,094**

Interest rate risk

		VCEG			
			–1%		+1%
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2010					
Financial assets					
Cash and cash equivalents	4,986	(50)	–	50	–
Trade and other receivables	9,226	–	–	–	–
Restricted deposits	5,159	(51)	–	51	–
Financial liabilities					
Trade and other payables	(14,264)	–	–	–	–
Bank loans	(95,408)	954	–	(954)	–
Interest rate swaps	(9,704)	(828)	(3,169)	828	3,169
Total increase/(decrease)		**25**	**(3,169)**	**(25)**	**3,169**
30 June 2009					
Financial assets					
Cash and cash equivalents	11,974	(120)	–	120	–
Trade and other receivables	14,544	–	–	–	–
Restricted deposits	9,062	(91)	–	91	–
Foreign currency forward contracts	5,370	–	–	–	–
Financial liabilities					
Trade and other payables	(22,786)	–	–	–	–
Bank loans	(263,135)	1,907	–	(1,907)	–
Foreign currency forward contracts	(109)	–	–	–	–
Interest rate swaps	(7,015)	(1,215)	(6,531)	1,215	6,531
Total increase/(decrease)		**481**	**(6,531)**	**(481)**	**6,531**

b) Credit risk (counterparty and contractual)

The long-term financial performance of VCEG is partially dependent on the creditworthiness of counterparties to energy purchase arrangements, fuel supply and operations and maintenance contracts. Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to VCEG.

Trade and other receivables consist of a number of customers spread across diverse industries and geographical areas. Credit risk is actively managed by VCEG along the following lines

- Ongoing credit evaluation is performed on the financial condition of accounts receivable.
- The terms and conditions under which sales are made are documented.
- VCEG deals with creditworthy counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents VCEG's maximum exposure to credit risk.

VCEG has no significant concentration of credit risk.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities. VCEG manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Management aims at maintaining flexibility in funding by keeping committed credit lines available. During the reporting period VCEG refinanced the corporate debt facility through to March 2011. However VCEG considers that a further refinancing of the full amount at that time is unlikely to be achievable on satisfactory terms and conditions. VCEG therefore plans to retire the facility in advance of the maturity date from the proceeds of the asset sales programme the Group is currently undertaking.

Financing arrangements

VCEG had access to the following undrawn borrowing facilities.

VCEG	2010 $'000	2009 $'000
Floating rate		
• Expiring within one year (bank loans)	13,035	–
• Expiring beyond 5 years	–	3,152
	13,035	**3,152**

Full details of the terms of these facilities are included in Note 18. Interest-bearing liabilities.

Maturity of financial liabilities

The tables below classify the financial liabilities and the net and gross settled derivative financial instruments of VCEG consolidated and entity according to maturity groupings based on the period remaining from the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates at the reporting date.

	Less than 6 months $'000	Between 6 and 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/liabilities $'000
VCEG—At 30 June 2010							
Non-derivatives							
Non-interest bearing	14,264	–	–	–	–	14,264	14,264
Variable rate	5,917	18,147	11,214	36,683	56,789	128,750	95,408
Fixed rate	–	–	–	–	–	–	–
Total non-derivatives	**20,181**	**18,147**	**11,214**	**36,683**	**56,789**	**143,014**	**109,672**
Derivatives							
Net settled derivatives	**298**	**299**	**746**	**2,367**	**6,527**	**10,237**	**9,704**
VCEG—At 30 June 2009							
Non-derivatives							
Non-interest bearing	22,786	–	–	–	–	22,786	22,786
Variable rate	24,395	14,594	77,548	47,314	93,886	257,737	194,486
Fixed rate	4,849	4,806	9,481	27,395	42,203	88,734	68,649
Total non-derivatives	**52,030**	**19,400**	**87,029**	**74,709**	**136,089**	**369,257**	**285,921**
Derivatives							
Net settled derivatives	224	226	450	1,627	5,124	7,651	7,015
Gross settled							
• (inflow)	(8,283)	(9,541)	(18,141)	(20,827)	–	(56,792)	(5,261)
• outflow	7,316	8,449	16,312	19,124	–	51,201	–
Net gross settled derivatives	**(967)**	**(1,092)**	**(1,829)**	**(1,703)**	**–**	**(5,591)**	**(5,261)**

Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by VCEG is the current bid price.

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

As of 1 July 2009, VCEG has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Interest rate swaps are disclosed in line with level 2 above. Refer Note 10. Derivative financial instruments.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate with the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. VCEG uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

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

4. Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors. These strategic decision makers identified the reportable segments from both a product and a geographic perspective. Since the divestment of the Germany and UK wind assets on 26 November 2009 and 21 April 2010 respectively, the reportable segments consist of three LFG assets; UK LFG, Texas LFG and California LFG. Other segments, which are not reportable segments as they are not separately included in the reports provided to the strategic decision makers, relate to the head office functions in Australia and the holding company in Denmark. Information on the discontinued Germany wind segment is provided in Note 23. Discontinued Operations. The following table presents revenue and profit information regarding the geographic segments for the years ended 30 June 2009 and 30 June 2010. The strategic decision makers do not review asset and liabilities and other financial items at a segmental level.

	UK LFG $'000	Texas LFG $'000	California LFG $'000	All other segments $'000	Total $'000
2010					
Revenue					
Sales to external customers	44,315	5,101	569	–	49,985
Other revenues from external customers	93	3,017	38	47	3,195
Total segment revenue	44,408	8,118	607	47	53,180
Interest income—other					103
Total revenue					53,283
Results					
Adjusted EBITDA	**15,190**	**(1,424)**	**(1,637)**	**4,024**	**16,153**
2009					
Revenue					
Sales to external customers	54,454	9,987	2,981	–	67,422
Other revenues from external customers	107	–	–	52	159
Total segment revenue	54,561	9,987	2,981	52	67,581
Interest income—other					653
Total revenue					68,234
Results					
Adjusted EBITDA	**19,999**	**3,389**	**(104)**	**(3,496)**	**19,788**

4. Segment information—continued

The strategic decision makers assess the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as transaction costs written-off, unrealised gains and losses on derivatives and foreign exchange, and the non-cash depreciation and amortisation expense. Interest income and expense are not allocated to segments.

A reconciliation of adjusted EBITDA to operating profit/(loss) before income tax is provided as follows:

	30 June 2010 $'000	30 June 2009 $'000
Adjusted EBITDA	**16,153**	**19,788**
Interest income—other	103	653
Unrealised (losses) on derivatives	(5,261)	(3,595)
Unrealised fx (losses)/gains	(14,480)	12,070
Transaction costs written off	(487)	(1,570)
Write-back of Texas maintenance costs accrual	–	2,217
Buyout of management contract	(3,445)	–
Texas spare part credit	2,132	–
Depreciation, amortisation and impairment expense	(93,440)	(33,244)
Cessation of hedge accounting of interest rate swaps	(9,704)	–
Finance costs	(13,191)	(18,083)
Profit/(loss) before income tax from continuing operations	**(121,620)**	**(21,764)**

5. Income and expenses

a) Revenue

Total revenue includes the following significant revenue

	VCEG 1 July 2009 —30 June 2010 $'000	VCEG 1 July 2008 —30 June 2009 $'000
Operating income from		
Landfill gas projects	49,985	67,422
Other revenue	3,195	159
	53,180	**67,581**
Interest income—other from		
Other parties	103	653
	103	**653**

Operating revenue represents electricity sales for landfill gas projects. Operating revenue includes $34.714 million (2009: $44.661 million) from contingent rentals for sales contracts deemed to be operating leases.

b) Expenses

Profit/(loss) before income tax includes the following significant expenses:

	VCEG 1 July 2009 —30 June 2010 $'000	VCEG 1 July 2008 —30 June 2009 $'000
Royalty expenses	16,640	21,004
Operations and maintenance costs	13,502	13,709
Net gain/(loss) on derivative financial instruments		
Realised	9,378	6,335
Unrealised	(5,261)	(3,595)
	4,117	**2,740**
Net foreign currency exchange gain/(loss)		
Realised	(1,787)	(5,827)
Unrealised	(14,480)	12,070
	(16,267)	**6,243**
Finance cost		
Interest expense	(6,138)	(14,017)
Financing costs	(3,294)	(1,754)
Provision: unwinding of discount	(185)	(210)
Fair value gains/(losses) on interest rate swaps—transfer from cash flow hedge reserve	(3,574)	(2,102)
Cessation of hedge accounting of interest rate swaps	(9,704)	–
	(22,895)	**(18,083)**

6. Income tax

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Major components of income tax for the period		
Current tax expense		
Current year	(117)	(267)
Under/(over) provision in prior years	166	(105)
Deferred tax expense		
Origination and reversal of temporary differences	(40,902)	(4,897)
Under/(over) provision in prior years	(230)	(180)
Total income tax (credit)/expense in income statement	(41,083)	(5,449)
Income tax expense is attributable to:		
Profit from continuing operations	(41,114)	(5,458)
Profit from discontinued operations	31	9
Aggregate income tax expense	(41,083)	(5,449)
Reconciliation of prima facie tax to income tax expense for the period		
Profit/(loss) before tax—continuing operations	(121,620)	(21,764)
Profit/(loss) before tax—discontinued operations	19,007	2,798
	(102,613)	(18,966)
Income tax on profit/(loss) using the domestic corporation tax rate of 30%	(30,784)	(5,690)
Increase in income tax expense due to:		
Non-deductible expenses	901	365
Temporary differences not brought to account	5,436	1,122
Tax losses not brought to account	4,903	1,448
Effect on tax rate in foreign jurisdictions	1,082	227
Other	13	–
Decrease in income tax expense due to:		
Tax exempt revenues	(12,194)	(911)
Effect of tax losses recognised	(474)	–
Effect of accounting for assets classified as held for sale	(9,902)	–
Section 99A—VCET I accounting profit	–	(1,606)
Other	–	(119)
	(41,019)	(5,164)
Under/(over) provision in prior years	(64)	(285)
	(41,083)	(5,449)
Current income tax payable		
Opening balance	(554)	(92)
Income tax received/(paid)	380	(271)
Disposal of discontinued operations	(60)	–
Current year income tax—continuing operations	(117)	(267)
Under/(over) provision in prior years—continuing operations	68	(118)
Under/(over) provision in prior years—discontinued operations	98	13
Net foreign currency exchange differences	22	181
	(163)	(554)
Unrecognised capital losses		
Carried forward capital losses	30	34

Deferred tax assets and liabilities	VCEG 30 June 2010 $'000	VCEG 30 June 2010 $'000	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000	VCEG 30 June 2009 $'000	VCEG 30 June 2009 $'000
	Assets	Liabilities	Net	Assets	Liabilities	Net
Assets classified as held for sale[1]	(26,411)	–	(26,411)	–	–	–
Property, plant and equipment	–	–	–	(3,061)	16,401	13,340
Intangibles	–	–	–	–	41,578	41,578
Interest-bearing notes and borrowings	(1,553)	–	(1,553)	(335)	–	(335)
Interest rate swaps	(2,717)	–	(2,717)	(1,958)	–	(1,958)
Other items	(1,456)	–	(1,456)	(1,108)	397	(711)
Tax value of losses carried forward recognised	(774)	–	(774)	(3,624)	–	(3,624)
Tax (assets)/liabilities	(32,911)	–	(32,911)	(10,086)	58,376	48,290
Derecognition of deferred tax assets	32,911	–	32,911	–	–	–
Set-off of tax	–	–	–	10,086	(10,086)	–
Net tax (assets)/liabilities	**–**	**–**	**–**	**–**	**48,290**	**48,290**

Amount recognised directly in equity	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Current tax	–	–
Deferred tax—Cash flow hedge reserve	1,957	(4,049)
	1,957	**(4,049)**

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses[1]	26,411	–
Deductible temporary differences	7,810	3,868
Tax losses	4,697	7,282
	45,418	**11,150**

1 Deferred tax on assets classified as held for sale is calculated on a capital gains basis.

7. Distributions paid and payable

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Interim distribution paid		
December 2009 (December 2008)	–	6,037
Final distribution payable		
June 2010 (June 2009)	–	–

No distributions were declared during the period ended 30 June 2010. No interim distribution was declared for the six months ended 31 December 2009 (2008: 3.23 cents per stapled security (including a 0.14 cents foreign tax credit component) was paid on 16 February 2009). No final distribution was declared for the period ended 30 June 2010 (2009: nil).
There are no franking credits available.

8. Cash and cash equivalents

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Current		
Cash at bank[1]	10,145	21,036

Cash at bank earns interest at floating rates based on daily bank deposit rates at a weighted average of 0.40% (2009: 1.65%).

1 $5.159 million (2009: $9.062 million) of the total cash at bank is restricted under the terms of the senior debt facility and may be used only for purposes specified in the facility agreement.

Reconciliation of the net profit after tax to the net cash flows from operations

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Profit/(loss) after income tax	(64,147)	(13,517)
Non-cash flows included in operating profit		
Share of profit from associates (discontinued operation)	(1,722)	(2,947)
Dividends received from associates (discontinued operation)	2,743	3,757
Foreign exchange loss/(gains)	19,741	(8,475)
Depreciation and amortisation	23,164	34,011
Impairment of non-current assets	73,620	8,301
Transaction costs relating to investing activity	3,445	–
Profit on sale of discontinued operations	(15,825)	–
Loss on cessation of hedge accounting	9,704	–
Unwinding of discount on provisions	185	344
Issue of options taken to financing costs	918	–
Amortisation of financing costs	1,540	1,265
Prepaid maintenance and warranty	–	1,156
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	3,557	1,095
(Increase)/decrease in other assets	1,900	(304)
Increase/(decrease) in trade payables and accruals	388	3,124
Increase/(decrease) in current and deferred income taxes payable	(40,703)	(5,720)
Cash inflow/(outflow) from operations	**18,508**	**22,090**

9. Trade and other receivables

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Current		
Trade receivables	3,487	6,318
Other receivables	6,255	8,219
Interest receivable		
Other parties	5	7
	9,747	**14,544**
Non-current		
Other receivables	–	531
	–	**531**

Trade and other receivables are non-interest bearing, with maturity dependent on the terms of the contracts to which they relate.

(i) Impaired trade receivables
There were no impaired trade receivables in 2010 or 2009.

(ii) Past due but not impaired
As of 30 June 2010, trade receivables of $0.003 million (2009:$0.542 million) were past due but not impaired. The full amount was received subsequent to the balance date. The ageing analysis of these trade receivables is as follows:

	VCEG 2010 $'000	VCEG 2009 $'000
0 to 3 months	3	397
3 months to 6 months	–	–
Over 6 months	–	145
	3	542

(iii) Other receivables
These amounts generally relate to receivables for electricity generation during the period which, in accordance with the contract terms, have not been invoiced. These relate to a number of independent customers for whom there is no recent history of default.

(iv) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 3 for more information on the risk management policy of VCEG and the credit quality of its trade receivables.

Foreign exchange and interest rate risk
Information about VCEG's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 3. Financial risk management for further details.

10. Derivative financial instruments

Assets	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Current		
Foreign exchange—contracts not hedge accounted	–	2,030
Total current derivative assets	**–**	**2,030**
Non-current		
Foreign exchange—contracts not hedge accounted	–	3,340
Total non-current derivative assets	**–**	**3,340**
Liabilities		
Current		
Interest rate swap—cash flow hedges	9,704	446
Foreign exchange—contracts not hedge accounted	–	3
Total current derivative assets	**9,704**	**449**
Non-current		
Interest rate swap—cash flow hedges	–	6,569
Foreign exchange—contracts not hedge accounted	–	106
Total non-current derivative assets	**–**	**6,675**

VCEG enters into interest rate swap and forward foreign currency contracts to economically hedge its exposure to interest rate movements and foreign exchange variations arising from operational, financing and investment activities.

Hedge accounting has been adopted for interest rate swaps only. The gain or loss arising from re-measurement has been recognised in equity. Hedge accounting has not been adopted for the foreign exchange contracts. The profit or loss from re-measurement is charged to the income statement. Refer to Note 3. Financial risk management for further details.

11. Other assets

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Current		
Prepaid expenses	1,458	5,708
Capitalised finance costs	990	346
Inventories—spares	1,598	1,557
	4,046	**7,611**
Non-current		
Prepaid expenses	–	440
	–	**440**

12. Assets classified as held for sale

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Assets classified as held for sale	115,538	–

Reconciliations
Reconciliations of the carrying amount of assets classified as held for sale are set out below.

	VCEG 30 June 2010 $'000
Year ended 30 June 2010	
Transfer from property, plant and equipment	71,776
Transfer from intangible assets	117,382
Impairment charge	(73,620)
Carrying amount at 30 June 2010	**115,538**

At the reporting date, an impairment of $73.620 million was recognised against the assets classified as held for sale. For details refer to Note 2. Critical accounting estimates and judgements.

The results for assets classified as held for sale are included in the results of the continuing operations as shown in the statement of comprehensive income.

13. Investments in associates

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Investments in associates	–	3,126

VCEG accounts for investments in associates using the equity method. VCEG has the following investment in associates.

Name of associate	Principal activity	Country	Class of shares	Year end	Ownership interest 30 June 2010 %	Ownership interest 30 June 2009 %
Ardrossan Wind Farm (Scotland) Limited ("Ardrossan")[1]	Electricity generation	Scotland	Ordinary shares	31 March 2010	nil	49
Stevok OS5 Unlimited ("Stevok")	Dormant	Ireland	Ordinary shares[2]	31 March 2010	49	49

1 VCEG sold its 49% share in the 30 MW Ardrossan wind farm to SSE Renewables on 21 April 2010 for $21.712 million. Refer to Note 23. Discontinued operations for further details.
2 The shareholders of Stevok are entitled to appoint an equal number of directors to the board of directors of that company; that is, VCEG is entitled to appoint two directors and Airtricity Holdings (UK) Limited, the 51% owner, is entitled to appoint two directors. At a meeting of the directors of Stevok each director has one vote.

Certain actions and decisions regarding the supervision and management of Stevok require the written approval of all of the holders of the share capital of Stevok.

Unless otherwise noted above, VCEG has 49% voting rights concerning actions and decisions affecting Stevok.

Stevok is a dormant company that has not traded since incorporation and there are no financial disclosures necessary for Stevok in the following tables.

Movements in carrying amounts and share of associates' profits or losses

	2010 $'000	VCEG 2010 $'000	2009 $'000	2009 $'000
Carrying amount at 1 July		3,126		5,544
Profit before income tax, after amortisation	2,459		4,093	
Income tax expense	(737)		(1,146)	
Share of profits after income tax		1,722		2,947
Dividends received/receivable		(2,743)		(3,757)
Share of movement in the fair value of cash flow hedges, net of tax		(64)		(1,762)
Investment		–		15
Net foreign currency exchange differences		(714)		139
Disposal of Ardrossan		(1,327)		–
Carrying amount at 30 June		**–**		**3,126**

Summarised financial information of associates

	Assets $'000	Liabilities $'000	Revenues $'000	Group's share of Profit $'000
2010				
Ardrossan	–	–	6,590	1,722
2009				
Ardrossan	34,502	31,376	8,753	2,947

14. Other financial assets

Name of entity	Year end	Country of incorporation	Equity holding 30 June 2010 %	Equity holding 30 June 2009 %
Viridis Clean Energy Trust I	30 June	Australia	100	100
Viridis Energy Capital Pty Limited	30 June	Australia	100	Nil
Viridis Investment Management Limited	30 June	Australia	100	Nil
Viridis Clean Energy Pty Limited	30 June	Australia	100	Nil
Viridis (Europe) Pty Limited	30 June	Australia	100	100
Viridis (Europe II) Pty Limited	30 June	Australia	100	100
Viridis Energy Pty Limited	30 June	Australia	100	100
Viridis (Denmark) ApS	30 June	Denmark	100	100
Viridis Holdings (Germany) ApS	30 June	Denmark	Nil	100
Viridis (Germany) GmbH	30 June	Germany	Nil	100
Viridis (Lower Saxony) GmbH & Co KG	30 June	Germany	Nil	100
Viridis (Blender Windpark) GmbH & Co KG	30 June	Germany	Nil	100
Viridis (Sehnde Lehrte Windpark) GmbH & Co KG	30 June	Germany	Nil	100
Viridis (Geeste Windpark) GmbH & Co KG	30 June	Germany	Nil	100
Viridis (Rieda Windpark) GmbH & Co KG	30 June	Germany	Nil	100
Merinda Windpark-Verwaltungsgesellschaft mbH	30 June	Germany	Nil	100
Viridis (Merinda Windpark) GmbH & Co KG	30 June	Germany	Nil	100
Viridis Holdings (US), Inc.	30 June	United States	100	100
Viridis I, Inc.	30 June	United States	100	100
Viridis Energy, LLC	30 June	United States	100	100
Viridis Energy (GP), LLC	30 June	United States	100	100
Viridis Energy (Texas), LP	30 June	United States	100	100
Viridis II, LLC	30 June	United States	100	100
Toyon Landfill Gas Conversion, LLC	30 June	United States	100	100
Penrose Landfill Gas Conversion, LLC	30 June	United States	100	100
Viridis I Limited	30 June	United Kingdom	100	100
Viridis Energy (Norgen) Limited	30 June	United Kingdom	100	100

The ultimate parent entity of these wholly owned subsidiaries is Viridis Clean Energy.

The proportion of ownership interest, all of which is in the ordinary equity of the entities, is equal to the proportion of voting power held.

15. Property, plant and equipment

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Landfill gas assets—at cost	–	131,138
Less: Accumulated depreciation	–	(48,558)
Net book value	–	82,580
Wind farm assets—at cost	–	135,490
Less: Accumulated depreciation	–	(26,322)
Net book value	–	109,168
Other assets	–	133
Less: Accumulated amortisation	–	(132)
Net book value	–	1
Total property, plant and equipment—at cost	–	266,761
Less: Total accumulated depreciation	–	(75,012)
Net book value	**–**	**191,749**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below.

	VCEG Landfill gas assets $'000	VCEG Wind farm assets $'000	VCEG Other assets $'000	VCEG Total $'000
Year ended 30 June 2009				
Carrying amount at 30 June 2008	85,150	109,460	45	194,655
Additions	4,116	180	–	4,296
Depreciation expense—continuing operations	(7,454)	–	(44)	(7,498)
Depreciation expense—discontinued operations	–	(7,822)	–	(7,822)
Impairment charge	(4,810)	–	–	(4,810)
Net foreign currency exchange differences	5,578	7,350	–	12,928
Carrying amount at 30 June 2009	**82,580**	**109,168**	**1**	**191,749**
Year ended 30 June 2010				
Carrying amount at 30 June 2009	82,580	109,168	1	191,749
Additions	5,322	–	14	5,336
Acquisition of subsidiary	–	–	66	66
Depreciation expense—continuing operations	(5,945)	–	(30)	(5,975)
Depreciation expense—discontinued operations	–	(2,884)	–	(2,884)
Net foreign currency exchange differences	(10,232)	(7,600)	–	(17,832)
Disposal of Germany wind farm portfolio	–	(98,684)	–	(98,684)
Transfer to assets classified as held for sale	(71,725)	–	(51)	(71,776)
Carrying amount at 30 June 2010	**–**	**–**	**–**	**–**

Non-current assets pledged as security
Refer to Note 18. Interest-bearing liabilities for details of security over assets.

Impairment of property, plant and equipment
All property, plant and equipment was transferred to assets classified as held for sale. Refer Note 12. Assets Classified as held for sale for details of impairment.

Operating leases
As stated in Note 5. Income and expenses, there are sales contracts deemed to be operating leases. The net book value of the relevant assets totals $nil (2009: $70.472 million), all of which relates to landfill gas assets.

Decommissioning assets
The assets above include $nil (2009: $2.646 million) in relation to decommissioning obligations. Refer to Note 19. Provisions for further details.

16. Intangible assets

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Contracts—at cost	–	226,398
Less: Accumulated amortisation	–	(59,939)
Net book value	–	166,459
Emission reduction credits	–	2,453
Less: Accumulated amortisation	–	(486)
Net book value	–	1,967
Total intangible assets—at cost	–	228,851
Less: Total accumulated amortisation	–	(60,425)
Net book value	**–**	**168,426**

Contracts represent the consideration paid by VCEG for the contractual rights to either sell electricity (under contract) or acquire the fuel (under contract) required to generate electricity. These intangible assets are amortised over the term of the underlying contract or the fuel resource, whichever is the lesser.

Reconciliations
Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the year are set out below.

	VCEG Contracts $'000	VCEG Emission reduction credits $'000	VCEG Total $'000
Year ended 30 June 2009			
Carrying amount at 30 June 2008	187,227	1,749	188,976
Amortisation expense—continuing operations	(17,311)	(134)	(17,445)
Amortisation expense—discontinued operations	(1,246)	–	(1,246)
Impairment charge	(3,491)	–	(3,491)
Net foreign currency exchange differences	1,280	352	1,632
Carrying amount at 30 June 2009	**166,459**	**1,967**	**168,426**
Year ended 30 June 2010			
Carrying amount at 30 June 2009	166,459	1,967	168,426
Amortisation expense—continuing operations	(13,733)	(112)	(13,845)
Amortisation expense—discontinued operations	(460)	–	(460)
Net foreign currency exchange differences	(22,192)	(123)	(22,315)
Disposal of Germany wind farm portfolio	(14,424)	–	(14,424)
Transfer to assets classified as held for sale	(115,650)	(1,732)	(117,382)
Carrying amount at 30 June 2010	**–**	**–**	**–**

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets (cash generating units—CGUs). The recoverable amount of a CGU is determined based on the higher of the fair value less costs to sell, and the value-in-use. These calculations use cash flow projections based on financial models approved by management covering the life of each CGU, which are based on external data. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. All intangible assets were transferred to assets classified as held for sale. Refer Note. 12 Assets classified as held for sale for details of impairment.

Non-current assets pledged as security
Refer to Note 18. Interest-bearing liabilities for details of security over assets, including intangible assets.

17. Trade and other payables

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Current		
Trade payables	8,253	9,587
Interest payable—other parties	1,291	1,580
Goods and services tax (GST) and Value added tax (VAT) payable	311	508
Management fee payable	–	293
Other payables	82	2,533
Other accruals	4,728	8,285
	14,665	**22,786**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

The net of GST/VAT payable and GST/VAT receivable is remitted to the appropriate tax body on a monthly or quarterly basis, as required.

For terms and conditions relating to interest payable to other parties, refer to Note 18. Interest-bearing liabilities.

18. Interest-bearing liabilities

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Current		
Secured		
Working capital facilities	–	9,420
Senior debt facilities	82,836	14,454
Corporate loan facilities	12,572	–
	95,408	**23,874**
Non-current		
Secured		
Senior debt facilities	–	178,945
Corporate loan facilities	–	60,316
	–	**239,261**

Financing facilities

The financing facilities have the following maturity dates and weighted average interest rates.

	Currency	Balance at 30 June 2009 '000	Undrawn at 30 June 2009 '000	Expiry date	Weighted average interest rate % (including margin)[1]	Australian dollars balance 30 June 2009 $'000	Australian dollars undrawn $'000
30 June 2009							
Senior debt facility (a)	EUR	28,782	–	2020	4.77	50,238	–
Working capital facility (a)	EUR	–	–	–	–	–	–
Senior debt facility (a)	EUR	23,483	–	2019	5.08	40,990	–
Working capital facility (a)	EUR	400	–	2019	2.97	698	–
Liquidity reserve facility (a)	EUR	–	1,806	2019	–	–	3,152
Senior debt facility(b)	GBP	50,780	–	2016	7.18	104,207	–
Working capital facility (b)	GBP	4,250	–	2010	4.21	8,722	–
Corporate loan facility (c)	AUD	61,591	–	2010	9.18	61,591	–
Total						**266,446**	**3,152**
Less: Capitalised establishment costs						(3,311)	
						263,135	

	Currency	Balance at 30 June 2010 '000	Undrawn at 30 June 2010 '000	Expiry date	Weighted average interest rate % (including margin)[1]	Australian dollars balance 30 June 2010 $'000	Australian dollars undrawn $'000
30 June 2010							
Senior debt facility (b)	GBP	47,772	–	2016	6.12	84,016	–
Corporate loan facility (c)	AUD	12,572	13,035	2011	9.54	12,572	13,035
Total						**96,588**	**13,035**
Less: Capitalised establishment costs						(1,180)	
						95,408	

1 Includes effect of interest rate swap transactions

Fair value is equal to the carrying value. Refer to Note 3. Financial risk management for fair values.

Bank loans
Renewal of facilities with a maturity date of 12 months or less remains at the discretion of the Lenders.

a) Germany wind farm debt facilities
VCEG completed its sale of the Germany wind farm portfolio, including the relevant debt facilities, on 26 November 2009. Further information on the sale of discontinued operations is set out in Note. 23. Discontinued Operations.

b) Norgen, United Kingdom landfill gas debt facilities
Norgen landfill gas debt facilities are provided by a syndicate of banks comprising Bayerische Hypo- und Vereinsbank AG London Branch, Lloyds TSB Bank plc, Fortis Bank NV and National Australia Bank Limited. The facilities are secured by a first ranking pledge over the assets and contracts of the Norgen landfill gas portfolio. The facilities are denominated in GBP and split between the following tranches:

- An amortising term debt facility. The facility amortises to £24.874 million at the loan expiry of 2016. £47.772 million was outstanding at 30 June 2010 (30 June 2009: £50.780 million).
- The £4.25 million working capital facility that expired on 5 April 2010 and was repaid in full (30 June 2009: £4.25 million).

c) VCEG facility
VCEG has renegotiated its facility provided by Investec Group/The Royal Bank of Scotland. The facility is secured by a first ranking pledge over the assets of VCET I, VCE, Viridis (Europe) Pty Limited, Viridis (Europe II) Pty Limited, and security provided by other subsidiaries of VCEG. Facility details are as follows:

- At 30 June 2010: $25.607 million, of which $12.572 million was utilised. The facility is interest only with an expiry date of 31 March 2011. Refer Note 3. Financial risk management for a description of how VCEG manages its liquidity risk.
- At 30 June 2009: $61.591 million all of which was utilised. The facility was interest only with an expiry date of 31 July 2010. The facility provided by Investec Group also includes letters of credit/bank guarantee of $3.934 million.

19. Provisions

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Employee provisions	384	–
Decommissioning provision	3,158	5,498
	3,542	**5,498**

	VCEG $'000
Movement in decommissioning provision	
Balance 1 July 2008	4,864
Charged to the income statement	
• unwinding of discount	
Continuing operations	210
Discontinued operations	134
Net foreign currency exchange differences	290
Balance at 30 June 2009	**5,498**
Balance 1 July 2009	5,498
Charged to the income statement	
• unwinding of discount	
Continuing operations	185
Discontinued operations	53
Net foreign currency exchange differences	(517)
Disposal of Germany wind farm portfolio	(2,061)
Balance at 30 June 2010	**3,158**

Decommissioning provision
Upon closure of the clean energy projects, VCE has a requirement to dismantle and clean up the facility sites. This provision represents an estimated cost to perform this function. These costs are expected to be incurred progressively from 2012.

20. Contributed equity

	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
Fully paid units		
Issued and fully paid	174,010,326	171,250,326

Movement in fully paid units on issue	VCEG Number of units	VCEG $
On issue 1 July 2008	187,020,586	171,250,326
On issue 30 June 2009	187,020,586	171,250,326
Acquisition of the Manager—20 August 2009	12,000,000	2,760,000
Restructure—24 June 2010		
Issue of units		
Consolidation of units	1,635,949,988	–
	(1,635,949,988)	–
On issue 30 June 2010	**199,020,586**	**174,010,326**

On 19 August 2009 the securityholders of VCEG approved the acquisition of all shares of the manager Viridis Energy Capital Pty Limited ("VEC"). The consideration payable to the owners of VEC was $2.76 million, which was used to subscribe for 12 million stapled securities at an issue price of $0.23 per stapled security.

On 11 June 2010 the securityholders of VCEG approved a restructure of the Group. The restructure was implemented on 24 June 2010 and involved the de-stapling of VCET I from VCE by a process under which VCE acquired VCET I, such that VCET I became a wholly-owned subsidiary entity of VCE. VCE acquired all the units of Viridis Clean Energy Trust I in exchange for 1,635,949,988 units in VCE. Immediately after the issue of new units VCE consolidated its units so that the number of units on issue after the consolidation was exactly the same as before the restructure.

Pursuant to the terms of the extended corporate debt facility, on 30 April 2010 VCEG issued 29,853,086 options to the corporate lenders, equivalent to 15% of VCEG's issued capital. Each option carries the right to subscribe for one new security in VCEG at an exercise price of 10 cents per option. The options have a 12 month term from the date of issue.

The constitution of VCE does not state the number of authorised units. Units issued have no par value.

21. Reserves

	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
a) Reserves		
Foreign currency translation reserve	1,824	(1,846)
Cash flow hedge reserve	–	(6,565)
Security option reserve	918	–
	2,742	**(8,411)**
b) Movements		
Foreign currency translation reserve		
Balance at 1 July	(1,846)	(4,994)
Currency translation differences arising during the year	3,670	3,148
Balance at 30 June	**1,824**	**(1,846)**
Cash flow hedge reserve		
Balance at 1 July	(6,565)	5,391
Revaluation—gross	(8,194)	(16,834)
Deferred tax	2,292	4,258
Transfer to net profit—gross continuing operations	13,278	2,102
Transfer to net profit—gross discontinued operations	–	(95)
Deferred tax	(3,718)	(209)
Investment in associate—movement net of tax	(64)	(1,762)
Disposal of discontinued operations	2,208	–
Net foreign currency exchange differences	763	584
Balance at 30 June	**–**	**(6,565)**
Security option reserve		
Balance at 1 July	–	–
Issue of options	918	–
Balance at 30 June	**918**	**–**

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities. The reserve is recognised in profit and loss when the net investment is disposed of.

Cash flow hedge reserve
The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1. Summary of significant accounting policies. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss. The cessation of hedge accounting for interest rate swaps has led to the recognition of the remaining reserve to profit and loss for the year due to the underlying hedged transaction no longer being expected to occur.

Security option reserve
The security option reserve is used to recognise the grant date fair value of securities issued to the corporate lenders.

22. Business Combination

At a general meeting of VCEG securityholders held on 19 August 2009, the acquisition of all of the shares of the manager, Viridis Energy Capital Pty Limited ("VEC"), which is the ultimate parent entity of the responsible entity, was approved. On acquisition, VCE acquired the net assets of VEC and extinguished the obligation to pay management fees to VEC. On 20 August 2009, 12 million new stapled securities were issued to the owners of VEC at an issue price of $0.23 per stapled security using the cash received as consideration for VCE's purchase of VEC.

The excess consideration paid over the VEC net assets, as calculated below, was based on the value to VCE of being able to extinguish its obligation to pay management fees to VEC over the remaining 21 years of the contract. The total consideration (including transaction costs of $0.705 million) of $3.445 million has been expensed in the statement of comprehensive income.

The acquired business is reimbursed fully for its expenses and does not have any other material source of income.

Details of the fair value of assets and liabilities acquired are as follows:

	$'000
Cash and total consideration paid	3,465
Fair value of net identifiable assets acquired (refer analysis below)	(20)
Excess of consideration paid over net assets	3,445

	Acquiree's carrying amount $'000	Fair value $'000
Cash	209	209
Receivables and other current assets	277	277
Property, plant and equipment	66	66
Trade and other payables	(532)	(532)
	20	20

Purchase consideration

	VCEG 1 July 2009 —30 June 2010 $'000	VCEG 1 July 2008 —30 June 2009 $'000
Outflow of cash to acquire wholly owned subsidiary, net of cash acquired		
Cash consideration	2,760	–
Transaction costs	705	–
Total consideration	3,465	–
Less: cash acquired	(209)	–
Cash		
Plus: other payments post acquisition	–	–
Outflow of cash	**3,256**	**–**

23. Discontinued Operations

Description

On 25 May 2009 VCEG announced its intention to call for formal bids in relation to the European wind asset portfolio. On 10 November VCEG announced it had signed a contract to sell its 82 MW Germany wind farm portfolio to a European investment fund, which was completed on 26 November 2009. Also, on 21 April 2010 VCEG sold its 49% share in the 30 MW Ardrossan wind farm to SSE Renewables. The segments disposed of are reported in this financial report as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below. Further information is set out in Note 4. Segment information.

a) Germany wind farm portfolio

(i) Financial performance and cash flow information

The financial performance and cash flow information presented is for the period ended 26 November 2009, with comparatives for the period ended 30 June 2009.

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Financial performance		
Revenue	7,216	21,020
Expenses	(8,373)	(22,579)
Profit/(loss) before income tax	(1,157)	(1,559)
Income tax expense	(31)	(9)
Loss after income tax of discontinued operations	(1,188)	(1,568)
Loss on sale of Germany wind farm portfolio before and after income tax	(418)	–
Profit recycled from the foreign currency translation reserve	343	–
Loss recycled from the cash flow hedge reserve	(636)	–
Total loss on sale of Germany wind farm portfolio	(711)	–
Loss from discontinued operations	**(1,899)**	**(1,568)**
Cash flow		
Net cash inflow from operating activities	4,410	6,538
Net cash inflow from investing activities (2010 includes an inflow of $21,554,000, net of cash on disposal, from the sale of the portfolio)	21,554	(180)
Net cash outflow from financing activities	(1,106)	(7,612)
Net impact of effects of exchange rate changes	(237)	805
Net increase in cash generated by the Germany wind farm portfolio	**24,621**	**(449)**

(ii) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 26 November 2009 were:

	VCEG 26 November 2009 $'000	VCEG 30 June 2009 $'000
Cash and cash equivalents	7,281	4,214
Trade and other receivables	1,937	1,845
Property, plant and equipment	98,684	109,167
Intangible assets	14,424	15,995
Other assets	1,302	2,162
Total assets	**123,628**	**133,383**
Interest bearing liabilities	84,001	91,505
Trade and other payables	4,012	2,358
Other liabilities	5,145	5,305
Total liabilities	**93,158**	**99,168**
Net assets	**30,470**	**34,215**

(iii) Details of the sale of Germany wind farm portfolio

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Consideration received or receivable:		
Cash	30,611	–
Present value of deferred consideration[1]	1,217	–
Total disposal consideration	31,828	–
Transaction costs	(1,776)	–
Carrying amount of net assets sold	(30,470)	–
Loss on sale of Germany wind farm portfolio before income tax	**(418)**	**–**
Income tax on sale of Germany wind farm portfolio	–	–
Loss on sale of Germany wind farm portfolio before and after income tax	**(418)**	**–**

1 Deferred consideration outstanding at 30 June 2010 is $1,069,000

b) Ardrossan wind farm (UK wind)

(i) Financial performance and cash flow information

The financial performance and cash flow information presented is for the period ended 21 April 2010, with comparatives for the period ended 30 June 2009.

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Financial performance		
Profit before income tax, after amortisation	2,459	4,093
Income tax expense	(737)	(1,146)
Profit after income tax of discontinued operations	1,722	2,947
Profit on sale of Ardrossan wind farm before and after income tax	18,860	–
Loss recycled from the foreign currency translation reserve	(752)	–
Loss recycled from the cash flow hedge reserve	(1,572)	–
Total profit on sale of Ardrossan wind farm	16,536	–
Profit from discontinued operations	**18,258**	**2,947**
Cash flow		
Net cash inflow from operating activities	2,743	3,757
Net cash inflow from investing activities (2010 includes an inflow of $20,187,000, net of cash on disposal, from the sale of the portfolio)	20,187	–
Net increase in cash generated by Ardrossan wind farm	**22,930**	**3,757**

(ii) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 21 April 2010 were:

	VCEG 21 April 2010 $'000	VCEG 30 June 09 $'000
Investments accounted for using the equity method	1,327	3,126
Total and net assets	**1,327**	**3,126**

(iii) Details of the sale of Ardrossan wind farm

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Consideration received or receivable:		
Cash and total consideration	21,712	–
Transaction costs	(1,525)	–
Carrying amount of net assets sold	(1,327)	–
Profit on sale of Ardrossan wind farm before income tax	**18,860**	**–**
Income tax on sale of Ardrossan wind farm	–	–
Profit on sale of Ardrossan wind farm before and after income tax	**18,860**	**–**

24. Related party disclosures

a) General Information

The responsible entity of VCE is Viridis Investment Management Limited. Viridis Investment Management Limited has been the responsible entity of VCE since 1 August 2005. Pursuant to the investment management agreement, the responsible entity engaged Viridis Energy Capital Pty Limited ("the manager") to act as investment manager of VCE's clean energy assets. On 19 August 2009 the securityholders of VCE approved the acquisition of all of the shares of the manager Viridis Energy Capital Pty Limited ("VEC"), which was the ultimate parent entity of the responsible entity. The consideration payable to the owners of VEC, including the Investec Group, was $2.76 million, which was used to subscribe for 12 million stapled securities at an issue price of $0.23 per stapled security.

b) Key management personnel of the responsible entity

Disclosures in relation to key management personnel ("KMP") of the responsible entity during the financial year and until the date of this report are set out in Note 25. Key management personnel.

c) Ultimate parent entity

VCE is the ultimate parent entity of VCEG.

d) Subsidiaries

Names of subsidiaries

Names and interests in subsidiaries are set out in Note 14. Other financial assets.

e) Other related parties—responsible entity

(i) Parent entity of the responsible entity

VCE is the ultimate parent entity of Viridis Investment Management Limited ("VIML"), the responsible entity of VCE.

(ii) Responsible entity's equity interest in VCE

The responsible entity holds no interests in securities of VCE.

(iii) Transactions between the responsible entity and the manager

The responsible entity has entered into an agreement with the manager under which it is entitled to receive a fee from the manager, representing the reasonable reimbursement of the responsible entity's costs, including all overheads and whether incurred directly by the responsible entity or reimbursed by the responsible entity to any of its related bodies corporate, in acting as responsible entity of VCE for which it is not otherwise reimbursed, of up to 0.4% per annum of VCE's net investment value.

(iv) Transactions with the manager

The manager holds no interests in securities of VCE.

The manager was paid a fee until 20 August 2009. This is outlined in Note 25. Key management personnel, section d) Compensation policy.

The manager was paid an asset operations management fee until 20 August 2009 in relation to personnel providing services to asset operations within VCE.

The manager has made payments on behalf of VCE for which reimbursement has been made in full.

(v) Transactions with other related parties

Relationship with the Investec Group
Investec Group provides financing to VCE on commercial terms and conditions. Refer to Note 18. Interest-bearing liabilities for details of outstanding loans.

Investec Group provides VIML with an eligible undertaking of $2 million ($3 million until 2 February 2010), to cover VIML's undertaking under its AFSL, on which it charges a fee of 6% per annum.

A services agreement with Investec Group expired by mutual agreement on 30 June 2009. Under this agreement, a service fee of $145,000 per annum was payable for certain administrative services provided to the responsible entity. Of this fee, $121,000 was payable out of the assets of VCE as the services gave rise to reimbursable expenditure under the terms of the constitution and $24,000 was payable by the responsible entity out of its own funds.

As at 30 June 2009 Investec Group held 43% (35% fully diluted) of the ordinary equity in the manager and was effectively entitled to 50% of the voting rights on material shareholder decisions. Subsequent to the acquisition of all of the shares of VEC by VCEG, 2,070,360 securities in VCE were issued to Investec Group, which it continued to hold at 30 June 2010.

Other—Run Energy Group
Run Energy Group provides operations and maintenance services (starting April 2009) and certain technical management services to the USA landfill gas asset portfolio, and gas resources management services and other gas field related services to the UK landfill gas portfolio. From time to time Run Energy Group is also engaged to provide technical advice in relation to VCE's asset portfolio. Entities associated with Walter Pahor, a director of the responsible entity and of the manager, wholly owns the Run Energy Group.

f) Transactions with related parties of the Viridis Clean Energy

The following transactions occurred with related parties.

	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
Transactions with the manager and VCE		
Base fee paid by VCE to the manager	166,440	1,526,882
Asset operations management fee paid by VCE to the manager	174,572	907,472
Reimbursement of costs paid by the manager on behalf of VCE	38,523	233,851
Payment of directors' fees of the responsible entity		
Paid for by the manager	8,281	61,658
Paid for by VCE	15,380	114,507
Purchases from other related parties		
Payments to Run Energy Group[1]	6,107,668	2,985,621
Payments to Investec Group—eligible undertaking[2]	168,247	–
Payments to Investec Group—services agreement	–	121,000
Payments to Investec Group—guarantee fee	258,242	250,722
Payments to Investec Group—debt raising fee	–	1,706,138
Payments to Investec Group—debt raising legal fees	–	167,759
Payments to Investec Group—debt commitment fee	24,066	–
Payments to Investec Group—other legal fees	17,362	19,912
Dividend revenue		
Associated entities	2,742,979	3,757,057

1 Run Energy Group—refer to Note 24. e) (v) above for a description of the relationship with Run Energy Group.
2 Investec Group—refer to Note 24. e) (v) above for a description of the relationship with Investec Group.

g) Outstanding balances arising from transactions with related parties of VCEG

	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
Current payables owing to related parties		
Manager	–	308,343
Investec Group	29,176	60,500
Run Energy Group	771,911	514,432

* There are no provisions for doubtful debts.

h) Loans to/from related parties of the Viridis Clean Energy

	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
Loan to associates		
Beginning of year	–	19,862,394
Interest charged	–	1,416,087
Interest received	–	(2,442,006)
Loan advances—paid	–	2,640,247
Loan payments received	–	(21,596,452)
Net foreign currency exchange differences	–	119,730
End of year	–	–
Loans from Investec Group[1]		
Beginning of year	61,591,080	83,600,739
Loans received	–	85,306,877
Loan payments paid	(49,018,620)	(107,316,536)
Interest charged	4,015,236	7,456,154
Interest paid	(4,015,236)	(7,456,154)
End of year	12,572,460	61,591,080

1 Refer to Note 24. e) (v) above for a description of the relationship with Investec Group.

25. Key management personnel

Key management personnel for the year ended 30 June 2010
The key management personnel of VCE include the four directors of the responsible entity, the manager of VCE, and the three responsible officers of the responsible entity.

a) Directors of the responsible entity
The following persons were directors of Viridis Investment Management Limited, the responsible entity, during the financial year:

Name	Position
Andrew J. Berry	Independent chairman
Walter Pahor	Non-executive director
Edward Northam (appointed 28 August 2009)	Managing director
Robert Webster (resigned 13 September 2010)	Independent director
Stephen Chipkin (resigned 28 August 2009)	Non-executive director

On 19 August 2009 the securityholders of VCE approved the acquisition of all of the shares of the manager Viridis Energy Capital Pty Limited ("VEC"). The consideration payable to the owners of VEC was $2.76 million, which was used to subscribe for 12 million stapled securities at an issue price of $0.23 per stapled security.

b) Other key management personnel
The following persons and entities also had authority and responsibility for planning, directing and controlling the activities of VCEG, directly or indirectly, during the current and previous financial year.

Name	Position held	Employer
Manager	Manager of VCE	n/a
Edward Northam	Responsible manager of the responsible entity and managing director of the responsible entity and manager	Manager
Duncan Jewell	Responsible manager of the responsible entity and chief financial officer of the manager	Manager
Andrew Rayne—resigned 12 September 2008	Responsible manager of the responsible entity and chief investment officer of the manager	Manager

c) Key management personnel compensation

(i) Directors' fees
Fees for non-executive directors are as follows:

Name	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
Andrew J. Berry	100,000	100,000
Robert Webster	70,000	70,000
Walter Pahor	60,487	–

Directors' fees, or part thereof, were paid by the responsible entity and the manager throughout the year. The directors' fees for Andrew J. Berry and Robert Webster were paid by the responsible entity and the directors fees for Stephen Chipkin and Walter Pahor were paid by the manager. Until the acquisition of VEC on 19 August 2009, 65% of the fees for Andrew J. Berry and Robert Webster were reimbursed to the responsible entity out of the assets of VCEG as they related to the directors' participation on the audit and compliance committee and management of the compliance function.

Stephen Chipkin and Walter Pahor waived payment of their directors' fees up to the date of his resignation and until the acquisition of VEC on 19 August 2009, respectively.

The directors received no other benefits.

(ii) Remuneration—Responsible officers and management personnel

Payments made by VCE to the manager prior to 19 August 2009 do not include any amounts attributable to the compensation of key management personnel. Details of the remuneration of the executive director and other key management personnel from 20 August 2009 are as follows:

2010 Name	Cash salary[1] $	Retention Bonus[2] $	Non-monetary benefits $	Superannuation $	Cash-settled share-based payments[2] $	Total $
Edward Northam	392,733	33,846	2,342	23,035	9,600	461,556
Duncan Jewell	278,779	27,692	26,737	21,603	6,400	361,211

1 Includes provision for annual leave and long-service leave.
2 Accrual (non-cash) estimate.

On 27 May 2010 retention plans were approved for both the managing director and chief financial officer, following the board decision to continue with the asset sale strategy. The plans provide for the payment of retention bonus equivalent to the Executives' 12 months gross salary payable on the earlier of:

- Completion of any transaction involving a change of control of VCEG;
- Completion of any transaction involving a change in ownership of all or substantially all of VCEG's assets; or
- 20 June 2011.

On 17 December 2009 long-term incentive plans were approved for both the managing director and the chief financial officer. Any incentives that rest under the plans are payable in cash, however VCEG may elect to issue or transfer fully paid VCEG securities to the same value, subject to any necessary securityholder approval requirements. The plans were further amended on 27 May 2010.

Details of plan
Managing director (Edward Northam)

(a) Base Price
10 cents.

(b) Incentive Rights
2,400,000, split into 3 tranches:

- Tranche 1—480,000 Incentive Rights (20%)
- Tranche 2—720,000 Incentive Rights (30%)
- Tranche 3—1,200,000 Incentive Rights (50%)

(c) Vesting
Tranche 1 shall vest 18 months from the Commencement Date provided that the Tranche 1 Total Securityholder Return ("TSR") requirement is satisfied.

Tranche 2 shall vest 30 months from the Commencement Date provided that the Tranche 2 TSR requirement is satisfied.

Tranche 3 shall vest 42 months from the Commencement Date provided that the Tranche 3 TSR requirement is satisfied.

(d) Total Securityholder Return ("TSR") requirement
TSR means the sum of (on a per security basis) (i) any movement in VCEG security price from the Base Price, plus (ii) any cash distributions paid/declared since the Commencement Date.

All security price calculations will be based on the volume weighted average price of VCEG securities sold on the ten trading days immediately prior to the relevant calculation date.

The Tranche 1 TSR requirement is 15% of the Base Price.

The Tranche 2 TSR requirement is 25% of the Base Price.

The Tranche 3 TSR requirement is 40% of the Base Price.

Should a Tranche TSR requirement not be satisfied at a vesting date the relevant Tranche incentive rights will be rolled up into the next Tranche and will be subject to the vesting and TSR requirements applicable at the next vesting date.

In the event that the Tranche 3 TSR requirement is not met on the Tranche 3 vesting date it will be capable of being met in the subsequent six month period should the Tranche 3 TSR be met calculated based on the volume weighted average price of VCEG securities sold on any ten sequential trading days within the six month period.

(e) Incentive Payments
The company will make the following incentive payments to the Managing director on each of the Tranche 1, 2, and 3 vesting dates, subject to the vesting and TSR requirement provisions described above:

Tranche 1 Incentive Payment = 480,000 x TSR as calculated on the Tranche 1 vesting date.

Tranche 2 Incentive Payment = 720,000 x TSR as calculated on the Tranche 2 vesting date.

Tranche 3 Incentive Payment = 1,200,000 x TSR as calculated on the Tranche 3 vesting date.

Any incentive payments will be made net of any taxes or charges that the company is required to withhold.

Chief financial officer (Duncan Jewell)

(a) Base Price
10 cents.

(b) Incentive Rights
1,600,000, split into 3 tranches:

- Tranche 1—320,000 Incentive Rights (20%)
- Tranche 2—480,000 Incentive Rights (30%)
- Tranche 3—800,000 Incentive Rights (50%)

(c) Vesting
Tranche 1 shall vest 18 months from the Commencement Date provided that the Tranche 1 Total Securityholder Return ("TSR") requirement is satisfied.

Tranche 2 shall vest 30 months from the Commencement Date provided that the Tranche 2 TSR requirement is satisfied.

Tranche 3 shall vest 42 months from the Commencement Date provided that the Tranche 3 TSR requirement is satisfied.

(d) Total Securityholder Return ("TSR") requirement
TSR means the sum of (on a per security basis) (i) any movement in VCEG security price from the Base Price, plus (ii) any cash distributions paid/declared since the Commencement Date.

All security price calculations will be based on the volume weighted average price of VCEG securities sold on the ten trading days immediately prior to the relevant calculation date.

The Tranche 1 TSR requirement is 15% of the Base Price.

The Tranche 2 TSR requirement is 25% of the Base Price.

The Tranche 3 TSR requirement is 40% of the Base Price.

Should a Tranche TSR requirement not be satisfied at a vesting date the relevant Tranche incentive rights will be rolled up into the next Tranche and will be subject to the vesting and TSR requirements applicable at the next vesting date.

In the event that the Tranche 3 TSR requirement is not met on the Tranche 3 vesting date it will be capable of being met in the subsequent six month period should the Tranche 3 TSR be met calculated based on the volume weighted average price of VCEG securities sold in any ten sequential trading days within the six month period.

(e) Incentive Payments
The company will make the following incentive payments to the Chief financial officer on each of the Tranche 1, 2, and 3 vesting dates, subject to the vesting and TSR requirement provisions described above:

Tranche 1 Incentive Payment = 320,000 x TSR as calculated on the Tranche 1 vesting date.

Tranche 2 Incentive Payment = 480,000 x TSR as calculated on the Tranche 2 vesting date.

Tranche 3 Incentive Payment = 800,000 x TSR as calculated on the Tranche 3 vesting date.

Any incentive payments will be made net of any taxes or charges that the company is required to withhold.

d) Compensation policy

(i) Non-executive directors' remuneration
The compensation paid to directors of the responsible entity is determined with reference to current market rates of directorships of similar entities. The level of compensation is not related to the performance of the responsible entity.

(ii) Executive director and other officers' remuneration
The compensation paid to the executive director and other officers is determined by the board of directors (excluding the executive director) having regard to market precedents and generally with the assistance of a commissioned remuneration report by a relevant consultant.

(iii) Managers' remuneration

Until 19 August 2009, the remuneration of the manager comprised a base fee and, potentially, a performance fee. The base fee was payable quarterly at the rate of 1% per annum of net investment value of VCEG. Net investment value is equal to the market capitalisation of VCEG plus trust level debt less uninvested capital. The manager was entitled to a performance fee where total returns from VCE over a half financial year exceeded the returns of the S&P ASX 200 Utilities Accumulation index over that period.

No performance fees were payable for the period to 19 August 2009 (2009: $nil).

e) Key management personnel interests in VCE

The following table outlines the interests that KMPs hold in VCE.

2010

Name	KMP interests in VCE securities at 1 July 2009	Securities issued acquisition of the Manager during the year to 30 June 2010	Securities disposed during the year to 30 June 2010	KMP interests in VCE securities at 30 June 2010/ date of cessation	Distribution received/ receivable to 30 June 2010 $
Andrew J. Berry	186,689	–	–	186,689	–
Robert Webster	22,388	–	–	22,388	–
Stephen Chipkin	95,939	–	–	95,939	–
Walter Pahor	3,177,777	7,945,200	–	11,122,977	–
Edward Northam	24,252	110,640	–	134,892	–
Duncan Jewell	34,289	61,080	–	95,369	–

2009

Name	KMP interests in VCE securities at 1 July 2008	Securities issued acquisition of the Manager during the year to 30 June 2009	Securities disposed during the year to 30 June 2009	KMP interests in VCE securities at 30 June 2009/ date of cessation	Distribution received/ receivable to 30 June 2009 $
Andrew J. Berry	186,689	–	–	186,689	6,030
Robert Webster	22,388	–	–	22,388	723
Stephen Chipkin	95,939	–	–	95,939	3,099
Walter Pahor	3,177,777	–	–	3,177,777	102,642
Viridis Energy Capital Pty Limited	161	–	(161)	–	5
Edward Northam	21,666	2,586	–	24,252	783
Duncan Jewell	34,289	–	–	34,289	1,108
Andrew Rayne	21,666	–	–	21,666	–

Distributions received include the interim distribution paid and the final distribution payable in each year.

f) Outstanding balances between KMPs and VCE

Fees to the manager and other transactions between the responsible entity and the manager have been disclosed in Note 24. Related party disclosures.

26. Auditors' remuneration

	VCEG 1 July 2009 —30 June 2010 $	VCEG 1 July 2008 —30 June 2009 $
Amounts paid or payable to the auditors of VCEG for		
• PricewaterhouseCoopers		
Audit services	372,106	276,500
Other services	28,713	142,190
	400,819	**418,690**

The auditors received no other benefits.

27. Contingencies

There are no contingent liabilities or assets that require disclosure.

28. Commitments for expenditure

	VCEG 30 June 2010 $'000	VCEG 30 June 2009 $'000
Capital commitments		
There are no capital commitments at 30 June 2010 (30 June 2009: $nil)		
Lease commitments as lessee		
Non-cancellable operating leases within one year	41	104
Non-cancellable operating leases later than one year but not later than five years	57	103
	98	**207**

29. Parent entity financial information

a) Summary financial information

The individual financial statement for the parent entity show the following aggregate amounts:

	30 June 2010 $'000	30 June 2009 $'000
Statement of financial position		
Current assets	55,640	859
Total assets	55,640	52,845
Current liabilities	39,320	2,310
Total liabilities	39,320	36,461
Equity		
Contributed equity	146,739	34,083
Retained earnings/(loss)	(130,419)	(17,699)
	16,320	16,384
Profit/(loss) for the year	**(112,720)**	**(5,559)**
Total comprehensive income	**(112,720)**	**(5,559)**

b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2010.

c) Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2010 or 30 June 2009.

30. Earnings per unit

Basic earnings per unit amounts are calculated by dividing net profit for the year attributable to unit holders of VCEG by the weighted average number of units outstanding during the year. The diluted earnings per unit are the same as the basic earnings per unit as there are no instruments on issue that are considered to be dilutive.

	VCEG 30 June 2010 cents	VCEG 30 June 2009 cents
Earnings per security for profit from continuing operations attributable to the VCE securityholders		
Basic earnings per unit	(27.76)	(11.84)
Diluted earnings per unit	(27.76)	(11.84)
Earnings per security for profit attributable to the VCE securityholders		
Basic earnings per unit	(19.47)	(10.35)
Diluted earnings per unit	(19.47)	(10.35)

The following represents the income and unit data used in the basic earnings per unit calculations.

	VCEG 2010	VCEG 2009
Net profit/(loss) after income tax from continuing operations, $'000	(54,795)	(22,138)
Net profit/(loss) after income tax from discontinued operations, $'000	16,359	2,789
Net profit/(loss) after income tax, $'000	(38,436)	(19,349)
Weighted average number of units on issue used in the calculation of basic earnings per unit, units	197,376,750	187,020,586

31. Subsequent events

On 17 September 2010 VCEG advised that it had entered into exclusive negotiations with a US-based infrastructure fund regarding the sale of VCEG's US landfill gas generation portfolio. At the date of this report negotiations are continuing.

Under the terms of the corporate debt facility VCEG must apply the net proceeds from the sale of its US business to pay down the facility. As at the date of this report the balance outstanding on the facility is A$13.4 million.

Since 30 June 2010 no other matter or circumstance not otherwise dealt with in the financial report has significantly affected or may significantly affect VCEG.

Statement by directors

In the opinion of the directors of Viridis Investment Management Limited:

(a) the financial statements and notes set out on pages 18 to 71 are in accordance with the Corporations Act 2001, including:
(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(ii) giving a true and fair view of the financial position of Viridis Clean Energy and the entities it controls ("the Group") as at 30 June 2010 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1 (d) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the Corporations Act 2001.

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

Andrew J. Berry
Chairman
Melbourne
30 September 2010

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of of Viridis Clean Energy

Report on the financial report

We have audited the accompanying financial report of Viridis Clean Energy (the disclosing entity), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Viridis Clean Energy Group (the consolidated entity). The consolidated entity comprises the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of of Viridis Clean Energy (continued)

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Viridis Clean Energy is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which comments on the potential consequences of Viridis Clean Energy being unable to negotiate an extension to the capital injection waiver received from the UK banking group and to secure future working capital funding through its corporate loan facility. This, along with other matters set forth in Note 1, indicate the existence of a significant uncertainty whether Viridis Clean Energy will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
30 September 2010

Securityholder information

The securityholder information set out below was current as at 31 August 2010.

(i) Substantial securityholders as at 31 August 2010

Holders	Number of securities	% of issued securities
Investors Mutual Ltd	22,607,459	11.36
Lighthouse Infrastructure Management Limited	17,403,167	8.74
Kingston Capital Limited	16,917,592	8.50
Commerzbank AG	12,867,455	6.47
Viridis Investment Management Limited in its capacity as responsible entity of Viridis Clean Energy	12,000,000	6.03
Oaktel Investments Pty Ltd	11,122,977	5.59
Rotarn Pty Limited	10,325,917	5.19

(ii) Distribution of securities as at 31 August 2010

Investor ranges	Holders	Total stapled securities	% of issued stapled securities
1—1,000	250	146,349	0.08
1,001—5,000	584	1,797,960	0.90
5,001—10,000	655	5,319,526	2.67
10,001—100,000	1,550	46,177,478	23.20
100,001 and over	183	145,579,273	73.15
Total	**3,222**	**199,020,586**	**100.00**

There were 1,256 holders of less than a marketable parcel of ordinary shares.

(iii) Twenty largest holders of securities as at 31 August 2010

	Name	Number Held	% of total
1	RBC Dexia Investor Services Australia Nominees Pty Limited	22,132,162	11.12
2	Lighthouse Infrastructure Management Limited	17,833,167	8.86
3	ANZ Nominees Limited—Cash Income account	17,734,562	8.91
4	Oaktel Investments Pty Ltd	11,122,977	5.59
5	Rotarn Pty Limited	9,705,957	4.88
6	Australian Executor Trustees Limited	5,186,539	2.61
7	Jagen Nominees Pty Ltd	3,444,574	1.73
8	National Nominees Limited	3,349,750	1.68
9	Sandhurst Trustees Ltd—SISF account	2,866,160	1.44
10	Citicorp Nominees Pty Limited	2,417,706	1.21
11	Investec Bank (Australia) Limited	2,070,360	1.04
12	Blaironia Pty Ltd	2,030,275	1.02
13	Mr Jian Chen	1,370,528	0.69
14	UBS Wealth Management Australia Nominees Pty Ltd	1,332,800	0.67
15	Nefco Nominees Pty Ltd	1,200,000	0.60
16	ABN AMRO Clearing Sydney Nominees Pty Ltd	1,053,204	0.53
17	Mr Gary Peck and Mrs Lyndal Peck	1,000,000	0.50
18	Montage Capital Pty Limited	943,574	0.47
19	Mr Bruce Ballantine Teele and Mrs Helen Patricia Teele	941,599	0.47
20	Ophot Pty Ltd	900,000	0.45

(iv) Voting rights

The voting rights are one vote per security.

Corporate directory

Responsible entity
Viridis Investment Management Limited
(ABN 51 099 788 431; AFSL 222 547)

Directors
Andrew J. Berry, Independent chairman
Walter Pahor, Director
Edward Northam, Managing director

Company secretary
Duncan Jewell

Manager
Viridis Energy Capital Pty Limited
(ABN 94 098 467 988; AFSL 222 548)

Registered office
Level One 167 Flinders Lane
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Facsimile 613 9677 8080
enquiries@viridisenergy.com

Auditors
PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Victoria 3006
Telephone 613 8603 1000

Registry
Computershare
Investor Services Pty Limited
Yarra Falls
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Abbotsford Victoria 3067
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