VIRIDIS
CLEAN ENERGY GROUP

FACSIMILE

TO	Australian Stock Exchange	DATE	28 August 2009
ATTENTION	Ms Kate Kidson	FACSIMILE	+61 3 9614 0303
FROM	Duncan Jewell		
SUBJECT	Appendix 4E and Full Year Accounts		

Dear Ms Kidson,

Please find attached Appendix 4E and Full Year Accounts for the Viridis Clean Energy Group (VIR).

Yours sincerely,

Duncan Jewell
Company Secretary
Viridis Investment Management Limited

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APPENDIX 4E

Preliminary final report

Name of entity:	**Viridis Clean Energy Group (VIR)** (comprising Viridis Clean Energy Trust I (ARSN 115 340 442) and Viridis Clean Energy Trust II (ARSN 115 340 639).

1. Details of the reporting period

Current Period:	1 July 2008 –	30 June 2009
Previous Corresponding Period:	1 July 2007 –	30 June 2008

2. Results for announcement to the market

				$A'000
2.1 Revenues from ordinary activities	Down	1.4 %	to	90,664
2.2 Loss from ordinary activities after tax attributable to members	Down	32.9%	to	(13,517)
2.3 Net loss for the period before tax attributable to members	Up	24.8%	to	(18,966)

2.4 Distributions	Amount per security	Franked amount per security
Current Period:		
Final dividend/distribution	$nil	Nil
Interim dividend/distribution	$0.0323	Nil
Previous Corresponding Period:		
Final dividend/distribution	$0.0500	Nil
Interim dividend/distribution	$0.0516	Nil

2.5 Record date for determining entitlements to the dividend/distribution	N/A

2.6 *Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood.*

Refer to the attached Directors' Report and Financial Statements

3. Statement of Financial Performance with notes

Refer attached Financial Statements

4. Statement of Financial Position with notes

Refer attached Financial Statements

5. Statement of Cash Flows with notes

Refer attached Financial Statements

6. Details of distributions

	Record Date	**Payment Date**
2009 Interim distribution	31 December 2008	16 February 2009
2009 Final distribution	N/A	N/A

Distribution components are as follows:

	Cents per stapled unit
Domestic interest income	0.04
Foreign income	2.42
Tax-deferred component	0.63
Total cash distribution	3.09
Foreign tax credit	0.14
Total distribution per unit: interim and final distribution	3.23

7. Details of distribution reinvestment plan

The distribution reinvestment plan was not active for the current period.

8. Statement of retained earnings showing movements

Refer attached Financial Statements.

9. Net tangible assets per security

	Current period	Previous corresponding period
Net asset backing per stapled unit	$0.36	$0.51
Net tangible asset backing per stapled unit	($0.54)	($0.50)

10. Control gained or lost over entities during the period

10.1 Name of entity (or group of entities) over which control was gained	N/A
10.2 Date control was gained	N/A
10.3 Contribution to the reporting entity's profit during the period, since the date on which control was acquired	N/A

11. Details of associates and joint venture entities

The only material investment in associates is a 49% interest in Ardrossan Wind Farm (Scotland) Limited. Refer attached Financial Statements (Note 13).

12. Other significant information

Refer attached Directors' Report and Financial Statements.

13. Accounting standards used by foreign entities

Financial statements of foreign entities have been restated under Australian Equivalents to International Financial Reporting Standards (AIFRS) for the purpose of inclusion in the consolidated financial statements of the Viridis Clean Energy Group.

14. Commentary on results

	Current period	Previous corresponding period
14.1 Earnings per security, cents	(10.35)	(14.53)
14.2 Returns to shareholders: Distributions, cents	3.23	10.16
14.3 Significant features of operating performance	Refer attached Directors' Report and Financial Statements	Refer attached Directors' Report and Financial Statements

Commentary on significant features of operating performance
Refer attached Directors' Report

14.4 Segment results: Refer attached Financial Statements (Note 4)		
14.5 Trends in performance Refer attached Directors' Report		

14.6 Other factors *Provide discussion of any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.* Refer attached Directors' Report and the Financial Statements.

15. Audit/review of accounts upon which the report is based

This report is based on accounts to which one of the following applies (*tick one*):

✓	The accounts have been audited. (refer attached financial statements)	☐	The accounts have been subject to review. (refer attached financial statements)
☐	The accounts are in the process of being audited and subject to review.	☐	The accounts have *not* yet been audited or reviewed

16. Accounts not yet audited or reviewed

N/A (accounts have been audited - see 15 above)

17. Qualifications of audit/review

N/A - no qualification applied

Viridis Clean Energy Group

(ARSN 115 340 442 & ARSN 115 340 639)

Annual financial report

for the year ended 30 June 2009

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Directors' report

The directors of Viridis Investment Management Limited, the responsible entity of the stapled trusts Viridis Clean Energy Trust I (ARSN 115 340 442) ("VCET I") and Viridis Clean Energy Trust II (ARSN 115 340 639) ("VCET II"), submit their report, together with the attached financial report, for the financial year ended 30 June 2009.

The consolidated financial statements incorporate the assets and liabilities of VCET I and VCET II and their 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. There were no significant changes in the nature of VCEG's activities during the year.

Results and review of operations

Results

The net loss after income tax benefit for VCEG for the financial year ended 30 June 2009 was $13.517 million (2008: $20.153 million).

Operations

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

	Total revenue Year ended		Adjusted EBITDA* Year ended	
	30 June 2009 $'000	30 June 2008 $'000	30 June 2009 $'000	30 June 2008 $'000
UK Wind	1,410	1,945	4,357	4,910
UK Landfill Gas	54,561	52,974	19,999	20,194
Germany Wind	20,894	20,452	12,841	14,301
USA Landfill Gas	12,968	15,054	3,285	6,072
Realised gains on FX derivatives	-	-	6,335	2,560
Other	831	1,490	(9,866)	(5,483)
	90,664	91,915	36,951	42,554

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

	$'000	$'000
Reported EBITDA	43,905	27,618
Exclude items included in reported EBITDA:		
- Interest income – other	(779)	(1,434)
- Unrealised losses/(gains) on derivatives	3,595	(3,470)
- Unrealised FX (gains)/losses	(12,070)	14,233
- Transaction costs written-off	1,570	2,642
- Write-back of Texas maintenance costs accrual	(2,217)	-
Include share of net profit of associates	2,947	2,965
	36,951	42,554

UK Wind

The Ardrossan wind farm was in operation for the entire reporting period in each year and the results include VCEG's share of the net profit of Ardrossan, accounted for using the equity method and interest income on the subordinated debt advanced by VCEG to the project. The 6 MW expansion was commissioned during the last quarter of calendar year 2008, which increased the capacity of the project to 30 MW. The subordinated debt was repaid in full on 27 March 2009, after the successful refinancing of the project. VCEG's share of net profit of Ardrossan was $2.947 million – 0.6% lower than in 2008, when it was $2.965 million. An increase in net profit in GBP due to increased production was offset by the impact of a strengthening Australian dollar against the GBP, which reduced reported results by approximately 3% on a comparative basis.

UK Landfill Gas

The portfolio was in operation for the whole of the reporting and comparative periods; therefore the consolidated results include a full-period contribution from the portfolio.

Total production from the portfolio in 2009 was 370,210 MWh (389,949 MWh in 2008) due to lower gas production. An increase in power prices delivered reported revenue of $54.561 million (2008: $52.974 million) and an adjusted EBITDA contribution from the portfolio of $19.999 million (2008: $20.194 million).

Germany Wind

The portfolio was in operation for the whole of the reporting and comparative periods; therefore the consolidated results include a full-period contribution from the wind farms.

Total production from the portfolio was 120,721 MWh (2008: 133,947 MWh), the decrease of 9.9% being largely due to below-average wind speeds during the peak winter months. Revenue from the portfolio was $20.894 million (2008: $20.452 million), with lower production levels being offset by the impact of the strengthening Euro against the Australian dollar, which increased reported results by approximately 14% on a comparative basis. The adjusted EBITDA contribution from the portfolio was $12.841 million (2008: $14.301 million), a 10.2% decrease on the previous corresponding period. The decrease was caused by lower production combined with higher maintenance expenditure due to the majority of wind-farms coming out of their initial warranty periods and period-on-period movements in foreign currency exchange rates.

USA Landfill Gas

The portfolio was in operation for the whole of the reporting and comparative periods; therefore the consolidated results include a full-period contribution from the portfolio.

Total production from the portfolio was 169,937 MWh (206,907 MWh in 2008). The decrease in production levels resulted from interruptions caused by Hurricane Ike, reduced gas supply to the Penrose facility due to a gas supplier's refusal to deliver gas and downtime associated with a major maintenance program implemented in advance of a changeover in maintenance contractor. These factors, combined with a material fall in Texas power prices in the second half of the year, saw the portfolio achieve revenues of $12.968 million (2008: $15.054 million) and delivered an adjusted EBITDA contribution of $3.285 million (2008: $6.072 million).

In April 2009 a changeover in the Texas operations and maintenance contractor was implemented. As part of these arrangements the outgoing contractor agreed to cancel invoices previously issued for specific maintenance items. The reported results therefore include a $2.217 million write-back of costs previously accrued (note that the write-back amount is not included in the adjusted EBITDA contribution stated above).

Following completion of the year-end asset impairment testing the directors decided to write-down the carrying value of the California landfill gas portfolio to zero. This reflects revenue uncertainty at the 8MW Penrose project due to the gas supplier's refusal to deliver gas, ongoing weakness in wholesale power prices and an increase in market-based discount rates to be applied in valuing assets of this kind. The consolidated results include a non-cash impairment charge of $8.3 million (pre-tax).

Investment and finance

During the reporting period VCEG negotiated a new corporate debt facility with its existing bankers Investec Bank and ABN AMRO Bank, which matures in July 2010. In April 2009 the proceeds from repayment of the Ardrossan subordinated loan were applied to repay A$23.7 million of the corporate debt facility. The outstanding balance on the facility is $61.6 million as at 30 June 2009. Further details of the facility are included in Note 18 to the financial statements.

The consolidated results include $1.570 million of expenses (2008: $2.642 million) relating to transaction costs. The 2009 expenses were related to the management internalisation transaction. VCEG may incur further transaction costs relating to the evaluation, negotiation and implementation of new investments or other transactions. It is possible that not all such transactions will proceed, either because they do not meet VCEG's investment criteria or because negotiations with counter-parties are not successful.

Distributions

An interim distribution of 3.23 cents per stapled security (including a 0.14 cents foreign tax credit component) on issue at the record date (31 December 2008) was made on 16 February 2009. There was no final distribution. The total distribution amount for the reporting period was $6.037 million (2008: 18.865 million) and was paid from VCET I.

Directors

Directors of the responsible entity of VCET I and VCET II in office during the reporting period and until the date of this report are:

Andrew J. Berry (Chairman)

Stephen Chipkin

Robert Webster

Walter Pahor

It is intended that Stephen Chipkin will resign as a director of the responsible entity and Edward Northam will be appointed as managing director after this financial report is released.

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

Interests in stapled securities of VCEG

The interests in stapled securities issued by VCEG held by the responsible entity, directors of the responsible entity and their director-related entities at 30 June 2009 are detailed in Notes 22 and 23 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.

VCEG information

VCET I and VCET II are Australian-registered managed investment schemes. The registered office of the responsible entity is located at Level One, 167 Flinders Lane, Melbourne, Victoria, 3000.

Stapled securities on issue

At 30 June 2009, there were 187,020,586 stapled securities of VCEG on issue.

No stapled securities were issued during the reporting period.

Group assets

At 30 June 2009 VCEG held assets to a total value of $413.4 million (2008: $478.1 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 2009, Viridis Energy Capital Pty Limited was entitled to $1,526,882 (2008: $2,356,670) in fees as the manager of VCEG's clean energy assets and $907,472 (2008: $504,217) in relation to asset operations management fees. Under the terms of the investment management agreement, the manager is also entitled to seek reimbursement of certain costs. Costs incurred by the manager on VCEG's behalf, and reimbursed to the manager, totalled $233,851during the year (2008: $359,718).

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 $114,507 during the year (2008: $97,922). Refer to Note 22. Related party disclosures.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of VCEG.

Events occurring after balance date

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"). 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. 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

No insurance premiums for cover provided to the responsible entity or the manager were paid for out of the assets of VCEG during the reporting period. So long as the directors and officers of the responsible entity act in accordance with the constitutions of VCET I and VCET II 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.

Environmental regulation

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

Application of Class Order

The financial reports for VCEG, VCET I and VCET II are jointly presented in the one report, as permitted by ASIC Class Order 05/642.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 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 VCET I and VCET II.

Andrew J. Berry
Chairman
Viridis Investment Management Limited (responsible entity)
Melbourne

Dated this 28th day of August 2009

PricewaterhouseCoopers
ABN 52 780 433 757

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Auditor's Independence Declaration

As lead auditor for the audit of Viridis Clean Energy Trust I, Viridis Clean Energy Trust II and the entities they control ("the Viridis Clean Energy Group") for the year ended 30 June 2009, 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 the Viridis Clean Energy Group during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
28 August 2009

Income statements for the year ended 30 June 2009

	Notes	VCEG 1 July 2008 – 30 June 2009 $'000	VCET I 1 July 2008 – 30 June 2009 $'000	VCET II 1 July 2008 – 30 June 2009 $'000	VCEG 1 July 2007 – 30 June 2008 $'000	VCET I 1 July 2007 – 30 June 2008 $'000	VCET II 1 July 2007 – 30 June 2008 $'000
Revenue from continuing operations							
Operating income	5	88,475	-	-	88,536	-	-
Interest income – project investments	5	1,410	-	-	1,945	-	-
Interest income – other	5	779	13,743	33	1,434	15,056	131
Total revenue		**90,664**	**13,743**	**33**	**91,915**	**15,056**	**131**
Expenses							
Operating expenses	5	(50,657)	-	(983)	(48,246)	-	(504)
Fund expenses		(1,987)	(1,578)	(409)	(1,950)	(1,555)	(395)
Management fees		(1,527)	(1,290)	(237)	(2,357)	(1,951)	(406)
Net gain/(loss) on derivative financial instruments	5	2,740	4,835	(2,095)	6,030	4,142	1,888
Net foreign currency exchange gain/(loss)	5	6,242	12	(26)	(15,132)	(1)	(13)
Transaction costs written off		(1,570)	-	(1,570)	(2,642)	-	(2,642)
Earnings before interest expense, tax, depreciation & amortisation		43,905	15,722	(5,287)	27,618	15,691	(1,941)
Depreciation of property, plant and equipment		(15,320)	-	(44)	(13,713)	-	(53)
Amortisation of intangibles		(18,691)	-	-	(19,132)	-	-
Impairment of non-current assets		(8,301)	-	-	-	-	-
Earnings before interest expense and tax		1,593	15,722	(5,331)	(5,227)	15,691	(1,994)
Share of net profit of associates accounted for using the equity method	13	2,947	-	-	2,965	-	-
Finance costs	5	(23,506)	(9,890)	(228)	(22,947)	(8,970)	(127)
Net profit/(loss) before income tax		**(18,966)**	**5,832**	**(5,559)**	**(25,209)**	**6,721**	**(2,121)**
Income tax benefit/(expense)	7	5,449	-	-	5,056	-	-
Net profit/(loss) after income tax		**(13,517)**	**5,832**	**(5,559)**	**(20,153)**	**6,721**	**(2,121)**
Less: Profit attributable to minority interest holders		(5,832)	-	-	(6,721)	-	-
Net profit/(loss) after income tax attributable to VCET II security holders		**(19,349)**	**5,832**	**(5,559)**	**(26,874)**	**6,721**	**(2,121)**
Earnings per security for profit attributable to the VCET II security holders		Cents per security			Cents per security		
Basic earnings/(loss)	27	(10.35)			(14.53)		
Diluted earnings/(loss)	27	(10.35)			(14.53)		

The accompanying notes form part of the financial statements.

Balance sheets as at 30 June 2009

	Notes	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Assets							
Current assets							
Cash and cash equivalents	9	21,036	1,443	108	33,230	7,140	1,788
Trade and other receivables	10	14,544	3,972	107	14,706	5,376	3,531
Income tax receivable	7	554	-	-	92	-	-
Derivative financial instruments	11	2,030	1,424	606	9,530	5,370	3,786
Other current assets	12	7,611	407	38	4,295	179	17
Total current assets		45,775	7,246	859	61,853	18,065	9,122
Non-current assets							
Trade and other receivables	10	531	159,101	38,159	19,433	187,085	34,101
Investments accounted for using the equity method	13	3,126	-	-	5,544	-	-
Other financial assets	14	-	-	13,439	-	-	13,439
Property, plant and equipment	15	191,749	-	1	194,655	-	45
Deferred tax assets	7	-	-	-	-	-	-
Derivative financial instruments	11	3,340	2,953	387	6,329	-	-
Intangible assets	16	168,426	-	-	188,976	-	-
Other non-current assets	12	440	-	-	1,380	-	-
Total non-current assets		367,612	162,054	51,986	416,317	187,085	47,585
Total assets		**413,387**	**169,300**	**52,845**	**478,170**	**205,150**	**56,707**
Liabilities							
Current liabilities							
Trade and other payables	17	22,786	520	2,310	28,942	13,231	613
Interest-bearing liabilities	18	23,874	-	-	103,146	83,059	-
Derivative financial instruments	11	449	3	-	-	-	-
Other current liabilities		-	-	-	168	-	-
Total current liabilities		47,109	523	2,310	132,256	96,290	613
Non-current liabilities							
Interest-bearing liabilities	18	239,261	60,316	-	189,103	-	-
Derivative financial instruments	11	6,675	106	-	-	-	-
Deferred tax liabilities	7	48,290	-	-	57,031	-	-
Provisions	19	5,498	-	-	4,864	-	-
Other non-current liabilities - Group entities		-	-	34,151	-	-	34,151
Total non-current liabilities		299,724	60,422	34,151	250,998	-	34,151
Total liabilities		**346,833**	**60,945**	**36,461**	**383,254**	**96,290**	**34,764**
Net assets		**66,554**	**108,355**	**16,384**	**94,916**	**108,860**	**21,943**
Equity							
Contributed equity	20	171,250	137,167	34,083	171,250	137,167	34,083
Reserves	21	(8,411)	-	-	397	300	-
Retained earnings/(loss)		(96,285)	(28,812)	(17,699)	(76,731)	(28,607)	(12,140)
Total equity		**66,554**	**108,355**	**16,384**	**94,916**	**108,860**	**21,943**
Attributable to:							
Unitholders of VCET II		(41,801)	-	-	(13,944)	-	-
Minority interests		108,355	-	-	108,860	-	-
Total		**66,554**	-	-	**94,916**	**-**	**-**

The accompanying notes form part of the financial statements.

Statement of changes in equity for the year ended 30 June 2009

	Contributed equity $'000	Retained profits $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Total $'000
Consolidated (a)					
Balance as at 30 June 2007	**166,936**	**(37,713)**	**7,945**	**(2,951)**	**134,217**
Fair value of cash flow hedges movement for the period (net of tax)	-	-	(2,554)	-	(2,554)
Currency translation differences	-	-	-	(2,043)	(2,043)
Net income/(expense) recognised directly in equity	-	-	(2,554)	(2,043)	(4,597)
Net profit/(loss) after tax	-	(20,153)	-	-	(20,153)
Total recognised income and expense for the period	**-**	**(20,153)**	**(2,554)**	**(2,043)**	**(24,750)**
Issue of capital	4,314	-	-	-	4,314
Distribution paid and declared	-	(18,865)	-	-	(18,865)
Balance as at 30 June 2008	**171,250**	**(76,731)**	**5,391**	**(4,994)**	**94,916**
Fair value of cash flow hedges movement for the period (net of tax)	-	-	(11,956)	-	(11,957)
Currency translation differences	-	-	-	3,148	3,148
Net income/(expense) recognised directly in equity	-	-	(11,956)	3,148	(8,808)
Net profit/(loss) after tax	-	(13,517)	-	-	(13,517)
Total recognised income and expense for the period	**-**	**(13,517)**	**(11,956)**	**3,148**	**(22,325)**
Distribution paid and declared	-	(6,037)	-	-	(6,037)
Balance as at 30 June 2009	**171,250**	**(96,285)**	**(6,565)**	**(1,846)**	**66,554**
VCET I					
Balance as at 30 June 2007	**133,549**	**(16,463)**	**-**	**-**	**117,086**
Fair value of cash flow hedges movement for the period (net of tax)	-	-	300	-	300
Net income/(expense) recognised directly in equity	-	-	300	-	300
Net profit/(loss) after tax	-	6,721	-	-	6,721
Total recognised income and expense for the period	**-**	**6,721**	**300**	**-**	**7,021**
Issued capital	3,618	-	-	-	3,618
Distribution paid and declared	-	(18,865)	-	-	(18,865)
Balance as at 30 June 2008	**137,167**	**(28,607)**	**300**	**-**	**108,860**
Fair value of cash flow hedges movement for the period (net of tax)	-	-	(300)	-	(300)
Net income/(expense) recognised directly in equity	-	-	(300)	-	(300)
Net profit/(loss) after tax	-	5,832	-	-	5,832
Total recognised income and expense for the period	**-**	**5,832**	**(300)**	**-**	**5,532**
Distribution paid and declared	-	(6,037)	-	-	(6,037)
Balance as at 30 June 2009	**137,167**	**(28,812)**	**-**	**-**	**108,355**

Statement of changes in equity (continued)

	Contributed equity	Retained profits	Cash flow hedge reserve	Foreign currency translation reserve	Total
	$'000	$'000	$'000	$'000	$'000
VCET II					
Balance as at 30 June 2007	**33,387**	**(10,019)**	**-**	**-**	**23,368**
Net profit/(loss) after tax	-	(2,121)	-	-	(2,121)
Total recognised income and expense for the period	**-**	**(2,121)**	**-**	**-**	**(2,121)**
Issued capital	696	-	-	-	696
Balance as at 30 June 2008	**34,083**	**(12,140)**	**-**	**-**	**21,943**
Net profit/(loss) after tax	-	(5,559)	-	-	(5,559)
Total recognised income and expense for the period	**-**	**(5,559)**	**-**	**-**	**(5,559)**
Balance as at 30 June 2009	**34,083**	**(17,699)**	**-**	**-**	**16,384**

(a) VCET II is identified as the parent entity of the consolidated group. The balances and movements disclosed above for VCET I represent the minority interest.

The accompanying notes form part of the financial statements.

Cash flow statements for the year ended 30 June 2009

	VCEG 1 July 2008 – 30 June 2009 $'000	VCET I 1 July 2008 – 30 June 2009 $'000	VCET II 1 July 2008 – 30 June 2009 $'000	VCEG 1 July 2007 – 30 June 2008 $'000	VCET I 1 July 2007 – 30 June 2008 $'000	VCET II 1 July 2007 – 30 June 2008 $'000
Cash flows from operating activities						
Receipts from customers	94,828	-	-	91,803	-	-
Payments to suppliers	(55,754)	2,565	(2,568)	(53,187)	(2,039)	(2,541)
Interest received	3,265	16,383	42	3,458	17,483	122
Interest paid	(21,414)	(8,720)	-	(21,817)	(8,162)	-
Dividends received from equity accounted investment	3,757	-	-	2,093	-	-
Finance costs paid	(2,321)	(2,132)	-	(526)	(177)	-
Income tax received/(paid)	(271)	-	-	726	-	-
Net cash flows from operating activities	**22,090**	**8,096**	**(2,526)**	**22,550**	**7,105**	**(2,419)**
Cash flows from investing activities						
Purchase of property, plant and equipment	(4,296)	-	-	(4,120)	-	-
Loans to related parties	(2,640)	(1,488)	(10,375)	-	-	(5,145)
Repayment of loans – related parties	21,596	27,984	9,733	-	3,681	7,704
Purchase of other non-current assets	(15)	-	-	(12)	-	-
Net cash flows from investing activities	**14,645**	**26,496**	**(642)**	**(4,132)**	**3,681**	**2,559**
Cash flows from financing activities						
Proceeds from borrowings from external parties	86,920	85,307	-	-	-	-
Proceeds from borrowings from related parties	-	6,309	1,488	-	5,133	-
Repayment of borrowings from external parties	(121,076)	(107,317)	-	(13,168)	-	-
Repayment of borrowings from related parties	-	(9,732)	-	-	(3,636)	(24)
Distributions paid by VCET I	(14,856)	(14,856)	-	(13,820)	(13,820)	-
Net cash flow from financing activities	**(49,012)**	**(40,289)**	**1,488**	**(26,988)**	**(12,323)**	**(24)**
Net increase/(decrease) in cash assets held	(12,277)	(5,697)	(1,680)	(8,570)	(1,537)	116
Cash at the beginning of the period	33,230	7,140	1,788	44,172	8,677	1,672
Effects of exchange rate changes on cash and cash equivalents	83	-	-	(2,372)	-	-
Cash at the end of the period – Note 9.	**21,036**	**1,443**	**108**	**33,230**	**7,140**	**1,788**

The accompanying notes form part of the financial statements.

Notes to the financial statements for the year ended 30 June 2009

1 Summary of significant accounting policies

The financial report for the Viridis Clean Energy Group ("VCEG") for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors of the responsible entity on 28 August 2009.

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

VCEG consists of two stapled Australian registered managed investment schemes, Viridis Clean Energy Trust I ("VCET I") and Viridis Clean Energy Trust II ("VCET II"). VCET I and VCET II 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.

Viridis Investment Management Limited ("VIML") is the responsible entity for both VCET I and VCET II. The responsible entity has an experienced board currently consisting of four directors, two of whom are independent of Viridis Energy Capital Pty Limited ("the manager") and the Investec Group. One of the independent directors is the chairman. The remaining two directors are also directors of the manager. 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

VCET I was established under a constitution dated 15 July 2005. VCET II 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.

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). The financial statements and notes of VCET I and VCET II also comply with 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 2009 accounting period. VCEG's assessment of the impact of these new standards and interpretations is set out below.

- 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. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a management approach to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. VCEG will adopt AASB 8 in the annual reporting period beginning 1 July 2009. AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

1 - Summary of significant accounting policies (continued)

- 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. It has removed the option to expense all borrowing costs and – when adopted – will require 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 therefore no impact on the financial statements is expected.

- Revised AASB 101: Presentation of Financial Statements

  A revised AASB 101 was issued in September 2007 and is applicable to annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity but will not affect any of the amounts recognised in the financial statements. If an entity has made 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.

- Revised AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements and AASB 2008 – 3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

  Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009 but may be applied earlier. The Group will adopt the revised standards in the annual reporting period beginning 1 July 2009. The new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

- AASB 2008 – 7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

  In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The new rules will apply to financial reporting periods beginning on or after 1 January 2009. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

Standards, interpretations and amendments that became effective this year

- No standards, interpretations or amendments became effective this year that are material to VCEG.

e) Stapled securities

The units of VCET I and VCET II are combined and issued as stapled units in VCEG. The units in each of the trusts cannot be traded separately and can only be traded as stapled securities. The purpose of stapling the securities was to facilitate the initial public offering of the securities of Viridis Clean Energy Group on the Australian Stock Exchange. VCEG financial statements consist of the consolidated financial statements of VCET II and its wholly owned subsidiaries and VCET I.

The financial statements have been prepared in accordance with Australian Securities and Investment Commission (ASIC) Class Order 05/642 which allows issuers of stapled securities to include their financial statements in columns adjacent to the consolidated financial statements of the stapled group in one financial report. Consequently, this financial report presents the consolidated financial statements of the stapled group (VCEG) and the financial statements of VCET I and VCET II in adjacent columns.

f) AASB Interpretation 1002 "Post-Date-of-Transition Stapling Arrangements"

The stapling arrangement between VCET I and VCET II was effected after the date of transition to AIFRS. Therefore AASB Interpretation 1002 has been applied in the preparation of VCEG financial statements. In accordance with this interpretation, for the purpose of preparing consolidated financial statements that combine the assets and liabilities of the stapled entities, VCET II is identified as the parent entity of the consolidated group comprising VCET I, VCET II and the entities they control. The results of VCET I are included as minority interest in the consolidated financial statements.

1 - Summary of significant accounting policies (continued)

g) Comparative information

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

h) 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 2009, and combine the assets and liabilities of VCET I and VCET II. These entities are referred to in the financial report as VCEG. The effects of all transactions between entities in VCEG are eliminated in full. Shares in subsidiaries are accounted for at cost.

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 consolidated income statement 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 are included as minority interest in the consolidated financial statements.

i) Segment reporting

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

j) 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. 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 22. Related party disclosures.

k) 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.

1 - Summary of significant accounting policies (continued)

l) 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.

Non-interest bearing loans are treated as part of the investment in the borrowing entity. The loans have been provided as a source of long-term capital and do not have fixed repayment terms.

m) Inventories

Stores 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.

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.

1 - Summary of significant accounting policies (continued)

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 as follows:

	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

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.

1 - Summary of significant accounting policies (continued)

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 VCET II'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

Stapled units in VCEG are classified as contributed equity.

Costs directly attributable to the issue of new units are shown in equity as a deduction from the proceeds.

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 VCET II 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

VCET I

Under current legislation, VCET I is not subject to income tax provided the unit holders are presently entitled to the income.

VCEG

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

1 - Summary of significant accounting policies (continued)

- 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.

1 - Summary of significant accounting policies (continued)

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 11. 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.

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 asset impairment tests on all VCEG's assets.

Management valued the assets based on the fair value less costs to sell and concluded that it was not appropriate to record an impairment, except in respect of VCEG's Californian operations. In reaching this conclusion management calculated values using a number of critical inputs including discount rate, production levels and power prices based on information available in the market place and reports from external experts. With the exception of the Californian operations all VCEG's assets demonstrated surpluses in excess of carrying value.

The directors of the responsible entity of VCEG have decided to write down the carrying value of the California landfill gas portfolio to zero. This reflects revenue uncertainty at the 8MW Penrose project due to the gas supplier's refusal to deliver gas, ongoing weakness in wholesale power prices and an increase in the market-based discount rates to be applied in valuing assets of this kind. The total charge of $8.301 million is included as the separate line item 'Impairment of non-current assets' in the income statement, with the analysis of asset class and segment disclosed in 'other segment information' within Note 4. Segment information.

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.

ROC recycling

The pricing mechanism for electricity in VCEGs portfolio of landfill gas assets in the United Kingdom revenues is complex and includes a number of components. One of these components, relating to renewables obligation certificates is based on the year to 31 March but is only finalised and settled in the October/November following the end of that year. Whereas this component was included within the total contracted pricing for the contract periods from 1 April 2007 to 31 March 2009, from 1 April 2009 this component has been excluded from the contracts and management has used its experience in the market to estimate the future price and therefore the benefit for the period to 30 June 2009. Refer Note 6. Changes in accounting estimates.

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 program 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 acquisitions 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, VCET I and VCET II are as follows.

	VCEG 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2009 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2009 $'000	VCET II 30 June 2008 $'000
Financial assets						
Cash and cash equivalents	11,974	24,448	1,443	7,140	108	1,788
Trade and other receivables	14,544	14,706	3,972	5,376	107	3,531
Restricted deposits	9,062	8,782	-	-	-	-
Other financial assets	-	18,962	-	-	-	-
Prepaid expenses	6,148	4,429	61	64	38	17
Foreign currency forward contracts	5,370	8,856	4,377	5,070	993	3,786
Interest rate swaps	-	7,003	-	300	-	-
	47,098	**87,186**	**9,853**	**17,950**	**1,246**	**9,122**
Financial liabilities						
Trade and other payables	22,786	28,942	520	13,231	2,310	613
Bank loans	263,135	292,249	60,316	83,059	-	-
Foreign currency forward contracts	109	-	109	-	-	-
Interest rate swaps	7,015	-	-	-	-	-
	293,045	**321,191**	**61,945**	**96,290**	**2,310**	**613**

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

3 - Financial risk management (continued)

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.

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

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

	Average exchange rate		Foreign currency		Contract value		Fair value					
Outstanding contracts	2009	2008	2009 FC'000	2008 FC'000	2009 $'000	2008 $'000	VCEG 2009 $'000	VCET I 2009 $'000	VCET II 2009 $'000	VCEG 2008 $'000	VCET I 2008 $'000	VCET II 2008 $'000
Sell Euros												
Less than 12 months	0.5519	0.5638	2,079	2,000	3,767	3,547	127	(3)	130	232	49	183
1 year to 2 years	0.5627	0.5519	1,657	2,079	2,945	3,767	(24)	(24)	-	209	40	168
2 years to 3 years	0.5849	0.5627	1,585	1,657	2,887	2,945	(29)	(29)	-	41	41	-
3 years to 4 years	0.5356	0.5489	1,477	1,585	2,758	2,887	(39)	(39)	-	34	34	-
4 years to 5 years	0.5174	0.5356	1,023	1,477	1,977	2,758	(14)	(14)	-	30	30	-
5 years +	-	0.5174	-	1,023	-	1,977	-	-	-	40	40	-
Sell GB Pounds												
Less than 12 months	0.4000	0.4022	3,488	3,529	8,721	8,776	1,445	1,344	101	1,355	922	433
1 year to 2 years	0.3971	0.4000	3,388	3,868	8,533	9,671	1,303	1,303	-	1,299	1,073	227
2 years to 3 years	0.3948	0.3971	3,351	3,388	8,487	8,532	1,137	1,137	-	997	997	-
3 years to 4 years	0.3931	0.3948	1,345	3,351	3,423	8,488	407	407	-	862	862	-
4 years to 5 years	-	0.3931	-	1,345	-	3,423	-	-	-	307	307	-
Sell US Dollars												
Less than 12 months	0.7358	0.7416	3,931	4,823	5,343	6,504	455	80	375	1,384	188	1,196
1 year to 2 years	0.7296	0.7358	4,862	4,306	6,664	5,853	452	65	387	996	186	810
2 years to 3 years	0.7379	0.7296	954	4,862	1,293	6,664	41	41	-	934	165	769
3 years to 4 years	-	0.7379	-	954	-	1,294	-	-	-	136	136	-
						77,086	**5,261**	**4,268**	**993**	**8,856**	**5,070**	**3,786**

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. Also, on consolidation VCEG accounts for the foreign currency exchange movements on translation of the results and net assets of its operations through the foreign currency reserve. The following table shows the Group's main exposures to foreign currency risk of these types as at the balance sheet date.

VCEG	2009	2008
Non-local currency loans		
Australian dollar loans to US dollar functional currency entities – A$'000	25,811	31,068
Australian dollar loans to Euro functional currency entities – A$'000	99,139	121,865
Pounds sterling loans from Euro functional currency entities – GBP'000	31,207	40,349
Net assets/(liabilities) of non-Australian dollar functional currency entities		
Pounds sterling – GBP'000	(5,519)	4,490
Euro – Euro'000	(1,598)	25
US Dollar – USD'000	4,422	5,768

3 - Financial risk management (continued)

(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 both fixed and 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.

As at the reporting date VCET II had no variable rate borrowings or interest rate swap contracts outstanding. VCEG and VCET I had the following variable rate borrowings and interest rate swap contracts outstanding.

	30 June 2009		30 June 2008	
	Weighted average interest rate* %	Balance $'000	Weighted average interest rate* %	Balance $'000
VCEG				
Bank loans	2.40	196,865	6.30	225,074
Interest rate swaps (notional principal amount)	4.71	(125,518)	4.70	(216,239)
Net exposure to cash flow interest rate risk		**71,347**		**8,835**
VCET I				
Bank loans	3.18	61,591	7.89	83,600
Interest rate swaps (notional principal amount)	n/a	-	7.58	(83,600)
Net exposure to cash flow interest rate risk		61,591		**-**

* 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. The BBSY contracts that expired in May 2009 were the only interest rate swaps contracted by VCET I, and VCET II does not have any contracts.

VCET I and VCEG Outstanding floating (BBSY) for fixed contracts maturity date	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Less than 12 months	n/a	7.58	-	83,600	-	300
			-	**83,600**	**-**	**300**

VCEG Outstanding floating (EURIBOR) for fixed contracts maturity date	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2009 %	2008 %	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Less than 12 months	3.70	3.70	1,242	1,215	(41)	70
1 year to 2 years	3.70	3.70	1,273	1,242	(42)	71
2 years to 3 years	3.70	3.70	1,304	1,273	(43)	73
3 years to 4 years	3.70	3.70	1,338	1,304	(44)	75
4 years to 5 years	3.70	3.70	1,375	1,338	(45)	77
5 years +	3.70	3.70	5,677	7,052	(185)	404
			12,209	**13,424**	**(400)**	**770**

VCEG Outstanding floating (LIBOR) for fixed contracts maturity date	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2009 %	2008 %	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Less than 12 months	4.90	4.90	3,008	2,540	(182)	125
1 year to 2 years	4.90	4.90	2,915	3,008	(177)	148
2 years to 3 years	4.90	4.90	3,594	2,915	(218)	143
3 years to 4 years	4.90	4.90	3,331	3,594	(202)	177
4 years to 5 years	4.90	4.90	3,483	3,331	(211)	164
5 years +	4.90	4.90	34,449	37,932	(2,088)	1,865
			50,780	**53,320**	(3,078)	**2,622**

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		Notional principal amount		Fair value	
	2009 %	2008 %	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Less than 12 months	3.70	3.69	3,673	3,189	(104)	160
1 year to 2 years	3.71	3.70	3,752	3,673	(107)	163
2 years to 3 years	3.72	3.71	3,835	3,752	(110)	166
3 years to 4 years	3.73	3.72	3,922	3,835	(114)	169
4 years to 5 years	3.74	3.73	4,014	3,922	(117)	173
5 years +	3.70	3.70	20,266	24,280	(580)	987
			39,462	**42,651**	(1,132)	**1,818**

(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.

3 - Financial risk management (continued)

Summarised sensitivity analysis

The following tables summarise the sensitivity to currency risk and interest rate risk of the financial assets and liabilities of VCEG, VCET I and VCET II. 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	VCEG			VCET I			VCET II		
		-10%	**+10%**		**-10%**	**+10%**		**-10%**	**+10%**
	Carrying amount	**Profit**	**Profit**	**Carrying amount**	**Profit**	**Profit**	**Carrying amount**	**Profit**	**Profit**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
30 June 2009									
Financial assets									
Cash and cash equivalents	11,974	1,157	(947)	1,443	-	-	108	-	-
Trade and other receivables	14,544	1,615	(1,322)	3,972	-	-	107	-	-
Restricted deposits	9,062	1,007	(824)	-	-	-	-	-	-
Foreign currency forward contracts	5,370	(4,067)	3,327	4,377	(2,864)	2,343	993	(1,203)	984
Financial liabilities									
Trade and other payables	(22,786)	(2,393)	1,958	(520)	-	-	(2,310)	-	-
Bank loans	(263,135)	(22,535)	18,438	(60,316)	-	-	-	-	-
Non-local currency inter-company loans	-	20,999	(17,181)	-	-	-	-	-	-
Foreign currency forward contracts	(109)	(1,231)	1,007	(109)	(1,231)	1,007	-	-	-
Interest rate swaps	(7,015)	(779)	638	-	-	-	-	-	-
Total increase/ (decrease)		**(6,227)**	**5,094**		**(4,095)**	**3,350**		**(1,203)**	**984**
30 June 2008									
Financial assets									
Cash and cash equivalents	24,448	1,725	(1,412)	7,140	-	-	1,788	-	-
Trade and other receivables	14,706	1,628	(1,332)	5,376	-	-	3,531	-	-
Restricted deposits	8,782	975	(798)	-	-	-	-	-	-
Other financial assets	18,962	1,899	(1,899)	-	-	-	-	-	-
Foreign currency forward contracts	8,856	(6,351)	5,196	5,070	(4,356)	3,564	3,786	(1,995)	1,632
Interest rate swaps	7,003	745	(609)	300	-	-	-	-	-
Financial liabilities									
Trade and other payables	(28,942)	(2,120)	1,735	(13,231)	-	-	(613)	-	-
Bank loans	(292,249)	(23,500)	19,227	(83,059)	-	-	-	-	-
Non-local currency inter-company loans	-	24,922	(22,548)	-	-	-	-	-	-
Total increase/ (decrease)		**(77)**	**(2,440)**		**(4,356)**	**3,564**		**(1,995)**	**1,632**

3 - Financial risk management (continued)

Interest rate risk

	VCEG					VCET I				
		-1%		+1%			-1%		+1%	
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30 June 2009										
Financial assets										
Cash and cash equivalents	11,974	(120)	-	120	-	1,443	(14)	-	14	-
Trade and other receivables	14,544	-	-	-	-	3,972	(41)	-	41	-
Restricted deposits	9,062	(91)	-	91	-	-	-	-	-	-
Foreign currency forward contracts	5,370	-	-	-	-	4,377	-	-	-	-
Financial liabilities										
Trade and other payables	(22,786)	-	-	-	-	(520)	-	-	-	-
Bank loans	(263,135)	1,907	-	(1,907)	-	(60,316)	603	-	(603)	-
Foreign currency forward contracts	(109)	-	-	-	-	(109)	-	-	-	-
Interest rate swaps	(7,015)	(1,215)	(6,531)	1,215	6,531	-	-	-	-	-
Total increase/ (decrease)		**481**	**(6,531)**	**(481)**	**6,531**		**548**	**-**	**(548)**	**-**
30 June 2008										
Financial assets										
Cash and cash equivalents	24,448	(244)	-	244	-	7,140	(71)	-	71	-
Trade and other receivables	14,706	-	-	-	-	5,376	-	-	-	-
Restricted deposits	8,782	(88)	-	88	-	-	-	-	-	-
Other financial assets	18,962	-	-	-	-	-	-	-	-	-
Foreign currency forward contracts	8,856	-	-	-	-	5,070	-	-	-	-
Interest rate swaps	7,003	(2,195)	(7,277)	2,195	6,864	300	(836)	(836)	836	836
Financial liabilities										
Trade and other payables	(28,942)	-	-	-	-	(13,231)	-	-	-	-
Bank loans	(292,249)	2,274	-	(2,274)	-	(83,059)	836	-	(836)	-
Total increase/ (decrease)		**(253)**	**(7,277)**	**253**	**6,864**		**(71)**	**(836)**	**71**	**836**

VCET II has no material interest rate risk.

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 regions into which VCEG sells electricity are often supported by legislation and regulation.

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.

3 - Financial risk management (continued)

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 July 2010. 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. A range of options is being considered, including equity capital raisings and the potential sale of some or all of VCEG's European wind assets.

Financing arrangements

At the reporting date VCET I and VCET II did not have any undrawn facilities, while the Group as a whole had access to the following undrawn borrowing facilities.

VCEG	2009 $'000	2008 $'000
Floating rate		
- Expiring within one year (bank loans)	-	2,575
- Expiring beyond 5 years	3,152	3,622
	3,152	**6,197**

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, VCET I and VCET II 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 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)**
VCEG – At 30 June 2008							
Non-derivatives							
Non-interest bearing	28,942	-	-	-	-	28,942	28,942
Variable rate	20,278	95,269	16,607	48,605	110,520	291,279	222,443
Fixed rate	3,827	4,530	8,864	25,595	45,354	88,170	69,806
Total non-derivatives	**53,047**	**99,799**	**25,471**	**74,200**	**155,874**	**408,391**	**321,191**
Derivatives							
Gross settled							
- (inflow)	(9,255)	(9,572)	(19,291)	(36,990)	(1,978)	(77,086)	(8,856)
- outflow	7,710	8,050	16,494	32,793	1,919	66,966	-
Net gross settled derivatives	**(1,545)**	**(1,522)**	**(2,797)**	**(4,197)**	**(59)**	**(10,120)**	**(8,856)**

3 - Financial risk management (continued)

c) Liquidity risk (continued)

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
VCET I – At 30 June 2009							
Non-derivatives							
Non-interest bearing	520	-	-	-	-	520	520
Variable rate	2,833	2,833	62,063	-	-	67,729	60,316
Total non-derivatives	**3,353**	**2,833**	**62,063**	**-**	**-**	**68,249**	**60,836**
Derivatives							
Gross settled							
- (inflow)	(4,916)	(6,110)	(12,790)	(20,827)	-	(44,643)	(4,268)
- outflow	4,286	5,292	11,367	19,124	-	40,069	-
Total derivatives	**(630)**	**(818)**	**(1,423)**	**(1,703)**	**-**	**(4,574)**	**(4,268)**
VCET I – At 30 June 2008							
Non-derivatives							
Non-interest bearing	13,231	-	-	-	-	13,231	13,231
Variable rate	4,397	87,264	-	-	-	91,661	83,059
Total non-derivatives	**17,628**	**87,264**	**-**	**-**	**-**	**104,892**	**96,290**
Derivatives							
Gross settled							
- (inflow)	(4,297)	(4,466)	(11,027)	(31,639)	(1,977)	(53,406)	(5,070)
- outflow	3,698	3,857	9,562	28,364	1,918	47,399	-
Total derivatives	**(599)**	**(609)**	**(1,465)**	**(3,275)**	**(59)**	**(6,007)**	**(5,070)**
VCET II – At 30 June 2009							
Non-derivatives							
Non-interest bearing	2,310	-	-	-	-	2,310	2,310
Total non-derivatives	**2,310**	**-**	**-**	**-**	**-**	**2,310**	**2,310**
Derivatives							
Gross settled							
- (inflow)	(3,367)	(3,431)	(5,351)	-	-	(12,149)	(993)
- outflow	3,030	3,157	4,945	-	-	11,132	-
Total derivatives	**(337)**	**(274)**	**(406)**	**-**	**-**	**1,017**	**(993)**
VCET II – At 30 June 2008							
Non-derivatives							
Non-interest bearing	613	-	-	-	-	613	613
Total non-derivatives	**613**	**-**	**-**	**-**	**-**	**613**	**613**
Derivatives							
Gross settled							
- (inflow)	(4,958)	(5,106)	(8,265)	(5,352)	-	(23,681)	(3,786)
- outflow	4,013	4,193	6,933	4,429	-	19,568	-
Total derivatives	**(945)**	**(913)**	**(1,332)**	**(923)**	**-**	**(4,113)**	**(3,786)**

3 - Financial risk management (continued)

d) 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.

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

VCEG's primary reporting format is geographic segments and its secondary format is business segments.

a) Primary segment – Geographical

VCEG currently operates in five geographic segments: Australia, Denmark, Germany, the United Kingdom and United States. The following table presents revenue and profit information and certain asset and liability information regarding these geographic segments for the years ended 30 June 2008 and 30 June 2009.

	Australia $'000	Denmark $'000	Germany $'000	United Kingdom $'000	United States $'000	Total $'000
2009						
Revenue						
Sales to external customers	-	-	19,999	54,454	12,968	87,421
Other revenues from external customers	-	52	895	107	-	1,054
Interest income – project investments	-	-	-	1,410	-	1,410
Total segment revenue	-	52	20,894	55,971	12,968	89,885
Interest income – other						779
Total revenue						90,664
Results						
Segment result	(3,386)	175	3,771	3,481	(280)	3,761
Interest income – other, interest expense and financing costs						(22,727)
Net profit/(loss) before income tax						(18,966)
Income tax benefit						5,449
Net profit/(loss) after income tax						(13,517)
Segment assets and liabilities						
Segment assets	46,351	53,308	129,169	218,867	37,925	485,620
Inter-segment eliminations						(93,823)
Unallocated assets						21,590
Total assets						413,387
Segment liabilities	1,349	2	5,207	22,944	5,906	35,408
Inter-segment eliminations						-
Unallocated liabilities						311,425
Total liabilities						346,833
Other segment information						
Investments accounted for using the equity method	-	-	-	3,126	-	3,126
Share of net profit of associates	-	-	-	2,947	-	2,947
Depreciation	44	-	7,822	4,449	3,005	15,320
Amortisation	-	-	1,246	16,426	1,019	18,691
Impairment of non-current assets						
- Property, plant and equipment	-	-	-	-	4,810	4,810
- Intangible assets	-	-	-	-	3,491	3,491
Total impairment of non-current assets	-	-	-	-	8,301	8,301
Net unrealised gain/(loss) on derivative financial instruments	(3,595)	-	-	-	-	(3,595)
Net unrealised foreign currency translation gain/(loss)	2	5,526	(1)	-	6,543	12,070

4 - Segment information (continued)

	Australia $'000	Denmark $'000	Germany $'000	United Kingdom $'000	United States $'000	Total $'000
2008						
Revenue						
Sales to external customers	-	-	19,493	52,863	15,032	87,388
Other revenues from external customers	-	56	959	111	22	1,148
Interest income – project investments	-	-	-	1,945	-	1,945
Total segment revenue	-	56	20,452	54,919	15,054	90,481
Interest income – other						1,434
Total revenue						91,915
Results						
Segment result	(1,494)	(11,226)	6,285	3,492	(753)	(3,696)
Interest income – other, interest expense and financing costs						(21,513)
Net profit/(loss) before income tax						(25,209)
Income tax expense						5,056
Net profit/(loss) after income tax						(20,153)
Segment assets and liabilities						
Segment assets	51,503	56,372	131,864	264,058	39,481	543,278
Inter-segment eliminations						(98,430)
Unallocated assets						33,322
Total assets						478,170
Segment liabilities	10,321	2	3,834	15,610	4,207	33,974
Inter-segment eliminations						-
Unallocated liabilities						349,280
Total liabilities						383,254
Other segment information						
Investments accounted for using the equity method	-	-	-	5,544	-	5,544
Share of net profit of associates	-	-	-	2,965	-	2,965
Depreciation	53	-	6,902	4,458	2,300	13,713
Amortisation	-	-	1,114	17,155	863	19,132
Net unrealised gain/(loss) on derivative financial instruments	3,470	-	-	-	-	3,470
Net unrealised foreign currency translation gain/(loss)	5	(10,576)	-	-	(3,662)	(14,233)

b) Secondary segment – business

Management considers that VCEG operates in one business segment: the investment in clean and renewable energy generation projects. VCEG operates landfill gas to energy projects in the United Kingdom and the United States and wind farms in Germany. The United Kingdom segment includes results relating to an associate that operates a wind farm.

5 Income and expenses

a) Revenue

Total revenue includes the following significant revenue

	VCEG 1 July 2008 – 30 June 2009 $'000	VCET I 1 July 2008 – 30 June 2009 $'000	VCET II 1 July 2008 – 30 June 2009 $'000	VCEG 1 July 2007 – 30 June 2008 $'000	VCET I 1 July 2007 – 30 June 2008 $'000	VCET II 1 July 2007 – 30 June 2008 $'000
Operating income from						
Landfill gas projects	67,422	-	-	67,895	-	-
Wind farm projects	19,999	-	-	19,493	-	-
Other revenue	1,054	-	-	1,148	-	-
	88,475	**-**	**-**	**88,536**	**-**	**-**
Interest income – project investments from						
Wind farm projects	1,410	-	-	1,945	-	-
	1,410	**-**	**-**	**1,945**	**-**	**-**
Interest income – other from						
Other related parties	-	13,487	-	-	14,417	-
Other parties	779	256	33	1,434	639	131
	779	**13,743**	**33**	**1,434**	**15,056**	**131**

Operating revenue represents electricity sales for landfill gas projects and wind farms. Operating revenue includes $44.661 million (2008: $47.430 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 2008 – 30 June 2009 $'000	VCET I 1 July 2008 – 30 June 2009 $'000	VCET II 1 July 2008 – 30 June 2009 $'000	VCEG 1 July 2007 – 30 June 2008 $'000	VCET I 1 July 2007 – 30 June 2008 $'000	VCET II 1 July 2007 – 30 June 2008 $'000
Royalty expenses	22,266	-	-	20,759	-	-
Operations and maintenance costs	16,917	-	-	17,358	-	-
Net gain/(loss) on derivative financial instruments						
Realised	6,335	5,637	698	2,560	1,385	1,175
Unrealised	(3,595)	(802)	(2,793)	3,470	2,757	713
	2,740	**4,835**	**(2,095)**	**6,030**	**4,142**	**1,888**
Net foreign currency exchange gain/(loss)						
Realised	(5,828)	12	(28)	(899)	(1)	(18)
Unrealised	12,070	-	2	(14,233)	-	5
	6,242	**12**	**(26)**	**(15,132)**	**(1)**	**(13)**
Finance cost						
Interest expense	(19,270)	(7,456)	-	(22,740)	(8,210)	-
Financing costs	(1,885)	(1,170)	(228)	(1,473)	(829)	(127)
Provision: unwinding of discount	(344)	-	-	(299)	-	-
Fair value gains/(losses) on interest swaps – transfer from cash flow hedge reserve	(2,007)	(1,264)	-	1,565	69	-
	(23,506)	**(9,890)**	**(228)**	**(22,947)**	**(8,970)**	**(127)**

6 Changes in accounting estimates

Revenue

The pricing mechanism for electricity in VCEGs portfolio of landfill gas assets in the United Kingdom revenues is complex and includes a number of components. One of these components, relating to renewables obligation certificates is based on the year to 31 March but is only finalised and settled in the October/November following the end of that year. In the period to 30 June 2007 VCEG had to make estimates of this income for the period to 31 March 2007. Subsequently, VCEG received a higher price than expected, which increased revenues by $1.132 million for the year ended 30 June 2008, with a corresponding increase in royalty expense of $0.677 million. For the contract periods from 1 April 2007 to 31 March 2009 VCEG included this component within its total contracted pricing however, from 1 April 2009 this component has been excluded from the contracts and management has used its experience in the market to estimate the future price and hence the benefit for the period to 30 June 2009.

7 Income tax

	VCEG 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET II 30 June 2008 $'000
Major components of income tax for the period				
Current tax expense				
Current year	(267)	-	218	-
Under/(over) provision in prior years	(105)	-	(961)	-
Deferred tax expense				
Origination and reversal of temporary differences	(4,897)	-	(4,313)	-
Under/(over) provision in prior years	(180)	-	-	-
Total income tax (credit)/expense in income statement	(5,449)	-	(5,056)	-
Reconciliation of prima facie tax to income tax expense for the period				
Profit/(loss) before tax	(18,966)	(5,559)	(25,209)	(2,121)
Income tax on profit/(loss) using the domestic corporation tax rate of 30%	(5,690)	(1,668)	(7,563)	(636)
Increase in income tax expense due to:				
Non-deductible expenses	365	-	120	(115)
Temporary differences not brought to account	1,122	1,122	4,293	-
Tax losses not brought to account	1,448	546	2,058	631
Effect on tax rate in foreign jurisdictions	227	-	716	-
Decrease in income tax expense due to:				
Tax exempt revenues	(911)	-	(1,747)	-
Effect of tax losses recognised	-	-	(238)	-
Section 99A – VCET I accounting profit [1]	(1,606)	-	(768)	-
Other	(119)	-	(103)	-
	(5,164)	-	(3,232)	(120)
Under/(over) provision in prior years	(285)	-	(1,824)	120
	(5,449)	-	(5,056)	-
Current income tax payable				
Opening balance	(92)	-	(323)	-
Income tax received/(paid)	(271)	-	726	-
Current year income tax	(267)	-	218	-
Under/(over) provision in prior years	(105)	-	(961)	-
Provision in prior year to deferred tax	-		164	
Net foreign currency exchange differences	181	-	84	-
	(554)	-	(92)	-
Unrecognised capital losses				
Carried forward capital losses	34	-	35	-

7 - Income tax (continued)

Deferred tax assets and liabilities	VCEG 30 June 2009 $'000	VCEG 30 June 2009 $'000	VCEG 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCEG 30 June 2008 $'000	VCEG 30 June 2008 $'000
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	(3,061)	16,401	13,340	-	12,472	12,472
Intangibles	-	41,578	41,578	-	47,391	47,391
Interest-bearing notes and borrowings	(335)	-	(335)	(2,358)	-	(2,358)
Cash flow hedges	(1,958)	-	(1,958)	-	1,866	1,866
Other items	(1,108)	397	(711)	(504)	1,841	1,337
Tax value of losses carried forward recognised	(3,624)	-	(3,624)	(3,677)	-	(3,677)
Tax (assets)/liabilities	(10,086)	58,376	48,290	(6,539)	63,570	57,031
Set-off of tax	10,086	(10,086)	-	6,539	(6,539)	-
Net tax (assets)/liabilities	**-**	**48,290**	**48,290**	**-**	**57,031**	**57,031**

Deferred tax assets and liabilities	VCET II 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCET II 30 June 2008 $'000	VCET II 30 June 2008 $'000	VCET II 30 June 2008 $'000
	Assets	Liabilities	Net	Assets	Liabilities	Net
Other items	-	-	-	-	1,191	1,191
Tax value of losses carried forward recognised	-	-	-	(1,191)	-	(1,191)
Tax (assets)/liabilities	-	-	-	(1,191)	1,191	-
Set-off of tax	-	-	-	1,191	(1,191)	-
Net tax (assets)/liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Amount recognised directly in equity	VCEG 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET II 30 June 2008 $'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	(4,049)	-	(725)	-
	(4,049)	**-**	**(725)**	**-**

	VCEG 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET II 30 June 2008 $'000
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Deductible temporary differences	3,868	272	4,523	-
Tax losses	7,282	2,336	2,693	631
	11,150	**2,608**	**7,216**	**631**

1. VCET I is a unit trust for Australian income tax purposes and will distribute income pre-tax, which results in the Section 99A – VCET I accounting profit adjustment as shown in the reconciliation of prima facie tax to income tax expense.

8 Distributions paid and payable

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Interim distribution paid						
December 2008 (December 2007)	6,037	6,037	-	9,507	9,507	-
Final distribution payable						
June 2009 (June 2008)	-	-	-	9,358	9,358	-

During the period ended 30 June 2009, one distribution was declared by VCEG. An interim distribution of 3.23 cents per stapled security (including a 0.14 cents foreign tax credit component) was paid on 16 February 2009 for the six months ended 31 December 2008 (2007: 5.16 cents per stapled security including a 0.16 cents foreign tax credit component). No final distribution was declared for the period ended 30 June 2009 (2008: 5.0 cents including a 0.15 cents foreign tax credit component).

There are no franking credits available.

9 Cash and cash equivalents

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Current						
Cash at bank[(i)]	21,036	1,443	108	33,230	7,140	1,788

Cash at bank earns interest at floating rates based on daily bank deposit rates at a weighted average of 1.65% (2008: 3.85%).

[(i)] $9.062 million (2008: $8.782 million) of the total cash at bank is restricted under the terms of senior debt facilities and may be used only for purposes specified in the facility agreements.

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

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Profit/(loss) after income tax	(13,517)	5,832	(5,559)	(20,153)	6,721	(2,121)
Non-cash flows included in operating profit						
Share of profit from associates	(2,947)	-	-	(2,965)	-	-
Dividends received from associates	3,757	-	-	2,093	-	-
Foreign exchange loss/(gains)	(8,475)	802	2,791	10,763	(2,757)	(719)
Depreciation and amortisation	34,011	-	44	32,845	-	53
Impairment of non-current assets	8,301	-	-	-	-	-
Unwinding of discount on provisions	344	-	-	299	-	-
Amortisation of financing costs	1,265	1,168	-	897	650	-
Prepaid maintenance and warranty	1,156	-	-	1,002	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries						
(Increase)/decrease in trade and other receivables	1,095	2,654	8	3,346	2,426	(9)
(Increase)/decrease in other assets	(304)	(2,130)	(21)	974	33	1,260
Increase/(decrease) in trade payables and accruals	3,124	(230)	211	(2,221)	32	(883)
Increase/(decrease) in current and deferred income taxes payable	(5,720)	-	-	(4,330)	-	-
Cash inflow/(outflow) from operations	**22,090**	**8,096**	**(2,526)**	**22,550**	**7,105**	**(2,419)**

10 Trade and other receivables

	Notes	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Current							
Trade receivables		6,318	-	-	4,521	-	-
Loans receivable							
Group entities		-	1,488	16	-	-	3,432
Other receivables		8,219	-	91	9,217	-	90
Interest receivable							
Wholly owned subsidiaries		-	2,478	-	-	5,333	-
Associated entity		-	-	-	901	-	-
Other parties		7	6	-	67	43	9
		14,544	**3,972**	**107**	**14,706**	**5,376**	**3,531**
Non-current							
Loans receivable							
Group entities							
- interest bearing	(v)(a)	-	159,101	-	-	152,934	-
- non-interest bearing		-	-	38,159	-	34,151	34,101
Associated entities	(v)(b)	-	-	-	18,962	-	-
Other receivables		531	-	-	471	-	-
		531	**159,101**	**38,159**	**19,433**	**187,085**	**34,101**

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 for VCEG, VCET I or VCET II in 2009 or 2008.

(ii) Past due but not impaired

As of 30 June 2009, trade receivables of $0.542 million (2008:$ 0.179 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows.

	VCEG		VCET I and VCET II	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
0 to 3 months	397	12	-	-
3 months to 6 months	-	20	-	-
Over 6 months	145	147	-	-
	542	179	-	-

(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.

(v) Loans receivable

The following loans are included in the loan receivable balance:

a) Interest-bearing loans to wholly-owned subsidiaries

Interest-bearing loans to wholly-owned subsidiaries are at rates between 8.7% and 9.5%.

b) Loan to Ardrossan Wind Farm (Scotland) Limited

A wholly owned subsidiary of VCEG provided a £9,141,491 term loan junior debt facility to Ardrossan Wind Farm (Scotland) Limited ("Ardrossan"). VCEG holds a 49% interest in Ardrossan. The loan commenced in March 2004 and was repaid in full in March 2009.

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.

11 Derivative financial instruments

Assets	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Current						
Interest rate swap – cash flow hedges	-	-	-	674	300	-
Foreign exchange – contracts not hedge accounted	2,030	1,424	606	8,856	5,070	3,786
Total current derivative assets	**2,030**	**1,424**	**606**	**9,530**	**5,370**	**3,786**
Non-current						
Interest rate swap – cash flow hedges	-	-	-	6,329	-	-
Foreign exchange – contracts not hedge accounted	3,340	2,953	387	-	-	-
Total non-current derivative assets	**3,340**	**2,953**	**387**	**6,329**	**-**	**-**
Liabilities						
Current						
Interest rate swap – cash flow hedges	446	-	-	-	-	-
Foreign exchange – contracts not hedge accounted	3	3	-	-	-	-
Total current derivative assets	**449**	**3**	**-**	**-**	**-**	**-**
Non-current						
Interest rate swap – cash flow hedges	6,569	-	-	-	-	-
Foreign exchange – contracts not hedge accounted	106	106	-	-	-	-
Total non-current derivative assets	**6,675**	**106**	**-**	**-**	**-**	**-**

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.

12 Other assets

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Current						
Prepaid expenses	5,708	61	38	3,049	64	17
Capitalised finance costs	346	346	-	115	115	-
Inventories – spares	1,557	-	-	1,131	-	-
	7,611	**407**	**38**	**4,295**	**179**	**17**
Non-current						
Prepaid expenses	440	-	-	1,380	-	-
	440	**-**	**-**	**1,380**	**-**	**-**

13 Investments in associates

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Investments in associates	3,126	-	-	5,544	-	-

The consolidated entity accounts for investments in associates using the equity method. Neither VCET I nor VCET II has any direct investments in associates. The consolidated entity has the following investment in associates

Name of associate	Principal activity	Country	Class of shares	Year end	Ownership interest 30 June 2009 %	Ownership interest 30 June 2008 %
Ardrossan Wind Farm (Scotland) Limited ("Ardrossan")	Electricity generation	Scotland	Ordinary shares[1]	31 March 2009	49	49
Stevok OS5 Unlimited ("Stevok")	Dormant	Ireland	Ordinary shares[2]	31 March 2009	49	49

1. The shareholders of Ardrossan 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 Ardrossan each director has one vote, providing VCEG with 50% voting rights at such meetings.

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

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

   The results for the year ended 30 June 2009 are based on nine months of the audited accounts for the year ended 31 March 2009, together with management accounts for the three months to 30 June 2009. There are no capital commitments or contingent liabilities.

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

	Consolidated			
	2009	2009	2008	2008
	$'000	$'000	$'000	$'000
Carrying amount at 1 July		5,544		5,238
Profit before income tax, after amortisation	4,093		4,259	
Income tax expense	(1,146)		(1,294)	
Share of profits after income tax		2,947		2,965
Dividends received/receivable		(3,757)		(2,093)
Share of movement in the fair value of cash flow hedges, net of tax		(1,762)		(170)
Investment		15		12
Net foreign currency exchange differences		139		(408)
Carrying amount at 30 June		**3,126**		**5,544**

13 - Investments in associates (continued)

Summarised financial information of associates

	Group's share of			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2009				
Ardrossan	34,502	31,376	8,753	2,947
2008				
Ardrossan	29,568	24,024	8,127	2,965

14 Other financial assets

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Shares in subsidiaries	-	-	13,439	-	-	13,439

Name of entity	Year end	Country of incorporation	Equity holding 30 June 2009 %	Equity holding 30 June 2008 %
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	100	100
Viridis (Germany) GmbH	30 June	Germany	100	100
Viridis (Lower Saxony) GmbH & Co KG	30 June	Germany	100	100
Viridis (Blender Windpark) GmbH & Co KG	30 June	Germany	100	100
Viridis (Sehnde Lehrte Windpark) GmbH & Co KG	30 June	Germany	100	100
Viridis (Geeste Windpark) GmbH & Co KG	30 June	Germany	100	100
Viridis (Rieda Windpark) GmbH & Co KG	30 June	Germany	100	100
Merinda Windpark-Verwaltungsgesellschaft mbH	30 June	Germany	100	100
Viridis (Merinda Windpark) GmbH & Co KG	30 June	Germany	100	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 Trust II.

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 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Landfill gas assets – at cost	131,138	-	-	120,617	-	-
Less: Accumulated depreciation	(48,558)	-	-	(35,467)	-	-
Net book value	82,580	-	-	85,150	-	-
Wind farm assets – at cost	135,490	-	-	127,285	-	-
Less: Accumulated depreciation	(26,322)	-	-	(17,825)	-	-
Net book value	109,168	-	-	109,460	-	-
Other assets	133	-	133	133	-	133
Less: Accumulated amortisation	(132)	-	(132)	(88)	-	(88)
Net book value	1	-	1	45	-	45
Total property, plant and equipment – at cost	266,761	-	133	248,035	-	133
Less: Total accumulated depreciation	(75,012)	-	(132)	(53,380)	-	(88)
Net book value	**191,749**	**-**	**1**	**194,655**	**-**	**45**

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

	Consolidated	Consolidated	Consolidated	Consolidated	VCET II
	Landfill gas assets	Wind farm assets	Other assets	Total	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2008					
Carrying amount at 30 June 2007	100,696	112,522	98	213,316	98
Reduction in decommissioning asset	(1,230)	-	-	(1,230)	-
Additions	4,120	-	-	4,120	-
Depreciation expense	(6,758)	(6,902)	(53)	(13,713)	(53)
Net foreign currency exchange differences	(11,678)	3,840	-	(7,838)	-
Carrying amount at 30 June 2008	**85,150**	**109,460**	**45**	**194,655**	**45**
Year ended 30 June 2009					
Carrying amount at 30 June 2008	85,150	109,460	45	194,655	45
Additions	4,116	180	-	4,296	-
Depreciation expense	(7,454)	(7,822)	(44)	(15,320)	(44)
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**	**1**

15 - Property, plant and equipment (continued)

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

There has been no impairment of property, plant and equipment at the reporting date, except with respect to VCEG's Californian operations of $4.810 million. For details refer to Note 2. Critical accounting estimates and judgements.

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 $70.472 million (2008: $67.838 million), all of which relates to landfill gas assets.

Decommissioning assets

The assets above include $2.646 million (2008: $2.861 million) in relation to decommissioning obligations. Refer to Note 19. Provisions for further details.

16 Intangible assets

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Contracts – at cost	226,398	-	-	226,121	-	-
Less: Accumulated amortisation	(59,939)	-	-	(38,894)	-	-
Net book value	166,459	-	-	187,227	-	-
Emission reduction credits	2,453	-	-	2,053	-	-
Less: Accumulated amortisation	(486)	-	-	(304)	-	-
Net book value	1,967	-	-	1,749	-	-
Total intangible assets – at cost	228,851	-	-	228,174	-	-
Less: Total accumulated amortisation	(60,425)	-	-	(39,198)	-	-
Net book value	**168,426**	-	-	**188,976**	-	-

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.

	Consolidated	Consolidated	Consolidated	VCET I	VCET II
	Contracts	Emission reduction credits	Total	Total	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2008					
Carrying amount at 30 June 2007	230,150	2,097	232,247	-	-
Amortisation expense	(19,022)	(110)	(19,132)	-	-
Net foreign currency exchange differences	(23,901)	(238)	(24,139)	-	-
Carrying amount at 30 June 2008	**187,227**	**1,749**	**188,976**	-	-
Year ended 30 June 2009					
Carrying amount at 30 June 2008	187,227	1,749	188,976	-	-
Amortisation expense	(18,557)	(134)	(18,691)	-	-
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**	-	-

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. There has been no impairment of intangible assets at the reporting date, except with respect to VCEG's Californian operations of $3.491 million. For details refer to Note 2. Critical accounting estimates and judgements.

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 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Current						
Trade payables	9,587	45	867	9,132	30	561
Interest payable – other parties	1,580	-	-	1,674	-	-
Distribution payable	-	-	-	9,071	9,071	-
Goods and services tax (GST) and Value added tax (VAT) payable	508	(32)	(151)	349	(46)	(98)
Management fee payable	293	252	41	598	502	96
Group entities	-	-	1,488	-	3,424	-
Other payables	2,533	-	-	997	-	2
Other accruals	8,285	255	65	7,121	250	52
	22,786	**520**	**2,310**	**28,942**	**13,231**	**613**

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 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Current						
Secured:						
Working capital facilities	9,420	-	-	7,882	-	-
Senior debt facilities	14,454	-	-	12,205	-	-
Corporate loan facilities	-	-	-	83,059	83,059	-
	23,874	**-**	**-**	**103,146**	**83,059**	**-**
Non-current						
Secured:						
Senior debt facilities	178,945	-	-	189,103	-	-
Corporate loan facilities	60,316	60,316	-	-	-	-
	239,261	**60,316**	**-**	**189,103**	**-**	**-**

Financing facilities

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

	Currency	Balance at 30 June 2008 '000	Undrawn at 30 June 2008 '000	Expiry date	Weighted average interest rate % (including margin)(i)	Australian dollars balance 30 June 2008 $'000	Australian dollars undrawn $'000
30 June 2008							
Senior debt facility (a)	EUR	30,881	-	2020	4.88	50,700	-
Working capital facility (a)	EUR	-	1,000	2009	-	-	1,642
Senior debt facility (b)	EUR	25,774	-	2019	5.08	42,315	-
Working capital facility (b)	EUR	-	400	2019	-	-	657
Liquidity reserve facility (b)	EUR	-	1,806	2019	-	-	2,965
Senior debt facility (c)	GBP	53,320	-	2016	6.06	110,600	-
Working capital facility(c)	GBP	3,800	450	2009	6.55	7,882	933
Corporate loan facility (d)	AUD	83,600	-	2009	10.21	83,600	-
Total						295,097	**6,197**
					Less: Capitalised establishment costs	(2,848)	
						292,249	

	Currency	Balance at 30 June 2008 '000	Undrawn at 30 June 2009 '000	Expiry date	Weighted average interest rate % (including margin)(i)	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 (b)	EUR	23,483	-	2019	5.08	40,990	-
Working capital facility (b)	EUR	400	-	2019	2.97	698	-
Liquidity reserve facility (b)	EUR	-	1,806	2019	-	-	3,152
Senior debt facility(c)	GBP	50,780	-	2016	7.18	104,207	-
Working capital facility (c)	GBP	4,250	-	2010	4.21	8,722	-
Corporate loan facility (d)	AUD	61,591	-	2010	9.18	61,591	-
Total						266,446	**3,152**
					Less: Capitalised establishment costs	(3,311)	
						263,135	

(i) includes effect of interest rate swap transactions

18 - Interest-bearing liabilities (continued)

Fair value is equal to the carrying value, except the fixed rate loans described in (a) and (b) below. 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) Lower Saxony, Germany wind farm debt facilities

Lower Saxony wind farm debt facilities are provided by HSH Nordbank. The facilities are secured by a first ranking pledge over the assets and contracts of the Lower Saxony wind farm portfolio. The facilities are denominated in Euros and split between the following tranches:

- A fully amortising term debt facility to be repaid in full by 2020, with €12.803 million outstanding at 30 June 2009 (30 June 2008: €14.004 million).
- A fully amortising term debt facility funded by KfW under their ERP program (under the sponsorship of HSH Nordbank). The facility is to be repaid in full by 2020, with €15.979 million outstanding at 30 June 2009 (30 June 2008: €16.877 million).
- At 30 June 2009 the €1 million working capital facility had not been renegotiated, however negotiations are ongoing (at 30 June 2008 the entire €1 million facility was unutilised).

b) Merinda, Germany wind farm debt facilities

Merinda wind farm debt facilities are provided by Norddeutsche Landesbank Girozentrale. The facilities are secured by a first ranking pledge over the assets and contracts of the Merinda wind farm portfolio. The facilities are denominated in Euros and split between the following tranches:

- A fully amortising term debt facility to be repaid in full by 2019, with €23.483 million outstanding at 30 June 2009 (30 June 2008: €25.774 million).
- A €0.4 million working capital facility that is fully utilised (30 June 2008: unutilised). The facility is interest only with an expiry of 2019.
- A €1.8 million liquidity reserve facility that is unutilised (30 June 2008: unutilised). The facility is interest only with an expiry of 2019. The facility is available to assist in meeting debt service reserve requirements.

c) 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. £50.780 million was outstanding at 30 June 2009 (30 June 2008: £53.320 million).
- £4.25 million working capital facility which was fully utilised (30 June 2008: £3.8 million). Expiry 5 April 2010.

d) VCEG facility

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

- At 30 June 2009: $61.591 million all of which was utilised. The facility is interest only with an expiry date of 31 July 2010. Refer Note 3. Financial risk management for a description of how VCEG manages its liquidity risk.
- At 30 June 2008: $83.6 million all of which was utilised. The facility was interest only with an expiry date of 28 May 2009.

The facility provided by Investec Group includes letters of credit/bank guarantee of $5.479 million.

19 Provisions

	VCEG 30 June 2009 $'000	VCET I 30 June 2009 $'000	VCET II 30 June 2009 $'000	VCEG 30 June 2008 $'000	VCET I 30 June 2008 $'000	VCET II 30 June 2008 $'000
Non-current						
Decommissioning provision	5,498	-	-	4,864	-	-
	5,498	**-**	**-**	**4,864**	**-**	**-**

	VCEG $'000	VCET I $'000	VCET II $'000
Movement in provisions			
Balance 1 July 2007	6,126	-	-
Reduction in estimate of provision required – adjusted in property, plant and equipment	(1,230)	-	-
Charged to the income statement – unwinding of discount	299	-	-
Net foreign currency exchange differences	(331)	-	-
Balance at 30 June 2008	**4,864**	**-**	**-**
Balance 1 July 2008	4,864	-	-
Charged to the income statement – unwinding of discount	344	-	-
Net foreign currency exchange differences	290	-	-
Balance at 30 June 2009	**5,498**	**-**	**-**

Decommissioning provision

Upon closure of the landfill gas and wind farm projects, VCEG 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. The provisions have been revised in the period following a review by independent experts. These have been adjusted in property, plant and equipment and are amortised over the useful life of the assets in line with UIG 1.

20 Contributed equity

	Consolidated 1 July 2008 - 30 June 2009 $	VCET I 1 July 2008 - 30 June 2009 $	VCET II 1 July 2008 - 30 June 2009 $	Consolidated 1 July 2007 - 30 June 2008 $	VCET I 1 July 2007 - 30 June 2008 $	VCET II 1 July 2007 - 30 June 2008 $
Fully paid units						
Issued and fully paid	171,250,326	137,166,984	34,083,442	171,250,326	137,166,984	34,083,442

Movement in fully paid units on issue	VCEG Number of units	VCEG $	VCET I Number of units	VCET I $	VCET II Number of units	VCET II $
On issue 1 July 2007	182,000,144	166,936,313	182,000,144	133,549,070	182,000,144	33,387,343
DRP issue 5 September 2007	2,311,823	2,261,863	2,311,823	1,885,489	2,311,823	376,374
DRP issue 14 February 2008	2,708,619	2,052,150	2,708,619	1,732,425	2,708,619	319,725
On issue 30 June 2008	187,020,586	171,250,326	187,020,586	137,166,984	187,020,586	34,083,442
On issue 30 June 2009	**187,020,586**	**171,250,326**	**187,020,586**	**137,166,984**	**187,020,586**	**34,083,442**

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”). 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.

The units in VCET I and VCET II are combined and issued as stapled units. These stapled units cannot be traded separately. All units participate in distributions and the proceeds on winding up in proportion to the number of units held. At unit holders’ meetings, each unit entitles the holder to one vote when a poll is called; otherwise each unit holder has one vote on a show of hands. The stapling deed ensures that, for so long as the two entities remain jointly quoted, the number of units in each trust shall be equal in number, and the unit holders shall be identical. Subject to the requirements of the *Corporations Act 2001* and, where applicable the ASX Listing Rules, the stapled units may only be unstapled on application of the responsible entity with the approval of unit holders.

The constitutions of VCET I and VCET II do not state the number of authorised units. Units issued have no par value.

21 Reserves

	VCEG 1 July 2008 – 30 June 2009 $	VCET I 1 July 2008 – 30 June 2009 $	VCET II 1 July 2008 – 30 June 2009 $	VCEG 1 July 2007 – 30 June 2008 $	VCET I 1 July 2007 – 30 June 2008 $	VCET II 1 July 2007 – 30 June 2008 $
(a) Reserves						
Foreign currency translation reserve	(1,206)	-	-	(4,994)	-	-
Cash flow hedge reserve	(6,566)	-	-	5,391	300	-
	(7,772)	**-**	**-**	**397**	**300**	**-**
(b) Movements						
Foreign currency translation reserve						
Balance at 1 July	(4,994)	-	-	(2,951)	-	-
Currency translation differences arising during the year	3,148	-	-	(2,043)	-	-
Balance at 30 June	**(1,846)**	-	-	**(4,994)**	**-**	**-**
Cash flow hedge reserve						
Balance at 1 July	5,391	300	-	7,945	-	-
Revaluation **–** gross	(16,834)	(1,564)	-	(1,124)	369	-
Deferred tax	4,258	-	-	295	-	-
Transfer to net profit **–** gross	2,007	1,264	-	(1,565)	(69)	-
Deferred tax	(209)	-	-	430	-	-
Investment in associate – movement net of tax	(1,762)	-	-	(170)	-	-
Net foreign currency exchange differences	584	-	-	(420)	-	-
Balance at 30 June	**(6,565)**	-	-	**5,391**	**300**	**-**

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.

22 Related party disclosures

a) General Information

The responsible entity of VCEG is Viridis Investment Management Limited. Viridis Investment Management Limited has been the responsible entity of VCEG 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 VCEG's clean energy assets. 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) 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 23. Key management personnel.

c) Ultimate parent entity

In accordance with AASB Interpretation 1002 "Post-Date-of-Transition Stapling Arrangements", Viridis Clean Energy Trust II has been nominated as the ultimate parent entity of VCEG. Refer to Note 1.f).

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

The manager is the ultimate parent entity of Viridis Investment Management Limited, the responsible entity of VCEG.

(ii) Responsible entity's equity interest in VCEG

The responsible entity holds no interests in securities of VCEG.

(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 VCEG for which it is not otherwise reimbursed, of up to 0.4% per annum of VCEG's net investment value.

(iv) Transactions with the manager

The manager holds nil units in VCEG (2008: 161 units).

The manager is paid a fee. This is outlined in Note 23. Key management personnel, section d) Compensation policy.

The manager is paid an asset operations management fee in relation to personnel providing services to asset operations within VCEG.

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

(v) Transactions with other related parties

Relationship with the Investec Group

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

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 in connection with the responsible entity's Australian Financial Services Licences and to enable the responsible entity to fulfil its obligations as the responsible entity of VCEG. Of this fee, $121,000 was payable out of the assets of VCEG 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) (2008: 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. Investec Group was entitled to appoint two members to the board of directors of the manager as long as its shareholding in the manager was at least 30% on a fully diluted basis.

22 - Related party disclosures (continued)

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 VCEG's asset portfolio. Walter Pahor, a director of the responsible entity and chairman of the manager, wholly owns the Run Energy Group.

f) Transactions with related parties of the Viridis Clean Energy Group

The following transactions occurred with related parties.

	VCEG 1 July 2008 – 30 June 2009 $	VCET I 1 July 2008 – 30 June 2009 $	VCET II 1 July 2008 – 30 June 2009 $	VCEG 1 July 2007 – 30 June 2008 $	VCET I 1 July 2007 – 30 June 2008 $	VCET II 1 July 2007 – 30 June 2008 $
Transactions with the manager and VCEG						
Base fee paid by VCEG to the manager	1,526,882	1,290,387	236,495	2,356,670	1,951,149	405,521
Asset operations management fee paid by VCEG to the manager	907,472	-	907,472	504,217	-	504,217
Reimbursement of costs paid by the manager on behalf of VCEG	233,851	74,080	14,836	359,718	141,476	33,123
Payment of directors' fees of the responsible entity						
Paid for by the manager	61,658	-	-	52,727	-	-
Paid for by VCEG	114,507	96,758	17,749	97,922	80,720	17,202
Purchases from other related parties						
Payments to Run Energy Group *	2,985,621	-	-	2,824,339	-	-
Payments to Investec Group – services agreement **	121,000	102,547	18,453	162,697	127,458	35,239
Payments to Investec Group – guarantee fee	250,722	-	250,722	113,734	-	113,734
Payments to Investec Group – debt raising fee	1,706,138	1,706,138	-	-	-	-
Payments to Investec Group – debt raising legal fees	167,759	167,759	-	-	-	-
Payments to Investec Group – other legal fees	19,912	16,607	3,305	-	-	-
Dividend revenue						
Associated entities	3,757,057	-	-	2,093,281	-	-

* Run Energy Group – refer to Note 22. e) (v) above for a description of the relationship with Run Energy Group.

** Investec Group – refer to Note 22. e) (v) above for a description of the relationship with Investec Group.

22 - Related party disclosures (continued)

g) Outstanding balances arising from transactions with related parties of the Viridis Clean Energy Group

	VCEG 1 July 2008 - 30 June 2009 $	VCET I 1 July 2008 - 30 June 2009 $	VCET II 1 July 2008 - 30 June 2009 $	VCEG 1 July 2007 - 30 June 2008 $	VCET I 1 July 2007 - 30 June 2008 $	VCET II 1 July 2007 - 30 June 2008 $
Receivables between Group *	-	163,067,392	38,175,518	-	192,418,174	37,532,890
Current payables between Group	-	-	35,639,661	-	3,424,113	34,151,311
Current payables owing to related parties						
Manager	308,343	265,175	43,168	793,652	532,383	217,312
Investec Group	60,500	52,030	8,470	-	-	-
Run Energy Group	514,432	-	-	942,790	-	-

* There are no provisions for doubtful debts.

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

	VCEG 1 July 2008 - 30 June 2009 $	VCET I 1 July 2008 - 30 June 2009 $	VCET II 1 July 2008 - 30 June 2009 $	VCEG 1 July 2007 - 30 June 2008 $	VCET I 1 July 2007 - 30 June 2008 $	VCET II 1 July 2007 - 30 June 2008 $
Loans to subsidiary entities						
Beginning of year	-	192,418,174	37,532,890	-	198,869,428	39,396,154
Loan advances - paid	-	1,488,708	10,375,203	-	-	5,145,036
Loan advances – issue of securities (Distribution reinvestment plan)	-	-	-	-	-	696,099
Loan payments received	-	(27,984,198)	(9,732,575)	-	(3,680,975)	(7,704,399)
Interest charged	-	13,486,527	-	-	14,416,781	-
Interest received	-	(16,341,819)	-	-	(17,187,060)	-
End of year	-	163,067,392	38,175,518	-	192,418,174	37,532,890
Loan to associates *						
Beginning of year	19,862,394	-	-	22,605,448	-	-
Interest charged	1,416,087	-	-	1,944,651	-	-
Interest received	(2,442,006)	-	-	(1,987,371)	-	-
Loan advances - paid	2,640,247	-	-	-	-	-
Loan payments received	(21,596,452)	-	-	-	-	-
Net foreign currency exchange differences	119,730	-	-	(2,700,334)	-	-
End of year	-	-	-	19,862,394	-	-
Loans from Investec Group **						
Beginning of year	83,600,739	83,600,739	-	83,621,621	83,621,621	-
Loans received	85,306,877	85,306,877	-	-	-	-
Loan payments paid	(107,316,536)	(107,316,536)	-	-	-	-
Interest charged	7,456,154	7,456,154	-	8,210,188	8,210,188	-
Interest paid	(7,456,154)	(7,456,154)	-	(8,231,070)	(8,231,070)	-
End of year	61,591,080	61,591,080	-	83,600,739	83,600,739	-

* Terms and conditions of the loan to Ardrossan Wind Farm can be found at Note 13. Investments in associates

** Refer to Note 22. e) (v) above for a description of the relationship with Investec Group.

23 Key management personnel

Key management personnel for the year ended 30 June 2009

The key management personnel of VCEG include the four directors of the responsible entity, the manager of VCEG, 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
Robert Webster	Independent director
Stephen Chipkin	Director
Walter Pahor	Director

Stephen Chipkin and Walter Pahor are also directors of the manager.

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"). 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.

It is intended that Stephen Chipkin will resign as a director of the responsible entity and Edward Northam will be appointed as managing director after this financial report is released.

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 VCEG	n/a
Edward Northam	Responsible manager of the responsible entity and chief executive officer of the 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
Timothy Sayers	Group financial controller of the manager	Manager

c) Key management personnel compensation

(i) Directors' fees

Fees for directors are as follows:

Name	1 July 2008 - 30 June 2009 $	1 July 2007 - 30 June 2008 $
Andrew J. Berry	100,000	85,000
Robert Webster	70,000	60,000
Stephen Chipkin	-	30,000
Walter Pahor	-	40,000

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. 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 relate to the directors' participation on the audit and compliance committee and management of the compliance function.

From 1 March 2008 Stephen Chipkin and Walter Pahor agreed to waive payment of their directors' fees until further notice.

The directors received no other benefits.

23 - Key management personnel (continued)

(ii) Remuneration – Responsible officers and management personnel

Payments made by VCEG to the manager do not include any amounts attributable to the compensation of key management personnel.

d) Compensation policy

(i) 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) Managers' remuneration

The remuneration of the manager comprises a base fee and, potentially, a performance fee. The base fee is 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 may be entitled to a performance fee where total returns from VCEG over a half financial year exceed the returns of the S&P ASX 200 Utilities Accumulation index over that period.

No performance fees were payable for the year ended 30 June 2009 (2008: $nil).

e) Key management personnel interests in VCEG

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

2009 Name	KMP interests in VCEG securities at 1 July 2008	Securities acquired during the year to 30 June 2009	Securities disposed of during the year to 30 June 2009	KMP interests in VCEG 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[(i)]	21,666	-	-	21,666	-
Timothy Sayers	15,000	15,000	(15,000)	15,000	808

2008 Name	KMP interests in VCEG securities at 1 July 2007 / date of appointment	Acquire through DRP	Other securities acquired / (disposed of) during the year to 30 June 2008	KMP interests in VCEG securities at 30 June 2008/ date of cessation	Distribution received/receivable to 30 June 2008 $
Andrew J. Berry	144,444	17,245	25,000	186,689	17,161
Robert Webster	20,000	2,388	-	22,388	2,203
Richard Longes[(ii)]	150,000	-	-	150,000	-
Stephen Chipkin[(iii)]	90,000	5,939	-	95,939	9,441
Walter Pahor	3,177,777	-	-	3,177,777	322,862
Viridis Energy Capital Pty Limited	144	17	-	161	16
Edward Northam	21,666	-	-	21,666	2,201
Duncan Jewell	31,666	2,623	-	34,289	3,374
Andrew Rayne	21,666	-	-	21,666	2,201
Timothy Sayers	-	-	15,000	15,000	750
Alan Chonowitz[(iv)]	-	-	-	-	-

(i) Andrew Rayne ceased to be key management personnel on 12 September 2008.

(ii) Richard Longes ceased to be key management personnel on 31 August 2007.

(iii) Stephen Chipkin became key management personnel on 1 September 2007.

(iv) Alan Chonowitz ceased to be key management personnel on 21 December 2007.

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

23 - Key management personnel (continued)

f) Outstanding balances between KMPs and VCEG

Fees to the manager and other transactions between the responsible entity and the manager have been disclosed in Note 22. Related party disclosures.

The outstanding balances between the responsible entity and the manager at 30 June 2009 are disclosed in Note 22. Related party disclosures.

24 Auditors' remuneration

	VCEG 1 July 2008 – 30 June 2009 $	VCET I 1 July 2008 – 30 June 2009 $	VCET II 1 July 2008 – 30 June 2009 $	VCEG 1 July 2007 – 30 June 2008 $	VCET I 1 July 2007 – 30 June 2008 $	VCET II 1 July 2007 – 30 June 2008 $
Amounts paid or payable to the auditors of VCEG for						
PricewaterhouseCoopers						
Audit services	276,500	212,233	39,267	288,650	220,722	44,171
Other services	142,190	-	142,190	-	-	-
	418,690	**212,233**	**181,457**	**288,650**	**220,722**	**44,171**

The auditors received no other benefits.

25 Contingencies

There are no contingent liabilities or assets that require disclosure.

26 Commitments for expenditure

	VCEG 30 June 2009 $'000	VCEG 30 June 2008 $'000
Capital commitments		
There are no capital commitments at 30 June 2009 (30 June 2008: $nil)		
Lease commitments as lessee		
Non-cancellable operating leases within one year	104	62
Non-cancellable operating leases later than one year but not later than five years	103	-
	207	62

27 Earnings per unit

Basic earnings per unit amounts are calculated by dividing net profit for the year attributable to unit holders of VCET II 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.

	Consolidated 30 June 2009 cents	Consolidated 30 June 2008 cents
Basic earnings per unit	(10.35)	(14.53)
Diluted earnings per unit	(10.35)	(14.53)

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

	VCEG 2009	VCEG 2008
Net profit/(loss) after income tax, $'000	(19,349)	(26,874)
Weighted average number of units on issue used in the calculation of basic earnings per unit, units	187,020,586	184,916,363

28 Subsequent events

On 19 August 2009 the securityholders of VCEG approved the internalisation 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. Since 30 June 2009 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 8 to 65 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 Trust I, Viridis Clean Energy Trust II and VCEG as at 30 June 2009 and of their performance for the financial year ended on that date; and

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

The directors have been given the declarations by the chief executive officer and chief financial offer 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

28 August 2009

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Viridis Clean Energy Trust I and Viridis Clean Energy Trust II

Report on the financial report

We have audited the accompanying financial report of the Viridis Clean Energy Group (defined below), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Viridis Clean Energy Group. The Viridis Clean Energy Group comprises both Viridis Clean Energy Trust I and Viridis Clean Energy Trust II and the entities they 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 compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Viridis Clean Energy Trust I and Viridis Clean Energy Trust II (continued)

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of Viridis Clean Energy Trust I and Viridis Clean Energy Trust II and the Viridis Clean Energy Group's financial position as at 30 June 2009 and of their 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 Viridis Clean Energy Group financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

C Dodd

Chris Dodd
Partner

Melbourne
28 August 2009