GENERATOR INCOME TRUST

A.B.N. 69 748 727 372

ANNUAL REPORT
YEAR ENDED 30 JUNE 2010

MACQUARIE

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

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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The directors of Generator Investments Australia Limited ("GIAL"), the Trustee of Generator Income Trust ("the Trust"), present their report together with the financial report of the Trust for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES

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

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

DIRECTORS

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

Bruce N Terry
Alan J A Corr
Craig Swanger
Katherine J Vincent

REVIEW AND RESULT OF OPERATIONS

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

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

Credit events and trading reductions in relation to the principal portfolio can affect repayment of principal to noteholders at maturity. Following the Idearc Inc. default in April 2009, there is no further income payable on the Generator Income Notes. Therefore, future defaults will have no further impact on the income portfolio of Generator Income Notes. It is expected that holders of Generator Income Notes will receive full repayment of principal at maturity as long as the level of protection as described in the offer document remains above zero.

During the year Lear Corp and CIT Group Inc., two of the companies in the principal portfolio, filed for Chapter 11 bankruptcy. At the time of the CIT Group default in November 2009, the estimated level of protection on the principal portfolio remained above zero at 6.97%. The protection level for the Generator Income Notes as at 30 June 2010 was 7.04%.

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

	Year ended 30 June 2010	Year ended 30 June 2009
Operating profit before finance costs attributable to unitholders ($)	**3,862**	35,551
Distribution paid and payable ($)	**3,862**	35,551
Distribution ($ per unit)	**38.62**	355.51

TRUSTEE REMUNERATION

GIAL, as Trustee of the Trust, receives a fee equal to 0.03% (GST exclusive) of the principal amount of notes issued at the end of each financial year (2009: 0.03%).

DIRECTORS' REPORT (CONTINUED) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

VALUATION OF FINANCIAL ASSETS AND LIABILITES

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

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

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

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

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

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

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

DIRECTORS' REPORT (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

FEES PAID TO AND INTERESTS HELD IN THE TRUST BY THE TRUSTEE OR ITS ASSOCIATES

Fees paid to the Trustee during the year are in accordance with the Trust Deed and the governing documents of the Trust. Fees paid and payable to the Trustee and its associates for the year ended 30 June 2010 exclusive of GST were $46,290 (year ended June 2009: $46,290). Expenses incurred that relate to the Trust's operations have, or will be paid, out of an Escrow account funded by Macquarie Equities Limited, the Lead Manager of the Trust's notes issue and a subsidiary of Macquarie Group Limited.

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

C Swanger held 3,000 of the unsecured notes issued by the Trust at 30 June 2010 (June 2009: 1,600). No other directors held any of the unsecured notes issued by the Trust at any time during the year.

Value of Trust assets

	30 June 2010 $	30 June 2009 $
Value of Trust assets at fair value through profit and loss	**115,917,875**	58,248,250

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

The number of interests in the Trust and the unsecured notes issued by the Trust held by the Trustee or its associates as at the end of the year are disclosed in note 12 to the financial statements.

INTERESTS IN THE TRUST

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

	30 June 2010 No.	30 June 2009 No.
Units on issue at the beginning of the period	**100**	100
Units issued/(redeemed) during the period	**-**	-
Units on issue at the end of the period	**100**	100

DIRECTORS' REPORT (CONTINUED) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

ENVIRONMENTAL REGULATIONS

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

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration is required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

The directors of the Trustee have the power to amend and reissue the financial report.

Craig Swanger
Director

30 August 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

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

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

This declaration is in respect of Generator Income Trust.

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
30 August 2010

GENERATOR INCOME TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	**Year ended 30 June 2010 $**	Year ended 30 June 2009 $
Investment income			
Interest income	3	-	1,619,028
Change in the fair value of financial assets at fair value through profit or loss	5	**57,669,625**	(41,383,260)
Net investment income/(loss) on financial assets held at fair value through profit or loss		**57,669,625**	(39,764,232)
Interest expense		-	(1,598,976)
Change in the fair value of financial liabilities at fair value through profit or loss	5	**(57,669,625)**	41,383,260
Net investment (loss)/income on financial liabilities held at fair value through profit or loss		**(57,669,625)**	39,784,284
Net investment income/(loss)		-	20,052
Other operating income		**3,984**	17,482
Total income		**3,984**	37,534
Bank fees		**122**	1,983
Total operating expenses		**122**	1,983
Operating profit		**3,862**	35,551
Finance costs attributable to unitholders			
Distributions to unitholders	7	**(3,862)**	(35,551)
(Increase)/decrease in net assets attributable to unitholders	6	-	-
Profit /(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

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

GENERATOR INCOME TRUST
BALANCE SHEET AS AT 30 JUNE 2010

	Notes	**30 June 2010 $**	30 June 2009 $
ASSETS			
Cash and cash equivalents	8	**552**	35,651
Receivables	9	**3,410**	-
Financial assets held at fair value through profit or loss	10	**115,917,875**	58,248,250
Total assets		**115,921,837**	58,283,901
LIABILITIES			
Distribution payable	7	**3,862**	35,551
Financial liabilities held at fair value through profit or loss	11	**115,917,875**	58,248,250
Total liabilities (excluding net assets attributable to unitholders)		**115,921,737**	58,283,801
Net assets attributable to unitholders - liability	6	**100**	100

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

GENERATOR INCOME TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	**Year ended 30 June 2010 $**	Year ended 30 June 2009 $
Total equity at the beginning of the year		**-**	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		**-**	-
Transactions with unitholders in their capacity as unitholders:		-	-
Total equity at the end of the year		**-**	-

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

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

GENERATOR INCOME TRUST
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	**Year ended 30 June 2010 $**	Year ended 30 June 2009 $
Cash flows from operating activities			
Interest received		**-**	4,855,777
Interest paid		**-**	(4,835,725)
Other income received		**3,984**	17,482
Operating expenses paid		**(3,532)**	(1,983)
Net cash inflows from operating activities	13	**452**	35,551
Cash flows from financing activities			
Distributions paid		**(35,551)**	(7,714)
Net cash outflows from financing activities		**(35,551)**	(7,714)
Net increase/(decrease) in cash and cash equivalents		**(35,099)**	27,837
Cash and cash equivalents at the beginning of the financial year		**35,651**	7,814
Cash and cash equivalents at the end of the financial year	8	**552**	35,651

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

GENERATOR INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. General information

This financial report covers Generator Income Trust ("the Trust") as an individual entity. The Trust was constituted on 29 October 2004. The Trust will terminate on 24 March 2084 unless terminated earlier in accordance with the provisions of the Trust Deed.

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

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

The financial statements were authorised for issue by the directors on 10 August 2010. The directors of the Trustee have the power to amend and reissue the financial report.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial report and that of the previous financial year are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

a) Basis of preparation

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

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The balance sheet is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Compliance with International Financial Reporting Standards (IFRS)

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

Financial statement presentation

The Trust has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard.

b) Accounting for financial assets (structured securities) and financial liabilities (unsecured notes)

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

i) Financial assets at fair value through profit or loss

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

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

2. Summary of significant accounting policies – continued

ii) Financial liabilities at fair value through profit or loss

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

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

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

c) Net assets attributable to unitholders

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

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Trust has considered and concluded the application of this standard will not affect any of the amounts recognised in the financial statements.

d) Cash and cash equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

e) Investment income

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

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

f) Expenses

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

g) Income tax

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

The Trust fully distributes its taxable income to unitholders.

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

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

2. Summary of significant accounting policies – continued

h) Distributions

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

i) Increase/decrease in net assets attributable to unitholders

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

j) Payables

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

k) Goods and Services Tax (GST)

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

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

l) Funds held in Escrow

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

m) Use of estimates

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

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

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

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

2. Summary of significant accounting policies – continued

n) New accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are not mandatory for 30 June 2010 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set below:

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

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

(ii) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]*

In May 2009 the AASB issued a number of improvements to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 8 Operating Segments, AASB 101 Presentation of Financial Statements, AASB 101 Statement of Cash Flows, AASB 117 Leases, AASB 118 Revenue, AASB 136 Impairment of Assets and AASB 139 Financial Instruments, Recognition and Measurement. The Trust will apply the revised Standards from 1 July 2010. The Trust does not expect that any adjustments will be necessary as a result of applying the revised rules.

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

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

o) Segment reporting

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

3. Interest income

Year ended 30 June 2010	**Average balance**	**Interest**	**Average rate**
	$	**$**	**%**
Cash and deposits - domestic	65,370	-	0
Structured securities	154,300,300	-	0
		-	

Year ended 30 June 2009	Average balance	Interest	Average rate
	$	$	%
Cash and deposits - domestic	152,220	3,440	1.83
Structured securities	154,300,300	1,615,588	2.63
		1,619,028	

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

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

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

The cost of auditors' remuneration will be paid from the Escrow amount (refer note 12). The auditors received no other benefits.

During the year the following fees were paid or payable for services provided by the auditor of the Trust.

	30-June 2010	30-June 2009
	$	$
Audit and review of financial reports (inclusive of GST)	**18,156**	**18,524**

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

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

	30-June 2010	30-June 2009
	$	$
Unrealised gain/ (loss) on financial assets at fair value through profit or loss	**57,669,625**	(41,383,260)
Unrealised gain / (loss) on financial liabilities at fair value through profit or loss	**(57,669,625)**	41,383,260
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss	**-**	-

6. Net assets attributable to unitholders

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

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

	30-June 2010 No.	30-June 2009 No.	**30-June 2010 $ Liability**	30-June 2009 $ Liability
Opening balance	**100**	100	**100**	100
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**-**	-
Closing balance	**100**	100	**100**	100

7. Distributions to unitholders

Timing of distributions

The distributions were paid/payable as follows:

	30-June 2010 $	**30-June 2010 Per unit**	30-June 2009 $	30-June 2009 Per unit
Distributions payable	**3,862**	**38.62**	35,551	355.51
Distributions paid (related to prior year)	**35,551**	**355.51**	7,714	77.14

8. Cash and cash equivalents

	30 June 2010 $	30 June 2009 $
Cash at bank	**552**	35,651
Total cash and cash equivalents	**552**	35,651

9. Receivables

	30 June 2010 $	30 June 2009 $
Other receivables	**3,410**	-
Total receivables	**3,410**	-

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

	30 June 2010 $	30 June 2009 $
Structured securities – Aria notes	**115,917,875**	58,248,250
Total designated as at fair value through profit or loss	**115,917,875**	58,248,250

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

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

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

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

During the half year Lear Corp and CIT Group Inc., two of the companies in the principal portfolio, filed for Chapter 11 bankruptcy. At the time of the CIT Group default in November 2009, the estimated level of protection on the principal portfolio remained above zero at 6.97%. The protection level for the Generator Income Notes as at 30 June 2010 was 7.04%.

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

	30 June 2010 $	30 June 2009 $
Unsecured notes	**115,917,875**	58,248,250
Total designated as at fair value through profit or loss	**115,917,875**	58,248,250

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

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

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

Credit events and trading reductions in relation to the principal portfolio can affect repayment of principal to the unsecured noteholders at maturity. Following the Idearc Inc. default in April 2009, there is no further income payable on the Generator Income Notes. Therefore, future defaults will have no further impact on the income portfolio of Generator Income Notes. It is expected that the noteholders of Generator Income Notes will receive a full repayment of principal at maturity as long as the level of protection as described in the offer document remains above zero.

12. Related party information

(i) Trustee

The Trustee of the Trust is Generator Investments Australia Limited ("GIAL"), a wholly owned subsidiary of Macquarie Group Limited ("MGL"). The registered office of the Trustee is C/-Company Secretarial, Mezzanine level, 1 Martin Place Sydney, NSW 2000.

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

	2010 $	2009 $
Trustee fees (GST exclusive)	**46,290**	46,290

For the year ended 30 June 2010, in accordance with the Trust Deed, GIAL as Trustee of the Trust, received a total fee of 0.03% (exclusive of GST) per annum (2009: 0.03%) of the principal amount of notes issued at the financial year under review. This is payable from the Escrow account (refer Note 2(l)).

(ii) Key management personnel ("KMP")

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

B N Terry
A J A Corr
C Swanger

Katherine J Vincent

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

Directors' holdings in the listed securities issued by the Trust
C Swanger held 3,000 of the listed securities issued by the Trust at 30 June 2010 (2009: 1,600). No other directors held any of the listed securities issued by the Trust at any time during the year.

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

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

Relevant transactions include:

- Deposits at call

As at 30 June 2010, deposits at call held with Macquarie Bank Limited were $552 (2009: $35,651). No interest income was received on this balance for the year ending 30 June 2010 (2009: $3,440).

(v) Expenses paid out of Escrow
The following expenses related to the Trust's operations were paid out of an Escrow account (shown GST inclusive) that was funded by Macquarie Equities Limited, the Lead Manager of the Trust's notes issue and a subsidiary of MGL (refer to Note 2(l));

	Year ended 30-June-10 $	Year ended 30-June-09 $
Trustee's remuneration	**50,919**	50,919
Registrar fees	**53,354**	52,793
Note trustee fees	**30,960**	34,108
Audit fees	**12,474**	12,631
Rating agency fees	**16,973**	11,900
Escrow agency fees	**5,500**	5,500
ASX fees	**4,535**	957
Tax fees	**5,445**	6,820
Other	**-**	200

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

	Year ended 30-June-10	Year ended 30-June-09
	$	$
Operating profit / (loss)	**3,862**	35,551
Decrease/(Increase) in receivables	**(3,410)**	3,236,749
(Decrease)/Increase in payables	**-**	(3,236,749)
Net cash inflow from operating activities	**452**	35,551

14. Segment Information

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

(ii) Geographic segment
While the Trust operates from Australia only, the Trust has invested in Aria notes which are issued by Aria CDO 1(Ireland) PLC, a company incorporated in Ireland. The investments are classified on the balance sheet as at fair value through profit or loss.

	30-June-10		30-June-09	
Country	**Total Assets**	**Percentage of Total Assets**	Total Assets	Percentage of Total Assets
	$	**%**	$	%
Ireland	**115,917,875**	**99.99**	58,248,250	99.94
Australia	**3,962**	**0.01**	35,651	0.06
Total	**115,921,837**	**100**	58,283,901	100.00

15. Financial risk management

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

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

(a) Market risk

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

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

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

(i) Price Risk - Continued

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

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

(ii) Interest rate risk

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

(iii) Foreign exchange risk

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

(b) Credit risk

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

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

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

Impact of reductions:

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

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

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

Following the Idearc Inc. default on 3 April 2009 where the recovery rate was set at 1.75%, no further income will be paid on the Generator Income Notes.

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

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

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

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

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

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

	Year ended 30-Jun-10 $	Year ended 30-Jun-09 $
Rated – A+pNRi*		
Structured securities		
Aria notes	**115,917,875**	58,248,250
Total A+ rated financial assets	**115,917,875**	58,248,250
Rated – A*		
Cash and cash equivalents	**552**	35,651
Total A rated financial assets	**552**	35,651
Total financial assets	**115,918,427**	58,283,901

* Ratings as per Standard and Poors

(c) Liquidity risk

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

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

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

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

	Less than 6 months	**1- 5 years**	**Total**
	$	**$**	**$**
As at 30 June 2010			
Financial liabilities at fair value through profit or loss			
Unsecured notes	**-**	**115,917,875**	**115,917,875**
Distribution payable	**3,862**	**-**	**3,862**
Net assets attributable to unitholders	**-**	**100**	**100**
Total financial liabilities	**3,862**	**115,917,975**	**115,921,837**

	Less than 6 months	1- 5 years	Total
	$	$	
As at 30 June 2009			
Financial liabilities at fair value through profit or loss			
Unsecured notes	-	58,248,250	58,248,250
Distribution payable	35,551	-	35,551
Net assets attributable to unitholders	-	100	100
Total financial liabilities	35,551	58,248,350	58,283,901

(d) Fair values of financial assets and financial liabilities

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

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

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

Fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

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

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

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

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

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

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1 $	Level 2 $	Total $
As at 30 June 2010			
Financial assets at fair value through profit or loss			
Aria notes	-	115,917,875	115,917,875
Total financial assets	-	**115,917,875**	**115,917,875**
Financial liabilities at fair value through profit or loss			
Unsecured notes	115,917,875	-	115,917,875
Total financial liabilities	**115,917,875**	-	**115,921,837**

16. Events occurring after reporting date

There were no material post balance sheet events occurring after the reporting date requiring disclosure in these financial statements.

17. Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2010 and were none at 30 June 2009.

GENERATOR INCOME TRUST
DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

In the directors' opinion

(a) the financial statements and notes set out on pages 7 to 24 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 consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and

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

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Craig Swanger
Director

30 August 2010

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

Report on the financial report

We have audited the accompanying financial report of Generator Income Trust (the "Trust"), which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Generator Investments Australia 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 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

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

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 Generator Income Trust is in accordance with the *Corporations Act 2001*, including:

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
30 August 2010