



INFIGEN ENERGY ANNUAL FINANCIAL REPORT 2017

**FOR THE YEAR ENDED 30 JUNE 2017
TOGETHER WITH THE DIRECTORS' REPORT**

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CORPORATE STRUCTURE

The Infigen Energy Group (“Infigen”) consists of the following entities:

- > Infigen Energy Limited (“IEL”), a public company incorporated in Australia;
- > Infigen Energy Trust (“IET”), a managed investment scheme registered in Australia;
- > Infigen Energy (Bermuda) Limited (“IEBL”), a company incorporated in Bermuda; and
- > the subsidiary entities of IEL and IET.

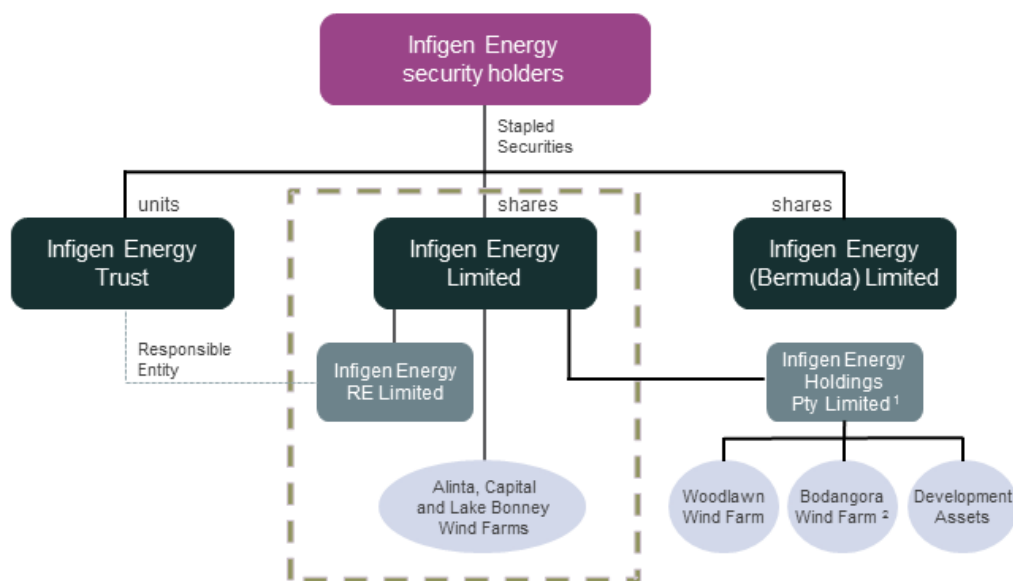
One share in each of IEL and IEBL and one unit in IET have been stapled together to form a single stapled security (“IFN security”).

Infigen Energy RE Limited (“IERL”) is the Responsible Entity of IET.

The current stapled structure of the Infigen Energy Group was established immediately prior to listing on the Australian Securities Exchange in 2005. No change is expected while the Group’s corporate debt facility (Global Facility) remains on foot. IEBL was established and included in the Group’s stapled structure in 2005 to provide flexibility regarding potential investment ownership structures. IEBL has not been utilised for that purpose since it was established and the Group aims to wind-up this entity when it is feasible to do so.

The following diagram represents the structure of the Infigen Energy Group.

Corporate Structure and Global Facility



Entities and assets within the Global Facility borrower group as at 30 June 2017 that are subject to the cash sweep.

¹ Infigen Energy Holdings Pty Limited and its subsidiaries are “Excluded Companies” that are not subject to the Global Facility cash sweep or the restrictive covenants that apply to Global Facility borrower group members.

² Bodangora Wind Farm is currently under construction.

DIRECTORS' REPORT

DIRECTORS

The Directors of Infigen Energy Limited and the Directors of Infigen Energy RE Limited, the Responsible Entity of Infigen Energy Trust, present their report together with the Financial Report of the Group and the Trust (refer below) for the year ended 30 June 2017.

The Financial Report of IEL comprises the consolidated Financial Report of IEL and its controlled entities, IET and its controlled entities and Infigen Energy (Bermuda) Limited, (the "Infigen Energy Group" or "Group").

The Financial Report of IET comprises the consolidated Financial Report of IET and its controlled entities (the "Infigen Energy Trust Group" or "Trust").

The following people were Directors of IEL, IEBL and IERL during the whole of the financial year and/or up to the date of this report (unless otherwise indicated):

Non-executive Directors

- > Michael Hutchinson
- > Philip Green
- > Fiona Harris
- > Leonard Gill (appointed a Director on 5 June 2017)

Executive Directors

- > Ross Rolfe AO (appointed Managing Director on 17 November 2016)
- > Sylvia Wiggins (appointed Executive Director, Finance on 8 May 2017)
- > Miles George (retired as Managing Director and Chief Executive Officer on 17 November 2016)

Further Information on Directors

The particulars of the Directors of IEL, IERL and IEBL at or since the end of the financial year and up to the date of the Directors' Report are set out below.

Michael Hutchinson	Fiona Harris	Philip Green
<p>Non-Executive Chairman of IEL, IEBL and IERL</p> <p><i>Appointed to IEL, IEBL and IERL on 18 June 2009</i></p> <p><i>Chairman of the Nomination & Remuneration Committee</i></p> <p>Michael was appointed an Independent Non-Executive Director of Infigen Energy in June 2009 and subsequently elected Chairman on 11 November 2010.</p> <p>He is also Chairman of the Nomination & Remuneration Committee and a member of the Audit, Risk & Compliance Committee.</p> <p>Michael was formerly an international transport engineering consultant, a senior Federal Government official and a corporate advisory consultant; and has extensive experience in the transport and communications sectors.</p> <p>Michael has previously been a non-executive director of the Australian Infrastructure Fund Ltd, Leighton Holdings Ltd, Epic Energy Holdings Ltd, Hastings Funds Management Ltd, Westpac Funds Management Ltd, Pacific Hydro Ltd, OTC Ltd, HiTech Group Australia Ltd, the Australian Postal Corporation and the Australian Graduate School of Management Ltd.</p> <p>Michael holds a first class honours degree in Civil Engineering from the University of Newcastle upon Tyne, United Kingdom, and graduated from the Harvard Business School Advanced Management Program (AMP110). He is a member of the Institution of Civil Engineers, Engineers Australia, and the Australian Institute of Company Directors.</p>	<p>Non-Executive Director of IEL, IEBL and IERL</p> <p><i>Appointed to IEL, IEBL and IERL on 21 June 2011</i></p> <p><i>Chairman of the Audit, Risk & Compliance Committee</i></p> <p><i>Member of the Nomination & Remuneration Committee</i></p> <p>Fiona was appointed as an Independent Non-Executive Director of Infigen Energy in June 2011 and is the Chairman of the Audit, Risk & Compliance Committee. Fiona is also a member of the Nomination & Remuneration Committee.</p> <p>Fiona has been a professional non-executive director for the past 22 years, holding positions across a variety of industry and geographical sectors, including utilities, financial services, energy and natural resources and property in Australia, USA, Finland, and West Africa. She has also been involved in a range of corporate transactions.</p> <p>Fiona is currently a director of Oil Search Limited, BWP Trust and Perron Group Limited. She is a member of Chief Executive Women. Fiona's previous directorships of listed companies in the past three years were Aurora Oil and Gas Limited, Sundance Resources Limited and Toro Energy Limited.</p> <p>Fiona holds a Bachelor of Commerce degree and is a Fellow of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors. She is a past State President and National Board Director of AICD, and a recipient of their Gold Medal for Western Australia.</p> <p>Fiona was previously a Sydney-based partner with KPMG, working with the firm in Perth, San Francisco and Sydney.</p>	<p>Non-Executive Director of IEL, IEBL and IERL</p> <p><i>Appointed to IEL, IEBL and IERL on 18 November 2010</i></p> <p><i>Member of the Audit, Risk & Compliance Committee</i></p> <p><i>Member of the Nomination & Remuneration Committee</i></p> <p>Philip was appointed a Non-Executive Director of Infigen Energy in November 2010.</p> <p>Philip is also a member of both the Audit, Risk & Compliance Committee & Nomination and Remuneration Committee.</p> <p>Philip is a Partner of TCI Advisory Services LLP ("TCI"), an advisor to a substantial security holder of Infigen Energy. Philip joined TCI in 2007 and his responsibilities include TCI's global utility, renewable energy and infrastructure investments.</p> <p>Prior to joining TCI, Philip led European Utilities equity research at Goldman Sachs, Merrill Lynch and Lehman Brothers over a 12-year period. Philip is a UK Chartered Accountant (ACA) and has a Bachelor of Science (Hons) in Geotechnical Engineering.</p>

Leonard Gill	Ross Rolfe AO	Sylvia Wiggins
<p>Non-Executive Director of IEL, IEBL and IERL</p> <p><i>Appointed to IEL, IEBL and IERL on 5 June 2017</i></p> <p>Leonard was appointed an Independent Non-Executive Director of Infigen Energy in June 2017.</p> <p>Leonard is a professional non-executive director with a 35 plus year career in the electricity, gas and infrastructure industries. He also provides energy and management consultancy services.</p> <p>Leonard is currently Chair of Family Life, a community support services charity, and a Non-Executive Director of Ecogen Energy Pty Ltd and Ampetus Energy Pty Ltd. His previous roles include Chairman of Alinta Energy, Chairman of Metgasco, Non-Executive Director of WDS Limited, Non-Executive Director of Verve Energy, Managing Director and CEO of TXU Australia and Chairman of South East Australian Gas Pty Ltd.</p> <p>Leonard holds a Bachelor of Engineering (Civil) from the University of Melbourne and is a Member of the Australian Institute of Company Directors.</p>	<p>Managing Director of IEL, IEBL and IERL</p> <p><i>Appointed as Non-Executive Director to IEL, IEBL and IERL on 9 September 2011 and Executive Director on 17 November 2016</i></p> <p>Before his appointment as Managing Director of Infigen Energy in November 2016, Ross was an Independent Non-Executive Director of Infigen Energy from September 2011.</p> <p>Ross has broad experience in the Australian energy and infrastructure sectors in senior management, government and strategic roles. In August 2008 Ross was appointed to the position of Chief Executive Officer of Alinta Energy. Ross completed a capital restructuring of the business and stepped down from the CEO and Managing Director role in April 2011.</p> <p>Prior to that appointment, Ross held the position of Director General of a range of Queensland Government Departments, including Premier and Cabinet, State Development, and Environment and Heritage, as well as the position of Co-ordinator General. Ross was also the Chief Executive Officer of Stanwell Corporation, one of Queensland's largest energy generation companies from 2001 until 2005. Ross was previously Chairman of WDS Limited and CS Energy, and a non-executive director of CMI Limited and Thiess Pty Ltd. Ross is currently Chairman of the North Queensland Airport Group.</p>	<p>Executive Director of IEL, IEBL and IERL</p> <p><i>Appointed as Non-Executive Director to IEL, IEBL and IERL on 18 April 2016 and Executive Director on 8 May 2017</i></p> <p>Sylvia is responsible for business services functions including Finance, Accounting & Statutory Reporting, Strategy and Legal.</p> <p>Sylvia has over 20 years' experience as a legally qualified chief executive officer, executive and senior investment banker across a broad range of businesses and countries, most recently working in the energy, infrastructure, defence and structured finance areas.</p> <p>Sylvia has originated, structured and advised upon transactions including capital and debt issuance, IPOs, asset acquisitions and divestments, mergers and acquisitions, and trade sales. Sylvia has also provided corporate advice covering strategic planning, commercial negotiations, capital management and corporate governance.</p> <p>Prior to her executive appointment, Sylvia managed her own advisory firm, which she established in 2014 having previously worked with a number of international investment and advisory firms. From 2009 to 2011 Sylvia worked at the Alinta Energy Group. Prior to that Sylvia was the inaugural Chief Executive Officer of Global Investments Limited, which is listed on the Singapore Stock Exchange.</p>

Directors' Interests in IFN Stapled Securities

One share in each of IEL and IEBl and one unit in IET have been stapled together to form a single stapled security, tradable on the Australian Securities Exchange under the "IFN" code. IERL is the Responsible Entity of IET. The table below lists the Directors of IEL, IEBl and IERL during the financial year and shows the relevant interests of those Directors in IFN stapled securities during the financial year.

Directors	Role	IFN stapled securities held			
		Balance 1 July 2016	Acquired during the year	Sold during the year	Balance 30 June 2017
M Hutchinson	Independent Chairman	235,500	81,021	-	316,521
F Harris	Independent Non-Executive Director	100,000	21,739	-	121,739
P Green ¹	Non-Executive Director	-	-	-	-
L Gill	Independent Non-Executive Director	-	-	-	-
R Rolfe	Executive Director	57,500	73,369	-	130,869
S Wiggins	Executive Director	-	12,173	-	12,173
M George ²	Executive Director	3,793,501	3,605,833	1,975,000	N/A

Directors' Meetings

The number of Board meetings and meetings of standing Committees established by the respective Boards held during the year ended 30 June 2017, and the number of meetings attended by each Director, are set out below.

A = Number of meetings attended as a Board/Committee member.

B = Number of meetings held during the period that the person held office during the year.

Directors	Board meetings						Committee meetings			
	IEL		IERL		IEBl		Audit, Risk & Compliance		IEL Nomination & Remuneration	
	A	B	A	B	A	B	A	B	A	B
M Hutchinson	19	19	19	19	18	18	1	1	6	6
F Harris	19	19	19	19	18	18	4	4	6	6
P Green	19	19	19	19	18	18	3	3	1	2
L Gill ³	1	1	1	1	1	1	-	-	-	-
R Rolfe	18	19	18	19	18	18	1	1	2	2
S Wiggins	19	19	19	19	18	18	3	3	2	2
M George ²	6	6	6	6	6	6	-	-	-	-

Additional meetings of committees of Directors were held during the year, but these are not included in the above table (for example, where the Boards delegated authority to a committee of Directors to oversee or approve specific matters or otherwise approve documentation on behalf of the Boards).

¹ P Green is a Partner of TCI Advisory Services LLP, which is an advisor to a substantial security holder of IFN. Mr Green has advised Infigen that he does not have a relevant interest in those IFN securities.

² M George retired as Managing Director and Chief Executive Officer of Infigen on 17 November 2016. Movements in IFN stapled securities and meetings relate to the period from 1 July 2016 to 17 November 2016.

³ L Gill was appointed an Independent Non-Executive Director on 5 June 2017.

Company Secretary

David Richardson was appointed Company Secretary of IEL, IERL and IEBL on 26 October 2005. David is the General Manager Corporate Governance & Company Secretary of Infigen Energy and is responsible for the company secretarial, insurance, corporate compliance and internal audit functions.

David was previously a Company Secretary within the AMP Group, including AMP Capital Investors, Financial Services and Insurance divisions, as well as holding prior financial services sector and regulatory positions.

David holds a Diploma of Law, Bachelor of Economics, Graduate Diploma in Company Secretarial Practice and is a Graduate of the AICD Company Directors Course. David is a Member of the Governance Institute of Australia and the Australian Institute of Company Directors.

Distributions

No distribution for the year ended 30 June 2017 has been declared.

Infigen is not permitted to pay distributions to security holders from the cash flows of its Alinta, Capital and Lake Bonney wind farm operating assets owned by IEL while the Global Facility remains on foot. The final maturity date of the Global Facility is 31 December 2022. Further details regarding distributions are set out in Note 22 to the Financial Statements.

Principal Activities

The principal activities of the Infigen Energy Group and Infigen Energy Trust are set out in the Operating and Financial Review on page 9 of this report.

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review for the year ended 30 June 2017 forms part of the Directors' Report.

1. Operations and Strategy

1.1. Principal Activities

Infigen Energy Group

Infigen is a business actively participating in the Australian energy market. It is a developer, owner and operator of generation assets delivering energy solutions to Australian businesses and large retailers.

Infigen has 557 MW of installed generation capacity across New South Wales, South Australia and Western Australia with a further 113 MW under construction in New South Wales. It sells the electricity and Large-scale Generation Certificates ("LGCs") through a combination of medium and long term contracts and through the spot market.

Infigen is looking to diversify and expand its customer base and will grow its generation portfolio in response to strong price and investment signals. In the short term it is targeting expansion in New South Wales and entry into the Victorian and Queensland regions of the National Electricity Market ("NEM"). Infigen will seek to do this through sales of electricity and LGCs and construction of assets within its development pipeline in those regions.

Asset	Nameplate capacity (MW)	State	Commercial operation date
Alinta wind farm	89.1	WA	Jul 2006
Bodangora wind farm (under construction)	113.2	NSW	Aug 2018 ⁴
Capital wind farm	140.7	NSW	Jan 2010
Capital East solar farm	0.1	NSW	Sep 2013
Lake Bonney 1 wind farm	80.5	SA	Mar 2005
Lake Bonney 2 wind farm	159.0	SA	Sep 2008
Lake Bonney 3 wind farm	39.0	SA	Jul 2010
Woodlawn wind farm	48.3	NSW	Oct 2011
Total assets	669.9		
Under construction	113.2		
Operating assets	556.7		

Infigen Energy Trust Group

During the reporting period, IET held interests in financial investments.

In 2005, the units issued in IET were stapled to the shares issued by IEL and IEHL to form "stapled securities". Since 2005, IET has raised the majority of the equity capital for the Group as part of the issue and listing of stapled securities on the Australian Securities Exchange ("ASX"). IET has also been the stapled entity through which distributions are paid to security holders.

⁴ Scheduled for completion in August 2018.

1.2. Strategy and Prospects

Infigen is transitioning from a business that owned and operated assets and largely sought to sell its output of both electricity and LGCs to long-term offtakers, to a business that seeks to deliver a range of products and solutions to different customers through multiple routes to market – the Multi-Channel Route to Market Strategy. The long-term growth of the business necessitates growing customer numbers and volumes at sustainable profit margins. Delivery of this solution is supported by a portfolio of supply options that includes existing and new generation, long-term offtake agreements with third parties, and physical and financial firming products. Infigen is transitioning to more proactively service the Commercial and Industrial (“C&I”) markets and become an active energy markets participant.

The business is transitioning as a result of a number of factors including:

- > changing and favourable energy market conditions,
- > an increasing and substantial portion of Infigen’s generation capacity ceasing to be contracted in the medium term, and
- > the long-term contract market as a sole source of revenue having ceased to provide attractive rates of return commensurate with Infigen’s cost of capital and security holder expectations.

Since the equity capital raising in April 2017, Infigen has been developing its implementation plan for the business strategy. A 5 Year Business Plan underpins the implementation of the business strategy, which has three primary work streams:

1. the Multi-Channel Route to Market,
2. expanding the regions in which Infigen operates and/or owns generation capacity in response to market signals, and
3. creating a capital structure to support Infigen’s business strategy.

Managing Risk

The high current spot market prices for electricity and LGCs are in part a product of historical Renewable Energy Target (“RET”) uncertainty and ongoing regulatory (energy policy) uncertainty. High LGC prices reflect current supply constraints that are expected to be resolved in the short term. Regardless of the route to market for LGCs, Infigen is exposed to an uncertain long-term LGC price curve as supply is delivered to meet the target and then in due course the end of the scheme is reached. Similarly, the recent high forward electricity prices were driven by supply-side shocks as large generators exited the market. These prices have recently retreated but still remain above the long-run prices that are required to incentivise new generation.

The Multi-Channel Route to Market

Infigen is continuing to seek a balance between risk, tenor and price for revenue received from the sale of electricity and LGCs through multiple routes to market including:

- > long-term offtake agreements with electricity retailers or other counterparties
- > medium-term “run of plant” or fixed volume contracts
- > contracting with large C&I customers
- > short to long-term wholesale market contracts
- > spot market electricity sales through the Australian Energy Market Operator (“AEMO”)

The fuel source for Infigen’s generation is intermittent. In order to manage the risk associated with delivering firm contracted load to customers, Infigen is considering use of both physical and financial “firming” products available in the market. Having the capacity to sell firm contract loads will allow Infigen to expand its sales channels to C&I customers and provide greater certainty over revenue.

Infigen is pursuing a regionally based electricity sales strategy reflecting the distinctive regional attributes within the “national” electricity market. A national LGC sales strategy is being pursued given there are no regional differences.

Market and/or Generation Capacity Expansion

Infigen has undertaken a detailed review of the NEM regions and assessed these against its pipeline of development assets. The entry into new regions, or expansion into existing regions, may occur in advance of construction of new generation by Infigen. In some instances such entry or expansion may occur without further generation being funded on balance sheet – that is Infigen may pursue a “capital lite” strategy in which it will purchase some or all of the output from a clean energy generator through a power purchase agreement (“PPA”). Infigen’s expansion will be in response to market price signals. This requires a disciplined approach to expansion and the commitment of capital to growth projects.

Having regard to a number of factors in the NEM including without limitation: demand, gas availability, expected coal-fired generation retirements, customers, market liquidity, and state based policies that incentivise new renewable generation, Infigen has now identified two new regions and three wind farm developments that it expects to enter/progress in the short to medium term.

Infigen has identified that entry into Victoria and Queensland and further expansion in New South Wales would likely be accretive to its business and security holders. With this in mind Infigen has accelerated development of the Cherry Tree (VIC); Flyers Creek (NSW); and Forsayth (QLD) wind farm projects with the aim of enabling Infigen to determine whether or not to proceed to the first development by the end of calendar year 2017. The other two would be considered for Final Investment Decision (“FID”) thereafter. As the development process can be complicated, a decision on which wind farm would be first through FID has not been made, but all are being progressed allowing a decision to be made on the best overall prospects later this year.

Creating a Capital Structure to Support Infigen’s Business Strategy

Infigen is seeking to refinance the debt associated with the existing operating assets to fund the business operations and also to provide construction finance to allow new developments to proceed to construction. Alternatively, a separate construction finance facility may be sought. Infigen is actively engaged with the financial markets to determine on what terms and conditions such refinancing and access to debt capital can be obtained. There is a risk that a refinancing is not achievable or desirable in the short term. Infigen will proceed with a refinancing if it delivers a better capital structure to Infigen. Without limitation, factors that will influence the decision to refinance (or not) include:

- > capacity to use a substantial portion of free cash flow from operations after debt service for growth and to allow consideration of the resumption of distributions when appropriate
- > potential meaningful reduction in interest rates to reduce debt service costs
- > the ability to operate Infigen’s generation assets as a portfolio to enable Infigen to better execute its business strategy

Infigen is targeting closing by 31 December 2017 subject to a value accretive refinancing being achievable. Infigen retains flexibility in relation to timing given such refinancing is not required by the terms of the existing debt documents.

The Regulatory and Political Environment

Infigen believes that energy market fundamentals continue to evolve to its potential advantage, and that while policy often changes, and sentiment is regularly debated, the reality is that Australia is transitioning to a lower emissions electricity future. That will be likely as a result of coal-fired generation retirements and a diminishing accessible coal fuel resource and policies that reflect a wide-spread community requirement for lower emissions. Infigen aims to be an important part of that future.

Infigen is actively engaged with policy makers, Government and stakeholders, including energy users, to articulate the important role that clean energy can play in the transition. There is of course a risk that regulation or law can be adverse to Infigen’s interests and in that instance Infigen would be ready to respond thoughtfully to any such change.

The Finkel Review⁵ proposed the introduction of a well-constructed Clean Energy Target (“CET”). While the CET has not been endorsed by the Federal Government there remains a possibility that this policy will ultimately be adopted. Should this occur then, subject to the detailed design of the policy settings, it is likely to enhance Infigen’s future prospects. Critical to that will be the way in which the RET interacts with the CET and the extent to which the requirement to introduce synchronous capacity to accompany the introduction of new entrant renewables is implemented.

A key challenge for Infigen is to work to ensure that going forward there is a policy that supports the transition of the generation sector to one that delivers a greater penetration of renewable generation.

⁵ Source: “Blueprint for the Future: Independent Review into the Future Security of the National Electricity Market”, 9 June 2017, Commonwealth of Australia 2017.

2. FY17 Results Overview

The prior corresponding period (“pcp”) comparisons are reported on a continuing operations basis. Further details of Infigen’s financial performance are provided in the FY17 Financial Statements appended to this Directors’ Report. All references to \$ are a reference to Australian dollars unless specifically stated otherwise. Individual items and totals reconcile with the Financial Statements, however, may not add across the column due to rounding of individual components. Period on period changes on a percentage basis are presented as favourable (positive) or adverse (negative). Period on period changes to items measured on a percentage basis are presented as percentage point changes (“ppts”). Period on period changes that are not meaningful are marked as “n.m.”. “Cf” is an abbreviation of “compared with”.

2.1. Financial Highlights

Year ended 30 June (\$M unless otherwise indicated)	2017	2016	F/(A)%
Profitability			
Revenue	196.7	173.2	14
Underlying EBITDA	139.3	120.2	16
Net profit after tax	32.3	4.5	618
Financial position			
Debt	653.9	742.5	12
Cash	251.8	147.6	71
Equity	479.4	280.6	71
Book gearing ⁶	45.5%	68.0%	22.5 ppts
Security holder value and cash flow			
Earnings per security (cps)	4.0	1.0	300
Net operating cash flow per security ⁷ (cps)	12.0	7.4	62

2.2. Business Highlights

Financial close of Bodangora wind farm development project:

- > Scheduled for completion in August 2018
- > Adds 20% to Infigen’s installed capacity and 24% to expected annual production

\$151 million equity capital raising:

- > Fully underwritten accelerated non-renounceable rights issue
- > Supports the implementation of Infigen’s business strategy
- > Completed with 97% and 74% of institutional and retail entitlements respectively being taken up

Long-term service and maintenance agreements executed with Vestas:

- > Covers all Infigen’s existing operating wind farms
- > Vestas provides energy yield based turbine availability guarantees – and liquidated damages for failure to deliver
- > Seeks to align Infigen’s wind farm costs and revenues

Management restructure:

- > Enhanced capabilities
- > Positioned to grow the business and deliver the business strategy

⁶ Calculated as net debt divided by sum of net debt and net assets.

⁷ Calculated using weighted average number of securities on issue (including performance rights) during the year.

3. Financial Overview

3.1. Summary of Financial Performance

Year ended 30 June (\$M unless otherwise indicated)	2017	2016	F/(A)	F/(A) %
Revenue	196.7	173.2	23.5	14
Operating costs ⁸	(40.2)	(37.4)	(2.8)	(7)
Operating EBITDA	156.4	135.8	20.6	15
Corporate and transition costs	(15.7)	(14.0)	(1.7)	(12)
Development costs	(1.4)	(1.7)	0.3	18
Underlying EBITDA	139.3	120.2	19.1	16
Fair value gain on asset under construction	5.8	-	-	n.m.
Other income and gain on sale of development asset	4.6	-	-	n.m.
EBITDA	149.7	120.2	29.5	25
Depreciation and amortisation	(51.8)	(52.0)	0.2	-
EBIT	97.9	68.2	29.7	44
Net borrowing costs	(49.1)	(53.6)	4.5	8
Net FX and revaluation of derivatives	(1.8)	(4.0)	2.2	55
Profit before tax	47.1	10.6	36.5	344
Tax expense	(14.8)	(3.6)	(11.2)	311
Loss from discontinued operations	-	(2.5)	2.5	100
Net profit after tax	32.3	4.5	27.8	618

Revenue increased to \$196.7 million, up \$23.5 million (+14%) on the pcp due to higher electricity prices (+\$14.7 million), higher LGC prices (+\$10.3 million), and higher compensated revenue (+\$0.3 million), partially offset by lower production sold due to less favourable marginal loss factors (-\$1.8 million).

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) increased to \$139.3 million, up \$19.1 million (+16%) on the pcp due to higher revenue (+\$23.5 million) and lower development costs (+\$0.3 million), partially offset by higher operating costs (-\$2.8 million) and by higher corporate and transition costs (-\$1.7 million).

EBITDA increased to \$149.7 million, up \$29.5 million (+25%) on the pcp due to higher Underlying EBITDA, non-cash income from a fair value revaluation following the acquisition of the 50% interest in the Bodangora wind farm development project which Infigen did not own (\$5.8 million) and other income (\$4.6 million) that included a \$4.3 million gain on sale of the Manildra solar development project.

Depreciation and amortisation expense of \$51.8 million was broadly in line with the pcp.

Income tax expense increased to \$14.8 million, up \$11.2 million (+311%) on the pcp due to a stronger operating result.

Net profit after tax increased to \$32.3 million, up \$27.8 million (+618%) on the pcp, and included a \$2.5 million loss from discontinued operations in the pcp.

⁸ Includes wind farm costs (scheduled and unscheduled turbine operations and maintenance (O&M) and balance of plant (BOP) costs, asset management costs, and other direct costs such as insurance, land lease payments and connection and network fees) and Energy Markets costs.

4. Review of Operations

4.1. Safety⁹

Year ended 30 June	2017	2016	F/(A) %
Lost time injury (LTI)	1	-	n.m.
Lost time injury frequency rate (LTIFR)	4.7	-	n.m.
Total recordable injury frequency rate (TRIFR)	4.7	4.8	2

One LTI was recorded following a tower rescue simulation in FY17 compared with zero in the pcp. This resulted in both an LTIFR and TRIFR of 4.7 for the year.

During the period an emergency response plan (including a tower rescue simulation) was tested to identify improvements in the areas of staff readiness and emergency rescue equipment.

In FY18 Infigen will remain focussed on achieving its safety “zero harm” goal and will be rolling out its health, safety and environment (HSE) Improvement Action Plan to further achieving that goal.

Our goal is to achieve “zero harm” through:

- > high performing leadership; all level leadership – everyone has a leadership role in HSE
- > a strong HSE culture; lead with an unqualified message of “zero harm”, unify HSE across office, operational and development teams
- > established HSE systems and processes; with plans to advance efficiency and accessibility of HSE systems and information with smart technology

Infigen is currently actively managing the work, health and safety risks that arise during the construction phase of the Bodangora wind farm project.

⁹ Infigen’s safety performance is measured on a rolling 12-month basis in accordance with standards of Safe Work Australia, where total recordable injury frequency rate is calculated as the sum of recordable lost time injuries and medical treatment incidents multiplied by 1,000,000 divided by total hours worked. Lost time injury frequency rate is calculated as lost time injuries multiplied by 1,000,000 divided by total hours worked.

4.2. Summary of Operational Performance

Year ended 30 June	2017	2016	F/(A) %
Production (GWh)	1,487	1,469	1
Production sold (GWh)	1,399	1,406	-
Capacity factor ¹⁰	30.5%	29.9%	0.6 ppts
Turbine availability ¹¹	97.1%	97.7%	(0.6) ppts
Site availability ¹²	96.4%	97.1%	(0.7) ppts
Operating costs ¹³ (\$/MWh)	27.0	25.5	(6)

4.3. Production

Year ended 30 June	Production (GWh)			Marginal loss factors			Production sold (GWh)		
	2017	2016	F/(A)%	2017	2016	F/(A)%	2017	2016	F/(A)%
Alinta wind farm ¹⁴	338	300	13	0.9519	0.9384	1	338	300	13
Capital wind farm	345	360	(4)	0.9931	0.9748	2	343	351	(2)
Lake Bonney 1 wind farm	181	182	(1)	0.8768	0.9352	(6)	159	171	(7)
Lake Bonney 2 wind farm	381	380	-	0.8768	0.9352	(6)	334	355	(6)
Lake Bonney 3 wind farm	95	92	3	0.8768	0.9352	(6)	83	86	(3)
Woodlawn wind farm	143	147	(3)	0.9931	0.9748	2	142	143	(1)
Compensated ¹⁵	5	8	(38)						
Total	1,487	1,469	1				1,399	1,406	-

Production increased to 1,487 GWh, up 18 GWh (+1%) on the pcp primarily due to improved wind conditions at the Alinta wind farm (+39 GWh) and Lake Bonney wind farms (+5 GWh). This was partially offset by:

- > reduced balance of plant and turbine availability at Woodlawn and Capital wind farms primarily due to a plant outage while there was a fire in the vicinity of the Capital and Woodlawn wind farms (-11 GWh)
- > increased maintenance work and adverse wind conditions at Capital wind farm (-5 GWh)
- > component replacement works at Alinta wind farm (-4 GWh)
- > lower compensated production (-3 GWh)
- > line outages in Western Australia (-2 GWh)

Marginal loss factors as determined by AEMO reduced production sold (-25 GWh) compared to the pcp.

¹⁰ Calculated by production generated over 12 months divided by the amount of electricity that would have been produced if all wind turbines had been running at full capacity for the full twelve months.

¹¹ Indicates the percentage of time wind turbines have been available to generate electricity.

¹² Indicates the percentage of time wind turbines and balance of plant have been available to generate electricity.

¹³ Calculated by dividing operating costs with production.

¹⁴ Marginal loss factor is not relevant to electricity sold.

¹⁵ Compensated production relates to business interruption and liquidated damages under service and maintenance agreements.

4.3.1. Electricity Spot Market

	Electricity spot price ¹⁶ (\$/MWh)				Electricity dispatch price (\$/MWh)			Dispatch price discount		
	FY17	FY16	F/(A)%	10 year average	FY17	FY16	F/(A)%	FY17	FY16	F/(A)%
SA	108.66	61.67	76	58.37	81.58	50.97	60	25%	17%	(8) ppts
NSW	81.22	51.60	57	46.64	74.54	51.86	44	8%	-1%	(9) ppts

Source: AEMO

Average spot prices in the NEM vary between each state and can be very volatile. Electricity spot prices can vary between the market price floor of -\$1,000/MWh and the market price cap of \$14,000/MWh¹⁷ in FY17. A summary of market factors and outcomes for FY17 in the key regions in which Infigen is currently operating is outlined below.

South Australia

- > There were 410 half-hourly trading intervals above \$300/MWh (cf 185 in the pcp).
- > There were 300 negative price trading intervals (cf 289 in the pcp).
- > Time weighted average (TWA) spot electricity prices increased to \$108.66/MWh, up \$46.99/MWh (+76%) on the pcp due to increased weather driven demand, higher gas prices and the flow-on effects of the Hazelwood coal-fired power plant closure on market dynamics.
- > Dispatch weighted average electricity price¹⁸ from Lake Bonney 1-3 wind farms increased to \$81.58/MWh, up \$30.61/MWh (+60%) on the pcp.
- > TWA price in SA is higher than the DWA price of wind generation. Infigen's DWA price discount in SA increased to 25%, up 8 ppts on the pcp.

New South Wales

- > There were 185 half-hourly trading intervals above \$300/MWh (cf 10 in pcp).
- > There were no negative price trading intervals (cf 1 in pcp).
- > TWA spot electricity prices increased to \$81.22/MWh, up \$29.62/MWh (+57%) on the pcp due to increased weather driven demand, higher gas prices and the flow-on effects of the Hazelwood coal-fired power plant closure on market dynamics.
- > Dispatch weighted average electricity price from Woodlawn wind farm increased to \$74.54/MWh, up \$22.86/MWh (+44%) on the pcp.
- > In NSW the wind profile is more correlated to regional demand and therefore prices. Woodlawn wind farm's DWA price discount increased to 8%, up 9 ppts on the pcp.

4.3.2. LGC Inventory and Spot Market Sales

	Daily closing market price (\$/LGC)			LGC inventory			
	2017	2016	F/(A) %	As at 30 June	2017	2016	F/(A) %
At 30 June	79.10	84.20	(6)	LGC volume	374,300	328,000	14
Financial year average	85.24	71.34	20	LGC inventory (\$M)	27.0	20.6	31

Source: GFI Broker Report

At 30 June 2017 Infigen held LGC inventory, including that required to meet contracted sales with delivery dates after 30 June 2017.

Infigen's inventory of LGCs increased to approximately 374,300 LGCs as at 30 June 2017, up 46,300 (14%) on the pcp due to higher contracted sales volumes. As Infigen increases its contracting activity through its Multi-Channel Route to Market strategy, higher inventory levels may be maintained at the interim and full financial year balance dates.

Closing LGC inventory comprised uncontracted LGCs valued at the 30 June 2017 closing price and contracted commitments valued at their contract price.

¹⁶ Time weighted average of spot electricity prices.

¹⁷ The market price cap will increase to \$14,200/MWh from 1 July 2017 to 30 June 2018. Source: "Schedule of reliability", 14 February 2017, Australian Energy Market Commission.

¹⁸ Calculated as merchant electricity revenue divided by production excluding short-term hedges.

4.4. Operating Costs

Year ended 30 June (\$M)	2017	2016	F/(A)	F/(A) %
Asset management	(6.4)	(6.7)	0.3	4
FCAS net costs ¹⁹	(2.1)	(2.0)	(0.1)	(5)
Turbine O&M	(20.8)	(18.9)	(1.9)	(10)
Balance of plant	(1.1)	(0.9)	(0.2)	(22)
Other direct costs	(7.1)	(7.0)	(0.1)	(1)
Wind farm costs	(37.5)	(35.6)	(1.9)	(5)
Energy Markets	(2.7)	(1.8)	(0.9)	(50)
Operating costs	(40.2)	(37.4)	(2.8)	(7)

Operating costs increased to \$40.2 million, up \$2.8m (+7%).

Turbine O&M expenses were higher due to a full year of post-warranty costs at the Woodlawn wind farm (+\$0.7 million), non-recurrence of savings at Lake Bonney wind farms in the pcp (+\$0.5 million) and higher payments at the Alinta wind farm (+\$0.7 million) incurred because of increased production.

Energy Markets costs were up \$0.9 million (+50%) due to increased personnel costs as further capability was added to the Energy Markets function in transitioning it to being at the core of Infigen's business strategy.

4.5. Service and Maintenance Agreements

During the year Infigen executed fleet-wide service agreements for its existing operating assets with Vestas – Australian Wind Technology Pty Ltd (Vestas). The agreements cover 556.6 MW of installed capacity comprising 256 turbines across six wind farms. Under the agreements Vestas will provide turbine maintenance services and replacement components for the turbines from 1 January 2018 for a period of between seven and 15 years, depending on the wind farm.

Wind farm	Contract start date	Contract end date
Alinta	1 Jan 2018	31 Dec 2025
Capital	1 Jan 2018	31 Dec 2030
Lake Bonney 1	1 Jan 2018	31 Dec 2024
Lake Bonney 2	1 Jan 2018	31 Dec 2027
Lake Bonney 3	1 Jan 2018	31 Dec 2029
Woodlawn	1 Jan 2018	31 Dec 2032

Vestas will also provide scheduled maintenance services for the balance of plant at those wind farms. Infigen will otherwise be responsible for maintenance of the balance of plant. Key features of the new agreements include:

- > Vestas being responsible for turbine reliability and maintenance, including the cost of component replacement during the term (subject to agreed liability caps and transitional arrangements at Capital and Woodlawn wind farms)
- > Vestas providing turbine availability guarantees backed by liquidated damages provisions
- > Vestas' service fees being calculated on the basis of actual production (MWh), subject to a minimum annual payment
- > Vestas being entitled to certain performance payments if turbine availability exceeds prescribed levels

Across all six sites the turbine availability guarantees provided under the agreements are based on energy yield rather than time-based availability. These incentivise Vestas to perform scheduled turbine maintenance activities during low wind periods and, based on Infigen's experience with production-linked variable turbine O&M fees since 2012, result in a better alignment of Infigen's wind farm costs with its revenues. As a result of these agreements Infigen has greater certainty over its long term turbine O&M costs. The agreements have been structured with a modestly escalating price profile to broadly reflect the expected costs that will be incurred as the fleet ages.

¹⁹ Frequency control ancillary services (FCAS) charges relate to services that maintain key technical characteristics of the power system. Reflects gross FCAS costs net of hedge payout.

4.6. Corporate and Development Costs

Year ended 30 June (\$M)	2017	2016	F/(A)	F/(A) %
Corporate and transition costs	(15.7)	(14.0)	(1.7)	(12)
Development costs	(1.4)	(1.7)	0.3	18
Corporate, transition and development costs	(17.1)	(15.7)	(1.4)	(9)

Corporate and transition costs included costs associated with restructuring and transitioning the business to ensure Infigen had the necessary capability to execute its business strategy, costs associated with the CEO transition and management restructure (\$3.1 million), a payroll tax expense (\$0.7 million), and costs associated with undertaking and responding to corporate strategic activities (\$0.9 million).

Development costs expensed during the year decreased to \$1.4 million, down \$0.3 million (-18%) on the pcp due to higher professional fees incurred in the pcp.

4.7. Financing Costs

Year ended 30 June (\$M)	2017	2016	F/(A)	F/(A) %
Interest expense	(47.6)	(52.0)	4.4	8
Bank fees and amortisation of loan costs	(2.9)	(2.3)	(0.6)	(26)
Amortisation of decommissioning costs	(0.1)	(0.1)	-	-
Total borrowing costs	(50.7)	(54.3)	3.6	7
Interest income	1.6	0.8	0.8	100
Net borrowing costs	(49.1)	(53.6)	4.5	8
Net FX and revaluation of derivatives	(1.8)	(4.0)	2.2	55
Net financing costs	(50.9)	(57.6)	6.7	12

Net borrowing costs decreased to \$49.1 million, down \$4.5 million (-8%) on the pcp due to lower interest expense resulting primarily from a lower debt balance and higher interest income due to a higher average cash balance, partially offset by fees associated with the project financing of Bodangora wind farm.

Net FX and revaluation of derivatives resulted in a \$1.8 million expense due to fair value losses on non-hedge accounted financial instruments, \$2.2 million lower than in the pcp (-55%).

4.8. Net Operating Cash Flow

Year ended 30 June (\$M)	2017	2016	F/A	F/(A) %
Operating EBITDA	156.4	135.8	20.6	15
Corporate, transition and development costs	(17.1)	(15.7)	(1.4)	(9)
Movement in LGC inventory	(6.3)	(7.9)	1.6	20
Movement in working capital	9.6	(3.4)	13.0	382
Proceeds from the sale of development asset	5.1	-	5.1	n.m.
Non-cash items	(0.1)	(0.5)	0.4	80
Financing costs paid	(48.9)	(51.9)	3.0	6
Net operating cash flow	98.7	56.9	41.8	73

Net operating cash flow increased to \$98.7 million, up \$41.8 million (+73%) primarily due to higher operating EBITDA and favourable working capital movements.

A \$13.0 million favourable movement in working capital was primarily due to a reduction in receivables from lower production sold in FY17 and a lower amount due under an annually settled "take or pay" contract. The balance of the increase in net operating cash flow included proceeds from the sale of the Manildra solar development project, a smaller increase in LGC inventory relative to the pcp²⁰ and lower financing costs paid, partially offset by higher corporate, transition and development costs.

²⁰ Refer to section 4.3.2.

5. Funding

5.1. Summary of Financial Position²¹

Position at 30 June (\$M unless stated otherwise)	2017	2016	F/(A)	F/(A) %
Cash	251.8	147.6	104.2	71
Debt	653.9	742.5	88.6	12
Net debt	402.1	594.9	192.8	32
Security holders' equity	479.4	280.6	198.8	71
Book gearing ²²	45.5%	68.0%	-	22.5 ppts
EBITDA / (net debt + equity) ²³	15.8%	13.7%	-	2.1 ppts
Net debt / EBITDA	2.9	5.0	2.1	42
EBITDA / interest	2.9	2.3	0.6	26
Net assets per security (\$)	0.50	0.36	0.14	39
Net tangible assets per security (\$)	0.38	0.20	0.18	90

5.2. Cash

Cash balance increased to \$251.8 million at 30 June 2017, up \$104.2 million (+71%) from 30 June 2016 due to:

- > \$144.4 million net proceeds from the issue of equity securities
- > \$98.7 million net operating cash flow
- > \$1.8 million proceeds from the Bodangora construction facility
- > \$3.5 million unfavourable FX effect on cash held in USD
- > \$48.7 million of capital expenditure
- > \$88.5 million of debt repayments

5.3. Debt

Total debt decreased to \$653.9 million (including capitalised loan costs²⁴) at 30 June 2017, down \$88.6 million (-12%) from 30 June 2016.

In FY17 Infigen repaid \$82.6 million of Global Facility borrowings and \$5.9 million of Woodlawn facility borrowings, and drew \$1.8 million of the Bodangora construction facility. The total debt comprised:

- > \$621.5 million of Global Facility borrowings (US\$70.6 million and AUD \$529.7 million)
- > \$34.0 million of Woodlawn facility borrowings
- > \$1.8 million of Bodangora construction facility borrowings²⁵

Infigen manages its USD borrowings through prioritising repayments of USD borrowings and through a US\$30 million foreign exchange hedge.

Infigen's book gearing as at 30 June 2017 was 45.5% compared to 68.0% at 30 June 2016.

5.4. Security Holders' Equity

Security holders' equity increased to \$479.4 million, up \$198.8 million (+71%) from 30 June 2016. The increase was due to:

- > \$144.4 million net proceeds from the issue of equity securities
- > \$32.3 million net profit
- > \$14.9 million increase in reserves
- > \$7.3 million increase from the issue of vested performance rights under the Infigen Energy Equity Plan

The number of securities on issue increased by 177,790,410 to 950,259,556 (+23%) during FY17. Approximately 170 million new stapled securities were issued under the equity capital raise and approximately 8 million securities were issued under the Infigen Energy Equity Plan.

²¹ Calculated with the underlying EBITDA.

²² Calculated as net debt divided by the sum of net debt and net assets.

²³ Calculated on a 12-month lookback basis.

²⁴ Capitalised loan costs were \$3.5 million as at 30 June 2017 and \$5.1 million as at 30 June 2016.

²⁵ \$163 million construction facility.

6. Capital Expenditure

Capital expenditure increased to \$48.7 million, up \$45.0 million on the pcp due to increased growth activities, including the Bodangora wind farm development project (+\$44.1 million) and other development projects (+\$2.0 million). Expenditure on wind farm property, plant and equipment reduced \$1.1 million due to higher expenditure on IT in the pcp.

7. Business Risks and Mitigants

Material business risks that could affect Infigen's operating and financial performance are described below. These risks are not the only risks that may affect Infigen. Additional risks and uncertainties not presently known to management or that management currently believe not to be material may also affect Infigen.

Infigen has implemented an Enterprise Risk Management ("ERM") framework covering all functions, levels and activities for the entire organisation. The ERM framework has been developed in accordance with leading industry risk management standards, including International Standard ISO 31000 (based on AS/NZS 4360:2004).

Operational Risks and Safety

Infigen's operational activities involve work performed in remote locations, at heights, with high voltage electricity generation and transmission equipment, in confined spaces, utilising industrial compounds and lubricants and involving travel to and from sites. Infigen's Health, Safety and Environment Management System includes policies, procedures and plans to manage these risks and integrate safety with everyday tasks in the workplace and at home. These policies are aligned to OHSAS 18001 (OHS) and ISO 14001 (Environment) Standards. Safety performance is also captured under Infigen's key performance indicators, and is linked to the remuneration of each employee.

Sovereign and Energy Policy Risks

Infigen's business performance may be directly affected by changes in the design and rules of the existing energy market. The debate in relation to the energy markets' future design and rules can create uncertainty that adversely affects market sentiment. These changes may result from orderly rule change processes or in response to the political imperatives of the government or agencies of government.

Infigen is actively engaged with policy makers and other relevant stakeholders to articulate the important role that clean energy can play in the transition to a lower emissions electricity future.

There is a risk that changes to regulation or law can be adverse to Infigen's interests and in that instance Infigen would be ready to respond thoughtfully to any proposed change.

Demand for Electricity and LGCs

The price of electricity and LGCs that Infigen sells is dependent on numerous factors including supply, demand, and in the case of electricity retailers, their customers' demand. Adverse changes in uncontracted (merchant) prices could adversely affect Infigen's revenue and future financial performance. Infigen is pursuing its business strategy to reduce potential earnings volatility by expanding its customer base with the objective of reducing its exposure to fluctuations in merchant prices and obtaining more attractive returns than are available in the long-term contract market.

Volume Risks

Variation in wind resource will result in changes to Infigen's electricity production level (quantum) and generation profile (time). Fluctuations may adversely affect Infigen's revenue and future financial performance. Whilst variation in wind resource will remain an inherent risk to the business, Infigen's 24/7 Operations Control Centre ("OCC") monitors available wind resource, Infigen's operating assets, the market operator's instructions, market participants' behaviour, NEM prices, and meteorological data. The OCC supports Infigen's asset management and energy markets functions to optimise production output, implement the electricity dispatch bidding strategy, and optimise outcomes for Infigen.

As Infigen executes its Multi-Channel Route to Market strategy it will develop and obtain derivative and "firming" products available in the market to manage volume risk.

Operating Costs

Changes in regulatory settings and associated costs including, for example, the cost of FCAS, government policy, operation of the market, and changes in the interpretation and enforcement of policy could adversely affect Infigen's future financial performance. Infigen has in place an ERM framework to monitor and mitigate risks associated with operating in energy markets, and it participates in industry and energy market forums to monitor changes to the operating regime.

There is a risk that Infigen's assets may suffer from equipment or key component failure resulting in sustained unplanned outages or significant damage. Failure of Infigen's assets to operate as intended for any reason, failure of a third party to perform as expected or financial failure of a material supplier could adversely affect the ability of Infigen to conduct its business or the production and sale of electricity or LGCs.

To mitigate the risk of key component failure and variability in operating costs, Infigen has entered into service and maintenance agreements whereby service providers are paid to carry the risk of component failure subject to certain limits, and maximise generation output and minimise turbine failure through scheduled and unscheduled maintenance.

Project Delivery and Economics Risks

The expected economics of any project are based upon a number of interrelated assumptions including capital and operating costs, long-term energy and capital markets assumptions. These assumptions may be affected by regulatory change, actual production, technology displacement, competing projects, and changes in market conditions. There is a risk that these assumptions are not realised which could affect the actual return achieved from investing in the project. Infigen applies a disciplined approach to expansion and the commitment of capital to growth projects.

Refinancing

Infigen is seeking to refinance the debt associated with its existing operating assets. There is no assurance that refinancing will occur or the terms upon which it could occur, as this will depend upon a range of factors including market conditions. The pricing, terms and size of any new facilities may be significantly different to the existing facilities. A delay in refinancing of the Global Facility in the near term may result in Infigen pursuing its business strategy in a manner slightly different to that contemplated.

Community

Infigen's assets predominantly exist on rural lease holdings and the relationship with landholders and the local community in which Infigen operates is important to business success. Failure to engage satisfactorily with these stakeholders could lead to a loss in confidence in Infigen's ability to operate effectively within the area, and jeopardise future development projects. Infigen uses a "community engagement spectrum" framework established by the International Association for Public Participation to address the social impacts that Infigen has as part of developing and operating facilities in each community. Infigen's Complaints Handling Policy details how stakeholders can provide feedback on Infigen's practices or development projects and how complaints are managed.

Information Systems and Technology

Infigen is reliant on its information systems and technology ("IT") to support its operations. This exposes Infigen to a number of IT operational risks including system corruption or failure, technology breakdown and cyber attacks. An IT system incident could lead to disruption of critical business processes, theft of commercially sensitive information, loss of cash or other assets or a breach of privacy. Infigen has in place an IT Security and Usage Policy to monitor systems, educate staff and provide relevant training. Infigen also has business continuity and disaster recovery plans in place that deal with cyber security and are consistent with good industry practice. Where appropriate Infigen is working to align to ISO:27001:2013 in conjunction with *ASIC Report 429 Cyber Resilience: Health Check*.

People and Culture

There is a limited availability of suitably qualified people with the energy market expertise required to operate Infigen's business and deliver on its growth strategy. Infigen may be reliant on small groups of individuals with specialist knowledge to operate and maintain its assets and to develop its development projects. The ability to attract and retain such suitably qualified staff may limit or delay Infigen's ability to undertake its activities efficiently and effectively. Through the Personal Development Program, setting Diversity Targets and supporting Human Resources policy framework Infigen aims to maintain a diverse, capable, agile and motivated team.

Liquidity, Capital Markets and Credit Risks

Infigen relies on access to debt and equity capital to operate its business and execute its business strategy.

To manage interest rate exposure on borrowings Infigen fixes a portion of any floating rate borrowings by entering into interest rate swaps, in which it agrees to exchange the difference between fixed and floating rate interest amounts (calculated on agreed notional principal amounts) and interest rate caps (in which Infigen protects itself from rates increasing above a cap whilst still benefitting from lower interest rates under a cap). In undertaking this strategy Infigen is willing to forgo a percentage of the potential economic benefit that would arise in a falling interest rate environment in order to partially protect against downside risks of increasing interest rates, and to secure a greater level of predictability for cash flows.

As an energy markets participant Infigen must retain sufficient liquidity to meet its prudential obligations to the market, including any ASX positions or other positions that it has taken, and its Australian Financial Services Licence conditions. Furthermore, Infigen has credit exposure to contract counterparties and expects to continue to have such exposure to existing and new counterparties.

Infigen's financial risk management strategy to address liquidity, capital markets and credit risks is outlined in Note 18 in the FY17 Consolidated Financial Statements available with this Directors' Report. Infigen also tests its regular short, medium and long-term forecasts to assess any implications on future liquidity and profitability.

Regulatory, Legal and Accounting

Infigen has potential exposure to litigation and claims arising from its operations or activities, including, for example, contractual or industrial disputes, property damage claims, environmental or health and safety claims, tax disputes and objections to its project development activities. Where insurable, Infigen maintains insurance to address relevant exposures.

Changes to Australian tax law could increase Infigen's ultimate tax liability or decrease its accumulated tax losses. The effect of changes can include the timing and quantum of tax payable by Infigen in the future.

Regulatory, legal and accounting risks are captured through Infigen's ERM framework and managed through Infigen's policies and procedures, as well as through external audit and external legal advice as appropriate.

Financial Climate-Related Considerations

As a renewable energy business, Infigen is a part of the solution and a participant in the drive to a lower emissions economy based on reducing carbon emissions and reducing the impacts of climate change. As noted above Infigen is actively engaged with policy makers and other relevant stakeholders to articulate the important role that clean energy can play in the transition to a lower emissions electricity future, but can both benefit from and be adversely impacted by policy changes.

The medium term financial implication from weather-related risks, such as changes to long-term wind patterns and extreme weather events, are considered as part of Infigen's strategic planning (e.g. production, revenue and cost forecasting). Infigen undertakes analyses using data from its operating assets and external consultancies to better understand the magnitude of these financial implications.

REMUNERATION REPORT

Dear security holder,

We are pleased to present the 2017 Remuneration Report.

The change of the Managing Director & Chief Executive Officer from Mr Miles George to Mr Ross Rolfe AO occurred on 17 November 2016 following the 2016 Annual General Meeting (“AGM”).

Since then there has been a keen focus and a heavy workload in the development and adoption of an implementation plan for the business strategy. The Board welcomes the addition of Ms Sylvia Wiggins, Mr Owen Sela and Mr Tony Clark to the executive leadership team.

This year the Board’s approach to remuneration reflects the need to attract and retain executives with the skills and experience necessary to preserve and create value for security holders by transitioning the business and realising the growth opportunities available to Infigen that are available within the Australian energy market.

Where in the past it was appropriate to motivate and reward the Executive Key Management Personnel (“KMP”) to focus on delivering stable and predictable financial performance to reduce debt, looking ahead, short term incentive (“STI”) arrangements will be structured to reward both the delivery of stable and predictable financial performance and the execution of strategic initiatives that preserve, create and deliver long term security holder value.

The FY18 ‘at risk’ remuneration framework, comprising STI and long term incentive (“LTI”), is being reviewed to ensure it motivates and rewards the delivery of long term security holder value. Any change to the ‘at risk’ remuneration framework will be disclosed as appropriate in the 2017 Notice of AGM or to the ASX if required.

Statutory obligations determine the way remuneration is reported. Infigen’s remuneration disclosures for FY17 and FY18 will contain legacy data. On the following pages we have included a summary report that explains the changes that have occurred this year and how we intend to report in future years. We hope you will find this helpful.

Significant matters to note for director and KMP remuneration in FY17 are:

- > Mr Ross Rolfe was appointed Managing Director and CEO on 17 November 2016;
- > Ms Sylvia Wiggins was appointed Finance Director on 8 May 2017;
- > The Board appointed Mr Leonard Gill to the Boards of Infigen Energy on 5 June 2017;
- > Directors’ fees again remained unchanged throughout the year;
- > As disclosed in the 2016 remuneration report Board committee fees increased on 1 July 2016;
- > Following the release of the FY16 results, Infigen issued 8,108,219 securities to satisfy the vesting obligations for the FY13 & FY14 LTI and the FY15 deferred STI grants;
- > Following the release of the FY17 results, Infigen will issue 3,800,619 securities to satisfy the vesting obligations for the FY15 LTI and FY16 deferred STI grant;
- > There was no requirement to apply the clawback mechanism for any vested deferred STI or LTI payments made to employees in FY17;
- > The vesting scale for the relative TSR performance condition of the FY17 LTI grant was an interim condition. TSR-linked LTI grants made from FY18 onwards will revert to market practice with vesting only commencing at the 50th percentile; and
- > Termination payments did not exceed the amount permitted by Part 2D.2.2 of the Corporations Act 2001 (Cth).

Yours faithfully,



Michael Hutchinson

Chairman

Nomination & Remuneration Committee

KMP SUMMARY REPORT FOR FINANCIAL PERIOD ENDING 30 JUNE 2017

Changes to the KMP

The KMP have changed following the retirement of Mr Miles George as MD/CEO on 17 November 2016.

During the year Mr Ross Rolfe and Ms Sylvia Wiggins have transitioned from being non-executive directors to Managing Director and Finance Director respectively, with further changes made to the structure and composition of the KMP.

Statutory remuneration disclosures in FY17 and FY18 will include both current and former KMP.

This summary report is intended to provide a guide to the substantive changes that have occurred, separate to the statutory disclosures contained in the detailed remuneration report.

KMP transitional disclosures

Executive	Position	FY17	FY18
R Rolfe	MD / CEO	From 17 Nov 16	Yes
S Wiggins	Finance Director	From 8 May 17	Yes
O Sela	EGM Energy Markets	From 8 May 17	Yes
T Clark	EGM Operations & Projects	From 8 May 17	Yes
M George	MD / CEO	To 17 Nov 16	No
C Baveystock	CFO	To 8 May 17	No
B Hopwood	EGM Commercial & Corp Finance	To 8 May 17	No
S Wright	General Counsel	To 8 May 17	No

Diversity Workforce Composition



	Male	Female
30 June 2017	58%	42%
30 June 2011	69%	31%

The Board adopted the *Infigen Energy Diversity and Inclusion Policy* in June 2011. Infigen sets and monitors progress against annual diversity objectives, which include gender diversity targets. Infigen's ESG Report provides more detailed information relating its diversity and inclusion initiatives.

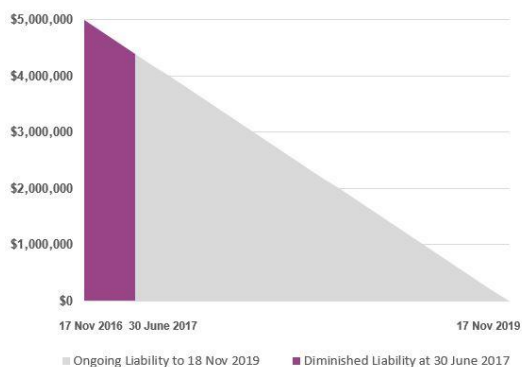
Remuneration Framework

The remuneration framework is designed to strike the right balance between performance and rewards for preserving, creating and delivering long term security holder value. The key features are:

- > Fixed Remuneration
- > Short Term Incentive paid in cash and deferred equity
- > Long Term Incentive with market based and operational performance conditions
- > Clawback mechanisms embedded within the deferred STI and LTI grants
- > Tailored incentives designed to attract and retain talent such as relocation allowances, project incentives and diminishing deferred payments.

Diminishing Deferred Payment

	Commencement Date	Payment Date	Value (\$m)	Annual Cap (\$m)
Ross Rolfe	17 Nov 16	18 Nov 19	\$3.0	\$1.0
Sylvia Wiggins	8 May 17	18 Nov 19	\$2.0	\$0.8 ¹



Terms

- > Payable on the Payment Date regardless of whether the executive remains employed by Infigen, except if the employment is terminated for cause, or where the employment is terminated for any reason and Infigen subsequently discovers the employment could have been terminated for cause or the executive resigns (but not including where they resign due to a material adverse change) in all cases before the Payment Date.
- > The Deferred Payment is reduced by the fixed remuneration, STI payments or awards, vested LTI payments, payment in lieu of notice or severance/redundancy payments received by the executive prior to the Payment Date (subject to the Annual Cap).
- > The Annual Cap is the maximum amount by which the Deferred Payment may be reduced for each year (or part thereof) between the Commencement Date and Payment Date.
- > The Board retains discretion to reduce the Deferred Payment in certain circumstances related to the executive's conduct.

Assuming the executive's employment continues until 17 November 2019 and they have received aggregate payments and awards of equivalent value to the Deferred Payment subject to the Annual Cap, then the executive would not receive any Deferred Payment on the Payment Date.

¹ Pro-rated for any part thereof.

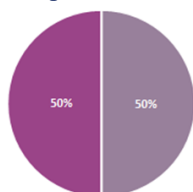
RELATIONSHIP BETWEEN PERFORMANCE AND INCENTIVE PAYMENTS

FY17 KPIs	FY17 STI Assessment
<p>Safety: Ensure that the company fulfils its duties and responsibilities so that Infigen's operations result in no harm to Infigen's employees, contractors and stakeholders.</p>	<p>Infigen has focused on embedding a strong safety culture throughout all sites and has prioritised safety in entering into new long-term fleet-wide service agreements. Infigen has also focused on introducing structured assessments of safety incidents and designing effective responses to mitigate or eliminate workplace health and safety risks wherever possible.</p>
<p>Financial Performance: With reference to the annual budget management KPIs will focus on:</p> <ul style="list-style-type: none"> > Strengthening and stabilising earnings from the existing asset portfolio within an agreed risk framework; > Reducing corporate debt levels; and > Ensuring that the company has access to the necessary skills and sources of advice to effectively deliver the business strategy and achieve best value for money outcomes for security holders while managing costs. 	<p>Infigen:</p> <ul style="list-style-type: none"> > Achieved substantial over budget performance on cash generation and EBITDA; > Reduced total borrowings by \$88.6 million; > Maintained stringent control over routine costs in the business; > Invested in management to support transition of the business strategy; > Executed fleet-wide service agreements to stabilise long term operating costs.
<p>Creating Value: Implement strategies to preserve, create and deliver security holder value by achieving appropriate value for existing assets and creating a capital structure to invest in new sources of energy supply.</p>	<p>Infigen:</p> <ul style="list-style-type: none"> > Reached Financial Close on Bodangora (113 MW of new capacity); > Raised new equity capital (\$151 million) to support its growth strategy; > Developed an implementation plan for the revised business strategy to position Infigen to respond to challenges in the market and capture opportunities that may arise; > Positioned itself to refinance its existing Global Facility at the optimal time; and > Engaged with policy makers and stakeholders in relation to Australia's energy policy.

Gateway hurdles used for determining the events which automatically trigger Board consideration to rerate downwards the STI pool included non-achievement of a budgeted cash generation target, a breach of a major debt facility, a lost time injury or medical treatment injury that had the potential to be a catastrophic or major incident and other catastrophic or major non-safety related incidents.

FY15 LTI grant performance

- > TSR 293%
- > EBITDA/Capital base 111.7% of Target



■ TSR Performance Condition Vesting
■ Operational Performance Condition Vesting

FY17 LTI Terms and Conditions

Performance Period	Performance Conditions	Vesting Scale
1 July 2016 to 30 June 2019	50%	IFN TSR performance compared to ASX 200 peer group excluding financial services and materials / resources sectors
One year Retest to 30 June 2020	50%	EBITDA to Capital base
		25 th to 75 th Percentile of peer group
		90% ≤ 110% of the cumulative target

Remuneration received by KMP during the 2017 Financial Year

KMP	FY17								FY16		
	Fixed remuneration	Maximum STI opportunity	FY17 Awarded STI		Vested equity deferred STI ⁹	Vested LTI ⁹	Other payments	Total	Performance related	Total	Performance related
			Cash	Deferred							
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	%	(\$)	%
R Rolfe ¹	510,768	282,100	127,500	127,500	-	-	125,000	890,768	29%	-	0%
S Wiggins ^{2,3}	107,071	52,500	50,000	2,500	-	-	-	159,571	33%	-	0%
T Clark ^{3,4}	133,157	43,050	43,050	-	-	-	-	176,207	24%	-	0%
O Sela ^{3,5}	190,486	61,485	50,000	5,337	-	-	25,000	270,823	20%	-	0%
M George ⁶	324,250	266,750	266,750	-	427,227	3,004,084	908,260	4,930,571	75%	1,839,608	65%
C Baveystock ⁷	369,500	162,000	52,650	52,650	148,841	855,418	-	1,479,059	71%	752,728	52%
B Hopwood ^{7,8}	324,643	-	-	-	324,705	770,606	509,331	1,929,285	57%	719,980	50%
S Wright ⁷	369,500	157,000	70,650	70,650	338,879	474,626	-	1,324,305	67%	686,815	47%
	2,329,375	1,024,885	660,600	258,637	1,239,652	5,104,734	1,567,591	11,160,589		3,999,131	

¹ KMP from 17 November 2016. Other Payments is a one-off Relocation Allowance. See section 4.2 for Non-Executive Director Fees paid up to 17 November 2016.

² See sec 4.2 for Non-Executive Director Fees paid up to 8 May 2017 and related party payments paid to Pipionem Partners that were previously disclosed to the market.

³ KMP from 8 May 2017.

⁴ Commenced employment on 30 January 2017.

⁵ Commenced employment on 16 January 2017. Other Payments represents one-off payment received in recognition of foregone benefits.

⁶ Ceased to be a KMP on 17 November 2016. Other Payments includes statutory annual and long service leave and contractual entitlements paid upon retirement and six months post-employment consultancy fees.

⁷ Ceased to be a KMP on 8 May 2017.

⁸ Other Payments include statutory annual and long service leave and contractual entitlements paid on termination of employment.

⁹ The performance conditions of Tranche 1 of the FY13 LTI, Tranches 1 and 2 of the FY14 LTI and FY15 Deferred STI were achieved resulting in these grants vesting on 12 September 2016. The value of the vested award is calculated based on the taxable security price at vesting multiplied by the number of securities that vest.

STATUTORY REMUNERATION REPORT

1. Remuneration of KMP

The remuneration framework for KMP comprises three components:

- > fixed pay;
- > STI, which is a variable payment linked to achieving specified performance measures over a 12 month period; and
- > LTI, which is a payment linked to meeting specified performance hurdles over a 3 year period (1 year retest for FY16 and FY17 LTI grants).

Remuneration is benchmarked against industry peers within utilities, electricity generation and infrastructure having regard to the advice of external advisers, Guerdon Associates.

1.1. Fixed Pay

Fixed pay comprises a cash salary and superannuation. Infigen does not offer remuneration packaging other than superannuation salary sacrifice.

1.2. Short Term Incentives

STI is an at-risk performance-related component of remuneration. STIs are subject to performance against key performance indicators (“KPIs”) aligned with strategy, annual budgets, and individual objectives and accountabilities. KPIs are set annually and reviewed during the year and where appropriate changed to maintain alignment with the business strategy.

The Nomination & Remuneration Committee (“Committee”) determines the KPIs for the KMP and reviews the KPI achievement. The Committee determines the CEO’s STI payment, reviews and approves payments made to KMP and the aggregate amount of STI payments.

Infigen is transitioning from a business that owned and operated assets and largely sought to sell its output of both electricity and LGCs to long-term offtakers, to a business that seeks to deliver a range of products and solutions to different customers through multiple routes to market – the Multi-Channel Route to Market Strategy.

Since the equity capital raising in April 2017, Infigen has been developing its implementation plan for the business strategy. A 5 Year Business Plan underpins the implementation of the business strategy, which has three primary work streams:

- 1) the Multi-Channel Route to Market;
- 2) expanding the regions in which Infigen operates and/or owns generation capacity in response to market signals; and
- 3) creating a capital structure to support Infigen’s business strategy.

The shift in business strategy together with the stabilisation of the Infigen capital structure has meant that it is appropriate to adjust the STI arrangements for the senior team. Hence while maximising operating cash flows and debt reduction remains an important ongoing objective, so too is the creation of value through removing the volatility of earnings over the medium term, reducing reliance on a small number of customers in a highly competitive marketplace, stabilising operating costs, delivering value through the commercialisation of Infigen’s development pipeline and positioning the company to achieve a long term capital structure that supports the business model and strategy to grow.

It is the combination of these factors that the Board has taken into account in settling the STI payments for the KMP in FY17 as set out in the KMP summary report tables on page 26. In summary the potential STI pool for KMP was set at \$1,024,885. The aggregate amount of actual STI payments awarded to KMP was \$919,237 or 90%. Individual STI payments awarded to KMP were between 65% and 100% of the maximum STI opportunity. In determining individual STI payments, the Committee had regard to the specific KPIs established at the beginning of the year, achievement against those targets that remained relevant, and the achievements of management in developing an implementation plan for the revised business strategy, reaching financial close on the Bodangora wind farm, raising \$151 million in new equity capital to support growth and other achievements that will maintain momentum throughout FY18.

The Board also determined that the 'gateway hurdles' had been passed. Gateway hurdles are used for determining the events which automatically trigger Board consideration to rerate downwards the STI pool. The gateway hurdles are:

- 1) Non-achievement of the budgeted cash generation from activities target; or
- 2) A material non-compliance (breach) of a major debt facility; or
- 3) A lost time injury rated "moderate" and above or a medical treatment injury that is or had the potential to be a "major" or "catastrophic" incident; or
- 4) Occurrence of a "catastrophic", "major" or multiple "moderate" non-safety related incidents as defined in Infigen's Risk Management Policy.

1.2.1.Short Term Incentive Deferral

STIs include a 12 month deferral condition that applies to 50% of the STI awarded where the amount is over \$100,000, and where the amount is less than \$100,000 the full amount of STI awarded above \$50,000 is deferred. Deferred STIs are awarded in the form of performance rights grants under the Infigen Energy Equity Plan. Each vested performance right will entitle the holder to receive one security or a cash amount equivalent to the market price of a security on the vesting date, with settlement in cash or securities determined by the Board in its absolute discretion.

The deferred STI will vest at the end of the deferral period provided the employee has not resigned or had their employment terminated for cause prior to vesting. The deferred payment may be reduced or forfeited if the STI payment was associated with a materially adverse financial misstatement, or if the achievement of a personal KPI proves in hindsight to have been materially overstated.

The deferral condition includes a clawback mechanism that complements the LTI clawback provision. These provisions enable forfeiture of some or all unvested STI and/or LTI related performance rights if a previously vested LTI grant was associated with a materially adverse financial misstatement.

FY16 deferred STIs to the value of \$923,754 were awarded in the form of 882,717 performance rights at a security price of \$1.0465. 595,491 securities are expected to be issued by Infigen following the release of the FY17 financial results to satisfy vesting obligations in relation to these deferred STI amounts. The 287,225 performance rights awarded to Mr Miles George related to his FY16 deferred STI will be cash settled based on the prevailing security price upon vesting. It is not presently intended to clawback any STI deferred securities. Recipients of such securities will incur a taxation liability and therefore may sell some securities to fund the tax liability. Any sales are subject to Infigen's Securities Trading Policy and applicable law, including insider trading laws.

1.3. Long Term Incentives

LTIs are awarded as future rights to acquire IFN securities. The rights may vest after 3 years (or 4 years if a retest is required), subject to performance hurdles being met. Each vested performance right will entitle the participant to receive one security, or a cash amount equivalent to the market price of a security, on the vesting date. Settlement in cash or securities is determined by the Board in its absolute discretion.

Grants made to the Managing Director and Finance Director are subject to security holder approval.

The number of rights granted is based on the LTI amount divided by the reference price for Infigen securities, being the volume weighted average ASX market price in the last five trading days of the prior financial year. For rights granted for FY17 the reference price was \$1.0465.

LTI grants comprise two equal tranches, each subject to a different performance condition. Vesting of each tranche is contingent on achieving the relevant performance hurdle.

The two performance conditions for the FY16 and FY17 LTI grants are (a) Relative Total Shareholder Return (TSR) and (b) an operational performance condition. The operational performance condition is a test of the cumulative growth in the ratio of earnings before interest, taxes, depreciation and amortisation (EBITDA) to capital base.

	Performance Condition
Tranche 1	Relative TSR
Tranche 2	EBITDA/Capital

Both hurdles are measured initially over a 3 year period. The 3 year performance period of the FY17 Grant is 1 July 2016 to 30 June 2019. In the event that no performance rights vest after the initial 3 year performance period then the FY17 LTI grant will be subject to a single re-test on 30 June 2020, after which all unvested rights will lapse.

1.3.1. TSR Performance Condition

TSR measures the change in value of a security plus cash distributions notionally reinvested in that security. In order for any portion of the Tranche 1 performance rights to vest, the TSR of IFN securities must outperform that of the median company in the S&P/ASX 200 index (excluding financial services, REITs and the materials/resources sector).

The FY16 TSR vesting scale, which requires a high level of outperformance for full vesting to occur compared to normal market practice, was introduced in FY12 recognising then that Infigen’s security price did not reflect the inherent value of the business, and to acknowledge that corporate strategies to reduce Global Facility debt would result in a significant rerating of the security price once completed.

Following the rerating of the IFN security price in FY16, the Board amended the vesting scale of the TSR performance condition for the FY17 Tranche 1 performance rights so that vesting would occur progressively from 25% to 75% of the relevant peer group performance. It was the Board’s intention that the FY17 vesting scale would apply to the FY17 grant only.

Table 1: Tranche 1 TSR Performance Rights Vest Progressively as Follows

		Percentile ranking						
		Below the 25 th percentile	Equal to the 25 th percentile	Between the 25 th and 50 th percentile	Equal to the 50 th percentile	Between the 50 th and 75 th percentile	Between the 76 th and 95 th percentile	Above the 95 th percentile
Percentage of Awards vesting	FY15 & FY16	0% vesting	0% vesting	0% vesting	25% vesting	An additional 2% of awards vest for each percentile increase	An additional 1.25% of awards vest for each percentile increase	100% vesting
	FY17	0% vesting	25% vesting	An additional 1% of awards vest for each percentile increase	50% vesting	An additional 2% of awards vest for each percentile increase	100% vesting	
	FY18	0% vesting	0% vesting	0% vesting	50% vesting	An additional 2% of awards vest for each percentile increase	100% vesting	

1.3.2. Operational Performance Condition

The annual target used in respect of all LTI grants up to and including FY17 is a specified ratio of EBITDA to capital base over the year. The capital base will be measured as equity (net assets) plus net debt. Both the EBITDA and capital base are measured on a proportionately consolidated basis to reflect Infigen's economic interest in all investments.

The annual target for FY17 was set to reflect the performance expectations of Infigen's business and prevailing market conditions. The annual target for each subsequent financial year will be established by the Board based on stretch targets no later than the time of the release of Infigen's annual financial results for the preceding financial year.

The targets are set with reference to Infigen's annual budgets. They are confidential to Infigen. However, each year's target and the performance against that target are disclosed retrospectively.

The EBITDA performance condition rewards management for sustaining and delivering capital efficiency performance over an extended period.

Relevant metrics for the last four financial years and current period are provided in the table below.

Table 2: Five Year Financial Performance

		30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Closing security price	(\$)	0.25	0.24	0.32	1.00	0.73
EBITDA	(AUD'000)	160,445	176,682	186,583	120,196	143,412 ¹
Capital Base	(AUD'000)	1,591,793	1,733,099	1,639,635	1,021,051	1,019,834
EBITDA to capital base	(%)	10.08	10.19	11.38	11.77	14.06
Target	(%)	9.40	10.03	10.83	10.00	12.49

¹ Underlying EBITDA adjusted for inclusion of profit on sale of the Manildra solar development project.

Table 3: Tranche 2 EBITDA Performance Rights in FY15, FY16 and FY17 Vest Progressively as Follows

Infigen's EBITDA performance	FY15, FY16 & FY17 Grant Percentage of Tranche 2 Performance Rights that vest
0% - 90%	Nil
90% ≤ 110% of the cumulative target	For every 1% increase between 90% and 110% of EBITDA target, 5% of the Tranche 2 performance rights will vest

1.3.3. Long Term Incentive Performance

The initial three year performance period for the FY15 LTI grant ended on 30 June 2017. Orient Capital provided the TSR Calculation and Ranking Report for the period 1 July 2014 to 30 June 2017. Infigen's TSR performance for the 3 year measurement period was 293%, placing Infigen at 97.7% of the comparator group. This will result in 100% of the Tranche 1 performance rights vesting. The Tranche 2 operational performance condition of the FY15 LTI grant also passed the performance test as at 30 June 2017 resulting in 100% of the Tranche 2 performance rights vesting. Vesting of both tranches will occur when the first IFN employee trading window opens after 1 July 2017. A total of 3,205,128 securities in relation to the FY15 LTI are expected to be issued by Infigen prior to the trading window opening following the release of the FY17 financial results.

1.4. Infigen Energy Equity Plan Rules

Performance rights and options are governed by the rules of the Infigen Energy Equity Plan approved by security holders in 2009 and 2011. The Infigen Energy Equity Plan includes provisions under which the Board may exercise discretion to accelerate the vesting of any performance rights or options in the event of a change in control of Infigen. In exercising its discretion the Board would intend to have regard to the performance, duration of the performance period and the nature of the relevant transaction.

1.5. Separation Benefits

The Board intends to continue to limit any future separation benefits to a maximum of 12 months fixed remuneration.

2. Infigen Energy – KMP Statutory remuneration details

2.1. Statutory Remuneration Data for the Year Ended 30 June 2017

The Statutory Remuneration Data table below shows the accounting expense amounts that reflect a portion of possible future remuneration arising from prior and current year LTI grants.

Table 4: Statutory Remuneration Data for KMP

Executive	Year	Short-term employee benefits					Post employment benefits	Other long-term employee benefits	Share-based payments	Total
		Salary	STI payable in current period	Other payments	Termination payments	Total of short-term employee benefits	Super-annuation	LSL accrual	Equity settled ⁹	
		\$	\$	\$	\$	\$	\$	\$	\$	
R Rolfe ^{1,3}	FY17	497,691	127,500	125,000	-	750,191	13,077	1,216	-	764,483
	FY16	-	-	-	-	-	-	-	-	-
S Wiggins ^{2,3}	FY17	103,802	50,000	-	-	153,802	3,269	1,034	-	158,106
	FY16	-	-	-	-	-	-	-	-	-
T Clark ⁴	FY17	124,717	43,050	-	-	167,767	8,440	541	-	176,748
	FY16	-	-	-	-	-	-	-	-	-
O Sela ⁵	FY17	180,678	50,000	25,000	-	255,678	9,808	603	5,568	271,657
	FY16	-	-	-	-	-	-	-	-	-
M George ⁶	FY17	314,442	266,750	62,500	845,760	1,489,452	9,808	-	1,004,735	2,503,995
	FY16	616,692	300,580	-	-	917,272	19,308	17,308	570,288	1,524,176
C Baveystock ⁷	FY17	349,884	52,650	-	-	402,534	19,616	12,161	179,069	613,380
	FY16	342,693	120,525	-	-	463,218	19,308	9,189	153,481	645,196
B Hopwood ⁸	FY17	305,027	-	-	509,331	814,358	19,616	-	(128,901)	705,073
	FY16	342,693	124,845	-	-	467,538	19,308	8,264	220,191	715,301
S Wright ⁷	FY17	349,884	70,650	-	-	420,534	19,616	11,350	108,921	560,421
	FY16	342,693	129,110	-	-	471,803	19,308	12,457	179,763	683,331
Total remuneration	FY17	2,226,125	660,600	212,500	1,355,091	4,454,316	103,250	26,905	1,169,392	5,753,863
	FY16	1,644,771	675,060	-	-	2,319,831	77,232	47,218	1,123,723	3,568,004

¹ KMP from 17 November 2016. Other Payments includes a one off Relocation Allowance.

² KMP from 8 May 2017.

³ Refer to section 4.2 for remuneration received as a Non-Executive Director.

⁴ Commenced employment on 30 January 2017. KMP from 8 May 2017.

⁵ Commenced employment on 16 January 2017. KMP from 8 May 2017. Other Payments represents one-off payment received in recognition of foregone benefits.

⁶ Ceased to be a KMP on 17 November 2016. Other Payments are six months post-employment consulting fees. Termination Payments include accrued annual leave, long service leave and contractual entitlements paid upon retirement. In accordance with Accounting Standards all future equity liabilities are expensed in FY17.

⁷ Ceased to be a KMP on 8 May 2017.

⁸ Ceased to be a KMP on 8 May 2017. Termination Payments include accrued annual leave, long service leave and contractual entitlements paid upon termination of employment. In accordance with Accounting Standards all future equity liabilities are expensed in FY17.

⁹ Includes deferred STI granted in the period.

2.2. Value of Remuneration that May Vest in Future Years

Remuneration amounts provided in the table below refer to the maximum value of performance rights relating to IFN securities. These amounts have been determined at grant date by using a pricing model and amortised in accordance with AASB 2 'Share Based Payments'. The minimum value of remuneration that may vest is nil.

Table 5: Remuneration that May Vest in Future Years

Executive	Grant	Maximum value of remuneration which is subject to vesting in accordance with AASB 2 'Share Based Payments'				
		FY15	FY16	FY17	FY18	FY19
		\$	\$	\$	\$	\$
M George ¹	FY15	93,815	155,368	154,943		
	FY16		120,082	381,131		
	FY17 ²			258,987		
	FY17 ^{2,3}			209,674		
	Total	93,815	275,450	1,004,735	-	-
C Baveystock	FY15	27,751	45,958	45,833		
	FY16		27,319	37,346	37,346	
	FY17			23,461	30,259	30,259
	FY17 ³			72,429	19,707	
	Total	27,751	73,277	179,069	87,312	30,259
B Hopwood ¹	FY17 ³			55,305		
	Total	-	-	55,305	-	-
S Wright	FY15	17,187	28,464	28,387		
	FY16		16,838	23,018	23,018	
	FY17			14,482	18,679	18,679
	FY17 ³			43,034	11,709	
	Total	17,187	45,302	108,921	53,406	18,679
O Sela	FY17			5,568	20,531	20,531
	Total	-	-	5,568	20,531	20,531

¹ In accordance with Accounting standards all future equity liabilities are expensed in FY17.

² Can only be cash settled upon vesting. Value is calculated based on the IFN security price on 30 June 2017.

³ FY16 deferred STI.

2.3. Unvested Performance Rights

The table below provides details of outstanding performance rights relating to IFN securities that have been granted to KMP (FY15, FY16 and FY17 grants). The performance rights are valued as at the grant date even though the grant was based on the volume weighted average price of the five trading days up to 30 June in the year prior to the grant.

Table 6: Unvested Performance Rights

Executive	Grant	Granted number	Grant date	Value per performance right at grant date	Value of performance rights granted at grant date	Potential Vesting Dates		
				\$	\$	LTI Tranche 1	LTI Tranche 2	Deferred STI
M George	FY15	2,167,080	21 Nov 14	0.1865	404,127	30 Jun 17	30 Jun 17	-
	FY16	1,780,504	13 Nov 15	0.2815	501,212	30 Jun 18	30 Jun 18	-
	FY17 ²	523,173	12 Oct 16	0.4950	258,987	30 Jun 19	30 Jun 19	-
	FY17 ^{1,2}	287,225	12 Oct 16	0.7300	209,674	-	-	15 Sep 17
C Baveystock	FY15	641,026	21 Nov 14	0.1865	119,541	30 Jun 17	30 Jun 17	-
	FY16	527,188	7 Oct 15	0.1935	102,011	30 Jun 18	30 Jun 18	-
	FY17	154,802	20 Sep 16	0.5425	83,979	30 Jun 19	30 Jun 19	-
	FY17 ¹	115,170	20 Sep 16	0.8000	92,136	-	-	15 Sep 17
B Hopwood	FY17 ¹	69,131	20 Sep 16	0.8000	55,305	-	-	15 Sep 17
S Wright	FY15	397,022	21 Nov 14	0.1865	74,038	30 Jun 17	30 Jun 17	-
	FY16	324,934	7 Oct 15	0.1935	62,875	30 Jun 18	30 Jun 18	-
	FY17	95,557	20 Sep 16	0.5425	51,840	30 Jun 19	30 Jun 19	-
	FY17 ¹	68,429	20 Sep 16	0.8000	54,743	-	-	15 Sep 17
O Sela	FY17	68,082	23 Mar 17	0.6849	46,630	30 Jun 19	30 Jun 19	-

¹ Relates to the STI Deferred from FY16.

² Can only be cash settled upon vesting. In accordance with Accounting standards the value is calculated based on the IFN security price on 30 June 2017.

Table 7: Change in Number of Performance Rights Held by KMP throughout the Year.

Set out below is the change in the number of performance rights held by KMP over the period 1 July 2016 to 30 June 2017.

	Balance at 30 June 2016	Granted	Vested	Other changes ¹	Balance at 30 June 2017
R Rolfe	-	-	-	-	-
S Wiggins	-	-	-	-	-
T Clark	-	-	-	-	-
O Sela	-	68,082	-	-	68,082
M George	7,656,974	810,398	3,605,833	(103,557)	4,757,982
C Baveystock	2,289,807	269,972	1,090,961	(30,632)	1,438,186
B Hopwood ²	2,419,671	223,933	1,220,825	(1,353,648)	69,131
S Wright	1,634,978	163,986	894,050	(18,972)	885,942

¹ Represents forfeitures due to vesting conditions not met.

² Other Changes includes forfeiture due to expiry on termination of employment.

3. KMP Employment Contracts

Following the retirement of Mr Miles George the Board took the opportunity to secure the services of key executives whom it judged could best define and execute the necessary changes in strategy and lead the next transition of Infigen from an energy infrastructure focus to a wider energy market focus, and to guide and realise the growth aspirations of the Board. This has resulted in remuneration arrangements that reflect the difficulty of this challenge and that adequately compensate individuals for pre-existing external remuneration arrangements that they have surrendered to accept employment with Infigen. This covers both remuneration quantum and certainty. To some extent, these arrangements also reflect the scale and scope to which Infigen aspires in the next few years.

The base salaries (excluding superannuation guarantee payments) for KMP as at 30 June 2017 are as follows:

	As at 30 June 2017
R Rolfe	\$800,384
S Wiggins	\$680,384
O Sela	\$390,384
T Clark	\$350,000

Employment contracts relating to the KMP contain the following conditions:

Duration of contract	<ul style="list-style-type: none"> Open-ended
Notice period for either party to terminate the contract	<ul style="list-style-type: none"> R Rolfe 12 months' written notice by Infigen or 6 months' by R Rolfe S Wiggins 12 months' written notice by Infigen or 6 months' by S Wiggins O Sela 6 months' written notice by either party T Clark 3 months' written notice by either party
Termination payments provided under the contract	<ul style="list-style-type: none"> Upon termination, any accrued but untaken annual and long-service (but not sickness or personal) leave entitlements, in accordance with applicable legislation, are payable. In the event of redundancy, a severance payment is payable under the Infigen Group Redundancy Policy equivalent to 4 weeks base salary for each year of service (or part thereof), up to a maximum of 36 weeks.
Termination for Material Adverse Change	<ul style="list-style-type: none"> Both R Rolfe and S Wiggins may terminate their employment immediately where a material adverse change to the powers, duties, responsibilities, authority and/or status of the executive's role has occurred without the executive's consent, provided the executive has notified Infigen in writing of such change within one month (with their reasons for such change), and Infigen has failed to remedy this within one month of receiving notice from the executive of such change. In the event that Infigen does not remedy the material adverse change, the executive will be entitled to a severance payment of 12 months' Fixed Remuneration or the maximum amount permitted by Part 2D.2.2 of the Corporations Act 2001 (Cth) if this is a lower amount. The executive will not be a "Bad Leaver" under the Infigen Energy Equity Plan and is not entitled to notice of termination or severance payments under the Infigen Energy Group Redundancy policy. Termination benefits are subject to the condition that they will not exceed the amount permitted by Part 2D.2.2 of the Corporations Act 2001 (Cth) without security holder approval.
Diminishing Deferred Payment	<ul style="list-style-type: none"> Both R Rolfe and S Wiggins are entitled to a one off diminishing deferred payment, payable on 18 November 2019. The maximum value of the diminishing deferred payment as at the executive's commencement date was: <ul style="list-style-type: none"> R Rolfe \$3,000,000 S Wiggins \$2,000,000 Payable on the Payment Date regardless of whether the executive remains employed by Infigen or not, except if the employment is terminated for cause or where the employment is terminated for any reason and Infigen subsequently discovers that the employment could have been terminated for cause or the executive resigns (but not including where they resign due to a material adverse change) in all cases before the Payment Date. No deferred payment will be made at the Payment Date if the executive has received aggregate remuneration (including awards) equal to the value of the diminishing deferred payment from their employment with Infigen (subject to the Annual Cap) prior to the Payment Date. The Annual Cap is the maximum amount by which the Deferred Payment may be reduced for each year (or part thereof) between the Commencement Date and Payment Date. The Annual Cap is: <ul style="list-style-type: none"> R Rolfe \$1,000,000 pa S Wiggins \$800,000 pa (Pro-rated in the final year) The Board also has discretion to reduce the amount of the deferred payment for material underperformance or other conduct of the executive which would make it unreasonable for the executive to receive the deferred payment.

4. Remuneration of Non-Executive Directors

Non-Executive Director Fees are determined by the Infigen Boards within the aggregate amount approved by security holders. The approved aggregate fee pool for IEL and IEBL is \$1,000,000.

The fee paid to Directors varies with individual Board and committee responsibilities. Director fees were not adjusted during the year and no change is proposed for FY18. Based on market data received from the Board appointed independent remuneration advisor, Guerdon Associates, Committee fees were increased in FY17.

Non-Executive Directors receive a cash fee for service inclusive of statutory superannuation. Non-Executive Directors do not receive any performance-based remuneration or retirement benefits other than statutory superannuation contributions.

4.1. Board/Committee Fees

Aggregate annual fees payable to Non-Executive Directors during the year ended 30 June 2017 are set out below.

Board / Committee	Role	Annual Fee
Infigen Boards	Chairman	\$250,000
	Non-Executive Director	\$125,000
Infigen Audit, Risk & Compliance Committees	Chairman	\$24,000
	Member	\$12,000
IEL Nomination & Remuneration Committee	Chairman ¹	\$20,000
	Member	\$10,000

¹ The committee Chairman at present is also the Chairman of the Board and does not receive this fee.

4.2. Remuneration of Non-Executive Directors for the Year Ended 30 June 2017

The nature and amount of each element of fee payments to each Non-Executive Director of Infigen for the years ended 30 June 2016 and 30 June 2017 are set out in the table below.

Non-Executive Directors	Year	Fees		Super-annuation	Related party payment	Total
		IERL	IEL & IEBL			
		(\$)	(\$)			
M Hutchinson	FY17	103,581	126,803	19,616	-	250,000
	FY16	101,505	129,188	19,307	-	250,000
P Green ¹	FY17	-	-	-	-	-
	FY16	-	-	-	-	-
F Harris ²	FY17	68,388	95,362	15,250	-	179,000
	FY16	19,162	27,565	4,439	-	51,166
R Rolfe ³	FY17	23,039	33,902	5,410	-	62,351
	FY16	58,453	84,355	13,567	-	156,375
S Wiggins ^{4,5}	FY17	67,074	93,727	14,306	450,000	625,107
	FY16	12,749	16,763	2,804	-	32,316
L Gill ⁶	FY17	4,391	4,391	834	-	9,616
	FY16	-	-	-	-	-
Total Remuneration	FY17	266,473	354,185	55,416	450,000	1,126,074
	FY16	191,869	257,871	40,117	-	489,857

¹ P Green was appointed as a Non-Executive Director of Infigen Energy Limited (IEL), Infigen Energy (Bermuda) Limited (IEBL) and Infigen Energy RE Limited (IERL) on 18 November 2010. Mr Green is a partner of TCI Advisory Services LLP which is a substantial shareholder of the Infigen group. Since being appointed, Mr Green has elected to receive no Director fees.

² F Harris received a special Committee fee of \$20,000 for membership of the Capital Raising Due Diligence Committee.

³ Non-Executive Director fees are for the period 1 July 2016 to 17 November 2016.

⁴ Non-Executive Director fees are for the period 1 July 2016 to 7 May 2017. Ms Wiggins received a special Committee fee of \$50,000 for her participation in additional Board Committees during the period.

⁵ As previously announced before Ms Wiggins became an Executive Director, Infigen entered into an agreement with Pipionem Partners (an entity associated with Ms Wiggins) for consultancy services rendered by Pipionem Partners in respect of advising on capital structure initiatives. These services were provided to Infigen prior to Ms Wiggins commencing full time employment with Infigen.

⁶ L Gill was appointed as a Non-Executive Director of Infigen Energy Limited (IEL), Infigen Energy (Bermuda) Limited (IEBL) and Infigen Energy RE Limited (IERL) on 5 June 2017.

5. Guideline for Minimum Security Holdings for Non-Executive Directors

In February 2014 the Board established a guideline where Non-Executive Directors who receive payment of Director Fees from Infigen are encouraged to acquire IFN securities equivalent to the after-tax value of one year's Director base fee. The acquisition of the relevant amount of IFN securities should be completed within 3 years from the adoption of the guideline for existing Non-Executive Directors, or 3 years following appointment for subsequently elected Non-Executive Directors. The acquisition of IFN securities under this guideline is subject to Infigen's Securities Trading Policy and sufficient trading windows being open during the relevant period.

Table 8: IFN Security Holdings of Non-Executive Directors and KMP

IFN security holdings of Non-Executive Directors and KMP, including held by their personally related parties, over the period 1 July 2016 to 30 June 2017 are set out in the table below.

	Balance at 30 June 2016	Acquired during FY17 ¹	Sold during the year	Balance at 30 June 2017
M Hutchinson	232,500	84,021	-	316,521
P Green	-	-	-	-
F Harris	100,000	21,739	-	121,739
L Gill	-	-	-	-
R Rolfe AO	57,500	73,369	-	130,869
S Wiggins	-	12,173	-	12,173
O Sela	-	-	-	-
T Clark	-	60,869	-	60,869
M George ²	3,793,501	3,605,833	1,975,000	N/A
C Baveystock ³	450,000	1,308,352	990,961	N/A
B Hopwood ³	49,500	1,220,825	999,560	N/A
S Wright ³	-	932,093	932,093	N/A

¹ Where relevant includes amounts taken up under the non-renounceable rights offer.

² Ceased to be a KMP on 17 November 2016; movements in IFN stapled securities relate to the period up to that date.

³ Ceased to be a KMP on 8 May 2017; movements in IFN stapled securities relate to the period up to that date.

6. Remuneration Adviser

The Committee engaged the services of Guerdon Associates during FY17 to:

- provide market data in relation to KMP remuneration against ASX listed industry peers within utilities, infrastructure and generation;
- provide market data in relation to Non-Executive Director remuneration against ASX listed industry peers within utilities, infrastructure and generation; and
- provide analyses in relation to LTI relative TSR peers and TSR gateways.

Guerdon Associates provided no other services to Infigen during this period.

No advice was provided that falls within the definition of a remuneration recommendation of the Corporations Act 2001, Chapter 1, Part 1.2, Division 1, section 9B (1)(a) and (b).

To ensure the Committee is provided with advice and, as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the engagement of Guerdon Associates is based on an agreed set of protocols to be followed by Guerdon Associates, members of the Committee and members of KMP.

The Board was satisfied that the advice received was free from the undue influence of the KMP to whom the advice related because:

- > Guerdon Associates was appointed by independent directors;
- > Guerdon Associates did not provide services to management;
- > Reports with recommendations were only received by Non-Executive Directors; and
- > The agreed protocols were followed.

OTHER DISCLOSURES

Changes in State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of Infigen that occurred during the financial year other than those included in this Directors' Report.

Subsequent Events

Since the end of the financial year, in the opinion of the Directors, there have not been any transactions or events of a material or unusual nature likely to affect significantly the operations or affairs of IEL and IET in future financial periods.

Environmental Regulations

To the best of the Directors' knowledge, Infigen has complied with all significant environmental regulations applicable to its operations.

Indemnification and Insurance of Officers

Infigen has agreed to indemnify all Directors and Officers against losses incurred in their role as Director, Alternate Director, Secretary, Executive or other employee of Infigen or its subsidiaries, subject to certain exclusions, including to the extent that such indemnity is prohibited by the Corporations Act 2001 or any other applicable law. Infigen will meet the full amount of any such liabilities, costs and expenses (including legal fees). Infigen has not been advised of any claims under any of the above indemnities.

During the financial year, Infigen paid insurance premiums for a Directors' and Officers' liability insurance contract which provides cover for the current and former Directors, Alternate Directors, Secretaries and Executive Officers of Infigen and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of Infigen

No person has applied for leave of the Court to bring proceedings on behalf of Infigen, or to intervene in any proceedings to which Infigen is a party, for the purpose of taking responsibility on behalf of Infigen for all or part of those proceedings. Infigen was not a party to any such proceedings during the year.

Former Partners of the Audit Firm

No current Directors or Officers of Infigen have been Partners of PricewaterhouseCoopers at a time when that firm has been the auditor of Infigen.

Non-Audit Services

Infigen may decide to engage the auditor (PricewaterhouseCoopers) for provision of services additional to their statutory audit duties where the auditor's expertise and experience with Infigen are important and cost effective. The auditors received the amount in the table below for the provision of these services during the financial year. The nature of the non-audit services provided by the auditor include due diligence services and tax advice relating to the equity capital raising transaction and the financing of the Bodangora wind farm, general tax compliance services, and international tax consulting.

	For the year ended 30 June 2017
Taxation compliance and advisory services	\$73,435
Transaction and advisory services	\$372,193
Total	\$445,628

The Board has considered the Audit Risk and Compliance Committee's advice and the non-audit services provided by the auditor and is satisfied that the provision of these services by the auditor is compatible with, and did not compromise the general standard of auditor independence imposed by the *Corporations Act 2001*. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in the APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditor's own work or acting in a management or decision making capacity for Infigen.

Auditor's Independence Declaration

Infigen's auditor has provided a written declaration under section 307C of the Corporations Act 2001 that to the best of its knowledge and belief, there have been no contraventions of:

- > the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- > the applicable Australian code of professional conduct in relation to the audit.

The auditor's independence declaration is attached to this Directors' Report.

Rounding

Pursuant to ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Directors' Report and the Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

Approval of Directors' Report

Pursuant to section 298(2) of the Corporations Act 2001, this report is made in accordance with resolutions of the Directors of Infigen Energy Limited and the Directors of Infigen Energy RE Limited, the responsible entity of the Infigen Energy Trust.

On behalf of the Directors of Infigen Energy Limited and Infigen Energy RE Limited:



Michael Hutchinson
Chairman



Ross Rolfe AO
Chief Executive Officer / Managing Director

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Infigen Energy Group and Infigen Energy Trust Group for the year ended 30 June 2017, 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 Infigen Energy Group and Infigen Energy Trust Group and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Marc Upcroft', is written over a light blue horizontal line.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
24 August 2017

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Registered office and principal place of business:

Level 22, 56 Pitt Street
Sydney NSW 2000

The financial statements were authorised for issue by the directors on 24 August 2017. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available on Infigen's website www.infigenenergy.com

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Infigen Energy Group		Infigen Energy Trust Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue from continuing operations	2	196,664	173,229	-	-
Other income	3	12,610	790	31,905	29,326
Operating expenses		(40,240)	(37,401)	-	-
Corporate costs		(15,710)	(13,997)	(20)	(20)
Development costs		(1,429)	(1,667)	-	-
Responsible entity expenses		-	-	(665)	(678)
Depreciation and amortisation expense	4	(51,763)	(51,950)	-	-
Interest expense	4	(47,644)	(51,963)	-	-
Other finance costs	4	(5,430)	(6,417)	-	-
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method		(8)	25	-	-
Profit before income tax expense		47,050	10,649	31,220	28,628
Income tax expense	5	(14,786)	(3,616)	-	-
Profit from continuing operations		32,264	7,033	31,220	28,628
Loss from discontinued operations	24	-	(2,547)	-	-
Net profit for the year		32,264	4,486	31,220	28,628
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		-	6,774	-	-
<i>Items that will not be reclassified to profit or loss</i>					
Changes in the fair value of cash flow hedges, net of tax	20(a)	20,248	7,617	-	-
Other comprehensive income for the year, net of tax		20,248	14,391	-	-
Total comprehensive income for the year, net of tax		52,512	18,877	31,220	28,628
Net profit for the year is attributable to stapled security holders as:					
Equity holders of the parent		32,365	5,565	-	-
Equity holders of the other stapled entities (non-controlling interests)		(101)	(1,079)	31,220	28,628
		32,264	4,486	31,220	28,628
Total comprehensive income for the year is attributable to stapled security holders as:					
Equity holders of the parent		52,613	19,956	-	-
Equity holders of the other stapled entities (non-controlling interests)		(101)	(1,079)	31,220	28,628
		52,512	18,877	31,220	28,628
Earnings per security of the parent based on income from continuing operations attributable to the equity holders of the parent					
Basic (cents per security/unit)	6	4.0	1.1	3.9	3.7
Diluted (cents per security/unit)	6	4.0	1.0	3.9	3.7
Earnings per security of the parent based on loss from discontinued operations attributable to the equity holders of the parent					
Basic (cents per security/unit)	6	-	(0.3)	-	-
Diluted (cents per security/unit)	6	-	(0.3)	-	-

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Infigen Energy Group		Infigen Energy Trust Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current assets					
Cash and cash equivalents	14	251,786	147,602	5,515	405
Trade and other receivables	7	12,416	20,369	24	-
Inventory	8	26,951	20,620	-	-
Derivative instruments	16	1,551	355	-	-
Total current assets		292,704	188,946	5,539	405
Non-current assets					
Receivables	7	3,475	3,769	746,432	568,446
Derivative instruments	16	2	132	-	-
Investment in associates	23	1,209	1,258	-	-
Property, plant and equipment	9	799,937	783,819	-	-
Deferred tax assets	5	20,315	51,937	-	-
Intangible assets	10	118,279	122,671	-	-
Total non-current assets		943,217	963,586	746,432	568,446
Total assets		1,235,921	1,152,532	751,971	568,851
Current liabilities					
Trade and other payables	12	19,786	17,356	5,109	4,858
Borrowings	15	83,252	73,601	-	-
Derivative instruments	16	28,118	25,681	-	-
Provisions	13	2,146	2,900	-	-
Total current liabilities		133,302	119,538	5,109	4,858
Non-current liabilities					
Borrowings	15	570,600	668,889	-	-
Derivative instruments	16	44,264	75,119	-	-
Provisions	13	8,381	8,421	-	-
Total non-current liabilities		623,245	752,429	-	-
Total liabilities		756,547	871,967	5,109	4,858
Net assets		479,374	280,565	746,862	563,993
Equity holders of the parent					
Contributed equity	19	2,305	2,305	907,397	755,748
Reserves	20	(91,555)	(106,451)	-	-
Retained earnings	21	(320,760)	(353,125)	(160,535)	(191,755)
		(410,010)	(457,271)	746,862	563,993
Equity holders of the other stapled entities (non-controlling interests)					
Contributed equity	19	913,658	762,009	-	-
Retained earnings	21	(24,274)	(24,173)	-	-
		889,384	737,836	-	-
Total equity		479,374	280,565	746,862	563,993

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to Equity Holders of the Parent			Non-controlling interests	Total equity	
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			Total equity of the parent \$'000
Total equity at 1 July 2015		2,305	(120,481)	(358,690)	(476,866)	737,770	260,904
Net profit for the year		-	-	5,565	5,565	(1,079)	4,486
Changes in the fair value of cash flow hedges, net of tax	20(a)	-	7,617	-	7,617	-	7,617
Exchange differences on translation of foreign operations and movement in fair value		-	6,774	-	6,774	-	6,774
Total comprehensive income for the year		-	14,391	5,565	19,956	(1,079)	18,877
Transactions with owners in their capacity as owners:							
Issue of securities for deferred remuneration	19	-	-	-	-	1,145	1,145
Recognition of share-based payments	20(c)	-	(361)	-	(361)	-	(361)
Total equity at 30 June 2016		2,305	(106,451)	(353,125)	(457,271)	737,836	280,565
Total equity at 1 July 2016		2,305	(106,451)	(353,125)	(457,271)	737,836	280,565
Net profit for the year		-	-	32,365	32,365	(101)	32,264
Changes in the fair value of cash flow hedges, net of tax	20(a)	-	20,248	-	20,248	-	20,248
Total comprehensive income for the year		-	20,248	32,365	52,613	(101)	52,512
Transactions with owners in their capacity as owners:							
Issue of securities for deferred remuneration	19	-	-	-	-	7,297	7,297
Recognition of share-based payments	20(c)	-	(5,352)	-	(5,352)	-	(5,352)
Issue of securities to raise capital, net of transaction costs	19	-	-	-	-	144,352	144,352
Total equity at 30 June 2017		2,305	(91,555)	(320,760)	(410,010)	889,384	479,374

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	Infigen Energy Trust Group		
		Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Total equity at 1 July 2015		754,603	(220,383)	534,220
Net profit for the year		-	28,628	28,628
Total comprehensive income for the year		-	28,628	28,628
Transactions with owners in their capacity as owners:				
Issue of securities for deferred remuneration	19	1,145	-	1,145
Total equity at 30 June 2016		755,748	(191,755)	563,993
Total equity at 1 July 2016		755,748	(191,755)	563,993
Net profit for the year		-	31,220	31,220
Total comprehensive income for the year		-	31,220	31,220
Transactions with owners in their capacity as owners:				
Issue of securities for deferred remuneration	19	7,297	-	7,297
Issue of securities to raise capital, net of transaction costs	19	144,352	-	144,352
Total equity at 30 June 2017		907,397	(160,535)	746,862

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Infigen Energy Group	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit for the year		32,264	4,486
<i>Adjustments for:</i>			
Loss for the year from discontinued operations	24	-	2,547
Depreciation and amortisation of non-current assets		51,763	51,950
Fair value gain on acquisition of controlled entity		(5,765)	-
Unrealised foreign exchange loss / (gain)		(346)	5,396
Amortisation of share based payments expense	33	1,078	536
Amortisation of borrowing costs capitalised		1,505	1,523
Share of (profits) / losses from associates		8	(25)
Accretion of decommission and restoration provisions		121	119
Income tax expense		14,786	3,616
(Increase) / decrease in deferred tax assets		-	(2,636)
Changes in operating assets and liabilities, net of effects on disposal of controlled entities:			
(Increase) / decrease in assets:			
Current receivables and other current assets		1,622	(10,425)
Increase / (decrease) in liabilities:			
Current payables		1,674	(376)
Non-current payables		(40)	192
Net cash flow from operating activities (continuing operations)		98,670	56,903
Cash flows from investing activities			
Payments for property, plant and equipment		(858)	(1,987)
Payments for assets under construction		(38,379)	-
Payments for intangibles		(3,656)	(1,693)
Payments for investments in associates and joint ventures		(47)	(781)
Payments for acquisition of controlled entity		(5,765)	-
Proceeds transferred from discontinued operations from the sale of the US business		-	102,030
Net cash flow from investing activities (continuing operations)		(48,705)	97,569
Net cash flow from investing activities (discontinued operations)		-	300,532
Cash flows from financing activities			
Proceeds from borrowings		1,825	-
Repayment of borrowings	15	(88,499)	(56,462)
Proceeds from equity capital raise, net of transaction costs		144,352	-
Net cash flow from financing activities (continuing operations)		57,678	(56,462)
Net cash flow from financing activities (discontinued operations)		-	(300,532)
Net increase in cash and cash equivalents		107,643	98,010
Cash and cash equivalents at the beginning of the financial year		147,602	45,182
Effects of exchange rate changes on the balance of cash held in foreign currencies		(3,459)	4,410
Cash and cash equivalents at the end of the financial year	14	251,786	147,602

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Infigen Energy Trust Group	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit for the year		31,220	28,628
<i>Adjustments for:</i>			
Unwind of discount on related party loan receivables		(30,919)	(29,321)
Foreign exchange loss unrealised		843	-
Changes in operating assets and liabilities, net of effects on disposal of controlled entities:			
(Increase) / decrease in assets:			
Current receivables		(24)	-
Increase / (decrease) in liabilities:			
Current payables		(251)	678
Net cash flow from operating activities		869	(15)
Cash flows from investing activities			
Investment in a controlled entity		(45,000)	-
Net cash flow from investing activities		(45,000)	-
Cash flows from financing activities			
Proceeds from equity capital raise, net of transaction costs		144,352	-
Proceeds from issue of equity securities for deferred remuneration		7,297	1,146
Repayment of loan by a related party		105,789	-
Loans to related parties		(208,297)	(1,125)
Net cash flow from financing activities		49,141	21
Net increase / (decrease) in cash and cash equivalents		5,010	6
Cash and cash equivalents at the beginning of the financial year		405	399
Effects of exchange rate changes on the balance of cash held in foreign currencies		100	-
Cash and cash equivalents at the end of the financial year	14	5,515	405

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

ABOUT THIS REPORT

As permitted by *Australian Securities and Investments Commission ('ASIC') Corporations (Amendment and Repeal) Instruments 2015/843*, this consolidated general purpose financial report for the year ended 30 June 2017 consists of consolidated financial statements and accompanying notes of both:

- Infigen Energy Group (the Group), being Infigen Energy Limited (IEL) (parent entity), Infigen Energy Trust (IET), Infigen Energy (Bermuda) Limited (IEBL) and the controlled entities of IEL and IET; and
- Infigen Energy Trust Group (the Trust), being Infigen Energy Trust (IET) and its controlled entities.

The Group and the Trust are for-profit entities for the purpose of preparing the financial statements. The Group and the Trust are incorporated / established and domiciled in Australia, and IEBL is incorporated in Bermuda.

Stapled security

The shares of IEL and IEBL and the units of IET are combined and issued as stapled securities in Infigen Energy Group. The shares of IEL and IEBL and the units of IET cannot be traded separately and can only be traded as stapled securities.

Trust information

IET was established in Australia on 16 June 2003. On 26 September 2005, IET became a Registered Scheme and Infigen Energy RE Limited (IERL) became the Responsible Entity of IET. The relationship of the Responsible Entity with the Scheme is governed by the terms and conditions specified in the Constitution of IET.

Basis of preparation

This financial report of the Group and the Trust is a general purpose financial report that:

- treats Infigen Energy Limited as the 'parent' of the stapled entity for the purposes of preparing consolidated financial statements, with the other stapled entities being presented as non-controlling interests in accordance with the relief available to stapled entities in ASIC Class Order 13/1050 which enables stapled entities to present consolidated or combined financial statements;
- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared under the historical cost convention, except for the following:
 - financial assets and liabilities (including derivative instruments) measured at fair value;
 - certain classes of assets modified by reductions in carrying value from impairment expenses;
 - certain classes of assets and liabilities measured at amortised cost;
- has been prepared on the basis of the legislative and regulatory regime that existed as at 30 June 2017 and at the date of this report. Changes to the regulatory regime could affect the carrying values of assets and future development projects;
- is presented in Australian Dollars with all values rounded off to the nearest thousand dollars, unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191; and
- adopts all new and amended Accounting Standards and Interpretations issued by AASB that are relevant to the operations of the Group and/or the Trust and effective for the reporting periods beginning on or after 1 July 2016.

Critical accounting estimates and judgements

The Group or the Trust makes estimates and assumptions concerning the future having regard to historical experience and other relevant considerations. This includes expectations of future events that may have a financial effect on the Group or the Trust and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements that are material to the financial report are found in the following notes:

Note 5	Income taxes and deferred taxes
Note 7	Trade and other receivables
Note 9	Property, plant and equipment
Note 10	Intangible assets
Note 11	Valuation of non-financial assets
Note 13	Provisions
Note 17	Fair value hierarchy

Basis of consolidation

Stapling – effect on presentation and equity

For the purpose of UIG 1013 Pre-date of Transition Stapling Arrangements and AASB Interpretation 1002 Post-date of Transition Stapling Arrangements:

- IEL was identified as the parent entity of the Group in relation to the pre-date of transition stapling with IET and the post-date of transition stapling with IEBL; and
- the results and equity of IEL and of IET have been combined in the financial statements of the Group.

However, since IEL had entered into both pre and post-date of transition stapling arrangements, the equity of both IET and IEBL is treated and disclosed as non-controlling interests in the financial statements of the Group under the principles established in AASB Interpretation 1002.

Consolidated entities

The consolidated financial statements comprise the financial statements of all controlled entities (subsidiaries) of the Group and the Trust at year ended 30 June 2017. A list of the subsidiaries at year end is contained in Note 26.

The financial statements of all subsidiaries are prepared for the same reporting period as the parent company and apply consistent accounting policies to all the years presented, unless otherwise stated.

Intra-group transactions

In preparing the consolidated financial statements, all intercompany transactions, balances, income and expenses and profits and losses resulting from intra-group transactions have been eliminated. Unrealised gains and/or losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group or the Trust. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group or the Trust.

Transactions with entities in which the Group or the Trust has a non-controlling interest

The Group applies a policy of treating transactions with an entity in which IEL has a non-controlling interest as transactions with a shareholder external to the Group. Purchases from non-controlling interests result in an acquisition reserve being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income and consolidated statements of financial position respectively.

Foreign currency

Transactions and balances

Foreign currency transactions are translated into Australian dollars, using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Any such gains or losses are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the income statement on a net basis within other income or finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

A number of new or amended standards became applicable for the current reporting period, however, the Group or the Trust did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Details of new standards and amended accounting standards are outlined in Note 36.

PERFORMANCE FOR THE YEAR

1. Segment information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors:

- considers the business primarily from a geographic perspective and has identified one reportable segment being the Australian business;
- assesses the performance of the operating segment based on a measure of EBITDA (Segment EBITDA);
- where applicable, reviews segment revenues on a proportional basis, reflective of the economic ownership held by the Group.

The segment information provided to the Board of Directors for the operating segments together with a reconciliation of Segment EBITDA to operating profit/(loss) before income tax for the year ended 30 June 2017 is below.

Year ended 30 June 2017	Infigen Energy Group			
	Total \$'000	Australia \$'000	US \$'000	Unallocated \$'000
Segment revenue	196,664	196,664	-	-
Operating costs	(40,240)	(40,240)	-	-
Segment EBITDA	156,424	156,424	-	-
Corporate costs	(15,710)	-	-	(15,710)
Development costs	(1,429)	(1,429)	-	-
Share of net profit of associates	(8)	(8)	-	-
Other income	13	13	-	-
Underlying EBITDA	139,290	155,000	-	(15,710)
Gains from development transactions	10,390	10,390	-	-
EBITDA	149,680	165,390	-	(15,710)
Depreciation and amortisation	(51,763)	(51,763)	-	-
EBIT	97,917	113,627	-	(15,710)
Net finance costs	(50,867)	(50,867)	-	-
Profit / (loss) before income tax	47,050	62,760	-	(15,710)
Tax expense	(14,786)	(14,786)	-	-
Net profit / (loss) after tax	32,264	47,974	-	(15,710)

Year ended 30 June 2016

Segment revenue	173,229	173,229	-	-
Operating costs	(37,401)	(37,401)	-	-
Segment EBITDA	135,828	135,828	-	-
Corporate costs	(13,997)	-	-	(13,997)
Development costs	(1,667)	(1,667)	-	-
Share of net profit of associates	25	25	-	-
Other income	7	7	-	-
EBITDA	120,196	134,193	-	(13,997)
Depreciation and amortisation	(51,950)	(51,950)	-	-
EBIT	68,246	82,243	-	(13,997)
Net finance costs	(57,597)	(57,597)	-	-
Profit / (loss) before income tax	10,649	24,646	-	(13,997)
Tax expense	(3,616)	(3,616)	-	-
Loss from discontinued operations	(2,547)	-	(2,547)	-
Net profit / (loss) after tax	4,486	21,030	(2,547)	(13,997)

1. Segment information (continued)

A summary of assets and liabilities by operating segment is provided as follows:

	Infigen Energy Group Australia	
	2017 \$'000	2016 \$'000
Total segment assets	1,235,921	1,152,532
Total assets include:		
Investment in associates and joint ventures	1,209	1,258
Additions to non-current assets (other than financial assets and deferred tax)	63,901	3,680
Total segment liabilities	756,547	871,967

2. Revenue

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Sale of energy and environmental products – uncontracted	122,624	100,916
Sale of energy and environmental products – contracted (lease income from plant and equipment)	73,204	71,574
Compensated revenue	836	739
	196,664	173,229

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised if it meets the criteria outlined below.

Sale of energy and environmental products

Sale of energy and environmental products are revenues from the:

- sale of electricity generated from the Group's assets; and
- sale of Large-scale Generation Certificates (LGCs) generated. These are recognised at fair value when they are generated and in the same period as the costs are incurred.

The Group recognises revenue when the amount of revenue can be reliably measured, when the significant risks and rewards of ownership of the products have passed to the buyer and the Group has the right to be compensated.

Revenues are recognised on an accruals basis net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority.

Sale of energy and environmental products – contracted (lease of plant and equipment)

In accordance with UIG 4 Determining whether an Asset Contains a Lease, revenue that is generated under certain power purchase agreements (PPAs), where the Group sells substantially all of the related electricity to one customer, is classified as lease income.

3. Other income

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Other income				
Interest income	1,633	783	107	5
Unwind of discount on related party loan receivables	-	-	30,919	29,321
Foreign exchange gains	574	-	879	-
Gain on sale of development assets	4,625	-	-	-
Fair value gain on acquisition of controlled entity	5,765	-	-	-
Other	13	7	-	-
	12,610	790	31,905	29,326

4. Expenses

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Depreciation and amortisation expense				
Depreciation of property, plant and equipment	46,516	46,524	-	-
Amortisation of intangible assets	5,247	5,426	-	-
	51,763	51,950	-	-
Interest expense				
Interest expense on borrowings	23,049	25,413	-	-
Interest expense on derivative instruments	24,595	26,550	-	-
	47,644	51,963	-	-
Other finance costs				
Bank fees and loan amortisation costs	2,917	2,251	-	-
Foreign exchange losses	-	4,002	-	-
Fair value losses on financial instruments	2,392	45	-	-
Recognition and unwinding of discount on decommission provisions	121	119	-	-
	5,430	6,417	-	-

Recognition and measurement

Interest expense

Interest expense is recognised in the period it occurs in connection with the borrowing of funds or derivative instruments.

5. Income taxes and deferred taxes

a) Reconciliation of accounting profit to tax expense and to income tax paid / payable¹

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Profit before income tax	47,050	10,649
Total profit before income tax	47,050	10,649
Statutory company tax rate	30%	30%
Prima facie income tax expense	14,115	3,195
<i>Increase / (decrease) in tax expense due to:</i>		
Non-deductible expenses of IET, IEBL and intercompany interest	638	127
Unrealised foreign exchange movement	8	91
Sundry items	25	203
Income tax expense	14,786	3,616
Accounting effective company tax rate	31%	34%
Tax paid / payable ²	-	-

b) Identification of material temporary and non-temporary differences¹

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Permanent differences		
Non-deductible expenses of IET, IEBL and intercompany interest	638	127
Temporary differences		
Accelerated depreciation (current year tax benefit)	(4,785)	(782)
LGC revenue recognised but not sold (current year tax benefit)	(6,331)	(7,925)

c) Income tax expense

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Current tax	10,648	3,504
Deferred tax	4,138	112
Income tax expense	14,786	3,616
<i>Aggregate income tax benefit is attributable to:</i>		
Expense from continuing operations	14,786	3,616
Expense from discontinued operations (Note 24)	-	3,349
Aggregate income tax expense	14,786	6,965
Deferred income tax expense included in income tax benefit comprises:		
Increase / (decrease) in deferred tax assets	(5,249)	4,738
Increase / (decrease) in deferred tax liabilities	9,387	(4,626)
	4,138	112

¹ Includes disclosures to comply with Part A of the Voluntary Tax Transparency Code.

² The tax consolidated group utilises previous period tax losses to offset current period tax payable amounts from current period profits. The Group has satisfied the tax rules to use these previous period losses.

d) Amounts recognised directly in equity

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Deferred tax asset	-	6,252
Deferred tax liabilities	(11,274)	-
Net deferred tax	(11,274)	6,252

e) Tax losses

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Unused tax losses for which no deferred tax asset has been recognised	237,703	237,703
Potential tax benefit at 30%	71,311	71,311

f) Current tax liabilities

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Income tax payable attributable to discontinued operations	1,138	6,925

g) Deferred tax	Infigen Energy Group				
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
Year ended 30 June 2017					
Gross deferred tax assets					
Unused revenue tax losses	83,810	(11,272)	-	-	72,538
Effect of hedge movements	30,025	2,242	(11,274)	-	20,993
Unrealised foreign exchange losses	481	3,009	-	-	3,490
	114,316	(6,021)	(11,274)	-	97,021
Gross deferred tax liabilities					
Depreciation	(59,913)	(4,786)	-	-	(64,699)
Other	(2,466)	(4,601)	-	(4,940)	(12,007)
	(62,379)	(9,387)	-	(4,940)	(76,706)
Net deferred tax assets	51,937	(15,408)	(11,274)	(4,940)	20,315

Year ended 30 June 2016	Infigen Energy Group				
	Opening balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
Gross deferred tax assets					
Unused revenue tax losses	87,314	(3,504)	-	-	83,810
Effect of hedge movements	25,005	(1,232)	6,252	-	30,025
Unrealised foreign exchange losses	3,987	(3,506)	-	-	481
	116,306	(8,242)	6,252	-	114,316
Gross deferred tax liabilities					
Depreciation	(59,131)	(782)	-	-	(59,913)
Unrealised foreign exchange gains	(4,066)	4,066	-	-	-
Other	(3,808)	1,342	-	-	(2,466)
	(67,005)	4,626	-	-	(62,379)
Net deferred tax assets	49,301	(3,616)	6,252	-	51,937

	2017 \$'000	2016 \$'000
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax assets to be recovered after more than 12 months	20,315	51,937
Net deferred tax assets	20,315	51,937

Recognition and measurement

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations.

Under current legislation, IET is not subject to income tax as unit holders are presently entitled to the income of IET.

Tax consolidation

IEL and its wholly-owned Australian resident entities have formed an Australian tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is IEL. Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with IEL. The members of the tax consolidated group are identified in Note 26. IEL and its controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

Current tax

Current tax expense or credit is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax expense is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that future taxable amounts will be available to utilise them.

Deferred 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 by the balance date.

Deferred tax is recognised for taxable temporary differences at balance date between accounting carrying amounts and tax bases of assets and liabilities except for the following:

- Where they arise from the initial recognition of assets and liabilities (other than as a result of a business combination) and at the time of the transaction, affects neither taxable profit or loss nor accounting profit;
- Where they relate to investments in subsidiaries, associates and joint ventures:
 - Deferred tax liabilities are not recognised if 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 tax assets are not recognised if it is not probable that the temporary differences will not reverse in the foreseeable future and there will be insufficient taxable profits against which to realise the benefit.

A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group, or the individual entity, intends to settle its current tax assets and liabilities on a net basis.

Key estimate: deferred tax assets

The Group currently has significant tax losses in Australia. Tax losses have been recognised as a deferred tax asset on the basis that it is expected the business will generate sufficient taxable earnings to fully utilise those losses.

The Group is required to make significant judgements and assessments in relation to the future recoverability of tax losses that have been recognised as deferred tax assets. The assessment of future taxable income to support utilisation of tax losses is based on the long-term forecasts used for assessing asset impairment (refer to Note 11 for key assumptions) and consideration of many future events and outcomes that are uncertain.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them. Only Australian tax losses have been brought to account as deferred tax assets. No deferred tax asset has currently been recorded for the Australian tax losses attributable to Infigen Energy US Partnership for the financing losses incurred prior to the US sale.

6. Earnings per share / unit

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 Cents per security	2016 Cents per security	2017 Cents per unit	2016 Cents per unit
a) Basic earnings per share:				
<i>Parent entity share</i>				
From continuing operations	4.0	1.1	-	-
From discontinued operations	-	(0.3)	-	-
Total basic earnings per share attributable to the parent entity shareholders	4.0	0.8	-	-
<i>Stapled security</i>				
From continuing operations	4.0	0.9	3.9	3.7
From discontinued operations	-	(0.3)	-	-
Total basic earnings per security attributable to the stapled security holders	4.0	0.6	3.9	3.7

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 Cents per security	2016 Cents per security	2017 Cents per unit	2016 Cents per unit
b) Diluted earnings per share:				
<i>Parent entity share</i>				
From continuing operations	4.0	1.0	-	-
From discontinued operations	-	(0.3)	-	-
Total diluted earnings per share attributable to the parent entity shareholders	4.0	0.7	-	-
<i>Stapled security</i>				
From continuing operations	4.0	0.9	3.9	3.7
From discontinued operations	-	(0.3)	-	-
Total diluted earnings per security attributable to the stapled security holders	4.0	0.6	3.9	3.7

6. Earnings per share / unit (continued)

c) Reconciliation of earnings used in calculating earnings per share / unit

The earnings and weighted average number of shares / units used in the calculation of basic and diluted earnings per share / unit are as follows:

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Earnings attributable to the parent entity shareholders</i>				
From continuing operations	32,365	8,112	-	-
From discontinued operations	-	(2,547)	-	-
Total earnings attributable to the parent entity shareholders	32,365	5,565	-	-
<i>Earnings attributable to the stapled security holders</i>				
From continuing operations	32,264	7,033	31,220	28,628
From discontinued operations	-	(2,547)	-	-
Total earnings attributable to the stapled security holders	32,264	4,486	31,220	28,628

d) Weighted average number of securities used as the denominator

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 No.'000	2016 No.'000	2017 No.'000	2016 No.'000
Weighted average number of shares / units for the purposes of basic earnings per share / unit	804,644	771,643	804,644	771,643
Weighted average number of shares / units for the purposes of diluted earnings per share / unit	811,375	776,225	811,375	776,225

Calculation of earnings per share

Basic earnings per share / unit is calculated by dividing the profit attributable to equity holders of the Group or the Trust by the weighted average number of ordinary shares / units outstanding during the financial year, adjusted for bonus elements in ordinary shares / units issued during the year.

Diluted earnings per share / unit adjusts the figures used in the determination of basic earnings per share / unit to take into account the weighted average number of performance rights / units outstanding during the year.

OPERATING ASSETS AND LIABILITIES

7. Trade and other receivables

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Trade receivables	5,813	15,740	-	-
Prepayments	4,154	4,377	-	-
Other receivables	2,449	252	24	-
	12,416	20,369	24	-
Non-current				
Amounts due from related parties (Note 32)	1,019	1,019	746,432	568,446
Prepayments	2,456	2,750	-	-
	3,475	3,769	746,432	568,446

a) Impairment of trade and other receivables

Group

There were no receivables in the Group that were past due or impaired as at 30 June 2017 and 30 June 2016.

Trust

For the year ended 30 June 2017, the Trust recognised \$30.9 million (FY16: \$29.3 million) for the unwinding of the discount on the loan receivable from related parties. As part of the long-term funding arrangements within the stapled structure, IET has loans due from other Group entities totalling \$891.5 million (2016: \$745.8 million). While IET is expected to receive the full \$891.5 million contractual face value of the loans, the term of the repayment of these loans has resulted in them being discounted to the net present value. The forecast undiscounted cash flows of the operating assets of the Group support the carrying value of the loans as they exceed \$891.5 million.

b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group or the Trust.

c) Foreign exchange and interest rate risk

Information about the Group's or the Trust's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 18.

d) Fair value and credit risk

The maximum exposure to credit risk at the balance date is the carrying amount of each class of receivables mentioned above. Refer to Note 18 for more information on the risk management policy of the Group and the Trust and the credit quality of the Group's trade receivables.

8. Inventory

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Environmental certificates	26,951	20,620

Recognition and measurement

Environmental certificates or Large-scale Generation Certificates (LGCs)

LGCs held in inventory are valued at the lower of cost and net realisable value. Upon sale, the difference between the sale price and the book value of inventory is recorded as a component of revenue.

9. Property, plant and equipment

	Infigen Energy Group		
	Assets under construction \$'000	Plant & Equipment \$'000	Total \$'000
At 30 June 2015			
Cost	-	1,159,258	1,159,258
Accumulated depreciation	-	(329,091)	(329,091)
Net book value	-	830,167	830,167
Year ended 30 June 2016			
Opening net book value	-	830,167	830,167
Additions	-	1,987	1,987
Depreciation expense	-	(46,524)	(46,524)
Transfers to intangible assets	-	(1,811)	(1,811)
Closing net book value	-	783,819	783,819
At 30 June 2016			
Cost	-	1,159,434	1,159,434
Accumulated depreciation	-	(375,615)	(375,615)
Net book value	-	783,819	783,819
Year ended 30 June 2017			
Opening net book value	-	783,819	783,819
Additions	42,953	858	43,811
Acquisition of assets under construction	8,236	-	8,236
Revaluation of assets under construction	8,236	-	8,236
Disposals	-	(38)	(38)
Depreciation expense	-	(46,516)	(46,516)
Transfers (to)/from intangible assets	2,489	(100)	2,389
Closing net book value	61,914	738,023	799,937
At 30 June 2017			
Cost	61,914	1,160,154	1,222,068
Accumulated depreciation	-	(422,131)	(422,131)
Net book value	61,914	738,023	799,937

9. Property, plant and equipment (continued)

Recognition and measurement

Property, plant and equipment

The value of property, plant and equipment such as wind turbines and associated plant is measured as the cost of the asset less accumulated depreciation and impairment. The cost of the asset includes expenditure that is directly attributable to the acquisition of the item and may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs, including replacement parts 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 the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognised as a separate asset.

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.

Assets under construction

Costs arising directly from the construction of plant and equipment are recognised as an asset. The costs are transferred to plant and equipment from the time the asset is held ready for use on a commercial basis. Assets under construction are not depreciated.

Decommission

Future costs relating to the decommissioning of wind turbines and associated plant are provided for if the amounts are expected to result in an outflow of economic benefits. The cost of decommissioning wind turbines and associated plant is reviewed at the end of each annual reporting period.

Derecognition

An item of property, plant and equipment is derecognised when it is replaced, sold or otherwise disposed of. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are included in the income statement. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is calculated on a straight line basis over their estimated useful lives outlined below to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Key estimate: useful lives of assets

Wind turbines and associated plant	25 years ¹
Solar panels and associated plant	30 years
Fixtures and fittings	10-20 years
Computer equipment	3-5 years

¹ It is possible that these assets will have total useful economic lives in excess of 25 years in which case additional revenues will be received without a matching depreciation charge.

10. Intangible assets

Infigen Energy Group				
	Goodwill \$'000	Development assets \$'000	Project- related agreements and licences \$'000	Total \$'000
At 30 June 2015				
Cost	15,136	32,150	112,500	159,786
Accumulated amortisation and impairment	-	(1,898)	(31,065)	(32,963)
Net book value	15,136	30,252	81,435	126,823
Year ended 30 June 2016				
Opening net book value	15,136	30,252	81,435	126,823
Additions	-	1,693	-	1,693
Transfers	-	(2,831)	2,831	-
Transfers from property, plant and equipment	-	-	1,811	1,811
Amortisation expense	-	-	(5,426)	(5,426)
Disposal of development assets from share sale	-	(2,230)	-	(2,230)
Closing net book value	15,136	26,884	80,651	122,671
At 30 June 2016				
Cost	15,136	26,884	117,434	159,454
Accumulated amortisation and impairment	-	-	(36,783)	(36,783)
Net book value	15,136	26,884	80,651	122,671
Year ended 30 June 2017				
Opening net book value	15,136	26,884	80,651	122,671
Additions	-	3,635	21	3,656
Transfers (to)/from property, plant and equipment	-	(2,489)	100	(2,389)
Amortisation expense	-	-	(5,247)	(5,247)
Disposal of development assets from share sale	-	(412)	-	(412)
Closing net book value	15,136	27,618	75,525	118,279
At 30 June 2017				
Cost	15,136	27,618	117,554	160,308
Accumulated amortisation and impairment	-	-	(42,029)	(42,029)
Net book value	15,136	27,618	75,525	118,279

Recognition and measurement

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill acquired in business combinations is not amortised but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to the cash-generating unit (CGU), being the Australian business, for the purpose of impairment testing.

10. Intangible assets (continued)

Project-related agreements and licences

Project-related agreements and licences include the following items:

- licences, permits and approvals to develop and operate an energy project, including governmental authorisations; land rights and environmental consents;
- connection rights; and
- power purchase agreements.

Project-related agreements and licences are carried at cost less accumulated amortisation and impairment expenses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives, which are based on the useful life of the related wind farm.

Development assets

Development assets represent development costs incurred prior to commencement of construction of wind and solar assets. Development assets are not amortised, but are transferred to plant and equipment and depreciated from the time the asset is held ready for use on a commercial basis.

Key estimate: recoverable amounts of the development assets

The Group holds energy development assets in Australia. The recoverable amount of the development assets is dependent upon internal valuations, which reference recent transactions the Group has completed and considers the current or expected future market demand for these assets.

Key estimate: useful economic lives of intangible assets

The Group amortises project-related agreements and licences over the lesser of the agreement term or 25 years which is the estimated minimum useful economic life of these assets. It is possible that some of these assets will have total useful economic lives in excess of 25 years in which case additional revenues will be received without a matching amortisation charge.

11. Valuation of non-financial assets

Testing for impairment of intangible assets

At each balance date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the carrying values are impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group has estimated the recoverable amount of the CGU to which the asset belongs.

The Group determines the recoverable amount of the CGU based on value-in-use calculations. In assessing 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Such impairment loss is recognised in the income statement immediately.

11. Valuation of non-financial assets (continued)

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the cash-generating unit (CGU), being the Australian business, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Australia	15,136	15,136
Total goodwill	15,136	15,136

Key assumptions for value-in-use calculations

The Group determines the recoverable amount of the CGU based on value-in-use calculations. The calculations use cash flow projections covering the estimated useful economic life of the wind farms, which is greater than or equal to 25 years.

The Group makes assumptions around expected wind resource, availability, prices, operating expenses and discount rates in calculating the value-in-use of its CGU. Variations in the estimates and assumptions may have a significant risk of causing a material variation to the calculated recoverable amount of assets or the calculated liabilities.

The Group uses production estimates from previous operating life, independent technical consultants' assessments and other relevant factors when available.

The Group utilises market observable forward prices where they are available and third party assessments of merchant electricity and LGC forward pricing for the longer term. The Group uses these inputs combined with its in-house expertise to form the base of the calculated assumptions.

In performing value-in-use calculations, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed below.

Pre-tax discount rates	
2017	2016
11.6%	10.6%

For wind farms with power purchase agreements, future revenue growth forecasts are based on the contractual provisions.

Sensitivity to changes in assumptions

The recoverable amount of the CGU is greater than the carrying value as at 30 June 2017. Variations to the key assumptions used to determine the recoverable amount would result in a change in the assessed recoverable amount. If the variation in assumptions had a negative impact on recoverable amount it could indicate a requirement for an impairment expense.

The recoverable amount of the CGU was tested for sensitivity using reasonably possible changes in key assumptions. These changes include increases and decreases in the discount rates of up to 1% with all other assumptions remaining constant.

Separate sensitivity tests are also conducted to measure the impact of varying future cash flows for increases and decreases of up to 10% in market prices, 5% in production, and 10% in operating costs, respectively.

None of these tests resulted in the carrying amount of the Australian CGU exceeding its recoverable amount.

12. Trade and other payables

	Infigen Energy Group		Infigen Energy Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Trade payables and accruals	17,797	5,780	8	-
Goods and services and other taxes payable	334	9,977	-	-
Amount due to related parties	-	-	5,101	4,858
Other	1,655	1,599	-	-
	19,786	17,356	5,109	4,858

Recognition and measurement

Trade payables are:

- recognised when the Group or the Trust becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition; and
- stated exclusive of the amount of GST payable unless the GST incurred is not recoverable from the taxation authority which in this case would be recognised as part of the cost of acquisition of the asset. The net amount of GST payable to the taxation authority is included in goods and services and other taxes payable.

Other payables include annual leave expected to be settled within 12 months of the balance date in which employees render the related service.

13. Provisions

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Current		
Employee benefits	2,146	2,900
	2,146	2,900
Non-current		
Employee benefits	504	665
Decommission and restoration	7,877	7,756
	8,381	8,421
	10,527	11,321

13. Provisions (continued)

A reconciliation of the carrying amounts of provisions is set out below:

	Infigen Energy Group		
	Decommission and restoration \$'000	Employee benefits \$'000	Total \$'000
Year ended 30 June 2016			
Carrying amount at start of the year	7,637	2,180	9,817
Additional provisions recognised during the year	-	1,385	1,385
Recognition and unwinding of discount	119	-	119
Carrying amount at the end of the year	7,756	3,565	11,321
Year ended 30 June 2017			
Carrying amount at start of the year	7,756	3,565	11,321
Additional provisions recognised during the year	-	1,385	1,385
Amounts used during the year	-	(2,139)	(2,139)
Unused amounts reversed	-	(161)	(161)
Recognition and unwinding of discount	121	-	121
Carrying amount at the end of the year	7,877	2,650	10,527

Recognition and measurement

Provisions are recognised when:

- the Group or the Trust has a present legal or constructive obligation as a result of past events; and
- it is probable an outflow of resources will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

Provisions are not recognised for future operating losses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Key estimate: discounting

Provisions are measured at the present value of the expenditure required to settle the obligation at balance date, taking into account the risks and uncertainties surrounding the obligation. The discount rate has been determined having regard to both the specific risk to the liability and current market assessment of the time value of money.

Decommission and restoration

The decommission and restoration provision represents estimates of future expenditure relating to dismantling and removing of wind turbines and associated plant, and restoration of wind farm sites.

Employee benefits

Provision for employee benefits represents provision for short term incentives, long service leave and termination benefits. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

13. Provisions (continued)

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using current market assessments of the time value of money at the balance date.

The obligations are presented as current liabilities in the consolidated statements of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the balance date, regardless of when the actual settlement is expected to occur.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Short term incentive plans

The Group recognises a liability and an expense for short term incentives and takes into consideration the performance of the Group for the corresponding period. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

CAPITAL MANAGEMENT

14. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the consolidated statements of financial position as follows:

	Infigen Energy Group		Infigen Energy Trust group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and cash equivalents	251,786	147,602	5,515	405

Recognition and measurement

Cash and cash equivalents comprise cash on hand and term deposits held at call with financial institutions.

Restricted cash balances

As at 30 June 2017, \$40.5 million (2016: \$10.6 million) of cash was held by the Group in accordance with the minimum cash requirements for Australian Financial Services Licence (AFSL) compliance, the Woodlawn project finance facility debt service reserve account and in the Bodangora project finance facility construction account.

15. Borrowings

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Current		
<i>Secured</i>		
Global Facility	78,500	69,506
Project Finance Debt – Woodlawn	4,752	4,095
	83,252	73,601
Non-current		
<i>Secured</i>		
Global Facility	543,028	638,148
Project Finance Debt – Woodlawn	29,253	35,803
Project Finance Debt – Bodangora	1,825	-
Capitalised loan costs	(3,506)	(5,062)
	570,600	668,889
Total borrowings	653,852	742,490

a) Reconciliation of borrowings	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Opening balance	742,490	786,883
Debt repayments – Global Facility	(82,606)	(50,958)
Debt repayments – Woodlawn	(5,893)	(5,504)
Debt drawdown – Bodangora	1,825	-
Net loan costs expensed	1,556	1,438
Net foreign currency exchange differences	(3,520)	10,631
Total borrowings	653,852	742,490

b) Borrowings by currency

The total value of funds that have been drawn down by currency, converted to Australian dollars (AUD) at the year-end exchange rate, is presented in the following table:

	Infigen Energy Group	
	Total Borrowings (Local Curr) \$'000	Total Borrowings (AUD) \$'000
As at 30 June 2017		
Australian dollars (AUD) – Global Facility	529,709	529,709
Australian dollars (AUD) – Woodlawn	34,005	34,005
Australian dollars (AUD) – Bodangora	1,825	1,825
US dollars (USD) – Global Facility	70,600	91,819
Gross borrowings		657,358
Less capitalised loan costs		(3,506)
Total borrowings		653,852

	Infigen Energy Group	
	Total Borrowings (Local Curr) \$'000	Total Borrowings (AUD) '000
As at 30 June 2016		
Australian dollars (AUD) – Global Facility	531,027	531,027
Australian dollars (AUD) – Woodlawn	39,898	39,898
Euro (EUR) – Global Facility	14,009	20,834
US dollars (USD) – Global Facility	116,175	155,793
Gross borrowings		747,552
Less capitalised loan costs		(5,062)
Total borrowings		742,490

15. Borrowings (continued)

Recognition and measurement

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities held, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group or the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Global Facility

The Group's corporate debt facility (the Global Facility) is a multi-currency facility that matures on 31 December 2022. The Global Facility is a syndicated facility among a group of Australian and international lenders.

The Global Facility delineates between those Infigen group entities that comprise the Global Facility borrower group (Borrower Group) and those Infigen group entities that are not within the Borrower Group. The latter are generally referred to as "Excluded Companies".

In broad terms, the Borrower Group comprises IEL and substantially all of its subsidiaries, with the exception that none of the following fall within the Borrower Group:

- IET;
- IEBL; and
- Infigen Energy Holdings Pty Limited and its subsidiaries, which primarily include Woodlawn Wind Pty Limited, Bodangora Wind Farm Pty Limited, and the Group's development asset project entities.

Excluded Companies

Excluded Companies:

- are not entitled to borrow under the Global Facility;
- must deal with companies within the Global Facility Borrower Group on arm's length terms; and for full market value; and
- are not subject to, or the subject of, the representations, covenants or events of default applicable to the Borrower Group.

Amounts outstanding under the Global Facility

Amounts outstanding under the Global Facility are in United States dollars and Australian dollars. The base currency of the Global Facility is the Euro.

15. Borrowings (continued)

Principal repayments under the Global Facility

Subsequent to 30 June 2010 until the Global Facility is repaid in full (maturing 31 December 2022), all surplus cash flows of the Borrower Group, after taking account of working capital requirements, are required to be used to make repayments under the Global Facility on a semi-annual basis (Cash Sweep). The net disposal proceeds of any disposals by Borrower Group entities must also be applied to debt repayments under the Global Facility.

During the year ended 30 June 2017 repayments of \$82,606,000 were made. This represented surplus operating cash flow of the Borrower Group.

Interest payments

The Group pays interest each six months based on the BBSY (Australian dollar) or LIBOR (United States dollar) rate, plus a margin. It is the Group's policy and a requirement of the Global Facility to use financial instruments to fix the interest rate for a portion of the borrowings (refer Note 18).

Financial covenant

During the period of the Cash Sweep a leverage ratio covenant applies. The leverage ratio is determined by taking the quotient of Net Debt and EBITDA of entities that are within the Borrower Group. EBITDA represents the consolidated earnings of the Borrower Group entities before finance charges, unrealised gains or losses on financial instruments and material items of an unusual or non-recurring nature.

This leverage ratio covenant is based on the results of each twelve month period ending 30 June and 31 December and is:

- not more than 6.0 times, July 2016 to June 2019; and
- not more than 3.0 times, July 2019 to December 2022.

Review events

A review event would occur if the shares of IEL were removed from the official list of the Australian Securities Exchange or were unstapled from units of IET and shares of IEBL. In this circumstance an assessment of the effect of the event on the Global Facility would be required and, if necessary, agreement of an action plan.

Security

The Global Facility does not provide asset level security to the lenders. Each borrower is a guarantor of the facilities. In addition, lenders have first ranking security over the issued share capital of, or other ownership interest in:

- the borrowers (other than Infigen Energy Limited); and
- the direct subsidiaries of the borrowers, which are holding entities of each operating wind farm in the Group's portfolio (other than Woodlawn Wind Farm and the Bodangora Wind Farm currently under construction).

Global Facility lenders have no security over Excluded Companies.

15. Borrowings (continued)

Project Finance Facility – WWCS Finance Pty Ltd (Woodlawn Wind Farm)

WWCS Finance Pty Ltd (WDL Borrower), the immediate parent company of Woodlawn Wind Pty Ltd (which in turn owns Woodlawn Wind Farm), is the borrower under a \$51.7 million syndicated term facility. The lenders are Westpac Banking Corporation (Tranche A) and Clean Energy Finance Corporation (Tranche B) (WDL Lenders). The Tranche A and Tranche B loans are of equal amounts, with maturity in September 2018 and September 2023 respectively.

Principal repayments

The WDL Borrower must make fixed repayments each quarter in accordance with an agreed repayment schedule for both Tranche A and B loans. During the year ended 30 June 2017 net repayments of \$5,893,000 (2016: \$5,504,311) were made.

Interest payments

Interest is payable quarterly in arrears.

- Tranche A interest is calculated on the BBSY (Australian dollar) rate plus a margin and such interest has been hedged with interest rate caps of 3.9790% (September 2014 to September 2018) and 5.7850% (September 2018 to March 2023).
- Tranche B interest is fixed for 10 years at 3.7575% plus a margin.

Security

The WDL Lenders have security over the shares in, and assets and undertaking of, WWCS Finance Pty Ltd and Woodlawn Wind Pty Ltd (i.e. parent of the owner and owner of the Woodlawn Wind Farm respectively).

Project Finance Facility – BWF Finance Pty Ltd (Bodangora Wind Farm construction)

BWF Finance Pty Ltd (BOD Borrower), a wholly-owned subsidiary of Bodangora Wind Farm Pty Limited (which in turn owns the Bodangora Wind Farm project currently under construction), is the borrower under a \$162.8 million syndicated facility. The lenders are Norddeutsche Landesbank Girozentrale Singapore Branch and Dekabank Deutsche Girozentrale (Tranche A) and Clean Energy Finance Corporation (Tranche B) (BOD Lenders). Tranche A and B are of equal amounts. The construction facility converts to a term facility upon completion of the construction phase, which is currently expected to occur in August 2018. The term facility matures in September 2034.

Principal repayments

No principal is repayable on the Tranche A and B loans of the facility during the anticipated construction period, with the first scheduled principal repayment due on 31 December 2018.

During the term phase the BOD Borrower must make semi-annual fixed repayments in accordance with an agreed repayment schedule.

Drawdowns

During the year ended 30 June 2017 net drawdowns of \$1,825,000 (2016: nil) were made.

Interest payments

During the construction phase interest is capitalised. During the term phase interest is payable semi-annually.

- During the construction phase, Tranche A interest is re-priced monthly using the monthly BBSY (Australian dollar) rate plus a margin. The Tranche A loan has been hedged at 100% of face value with interest rate swaps at 1.94% during this period.
- During the term phase, Tranche A interest is re-priced semi-annually using the six month BBSY (Australian dollar) rate plus a margin. The Tranche A loan has been hedged at 85% of face value at 3.484% for the term period of the loan.
- Tranche B interest is fixed at 3.0225% plus a margin for both the construction and term facility.

Security

The BOD Lenders hold security over the shares in, and assets and undertaking of, Bodangora Wind Farm Pty Limited and BWF Finance Pty Ltd (i.e. the owner of the Bodangora Wind Farm project and the BOD Borrower).

16. Other financial assets and liabilities

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Current assets		
At fair value: Electricity derivatives	150	275
At fair value: Electricity derivatives margin	1,401	80
	1,551	355
Non-current assets		
At fair value: Electricity derivatives	-	124
At fair value: Interest rate caps	2	8
	2	132
Current liabilities		
At fair value: Electricity derivatives	2,105	23
At fair value: Interest rate swaps	25,504	25,429
At fair value: Foreign currency swaps	509	229
	28,118	25,681
Non-current liabilities		
At fair value: Electricity derivatives	888	124
At fair value: Interest rate swaps	43,376	74,995
	44,264	75,119

Recognition and measurement

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate caps, interest rate swaps, and cross currency swaps. Derivative financial instruments are also used to manage exposure to electricity and environmental commodity price and production risks.

Derivatives are initially recognised at fair value. Gains or losses are recognised in the statement of other comprehensive income for derivatives that are designated in effective hedge relationships. Gains or losses for derivatives that are not designated in effective hedge relationships are recognised in the income statement.

The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 *Financial Instruments* which was early adopted by the Group and the Trust commencing 1 July 2015. The derivative contracts are thus treated as continuing hedges.

17. Fair value hierarchy

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Investment in financial assets

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels prescribed under the accounting standards:

Level 1: the fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at end of the reporting period. The Group does not hold level 1 financial instruments.

17. Fair value hierarchy (continued)

Level 2: the fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument are observable. This is the case for the Group's derivative financial instruments.

Level 3: one or more of the significant inputs to determine the fair value of financial instruments are not based on observable market data (unobservable inputs).

The following tables present the Group's financial assets and financial liabilities measured and recognised at fair value.

As at 30 June 2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Assets				
Derivative financial instruments				
Interest rate caps – Woodlawn	-	2	-	2
Electricity derivatives	-	150	-	150
Electricity derivatives margin	-	1,401	-	1,401
Total assets	-	1,553	-	1,553
Liabilities				
Derivative financial instruments				
Interest rate swaps – Global Facility	-	66,743	-	66,743
Interest rate swaps – Bodangora	-	2,137	-	2,137
Foreign currency swap - Global Facility	-	509	-	509
Electricity derivatives	-	2,993	-	2,993
Total liabilities	-	72,382	-	72,382

As at 30 June 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Assets				
Derivative financial instruments				
Interest rate caps – Woodlawn	-	8	-	8
Electricity derivative margins	-	80	-	80
Electricity options	-	399	-	399
Total assets	-	487	-	487
Liabilities				
Derivative financial instruments				
Interest rate swaps – Global Facility	-	100,800	-	100,800
Total liabilities	-	100,800	-	100,800

There were no transfers between levels 1 and 2, and between levels 2 and 3 financial instruments for recurring fair value measurements during the year. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2017.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

17. Fair value hierarchy (continued)

Valuation techniques used to determine Level 2 fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Using Black-Scholes valuation models in conjunction with quoted market prices or dealer quotes for similar instruments.

Where such information is not available, the Group considers information from a variety of sources including:

- Discounted cash flow projections based on reliable estimates of future cash flows; and/or
- Capitalisation rate derived from an analysis of market evidence.

18. Financial risk management

The Group or the Trust are exposed to the following key financial risks.

Risk	Risk monitoring	Management
1) Commodity price risks: a) Electricity price b) Ineffective electricity hedging c) LGC price d) LGC forward sales	Sensitivity analysis	Power purchase agreements and contracted environmental certificate agreements Electricity derivatives (ASX futures, options) Multi-channel routes to market for the sale of electricity and LGCs
2) Liquidity, capital markets and credit risks: a) Access to capital b) Liquidity c) Debt facilities d) Foreign exchange e) Interest rate f) Counterparty credit	Cash flow forecasting Sensitivity analysis Debt covenant ratio forecasting and sensitivity analysis Credit ratings Ageing analysis Monitoring actual and forecast cash flows Matching maturity profiles of financial assets and liabilities	Maintaining adequate reserves, banking and borrowing facilities Interest rate derivatives Foreign exchange derivatives Foreign currency prepayments of foreign denominated debts Letters of credit; diversification of the customer portfolio which comprises contracted and non-contracted electricity; liquid funds held with large financial institutions with high credit ratings, credit monitoring

18. Financial risk management (continued)

Key estimate: fair value

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group or the Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is calculated as the market present value rate of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. These instruments are classified in the level 2 fair value hierarchy (refer to Note 17 (a)).

The carrying amounts of trade receivables and payables are assessed 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 the Group or the Trust for similar financial instruments.

The Group's energy risk management is carried out by the Energy Markets function (EM). The EM team:

- operates under the Energy Risk Management policy approved by the Board which provides a framework for managing and mitigating the overall energy markets risks of the Group;
- identifies, evaluates and hedges certain energy markets risks in close co-operation with the Group's operating units; and
- focuses on the unpredictability of energy markets and seeks to manage potential adverse effects on the financial performance of the Group.

The Group's treasury risk management is carried out by a central treasury function (corporate treasury). The Group's corporate treasury:

- operates under the treasury policies approved by the Board which provide a framework for managing and mitigating the overall financial risks of the Group;
- identifies, evaluates and hedges certain financial risks in close co-operation with the EM team and the operating units; and
- focuses on the unpredictability of financial markets and seeks to manage potential adverse effects on the financial performance of the Group.

The Group's treasury policy and energy risk management policy specifically prohibit any form of speculative trading. Derivatives are exclusively used for risk management or hedging purposes, not as trading or other speculative instruments.

1. Commodity Price Risks

a) Electricity price

The Group produces electricity which it sells into the Australian electricity markets under various commercial terms and arrangements. The price of electricity can be volatile as it is primarily driven by supply and demand factors. These include:

- weather influencing demand and generation availability (in the short term);
- operational shut-downs and closures (planned and unplanned);

18. Financial risk management (continued)

- operational closures across energy intensive industries;
- economic conditions affecting demand;
- consumer perception of energy affordability;
- technological advancement;
- use of distributed electricity generation such as solar PV systems and installation of storage systems;
- mandatory energy efficiency schemes;
- competitive behaviours of retailers and generators;
- the tenor and expiry of contracts for fuel and sale of electricity;
- network constraints;
- actions of the market operator, interpretation of rules by the market operator and changes to those rules; and
- actions of the regulator, including regulatory changes that impact market design and operation.

Movements in electricity price that are not mitigated through effective contracting and hedging, could adversely or positively affect the Group's revenue and future financial performance.

b) Ineffective electricity hedging

The Group seeks to manage revenue risk associated with variable price and variable production through hedging. When hedging instruments are utilised and where variable production is not sufficient to meet committed quantities, high dollar value exposures may arise. These could adversely affect the Group's revenue and future financial performance.

c) LGC price

The Group creates LGCs from its generation. Under the RET Scheme obligated parties are required to surrender LGCs to the Clean Energy Regulator. The price of LGCs is predominantly determined on short term and long term supply and demand but may be also impacted by the actions of market participants.

The RET scheme is periodically the subject of political debate about possible variation. If the RET Scheme is amended or if there is reduced confidence in the stability of the scheme, then this may affect the price and timing at which the Group can sell LGCs.

Any of these actions or reduced confidence in the RET scheme could adversely affect the Group's revenue and future financial performance.

d) LGC forward sales

There is a risk that the Group may not generate sufficient LGCs to meet its forward sales commitments. Any shortfall in LGCs produced could adversely affect the Group's revenue and future financial performance to the extent that the market price for LGCs at the time of delivery is higher than the contract price.

18. Financial risk management (continued)

Price risk management

To mitigate the financial risks of falling electricity and environmental certificate prices, the Group has and continues to seek to understand its risk exposures and will seek a balance between risk, tenor and price for revenue received from the sale of electricity and LGCs through the Multi-Channel Route to Market:

- Long term offtake agreements with electricity retailers or other counterparties
- Medium-term “run of plant” or fixed volume contracts
- Contracts with large Commercial and Industrial (“C&I”) customers
- Wholesale market contracts of varying size and tenor; and
- Spot market sales to Australian Energy Market Operator (“AEMO”) for electricity.

Sensitivity

The following table details the Group’s pre-tax sensitivity to a 10% change in the electricity and environmental certificate price, with all other variables held constant as at the balance date, for its exposure to the electricity and environmental certificates markets.

A sensitivity of 10% has been selected given the current level of electricity and environmental certificate prices and the volatility observed on an historic basis and market expectations for future movement.

Consolidated AUD \$'000	Electricity and LGC price +10%	Electricity and LGC price -10%
2017		
Merchant revenue	9,255	(9,255)
Electricity derivatives	(2,415)	2,415
Income statement	6,840	(6,840)
2016		
Merchant revenue	8,550	(8,550)
Income statement	8,550	(8,550)

2. Liquidity, Capital Markets and Credit Risks

a) Access to capital

The Group relies on access to debt and equity capital to operate its business and execute its business strategy. The ability to secure financing, or financing on acceptable terms, may be materially adversely affected by volatility in the financial markets, globally or affecting a particular geographic region, industry or economic sector. For these or other reasons, financing may be unavailable or the cost of financing may be significantly increased. An inability to obtain, or an increase in the costs of obtaining financing could materially and adversely affect the Group’s operations and/or future financial performance.

Capital risk management

The Group’s objectives when managing capital are to generate value for security holders and to maintain an appropriate capital structure to minimize the cost of capital and support growth.

Through the year to 30 June 2017, the Group has had to maintain the following financial covenant ratios in respect of different sub-sets of the Group, to ensure compliance with its debt facilities:

- Global Facility – Leverage ratio, Net Debt / EBITDA¹
- Woodlawn project finance facility – Debt service coverage ratio (DSCR)
- Bodangora project finance facility – No ratio in FY17 during the construction phase

The Group has complied with these financial covenants in FY17 and FY16.

¹ Refer to Note 15 – Borrowings.

18. Financial risk management (continued)

b) Liquidity

The Group requires adequate reserves and banking facilities to conduct its business. The Group is a participant in the energy markets and must retain sufficient liquidity to meet its prudential obligations to the market including any ASX positions or other positions which it has taken and its AFSL conditions. Failure to obtain or maintain sufficient liquidity could negatively impact the Group's operations and/or future financial performance.

Liquidity risk management

The Group and the Trust manage liquidity risks by maintaining adequate cash reserves and by considering liquidity requirements based on history, current contracting positions, market volatility, and credit quality of counterparties.

Exposure

The tables below set out the Group's and the Trust's financial assets and financial liabilities at the balance sheet date and places them into applicable maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The tables include the Group's forecast contractual repayments under the Global Facility, and the Woodlawn and Bodangora Project Finance facilities.

For interest rate swaps and interest rate caps, the cash flows have been estimated using forward interest rates applicable at the balance date.

	Infigen Energy Group			
	Up to 12 months	1 to 5 years	After 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000
2017				
Global Facility debt and interest	96,814	393,888	188,385	679,087
Woodlawn facility debt and interest	6,691	27,140	7,178	41,009
Bodangora facility debt and interest	92	835	2,766	3,693
Interest rate swaps payable - Global Facility	21,910	43,460	1,373	66,743
Interest rate swap payable/(receivable) - Bodangora	65	3,959	(1,887)	2,137
Electricity derivatives payable	2,105	888	-	2,993
Trade and other payables (Note 12)	19,786	-	-	19,786
2016				
Global Facility debt and interest	87,928	231,922	406,792	726,642
Woodlawn facility debt and interest	6,514	28,365	15,259	50,138
Interest rate swaps payable – Global Facility	25,429	67,026	7,970	100,425
Interest rate cap receivable	-	6	2	8
Trade and other payables (Note 12)	17,356	-	-	17,356

	Infigen Energy Trust Group			
	Up to 12 months	1 to 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000
Consolidated				
2017				
Amounts due to related parties	5,101	-	-	5,101
2016				
Amounts due to related parties	4,858	-	-	4,858

18. Financial risk management (continued)

c) Debt facilities

The Group has three debt facilities.

The Group must satisfy the relevant covenants in its Global Facility (Net Debt/EBITDA leverage ratio), the Woodlawn Project Finance Facility (debt service coverage ratio (DSCR)) and the Bodangora Project Finance Facility (DSCR). Failure to meet the covenants or other requirements of the facilities, or to remedy such failure within any allowable grace period, would provide the respective lenders with rights to take remedial actions under the facilities including the right to accelerate repayment of the debt if an event of default occurs. Remedial action could reduce the Group's revenues and adversely affect the Group's future financial performance, and may have flow-on effects to other commercial arrangements.

d) Foreign exchange

The Group has some residual USD borrowings and no longer has any USD operating assets or revenues. A decline in the value of the AUD versus the USD would increase the AUD value of the Group's USD denominated debt, to the extent that the exposure is unhedged.

The Group may also be exposed to foreign exchange risk when entering into contracts related to the future development of operational assets.

USD debt foreign exchange risk

A decline in value of the AUD versus the USD would increase the AUD equivalent value of the Group's USD debt. The Group has residual USD debt of USD70.6 million (2016 USD116.1 million) which is no longer offset by earnings from any operational USD assets following the sale of the US business in FY16. Where practicable, the Group aims to reduce this foreign currency debt exposure with accelerated USD debt repayments, the holding of USD cash and by utilising hedging instruments such as foreign currency forward contracts and options.

Foreign exchange risk management and exposure

The table below splits out the profit and loss, and equity movements of the foreign currency exposure:

	USD exposure	Foreign exchange gain / (loss) movement
	USD\$'000	AUD\$'000
2017		
Global Facility Debt	(70,600)	2,857
Foreign currency hedge	30,000	(509)
Cash	1,612	(65)
	(38,988)	2,283
2016		
Global Facility Debt	(116,175)	(4,955)
Foreign currency hedge	30,000	(229)
Cash	79,976	3,497
	(6,199)	(1,687)

The Group's balance sheet exposure to foreign currency risk at the balance date is shown below. This represents the USD assets and liabilities the Group holds translated to the AUD functional currency.

18. Financial risk management (continued)

Foreign currency (AUD\$'000)	2017 USD	2016 USD
Cash	2,114	107,250
Foreign currency hedge	39,137	40,231
Borrowings	(91,819)	(155,793)
Total exposure	(50,568)	(8,312)

Sensitivity

The following table details the Group's pre-tax sensitivity to a 10 percent change in the AUD against the USD, with all other variables held constant, as at the balance date, for its unhedged foreign exchange exposure.

A sensitivity of 10 percent has been selected as this is determined to be a reasonable measure for assessing the effect of exchange rate movements.

AUD\$'000	AUD/USD + 10%	AUD/USD - 10%
2017		
Income statement	(8,971)	8,971
2016		
Income statement	(4,854)	4,854

e) Interest rate

Interest rate risk management

To manage interest rate exposure, the Group fixes a portion of its floating rate borrowings by entering into interest rate swaps in which the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts, and interest rate caps in which the Group protects itself from rates increasing above a cap whilst still benefitting from lower interest rates under a cap. In undertaking this strategy the Group is willing to forgo a percentage of the potential economic benefit that would arise in a falling interest rate environment, in order to partially protect against downside risks of increasing interest rates and to secure a greater level of predictability for cash flows.

18. Financial risk management (continued)

The profit and loss effect on the Group's net result due to a change in interest rates is largely due to the Group's exposure to interest rates on its non-hedged variable rate borrowings less cash held. The effect on hedge reserve is due to the effective portion of the change in fair value of derivatives that are designated as cash flow hedges.

At balance date the Group has large cash balances. These cash balances are invested in the short term money market to achieve the best possible interest rate. A high percentage of the face value of debt in each of the relevant currencies is hedged using interest rate derivatives. The table below shows a breakdown of the Group's notional principal amounts.

Exposure

As at balance date, the Group had the following financial assets and liabilities, with exposure to interest rate risk. There was no ineffectiveness to be recorded from the cash flow hedges.

Outstanding pay fixed / receive floating interest rate hedging

AUD\$'000	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2017 %	2016 %	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed swap – AUD – Global Facility	6.41	6.82	367,375	394,912	(46,759)	(67,353)
Fixed swap/cap – AUD – Woodlawn	3.85	3.98	13,161	14,804	2	8
Fixed swap – AUD – Bodangora	1.94	-	913	-	(2,137)	-
Fixed swap – USD – Global Facility	5.34	5.36	147,807	179,045	(19,951)	(33,071)
			529,256	588,761	(68,845)	(100,416)

Bank debt

Global Facility debt is denominated in AUD and USD and the floating rate debt is re-priced every six months.

- AUD debt is priced using the six-month BBSY rate plus the defined facility margin. 69% of AUD debt is hedged with interest rate swaps.
- USD debt is priced using the six-month LIBOR rate plus the defined facility margin. 100% of USD debt is hedged with interest rate swaps.

Woodlawn debt is denominated in AUD and the floating rate debt is re-priced every 3 months:

- 50% of the Woodlawn Project Finance debt is re-priced quarterly using the three-month BBSY (AUD) rate plus the defined facility margin. 85% of this debt is hedged with an interest rate option; and
- 50% of the Woodlawn Project Finance debt is fixed for ten years at 3.7575% plus the defined facility margin.

The Bodangora Project Finance debt is evenly split between Tranche A and B. During the construction phase interest is capitalised. During the term phase interest is payable semi-annually.

- During the construction phase, Tranche A interest is re-priced monthly using the monthly BBSY (AUD) rate plus the defined facility margin. The Tranche A loan has been hedged at 100% of face value with interest rate swaps during this period.
- During the term phase, Tranche A interest is re-priced semi-annually using the six month BBSY (AUD) rate plus the defined facility margin. The Tranche A loan has been hedged at 85% of face value for the term period of the loan.
- Tranche B interest is fixed at 3.0225% plus the defined facility margin for both the construction and term facility.

The current debt rates detailed in the tables below are not inclusive of the facility margins.

18. Financial risk management (continued)

Floating rate debt

	Average floating interest rate		Debt principal amount	
	2017 %	2016 %	2017 \$'000	2016 \$'000
AUD debt – Global Facility	2.10	2.53	162,334	136,115
AUD debt – Woodlawn	1.77	2.37	2,721	4,659
EUR debt – Global Facility	-	(0.04)	-	20,834
USD debt – Global Facility	-	0.83	-	16,980
			165,055	178,588

Fixed rate debt

	Average fixed interest rate		Debt principal amount		% of debt hedged	
	2017 %	2016 %	2017 \$'000	2016 \$'000	2017 %	2016 %
AUD debt – Global Facility	6.41	6.82	367,375	394,912	69	74
AUD debt – Woodlawn	3.85	3.85	31,284	35,239	92	88
AUD debt – Bodangora	2.48	-	1,825	-	100	-
USD debt – Global Facility	5.34	5.36	91,819	138,814	100	100
			492,303	568,965		
Total debt			657,358	747,553	77	81

The current average interest rate (floating rate debt and fixed rate debt), pre-margin across all facilities is 5.04% (2016: 5.27%). The current average margin across all facilities is 123 basis points (2016: 126 basis points).

Sensitivity

The Group's sensitivity to interest rate movement has been determined based on the exposure to interest rates at the balance date. A sensitivity of 100 basis points has been selected across the two currencies to which the Group is exposed to floating rate debt: AUD and USD. The 100 basis points sensitivity is determined to be reasonable as it is assessed to be flat across the yield curve.

18. Financial risk management (continued)

Infigen Energy Group						
		2017	AUD	AUD	USD	USD
		AUD \$'000	+100 bps	-100 bps	+100 bps	-100 bps
Effect on income statement						
Cash	AUD	244,060	2,441	(2,441)	-	-
	USD	1,612	-	-	16	(16)
		245,672				
Global Facility	AUD	529,709	(1,623)	1,623	-	-
	USD	91,819	-	-	(918)	918
Woodlawn	AUD	34,005	(27)	27	-	-
Bodangora	AUD	1,825	-	-	-	-
		657,358				
Derivatives – interest rate swaps	AUD	48,896	489	(489)	-	-
	USD	19,951	-	-	200	(200)
		68,847				
Derivatives – interest rate caps	AUD	2	-	-	-	-
Total income statement			1,280	(1,280)	(702)	702
Effect on hedge reserve						
Derivatives – interest rate swaps	AUD	368,288	3,683	(3,683)	-	-
	USD	147,807	-	-	1,478	(1,478)
Total hedge reserve			3,683	(3,683)	1,478	(1,478)
Total effect on equity			4,963	(4,963)	776	(776)

18. Financial risk management (continued)

		2016 AUD \$'000	AUD +100 bps	AUD -100 bps	EUR +100 bps	EUR -100 bps	USD +100 bps	USD -100 bps
Effect on income statement								
Cash	AUD	21,880	219	(219)	-	-	-	-
	USD	107,250	-	-	1,073	(1,073)	-	-
	EUR	18,472	-	-	-	-	185	(185)
		147,602						
Global Facility	AUD	531,027	(1,361)	1,361	-	-	-	-
	EUR	20,834	-	-	(208)	(9)	-	-
	USD	155,793	-	-	-	-	(170)	142
Woodlawn	AUD	39,898	(47)	47	-	-	-	-
		747,552						
Derivatives – interest rate swaps	AUD	67,353	674	(674)	-	-	-	-
	USD	33,071	-	-	-	-	331	(331)
		100,424						
Derivatives – interest rate caps	AUD	8	-	-	-	-	-	-
Total income statement			(515)	515	865	(1,082)	346	(374)
Effect on hedge reserve								
Derivatives – interest rate swaps	AUD	394,912	3,949	(3,949)	-	-	-	-
	USD	179,045	-	-	-	-	1,790	(1,790)
Total hedge reserve			3,949	(3,949)	-	-	1,790	(1,790)
Total effect on equity			3,434	(3,434)	865	(1,082)	2,136	(2,164)

18. Financial risk management (continued)

	Infigen Energy Trust Group		
	AUD \$'000	AUD +100 bps	AUD -100 bps
2017			
Impact on income statement			
Cash	5,515	55	(55)
2016			
Impact on income statement			
Cash	405	4	(4)

f) Counterparty credit

The Group has credit exposure to contract counterparties and expects to continue to have such exposure to existing and new counterparties. Failure of these parties to fulfil their obligations as and when due, or in full, could reduce the Group's revenues and adversely affect the Group's future financial performance.

Credit risk management

The Group's counterparty exposure is regularly monitored and the aggregate value of transactions is spread among creditworthy counterparties. The Group's 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 at above investment grade;
- utilities with appropriately sized trading limits determined having regard to international credit ratings and performance security and the length of the exposure; or
- other non-rated entities who transact in energy markets which are assigned appropriately enforced and sized trading limits.

Exposure

The Trust has credit risk exposure to other members of the Group.

At balance date, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties.

The carrying amount of financial assets, recorded in the financial statements, represents the Group's maximum exposure to credit risk.

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

18. Financial risk management (continued)

	Infigen Energy Group			Description
	Within credit terms \$'000	Past due but not impaired \$'000	Impaired \$'000	
Consolidated				
2017				
Bank deposits	251,786	-	-	Credit rating investment grade
Trade receivables	5,813	-	-	Small number of Australian off take counterparties
Amounts due from related parties (associates)	1,019	-	-	Loan to associated entities
2016				
Bank deposits	147,602	-	-	Credit rating investment grade
Trade receivables	15,740	-	-	Small number of Australian off take counterparties
Other current receivables	252	-	-	Sale settlement period
Amounts due from related parties (associates)	1,019	-	-	Loan to associated entities

	Infigen Energy Trust Group			Description
	Within credit terms \$'000	Past due but not impaired \$'000	Impaired \$'000	
Consolidated				
2017				
Bank deposits	5,515	-	-	Credit rating investment grade
Loans to related parties	148,192	-	598,240 ¹	Amount receivable at the discount rate after the unwinding of discount
	153,707	-	598,240	
2016				
Bank deposits	405	-	-	Credit rating investment grade
Loans to related parties	-	-	567,321 ¹	Amount receivable at the discount rate after the unwinding of discount
	405	-	567,321	

¹ Refer to Note 32 for the contractual amount due from Group members other than IET.

EQUITY

19. Contributed equity

Infigen Energy Group				
	2017 No. '000	2017 \$'000	2016 No. '000	2016 \$'000
Fully paid stapled securities/units				
Opening balance	772,469	764,314	767,888	763,169
Issue of securities to employees	8,108	7,297	4,581	1,145
Issue of securities to raise capital	169,682	151,017	-	-
Less: transaction costs arising on issue of securities to raise capital	-	(6,665)	-	-
Closing balance	950,259	915,963	772,469	764,314

	2017 \$'000	2016 \$'000
Attributable to:		
Equity holders of the parent	2,305	2,305
Equity holders of the other stapled securities (non-controlling interests)	913,658	762,009
	915,963	764,314

Infigen Energy Trust Group				
	2017 No. '000	2017 \$'000	2016 No. '000	2016 \$'000
Fully paid stapled securities/units				
Opening balance	772,469	755,748	767,888	754,603
Issue of securities to employees	8,108	7,297	4,581	1,145
Issue of securities to raise capital	169,682	151,017	-	-
Less: transaction costs arising on issue of securities to raise capital	-	(6,665)	-	-
Closing balance	950,259	907,397	772,469	755,748

20. Reserves

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Hedging	(42,374)	(62,622)
Acquisition	(47,675)	(47,675)
Share-based payment	(1,506)	3,846
	(91,555)	(106,451)
Attributable to:		
Equity holders of the parent	(91,555)	(106,451)
Equity holders of the other stapled securities (non-controlling interests)	-	-
	(91,555)	(106,451)

a) Hedging reserve

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Balance at beginning of financial year	(62,622)	(70,239)
Movement increasing / (decreasing) recognised:		
Interest rate swaps	34,866	1,451
Foreign exchange contracts	(508)	(86)
Electricity derivatives	(2,836)	-
Deferred tax arising on hedges	(11,274)	6,252
	20,248	7,617
Balance at end of financial year	(42,374)	(62,622)

The hedging reserve is used to record movements on a hedging instrument in a cash flow hedge that is recognised directly in equity. The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately.

b) Acquisition reserve

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Balance at the beginning and end of the financial year	(47,675)	(47,675)

The acquisition reserve relates to the acquisition of non-controlling interests in entities over which the Group already exerted control. Therefore, the acquisition of these non-controlling interests did not result in a change of control but was an acquisition of the interests held by minority shareholders.

These transactions are treated as transactions between owners of the Group. The difference between the purchase consideration and the amount by which the non-controlling interest is adjusted, has been recognised in the acquisition reserve.

20. Reserves (continued)

c) Share-based payment reserve

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Balance at beginning of financial year	3,846	4,207
Share-based payments expense	1,076	536
Issue of shares / bonus provision transfer	(6,428)	(897)
Balance at end of financial year	(1,506)	3,846

The share-based payments reserve is used to recognise the fair value of performance rights/units issued to employees but not vested. Refer Note 33 for further detail.

21. Retained earnings

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at beginning of financial year	(377,298)	(381,784)	(191,755)	(220,383)
Net profit attributable to stapled security holders	32,264	4,486	31,220	28,628
Balance at end of financial year	(345,034)	(377,298)	(160,535)	(191,755)
Attributable to:				
Equity holders of the parent	(320,760)	(353,125)	(160,535)	(191,755)
Equity holders of the other stapled securities (non-controlling interests)	(24,274)	(24,173)	-	-
	(345,034)	(377,298)	(160,535)	(191,755)

22. Distributions

Ordinary stapled securities

There were no distributions in respect of the years ended 30 June 2016 and 30 June 2017.

Franking credits

The parent entity has franking credits of \$6,228,093 as at 30 June 2017 (2016: \$6,228,093).

GROUP STRUCTURE

23. Investment in associates and joint ventures

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
a) Movements in carrying amounts		
Carrying amount at the beginning of the year	1,258	452
Additions	48	781
Transfers out ¹	(89)	-
Share of profits / (losses) after income tax	(8)	25
Carrying amount at the end of the year	1,209	1,258

¹ On 24 March 2017 Bodangora Wind Farm Pty Ltd ceased to be a joint venture entity accounted under the equity method following the Group's acquisition of the 50% equity interest that it did not own in the investment. Bodangora Wind Farm Pty Ltd is a 100% owned subsidiary and recognised as part of the consolidated Group. Refer to Note 25 Business Combination for details of this transaction. A list of the subsidiaries is contained in Note 26.

	Place of business / country of incorporation	Ownership interest ² %		Nature of relationship	Measurement method
		30 June 2017	30 June 2016		
30 June 2017					
Associate and joint venture entities	Australia	32%-50%	32%-50%	Associates and joint ventures	Equity method

² Share capital consists solely of ordinary shares, which are held directly by the Group.

The associate and joint venture entities hold interests in energy development projects.

All associates and joint ventures are private entities and therefore no quoted security prices are available.

b) Contingent liabilities in respect of associates and joint ventures

There are no contingent liabilities in respect of associates and joint ventures as at 30 June 2017 (30 June 2016: nil).

Recognition and measurement

The Group's investment in associates and joint ventures is accounted for in the consolidated financial statements using the equity method. Under this method, the investment in associates and joint ventures is carried in the consolidated statements of financial position at cost.

23. Investment in associates and joint ventures (continued)

c) Summarised financial information of associates and joint ventures

The Group's share of the results of its associates and joint ventures are as follows:

	Group's share of:		
	Net assets \$'000	Revenues \$'000	Share of profit / (loss) \$'000
Year ended 30 June 2017			
Associate and joint venture entities	1,209	-	(8)
		-	
Year ended 30 June 2016			
Associate and joint venture entities	1,258	-	25
	1,258	-	25

24. Discontinued operations

The sale of all US solar development assets and the US wind business was completed during the year ended 30 June 2016. Financial information relating to the discontinued operations is set out below.

Financial performance

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Other gains	-	802
Profit before income tax from discontinued operations	-	802
Income tax expense	-	(3,349)
Loss from discontinued operations	-	(2,547)
<i>Other comprehensive income – movements through equity</i>		
Exchange differences on translation of foreign operations	-	6,774
Other comprehensive income for the year net of tax arising from discontinued operations	-	6,774
Total comprehensive income for the year net of tax arising from discontinued operations	-	4,227

25. Business combination

On 24 March 2017, the Group acquired the 50% equity interest that it did not own in Bodangora Wind Farm Pty Ltd. As 100% owner of the subsidiary, the Group will construct a 113.2 MW wind farm near Wellington in New South Wales. It will operate the windfarm once construction has completed.

Details of the purchase consideration and the assets recognised as a result of the acquisition are as follows:

	24 March 2017 \$'000
Purchase consideration	
Shareholder loan repayment	1,235
Consideration paid	5,765
Total purchase consideration	7,000

The assets recognised as a result of the acquisition are as follows:

	Fair value \$'000
Assets under construction	8,236
Deferred tax liability	(2,471)
Net assets acquired	5,765

26. Subsidiaries

Subsidiaries are all those entities over which the Group or the Trust 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 the Group or the Trust controls another entity.

Name of entity	Country of incorporation	Ownership interest	
		2017	2016
Parent entity			
** Infigen Energy Limited	Australia		
Other stapled entities			
Infigen Energy (Bermuda) Limited	Bermuda		
Infigen Energy Trust	Australia		
Subsidiaries of the parent and other stapled entities			
BBWP Holdings (Bermuda) Limited	Bermuda	100%	100%
* Bluff Solar Farm Pty Limited	Australia	100%	-
* Bodangora Wind Farm Pty Ltd	Australia	100%	50% ^A
* Bogan River Solar Farm Pty Ltd	Australia	100%	100%
* Bowen Solar Farm Pty Limited	Australia	100%	-
* BWF Finance Pty Limited	Australia	100%	-
* BWF Holdings Pty Limited	Australia	100%	-
* Capital East Solar Pty Limited	Australia	100%	100%
* Capital Solar Farm Pty Limited	Australia	100%	100%
* Capital Wind Farm (BB) Trust	Australia	100%	100%
* Capital Wind Farm 2 Pty Limited	Australia	100%	100%
** Capital Wind Farm Holdings Pty Limited	Australia	100%	100%
* Cherry Tree Wind Farm Pty Ltd	Australia	100%	100%
* CREP Land Holdings Pty Limited	Australia	100%	100%
* CS CWF Trust	Australia	100%	100%
* Flyers Creek Wind Farm Pty Ltd	Australia	100%	100%
Infigen Energy (Malta) Limited	Malta	100%	100%
* Infigen Energy (US) Pty Limited	Australia	100%	100%
* Infigen Energy (US) 2 Pty Limited	Australia	100%	100%
* Infigen Energy Custodian Services Pty Limited	Australia	100%	100%
* Infigen Energy Development Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Development Pty Ltd	Australia	100%	100%
* Infigen Energy Europe Pty Limited	Australia	100%	100%
* Infigen Energy Europe 2 Pty Limited	Australia	100%	100%
* Infigen Energy Europe 3 Pty Limited	Australia	100%	100%
* Infigen Energy Europe 4 Pty Limited	Australia	100%	100%
* Infigen Energy Europe 5 Pty Limited	Australia	100%	100%
* Infigen Energy Finance (Australia) Pty Limited	Australia	100%	100%
* Infigen Energy Finance (Germany) Pty Limited	Australia	100%	100%
Infigen Energy Finance (Lux) SARL	Luxembourg	100%	100%
* Infigen Energy Germany Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Germany Holdings 2 Pty Limited	Australia	100%	100%
* Infigen Energy Germany Holdings 3 Pty Limited	Australia	100%	100%
* Infigen Energy Holdings Pty Limited	Australia	100%	100%
Infigen Energy Holdings SARL	Luxembourg	100%	100%

26. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest	
		2017	2016
* Infigen Energy Investments Pty Limited	Australia	100%	100%
* Infigen Energy Markets Pty Limited	Australia	100%	100%
* Infigen Energy Niederrhein Pty Limited	Australia	100%	100%
* Infigen Energy RE Limited	Australia	100%	100%
* Infigen Energy Services Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Services Pty Limited	Australia	100%	100%
* Infigen Energy T Services Pty Limited	Australia	100%	100%
Infigen Energy US Corporation	USA	100%	100%
Infigen Energy US Holdings LLC	USA	100%	100%
Infigen Energy US Development Corporation	USA	100%	100%
* Infigen Energy US Holdings Pty Limited	Australia	100%	100%
Infigen Energy US Partnership	USA	100%	100%
*# Lake Bonney Holdings Pty Limited	Australia	100%	100%
* Lake Bonney 2 Holdings Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power 2 Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power 3 Pty Limited	Australia	100%	100%
* Manildra Solar Farm Pty Limited	Australia	-	100%
* NPP LB2 LLC	USA	100%	100%
* NPP Projects I LLC	USA	100%	100%
* NPP Projects V LLC	USA	100%	100%
* NPP Walkaway Pty Limited	Australia	100%	100%
* NPP Walkaway Trust	Australia	100%	100%
* Renewable Energy Constructions Pty Limited	Australia	100%	100%
*# Renewable Power Ventures Pty Ltd	Australia	100%	100%
* RPV Investment Trust	Australia	100%	100%
* Walkaway (BB) Pty Limited	Australia	100%	100%
* Walkaway (CS) Pty Limited	Australia	100%	100%
*# Walkaway Wind Power Pty Limited	Australia	100%	100%
* Woakwine Wind Farm Pty Ltd	Australia	100%	100%
* Woodlawn Wind Pty Ltd	Australia	100%	100%
* WWCS Finance Pty Limited	Australia	100%	100%
* WWCS Holdings Pty Limited	Australia	100%	100%
*# WWP Holdings Pty Limited	Australia	100%	100%
Subsidiaries of the Trust			
CS Walkaway Trust	Australia	100%	100%
Walkaway (BB) Trust	Australia	100%	100%

* Denotes a member of the IEL tax consolidated group

Entered into ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 allowing a Deed of Cross Guarantee with Infigen Energy Limited removing the requirement for the preparation of separate financial statements where preparation of a separate financial statement is required (refer Note 27)

^A 50% equity accounted investment

27. Deed of cross guarantee

Set out below are the consolidated statements of comprehensive income and consolidated statements of financial position, comprising Infigen Energy Limited and its controlled entities which are parties to the Deed of Cross Guarantee (refer Note 26), after eliminating all transactions between parties to the Deed.

The Deed of Cross Guarantee was executed on 18 June 2012.

a) Consolidated statements of comprehensive income

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Revenue from continuing operations	76,296	71,896
Operating expenses	(15,399)	(15,091)
Depreciation and amortisation expense	(23,146)	(23,127)
Interest expense	(18,160)	(19,970)
Other finance costs	(282)	(4,845)
Net profit before income tax	19,309	8,863
Income tax expense	(7,141)	(10,435)
Net profit / (loss) for the year	12,168	(1,572)
<i>Other comprehensive income – movements through equity</i>		
Changes in the fair value of cash flow hedges, net of tax	-	-
Total comprehensive income / (loss) for the year, net of tax	12,168	(1,572)

27. Deed of cross guarantee (continued)

b) Consolidated statements of financial position

	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	-	9
Trade and other receivables	16,280	16,489
Inventory	7,106	9,794
Total current assets	23,386	26,292
Non-current assets		
Receivables	810,229	923,076
Shares in controlled entities	73,559	30,318
Property, plant and equipment	332,937	353,779
Deferred tax assets	45,774	48,544
Intangible assets	55,150	57,382
Total non-current assets	1,317,649	1,413,099
Total assets	1,341,035	1,439,391
Current liabilities		
Trade and other payables	563	1,052
Derivative financial instruments	509	-
Total current liabilities	1,072	1,052
Non-current liabilities		
Payables	1,558,543	1,666,880
Provisions	3,999	3,938
Total non-current liabilities	1,562,542	1,670,818
Total liabilities	1,563,614	1,671,870
Net assets	(222,579)	(232,479)
Equity		
Contributed equity	2,305	2,305
Reserves	(23,513)	(21,245)
Retained earnings	(201,371)	(213,539)
Total equity	(222,579)	(232,479)

28. Parent disclosures

a) Summary financial information

	Infigen Energy Limited	
	2017 \$'000	2016 \$'000
Assets and liabilities		
Current assets	-	-
Non-current assets	728,716	670,524
Total assets	728,716	670,524
Current liabilities	-	-
Non-current liabilities	1,003,627	945,403
Total liabilities	1,003,627	945,403
Shareholders' equity		
Issued capital	2,305	2,305
Reserves	(356)	-
Retained earnings	(276,860)	(277,184)
	(274,911)	(274,879)
Profit/(loss) for the year	324	(5,330)
Total comprehensive profit/(loss)	324	(5,330)

Due to the stapled structure of IEL, IET and IEBL, the summary financial information of the parent entity shows a net liability as at 30 June 2017. When combined with the other stapled entities, the parent has positive net current assets and net total assets. Non-current liabilities of IEL are principally \$659.9 million (2016: \$594.9 million) of long-term funding provided by IET.

b) Deed of Cross Guarantee

IEL has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Notes 26 and 27.

Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

29. Commitments

a) Capital expenditure commitments

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Capital expenditure commitments	148,738	574

Capital expenditure commitments include commitment arrangements relating to the construction of Bodangora wind farm, spare parts, IT projects, and solar energy projects.

b) Other expenditure commitments

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Repairs and maintenance	113,458	23,457

Other expenditure commitments relate to contractual obligations for future repairs and maintenance of the wind plant and equipment which have not been recognised as a liability.

c) Operating lease commitments

The Group leases land for its wind farms under non-cancellable operating leases expiring between 20 to 55 years. The leases have varying terms, escalation clauses and renewal rights.

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than 1 year	11,758	5,869
Later than 1 year and not later than 5 years	30,811	20,572
Later than 5 years	72,615	48,257
	115,184	74,698

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis.

30. Contingent liabilities

Infigen Energy Group

	Infigen Energy Limited	
	2017 \$'000	2016 \$'000
Letters of credit	7,964	1,964

Letters of credit relate to Australian Electricity Market requirements, transmission requirements and rental bonds. No liability was recognised by the parent entity of the Group in relation to these letters of credit, as their combined fair value is immaterial.

Deed of Cross Guarantee

Under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 certain wholly-owned controlled entities are granted relief from the requirement to prepare audited financial reports. Infigen Energy Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities identified as being a party to the deed in Note 26.

Infigen Energy Trust Group

There are no contingent liabilities for the Trust as at 30 June 2017 (2016: nil).

Key estimate

The Group or the Trust has made estimates and assumptions in relation to its contingent liabilities. By their nature, the exact value of these contingent liabilities is uncertain and the Group has made estimates of their value based on the facts and circumstances known at the balance date.

OTHERS

31. Events occurring after balance date

Since the end of the financial year, in the opinion of the directors of IEL and IERL as Responsible Entity of IET, there have not been any transactions or events of a material or unusual nature likely to affect significantly the operations or affairs of IEL and IET in future financial periods.

32. Related party transactions

Infigen Energy Group

Related party loan

As at 30 June 2017 and 30 June 2016, the Group was owed an amount of \$1,019,156 from an associate, RPV Developments Pty Ltd.

Transactions with key management personnel

Ms S Wiggins, Executive Director Finance is the managing director of Pipionem Partners. Pipionem Partners has provided financial advisory services to the Group on normal commercial terms and conditions. The aggregate amount of the services provided by Pipionem Partners for the year ended 30 June 2017 was \$450,000.

32. Related party transactions (continued)

Mr M George, former Managing Director is the director of Hillview Court Enterprises. The Group entered into a contract with Hillview Court Enterprises during the year for the provision of consultancy services. The contract was based on normal commercial terms and conditions. The aggregate amount of the services provided by Hillview Court Enterprises for the year ended 30 June 2017 was \$62,500.

Infigen Energy Trust Group

For the year ended 30 June 2017, the Trust recognised \$30.9 million (FY16: \$29.3 million) for the unwinding of the discount on the loan receivable from related parties. As part of the long-term funding arrangements within the stapled structure, IET has loans due from other Group entities totalling \$891.5 million (2016: \$745.8 million). While IET is expected to receive the full \$891.5 million contractual face value of the loans, the term of the repayment of these loans has resulted in them being discounted to the net present value. The forecast undiscounted cash flows of the operating assets of the Group support the carrying value of the loans as they exceed \$891.5 million.

The Responsible Entity ("RE") charges a management fee to the Trust for managerial and administrative expenses. During the year ended 30 June 2017, the Trust incurred fees of \$665,109 (2016: \$678,326) from the RE.

The Trust owed the following amounts to other members of the Infigen Energy Group:

	2017 \$'000	2016 \$'000
Infigen Energy RE Limited	5,101	4,857

The Infigen Energy Trust Group was owed the following amounts by other members of the Infigen Energy Group:

	2017 \$'000	2016 \$'000
Infigen Energy Limited	659,791	607,935
Infigen Energy (Bermuda) Limited	691	691
Infigen Energy Holdings Pty Limited	201,000	105,790
Infigen Energy (US) 2 Pty Limited	30,009	30,009
Total receivables from related parties	891,491	744,425

Receivables from related parties are disclosed in Note 7. Payables to related parties are disclosed in Note 12.

Substantial shareholders

Mr P Green, a non-executive director of the Group, is a partner of TCI Advisory Services LLP ("TCI"), an advisor to an entity which has a substantial shareholding of Infigen stapled securities. Mr P Green has advised the Group that he does not have a relevant interest in those Infigen stapled securities.

33. Share-based payments

The Group provides share-based compensation benefits to certain executives of the Group via the Infigen Energy Equity Plan ("Equity Plan").

Recognition and measurement

The fair value of performance rights/units granted under the Equity Plan is measured at grant date and is recognised as an employee benefit expense over the period during which the executives become unconditionally entitled to the performance rights/units, with a corresponding increase in equity.

33. Share-based payments (continued)

Share-based payment expense

Expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Infigen Energy Group	
	2017 \$'000	2016 \$'000
LTI Performance rights expense in the current year	827	571
Deferred STI expense in the current year (deferred in performance rights)	455	365
Write-back prior years long-term share-based incentive expense allocation	(204)	(400)
	1,078	536

Additional information on award schemes

Long Term Incentive (LTI) - Employee equity plan

LTI Equity Plan arrangements

Senior Managers have received long-term incentive grants under the Equity Plan for FY15, FY16 and FY17.

Performance conditions of LTI awards granted under the Equity Plan

- In each of FY15, FY16 and FY17, plan participants received performance rights or units in two tranches of equal value (**Tranche 1** and **Tranche 2**).

The measures used to determine performance and the subsequent vesting of performance rights/units were Total Shareholder Return (TSR) and an operational performance (EBITDA) test. The vesting of Tranche 1 of the performance rights/units is subject to the TSR condition, while the vesting of Tranche 2 of the performance rights/units is subject to the Operational Performance condition. The Operational Performance condition is determined by an earnings before interest, taxes, depreciation and amortisation (EBITDA) test.

		Performance rights	Performance units	Period
2015	Tranche 1	TSR condition	TSR condition	1 July 2014 - 30 June 2017
	Tranche 2	Operational Performance condition	Operational Performance condition	1 July 2014 - 30 June 2017
2016	Tranche 1	TSR condition	TSR condition	1 July 2015 - 30 June 2018
	Tranche 2	Operational Performance condition	Operational Performance condition	1 July 2015 - 30 June 2018
2017	Tranche 1	TSR condition	TSR condition	1 July 2016 - 30 June 2019
	Tranche 2	Operational Performance condition	Operational Performance condition	1 July 2016 - 30 June 2019

TSR condition (applicable to Tranche 1 performance rights / units): TSR measures the growth in the price of securities plus cash distributions notionally reinvested in securities. In order for the Tranche 1 performance rights to vest, the TSR of Infigen will be compared to companies in the S&P/ASX 200 (excluding financial services and the materials/resources sectors). For the purpose of calculating the TSR measurement, the security prices of each company in the S&P/ASX 200 (as modified above) and of Infigen will be averaged over the 30 trading days preceding the start and end date of the performance period.

33. Share-based payments (continued)

The percentage of the Tranche 1 performance rights that vest under the LTI plans are as follows:

		Percentile ranking						
		Below the 25 th percentile	Equal to the 25 th percentile	Between the 25 th and 50 th percentile	Equal to the 50 th percentile	Between the 50 th and 75 th percentile	Between the 76 th and 95 th percentile	Above the 95 th percentile
Percentage of Awards vesting	FY15	0% vesting	0% vesting	0% vesting	25% vesting	An additional 2% of awards vest for each percentile increase	An additional 1.25% of awards vest for each percentile increase	100% vesting
	FY16	0% vesting	0% vesting	0% vesting	25% vesting	An additional 2% of awards vest for each percentile increase	An additional 1.25% of awards vest for each percentile increase	100% vesting
	FY17	0% vesting	25% vesting	An additional 1% of awards vest for each percentile increase	50% vesting	An additional 2% of awards vest for each percentile increase	100% vesting	

Operational Performance condition (applicable to Tranche 2 performance rights / units): the vesting of the Tranche 2 performance rights or units is subject to an Operational Performance condition.

The Operational Performance condition will test the multiple of EBITDA to Capital Base, with the annual target being a specified percentage increase in the multiple over the year. The Capital Base will be measured as equity (net assets) plus net debt. Both the EBITDA and Capital Base are measured on a proportionately consolidated basis to reflect Infigen's economic interest in all investments.

The percentage of the Tranche 2 performance rights that vest under the LTI plans are as follows:

Infigen's EBITDA performance	FY15, FY16 & FY17 Grant Percentage of Tranche 2 Performance Rights that vest
0% < 90% of the cumulative target	Nil
90% ≤ 110% of the cumulative target	5% to 100% (i.e. for every 1% increase between 90 and 110% of target an additional 5% of the Tranche 2 Performance Rights will vest).

Set out below are summaries of performance rights that have been granted and are on issue under the Equity Plan:

Deemed grant date	Balance at start of the year	Granted during the year	Vested during the year	Cash settled during the year	Lapsed during the year	Balance at end of the year
	Number	Number	Number	Number	Number	Number
FY13 LTI Grant	2,805,266	-	(2,805,266)	-	-	-
FY14 LTI Grant	3,675,889	-	(3,492,096)	-	(183,793)	-
FY15 LTI Grant	3,846,154	-	-	-	(641,026)	3,205,128
FY15 Deferred STI Grant	1,810,857	-	(1,810,857)	-	-	-
FY16 LTI Grant	3,159,814	-	-	-	(527,188)	2,632,626
FY16 Deferred STI Grant	-	882,717	-	-	-	882,717
FY17 LTI Grant	-	996,416	-	-	(154,802)	841,614
Total	15,297,980	1,879,133	(8,108,219)	-	(1,506,809)	7,562,085

33. Share-based payments (continued)

Fair value of performance rights granted under the LTI plan

		Grant date	Fair value of performance rights per share (\$)
2015	Tranche 1	21 November 2014	0.098
	Tranche 2	21 November 2014	0.275
2016	Tranche 1	13 November 2015	0.128
	Tranche 2	13 November 2015	0.358
2017	Tranche 1	20 September 2016	0.285
	Tranche 2	20 September 2016	0.800

The fair values of performance rights/units at grant date are determined using market prices and a model that takes into account the exercise price, the term of the performance right/unit and the security price at grant date.

The model inputs for performance rights/units granted include:

- Performance rights/units are granted for no consideration and vest in accordance with the TSR condition and the Operational Performance condition outlined above for Tranche 1 and Tranche 2, respectively. Performance rights/units have a nil exercise price and vest automatically as stapled securities for rights and as cash for units.
- Grant dates: 21 November 2014 (FY15 plan); 13 November 2015 (FY16 plan); 20 September 2016 (FY17 plan)
- Security price at grant date: \$0.275 (FY15 plan), \$0.36 (FY16 plan), \$0.80 (FY17 Plan)

Where performance rights/units are issued to employees of subsidiaries within the Group, the expense in relation to these performance rights/units is recognised by the relevant entity with the corresponding increase in stapled securities.

Deferred short term incentive granted as performance rights (Deferred STI)

- The Deferred STI has a forfeiture condition relating to continued employment.
- The Deferred STI is recognised as a Share Based Payment expense over the two financial periods.
- 1,810,857 securities were issued to satisfy the FY15 Deferred STI obligation that vested on 12 September 2016.
- The grant date for the FY16 Deferred STI was 20 September 2016.
- The number of units issued under the FY16 Deferred STI was 882,717.
- The weighted average security price at the grant date for the FY16 Deferred STI was \$1.0465.

34. Key management personnel disclosures

Key management personnel remuneration

Detailed remuneration disclosures are provided in the Remuneration Report of this annual report designated as audited and forming part of the Directors' Report.

Key Management Personnel (KMP) are not remunerated by the Trust. Payments made by the Trust to the responsible entity do not include any amounts attributable to the remuneration of KMPs. Non-Executive directors of IERL are remunerated by IERL. Other KMP of the Group are remunerated by the Group.

34. Key management personnel disclosures (continued)

The aggregate remuneration of KMP of the Group and the Trust is set out below:

	2017 \$	2016 \$
Short-term employee benefits ¹	5,074,974	3,109,964
Post-employment benefits (superannuation)	158,666	127,250
Other long-term benefits and equity-based incentive expense allocation ²	1,325,198	1,170,941
Write-back prior year's long-term share-based incentive expense allocation	(203,904)	(400,000)
Total	6,354,934	4,008,155

¹ Includes short-term incentives accrued in respect of the current period.

² Share-based incentive expense allocations are subject to performance rights and units vesting in the future. FY16 equity settled incentive expense is adjusted for FY15 deferred STI granted in the period.

a) Loans to key personnel and their personally related entities

No loans have been made by the Group or the Trust to KMP or their personally related parties during the years ended 30 June 2017 and 30 June 2016.

35. Remuneration of auditors

During the year the following fees were paid or are payable for services provided by the auditor of the Group and the Trust for their related practices and non-related audit firms:

	Infigen Energy Group		Infigen Energy Trust Group	
	2017 \$	2016 \$	2017 \$	2016 \$
Audit services by:				
PricewaterhouseCoopers				
<i>Audit and other assurance services</i>				
Audit and review of the financial statements	196,000	201,000	20,000	20,000
Audit and review of subsidiaries' financial statements	162,000	158,000	-	-
Other assurance services	32,000	31,000	-	-
	390,000	390,000	20,000	20,000
Taxation services by:				
PricewaterhouseCoopers				
Taxation compliance and advisory services	73,435	61,065	-	-
	73,435	61,065	-	-
Other services by:				
PricewaterhouseCoopers				
Transaction and advisory services	372,193	164,228	229,393	-
Total remuneration of auditors	835,628	615,293	249,393	20,000

Non-audit services

The Group may decide to engage the auditor (PricewaterhouseCoopers) for provision of services additional to their statutory audit duties where the auditor's expertise and experience with the Group are important and cost effective. The auditors received \$445,628 for the provision of these services during the financial year. The nature of the non-audit services provided by the auditor include due diligence services and tax advice relating to the equity capital raising transaction and the financing of the Bodangora Wind Farm, general tax compliance services, and international tax consulting.

The Board has considered the Audit Risk and Compliance Committee's advice and the non-audit services provided by the auditor and is satisfied that the provision of these services by the auditor is compatible with, and did not compromise the general standard of auditor independence imposed by the *Corporations Act 2001*. The non-audit services provided also do not undermine the general principles relating to auditor independence as set out in the APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditor's own work or acting in a management or decision making capacity for the Group.

36. New and amended accounting standards

a) New and amended standards adopted by the Group or the Trust

There are no new or amended standards that are effective from 1 July 2016 that are mandatory for adoption by the Group or the Trust.

b) New standards and interpretations not yet adopted by the Group or the Trust

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Group and the Trust. The Group and the Trust's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 15 *Revenue from Contracts with Customers*:

- is mandatory for adoption for financial years commencing on or after 1 January 2018;
- replaces AASB 118 *Contracts for Goods and Services* and AASB 111 *Construction Contracts*;
- is based on the principle that revenue is recognised when control of a good or service transfers to a customer; and
- permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has identified that the new standard will affect the way revenue from LGCs and PPAs are described and disclosed in the financial statements. However, as at the balance date, it is assessed that no change is expected with respect to the recognition and measurement of these revenue streams. The Group and the Trust must adopt the new standard from 1 July 2018.

(ii) AASB 16 *Leases* is mandatory for adoption for financial years commencing on or after 1 January 2019. On adoption of this new standard:

- the Group's operating lease commitments relating to land leases, option fees and office leases will be recognised in the consolidated statements of financial position; and
- operating leases will be recognised as an asset (the right to use the leased item) and a financial liability (lease payment obligation).

The Group's maintenance and capital expenditure commitments and connection fees will not be classified as leases under AASB 16. An optional exemption also exists for short-term and low-value leases such as rental of office equipment.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group or Trust in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

In the opinion of the Directors of Infigen Energy Limited ("IEL") and the Directors of the Responsible Entity of Infigen Energy Trust ("IET"), Infigen Energy RE Limited ("IERL") (collectively referred to as "the Directors"):

- a) the financial statements and notes of Infigen Energy Group and the Infigen Energy Trust Group set out on pages 40 to 106 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 Infigen Energy Group's and Infigen Energy Trust Group's financial position as at 30 June 2017 and of their performance for the financial year ended on that date;
- b) there are reasonable grounds to believe that both Infigen Energy Group and Infigen Energy Trust Group will be able to pay their debts as and when they become due and payable; and
- c) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors of IEL and IERL:



Michael Hutchinson
Chairman



Ross Rolfe AO
Chief Executive Officer / Managing Director

Sydney, 24 August 2017

AUDITOR'S REPORT



Independent auditor's report

To the stapled security holders of Infigen Energy Limited and the unit holders of Infigen Energy Trust

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Infigen Energy Limited ("the Company" or "IEL") and its controlled entities (together "Infigen" or "the Group"), and Infigen Energy Trust and its controlled entities (together "Infigen Trust") are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial positions of Infigen and Infigen Trust as at 30 June 2017 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of Infigen and Infigen Trust comprise:

- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of financial position as at 30 June 2017
- the consolidated statements of changes in equity for the year then ended
- the consolidated cash flows statements for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial reports* section of our report.

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

Independence

We are independent of Infigen and Infigen Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial reports are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of Infigen and Infigen Trust, their accounting processes and controls and the industry in which they operate.

The structure of Infigen is commonly referred to as a 'stapled group.' In a stapled group the securities of two or more entities are 'stapled' together and cannot be traded separately. In the case of Infigen, the shares in IEL have been stapled to the units in Infigen Trust. For the purposes of consolidation accounting, IEL is 'deemed' the parent and the consolidated report reflects the consolidation of IEL and its controlled entities, and Infigen Trust.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> For the purpose of our audit of the Group we used overall materiality of \$3.6 million, which represents approximately 2.5% of earnings before interest, tax, depreciation and amortisation (EBITDA) of Infigen. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose EBITDA because, in our view, it is the benchmark against which performance is most commonly measured. It also closely represents operating cash flow and underlying earnings. EBITDA is a generally accepted benchmark. We chose a 2.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit Risk and Compliance Committee: <ul style="list-style-type: none"> Infigen: <ul style="list-style-type: none"> Realisation of deferred tax assets Recoverability of development assets Infigen Trust: <ul style="list-style-type: none"> Related Party receivables These are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters (“KAM”) are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period and were determined separately for Infigen and Infigen Trust. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial reports and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial reports as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure are made in that context.

Key audit matter	How our audit addressed the key audit matter
<p><i>Deferred tax asset</i> Refer to note 5</p> <p><i>Infigen - \$20.3m</i></p> <p><i>Infigen Trust – the KAM is not applicable as the Trust distributes any income at the end of each year and is taxed in the hands of the unitholders as a Trust Distribution</i></p> <p>The recognition and measurement of deferred tax assets was a key audit matter as there was significant judgement required by the Group in assessing whether there will be enough future taxable profits to utilise the existing tax losses.</p>	<p>We obtained the forecast taxable income supporting the recognition of the deferred tax asset and assessed whether the key assumptions were consistent with the organisation’s strategy.</p> <p>We checked the consistency of the forecast taxable income with the Board approved budgets.</p>
<p><i>Recoverability of the Australian development assets</i> Refer to note 10</p> <p><i>Infigen - \$27.6m</i></p> <p><i>Infigen Trust – the KAM is not applicable as the Trust does not invest in development assets</i></p> <p>Australian Accounting Standards require an annual assessment of whether there should be an impairment on a development asset. This requirement is based on development assets not being ready for use, and classified as an intangible asset.</p> <p>This was a key audit matter for both the appropriateness of capitalisation and the recoverability of the asset.</p> <p>The capitalisation of costs gives rise to a financial reporting risk as the capitalisation of costs may not</p>	<p>We performed audit procedures including the following:</p> <ul style="list-style-type: none"> Examined the recognition of development assets in reference to Australian Accounting Standards. For a sample of current year expenditure obtained and inspected source documentation to check the amount capitalised and whether this was appropriate.



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>relate directly to the asset or may include asset costs incorrectly expensed.</p> <p>There were significant judgements made by the Group about the future results of the business and the wider economic environment in which the Group operates.</p> <p>As these assets are in the early stages of their lifecycle, there was a degree of estimation in assessing whether the future earnings expected to be generated are greater than the current value.</p>	<p>We evaluated the Group's estimate of value in order to challenge the Group's assumptions. Specific work included:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of existing approval for the continuing development of projects • Considered whether recent transactions indicated that the asset carrying values are recoverable. • Enquired of management as to their knowledge of events or conditions that would indicate that the carrying value of these assets would no longer be recoverable • Evaluated the adequacy of disclosures in the financial report in light of the requirements of the Australian Accounting Standards.
<p><i>Related Party Receivables</i> <i>Refer to note 7</i></p>	
<p><i>Infigen - the KAM is not applicable as Infigen's related party receivable is immaterial</i> <i>Infigen Trust – \$746.4m</i></p>	
<p>The existence of the related party receivables was a key audit matter because of the size of the balance in the Trust's statement of financial position.</p>	<p>We agreed a sample of transactions relating to the receivables of Infigen Trust to source documentation and to the corresponding liability in the accounting records of the relevant related counterparty.</p> <p>We considered whether there were any factors indicating the receivables may not be fully recoverable.</p>

Other information

The directors of IEL and the directors of Infigen Energy RE Limited, the Responsible Entity of Infigen Trust (collectively referred to as "the directors"), are responsible for the other information. The other information comprises the Directors Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report.



Our opinion on the financial reports does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial reports

The directors are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Infigen and Infigen Trust to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Infigen or Infigen Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.augasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 23 to 36 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Infigen Energy Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'M Upcroft'.

Marc Upcroft
Partner

Sydney
24 August 2017

Infigen Energy (Bermuda) Limited

ARBN 116 360 715

General purpose financial statements
for the year ended
30 June 2017



Infigen Energy (Bermuda) Limited
Financial statements
For the year ended 30 June 2017

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Independent auditor's report

To the shareholders of Infigen Energy (Bermuda) Limited

Our opinion

In our opinion the accompanying financial statements presents fairly, in all material respects, the financial position of Infigen Energy (Bermuda) Limited (the Company) as at 30 June 2017 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

What we have audited

The financial statements comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Marc Upcroft' in a cursive style.

Marc Upcroft
Partner

Sydney
24 August 2017