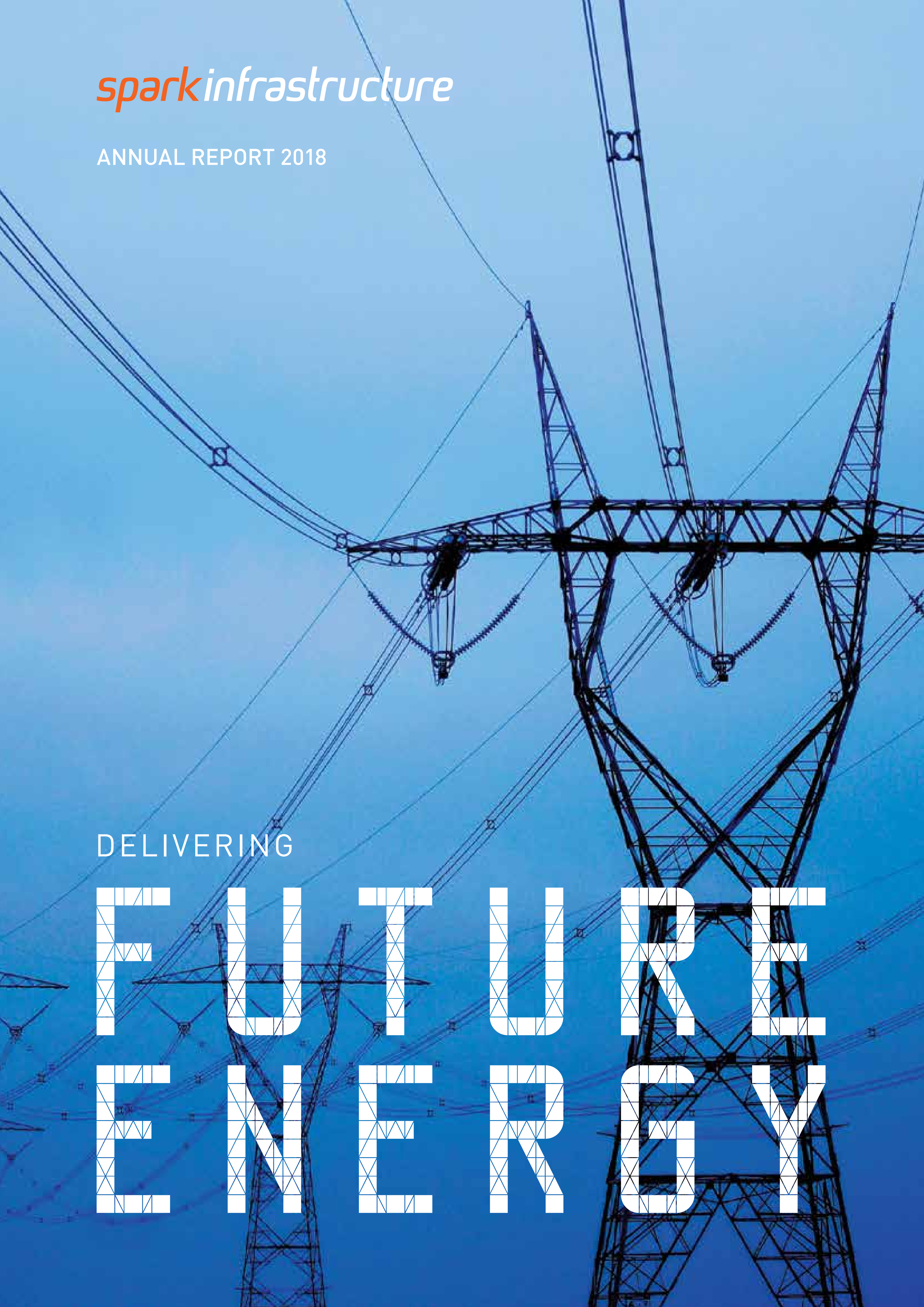
spark infrastructure

ANNUAL REPORT 2018

DELIVERING FUTURE ENERGY



sparkinfrastructure

Annual General Meeting
11:30am, Friday, 24 May 2019
Radisson Blu Plaza Hotel
27 O'Connell Street, Sydney, NSW

DELIVERING FU ENER

Contents

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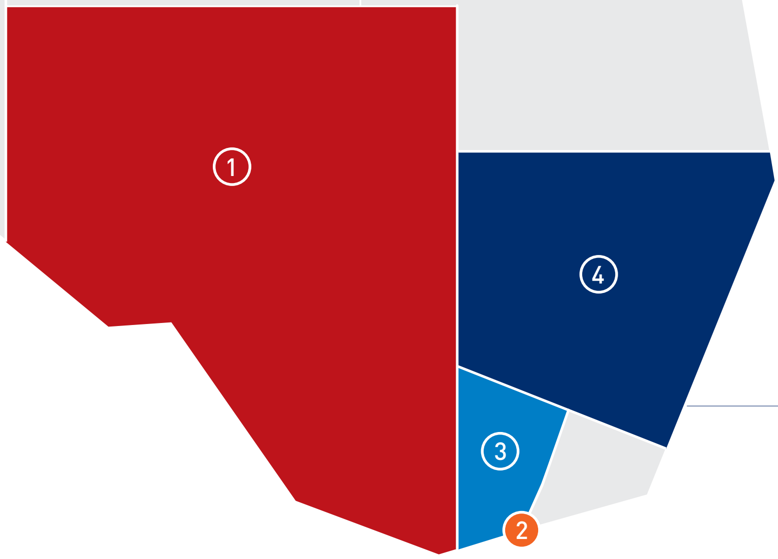
Spark Infrastructure has a long history of owning and investing in essential service infrastructure.

Our networks deliver safe and reliable electricity to more than five million Australian homes and businesses. We continue to invest in meeting Australia's future energy needs.

LEADERS IN ESSENTIAL SERVICE INFRASTRUCTURE

Spark Infrastructure owns leading essential service infrastructure businesses.

Our businesses help meet Australia's future energy needs while delivering strong returns to Securityholders and driving innovation through efficient investment.



①

SA POWER NETWORKS

SA Power Networks is the sole operator of South Australia's electricity distribution network, supplying around 877,000 residential and commercial customers in all regions and the major population centres.

49% interest

To read more, see page 14

②

CITIPOWER

CitiPower operates the distribution network that supplies electricity to around 330,000 customers in Melbourne's CBD and inner suburbs.

49% interest

CitiPower and Powercor together are known as Victoria Power Networks.

To read more, see page 16

③

POWERCOR

Powercor is the largest distributor of electricity in Victoria, operating a network that serves around 810,000 customers in central and western Victoria and the western suburbs of Melbourne.

49% interest

CitiPower and Powercor together are known as Victoria Power Networks.

To read more, see page 18

④

TRANSGRID

TransGrid is the largest high-voltage electricity transmission network in the National Electricity Market (NEM) by electricity transmitted. Its vast 13,000km network connects generators, distributors and major end users in New South Wales and the Australian Capital Territory. It supplies power to more than three million homes and 600,000 businesses and forms the backbone of the NEM connecting Queensland, New South Wales, Victoria and the Australian Capital Territory.

15% interest

To read more, see page 20

“

Our businesses are recognised leaders in network efficiency and reliability, ensuring our ability to provide the best value to customers.

We have interests in $17.1 billion of energy network assets in total and a workforce of over 5,300 employees. We deliver energy to more than 5.6 million customers across three states, in addition to transporting electricity across the NEM between New South Wales and Queensland, Victoria and the Australian Capital Territory.

STRONG AND PRUDENT BALANCE SHEET

Each of our businesses has strong and stable debt portfolios, with weighted average maturity of over five years, and investment grade credit ratings.

Learning from the world's largest Virtual Power Plant

SA Power Networks is a national leader in delivering the distributed energy future.

In 2018, SA Power Networks, in partnership with Tesla, was awarded ARENA funding to maximise the value of Tesla's 1,000 battery Virtual Power Plant (VPP) in South Australia. By implementing sophisticated management systems, it is anticipated that the VPP will be able to operate at up to twice the power that would otherwise be possible under traditional approaches, without placing the reliability, quality or security of supply to other customers at risk.

The trial will provide SA Power Networks with unique experience in Australia as a Distributed System Operator (DSO). In decades to come, with the proliferation of solar PV, batteries, electric vehicles, and demand response solutions, the DSO function will enable an increasing number of value-added services to the grid and SA Power Networks is now positioned as a knowledge leader in the field.

Tesla's 1,000 battery large-scale trial will lay the foundation for a 50,000 battery, 250 MW VPP, which will be the world's largest VPP upon completion.

DELIVERING NUMBERS WE ARE PROUD OF

$290M

Standalone operating cash flow[1]

No.1

Efficiency benchmarking[2]

16.0cps

2018 distributions

At least **15.0cps**

2019 distribution guidance

1. Includes repayment of shareholder loans.
2. AER Annual Benchmarking Report 2018; Powercor No.1 distribution network service provider in operating expenditure productivity; SA Power Networks No.1 on a state by state comparison in overall productivity.
3. As at 31 December 2018.
4. On an aggregated proportional basis to Spark Infrastructure.
5. On 100% TransGrid basis.

$6.0B

Regulated asset base[4]

87%

Total 5-year Securityholder return[3]

$431M

Contracted asset base[5]

74%

Net debt/regulated & contracted asset base[3]

DELIVERING OUR VISION

Our financial results reflect favourably on the quality of our investments, the clarity of our strategy and the capability of our management teams.

Dr Doug McTaggart
Chair

Spark Infrastructure has continued to deliver consistent returns to Securityholders, despite the uncertainties for the industry over the past year. In these circumstances, I am pleased to present the results of another strong year of performance.

Spark Infrastructure is the leading ASX-listed owner of electricity network assets in Australia and our businesses are among the most efficient in the country.

The strength of our financial results reflects favourably on the quality of our investments, the clarity of our strategy and the capability of our management team both at the Spark Infrastructure level and within our businesses.

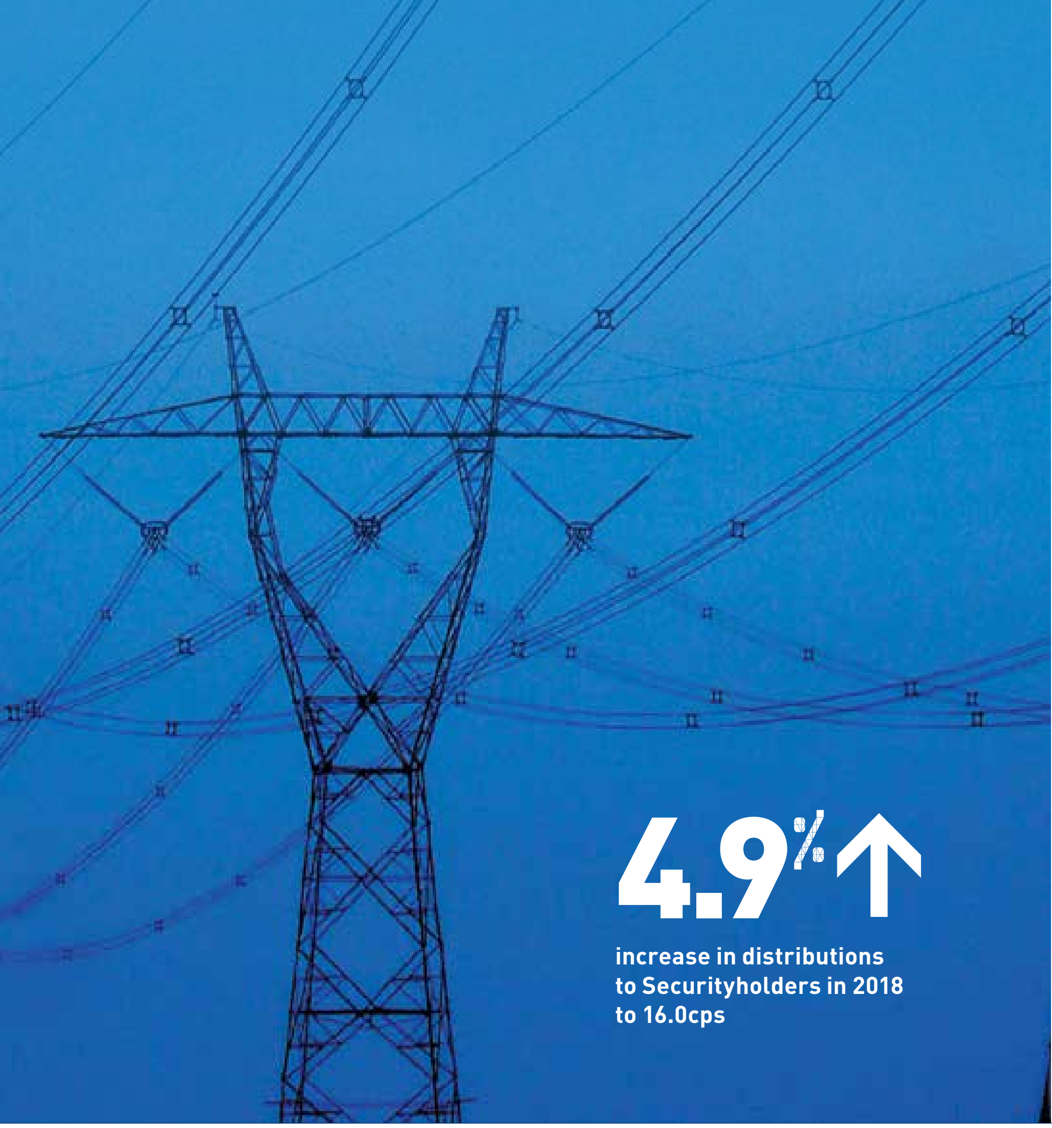
2018 was a year marked by significant challenges in the economic regulatory environment. We now have a clearer picture of what the impact of some of those changes will look like as they come into effect in future years. In addition, the outcome of the recent Federal Court tax decision and possible acceleration of Spark Infrastructure becoming a taxpayer, has seen Spark Infrastructure need to reduce its distribution guidance for 2019 to at least 15.0 cents per security (cps). While this reduction is of course disappointing, we have confidence in the robustness of our investment businesses and their continued outstanding performance, and this remains a core strength of Spark Infrastructure.

DELIVERING FUTURE ENERGY

Energy networks are critical to a low-cost, low-emission, reliable and secure energy supply system. As the energy sector continues to change, Spark Infrastructure is well placed to continue to take advantage of the accelerating and inevitable transition to the greater use of renewables, improved interconnection and the roll-out of new technologies that enhance the stability and performance of the grid.

Our businesses are responding to these changes by enabling customer choice, facilitating multi-directional energy flows, and connecting renewables to the grid all while improving affordability, network stability and reliability.

Focusing on this exciting future, the Board and management took the opportunity during 2018 to refresh the strategy which we refer to as Value Enhance, Value Acquire and Value Build. Value Enhance continues our strong focus on generating efficiency and outperformance benefits from our existing portfolio of assets. Value Acquire is about taking a disciplined approach to building a quality portfolio of brownfield assets in existing or adjacent sectors, and Value Build is about growing and developing adjacent greenfield businesses. Our strategy remains designed to provide long-term value for Securityholders by building a portfolio of high-quality, long-life essential service infrastructure businesses to deliver capital growth and distributions.



"Our assets are among the best performing networks in the NEM. At the same time, these businesses are facilitating a profound transformation in the way electricity is generated, transported and stored across the country.

DELIVERING LOWER ELECTRICITY PRICES THROUGH GREATER EFFICIENCY

We are very focused on ensuring that our network businesses provide the services our customers need, at least cost. Spark Infrastructure is taking a leading role in safeguarding the long-term interests of energy consumers in terms of price, reliability and security of supply of network services.

Through our investments in SA Power Networks, Victoria Power Networks and TransGrid, we are helping pass on reductions in the network component of electricity prices to millions of Australians.

We are proud that our businesses continue to be recognised by the Australian Energy Regulator (AER) as among the most efficient in the market. This efficiency allows us to pass on savings to consumers.

SA Power Networks has reduced distribution network charges by 9% in real terms between 2000 and 2018, with further reductions proposed in the 2020-2025 draft tariff plan. Between 2007/08 and 2017/18, CitiPower and Powercor have reduced distribution network charges by 1% and 6% in real terms respectively. Also, in its first revenue determination since privatisation, TransGrid has reduced transmission network charges by 4% relative to the prior regulatory period.

MAINTAINING STRONG FINANCIAL PERFORMANCE

We have continued to deliver on our financial objectives of long-term, sustainable value creation, notwithstanding the significant pace of change across energy markets and the significant uncertainty provided by regulatory changes during 2018.

Spark Infrastructure is engaged with regulators and government to emphasise the importance of stability and certainty in the regulatory framework that underpins the billions of dollars of capital investment required to build the energy networks of the future.

Taking into consideration the impact of regulatory changes, including the AER's final Rate of Return Guideline and Regulatory Tax Approach both released in December 2018, Spark Infrastructure expects future cash flows and hence distributions to Securityholders, to align more closely with the five-year regulatory periods of its investment businesses. With Spark Infrastructure becoming a taxpayer, distributions to Securityholders will be funded from net cash flows from the operating activities after tax.

In line with our guidance, your Directors declared a final distribution for 2018 of 8.0cps. This takes the total distribution for 2018 to 16.0cps, an increase of 4.9% on 2017.

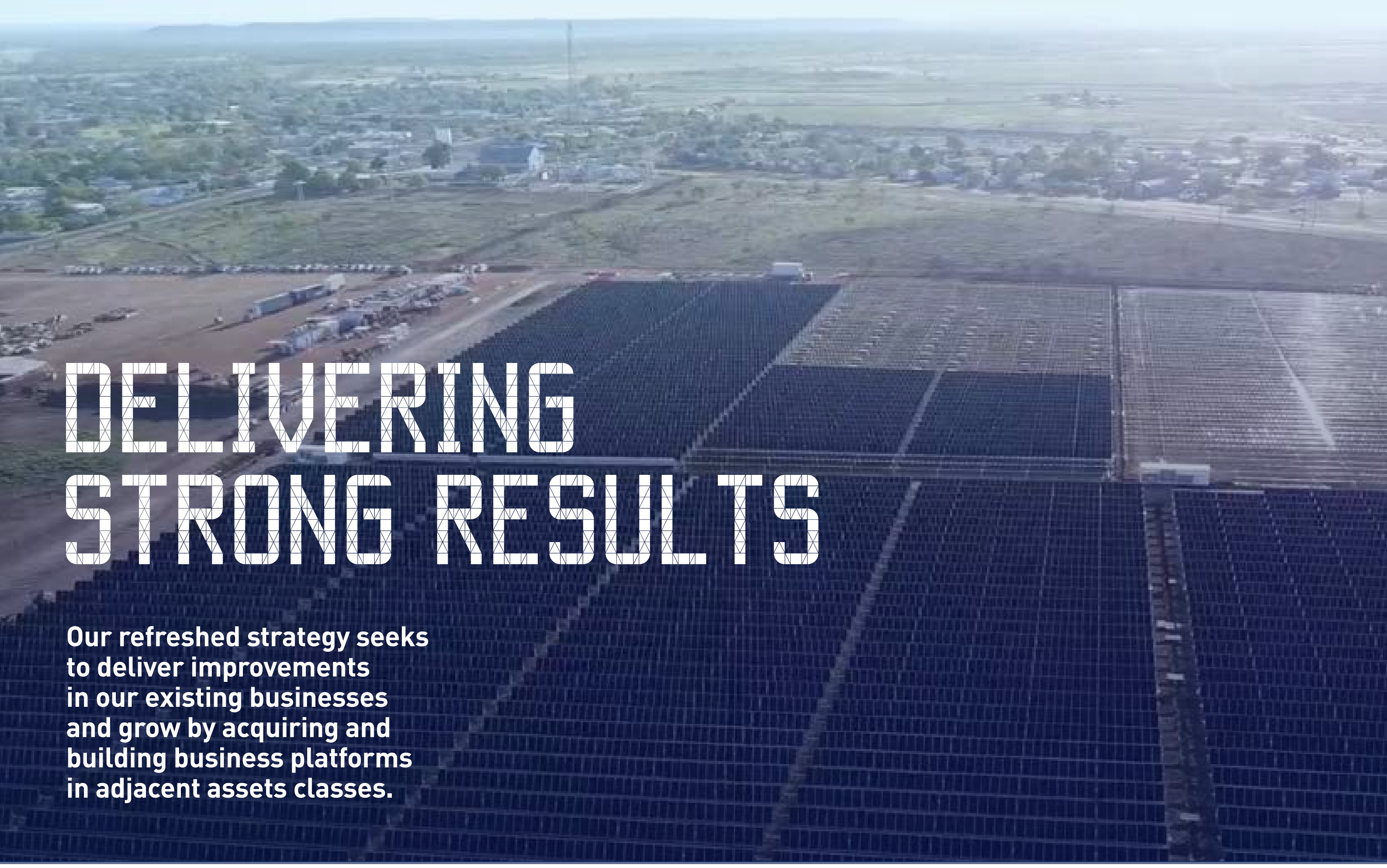
The final distribution will be paid to Securityholders on 15 March 2019. The distributions are fully covered by operational cash flows on both a standalone and look-through basis.

We also confirm distribution guidance for 2019 of at least 15.0cps, in line with our announcement on 11 February 2019, subject to business conditions.

BOARD COMPOSITION AND GOVERNANCE

Your Board is constantly reviewing its skills mix and capabilities to ensure Directors have the required skills and experience to effectively oversee the governance and management of the company and the risks that it must manage for. It is our view that the Board's composition is appropriate for the current circumstances.

As we look forward to another year of challenge and success at Spark Infrastructure in 2019, I would like to thank my fellow Directors, the staff of Spark Infrastructure, and our investment businesses, for their efforts and commitment during 2018, and I look forward to reporting on further progress in the months ahead.



DELIVERING STRONG RESULTS

Our refreshed strategy seeks to deliver improvements in our existing businesses and grow by acquiring and building business platforms in adjacent assets classes.

Rick Francis
Managing Director and
Chief Executive Officer

I am pleased to report to you that our businesses continue to deliver solid performance. This performance has been achieved in a year in which unpredictable and ad-hoc policy debate engulfed the energy sector and despite the continued low inflationary environment.

Notwithstanding the regulatory and political uncertainty, Spark Infrastructure's Board and management are optimistic about the opportunities ahead. We are in a strong position with certainty in our current regulatory revenue determinations until 1 July 2020 for SA Power Networks, 1 January 2021 for Victoria Power Networks and 1 July 2023 for TransGrid, and with prudent balance sheets and financing for all our businesses.

We are therefore getting on with the job of delivering the future of energy and there is much to look forward to. As technology and customer preferences evolve, the requirements of the grid are changing rapidly.

At the turn of the 20th century, dozens of large thermal generators fed electricity into the system. Today, two million Australian households and businesses feed solar electricity into the distribution grid every day. As a result, our distribution networks are managing more complex multi-directional energy flows and are preparing for a different and expanded role in delivering lower-cost, reliable energy in the future.

The boom in large-scale renewable energy is requiring more transmission connections and regional interconnections. The Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP) outlines the significant part that transmission, and in particular TransGrid, will play in delivering greater regional interconnectivity and renewable energy zoning to better balance the energy system.

With our refreshed strategy of Value Enhance, Value Acquire and Value Build, we will seek to take opportunities in this evolving landscape for accretive growth by acquiring and building businesses and platforms in adjacent asset classes, while delivering further operating improvements in our existing businesses.

FINANCIAL PERFORMANCE AND OPERATIONAL HIGHLIGHTS

In 2018, distributions were up 4.9% from 15.25 cents per security (cps) in 2017 to 16.0cps. This was assisted by 4.7% growth in Spark Infrastructure proportional aggregated EBITDA from $791.5 million in 2017 to $828.4 million in 2018, and a 7.3% increase in investment distributions up to Spark Infrastructure from $284.4 million in 2017 to $305.1 million in 2018. In 2018, our proportional Regulated Asset Base (RAB) grew 3.2% to $6,014 million.

"We are getting on with the job of delivering the future of energy and there is much to look forward to.

VICTORIA POWER NETWORKS

Victoria Power Networks performed well in 2018.

RAB grew from $5,897 million to $6,109 million, up 3.6%.

The number of customers connected grew by 15,000 (or 1.4%) compared with 2017.

EBITDA was up $49.3 million (or 6.3%) compared with 2017, assisted by strong operating cost reductions, excluding Beon Energy Solution (Beon), of $38.9 million and a distribution revenue increase of $17.3 million.

Beon continues to pursue large-scale renewable energy construction contracts, progressing connection of the Moorabool and Elaine wind farms and constructing the Karadoc solar farm in 2018.

Distributions to Spark Infrastructure in 2018 were up $2.5 million to $156.9 million.

SA POWER NETWORKS

SA Power Networks performed strongly in 2018.

RAB grew from $4,052 million to $4,207 million, up 3.8%.

The number of customers connected grew by 12,000 (or 1.4%) compared with 2017.

EBITDA was up $3.0 million (or 0.5%) compared with 2017, assisted by a $23.4 million increase in distribution revenue, partially offset by an $8.4 million decline in Enerven margin and a $6.7 million reduction in semi-regulated revenues. The declines in margin and semi-regulated revenues were due to a number of significant one-off project activities that were completed in 2017.

Distributions to Spark Infrastructure in 2018 were down $3.9 million to $115.2 million.

TRANSGRID

TransGrid continued to be a highly performing asset.

Regulated and Contracted Asset Base (RCAB) grew from $6,697 million to $6,823 million, up 1.9%.

EBITDA was up $75.6 million (or 12.7%) compared with 2017, assisted by regulated revenue growth of $22.1 million, strong regulated operating cost reductions of $14.8 million and growing unregulated margin of $38.7 million.

TransGrid's infrastructure business, including new connections and line modifications, continues to grow quickly, with EBITDA excluding overheads increasing by 95% from $41.6 million in 2017 to $80.9 million in 2018.

Distributions to Spark Infrastructure in 2018 were $33.0 million, up $22.1 million.

REGULATORY AND POLICY LANDSCAPE

We are committed to system stability, reliability and minimising costs to consumers. Investment in network businesses like ours is critical to a successful transition to the new energy future, facilitating the entry of new low-cost generation and reducing costs to consumers.

To ensure the lowest cost of capital, we require a regulatory regime that provides confidence to invest efficiently through stability, predictability and transparency of process and outcomes across multiple regulatory periods. We will continue to advocate strongly for sustainable evidence-based energy policies that will deliver reliable, affordable, and low-emission energy to consumers.

We take pride in the real price reductions delivered by our network businesses over the last regulatory periods. This is in response to a regulatory regime which rewards efficiency. The sector leading efficiency of our networks allows them to deliver lower costs to consumers while maintaining high service standards.

OUTLOOK AND PRIORITIES

Our businesses continue to perform strongly despite a challenging environment. They will continue to drive for greater levels of efficiency and this is our best defence against volatility and uncertainty in the regulatory and political environment.

Looking ahead, it is expected that regulatory pressures on revenues, such as through lower rates of return and tax allowances, will continue to place pressure on earnings and operating cash flows.

Strength in operating cash flows will continue to come from managing the businesses as efficiently as possible within the constraints of the regulatory framework and from continuing to seek organic growth prospects for the capital asset bases of the businesses from underlying RAB, unregulated connection assets or one-off contingent transmission projects in TransGrid.

I would like to pay tribute and extend my thanks to the many thousands of people working at Victoria Power Networks, SA Power Networks and TransGrid who have helped deliver these results.

We continue to invest in businesses that will serve Australia's energy needs for many generations to come.

We hope that like us, you see the potential and opportunity for our company to prosper and grow as that future becomes a reality.

DELIVERING ESSENTIAL SERVICE INFRASTRUCTURE

> We are delivering against our strategy while continuing to invest in innovation and connecting a strong pipeline of renewable energy opportunities.

OUR VISION

is to create long-term value through capital growth and distributions for Securityholders from our portfolio of high-quality, long-life essential service infrastructure businesses.

Spark Infrastructure's strong financial performance has been achieved by optimising business performance, capitalising on organic growth opportunities and diligently considering external growth opportunities.

In evaluating opportunities, we seek value-accretive growth through both acquisition and/or building business platforms.

Our strategy is supported by proactive engagement strategies which ensure we have an active voice with regulators, government and other stakeholders to represent our investors' and industry interests.

OUR STRATEGIC PRIORITIES

① VALUE ENHANCE

Underpinned by rigorous governance and risk management processes, we manage our investment portfolio for performance, and invest efficiently to capitalise on organic growth opportunities through underlying RAB, unregulated businesses and assets and the one-off contingent transmission projects in TransGrid, such as those outlined in the AEMO Integrated System Plan (ISP).

② VALUE ACQUIRE

We continue to seek out and evaluate opportunities to grow and diversify our portfolio through disciplined acquisitions.

③ VALUE BUILD

We look to develop adjacent business platforms arising out of the technology, climate and customer-driven transformation occurring across the industry.

Renewable energy needs greater interconnectivity and will deliver benefits to customers

Australia's transition to renewable energy is inevitable. As more renewables enter the grid the benefits from improved interconnections between regions increases as it allows states to balance energy supplies and to trade renewable energy.

The ISP notes that increased investment in transmission and interconnection will deliver the lowest-cost, most reliable power system that supports emissions abatement. The ISP indicates that this would lead to total system savings of $1.2 billion to $2.0 billion.

The interconnector between South Australia and New South Wales proposed in the ISP would require at least $1.0 billion investment in New South Wales and is forecast to reduce customers' annuals bills by $66 in South Australia and $30 in New South Wales. TransGrid is well placed to capitalise on this and other opportunities presented in the ISP.

Our objectives

Securityholders
Delivering long-term value through investments in essential services infrastructure

Customers
Delivering safe, reliable and affordable electricity solutions through efficient investment

Employees
Providing a safe and rewarding workplace for employees

Community & environment
Protecting the environment in which we operate and facilitating the transition to a low emission future

Our strategy

Value Enhance
Managing our portfolio for performance and growing organically through efficient investment

Value Acquire
Growing through disciplined acquisitions

Value Build
Developing adjacent business platforms

Electricity Networks

Renewable Energy

Electricity Storage

Gas Networks/ Gas Storage

Water Networks/ Water Treatment

Data Networks

External influences
Industry regulation

Financial markets

Energy technology and customer trends

Weather events and natural disasters

Rigorous and prudent governance structures

Our outcomes

Stable cash flows

Strong cost discipline

Strong financial performance

Affordable and reliable energy solutions
Affordability

Reliability

Leaders in efficiency, utilisation and safety
Efficiency

Utilisation

Safety

OUR ASSETS

Our regulated businesses provide high cash flow visibility through to the end of their regulatory determinations, and have attractive exposure to renewable energy projects through unregulated business opportunities.

STABLE CASH FLOWS FROM REGULATED NETWORKS

Regulated distribution and transmission networks must have their investment plans and revenue requirements assessed by the Australian Energy Regulator (AER) every five years.

In accordance with the National Electricity Law and Rules, the AER determines the revenues that Spark Infrastructure's businesses will require to cover their efficient costs (including operating and maintenance expenditure, capital expenditure, asset depreciation costs and taxation liabilities) and includes a return on capital. A number of changes were made to the Law and Rules during the year which will impact future regulatory determinations. Refer to page 55 for more details.

The AER's five-year revenue determinations for our businesses provide cash flow certainty from regulated assets while the incentive-based regime also provides upside potential for outperformance. The revenues and capital bases of the businesses are indexed for actual inflation incurred across the regulatory period.

Determinations for SA Power Networks and Victoria Power Networks (Citi Power and Powercor) have been in place since 1 July 2015 and 1 January 2016 respectively while TransGrid received a new five-year determination from 1 July 2018 to 30 June 2023 during the year.

“Our businesses benefit from population, new connection and interconnection growth, combined with operational excellence, demand management and innovation.

REGULATORY RESETS

High level of cash flow certainty to 2020

SA Power Networks	JULY 2020
CitiPower	JANUARY 2021
Powercor	JANUARY 2021
TransGrid	JULY 2023

GROWTH FROM UNREGULATED OPPORTUNITIES

In addition to regulated electricity services, our businesses also provide unregulated services.

Enerven, owned by SA Power Networks, develops solutions with customers and communities to help them connect with, generate, and use energy and data. Enerven designs, develops, delivers, and manages safe and sustainable power systems and multi-utility networks for owners of major infrastructure. It provides tailored solutions for customers from large-scale solar to battery installations or micro-grids for new housing developments. Enerven's revenue grew 17% to $188 million in 2018, however margins declined by 35% to $15 million reflecting a change in mix of unregulated activities during 2018.

Beon, owned by Victoria Power Networks, provides infrastructure and utility services to customers through design, construction, project management and implementation of infrastructure solutions. It partners with customers to help them identify areas to limit operational risk and reduce energy consumption, and make targeted investments in innovative energy solutions. Beon's projects range from large utility scale renewable generation, solutions for commercial and industrial customers to construction of complex electrical infrastructure for utilities transport entities and private network owners.

In 2018, more than 400,000 solar panels were installed on Beon's various solar projects. It also facilitated connection to 600MW of renewable generation assets, installed more than 20MW of behind the meter solar and completed the 112MW Karadoc Solar farm. More than 800 people were employed across Beon projects in 2018.

TransGrid Services constructs, owns and operates new connection assets which service renewable energy sources and new, large power users. It has a growing pipeline of renewable energy projects and enquiries and continues to support Australia's transition to renewable energy.

TransGrid Services' growth is underpinned by the increasing demand for connections, driven by the retirement of traditional generation, in conjunction with falling levelised costs of energy from renewable sources, such as wind and solar. In 2018, connections were up 10% on the previous year.

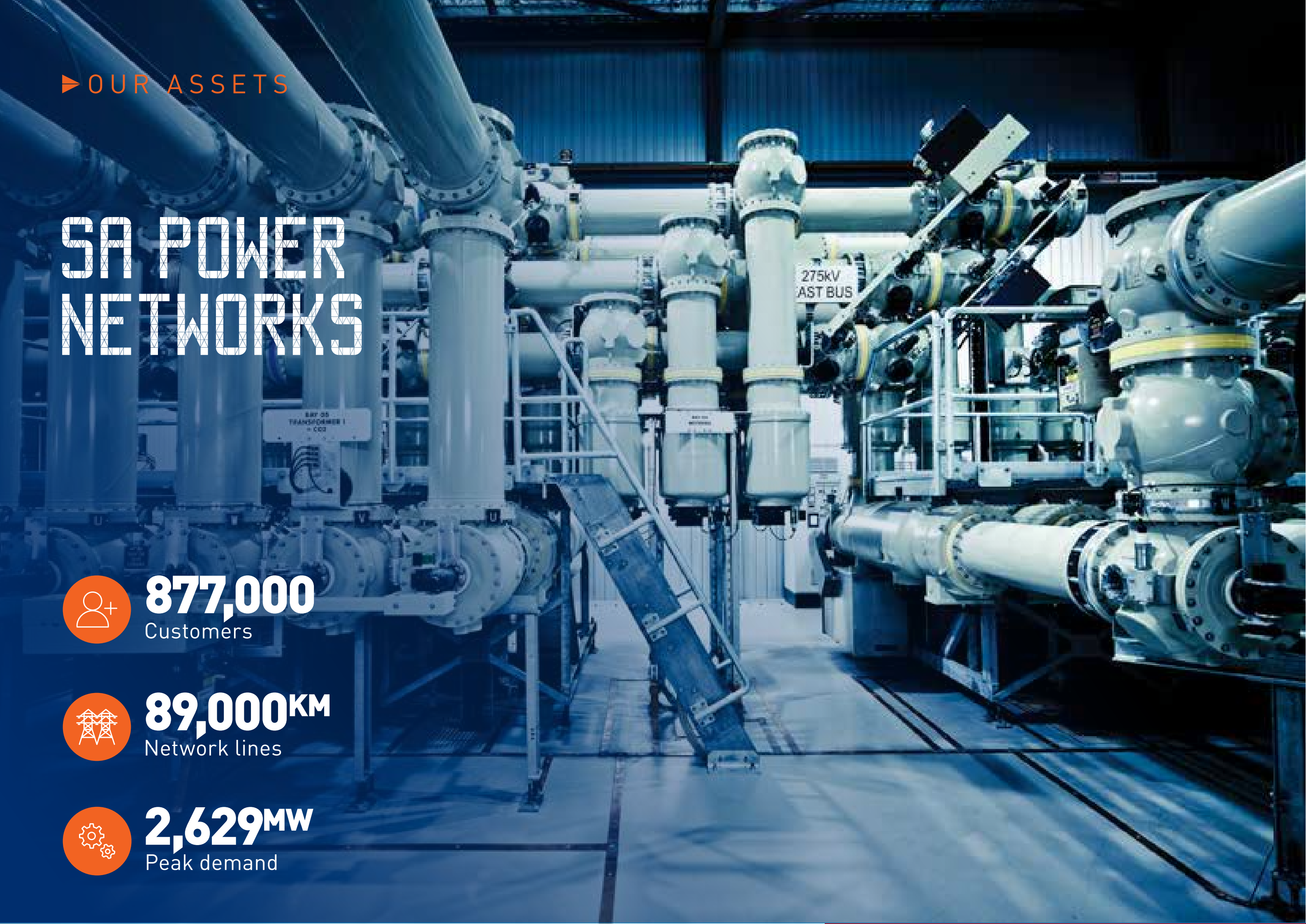
Leading efficiency benchmarking results

Our businesses focus on improving operational efficiency as this ultimately leads to regulatory outperformance and in turn higher profits and lower prices for consumers.

They are consistently ranked among the most efficient of their type by the AER. To determine productivity scores, the AER calculates how much output a network provides (e.g. services like energy delivered to customers) relative to the inputs a network uses (e.g. costs to provide these services). If a network provides more services for lower costs, it is deemed by the AER to be more productive.

On the AER's overall productivity measure, CitiPower is ranked 1st, SA Power Networks is 2nd and Powercor is 4th out of 13 distribution networks. For operating expenditure productivity, Powercor is ranked 1st, CitiPower is 2nd and SA Power Networks is 3rd. CitiPower and Powercor's productivity scores improved in 2018. SA Power Networks' productivity score declined in 2018 due to rare and extreme weather conditions and is expected to rebound in 2019.

TransGrid is ranked 3rd out of five transmission networks for overall productivity, improving one place in 2018. TransGrid is ranked 2nd for operating expenditure productivity. TransGrid's productivity score increased by 12% in 2018, the most of any transmission company, demonstrating that its post-privatisation transformation is delivering significant improvements.



SA POWER NETWORKS

877,000
Customers

89,000KM
Network lines

2,629MW
Peak demand

SA Power Networks owns and operates the South Australian electricity distribution network covering 178,000 square kilometres.

It builds and maintains the poles, wires and substations that deliver power reliably and safely to around 877,000 customers including 778,000 residential customers and 99,000 small and large businesses.

The network consists of 89,000km of lines, of which 20% is underground. Assets include 648,000 poles, 76,000 distribution transformers and 430 zone substations. Approximately 28% of its residential customers have solar PV on their homes.

2018 ACHIEVEMENTS
Retained AER benchmark position as most efficient distribution business on a state-by-state basis
Extensive consultation with stakeholders and release of the 2020-2025 Regulatory Draft Plan
Enerven maintained its rating as number one delivery partner to NBN nationally
Employee Foundation achieved a milestone of distributing $2 million to charity since its creation

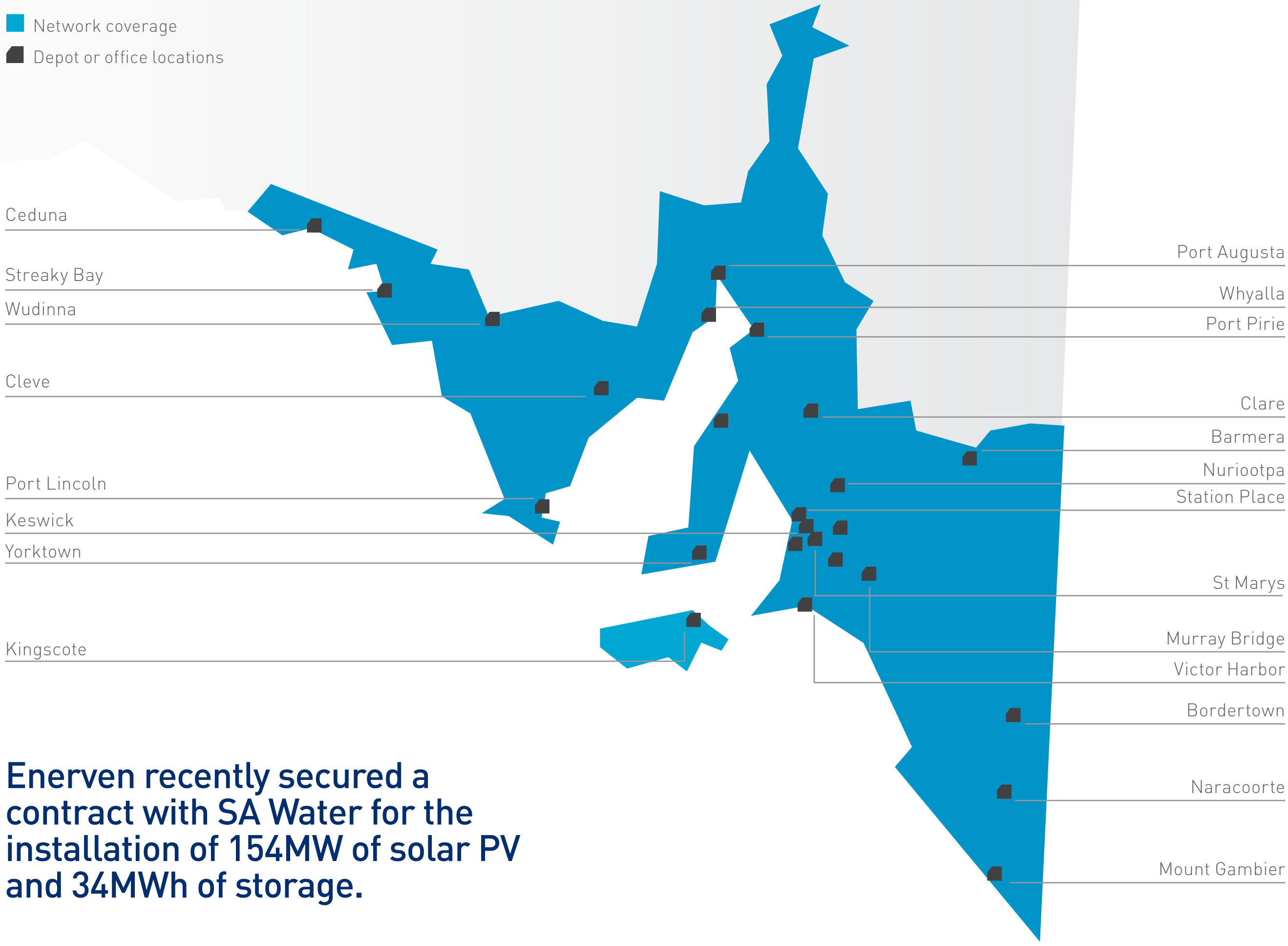
2019 PRIORITIES
2020-2025 Regulatory Proposal submitted to the regulator on 31 January 2019 and Draft Decision expected September 2019
Commence implementation of Distributed Energy Resources (DER) roadmap
Virtual Power Plant trial with ARENA funding building foundations of DSO capabilities
Maintain strong operating efficiency ratings
Support growth of Enerven

$4.21B
Regulated Asset Base

99.96%
Network availability

2,267
Employees

> SA Power Networks was assessed by the AER as the most efficient electricity distribution network on a state-wide basis in its 2018 Benchmarking Report.



Enerven recently secured a contract with SA Water for the installation of 154MW of solar PV and 34MWh of storage.

Completion of the Kangaroo Island undersea cable

A key focus for SA Power Networks in 2018 was a new 33,000 volt undersea cable connecting Kangaroo Island to the mainland. The 15 kilometre cable is the longest continuous undersea cable to be installed in Australia. Kangaroo Island is the third largest island off the coast of Australia, situated 15 kilometres off the tip of the Fleurieu Peninsula in South Australia and has a population of about 4,500 people.

The project will provide Kangaroo Island residents and tourists with electricity for decades to come.

Cable laying operations took place in early June 2018 and involved more than 100 ship crew, divers, support boats and project personnel.

The new submarine cable will replace the existing ageing submarine cable in accordance with the published Regulatory Investment Test – Distribution (RIT-D).

The new submarine cable was successfully energised and placed on hot standby from the termination station at Fishery Beach to the termination structure at Cuttlefish Bay in July 2018. Prior to energisation, a number of commissioning tests were successfully completed. The cable will remain in hot standby until final works to allow for automatic switching between the new and existing cable are completed in March 2019.

CITIPOWER

330,000 Customers

7,500KM Network lines

1,424MW Peak demand

CitiPower owns and operates a 157 square kilometre electricity distribution network. It provides electricity for 330,000 customers in Melbourne's CBD and inner suburbs.

The network consists of 7,500km of lines, of which 44% is underground.

In 2018, the network had 99.99% availability and met peak demand of 1,424MW.

2018 ACHIEVEMENTS

- Customer satisfaction score of 85% achieved for a second year running[1]
- Introduced a Fair and Just Safety Framework for employees
- Completed a seven-year program to rebuild the Richmond Terminal Station while sustaining supply to approximately 50% of Melbourne from the landmark site
- Ongoing construction works at the Waratah Place Zone Substation, as part of a $212 million project ensuring supply to the Melbourne CBD
- Introduced a purpose-built analytical program to improve responsiveness to customer data called Meter Insights

2019 PRIORITIES

- **Safety** – Complete Project Switch to drive safer network operating practices, improve the accessibility of and adherence to work practices, continue to build safety leadership capability and continue to focus on hazard and near miss reporting
- **Customer** – Reducing residential connection timeframes through improved processes, better engagement with property developers and greater clarity on safety standards
- **Cost-effective operational improvements** – Trial of drone technology for inspections across the network to improve inspection accessibility, capability and quality and reduce costs
- **Regulatory outcomes and stakeholders** – Completing stakeholder consultation and input into a Proposal and Overview Paper for the next regulatory period to be submitted to the regulator by 31 July 2019

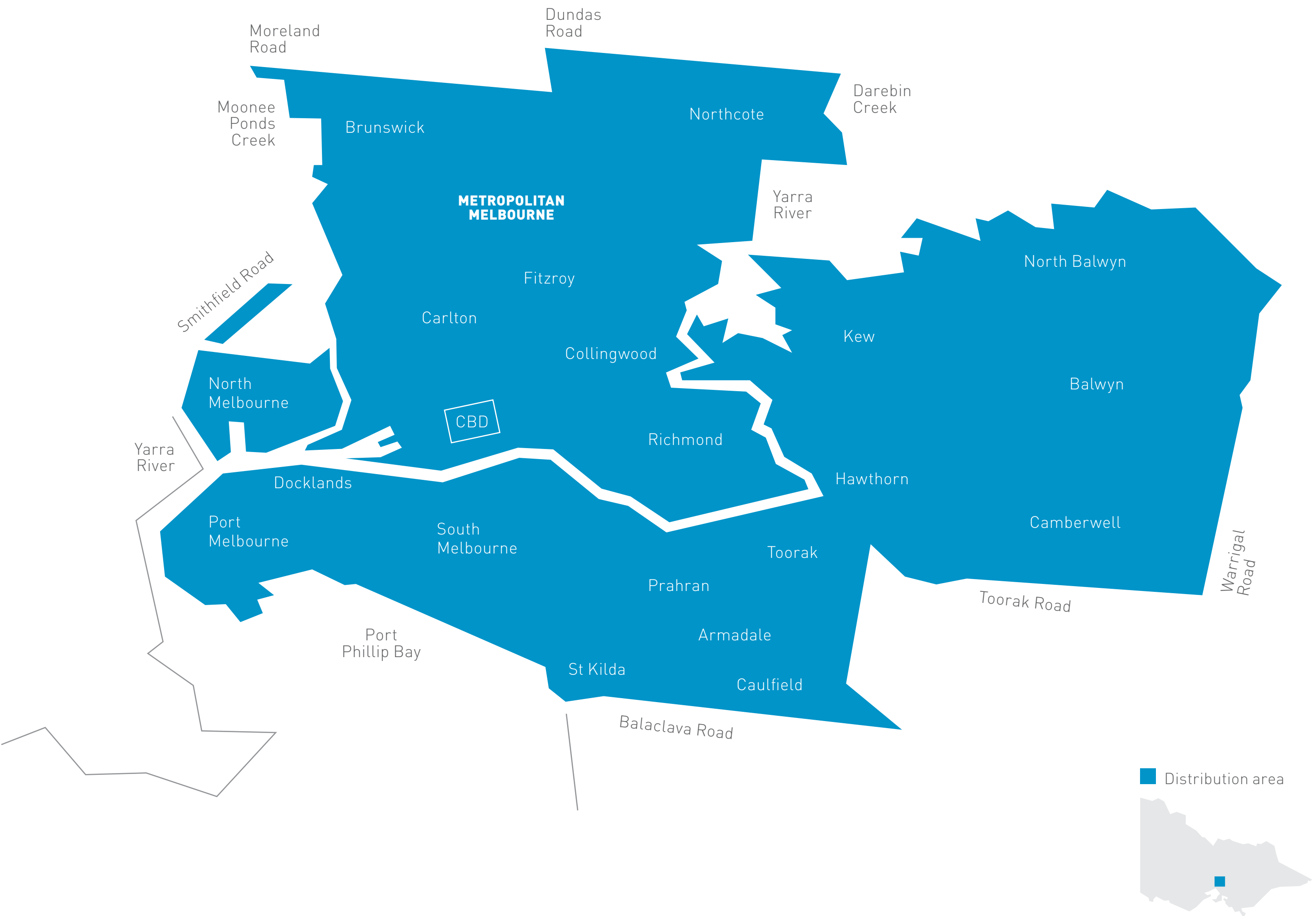
$1.95B Regulated Asset Base

99.99% Network availability

1,965[1] Employees

> Our infrastructure investments are ensuring continuity of supply in a densely populated region generating 25% of Victoria's gross domestic product.

1. Combined CitiPower and Powercor



Leveraging smart meter data to provide innovative energy solutions

Each year, CitiPower and Powercor collect and analyse over 125 billion data points from smart meters to provide valuable services to customers and the market.

Using analytics and machine learning algorithms, CitiPower and Powercor have been able to identify the behaviour of small-scale battery systems, aiding in identifying all the batteries on the networks, and assisting with grid stability management.

The company is also using real-time data from over one million smart meters to reduce wholesale demand at peak summer times by dynamically lowering voltage levels in substations, mitigating the risk of supply disruptions. In the 2017/18 summer, the company earned $5.5 million for this service via AEMO's Reliability and Emergency Reserve Trader (RERT) scheme.

The data is also being used to improve safety outcomes, by identifying supply quality issues to customers' homes to identify those at risk of very minor electric shocks before incidents occur and allow problems to be fixed rapidly.

POWERCOR

810,000
Customers

88,000KM
Network lines

2,335MW
Peak demand

Powercor owns and operates Victoria's largest electricity distribution network, with more than half a million poles and 88,000km of powerlines.

The network provides electricity for more than 810,000 customers in central and western Victoria, as well as Melbourne's western suburbs.

In 2018, the network had 99.97% available and met peak demand of 2,335MW.

2018 ACHIEVEMENTS
Extensive program of works completed in preparation for high peak demand and bushfire risk over the 2018-2019 summer
Opened a new depot in Maryborough, and completed expansion of Colac and refurbishments at Ballarat and Geelong depots
Installation of a world-first Rapid Earth Fault Current Limiters used for bushfire mitigation at Gisborne, approved by Energy Safe Victoria
Launch of Energy Partner, a demand management program designed to take pressure off localised infrastructure on peak demand days over the summer
Activated the Smart Meter Voltage Management system during the 2018 summer via the AEMO RERT demand response scheme, achieving a sustained load reduction of 52MW

2019 PRIORITIES
Safety – Complete Project Switch to drive safer network operating practices, improve the accessibility of and adherence to work practices, continue to build safety leadership capability and continue to focus on hazard and near miss reporting
Customer – Reducing residential connection timeframes through improved processes, better engagement with property developers and greater clarity on safety standards
Cost effective operational improvements – Trial of drone technology for asset inspections across the network to improve inspection accessibility, capability, quality and reduce costs
Regulatory outcomes and stakeholders – Completing stakeholder consultation and input into a Proposal and Overview Paper for the next regulatory period, to be submitted to the regulator by 31 July 2019

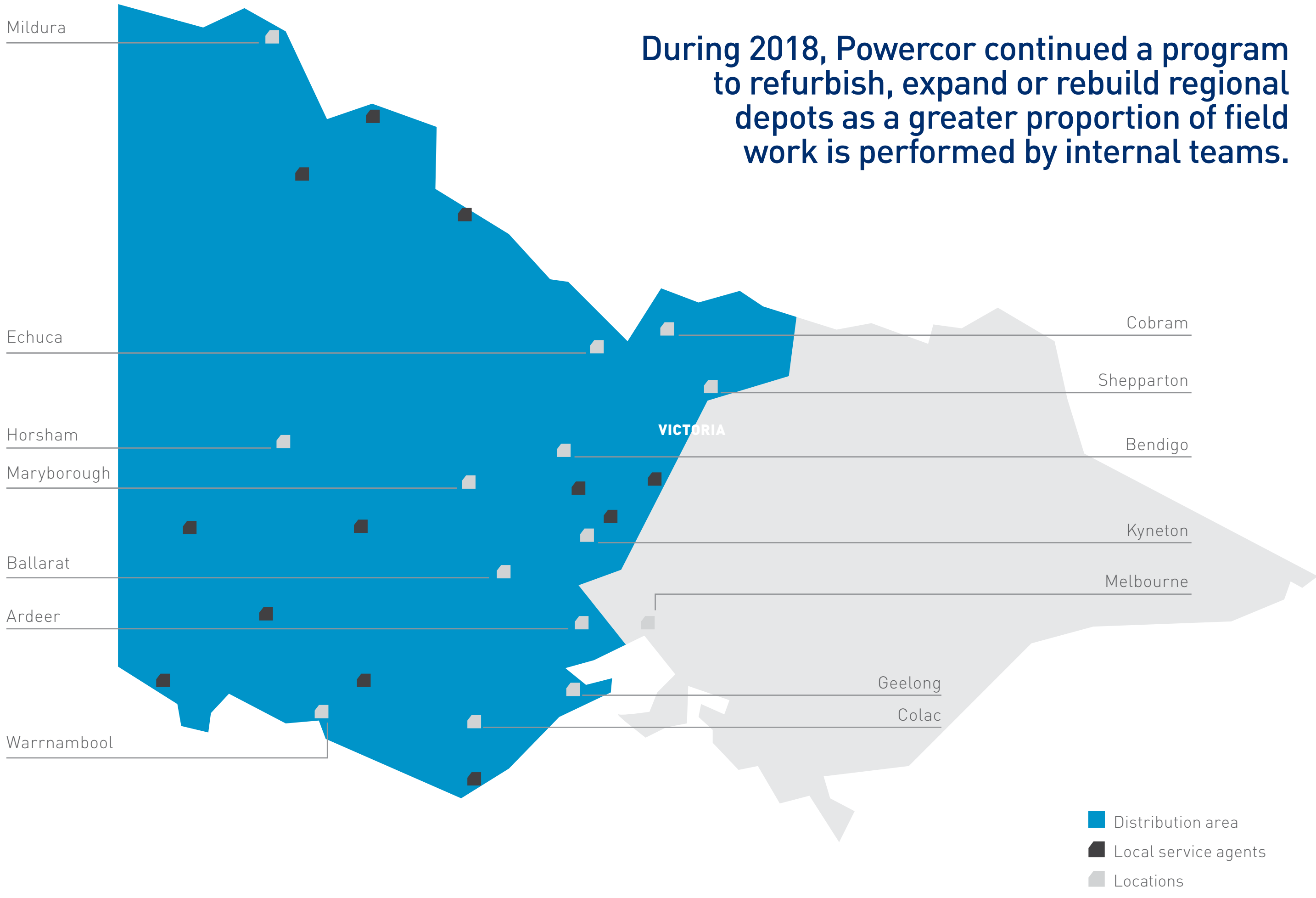
$4.16B
Regulated Asset Base

99.97%
Network availability

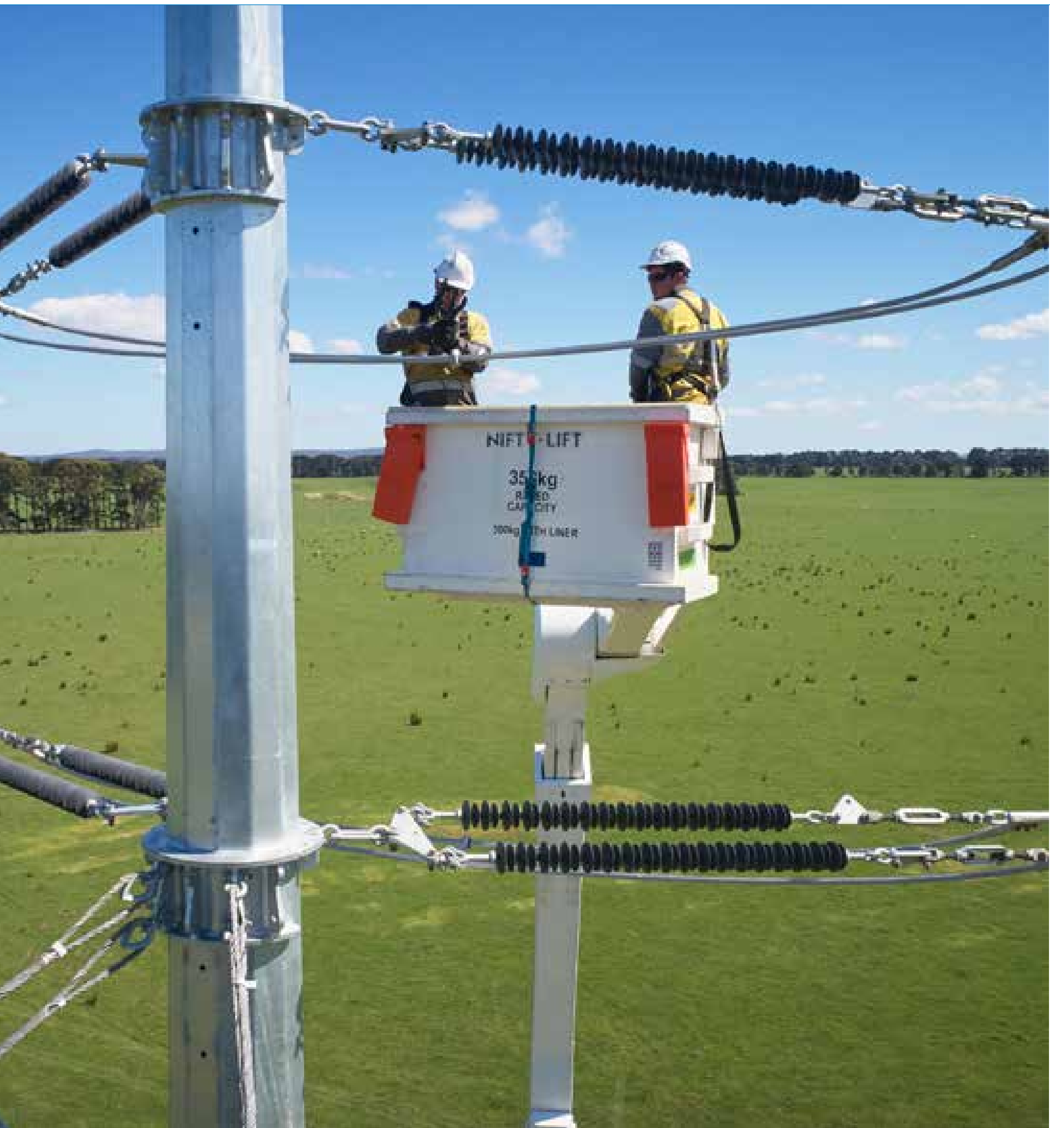
1,965[1]
Employees

> Constantly improving network safety is the priority when servicing communities in some of Victoria's highest bushfire risk areas.

1. Combined CitiPower and Powercor



During 2018, Powercor continued a program to refurbish, expand or rebuild regional depots as a greater proportion of field work is performed by internal teams.



World first technology to reduce bushfire risk

Powercor continues to install leading-edge technology to help reduce the risk of bushfires from powerlines in high bushfire risk areas of its network.

In 2018, Powercor completed the world's first Rapid Earth Fault Current Limiter (REFCL) for bushfire prevention purposes at the Gisborne Zone Substation. A REFCL is designed to stop an electrical current within milliseconds of a powerline coming into contact with the ground or vegetation – stopping a fault before it can start a fire. This world-first application of REFCL technology reduces bushfire risk, protecting Powercor's assets and more importantly the community.

Powercor is now taking the learnings from this project to deliver the technology at a lower cost to consumers. At the end of 2018 Powercor installed seven RECFLs with a further one under construction in the first of a three-phase program. By the end of 2023, Powercor plans to have 22 REFCLs installed at zone substations across its regional Victoria network.

The application of this technology as a fire safety measure was developed in response to a recommendation of the 2009 Victorian Bushfire Royal Commission and is mandated by the Victorian Government.

TRANSGRID

3.6M+
Homes and businesses supplied

13,000KM
Network lines

12,039MW
Peak demand

TransGrid remains central to the development of the NEM, supporting the least cost transition to a low emissions, reliable energy system via interconnections, renewables connections and grid strengthening projects.

TransGrid is the operator and manager of the electricity transmission network in NSW and the ACT and is positioned centrally within the NEM connecting Queensland and Victoria.

With more than 13,000km of transmission lines and cables, 38,000 transmission structures and 105 substations, the network delivers 32% of the electricity consumed within the NEM to over 3.6 million homes and businesses in NSW and the ACT.

2018 ACHIEVEMENTS
Continued growth in unregulated connection business opportunities
Reduction in operational costs with procurement savings, better processes and technology innovation
Continued improvements in capital project delivery
Revenue secured over the next five years (2018-2023) delivering a 5.2% real price reduction to consumers

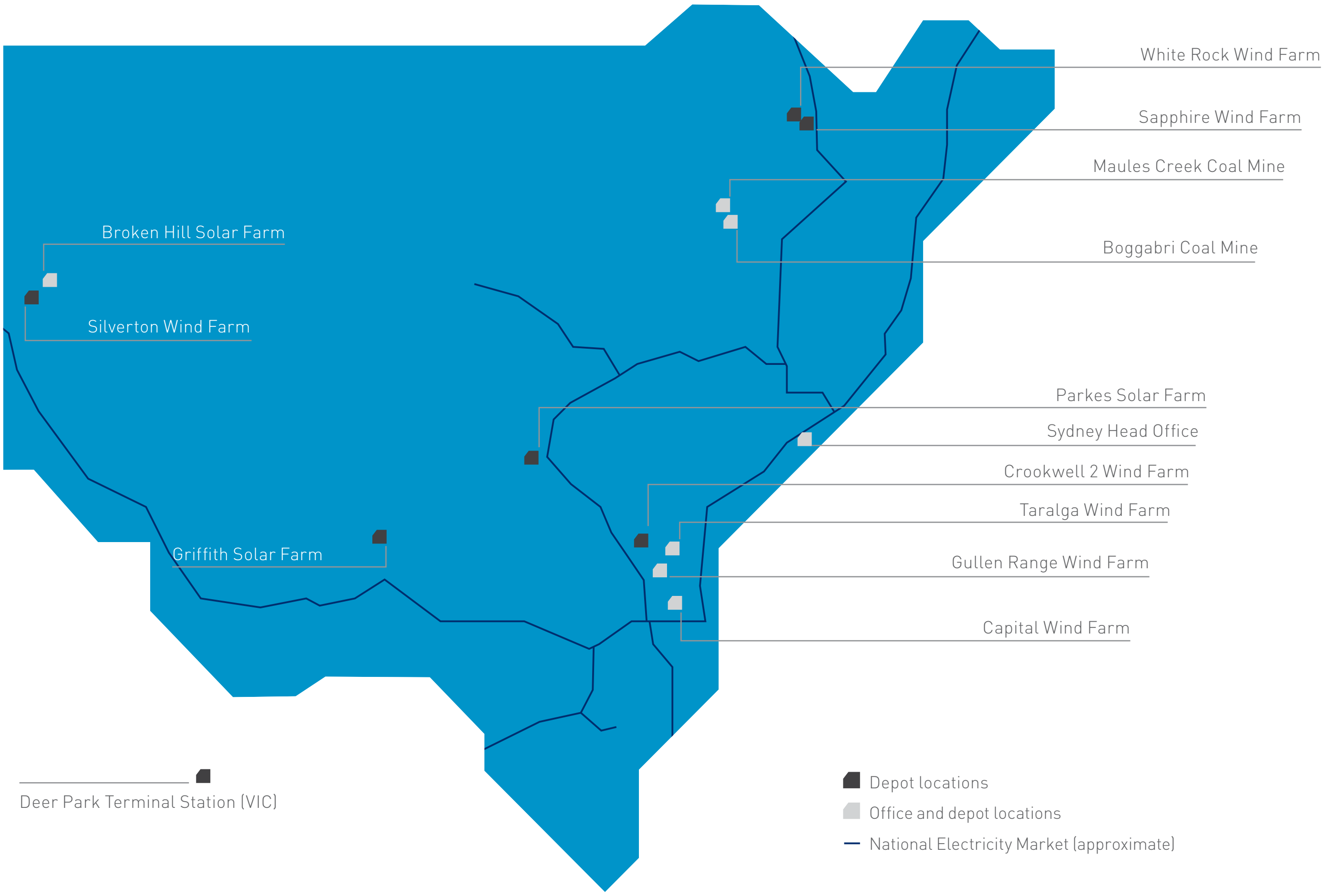
2019 PRIORITIES
Deliver safe and reliable power
Drive efficiency and invest in innovation to support the transformation of Australia's grid
Invest in customer benefit and identify opportunities to expand our network and develop new services across both regulated and non-regulated businesses
Support regulation and advocate for positive reform through engagement with critical sector regulators
Lead transition in the sector through innovation and thought leadership

$6.39B
Regulated Asset Base

99.9999%
Network availability

1,073
Employees

> We support Australia's energy system of the future with almost 1,500MW of solar and wind generation connections signed.



Battery storage trial in Sydney

In June 2018, TransGrid CEO, Paul Italiano, and Lord Mayor of Sydney, Clover Moore, unveiled the first industrial-scale Tesla Powerpack battery in the Sydney metropolitan area.

Installed and owned by TransGrid, the battery is powered by more than 1,600 solar panels on the roof of the City of Sydney's new Alexandra Canal depot. It can store up to 500 kilowatt hours of electricity, enough to meet the daily needs of around 50 homes and equivalent to the storage capacity of 50,000 mobile phone batteries.

The battery was installed by TransGrid as part of a trial of behind the meter energy storage and will power the new depot for 155 City of Sydney employees and 40 motor vehicles.

TransGrid played a core role in scoping the project, managing site requirements and installing the Tesla Powerpack.

TransGrid also developed new software called Smart Charge which enables real-time battery monitoring and control.

The City of Sydney project is the first site operating as part of a TransGrid energy storage trial, investigating how customers use batteries, and the value of storage to transmission networks.

WHAT SUSTAINABILITY MEANS TO SPARK INFRASTRUCTURE

Spark Infrastructure is an owner of essential service infrastructure that plays an important role in the national economy and is relied upon by millions of Australians every day. This unique and critical infrastructure footprint demands an unrelenting focus on every aspect of sustainability.

OUR APPROACH

Our ownership of critical electricity infrastructure businesses provides the opportunity to ensure sustainable policies are adopted in line with community expectations.

WHAT SUSTAINABILITY MEANS TO SPARK INFRASTRUCTURE

Our approach to sustainability has at its heart, a process to identify and manage all risks which pose a threat to our ability to fulfil our purpose, which is to create long-term, sustainable value for our Securityholders and other stakeholders.

To do this, we have processes and governance frameworks in place to:

- Operate safely, by requiring all of our businesses to place the safety and wellbeing of employees and communities at the heart of all operational considerations;
- Ensure the resilience of our assets against operational and environmental risks;
- Embrace innovation and new opportunities in the electricity distribution system including renewables, distributed generation, storage and multi-directional energy flows;
- Maintain an enduring social licence to operate based on strong and respectful relationships with all stakeholders including government, regulators and the communities which host our assets;
- Maintain a robust and prudent financial management process to deliver our financial objectives and maintain the flexibility and capacity to grow;
- Maintain the efficiency of our investment businesses, thereby enabling us to serve our customers, employees, partners and Securityholders;
- Maintain full regulatory engagement and compliance in an environment of heightened regulatory risk; and
- Enhance the resilience of our businesses to withstand changes in economic conditions and ability to deliver performance excellence.

Spark Infrastructure practises rigorous governance across its portfolio of investment businesses and meets high ethical standards.

Our sustainability and risk governance is delivered by the Board and Board committees overseeing environmental, health and safety, regulatory and financial functions. These committees are responsible for monitoring the performance and effectiveness of our businesses' policies, plans, systems and processes including their responses to climate change.

"In 2018, Spark Infrastructure again contributed to the Carbon Disclosure Project for the reporting of environmental data.

	Issues we manage	Responses and opportunities
Corporate Governance and compliance	› Operating licence requirements › Relevant laws, regulatory requirements and reporting	› Rigorous corporate governance structures › Code of conduct › Anti-corruption measures › Robust reporting practices ensuring resolution of incidents › Risk management and assurance program › Procurement practices
Customer and the community	› Affordable, reliable energy solutions › Community safety › Community impacts › Reputation and meeting community expectations	› Extensive consumer and stakeholder engagement › Strong commitment to public safety, targeted initiatives, training and incident reporting › Community partnership programs
Health, safety and wellbeing	› Injury and accidents › Workplace relations › Employee wellbeing	› Strong commitment to workplace safety, targeted initiatives, training and incident reporting › Diversity and inclusion
Workforce	› People and talent management › Engaged and diverse workforce	› Developing workplace capabilities, training, succession planning and appropriate remuneration policies › Employee engagement surveys › Diversity initiatives and strong commitment to equal opportunity workplace
Environment	› Bushfires and vegetation management › Environmental damage and pollution	› Strong focus on vegetation management processes › Environmental risk reviews › Effective use of technology
Regulation	› Regulatory landscape for regulated utility assets › Ad-hoc regulatory reviews › Changes to law › Emerging industry regulation and industry reviews	› Ongoing effective engagement ahead of and during regulatory periods › Influencing and advocating through engagement and liaison › Government relations › Industry associations
Technology and innovation	› Increased penetration of solar PV and batteries for households › Increased interconnectivity for inter-regional transmission › Increased distributed energy sources › Increased utility-scale renewable energy (wind and solar) › Increased penetration of electric vehicles	› Increasingly managing two-way electric flows on low-voltage network › Working closely with AEMO and ENA on how best to integrate DER › SAPN undertaking DSO trials with Simply Energy, Greensync, AGL and Tesla › TransGrid working closely with AEMO on regional interconnectivity and energy zones › VPN battery trials
Resilient Assets	› Business interruption › Network reliability, interruptions, loss of supply or sabotage › IT systems › Cyber security › Weather events	› Disaster recovery plans › Emergency and crisis training and plans › Insurance for third-party damage for unforeseen events › Engagement with industry/government bodies for best practice
Financial management	› Delivering return objectives › Treasury risk management › Sustainable capital structure › Robust project management	› Business and tax planning › Sustainable and prudent capital structure › Strong focus on project and contract management capability

CORPORATE GOVERNANCE

Spark Infrastructure is directly represented and actively participates on the Boards of each of our investment portfolio businesses where we oversee business operations, and review and monitor performance, including the management of environmental, social and governance risks.

GOVERNANCE FRAMEWORK

Spark Infrastructure's corporate governance framework is integral to supporting our strategic vision; creating long-term sustainable value for Securityholders. The Board is responsible for Spark Infrastructure's corporate governance, including its policies and charters.

The Board has established a governance framework of prudent and effective controls that enable risk to be assessed and managed. The Board's responsibilities include monitoring financial performance and prudent capital management, overseeing the activities of Spark Infrastructure and its policies and practices, overseeing the operation of Spark Infrastructure's system of internal controls and risk management, monitoring the performance of the Managing Director, communicating and reporting to Securityholders, setting criteria for nomination as a Director, reviewing Board composition and succession planning, and developing and monitoring diversity objectives.

The Board aims to have a broad and diverse membership, with a view to Directors bringing different perspectives to Board discussions. The Directors bring a broad range of expertise, skills and experience from diverse backgrounds including those relevant to the activities of Spark Infrastructure. The composition of the Board provides an appropriate balance of skills and experience with the additional rigour and assurance provided by a majority of Independent Directors. Each Director brings skills relevant to the successful conduct of Spark Infrastructure including effective oversight of Spark Infrastructure's portfolio of businesses. These include experience in infrastructure and essential service businesses, financial analysis and reporting skills, knowledge of the energy sector, operational understanding of the investment businesses, experience in corporate activity such as mergers, acquisitions and structuring of transactions, experience in corporate governance and disclosure matters, and experience in financial services and licence obligations.

ETHICS AND POLICIES

Spark Infrastructure is committed to high standards of ethics and conduct on the part of its directors and employees. Our Code of Conduct outlines the responsibilities of our people and includes matters such as people and safety, environment and the community. Spark Infrastructure believes that a diverse Board and management team allow it to be more innovative, flexible and better respond to the needs of Securityholders and all stakeholders. Diversity generally, including gender diversity, is an ongoing focus for Spark Infrastructure and is evident in the representation of women across the organisation.

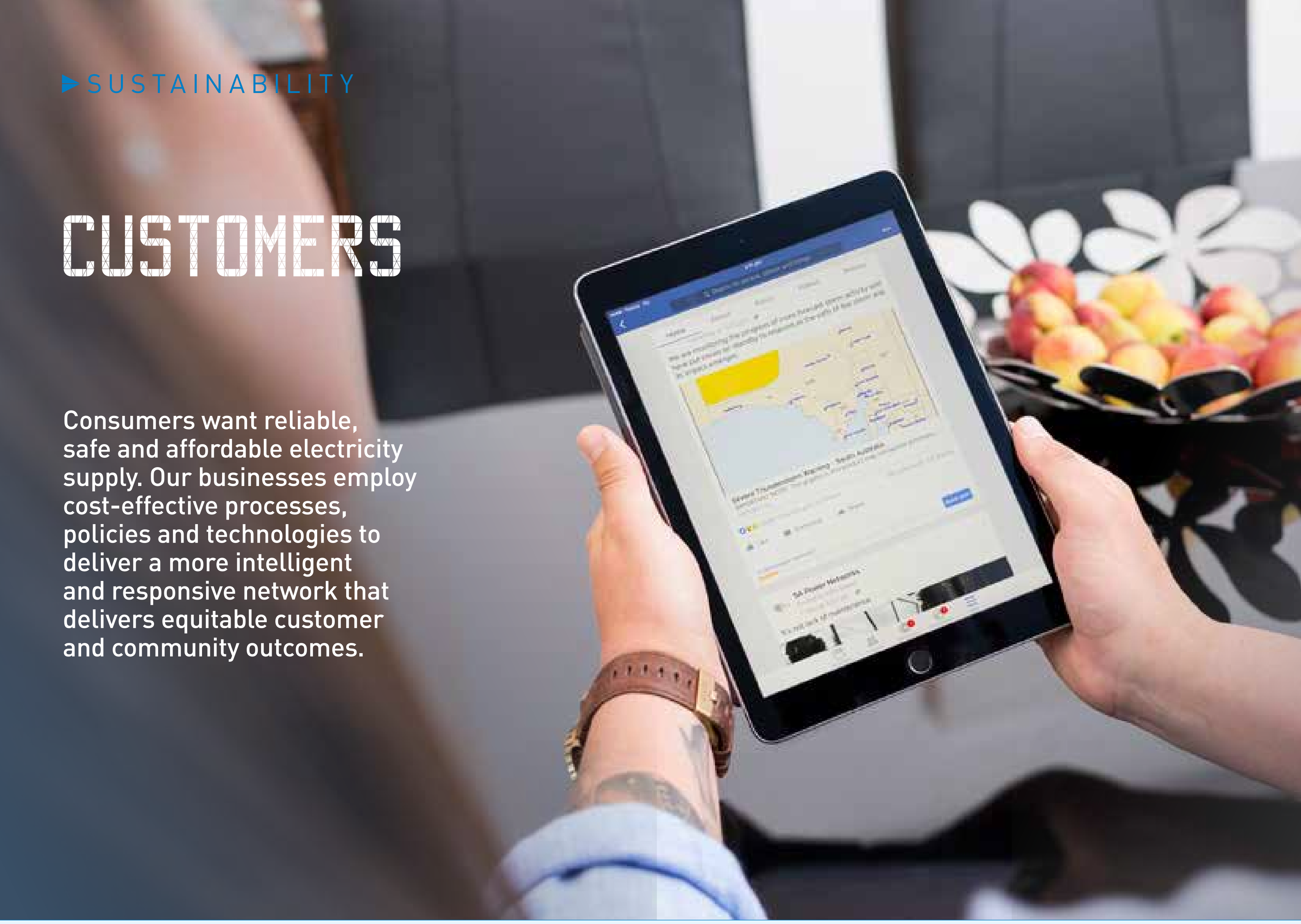
RISK MANAGEMENT

The Board recognises that effective management of risk is essential to good corporate governance. Equally, the Board appreciates that, in order to maximise Securityholder value, maintaining a sensible risk appetite for pursuing investment and business development opportunities is necessary and appropriate. Implementing a risk management framework that balances these concerns is a priority for the Board. Spark Infrastructure's commitment to sustainability is driven by our Board and the Boards of our investment businesses.

Spark Infrastructure is directly represented and actively participates on the Boards of each of our investment portfolio businesses where we oversee business operations, and review and monitor performance including the management of environmental, social and governance risks. Through Risk Management and Health and Safety & Environment Committees, we provide leadership and support the work of management teams. The Committees review and monitor performance and effectiveness of our businesses' policies, plans, systems and governance structures in relation to health, safety and the environment, including their response to climate change. Our investment businesses actively and diligently manage their material exposure to environmental risks, contributing to environmental sustainability.

“As an owner of critical service infrastructure businesses, Spark Infrastructure plays an important role in the transformation of the energy sector from being reliant on coal-fired generation to renewable distributed generation over time, and enabling that transformation through efficient investment.

HOW WE GOVERN



CUSTOMERS

Consumers want reliable, safe and affordable electricity supply. Our businesses employ cost-effective processes, policies and technologies to deliver a more intelligent and responsive network that delivers equitable customer and community outcomes.

FOCUS ON VALUE AND AFFORDABILITY

Being recognised as among the most efficient networks in the country means that benefits can be passed onto our customers and consumers.

Since its privatisation in 1999, SA Power Networks has reduced the distribution charge in residential electricity prices by 9% in real terms.

In the last 10 years, CitiPower and Powercor have reduced the distribution charge in residential electricity prices by 1% and 6% in real terms respectively.

In the first regulatory determination since TransGrid's privatisation, transmission charges have declined in real terms by 5% relative to the previous regulatory period.

CUSTOMER SERVICE AND SATISFACTION

Meeting reliability standards and excellence in customer service is a key focus for our businesses. They regularly engage with and survey customers to gain greater insight into how services can be improved. Digital forms and communication channels are being introduced to improve contact with our customers.

In 2018, CitiPower and Powercor's customer satisfaction score was 85% for the second year in a row and the highest ever back-to-back result, demonstrating a sustained focus on delivering powerful customer service.

SA Power Networks' combined satisfaction index was 5.63 out of 7, meaning 80% of surveyed customers were satisfied with the service.

TransGrid operates its network to meet the mandated reliability level, and in the year to 30 June 2018 achieved a reliability level of 99.9999%.

In 2017/18, TransGrid achieved an 86% reputation score for its direct customers and a 79% reputation score for all stakeholder segments according to an external audit by Newgate Australia.

TransGrid's goal is to consistently deliver the highest Net Advocacy Score of Australian energy businesses and achieve top-quartile stakeholder engagement scores for infrastructure service businesses.

In addition, the regulatory regime rewards strong reliability and customer service performance. Our businesses routinely outperform reliability targets (measured as annual minutes without supply per customer), and our distribution businesses outperform service target performance and customer telephone service standards, with pleasing results again in 2018. This translates into important financial incentives that will be received in future periods.

9%

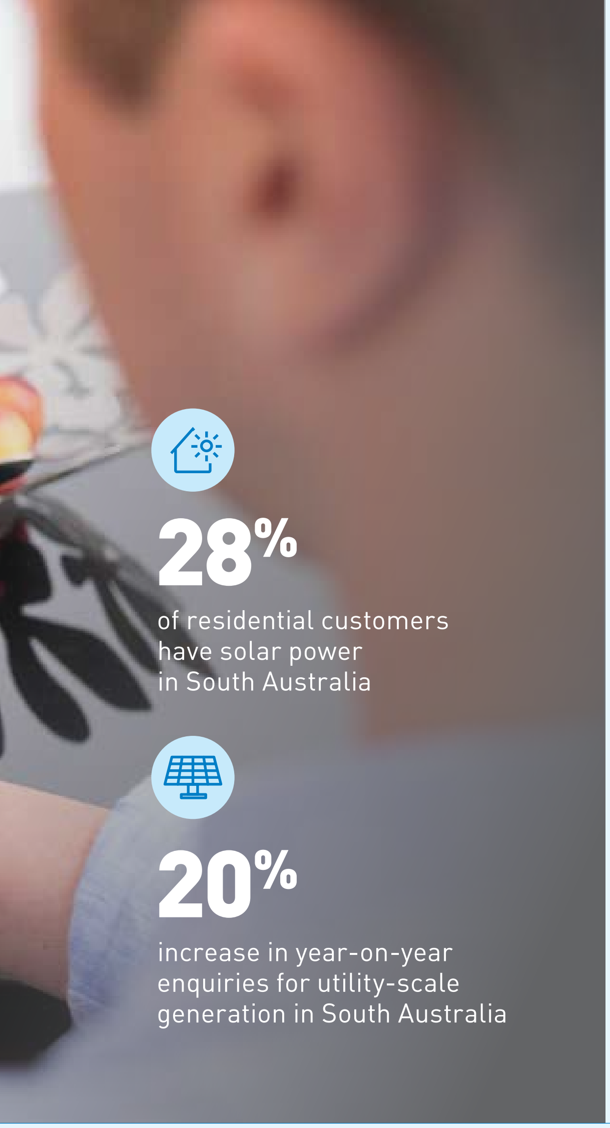
real decline in residential network charges since 1999 in South Australia

99.9999%

reliability level for TransGrid

10

deep-dive customer stakeholder workshops held by SA Power Networks



28%

of residential customers have solar power in South Australia

20%

increase in year-on-year enquiries for utility-scale generation in South Australia

Enabling rooftop solar technology by customers in South Australia

With the highest penetration of renewable energy of all the states, SA Power Networks is leading the country in enabling customer choice in electricity generation, and integrating the excess energy generated by its customers back into the electricity grid.

At the end of 2018, the regulated business had over 225,000 customers (around 1 in 4) with solar PV, with over 1,000MW of solar PV approved capacity connected to the SA network.

In addition, enquiries for connecting commercial-scale embedded generation (30kW and above) to the network, continues to grow. In 2018, enquiries grew 20% to 550 with approximately 60% of projects proceeding. The business closely monitors these enquiries and has established defined processes and governance for connections.

CUSTOMER & STAKEHOLDER ENGAGEMENT

Our businesses develop robust customer engagement processes to better understand the expectations and priorities of customers and stakeholders, and ensure that their plans are aligned with customer long-term interests.

In 2017, **Victoria Power Networks** launched its landmark engagement program, Energised 2021-2025 which aims to define and develop the services and benefits customers want from their distributor in 2021-2025 and beyond. The program has four phases, including; understanding what customers value most with their electricity supply; exploring future energy scenarios, including the impact of new technology on the energy grid; taking a deep dive into customers' preferences in building solutions and services that align with an expected energy future; and publishing Draft Proposals for 2021-2025 to confirm customer preferences and to finalise our proposals to the AER.

During 2018, work on the plan has included the following customer engagement opportunities; six network-wide surveys, 30 in-depth interviews with large commercial and industrial customers, conduct of six focus groups and three regional forums with community opinion leaders, and holding of seven deliberative forums with residential and small and medium enterprises, community opinion leaders and key industry stakeholders.

SA Power Networks' Customer Engagement Program for the 2020–2025 regulatory determination began in February 2017. It is a progressive, phased program that provides multiple and diverse opportunities for dialogue and engagement. Over 5,000 participants have been consulted to date with 185 engagement activities and 55 reference group meetings, across 13 locations and with 20 newsletters produced. During 2018, 240 participants were involved in 10 deep dive workshops including representatives from residential and business customers, business groups, the Arborist Reference Group, vulnerable customer advocates, local and state Government, renewable energy advocates and retailers discussing tariffs, service levels, capital expenditure, operating expenses, the future of the network and information technology. This was undertaken as part of the 2020-2025 Draft Plan and 2020-2025 Regulatory Proposal, lodged with the AER on 31 January 2019.

TransGrid works with a diverse set of stakeholders including energy consumers, directly connected customers, local communities, regulators, state governments and the Federal Government.

TransGrid representatives build strong relationships through frequent engagements with stakeholders and across all fields including operations, technical, planning, projects, and through commercial and community engagement. Through frequent and targeted engagement, TransGrid is able to better understand the expectations and priorities of customers and stakeholders.

For customers, TransGrid:

- Allocates a dedicated customer manager to any customer directly connected to TransGrid's network;
- Provides customer advocacy, understanding and delivery on customer needs;
- Develops open and reliable channels of communication between TransGrid and its customers, so that customer issues are resolved quickly; and
- Builds high levels of trust by supporting customers throughout the changes faced by the energy industry.

In addition, TransGrid's peak customer engagement body is the TransGrid Advisory Council (TAC), which acts as a key stakeholder advisor to TransGrid, offering consumer insights to improve the value of TransGrid's transmission services to NSW and the ACT. The TAC comprises executive level representatives from a cross-section of external stakeholders. The TAC provides advice and consumer views on strategic policy topics and TransGrid's business plans, which ensure that customer and consumer perspectives are consistently included in TransGrid's decision making processes.

COMMUNITY

Our businesses have forged strong connections to the communities we serve. As a significant employer, we have an important role in supporting their social and economic development. Through our community engagement programs and partnerships we aim to build strong, deeper connections within our communities.

COMMUNITY PARTNERSHIPS

As the sole electricity distributor to all major population centres in the state, **SA Power Networks** has a significant role in the community and this is reflected through a diverse sponsorship and community support program.

SA Power Networks supports community organisations and events involved in the arts, environment protection, conservation, and training and development through its support of Adelaide Fringe, Country Arts SA, Operation Flinders, Trees 4 Life and Women in Innovation.

SA Power Networks also encourages an active and healthy community through its support of sporting organisations such as South Australian Little Athletics, Adelaide Bite and Adelaide United Women's Soccer, and its support of health organisation, Asthma Foundation.

As a major employer throughout regional areas, **Victoria Power Networks** has an extensive community partnerships program supporting organisations involved in sport, health, regional communities, diversity and inclusion and energy innovations.

The Powercor Country Festival, in partnership with the Australian Football League's Essendon and Geelong football clubs, promotes the contribution that regional Australia makes to the social and economic fabric of the country.

Powercor also supports the Western Bulldogs' Community Foundation and Next Generation Academy. The program provides employees the opportunity to volunteer as mentors to young business leaders, become 'Adapters' supporting newly arrived immigrants and refugees, or help expand mental health programs in Melbourne's fast growing western corridor.

Other initiatives include inviting the public and young female science and maths students to sites through the Melbourne Design Week Open State events. Powercor also supports the Newstead local community with a trial of a new residential tariff in their goal of 100% renewable energy by 2021.

CitiPower and Powercor employees also make regular donations to selected charities, raising more than $61,100 to charities through the Workplace Giving Program.

TransGrid's Community Partnerships Program supports local communities by providing funding for initiatives that deliver lasting benefits in areas where it has infrastructure or is undertaking network upgrades. This forms part of TransGrid's continuing commitment to building positive relationships with its stakeholders. The program has provided support to community initiatives including the Mulgoa Valley Land Care Group and sponsor of the 2018 Regional Achievement & Community Leadership Awards for regional and rural NSW and ACT. In addition, TransGrid supported the local Yass community to preserve Aboriginal culture and history through an interpretative display by Yass Valley Council, featuring three Aboriginal Scarred Trees at Oak Hill Aboriginal Place in Yass.

TransGrid has also worked with numerous schools providing funding for STEM focused resources, supporting academic achievements through the sponsorship of prizes and helping students lead active, healthy lives through the National Heart Foundation Jump Rope for Heart skipping program.

SA Power Networks' Employee Foundation

SA Power Networks supports employee participation in the community through the Employee Foundation. They raise funds for and contribute volunteering time to a number of key charities including Cancer Council SA, Mary Potter Hospice and Hutt Street Centre. In 2018, the Foundation reached a milestone of distributing $2 million to charity since its creation.

Additionally, staff are actively encouraged to volunteer or fundraise for causes they are passionate about. Fundraising up to $5,000 is dollar matched by the Foundation and continues to make a significant difference to a wide variety of charities across the state.

$3.1M

investment in community programs in 2018 by our businesses

$400,000+

raised by employees of our businesses through workplace giving

COMMUNITY INITIATIVES & PARTNERSHIPS

SA Power Networks – Adelaide Fringe, Country Arts SA, Operation Flinders, Trees 4 Life, Women in Innovation, South Australian Little Athletics, Adelaide Bite and Adelaide United Women's Soccer, Asthma Foundation

Victoria Power Networks – Cricket Victoria's CitiPower Centre, Powercor Melbourne to Warrnambool Cycling Classic, Powercor Country Festival, Western Bulldogs' Community Foundation, Next Generation Academy, Melbourne Design Week Open State events, Renewable Newstead

TransGrid – Mulgoa Valley Land Care Group, 2018 Regional Achievement & Community Awards, Yass Valley Council interpretative display, Mount Annan Christian College, Nimmitabel Public School, Yass Public School, Yass High School, Berinba Public School

HEALTH AND SAFETY

Our businesses focus on creating safe working environments by investing in preventative practices and strong safety-first leadership and culture. This is backed by targeted training programs, comprehensive reporting and investigation of incidents to continuously improve performance.

CERTIFICATION

All of our businesses are certified to the AS/NZS 4801 – Workplace Health and Safety Management Systems Standard.

Victoria Power Networks and SA Power Networks are also certified to the WHS AS18001 Standard. Victoria Power Networks undertook the three-year recertification during 2018 and is accredited under the Federal Government Building and Construction Workplace Health and Safety Scheme.

SA Power Networks underwent a recertification audit against the Federal Government Building and Construction Occupational Health and Safety Scheme in early 2017, and was awarded a six-year renewal period, the highest possible renewal period under the scheme.

In addition, SA Power Networks achieved a five-year renewal of its Self-Insurance Status in 2015 after a stringent audit by ReturnToWorkSA against the WHS and Injury Management Standards for Self-Insured Employers in South Australia.

TransGrid places the safety of staff, contractors and community as its first priority. This was recently recognised by SafeWork NSW, which presented TransGrid with an award for Leadership in Safety.

SAFETY GOVERNANCE

Our businesses have comprehensive structures for managing and mitigating Work Health and Safety (WHS) related risks.

Victoria Power Networks and SA Power Networks operate business-wide WHS committees with subordinate committees across the regions, providing a forum for the workforce to have input into Health, Safety and Environment (HSE) issues and initiatives. The HSE committees consult and communicate with employees on HSE matters across the region, drive HSE improvement for all employees and contractors, share relevant information, and engage with regional management to consider local resolutions to HSE issues raised by employees. The Boards of Victoria Power Networks and SA Power Networks have oversight of the management committees through regular reporting and risk reviews. 100% of field employees and new employees have conducted safety compliance training in 2018.

TransGrid has six regional management health and safety committees across NSW and the ACT. Each committee has approximately 12 members with a mix of managerial, team leader, safety advisor and field and office employee constituents, and meets on a quarterly basis. The Board Health, Safety & Environment Committee oversees the implementation.

At TransGrid, all new employees and contractors are required to undertake induction and safety training. Works delivery staff are required to attend annual mandatory training. In 2018, 486 employees and 1,026 contractors undertook specific safety training relevant to their work. Additional training included Certificate 4 WHS training for all construction supervisors, and vehicular training for relevant staff.

KEY INITIATIVES IN 2018

Victoria Power Networks launched a new preventative and proactive HSE strategy. The rolling three-year strategy focuses on injury prevention, hazard reporting, building leadership capability, simplifying systems as well as effective and timely communication. The strategy is underpinned by five focus areas that comprise People, Capability & Resources; HSE Systems & Processes; Hazard Awareness & Compliance; Communication & Stakeholder Engagement; and Performance Data & Benchmarking.

Further HSE reporting system enhancements were made to Cintellate (the HSE hazard, incident and risk IT system) during the year to better address the internal and external reporting requirements and improve functionality. The Project Switch initiative aimed at the high-risk process of de-energising and re-energising or 'switching' the network continued in 2018, with a series of training sessions provided at key locations.

Existing employee wellbeing programs continued with the Resilience Project. The Stepathlon program promoting the benefits of regular exercise and R U OK day were also implemented. In 2017, 675 men

PROACTIVE REPORTING AND SAFETY CULTURE

1,665
Hazard and Near Miss incidents reporting at Victoria Power Networks, up 424%

280+
managers participated in SA Power Networks' Switch On Safety Leadership Academy

30%
decline in TransGrid High Consequence Incidents

Changing the safety culture at Victoria Power Networks

Changing an organisation's safety culture is the challenge accepted by Steve Bourke, Head of Health, Safety and Environment.

"We want our people to live the company value of Live Safely. When incidents occur we want to understand why they happen so we can prevent them. It's not about blaming people, it's about learning to keep our people safe," he said.

More than 150 employees and managers from across the business took part in consultations to form the Fair and Just Framework underpinning the new preventative and proactive HSE strategy. Launched in July 2018, it was accompanied with roadshows at every depot, training for all operational team managers, video messages by the CEO as well as field employees, new tools and resources available on the HSE Hub training system, and a competency-based training needs analysis to strengthen investigative capabilities, with targeted training programs soon to follow.

In an industry-first, the strategy involves establishing an Operating Mentor at every depot, supported by four senior leaders comprising the Operating Performance Team. This network of mentors will help promote, support and embed the shift in safety culture with new behaviours and attitudes across all sites.

Over three years, the new HSE strategy will see a program of works over five focus areas comprising People, Capability & Resources; HSE Systems & Processes; Hazard Awareness & Compliance; Communication & Stakeholder Engagement; and Performance Data & Benchmarking.

participated in the Prosmate Program that provides free prostate cancer screening for all male employees. Following its success, prostate health checks were offered again in 2018. In addition, a new women's health initiative was launched.

SA Power Networks launched a new three-year Safety Strategy 2020, with the objectives of Keeping our People Safe and Well, Empowering Leaders and Building on Safety Culture and Systems. Initiatives in 2018 included a focus on the Work Safe Values, Teamwork, Ownership, and Manage Risk & Communication. These values formed the centrepiece for the delivery of the Safety Leadership Academy another project from the strategy that has been delivered to more than 280 leaders and workers. The three-day experiential workshop aims to drive an understanding of safety leadership, human factors, behaviours and the introduction of the SA Power Networks Just and Fair Framework. The new Risk and Incident Management System, Enablon, was launched in November 2018, to achieve significant efficiencies and integration of safety, risk and audit management functions across the business and enable the capture, management and analysis of WHS data and to drive WHS performance.

The Health Hub wellbeing initiatives, which commenced in 2017, continued with the roll-out of health screening, skin checks and mental health training programs across metro and regional locations. In addition, the early treatment for minor injuries program providing free physiotherapy treatments, and the expanded Employee Assistance Program were further promoted, supported by a new online portal.

Initiatives at **TransGrid** during the year included the Annual Safety Day, safety working group, Heads-up safety conversations, enhanced crew-leader training, internal communications building safety awareness, high consequence risk management and awareness programs.

SAFETY PERFORMANCE

All of our businesses measure a variety of safety performance indicators to understand whether their processes and behaviours are effective in minimising safety incidents and serious harm.

The businesses track Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR) or Total Recordable Injury Frequency Rate (TRIFR) for employees and contractors. They also track serious consequence-based injury, or major incidents that are capable of causing or did cause serious or fatal harm under various measures. For example, Victoria Power Networks tracks potential Class 4/5 incidents, which has reduced from 13 incidents in 2016 to 4 in 2018. SA Power Networks tracks a measure called the Fatal Risk Incident[1], which halved in 2018. Similarly, TransGrid recorded a 30% decline in High Consequence Incidents in the year to 30 June 2018 compared to the previous year.

All of our businesses also track and report at-fault vehicular incidents and switching incidents as these are high-risk incident activities. TransGrid also tracks and investigates Power System Safety Rule breaches.

The businesses consider that their serious consequence-based injury measures and leading indicators are more meaningful than lagging indicators as they are a more accurate and reliable representation of risk. This is because an absence of incident does not necessarily equate to an absence of risk. In this way, risk is identified and managed before it goes on to cause harm.

Victoria Power Networks has a proactive reporting culture with near miss reporting increasing 424% to 1,665 incidents in 2018. It also reports on an index of safety indicators including number of vehicular incidents, closeout of incident and hazard actions, timely incident reporting as well as hazard and near miss reporting. In 2018, the index score was 86%, exceeding the target of 85%.

SA Power Networks collects a range of lead measures including the number of field observations done, the number of leadership safety visits and WHS health check survey data.

TransGrid reports on and tracks a number of lead indicators including hazard reporting, Heads-up safety conversations, audit schedule completion, leadership training and skill gap training.

There were zero fatalities across our businesses in 2018.

1. An incident with credible potential to cause death(s) or serious and permanent injury/injuries and where back-up preventative/control measures were absent or potentially deficient.

WORKFORCE

Our people are integral to maintaining the safety and reliability of our networks and we invest in the development of our workforces.

Spark Infrastructure and our businesses are equal opportunity employers committed to promoting diverse, engaged and inclusive workplaces and offering career development opportunities for our people.

EMPLOYEE ENGAGEMENT AND RETENTION

All of our businesses use regular employee surveys to assess the level of employee engagement and alignment with strategic priorities. Survey outcomes directly shape people initiatives prioritised for the following year.

Victoria Power Networks continues to be a top-quartile performer relative to the global utility sector, achieving 88% participation and top-quartile engagement score of 79%, up from 74% last year.

SA Power Networks' 2017 survey showed a very positive employee engagement score of 83%, placing the business 11% above the industrial sector benchmark, and is up from 79% in the prior study. The focus of work this year has been to implement improvement plans for workgroup effectiveness that were identified in the 2017 survey. The next engagement survey will be in 2020. Employee turnover continues to remain under 5%.

TransGrid achieved an 84% participation rate in the 2018 employee engagement survey. Key focus areas for 2019 include communicating more on the future direction of the business, recognising employee contribution and building leadership capability.

DIVERSITY AND EQUAL OPPORTUNITY

Victoria Power Networks has implemented a number of initiatives across gender, age and cultural diversity and inclusivity following the work of its Diversity and Inclusion Working Group last year. In 2018, initiatives have included celebrating various events such as the Hindu Diwali festival of lights, Lunar New Year celebration, International Women's Day, National Harmony Day and NAIDOC Week. Flexible working arrangements also help ensure the business continues to create a workplace that attracts and retains talent. 20% of the executive team and 19% of the senior management group are female.

SA Power Networks is committed to delivering a stronger inclusive culture that enables all employees to flourish and bring out their best. A Diversity and Inclusion Steering Committee headed by CEO, Rob Stobbe, has been established and includes a number of senior leaders. Key initiatives this year include stronger sponsorship to increase the number of women in leadership roles, continuing to increase the number of women in non-traditional roles, promoting career development opportunities, increasing awareness of flexible work practices and mentoring programs. New cultural awareness programs and events also took place, and the target of 10% Indigenous in the 2019 apprentice intake was achieved.

TransGrid is working to create a diverse and inclusive workplace in which all employees feel valued, included, and able to contribute to the best of their ability. It is working to increase female and Indigenous talent by working with educational institutions through sponsorships and scholarships and offering graduate employment to recipients. In addition, TransGrid's Reflect Action Plan was endorsed by Reconciliation Australia in October 2018.

In 2018, TransGrid increased workforce participation of women from 19.5% to 21.1% and achieved a 10.7% proportion of women in non-traditional roles, exceeding its target of 9%. TransGrid has targets for female participation and women in leadership of 26% by 2020, with the number of women in leadership positions already well placed at 25%.

Supporting female engineering students

To attract women to the field of electrical engineering, Victoria Power Networks created the Women in Electrical Engineering scholarship. Three scholarships are awarded, with recipients receiving support in their final two years of study, an assigned mentor from within our business, and 12 weeks of vacation work experience before their final year of study.

TRAINING AND DEVELOPMENT

Spark Infrastructure and our businesses invest heavily in training and development of their people, including technical skills training, leadership training, mentoring and career development to ensure employees have the skills and capabilities needed to undertake their work and develop their careers for the future.

Victoria Power Networks has a strong suite of training and development programs. The business is the largest employer of apprentices among Victorian distribution businesses, with 19 new first-year apprentices joining the business this year. Since 2001, the business has trained 405 apprentices and trainees, as well as 72 graduates through the three-year graduate engineering program. In 2018, the business ran 63 development programs for over 200 managers and leaders to develop both strategic and operational skills. This included partnering with the Melbourne Business School to run a nine-month strategic leadership program and launching a new program for 20 emerging leaders.

There is a strong commitment to investing in leadership development, with five strategic leadership Master Classes developed collaboratively with Melbourne Business School and delivered throughout the year. These classes cover the latest academic theory in areas like Systems Thinking, Data & Analytics and Future Thinking, in addition to workshop sessions designed to engage, challenge and inspire participants.

SA Power Networks has been providing technical trade training to employees and contractors for more than 50 years. 44 powerline and electrical apprentices joined in 2018 in a four-year program comprising both on-the job and off-the-job training at SA Power Networks Training Centres and at TAFE SA. It also provides nationally-accredited leadership and project management qualifications, with 34 employees participating in Certificate IV, 14 employees participating in the Diploma of Leadership and Management and 10 employees graduating with the Diploma of Project Management. Leadership development is also a strong focus, offering programs such as Empowering and Inspiring Leadership, Leader as Coach and Strategic Thinking for Effective Decision Making.

TransGrid has developed a whole-of-business capability framework covering behavioural, commercial acumen, technical and leadership capabilities. Employees participated in capability assessments in 2018 and drafted development plans with their managers. A series of formal development programs have been scheduled throughout 2019 to provide course-based training to employees across multiple locations in addition to on-the-job and one-on-one development initiatives.

All employees and workers had the opportunity to receive a performance and career development review during the reporting period.

ENVIRONMENT

Spark Infrastructure and our businesses are committed to participating in Australia's lower emission energy future, in a manner that is consistent with the expectations of the community, policy makers and stakeholders.

Further, we are committed to conducting our operations in a manner that prevents or minimises pollution and other adverse impacts on the environment.

80,000

native trees planted by Victoria Power Networks since 2005, helping revegetate more than 73 hectares

ENVIRONMENTAL SUSTAINABILITY

Our businesses have implemented comprehensive structures for managing environmental impacts and risks. Compliance with environmental legislation and regulation is viewed as a minimum requirement. Key focus areas include the management of hazardous substances, native vegetation, and recycling and waste.

To ensure environmental management objectives are met, all of our businesses maintain robust Environmental Management Systems (EMS) in line with the international standard ISO14001, the industry benchmark.

The EMS provides a framework for identifying and managing environmental issues and risks, and provides direction for managers and employees in delivering the intent of the Environmental Policy. This is continually evolving and is updated on an ongoing basis.

Environmental management is embedded operationally as part of regular activities and overseen by the Health, Safety & Environment Group at Victoria Power Networks, and the Environment Group at SA Power Networks. SA Power Networks continues to implement initiatives as part of its Sustainable Procurement Action Plan, with the goal of aligning internal systems with the new ISO 20400:2017 Sustainable Procurement Standard.

Efforts in 2018 included:

- **Victoria Power Networks:** native vegetation and cultural heritage awareness raising and roll-out of new assessment tools, recertification audit for the environmental management system standard (ISO 14001:2015), and continued focus on reducing risk to stormwater contamination.
- **SA Power Networks:** the installation of the Kangaroo Island undersea cable was environmentally complex, involving consideration of native vegetation, protected fauna such as sea eagles and migratory whales and vulnerable marine environments, and Aboriginal cultural and European heritage. In addition, the organisation's commitment to recycling and resource recovery systems continues to achieve positive results.

The protection of the environment is a fundamental value in **TransGrid's** day-to-day operations and its commitment to the environment extends to employees and contractors. The business is committed to actively identifying and managing environmental risks in the business, in a sustainable manner.

Renewable energy

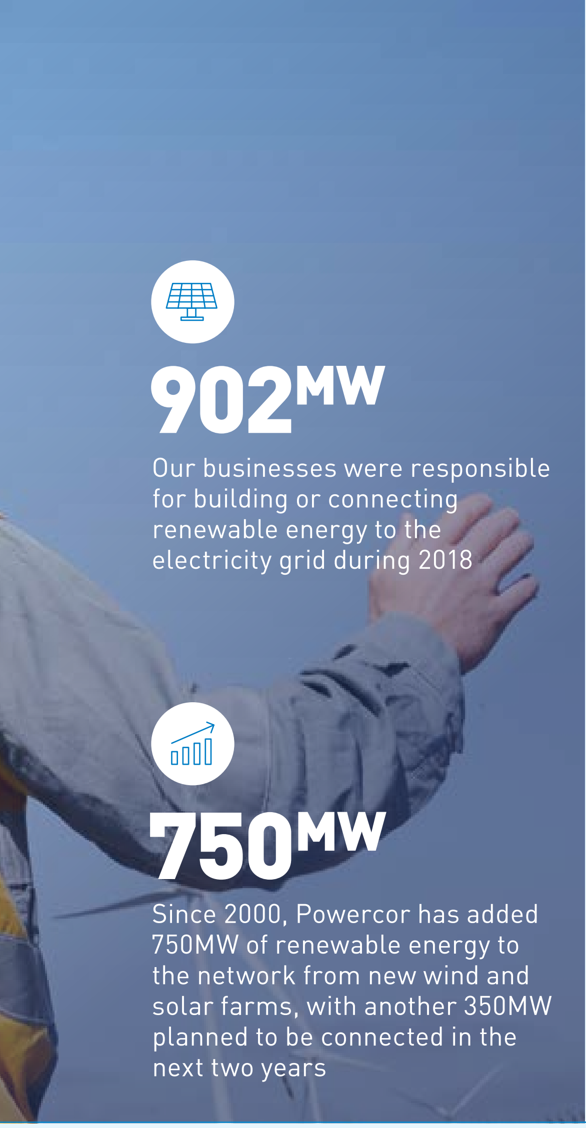
We actively support Australia's transition to a lower carbon emission future.

South Australia leads the nation in the adoption of new energy technologies such as solar panels and battery storage. Around one in four of its customers has rooftop solar generation. Taken together, they can generate more than 1,000MW of power, which is more energy than any other single generator in the state.

Enerven and Beon pursue large-scale renewable energy procurement and construction contracts including the installation of utility-scale solar and wind projects for customers. Both are members of the Clean Energy Council.

In 2018, Beon was awarded the Karadoc Solar Farm contract to design, plan and procure the 112MW installation in northern Victoria, contracts for 840kW of solar installation across two sites in Tasmania, the first large-scale solar projects in the state and a solar contract for two shopping centres in South Australia totalling more than 11MW. During 2018, Beon was also appointed to construct a 30km 132kV transmission line connection to the 321MW Moorabool Wind Farm and the Elaine Terminal Station.

TransGrid's renewable energy connections business continues to grow, with wind and solar farms already connected to the electricity grid delivering 1.1GW of renewable energy to customers. A further 1.2GW will be delivered by 2020.



902MW

Our businesses were responsible for building or connecting renewable energy to the electricity grid during 2018

750MW

Since 2000, Powercor has added 750MW of renewable energy to the network from new wind and solar farms, with another 350MW planned to be connected in the next two years

Using LiDAR to help with vegetation management

A year round program of vegetation management is important as trees growing too close to powerlines can cause fires, outages and power surges and present a significant safety risk to the community.

In 2017, Powercor did not clear sufficient vegetation from powerlines in low bushfire risk areas (LBRA) in 189 of its spans before the summer. Powercor accepted that it breached its regulatory requirements.

In response, CitiPower and Powercor have acted to strengthen and improve their vegetation management programs. In 2018, this program has been the most extensive ever conducted, with CitiPower and Powercor using Light Detection and Ranging Measurement (LiDAR) to develop a digital map of their entire networks. The radar technology involves a small plane flying over the network, sending and receiving laser pulses to develop a high-resolution map of the distances between a powerline and nearby vegetation to an accuracy of within 10cm.

CitiPower and Powercor use the data to help prioritise vegetation management works for the 2018 summer season. As a result, more than 86,000 spans, or 17% of the Powercor network, and 6,000 spans, or 10% of the CitiPower network, have been cleared of surrounding vegetation this year. All work is conducted in line with Victorian Government regulations.

CitiPower and Powercor will now be conducting LiDAR on the networks every year. Once data is received across a number of years, vegetation growth rates across areas of the network can be modelled, helping with its regulatory compliance and improve identification and reduction of bushfire risk.

The technology can also be used to determine if wires are sagging with insufficient clearance from the ground. This allows re-tension works to be identified and prioritised earlier.

CLIMATE CHANGE

Climate-related impacts and Australia's transition to a low-emission future affect our customers, operations and supply chains. We take a risk-based approach to climate change. Evaluating exposure to climate-related risks and opportunities are integrated within our businesses' risk identification, assessment, and management processes overseen by the Audit, Risk and Compliance Committees of the Boards of the businesses in which we invest, and the Board of Spark Infrastructure.

We identify and assess the risks and strategic opportunities presented by climate change including the impacts to our business both in the short and long term. These risks and opportunities are incorporated into management objectives and business strategy.

Victoria Power Networks have a Climate Change Policy and Strategy which assists them to manage the impacts of climate change on their assets and operations and to work to reduce their contribution to climate change. Climate change is incorporated in TransGrid's risks and opportunities register, and planning is in place to develop an emissions reduction strategy and an energy efficiency strategy.

In particular, our businesses continuously assess the potential financial impacts related to extreme weather events. We maintain a watching brief on the evolution of global climate change mitigation frameworks, and predictions relating to physical impacts of climate change in Australia, including evolutions in bushfire risk. We support our businesses' appraisal of network augmentation infrastructure investment opportunities to proactively manage evolving physical impact-related risks.

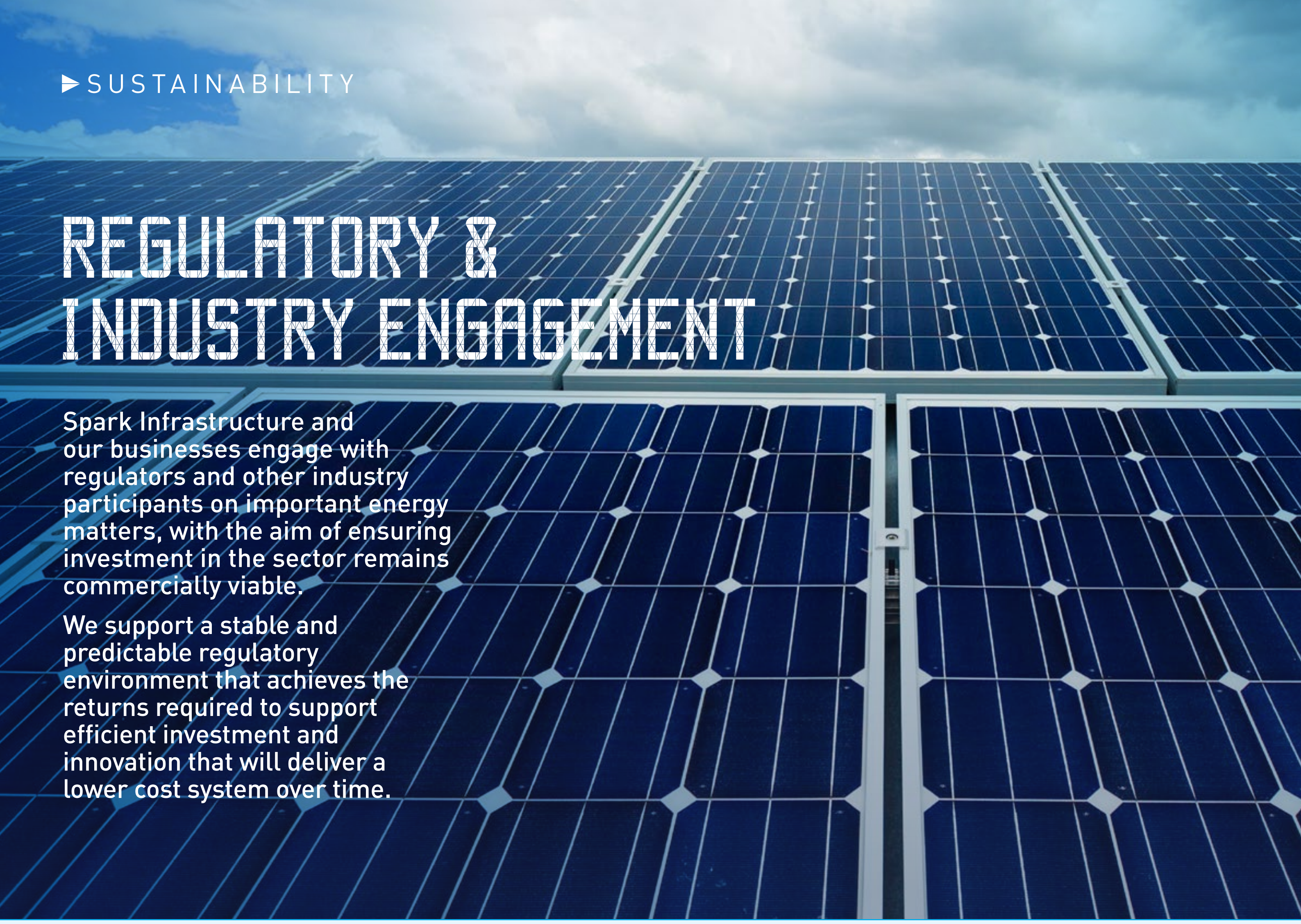
In relation to the physical asset risk, our businesses are actively adapting network operations to better withstand forecast climate conditions, including reviewing standards and materials used in construction and maintenance of the networks to make the networks more resilient to extreme weather.

We continue to evaluate the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) with the view of addressing these in future reporting.

FINES AND PENALTIES

In 2018, SA Power Networks received a civil penalty from the Environment Protection Authority (EPA) following a substation fire and oil spill incident at Thebarton. The EPA was satisfied with the response and clean-up of the incident with no longer-term environmental harm. This resulted in a fine of $3,465.

For 2018, TransGrid had one reportable heritage-related incident which is still being investigated together with the relevant authority.



REGULATORY & INDUSTRY ENGAGEMENT

Spark Infrastructure and our businesses engage with regulators and other industry participants on important energy matters, with the aim of ensuring investment in the sector remains commercially viable.

We support a stable and predictable regulatory environment that achieves the returns required to support efficient investment and innovation that will deliver a lower cost system over time.

REGULATORY LANDSCAPE

There has been considerable activity in energy and regulatory policy during 2018 driven by a desire to reduce energy prices across the energy supply chain.

For owners of electricity networks, the activity has included:

- Government intervention to increase the discretion of the regulator at the same time as narrowing judicial review rights;
- Government interventions to seek review of the AER's approach to tax and review of the regulatory investment test;
- Reviews of the regulatory framework and energy system by the Australian Competition and Consumer Commission (ACCC), AEMO and the Energy Security Board (ESB); and
- Proposals by the AER to significantly reduce regulated returns and refine the benchmark estimate of tax allowances.

We share the objective to reduce energy prices to customers and we are doing our part by continually seeking more innovative and lower-cost ways of providing services to our customers. However, the considerable activity, and at times, contrary and unpredictable decisions, have increased the uncertainty and risk facing the regulated network sector, to the detriment of the investment environment and the long-term interests of customers.

This is at a time when the sector needs more investment, to efficiently and effectively transition to a low-cost, reliable, secure low-emission future.

REGULATORY ENGAGEMENT

Spark Infrastructure has responded by becoming more active in our dialogue with regulators, government and politicians. We have become more vocal, led the coordination of views of peers and developed a view for the future to guide our contributions.

Our objective is to maintain a robust and independent regulatory framework which has been shown to work effectively for privately-owned businesses like ours, to build an integrated energy system and strengthen energy security supply, while delivering lower energy costs to consumers.

We have contributed in the reviews undertaken by multiple regulators in the energy sector: the AEMC, AEMO, ACCC, AER and ESB. We provided submissions, led the Network Shareholders Group (NSG) in providing joint submissions, participated in reference groups, and met with regulators. The NSG brings together some of the largest investors in Australian energy networks, having collectively invested more than $12 billion in electricity transmission and distribution networks.

In response to the politicisation of the processes, we have also shared views on government policy and legislative processes in submissions, letters to Ministers and meetings with Ministers and policy officials.

All of Spark Infrastructure's written contributions to these processes are available on our website.

> **"We share the objective to reduce energy prices to customers and we are doing our part by continually seeking more innovative and lower-cost ways of providing services to our customers.**

15
submissions to regulatory reviews by Spark Infrastructure in 2018

13
meetings with the Australian Energy Regulator in 2018

LEADING
the contributions of the Network Shareholder Group to reviews and a member of the AER Investor Reference Group

INDUSTRY ASSOCIATIONS

Spark Infrastructure has provided submissions and views on regulatory and policy processes directly as well as a part of the NSG, and participated in the AER's Investor Reference Group (IRG). The membership of the IRG is available on the AER's website.

Spark Infrastructure is also a member of the NewReg Reference Group, a joint initiative between the AER, Energy Networks Australia and Energy Consumers Australia. We also collaborate with Energy Networks Australia (ENA), the energy network industry representative organisation.

In addition, the CEO of Victoria Power Networks, Tim Rourke, was appointed chair of ENA in November 2018.

REGULATORY ENGAGEMENT BY OUR BUSINESSES

Our businesses are proactive in their engagement on regulation and policy. They engage heavily with the AER, other regulators and Australian energy institutions as well as with policy makers, politicians, local government agencies, consumer representative groups and customers.

The main area for engagement is with the AER, the AER's Consumer Challenge Panel and customers on revenue setting processes and processes that introduce new, or changed, obligations and arrangements that may impact on incentives, prices and services to be provided to customers. This could include financial incentive mechanisms, network tariff structures, compliance reporting and enforcement, investment evaluation and the contestability of services. To support the AER processes, and ensure customers can influence outcomes, our businesses co-ordinate customer specific consultation and focus groups on prices and services in general, or in relation to specific projects or issues. Examples include:

- **TransGrid** engaged with policymakers, regulators and customers on its 2018 to 2023 revenue determination process and the RIT-T application guidelines review. Engagement will continue during 2019 on the Powering Sydney's Future project; and
- **Victoria Power Networks** has an integrated stakeholder engagement program each year on all major capital expenditure projects, community-based operations and the regulatory reset process. This program is designed in line with international best practice to share information and support informed choices; and
- **SA Power Networks** has undertaken a comprehensive engagement program to support its revenue determination process conducting early engagement and research, followed up with in-depth engagement on specific issues in development of the draft plan and then public consultation on the draft plan prior to submission to the AER.

All of our businesses contributed directly, or through the ENA, to the AER's reviews of the rate of return guideline, the regulatory approach to tax, productivity growth, profitability, compliance and pricing.

Over the last year, the significant number of reviews and issues being considered by the COAG Energy Council, the AEMO, AEMC and ACCC has led to a considerable increase in activity by our businesses directly, or through ENA and other agencies such as the Clean Energy Council. The aim of these engagements is to improve public policy outcomes and ensure customers are provided services they demand at the lowest cost. Examples of these reviews include the ACCC Retail Pricing Inquiry and the AEMC's annual review of electricity network regulation. SA Power Networks has also worked closely with the ENA and AEMO on the Open Energy Networks program to support distributed energy resources, alternatives to grid supplied services and the role of the distribution system operator (DSO).

In addition, our businesses are called upon by state and federal members of parliament or their electorate offices to provide information and views on inquiries and participate in working groups and committees on issues such as residential connections, metering contestability, post-event review of outages, emergency protocols and customer reporting. They hold briefings with state and federal cabinet members to raise awareness for operations, obligations and risks. For example:

- TransGrid supported the development of the NSW Government's Transmission Infrastructure Strategy and AEMO's ISP by providing valuable information and analysis to test alternative options and shape the future of the network. TransGrid also worked closely with the AEMC on the coordination of generation and transmission investment and the ESB to develop an actionable plan for priority projects in the ISP and the retailer reliability obligation.
- SA Power Networks has worked closely with AEMC, AEMO, the AER and the South Australian Government to minimise the impact of metering contestability on customers and improving system security, and with ESCOSA on the reliability service standard framework for 2020-2025.

TECHNOLOGY, INNOVATION AND RESILIENT ASSETS

Developing and using technology, data, analytics and innovation are critical to our businesses being able to deliver the future of energy in an efficient way at the least cost to consumers. Spark Infrastructure actively undertakes and supports the efficient investment in these initiatives.

$1,034M

Capital expenditure in regulated assets in 2018*

26%

Reduction in minutes of supply lost annually per customer at Victoria Power Networks (2007–2017)

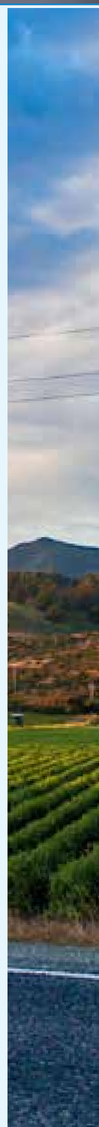
Smart wood pole inspection device provides accurate real-time pole strength data

Victoria Power Networks is trialling a new technology to provide more accurate wood pole condition data and to make more informed replacement and maintenance decisions.

The innovative resistograph technology involves a micro drill entering wooden poles to generate a real-time graph based on resistance of the wood, providing an accurate reading of the strength of the pole.

Victoria Power Networks has over 407,000 wood poles on its network. The condition of wood poles are influenced by environmental factors such as exposure to termites, rainfall and conditions of the ground that poles are embedded into.

Consequently, improved intelligence on the condition of wooden poles is critical to ensuring that poles are replaced before they fail and resulting in reducing network risk.



* On 100% basis for Victoria Power Networks, SA Power Networks and TransGrid

Transforming into a self-healing grid using automation

SA Power Networks has implemented an Advanced Distribution Management System (ADMS) to replace legacy systems utilised for monitoring, control and management of access to the distribution network. As well as supporting traditional network operations functions, the system integrates geospatial data to build a sophisticated, real-time model of the interconnected high-voltage network to enable advanced analysis, planning and optimisation of the distribution network.

This technology will allow SA Power Networks to better manage the two-way flow of energy and provide improved customer choice at a residential level.

With feeder automation technologies already integrated on the platform, this means a large part of network management is now autonomous. 200 remote control switches were added to automatically restore supply after an outage, allowing the network to perform self-healing after interruptions in supply.

The ADMS platform and its feeder automation capabilities demonstrate the potential value that can be unlocked through transitioning to a highly-automated, network of the future.

CYBER SECURITY

Protecting the entire energy sector against cyber threats is a matter of national importance and national security. In 2018, AEMO, in conjunction with other key stakeholders, developed a framework to manage cyber security issues in the energy sector.

Our businesses contributed to AEMO's assessment which provides a strong foundation that will enable the further enhancement of cyber security maturity across the energy sector as a whole. AEMO reported a high proportion of utilities had a strong awareness of the importance of this subject across the sector.

Our businesses are well placed to contribute to this work with TransGrid's Chief Security Officer and SA Power Networks' Cyber Security Manager serving as the Australian transmission and distribution networks representatives to the Cyber Security Industry Working Group.

In 2018 SA Power Networks won the Best ICT Project award at the 2018 Australian Institute of Project Management SA Chapter for its machine learning algorithm that automatically converts old network design drawings to a digital format that is usable in design software packages.

FINANCIAL MANAGEMENT

Prudent financial management is one of our core tenets and key to the financial long-term sustainability of our business model. We also apply rigorous financial and operational oversight to our investment businesses, including evaluating future growth opportunities.

FINANCIAL RISK MANAGEMENT AND TREASURY

The treasury functions of each of Spark Infrastructure and our businesses manage financial risks. Treasury and financial risk management activities for Spark Infrastructure are governed by the Treasury Policy, which is approved by the Board and aligned with our corporate objectives. Overall objectives of the Treasury Policy are:

- **Liquidity and funding:**
  - ensure access to sufficient cash resources to meet Spark Infrastructure's financial obligations as they fall due, including expenses, interest and distributions;
  - optimise return on surplus funds, within the constraints of the Treasury Policy; and
  - compliance with borrowing facilities, covenants and undertakings;
- **Interest rate and foreign exchange:**
  - minimise the impact of adverse interest and exchange rate movements using appropriate tools as outlined in the Treasury Policy; and
  - require the businesses in Spark Infrastructure's portfolio to be fully hedged against currency fluctuations on foreign currency borrowings;

"Spark Infrastructure is committed to being a good corporate citizen by encouraging a robust tax system and acting openly and transparently in our disclosures to Securityholders, stakeholders and the public.

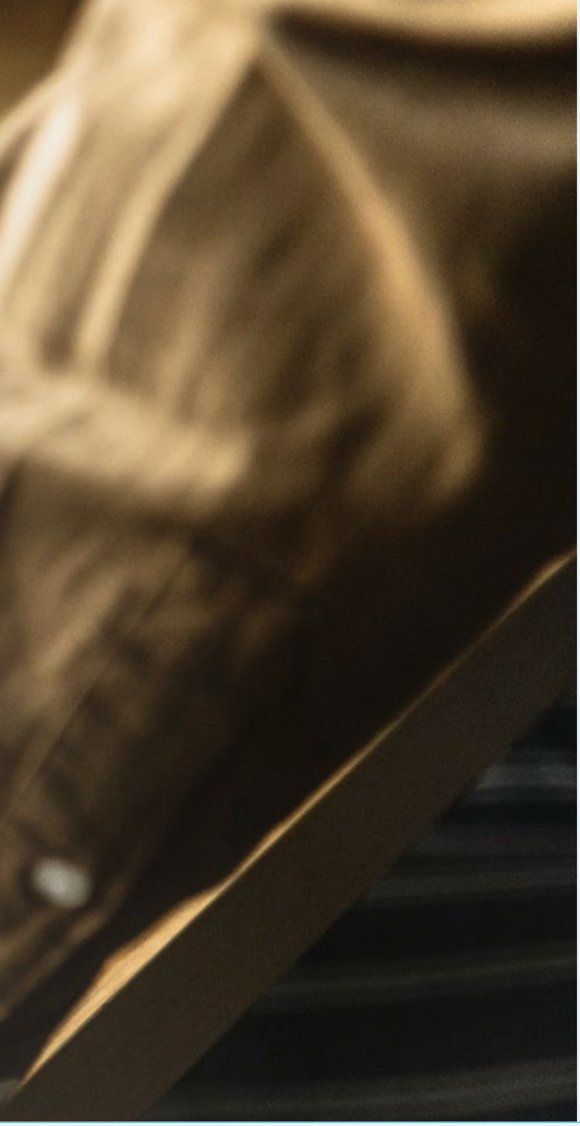
- **Counterparty credit risk:**
  - ensure investment and derivative transactions are undertaken with approved creditworthy counterparties, in accordance with set limits; and
- **Operational:**
  - ensure the treasury function operates in a controlled manner that safeguards the financial interests of Securityholders.

While our Treasury Policy does not directly govern our businesses, our representatives on the Boards of our businesses have regard to its core principles when considering the operations of the businesses.

5.6 YEARS
weighted average debt maturity

95%
debt fixed or hedged

NIL
drawn debt at Spark Infrastructure level



As at 31 December 2018	Victoria Power Networks	SA Power Networks	TransGrid
Credit Rating (S&P/Moody's)	A- / n/a	A- / n/a	**n/a / Baa2** (on USPP notes)
Weighted Average Maturity[1] (31 December 2017)	**5.5 yrs** (5.2 yrs)	**5.6 yrs** (6.0 yrs)	**6.1 yrs** (5.9 yrs)
Net Debt (31 December 2017)	**$4.369bn** ($4.189bn)	**$3.155bn** ($2.962bn)	**$5.509bn** ($5.456bn)
Net Debt/RAB (31 December 2017)	**71.5%** (71.0%)	**75.0%** (73.1%)	**86.2%** (86.0%)
Net Debt/RAB + CAB (31 December 2017)	N/A	N/A	**80.7%** (81.5%)
FFO/Net Debt (31 December 2017)	**15.3%** (14.9%)	**16.6%** (17.1%)	**8.2%** (9.0%)

Spark Infrastructure is rated Baa1 with a stable outlook by Moody's.

Spark Infrastructure targets at least a BBB/Baa2 equivalent credit rating for each of the businesses in its portfolio.

1. Weighted average maturity calculation is based on drawn debt at 31 December 2018.

CAPITAL STRUCTURE

Spark Infrastructure RE Limited is the responsible entity of Spark Infrastructure Trust. Spark Infrastructure is a specialist infrastructure fund and comprises a single trust listed on the Australian Securities Exchange (ASX). One unit in the Spark Infrastructure Trust (Spark Trust) and one loan note issued by the responsible entity are stapled and quoted as a single security, and cannot be traded separately.

Spark Trust is a managed investment scheme regulated by the Australian Securities and Investments Commission and the Corporations Act 2001.

The Spark Trust is the parent entity of a group of entities collectively known as the Spark Infrastructure Group. The Group is comprised of six separate taxpayers described as follows:

- Spark Trust, which is the parent entity and a Managed Investment Trust that is treated as a flow-through entity for tax purposes. Spark Trust directly holds a portion of the 15.01% TransGrid investment via a wholly-owned subsidiary trust, Spark Infrastructure Electricity Assets Trust, which is also a flow-through trust;
- Spark Infrastructure Holdings No 1 Pty Limited, the head company of the SIH No.1 tax consolidated group, which ultimately holds the 49% interest by way of shares in Victoria Power Networks;
- Spark Infrastructure Holdings No 2 Pty Limited, the head company of the SIH No.2 tax consolidated group, which ultimately holds the 49% interest in SA Power Networks (a partnership entity); and
- Spark Infrastructure Holdings No 3 Pty Limited, the head company of the SIH No.3 tax consolidated group. SIH No.3 undertakes management and other administrative activities and holds the Group's trustee entities. SIH No. 3 also holds the remainder of the 15.01% TransGrid investment via a subsidiary trust, Spark Infrastructure Electricity Operations Trust.

While Spark Infrastructure holds minority interests in its portfolio businesses, Spark Infrastructure's relationship with co-shareholders and partners with whom we own the portfolio businesses, require that certain decisions relating to significant corporate matters, including changes in capital structure or distributions, are subject to at least a 75% special majority approval.

TAXATION

Spark Trust, along with the wholly-owned subsidiary trusts (i.e. Asset Trust & Operations Trust), are treated as flow-through entities for Australian income tax purposes. As such, Spark Trust does not pay income tax and Securityholders are subject to Australian income tax on their share of trust income. In addition to trust distributions (both income and capital), Securityholders receive interest income on the Loan Notes.

The three separate tax consolidated groups are each taxed as a single entity at the applicable corporate tax rate of 30%.

The SIH No.1 Group's investment in Victoria Power Networks is via a combination of shareholder loans and ordinary equity.

The SIH No.2 Group's investment in SA Power Networks is via a combination of ordinary and preferred partnership interest.

To the extent SIH No.1 and/or SIH No.2 pay tax it is anticipated franked dividends would be paid to Spark Trust.

We expect that the SIH No.1 Group will become a taxpayer in respect of 2019. In respect of SIH No.2 Group should the decision of the Victoria Power Networks ATO litigation on gifted assets and cash contributions be upheld or not appealed it will also be a taxpayer.

Spark Infrastructure is committed to being a good corporate citizen by encouraging a robust tax system and acting openly and transparently in our disclosures to Securityholders, stakeholders and the public. As part of our continuing efforts to ensure openness and transparency, Spark Infrastructure has adopted the Board of Taxation's Voluntary Tax Transparency Code, with the latest disclosure document available on our website.

1 DR DOUG MCTAGGART

PhD, MA(Econ), BEc(Hons), DUniv, FAICD, SF Fin

Chair and Independent Director (since Dec 2015)

Dr McTaggart is a director of the Suncorp Group and Chair of AA Insurance (New Zealand), a subsidiary of Suncorp Group. He is also Chair of the QIMR Berghofer Medical Research Institute Council and Chair of Suncentral Maroochydore Pty Limited. He is a member of the Australian National University Council and a member of the Expert Advisory Panel for Housing Solutions Capital Funding Strategy, Indigenous Business Australia.

Dr McTaggart has extensive experience in financial markets, having been Chief Executive of QIC Limited (1998-2012). Prior to QIC, he was Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career.

Dr McTaggart is a member of the Remuneration Committee.

2 MR RICHARD (RICK) FRANCIS

BCom, MBA, CA, GAICD

Managing Director and Chief Executive Officer (since May 2012)

Mr Francis commenced as Managing Director and Chief Executive Officer of Spark Infrastructure in 2012. He originally joined Spark Infrastructure in 2009 as the Chief Financial Officer and served in that role for three and a half years prior to his appointment as Managing Director.

Mr Francis has over 20 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure, he was employed by APA Group, and by Origin Energy Limited. Mr Francis is also a Chartered Accountant.

Mr Francis has been a director of SA Power Networks and Victoria Power Networks since 2009. He was appointed inaugural Chair of NSW Electricity Networks Operations (TransGrid) in December 2015 and has served as Deputy Chair since June 2016. He also sits on a number of board sub-committees for Spark Infrastructure's investments.

3 MR ANDREW FAY

BAgEc (Hons), AFin

Independent Director (since Mar 2010)

Mr Fay is a director of Pendal Group Limited (previously BT Investment Management Limited), Cromwell Property Group, J O Hambro Capital Management Holdings Limited and National Cardiac Pty Limited. He was previously a director of Gateway Lifestyle Group, Chair of Tasman Lifestyle Continuum Limited and Deutsche Managed Investments Limited. Mr Fay was Chair of Deutsche Asset Management (Australia) Limited following a 20-year career in the financial services sector and has served on industry representative bodies. He is currently a consultant to Dexus Property Group Limited and Microbiogen Pty Limited.

Mr Fay is a director of SA Power Networks. He is Chair of the SA Power Networks Audit Committee and a member of its Risk and Compliance Committee and Remuneration Committee.

Mr Fay is a member of the Audit, Risk and Compliance Committee.

4 MR GREG MARTIN

BEc, LLB, FAIM, MAICD

Independent Director (since Jan 2017)

Mr Martin is Chair of Iluka Resources Limited, Sydney Desalination Plant and Deputy Chair of Western Power. Mr Martin was a member of the COAG Energy Council Energy Appointments Selection Panel and was previously a director of Santos Limited and Coronado Global Resources Inc.

Mr Martin has over 35 years' experience in the energy, utility and infrastructure sectors in Australia, New Zealand and internationally. Mr Martin was CEO and Managing Director of AGL, then CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, CEO and Managing Director of Murchison Metals Limited.

Mr Martin is a member of the Remuneration Committee.

5 MS ANNE MCDONALD

BEc, FCA, GAICD

Independent Director (since Jan 2009)

Ms McDonald is the Chair of Water NSW, a director of Link Administration Holdings Limited and St Vincent's Healthcare Limited. Ms McDonald was previously Chair of Speciality Fashion Group Limited, a director of GPT Group, Sydney Water Corporation and Westpac's life insurance and general insurance businesses.

Ms McDonald was a partner of Ernst & Young for 15 years, was a Board member of Ernst & Young Australia for 7 years and has broad based business and financial experience.

Ms McDonald is a director of Victoria Power Networks and is Chair of Victoria Power Networks' Audit Committee and a member of its Risk Management and Compliance Committee and Remuneration Committee.

Ms McDonald is Chair of the Remuneration Committee and a member of the Audit, Risk and Compliance Committee.

6 MS KAREN PENROSE

BCom, CPA, FAICD

Independent Director (since Oct 2014)

Ms Penrose is a director of Bank of Queensland Limited, Vicinity Centres, and Estia Health Limited. Ms Penrose was formerly a director of AWE Limited and Future Generation Global Investment Company Limited.

Ms Penrose has extensive experience in business, finance and investment banking.

Her executive career includes 20 years with Commonwealth Bank and HSBC.

Ms Penrose is a member of Chief Executive Women.

Ms Penrose is the Chair of the Audit, Risk and Compliance Committee.

1 MR NICHOLAS SCHIFFER

BCom, LLB, CPA, MTax, GAICD

Chief Financial Officer

Mr Schiffer is an experienced finance executive with 22 years' experience in investment banking. Prior to joining Spark Infrastructure, he was a Managing Director at Credit Suisse, with responsibility for investment banking within the energy, transport and general infrastructure sectors.

Mr Schiffer has been a key advisor to a range of Australian and global investors on dozens of projects involving Australian infrastructure and utilities businesses and possesses a deep understanding of these sectors and their key drivers and operating environments.

Mr Schiffer is a director of Victoria Power Networks and SA Power Networks. Nicholas is also a member of the Audit Committees and Risk Management and Compliance Committees for each of Victoria Power Networks, SA Power Networks and TransGrid.

Mr Schiffer was appointed to the position of Chief Financial Officer on 17 July 2017.

2 MS ALEXANDRA FINLEY

Dip Law, MLM, MGIA, MAICD

General Counsel and Company Secretary

Ms Finley is a highly experienced governance professional with over 20 years' experience across infrastructure, banking and financial services, property and construction, real estate investment and development, not-for-profits and in private practice. Her areas of specialty are corporate governance, legal and regulatory compliance, risk management and corporate advisory.

Ms Finley had held senior and executive roles with Top 100 ASX listed organisations with responsibility for governance, legal, risk and compliance, strategic partnerships and operations.

Ms Finley is a member of the Association for Corporate Counsel GC100 and Chair of a registered children's charity.

Ms Finley was appointed to the position of General Counsel and Company Secretary in September 2008.

3 MR DAVID THOMPSON

BCom, MBA, FCPA, MAICD

General Manager, Strategy and Business Development

Mr Thompson is a senior executive with experience leading M&A, Strategic Planning, Valuations and Financial Modelling across multiple sectors.

Prior to joining Spark Infrastructure, Mr Thompson held finance and corporate development executive positions leading mergers and acquisitions for large national and international infrastructure firms. He was a director at a national valuation firm and Corporate Finance Director at Deloitte in the business modelling team. He previously worked for Energex Limited, the Queensland Electricity Commission/Electricity Generating Board and the Queensland Transmission and Supply Corporation.

Mr Thompson was appointed to the role of General Manager, Strategy and Business Development effective 1 September 2018.

4 MS SALLY MCMAHON

BEc (Hons), GAICD

Head of Economic Regulation

Ms McMahon has 25 years' experience in the energy and utility sector specialising in economic regulation, competition policy and microeconomic reform. She has held senior and executive roles with economic regulators, government and network businesses in Australia and Canada and advised energy businesses across the energy supply chain on navigating regulation and energy policy to improve performance.

Ms McMahon is the Chair of the WA Branch of the Women in Economics Network, a member of the Electricity Review Board Panel of Experts in Western Australia and a member of the Australian Institute of Energy Perth Branch Committee. She is currently an alternate director of NSW Electricity Networks Operations (TransGrid).

Ms McMahon commenced with Spark Infrastructure in 2016.

SPARK INFRASTRUCTURE

Annual report for the financial year ended
31 December 2018

Spark Infrastructure represents Spark Infrastructure Trust and its consolidated entities. Spark Infrastructure RE Limited (ABN 36 114 940 984) is the responsible entity of Spark Infrastructure Trust.

Each unit in Spark Infrastructure Trust is stapled to one Loan Note issued by Spark Infrastructure Trust. The stapled securities trade on the Australian Securities Exchange.

Contents

The Directors of Spark Infrastructure RE Limited[1] present this financial report on the consolidated entity for the year ended 31 December 2018.

THE PRINCIPAL ACTIVITY OF SPARK INFRASTRUCTURE

During the reporting period, Spark Infrastructure invested in essential service infrastructure businesses, primarily electricity distribution and transmission businesses in Australia. The principal activity of Spark Infrastructure is unchanged from the prior year.

THE NATURE OF SECURITIES IN SPARK INFRASTRUCTURE

Spark Infrastructure is a stapled structure comprising two elements:

- one unit in the Trust; and
- one Loan Note issued by Spark RE, the Responsible Entity of the Trust.

The stapled elements are quoted on the ASX as if they were a single security that investors can buy and sell.

SPARK INFRASTRUCTURE'S BOARD OF DIRECTORS

At the time of reporting, and throughout the year, the Directors of the company were:

Dr Douglas McTaggart, Chair

Mr Rick Francis, Managing Director and Chief Executive Officer

Mr Andrew Fay

Mr Greg Martin

Ms Anne McDonald

Ms Karen Penrose

The Directors' qualifications, experience and special responsibilities are outlined below:

Dr Doug McTaggart PhD, MA(Econ), BEc(Hons), DUniv, FAICD, SF Fin

Chair and Independent Director (since December 2015)

Dr McTaggart is a director of the Suncorp Group and Chair of AA Insurance (New Zealand) a subsidiary of Suncorp Group, Chair of the QIMR Berghofer Medical Research Institute Council and also of Suncentral Maroochydore Pty Ltd. He is a member of the Australian National University Council and a member of the Expert Advisory Panel for Housing Solutions Capital Funding Strategy, Indigenous Business Australia.

Dr McTaggart has extensive experience in financial markets, having been Chief Executive of QIC Limited (1998-2012). Prior to QIC, he was Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career. He has served in various expert advisory roles to government and on several industry representative bodies.

Dr McTaggart is a member of the Remuneration Committee.

Dr McTaggart has held the following directorships of other Australian listed entities within the last three years:

LISTED ENTITY	PERIOD DIRECTORSHIP HELD
• Suncorp Group Limited	2012 to present

Mr Richard (Rick) Francis BCom, MBA, CA, GAICD

Managing Director and Chief Executive Officer (since May 2012)

Mr Francis commenced as Managing Director and Chief Executive Officer of Spark Infrastructure in 2012. He originally joined Spark Infrastructure in 2009 as the Chief Financial Officer and served in that role for three and a half years prior to his appointment as Managing Director.

Mr Francis has over 20 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure, he was employed by APA Group and by Origin Energy Limited. He is also a Chartered Accountant.

Mr Francis has been a director of SA Power Networks and Victoria Power Networks since 2009. He was appointed inaugural Chair of NSW Electricity Networks Operations (TransGrid) in December 2015 and has served as Deputy Chair since June 2016. He also sits on a number of board sub-committees for Spark Infrastructure's investments. Mr Francis did not hold any other Australian listed entity directorships within the last three years.

(1) In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".

Mr Andrew Fay BAgEc (Hons), AFin
Independent Director (since March 2010)

Mr Fay is a director of Pendal Group Limited (previously BT Investment Management Limited), Cromwell Property Group, J O Hambro Capital Management Holdings Limited and National Cardiac Pty Limited. He was previously a director of Gateway Lifestyle Group and Deutsche Managed Investments Limited. Mr Fay was Chair of Deutsche Asset Management (Australia) Limited following a 20-year career in the financial services sector and has served on industry representative bodies. He is currently a consultant to Dexus Property Group and Microbiogen Pty Limited.

Mr Fay is a director of SA Power Networks. He is Chair of the SA Power Networks Audit Committee and a member of its Risk Management and Compliance Committee and Remuneration Committee.

Mr Fay is a member of the Audit, Risk and Compliance Committee.

Mr Fay has held the following directorships of other Australian listed entities within the last three years:

LISTED ENTITY	PERIOD DIRECTORSHIP HELD
• Cromwell Property Group	2018 to present
• Pendal Group Limited	2011 to present
• Gateway Lifestyle Group	2015 to 2018

Mr Greg Martin BEc, LLB, FAIM, MAICD
Independent Director (since January 2017)

Mr Martin is Chair of Iluka Resources Limited, Sydney Desalination Plant and Deputy Chair of Western Power. Mr Martin was a member of the COAG Energy Council Energy Appointments Selection Panel and was previously a director of Santos Limited and Coronado Global Resources Inc.

Mr Martin has over 35 years' experience in the energy, utility and infrastructure sectors in Australia, New Zealand and internationally. Mr Martin was CEO and Managing Director of AGL, then CEO of the infrastructure division of Challenger Financial Services Group and, subsequently, CEO and Managing Director of Murchison Metals Limited.

Mr Martin is a member of the Remuneration Committee.

Mr Martin has held the following directorships of other Australian listed entities within the last three years:

LISTED ENTITY	PERIOD DIRECTORSHIP HELD
• Iluka Resources Limited	2013 to present
• Coronado Global Resources Inc	2018 to 2019
• Santos Limited	2009 to 2017

Ms Anne McDonald BEc, FCA, GAICD
Independent Director (since January 2009)

Ms McDonald is the Chair of WaterNSW and a director of Link Administration Holdings Ltd and St Vincent's Healthcare Limited. Ms. McDonald's previous directorships include Speciality Fashion Group Limited, GPT Group, Sydney Water Corporation and Westpac's life insurance and general insurance businesses.

Ms McDonald was a partner of Ernst & Young for 15 years and was a Board member of Ernst & Young Australia for 7 years. She has broad based business and financial experience, working with international and local companies on audit, transaction due diligence, regulatory and accounting requirements.

Ms McDonald is a director of Victoria Power Networks and is Chair of Victoria Power Networks' Audit Committee and a member of its Risk Management and Compliance Committee and Remuneration Committee.

Ms McDonald is Chair of the Remuneration Committee and a member of the Audit, Risk and Compliance Committee.

Ms McDonald has held the following directorships of other Australian listed entities within the last three years:

LISTED ENTITY	PERIOD DIRECTORSHIP HELD
• Link Administration Holdings Ltd	2016 to present
• Specialty Fashion Group Limited	2007 to 2018
• GPT Group	2006 to 2016

Ms Karen Penrose BCom, CPA, FAICD
Independent Director (since October 2014)

Ms Penrose is a director of Bank of Queensland Limited, Vicinity Centres and Estia Health Limited. Ms Penrose was formerly a director of AWE Limited and Future Generation Global Investment Company Limited.

Ms Penrose has extensive experience in business, finance and investment banking in the banking and corporate sectors and is an experienced audit chair and member of due diligence committees.

Her executive career includes 20 years with Commonwealth Bank and HSBC and over eight years' experience as Chief Financial Officer and Chief Operating Officer for two ASX listed companies.

Ms Penrose is a member of Chief Executive Women.

Ms Penrose is the Chair of the Audit, Risk and Compliance Committee.

Ms Penrose has held the following directorships of other Australian listed entities within the last three years:

LISTED ENTITY	PERIOD DIRECTORSHIP HELD
• Estia Health Limited	2018 to present
• Vicinity Centres	2015 to present
• Bank of Queensland Limited	2015 to present
• Future Generation Global Investment Company Limited	2015 to 2018
• AWE Limited	2013 to 2018

SPARK INFRASTRUCTURE'S EXECUTIVE TEAM

At the time of reporting, in addition to the Managing Director, the other members of the Company's Executive Team were:

Mr Nicholas Schiffer BCom, CPA, LLB, MTax, GAICD
Chief Financial Officer

Mr Schiffer is an experienced finance executive with 22 years' experience in investment banking. Prior to joining Spark Infrastructure he was a Managing Director at Credit Suisse, with responsibility for investment banking within the energy, transport and general infrastructure sectors.

Mr Schiffer has been a key advisor to a range of Australian and global investors on dozens of projects involving Australian infrastructure and utilities businesses and possesses a deep understanding of these sectors and their key drivers and operating environments.

Mr Schiffer is a director of Victoria Power Networks, SA Power Networks and NSW Electricity Networks Operations (TransGrid). He is also a member of the Victoria Power Networks Audit Committee and Risk Management and Compliance Committee, the SA Power Networks Audit Committee and Risk Management and Compliance Committee and the NSW Electricity Networks Operations Audit and Risk Committee.

Mr Schiffer was appointed to the position of Chief Financial Officer on 17 July 2017.

Mr David Thompson BCom, MBA, FCPA, MAICD
General Manager, Strategy and Business Development

Mr Thompson is a senior executive with experience leading M&A, strategic planning, valuations and financial modelling across multiple sectors. He has led global direct investments including market research, investment analysis, valuations, originations and execution and has provided valuation services, strategic consulting, financial analysis and modelling to a range of investors and companies.

Mr Thompson previously held executive positions as heads of Finance and of Corporate Development leading mergers and acquisitions for a large national infrastructure firm and an international steel/galvanizing company. He was a Corporate Finance Director at one of the big 4 accounting firms and was a founding member of Principalis Multi-Disciplinary Strategic Consulting. He held Corporate Development roles for Energex Limited from 1999-2007 and worked for the Queensland Electricity Commission/Electricity Generating Board and then the Queensland Transmission and Supply Corporation from 1983-1997.

Mr Thompson was appointed to the role of General Manager, Strategy and Business Development on 1 September 2018.

Ms Sally McMahon BEc (Hons), GAICD
Head of Economic Regulation

Ms McMahon has 25 years' experience in the energy and utility sector specialising in economic regulation, competition policy and microeconomic reform. She has held senior and executive roles with economic regulators, government and network businesses in Australia and Canada and advised energy businesses across the energy supply chain on navigating regulation and energy policy to improve performance.

Ms McMahon is the Chair of the WA Branch of the Women in Economics Network, a member of the Electricity Review Board Panel of Experts in Western Australia and a member of the Australian Institute of Energy Perth Branch Committee.

Ms McMahon is currently an alternate director of NSW Electricity Networks Operations (TransGrid).

Ms McMahon commenced with Spark Infrastructure in 2016.

Ms Alexandra Finley Dip Law, MLM, MAICD
Company Secretary and Legal Counsel

Ms Finley has extensive experience in the financial services sector having held strategic, operational and management roles.

Ms Finley is an experienced corporate governance professional with over 20 years' legal and commercial experience gained in private practice and in-house.

Prior to joining Spark Infrastructure, she spent almost 10 years with National Australia Bank/MLC in various senior legal and commercial roles.

Her responsibilities include corporate governance, legal and regulatory compliance, risk management, corporate transactions and advising on general legal matters.

Ms Finley was appointed to the position of General Counsel and Company Secretary in September 2008.

OPERATING AND FINANCIAL REVIEW

Review of Operations – Spark Infrastructure

The table below provides a summary of Spark Infrastructure's Net Operating Cash Flows:

OPERATING CASH FLOWS	31 DECEMBER 2018 $M	31 DECEMBER 2017 $M	CHANGE COMPARED TO 2017 $M	CHANGE COMPARED TO 2017 %
Cash Distributions from Investment Portfolio Businesses				
– Victoria Power Networks[1]	**156.9**	154.4	2.5	1.6
– SA Power Networks	**115.2**	119.1	(3.9)	(3.3)
– TransGrid	**33.0**	10.9	22.1	202.8
Total Cash Distributions Received from Investment Portfolio Businesses	**305.1**	284.4	20.7	7.3
Net interest received	**0.9**	0.5	0.4	80.0
Corporate expenses	**(13.5)**	(13.8)	0.3	(2.2)
Project expenses	**(2.3)**	(3.6)	1.3	(36.1)
Net Operating Cash Flows	**290.2**	267.5	22.7	8.5

(1) Includes repayment of shareholder loans.

Cash distributions received from investment portfolio businesses

Spark Infrastructure's cash flow from operating activities (often referred to as standalone operating cash flow or OCF) for 2018 was $290.2 million an increase of 8.5% on 2017.

Total distributions received from Victoria Power Networks were $156.9 million, up 1.6% and distributions received from SA Power Networks were $115.2 million, down 3.3%, reflecting another consistently strong period of operations for both businesses, which are both approximately mid-way through their current 5-year regulatory periods.

Total distributions received from TransGrid were $33.0 million, up 202.8%. As previously reported, distributions from TransGrid were constrained in previous periods, in part, due to TransGrid retaining surplus cash during the period to fund investment opportunities in unregulated infrastructure connection assets and from low inflation. TransGrid Services Trust was established in June 2018 as the vehicle to own and operate TransGrid's unregulated business which has enabled distributions to recommence. TransGrid Services will initially be funded by securityholders through reinvestment of a portion of distributions to support unregulated business growth in the short term.

Corporate and project related expenses

Spark Infrastructure's corporate expenses decreased by $0.3 million to $13.5 million during 2018. Project related expenses paid in 2018 declined by $1.3 million to $2.3 million, with 2017 costs mainly comprised of due diligence and transaction advisory fees for the Endeavour Energy bid in May 2017.

Distributions to Securityholders

Spark Infrastructure pays out distributions which are fully supported by operating cash flows. Operating cash flows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis (i.e. at the investment level). Distribution coverage or payout ratios are reviewed on both an annual basis and across the current 5-year regulatory period, which is currently the 2016-2020 period. Within this framework, Spark Infrastructure continues to manage fluctuations in its working capital as efficiently as possible.

Spark Infrastructure paid a final distribution for 2017 of $128.3 million to Securityholders in March 2018, representing 7.625 cents per security (cps).

Spark Infrastructure paid an interim distribution to Securityholders of $134.6 million in September 2018 for the half year to 30 June 2018. This represented a distribution of 8.0 cps.

The Directors have declared a final distribution for 2018 of 8.0 cps. This will be paid in March 2019. The interim and final distributions (in total 16.0cps for 2018) are fully covered by operating cash flows, and are in line with distribution guidance previously provided.

Spark Infrastructure has a Distribution Reinvestment Plan (DRP). The Directors regularly assess the operation of the DRP and have determined that the DRP will remain suspended.

Financial Position – Spark Infrastructure

Total equity and Loan Notes book value decreased by $270.9 million during 2018 to $2,868 million.

A net loss after income tax for the year, including a $270.0 million ($189.0 million tax effected) impairment charge of the investment in SA Power Networks, decreased retained earnings by $96.7 million, while Spark Infrastructure's share of the investment portfolio businesses mark-to-market movements on interest rate derivatives and actuarial losses on defined benefit superannuation plans decreased retained earnings and reserves by $31.2 million. In addition, capital distributions totalling $144.2 million were paid to Securityholders during the year.

Spark Infrastructure had available cash on hand at 31 December 2018 of $129.3 million, excluding $5 million in cash held to comply with its Australian Financial Services Licence.

During September 2018, Spark Infrastructure executed $120.0 million of bilateral corporate debt facilities, replacing its previous $250.0 million bilateral corporate debt facilities. The facilities comprise $40.0 million with each of the Commonwealth Bank of Australia, MUFG Bank, Ltd and Mizuho Bank, Ltd and mature in September 2021. At 31 December 2018, Spark Infrastructure had no drawn debt, and as such had no requirement to hedge against interest rates.

Spark Infrastructure targets at least a BBB/Baa2 equivalent credit rating for each of the businesses in its portfolio. SA Power Networks' net debt to Regulated Asset Base (RAB) was 75.0%, up from 73.1% at 31 December 2017. Victoria Power Networks' net debt to RAB was 71.5%, up from 71.0% at 31 December 2017. TransGrid's net debt to RCAB i.e. RAB plus contracted asset base was 80.7%, down from 81.5% at 31 December 2017.

SA Power Networks' Funds From Operations (FFO) to net debt was 16.6%, down from 17.1% at 31 December 2017. Victoria Power Networks' FFO to net debt was 15.3%, up from 14.9% at 31 December 2017. TransGrid's FFO to net debt was 8.2%, down from 9.0% at 31 December 2017.

Spark Infrastructure requires that the assets in its portfolio are fully hedged against currency fluctuations on foreign currency borrowings. In terms of interest rate hedging, as at 31 December 2018, SA Power Networks, Victoria Power Networks and TransGrid had 100%, 96% and 85% of gross debt hedged respectively, with interest rate swaps with terms between one and ten years in place and some fixed rate debt. This substantially limits the impact of volatility in the movement of interest rates on the financial results of these businesses.

Australian Tax Office (ATO) Matters

Deed of Settlement – Capitalised Labour

In September 2018, Spark Infrastructure, Victoria Power Networks and other relevant parties signed a Deed of Settlement with the ATO to finalise all matters in relation to:

- Deductibility of certain labour costs and motor vehicle running costs for Victoria Power Networks for the 31 December 2007 to 31 December 2010 income years;
- Deductions in respect of certain asset replacement projects for Victoria Power Networks for the 31 December 2008 to 31 December 2010 income years; and
- Deductibility of internal labour and motor vehicle costs in respect of certain capital projects for SA Power Networks for the 30 June 2000 to 31 December 2015 income years.

As a result, Spark Infrastructure has recognised a one-off non-cash reduction in available tax losses of $135.8 million (tax effected at 30% of $40.7 million) relating to its partnership interest in SA Power Networks with a corresponding increase in capital allowances, which will be available to Spark Infrastructure Holdings No.2 Pty Ltd (SIH No.2) through amortisation in future years. Therefore the adjustments are timing in nature and have no material current year profit or loss impact for Spark Infrastructure or Victoria Power Networks.

Uncertain Tax Position – Gifted Assets and Cash Contributions

As disclosed in the prior year, Victoria Power Networks was in dispute with the ATO. The ongoing dispute between Victoria Power Networks and the ATO in respect of cash contributions and gifted assets was heard in the Federal Court in December 2018. In February 2019 a decision was handed down which found in favour of the Commissioner of Taxation.

In summary, the Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt; and
- Assets transferred to Victoria Power Networks from customers (i.e. gifted assets) should be treated as assessable income to Victoria Power Networks for tax purposes at their estimated construction value net of any rebates paid by Victoria Power Networks as part of the connection agreement.

Spark Infrastructure and Victoria Power Networks are reviewing the judgement. No determination has been made as to whether Victoria Power Networks will appeal the Federal Court's decision.

Due to the partnership structure, Spark Infrastructure's share of the tax attributes of SA Power Networks are recognised by the SIH No.2 tax consolidated group. If it is determined that the Federal Court's decision applies to SIH No.2, it is anticipated that SIH No.2 would need to restate its remaining tax losses, recognise additional capital assets that will be deductible in future income tax years and recognise a current tax liability estimated to be $65 million to $70 million covering all years up to and including 31 December 2018 (excluding interest). At 31 December 2018 this amount is included as a contingent liability in Note 16 to the Financial Statements.

Impairment Testing

As previously disclosed in Spark Infrastructure's 2018 Interim Report, the Australian Energy Regulator (AER) released its draft Rate of Return Guideline (RORG) on 10 July 2018. The draft RORG sets out the approach by which the AER will estimate the allowed rate of return (and the value of imputation credits or gamma), which represents the forecast cost of funds a network business requires to attract efficient investment in the network. It is a key component in setting the amount of regulated revenue that network businesses can recover, and is relevant to future determinations by the AER.

The AER released its final RORG on 17 December 2018. The final RORG delivers a significant reduction in the regulated rate of return in the next regulatory periods commencing on 1 July 2020 and 1 January 2021 for SA Power Networks and Victoria Power Networks respectively and delivers further reductions to those highlighted in the draft RORG. The AER also released its regulatory tax review approach on 17 December 2018, setting out its position and approach to rectify perceived discrepancies between the tax allowances set by the AER and the actual tax payments made to the ATO by regulated networks.

As noted above, the February 2019 decision in favour of the Commissioner of Taxation with respect of cash contributions and gifted assets may potentially impact the SIH No.2 tax consolidated group, as the holder of Spark Infrastructure's investment in SA Power Networks.

As a result of the above, the Directors have undertaken a review of the carrying values at 31 December 2018 of Spark Infrastructure's network investments, being Victoria Power Networks, SA Power Networks and TransGrid, to determine whether any impairment has arisen. Fair value less costs-to-sell was calculated for each investment based on their respective board approved financial forecasts which include final regulatory determinations as at 31 December 2018. The calculations show that the carrying value of SA Power Networks exceeded its recoverable amount by $270 million and as a result the Directors have recognised an impairment charge of Spark Infrastructure's investment in SA Power Networks by this amount at 31 December 2018. The Directors are satisfied that the carrying values of Victoria Power Networks and TransGrid did not exceed their recoverable amounts and were not impaired at 31 December 2018.

Further details on impairment are provided in Note 6(d) to the Financial Statements.

OPERATING AND FINANCIAL REVIEW CONTINUED

Review of Operations – Investment Portfolio Businesses

Spark Infrastructure derives its earnings from equity interests in four high quality Australian electricity networks across Victoria, South Australia and New South Wales. These are 49% interests in CitiPower and Powercor (together known as "Victoria Power Networks") and SA Power Networks, and a 15.01% interest in the New South Wales electricity transmission business TransGrid.

	31 DECEMBER 2018 $M	31 DECEMBER 2017 $M	CHANGE COMPARED TO 2017 $M	CHANGE COMPARED TO 2017 %
Proportional Results (Spark Infrastructure's Share)				
Distribution and Transmission Revenue	**963.5**	940.3	23.2	2.5
Other Revenue	**165.4**	161.4	4.0	2.5
Total Revenue	**1,128.9**	1,101.7	27.2	2.5
Operating Expenses	**(312.9)**	(325.3)	12.4	(3.8)
Beon Margin	**4.9**	3.5	1.4	40.0
Enerven Margin	**7.5**	11.6	(4.1)	(35.3)
EBITDA	**828.4**	791.5	36.9	4.7
Net Finance Expenses	**(178.4)**	(171.1)	(7.3)	4.3
EBTDA	**650.0**	620.4	29.6	4.8

VICTORIA POWER NETWORKS (100% BASIS)	31 DECEMBER 2018 $M	31 DECEMBER 2017 $M	VARIANCE $M	VARIANCE %
Distribution Revenue[1]	**920.6**	903.3	17.3	1.9
Advanced Metering Infrastructure (AMI) Revenue	**93.0**	102.5	(9.5)	(9.3)
Semi-regulated Revenue	**56.8**	51.1	5.7	11.2
Other Unregulated Revenue	**48.9**	54.9	(6.0)	(10.9)
Total Revenue (excluding Beon Energy Solutions (Beon))	**1,119.3**	1,111.8	7.5	0.7
Operating Expenses (excluding Beon)	**(299.7)**	(338.6)	38.9	(11.5)
Beon Margin	**10.1**	7.2	2.9	40.3
EBITDA	**829.7**	780.4	49.3	6.3
Depreciation and Amortisation	**(325.1)**	(302.2)	(22.9)	7.6
Net Finance Expenses	**(163.6)**	(155.5)	(8.1)	5.2
Interest on Subordinated Debt	**(123.2)**	(143.3)	20.1	(14.0)
Tax Expense	**(68.4)**	(56.1)	(12.3)	21.9
Net Profit after Tax	**149.4**	123.3	26.1	21.2
Net Capital Expenditure	**495.7**	463.9	31.8	6.9
RAB	**6,109**	5,897	212	3.6
Net Debt/RAB (%)	**71.5%**	71.0%	N/A	0.5
FFO/Net Debt (%)	**15.3%**	14.9%	N/A	0.4

(1) Adjustments are made to distribution revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

Regulated, semi-regulated and unregulated revenues (excluding Beon)

During the year, there was a 0.7% increase in regulated, semi-regulated and unregulated revenue at Victoria Power Networks.

Distribution Use of System (DUoS) revenue increased during 2018 by 1.9% to $920.6 million. The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments.

The X-factors (the real increase in annual expected regulated revenue) applicable from 1 January 2018 for Powercor was -0.81% and for CitiPower was -0.05%, which represent real increases in revenues before the CPI uplift of 1.93% for 2018. DUoS revenue increased by $22.1 million on 2017 as a result of the CPI-X adjustments. Included within the CPI-X adjustment for Powercor was an amount for costs associated with the installation of Rapid Earth Fault Current Limiters (REFCLs), mandated by the Victorian State Government. REFCLs are a bushfire mitigation technology that work to prevent bushfires starting from fallen powerlines. A REFCL works by rapidly neutralising phase-to-earth fault currents when a live conductor comes into contact with the ground. Powercor is required to install REFCL's at 22 zone substations in Victoria's highest bushfire risk regions within Powercor's network by 1 May 2023.

Powercor is on track to complete installation of Tranche One REFCL sites by May 2019. In August 2018, Tranche Two was approved by the AER.

DUoS revenue for 2018 also included $17.9 million of Service Target Performance Incentive Scheme (STPIS) recovery relating to the 2016 regulatory year. DUoS revenue for 2017 included $20.6 million of STPIS recovery relating to the 2015 regulatory year. The purpose of the STPIS is to provide incentives to electricity distributors to maintain and improve the existing supply reliability and customer service performance to consumers. STPIS recovery represents outperformance of reliability and call centre targets as set by the regulator.

Revenue from AMI decreased by 9.3% to $93.0 million in 2018 reflective of the depreciating AMI RAB.

Victoria Power Networks' semi-regulated revenues grew by 11.2% to $56.8 million, mainly due to increased specification and design services provided before connecting customers.

Victoria Power Networks' unregulated revenue (excluding Beon) decreased by 10.9% to $48.9 million in the year. The decrease was due to non-cash credit valuation adjustments. This was partially offset by increased IT related projects performed on behalf of other related entities and 2018 revenue including payments received from the Australian Energy Market Operator (AEMO) to participate in a Reliability and Emergency Reserve Trader (RERT) Scheme to reduce the network load when AEMO forecasts a potential lack of reserve. Victoria Power Networks achieves this via its Smart Network Voltage Management system, which has the ability to deliver 110MW of capacity under AEMO's RERT scheme.

Regulated, semi-regulated and unregulated operating expenses (excluding Beon)

Operating expenses for Victoria Power Networks decreased by 11.5% to $299.7 million in 2018. Drivers of the decrease in 2018 operating expenses include continued productivity and efficiency improvements and higher capitalisation of labour costs due to an increased capital works program.

Beon Energy Solutions

Unregulated revenue received by Beon increased by $65.6 million to $166.5 million in 2018. Beon operating expenses also increased as the business undertook additional projects, with the overall margin earned increasing by $2.9 million to $10.1 million.

External financing expenses

Victoria Power Networks net finance expenses increased in 2018 by 5.2% to $163.6 million. The increase was due to higher interest charges on refinanced debt.

Capital expenditure

Continued investment in the augmentation and maintenance of the CitiPower and Powercor networks resulted in a 6.9% increase in net capital expenditure in 2018 to $495.7 million. A significant component of capital expenditure in the period relates to the continuation of the REFCL program and an increase in zone substation replacement projects, particularly Waratah Place, in Melbourne.

Extreme Weather Conditions

On Saturday 17 March 2018, extreme weather conditions in Victoria's South West resulted in a number of fires within Powercor's distribution network area. The largest fires were near the towns of Camperdown, Garvoc, Terang and Gazette. Powercor has worked closely with the Country Fire Authority and Energy Safe Victoria, assisting them in their investigations. These matters are the subject of class action claims. These litigation matters are in the hands of Powercor's insurers.

SA POWER NETWORKS (100% BASIS)	**31 DECEMBER 2018 $M**	31 DECEMBER 2017 $M	VARIANCE $M	VARIANCE %
Distribution Revenue[1]	**821.0**	797.6	23.4	2.9
Semi-regulated Revenue	**79.4**	86.1	(6.7)	(7.8)
Unregulated Revenue	**9.7**	11.6	(1.9)	(16.4)
Total Revenue	**910.1**	895.3	14.8	1.7
Operating Expenses	**(269.3)**	(265.9)	(3.4)	1.3
Enerven Margin	**15.3**	23.7	(8.4)	(35.4)
EBITDA	**656.1**	653.1	3.0	0.5
Depreciation and Amortisation	**(246.1)**	(225.1)	(21.0)	9.3
Net Finance Expenses	**(123.4)**	(124.7)	1.3	(1.0)
Interest on Subordinate Debt	**(72.5)**	(72.5)	–	–
Tax Expense	**(1.7)**	–	(1.7)	N/A
Net Profit after Tax	**212.4**	230.8	(18.4)	(8.0)
Net Capital Expenditure	**424.9**	391.6	33.3	8.5
RAB	**4,207**	4,052	155	3.8
Net Debt/RAB (%)	**75.0%**	73.1%	N/A	1.9
FFO/Net Debt (%)	**16.6%**	17.1%	N/A	(0.5)

(1) Adjustments are made to distribution revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

OPERATING AND FINANCIAL REVIEW CONTINUED

Review of Operations – Investment Portfolio Businesses continued

Regulated, semi-regulated and unregulated revenues (excluding Enerven)

During the year there was a 1.7% increase in regulated, semi-regulated and unregulated revenue at SA Power Networks.

SA Power Networks increased its DUoS revenue by 2.9% to $821.0 million in 2018. The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments.

The X-factor (the real increase in annual expected regulated revenue) applicable from 1 July 2017 was -0.94% and from 1 July 2018 was -0.74%, which represent real increases in revenues before the CPI uplifts of 1.48% (at 1 July 2017) and 1.91% (at 1 July 2018). DUoS revenue increased by $19.7 million as a result of the CPI-X adjustment.

DUoS revenue for 2018 also included $24.0 million of STPIS recovery relating to the 2016/17 and 2015/16 regulatory years. DUoS revenue for 2017 included $22.0 million of STPIS recovery relating to the 2013/14, 2014/15 and 2015/16 regulatory years.

Semi-regulated revenues were down by 7.8% on 2017 to $79.4 million. The decrease was the result of reduced road infrastructure activity following a peak for such asset relocation projects in the prior period, partially offset by higher metering services (noting certain services becoming contestable) and pole/duct rental.

Regulated, semi-regulated and unregulated operating expenses (excluding Enerven)

SA Power Networks operating expenses were $269.3 million, an increase of 1.3% from 2017. The movement in operating expenses was impacted by the treatment of Guaranteed Service Level (GSL) provisions relating to storm events in 2016. GSL provisions recorded in 2016 which were ultimately not fully required were released during 2017 and also 2018, thereby reducing operating expenses by $8.2 million and $6.2m in 2017 and 2018 respectively. Adjusting for the impact of these provision releases, the increase in operating expenses would have been 0.5% or $1.4 million. This increase was largely due to higher emergency response and network maintenance costs, partially offset by reduced asset relocation activities, vegetation management and continued improvements to workforce productivity and efficiency.

Enerven

Unregulated revenue received by Enerven increased by $26.7 million to $187.7 million in 2018. However, operating expenses increased by a more significant amount in the year due to a change in the mix of projects undertaken. In 2018 there were a greater volume of major construction projects, mainly for ElectraNet but also from new business activity such as commercial solar installations. This increase in projects was offset by lower NBN activity, resulting in a 35.4% decline in margin to $15.3 million.

Capital expenditure

Continued investment in the augmentation and maintenance of the South Australian network resulted in an 8.5% increase in net capital expenditure in 2018 to $424.9 million. A significant component of capital expenditure in the period relates to the replacement of the existing undersea cable connecting Kangaroo Island to the South Australian mainland. Installation and commissioning of the new cable is expected to be completed in March 2019 at a capital cost of $39.7 million.

External financing costs

SA Power Networks reduced net finance costs by 1.0% during the year to $123.4 million as a result of a $4.3 million movement in the non-cash credit valuation hedge adjustment, partially offset by lower interest income and higher interest payable.

TRANSGRID (100% BASIS)	**31 DECEMBER 2018 $M**	31 DECEMBER 2017 $M	VARIANCE $M	VARIANCE %
Transmission Revenue[1]	**733.7**	711.6	22.1	3.1
Unregulated Revenue	**149.5**	66.8	82.7	123.8
Other Revenue	**13.2**	9.3	3.9	41.9
Total Revenue	**896.4**	787.7	108.7	13.8
Operating Expenses	**(227.5)**	(194.4)	(33.1)	17.0
EBITDA	**668.9**	593.3	75.6	12.7
Depreciation and Amortisation	**(326.3)**	(332.4)	6.1	(1.8)
Net Finance Expenses	**(251.6)**	(225.5)	(26.1)	11.6
Interest on Subordinate Debt	**(87.3)**	(83.9)	(3.4)	4.1
Net Profit / (Loss)	**3.7**	(48.5)	52.2	(107.6)
Capital Expenditure	**271.3**	331.5	(60.2)	(18.2)
Regulated and Contracted Asset Base (RCAB)	**6,823**	6,697	126	1.9
Net Debt/RCAB[2] (%)	**80.7%**	81.5%	N/A	(0.8)
FFO/Net Debt (%)	**8.2%**	9.0%	N/A	(0.8)

(1) Adjustments are made to transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.
(2) Regulated and contracted asset base. RCAB is based on 31 December 2018 estimate.
(3) Based on the AER's advice on the X-factor applicable to the MAR calculation for 2017/18 transmission pricing.

Regulated revenue

TransGrid's Transmission Use of System (TUoS) revenue increased by 3.1% in 2018 to $733.7 million. The increase in TUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments:

- TransGrid's TUoS X-factor and inflation rate, which applied from 1 July 2017, were 3.94%[3] (i.e. decrease) and 1.48% (i.e. increase) respectively, resulting in a net decrease in revenues through to 30 June 2018. TransGrid's new regulatory period commenced on 1 July 2018 and included a set maximum allowed revenue (MAR) for the 2018/19 regulatory year, so no CPI-X calculation was applied. The MAR for the 2018/19 regulatory year was $734.3 million or 5.26% higher in nominal terms than the actual MAR for the 2017/18 regulatory year; and
- TransGrid's regulated revenue for 2018 includes $15.6 million of STPIS benefits relating to the 2016 and 2017 calendar years. In 2017, regulated revenue included $13.8 million of STPIS benefits relating to the 2015 and 2016 calendar years.

Unregulated revenue

Unregulated revenue was $149.5 million, an increase of $82.7 million on 2017.

This includes $136.4 million of infrastructure services revenue which was mainly derived from line modifications (and associated consulting services) as part of asset relocations, specifically in relation to Western Sydney Airport and the Peabody and Mandalong coal mines. There has also been an increase in transmission connection revenues in the year. Contracts entered into with customers during late 2016 and into 2017, which are now complete and operational, are generating revenue following completion of construction. Transmission connection revenues have continued to increase across 2018 and are expected to continue to increase into 2019 as construction of connection assets is completed.

Unregulated revenue also included $8.1 million from telecommunications (down $0.4 million) and $5.0 million from property services, consistent with the prior year.

Operating expenses

TransGrid's total operating expenses were $227.5 million in 2018, an increase of 17.0% on 2017.

Regulated operating expenses reduced by 9.0% to $150.2 million, due to maintenance efficiencies being achieved and procurement savings delivered in the areas of IT, telecommunications operations and insurance placement. Across the year, TransGrid's efficiency program initiatives have focused on optimising vegetation management, works delivery and reducing corporate and support costs. Delivery of the cost out program continues.

Unregulated operating expenses were $77.3 million, an increase of $47.9 million, due to the line modifications delivery driving a corresponding increase in project costs and growth in the completed connection portfolio resulting in increased maintenance costs, which has seen a substantial increase in unregulated services revenue in 2018.

Capital expenditure

Capital expenditure was $271.3 million, a decrease of $60.2 million from 2017. Regulated capital expenditure reduced $37.9 million to $192.9 million and unregulated capital expenditure decreased by 22.1% in 2018 to $78.4 million.

Continued investment in the augmentation and maintenance of the regulated network is added to TransGrid's RAB, generating TUoS revenue in future periods. Unregulated capital expenditure invested by TransGrid will result in increased unregulated revenues. The revenue will increase progressively as each project is completed and then escalate with inflation over the 25-30 year contract periods.

External financing expenses

TransGrid's net finance expenses for 2018 increased by 11.6% to $251.6 million. The increase largely came from a $27 million accelerated amortisation of capitalised debt financing costs (i.e. non-cash) relating to syndicated loan facilities originally put in place at acquisition that were refinanced during the year.

Update on Energy and Regulatory Matters

The last twelve months has seen many changes in the energy landscape and settling of some significant issues in economic regulation. We have seen continued uncertainty, instability and intervention by the Federal Government and a significant increase in the number of reviews undertaken by energy institutions that have potential to impact on the value and revenue of energy network businesses and outcomes to customers.

Significant issues settled

Limited Merits Review has now been abolished and legislation to implement the binding RORG has been passed. The legislation makes far reaching changes to the powers of the AER and the Australian Energy Market Commission (AEMC) and significantly reduces access to judicial review. Spark Infrastructure has worked with other investors in Australian energy network infrastructure to relay our concerns to Commonwealth and jurisdictional policy officers, heads of department and directly to Ministers and ministerial staff.

The AER finalised the binding RORG in December 2018. The RORG delivers a significant reduction in the regulated rate of return in the next regulatory periods commencing on 1 July 2020 and 1 January 2021 for SA Power Networks and Victoria Power Networks respectively. The RORG is reviewed every four years, so a further RORG will be in place before TransGrid's next regulatory period commencing in July 2023.

Spark Infrastructure co-ordinated engagement by investors in network assets through the Network Shareholder Group (NSG), directly participating in the review through submissions and participation in AER forums.

OPERATING AND FINANCIAL REVIEW CONTINUED

Update on Energy and Regulatory Matters continued
Significant issues settled continued

The AER also released its position on the approach for estimating the tax allowance for regulatory revenue purposes in December 2018. Spark Infrastructure contributed to the review process and was able to improve the level of understanding of stakeholders about the interaction between the ex-ante regulatory tax system and the ex-post requirements of Australian tax law. The AER's position has confirmed an incentive-based approach to estimating the tax liability for regulatory revenue purposes with reference to the benchmark efficient entity rather than an actual tax cost pass through approach should remain. However, the AER is proposing changes to the treatment of depreciation which will have an impact on our portfolio businesses. Our portfolio businesses will pursue options to better match the regulatory assumptions with the tax law to minimise the impact on returns and customers of the change in approach.

Maintaining a track record of performance in delivering services at the lowest cost remains the most effective response in a changing system. Our portfolio businesses led their peers in productivity in the AER's annual benchmarking report released on 30 November 2018. The AER has recognised that CitiPower, Powercor and SA Power Networks have consistently been the most productive and that the decline in productivity is due to increasing operating costs as a result of new regulatory obligations. TransGrid is ranked third of the transmission network service providers (NSPs) and we are pleased to see the efficiency initiatives implemented since acquisition having an impact, with TransGrid recording the biggest increase in productivity of all transmission NSPs over 2017 (a 12% increase). The benefits of these improvements in efficiency and productivity are shared with customers over time through lower prices.

Investing for the Future

In its annual review of electricity network regulation in 2018, the AEMC identified opportunities to improve incentives for efficient investment and innovation and foreshadowed further consideration of an Ofgem (UK) type 'totex' approach to determining revenues, which removes the impact of categorising expenditure as operating or capital expenditure and instead adjusts the RAB proportionately to total expenditure. The 2019 annual review has commenced and we will continue to evaluate this approach. The AEMC is also reviewing the regulatory framework for stand-alone power systems which would allow NSPs to provide electricity delivery services through alternative means to traditional networks where efficient. This could remove some of the constraints contained in the ring-fencing guideline that prevent NSPs from adopting innovative and lower cost options for meeting obligations to supply electricity consumers.

The Integrated System Plan (ISP) developed by the Australian Energy Market Operator (AEMO) has established a vision for the future of the National Energy Market. The ISP acknowledges the critical role of transmission in optimising the existing investment in energy infrastructure, efficiently connecting renewable energy sources and delivering more than $1.2 billion[1] in quantified benefits to end use customers. TransGrid will participate in assessing the opportunities outlined in the ISP and carefully review the value of such investments in future periods and the returns to be earned through both contestable and regulated revenue settings. The ISP released by the ESB in December 2018 and supported by the AEMC's final report on the co-ordination of generation and transmission, will streamline the AER's processes, establish common assumptions for evaluating projects and improve the pricing signals for new connections and renewable energy zones.

Support for the investment outlined in the ISP has been provided in the NSW Government's Transmission Infrastructure Strategy (Strategy) released in November 2018. The Strategy aims to boost interconnection and regional development of Energy Zones and reduce barriers to investment to support energy affordability, investment in new power stations and network infrastructure, and to ensure new technologies deliver benefits for consumers. The Strategy includes a commitment to cover any gap between TransGrid's regulated revenues and costs incurred to bring forward preliminary planning work and assessments for four priority transmission projects.

(1) AEMO, Integrated System Plan, July 2018, p. 6.

Regulatory Determination Processes

The AER released its final regulatory decision for TransGrid in May 2018 providing for revenues over 5 years which are not impacted by the AER's current RORG. The TransGrid regulatory determination was broadly in line with expectations, noting that the AER is satisfied that TransGrid's forecast operating expenditures are efficient. It now provides the business with regulatory certainty for 5 years to maintain and develop the transmission system in response to the significant changes in the electricity market that are occurring whilst delivering a real reduction in transmission prices. The importance of the large-scale Powering Sydney's Future capital expenditure project has been recognised by the AER, with an allowance of $253.8 million across 2018-2023. This is considered to be a critical project for Sydney to address supply reliability and future demand in inner Sydney and its growing central business district.

The development and engagement on the plans for next regulatory periods for SA Power Networks and Victoria Power Networks have commenced. SA Power Networks consulted with stakeholders on a draft plan in August 2018 before lodging its proposal with the AER on 31 January 2019. The proposal incorporates feedback received from customer and focus groups to constrain price increases, maintain reliability and continue a managed transition to the network of the future. The AER's draft response is expected in September 2019. Victoria Power Networks will lodge its regulatory proposal with the AER on 31 July 2019.

Outlook for 2019

Spark Infrastructure's cashflow forecasts including the impacts of the Federal Court decision indicates a potential acceleration in tax payable by SIH No.2 and consequently a reduction in standalone cash at the Spark Infrastructure level available to fund distributions to Securityholders. As a result the Directors have provided changed distribution guidance for 2019 of at least 15.0 cps, subject to business conditions.

Looking further forward, Spark Infrastructure expects future cashflows to align more closely with the five-year regulatory periods of its investment businesses. With Spark Infrastructure becoming a tax payer, distributions to Securityholders will be funded from net cashflow from operating activities after tax payments. We anticipate being able to distribute franking credits to Securityholders, to the extent possible.

Spark Infrastructure anticipates its cash tax paid in 2019 divided by pre-tax standalone net operating cashflows will be approximately 6%. We expect to have an increasing tax profile over time with cash tax paid as a proportion of pre-tax standalone net operating cashflows being in the range of 12% – 20% in the next 1 to 2 years.

REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Dear Securityholders

On behalf of the Board, we are pleased to present our 2018 Remuneration Report for which we will seek your approval at our Annual General Meeting in May 2019. The Report covers the remuneration arrangements for our Executives and Non-Executive Directors for the year ended 31 December 2018.

The Report outlines the link between the organisation's strategy, performance and remuneration.

There have been no fundamental changes to our Remuneration Framework and policies during 2018. Its structure is fair and balanced and reflects the operations of Spark Infrastructure and its investment businesses.

Spark Infrastructure's Remuneration Framework continues to support our strategic objectives and we have made good progress towards those objectives in 2018. We have refined our strategic narrative which we refer to as Value Enhance, Value Acquire and Value Build. At the core, our strategy remains the same: to create long-term sustainable value for Securityholders. We will do this through capital growth and distributions from our existing portfolio of businesses and through disciplined pursuit of acquisition opportunities.

Spark Infrastructure delivered strong financial performance in 2018. We take pride in our high performing investment businesses and our participation on their boards allows us to exercise important oversight of their performance and ensure effective risk management.

We have a strong focus on leadership and culture. Our engagement with regulators, government and other stakeholders throughout 2018 demonstrated our leading role within the energy industry. Our strong governance framework and investment in the skills and expertise of our people throughout 2018 supports our ability to deliver long-term growth and performance.

Spark Infrastructure also maintained its strong share market performance in 2018. Over the past five years, Spark Infrastructure has delivered a total shareholder return of 87.1% versus the broader ASX 200 total shareholder return of 31.5% over the same period. This result is also reflected in our LTI scheme which saw Spark Infrastructure's risk adjusted TSR performance over the 4 year performance period to 31 December 2018 ranked at the 72nd percentile measured against the S&P/ASX 200.

MD remuneration and Board and Committee fees were increased by 2% in 2018. The Board has determined a 2% increase for the MD for 2019, while the Board and Committee fees will remain unchanged for 2019. The Chair, independent directors and Management met with investors and governance and remuneration advisers throughout the year to seek feedback and maintain an open and transparent dialogue with Securityholders. We respect and appreciate the feedback and were pleased to receive votes in support of the Board endorsed resolutions at the 2018 Annual General Meeting.

We will continue to engage with Securityholders in an open and transparent manner and remain receptive to feedback on our Remuneration Framework. We will continue to look for opportunities to improve and further align the interests of Executives, Non-Executive Directors and Securityholders.

D McTaggart
Chair
Spark Infrastructure

A McDonald
Chair
Remuneration Committee

Sydney
26 February 2019

REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

The Directors of Spark Infrastructure RE Limited[1] present this Remuneration Report (Report) on the consolidated entity for the year ended 31 December 2018, prepared in accordance with section 300A of the *Corporations Act 2001* (Act). The Report provides information on the remuneration arrangements for Key Management Personnel (KMP), including Executive KMP (Executives) and Non-Executive Director KMP (NEDs) for 2018.

The information provided in this Report has been audited as required by section 308(3C) of the Act. This Report forms part of the Directors' Report.

The Report covers the following:

1. Summary of KMP Remuneration Arrangements and Defined Terms
2. 2018 Organisational and Financial Performance
3. Remuneration Governance
4. Remuneration Philosophy and Link to Business Strategy
5. Remuneration Policy and Mix
6. Remuneration Structure
7. Employment Contract Key Terms
8. Key Management Personnel
9. 2018 Remuneration Outcomes
10. Non-Executive Director Fees
11. Statutory Remuneration Disclosures.

1. SUMMARY OF KMP REMUNERATION ARRANGEMENTS AND DEFINED TERMS

The Board, through its Remuneration Committee[1] (RemCo), continues to review KMP remuneration arrangements to ensure they align with Spark Infrastructure's business strategy and take into consideration feedback from Securityholders, as appropriate.

This section highlights defined terms used throughout this Report as well as key elements of KMP remuneration for 2018.

1.1 Defined Terms

DEFINED TERMS USED IN THIS REPORT (AND NOT ELSEWHERE DEFINED)	
MD	The Managing Director and Chief Executive Officer
CFO	The Chief Financial Officer
KMP	Key Management Personnel, being those people who have authority and responsibility for planning, directing and controlling the major activities of Spark Infrastructure, directly or indirectly, including any Director (whether Non-Executive or otherwise) of Spark Infrastructure and any Executive
Executives	The Board has determined that only the MD and CFO are KMPs
Fixed Remuneration	Fixed Remuneration is the fixed annual remuneration component of Total Remuneration. Fixed Remuneration includes cash, superannuation, car leases, parking allowance, and life and income protection insurances which are the responsibility of the Executive
LTI	The Long Term Incentive Plan
NEDs	Non-Executive Directors
KPIs	Key performance indicators set by the Board for the Executives
Securities	The securities traded on the ASX under the ticker "SKI" (comprising one unit in Spark Infrastructure Trust stapled to one Loan Note issued by Spark Infrastructure RE Limited (ACN 114 940 984) in its capacity as responsible entity for Spark Infrastructure Trust)
Rights	The right to acquire a Security, subject to performance and/or vesting conditions
Risk Adjusted TSR	Risk adjusted TSR is the return on a Security in excess of what would be expected taking into consideration the relative level of risk in each peer company
STI	The Short Term Incentive Plan
Total Remuneration	Total Remuneration comprises Fixed Remuneration plus short term incentive and long term incentive
TSR	TSR or Total Securityholder Return is the total return from a security to an investor. It combines security price appreciation or diminution plus distributions reinvested to show the total return to an investor

(1) In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".

1.2 Key Changes to Remuneration Structure in 2018 and 2019

There were no changes to the remuneration structure for 2018 and none proposed for 2019.

1.3 Remuneration Arrangements for 2018

The table below summarises the key aspects of the Group remuneration approach.

ELEMENT	SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
SUMMARY OF 2018 REMUNERATION AND OUTCOMES		
1. Link between Spark Infrastructure's 2018 performance and Executive remuneration outcomes	Summary of the remuneration structure for 2018 and outcomes is set in this section. Summary of the organisational and financial performance for Spark Infrastructure for 2018 is provided in section 2. A distribution gate is applied to STI financial outcomes. Achievement of STI financial outcomes is subject to satisfaction of the distribution gate, thereby aligning Executive short term remuneration with distributions to Securityholders. An Executive's STI award is assessed against financial metrics including cashflow/ EBITDA, and non-financial metrics being a combination of business performance and organisational performance. Spark Infrastructure met its distribution guidance for 2018 delivering 16 cents per security (cps). The 2018 STI financial outcome was 67.3% while the non-financial STI performance outcome for the MD was 65.0%. This resulted in an aggregate STI outcome of 66.4% for the MD in 2018. The performance period for the 2015 LTI grant ended on 31 December 2018. The LTI had a single performance measure of risk adjusted TSR. Across the four-year performance period Spark Infrastructure ranked at the 71.8th percentile against the S&P ASX 200 Index. Therefore 90.6% of the 2015 LTI vested at 31 December 2018 and will be equity settled. Further detail on the 2018 remuneration outcomes, incorporating financial and non-financial KPI performance, for KMP is provided in section 9.	sections 2 and 9
EXECUTIVE REMUNERATION FRAMEWORK		
2. Proportion of fixed and variable remuneration	Executive remuneration is comprised of fixed remuneration and variable (i.e. 'at-risk') remuneration, which includes STI and LTI. The proportion of fixed and variable remuneration for each Executive is outlined below.	section 5
FIXED REMUNERATION		
3. Fixed remuneration	Fixed remuneration is determined by the Board taking into consideration Spark Infrastructure's market comparator group, composed of ASX-listed entities of a similar size and operational scope. There was a 2% increase to the MD's fixed remuneration in 2018.	section 5.2

EXECUTIVE	FIXED REMUNERATION	VARIABLE REMUNERATION
MD	38%	62%
CFO	43%	57%

ELEMENT	SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
SHORT TERM INCENTIVE PLAN (STI)		
4. Structure and quantum	Maximum STI opportunities in 2018 expressed as a percentage of Fixed Remuneration were as follows: MD: 100% CFO: 80% Half of any STI earned is paid in cash following the end of the STI performance period. The remaining 50% of STI is deferred into Rights to strengthen the alignment of Executives to the delivery of value to our Securityholders. The Rights vest as follows, subject to continued service through to the end of the relevant vesting period (Refer section 5.3): • 50% vest 12 months after the end of the STI performance period; and • 50% vest 24 months after the end of the STI performance period.	sections 5.1 and 6.1
5. Performance measures and gateway	STI performance measures include both financial and non-financial KPIs. Achievement of these KPIs can be influenced by Executives in exercising oversight of Spark Infrastructure's investments and driving performance through efficiency, regulatory outcomes and growth in the unregulated businesses. The relative weighting between financial and non-financial KPIs may differ among Executives depending on their relative influence in each area of focus. For the MD and CFO financial KPIs comprise 60% of their total STI with 40% attributable to non-financial KPIs. In 2018, financial KPIs were: • total distributions from investments; • total look-through Operating Cash Flow (OCF); • Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA); • unregulated revenue targets; and • total Spark Infrastructure controllable costs. Non-financial KPIs included strategic measures as well as strategy, business development, stakeholder management, operations and people development measures. In order for the financial component of the STI to be awarded, a performance gateway applies such that Spark Infrastructure must achieve its Distribution Guidance for the relevant year. The distribution gateway does not apply to the non-financial KPI component of the STI.	section 6.1

ELEMENT	SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
LONG TERM INCENTIVE PLAN (LTI)		
6. Structure and quantum	Maximum LTI opportunities in 2018 expressed as a percentage of Fixed Remuneration were as follows: MD: 65% ; CFO: 50% LTI awards are granted in the form of Rights to acquire a Security, subject to achievement of performance measures over the performance and vesting period. Executives receive one Security for each Right that vests, together with a distribution equivalent payment for each Security allocated on vesting (equal to the distributions the Executive would have been entitled to receive had they held the Securities during the vesting period).	sections 5.1 and 6.2
7. Performance measures and performance/vesting periods	The Board believes a mix of external (i.e. risk adjusted TSR) and internal (i.e. OCF) measures for the LTI provides the right focus for Executives on delivering long term Securityholder value. Accordingly, grants made from 1 January 2017 and thereafter are assessed against the following performance measures: • **Tranche 1 (50% of LTI award):** Spark Infrastructure's risk adjusted TSR (assessed against the constituent entities in the S&P/ASX 200 index) measured over a four-year period; • **Tranche 2 (25% of LTI award):** Standalone OCF measured over a three-year period (the test period), plus require a further one-year service period; and • **Tranche 3 (25% of LTI award):** Look-through OCF measured over a three-year period (the test period), plus a further one-year service period. Vesting occurs at the end of four years, to the extent the relevant performance/service conditions are met. Details of past awards that remain on foot are set out at section 11.3	section 6.2
NON-EXECUTIVE DIRECTOR (NED) FEES		
8. NED fee quantum	With the exception of the Board Chair, NEDs receive a base fee and additional fees for chairing or participating in Board committees. The Board Chair's fee is inclusive of committee membership. The Board has determined that NED fees for 2019 will remain unchanged.	section 10
9. NED fees from other entities	NEDs may be appointed to the boards of the investment portfolio companies from time to time and discharge their role as directors of those companies separately and in addition to their role on the Spark Infrastructure Board. NEDs receive fees directly from those investment portfolio companies. These fees are not paid by Spark Infrastructure because they are separate to fees paid for their role as NEDs of Spark Infrastructure. Directors' fees for investment portfolio companies are determined by the boards of those companies.	section 10.4

ELEMENT	SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
MINIMUM SECURITYHOLDING REQUIREMENT		
10. Minimum requirement	From 1 January 2017, NEDs and KMP are required to hold a minimum number of Securities as follows: • MD: 100% of Fixed Remuneration; • CFO: 50% of Fixed Remuneration; and • NEDs: Equivalent of one years' director base fees. Securities include Securities and Rights (earned but not yet vested) under the Deferred STI Plan but not unvested Rights delivered under the LTI Plan which are subject to performance/service conditions. NEDs and KMP are required to meet the minimum Securityholding requirement within a three-year period from 1 January 2017 or from appointment, whichever is the later.	sections 9.4 and 11.6
2018 REMUNERATION		
11. Changes to Remuneration for 2019	For 2019, an increase of 2% was considered appropriate for the MD.	section 5.2

2. 2018 ORGANISATIONAL AND FINANCIAL PERFORMANCE

2018 was another year of consistent performance for Spark Infrastructure. Our continued return to Securityholders demonstrates the quality of our investment portfolio, the clarity of our strategy and the capability of our management team.

Importantly, our role and participation on the boards of the investment businesses combined with our significant oversight and engagement with the management teams at the investment businesses has allowed us to deliver strong performance results year on year. Our ability to deliver growth in distributions through to 2018 is notwithstanding significant challenges in the economic regulatory environment across 2018. We have now seen some of the impact of those changes, combined with the outcome of the Federal Court Decision on Tax and potential acceleration of Spark Infrastructure becoming a tax payer, result in a reduction in distribution guidance for 2019. While this is clearly disappointing, the robustness of our investment businesses and their continued outstanding performance, remains a core strength of Spark Infrastructure.

We have set out below a few of our significant achievements across 2018.

- An increase in distributions for 2018, up 4.9% to 16.0 cents per security (cps), achieving distribution guidance.
- An increase in standalone net operating cashflow of 8.5% to $290.2 million in 2018.
- Continued excellent performance from our investment portfolio businesses with an overall increase in distributions, growth in the unregulated revenue and unregulated business opportunities, and continued delivery of operational efficiencies.
- Growth of unregulated opportunities in TransGrid. Infrastructure connections opportunities are progressing well. An agreed capital funding structure to finance unregulated asset connections has been implemented and enabled TransGrid to revert to a more normalised distribution profile.
- The Australian Energy Regulator (AER) released its final decision for TransGrid in May 2018 providing certainty of revenues over the next 5 years. The TransGrid Regulatory Determination was broadly in line with expectations, noting that the AER is satisfied that TransGrid's forecast operating expenditures are efficient. The determination enables TransGrid to maintain and develop the transmission system in response to the significant changes in the electricity market that are occurring.
- The importance of the large-scale Powering Sydney's Future capital expenditure project has been recognised by the AER, with an allowance of $253.8 million across 2018-2023. This is a critical project to address supply, reliability and future demand in inner Sydney and its growing central business district.
- Strong leadership and actively driving the energy sector debate. Increased recognition of Spark Infrastructure in the public arena, particularly in the regulatory space throughout the year, with important submissions and engagement with government and regulators on various matters including the inflation review, rate of return review, limited merits review and the ACCC review of electricity pricing. Spark Infrastructure founded the Network Shareholders Group which seeks to represent the interests of investors in essential services infrastructure in maintaining a regulatory framework that supports ongoing investment for the benefit of consumers, the economy and society as a whole. Spark Infrastructure is also a core member of the AER's investor reference group which is a key participant in the AER rate of return review process.

2. 2018 ORGANISATIONAL AND FINANCIAL PERFORMANCE CONTINUED

2.1 Spark Infrastructure Financial Performance

The table below shows the reported financial performance of Spark Infrastructure over the last five years. These financial performance outcomes are a key component for achievement of the STI financial metrics each year.

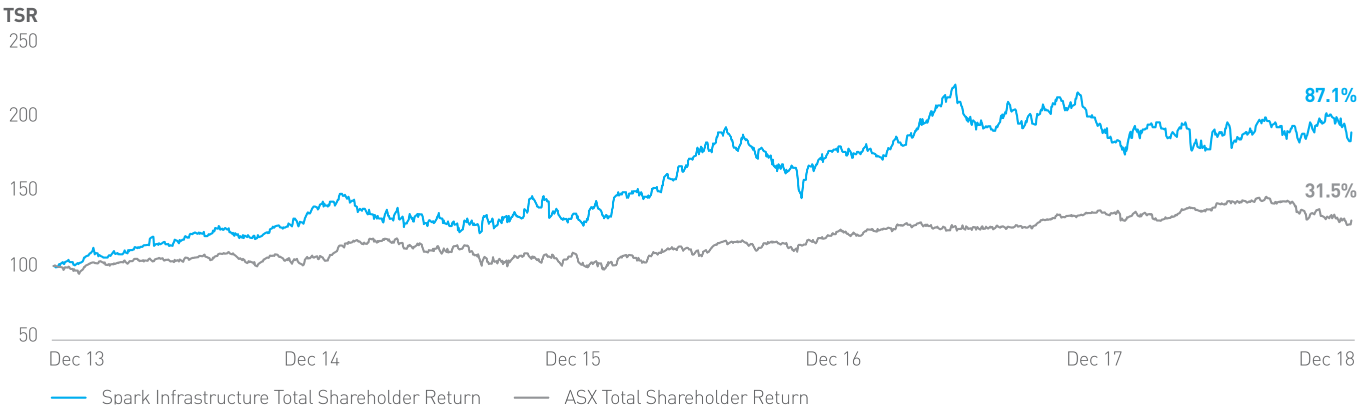
- **Achievement of distribution guidance is a gateway condition for STI financial metrics.**

Look-through operating cashflow (OCF) is also a key component of the LTI Plan weighted at 25% and measured over a 3-year performance period.

	5 YEAR FINANCIAL PERFORMANCE				
	2018	2017	2016	2015	2014
Profit after tax attributable to Securityholders ($'000)	**92,285**[2]	88,641	81,083	88,024	128,133
Profit before Loan Note Interest and tax expense ($'000)	**270,516**[2]	265,804	225,816	252,820	272,092
Closing Security price at year end ($)	**2.21**	2.51	2.38	1.92	2.13[1]
Distribution per Security (cents)	**16.00**	15.25	14.50	12.00	11.50
Operating costs ($'000) – excluding project costs	**14,193**	12,607	11,352	8,862	10,544
Standalone Operating Cash flow (cps)	**17.3**	15.9	18.2	12.3	14.1
Look-through Operating Cash flow (cps)	**19.1**	21.4	22.1	28.9	25.1
Net Debt/Regulatory Asset Base (RAB) (%)	**74.2**	74.2	74.7	73.0	77.2

(1) The opening security price at the start of 2014 was $1.62.
(2) Excluding asset impairment in 2018.

2.2 Spark Infrastructure 5 Year Total Shareholder Returns



Source: Iress and Factset as at 31 December 2018

3. REMUNERATION GOVERNANCE

The Board, RemCo, external advisors and management work together to apply our remuneration principles and ensure our remuneration strategy supports sustainable Securityholder value, while always maintaining high standards of corporate governance.

The RemCo works closely with the Board and Audit Risk and Compliance Committee (ARC) to ensure executive remuneration outcomes reflect contributions to Spark Infrastructure's financial and non-financial performance, adherence to the risk management and compliance framework, and demonstrate our value and behaviours.

The ARC:

- advises the RemCo of material risk issues, behaviours and compliance breaches which may impact remuneration outcomes;
- reviews the measurement/calculation of financial incentive plan performance measures;
- advises whether any one-off adjustments to financial incentive plan measures and targets are appropriate; and
- reviews the annual Remuneration Report to ensure compliance with accounting standards and relevant legislation.

The diagram below represents Spark Infrastructure's remuneration decision making framework.

BOARD

Overall accountability for Executive and NED remuneration.

REMUNERATION COMMITTEE

EXECUTIVE REMUNERATION

- Review and recommend to the Board changes to remuneration of Executives.
- Review and recommend to the Board STI and LTI performance targets, and STI and LTI payments to Executives.

NED REMUNERATION

- Review and recommend to the Board the remuneration arrangements for the Chair and the NEDs.

REMUNERATION PRINCIPLES

- **Align with Securityholders**: tie a significant proportion of total remuneration packages to Security price performance and Securityholder outcomes.
- **Sound measurement**: establish triggers for the award of at-risk pay of a suitably long timeframe, to enable appropriate measurement of success and alignment with the interests of investors.
- **Accountability**: creating performance targets that are within the control or operational influence of management, taking into consideration the significant minority ownership interests comprising portfolio assets.
- **Prudent growth**: not incentivising growth for growth's sake.
- **Transparency**: ensuring that structures and measures are transparent and coherent and easily understood by investors.

The composition of the RemCo is set out on page 73. Further information on the RemCo's role, responsibilities and membership is available at www.sparkinfrastructure.com/about/corporate-governance/governance-documents.

3.1 Use of Remuneration Advisors

The RemCo appointed Ernst & Young (EY) as its external remuneration advisor during 2018.

The RemCo has established protocols to ensure that advice provided by advisors is free from undue influence from the members of the KMP to whom the advice relates.

During 2018, EY provided the RemCo with:

- Market remuneration information;
- Independent input into key remuneration decisions;
- Valuation of the long-term incentive grant; and
- Assistance with the continued development of the Remuneration Report.

No remuneration recommendations were provided by EY or any other advisor during the year.

4. REMUNERATION PHILOSOPHY AND LINK TO BUSINESS STRATEGY

At Spark Infrastructure, our Executive remuneration is linked to the drivers of our business strategy, with the overarching aim of maximising Securityholder value. STI and LTI performance measures reflect our strategic drivers, so that Spark Infrastructure's actual performance directly affects what Executives earn.

STRATEGIC DRIVERS

Deliver sustainable growth in distributions based on profitable growth in asset base

This is the basis from which the Board considers all matters. We will continue to assess opportunities for diversification over time in a disciplined manner.

Asset management of investment portfolio

Spark Infrastructure holds a portfolio of significant interests in quality infrastructure assets. We leverage our knowledge, skills and industry experience to manage the investment portfolio to positively influence outcomes and drive performance in underlying assets.

TransGrid Performance

Transformation of TransGrid into a commercial focused, private sector business.

Embrace changing business environment

The businesses in Spark Infrastructure's investment portfolio (TransGrid, SA Power Networks and Victoria Power Networks) are ideally placed to take advantage of technological advancement and, through innovation, to create opportunities for growth and in turn deliver value for Securityholders.

Spark Infrastructure's actual performance and Securityholder outcomes

STI Financial KPIs

Distribution Guidance Gateway

STI Non-Financial KPIs

LTI External and Internal Performance measures

SHORT TERM INCENTIVES

- 1-year performance period
- 50% in cash and 50% in Rights
- 50% of Rights vest after 1-year
- 50% of Rights vest after 2-years

60%

25%	Total distributions
20%	Total look through OCF/EBITDA*
10%	Unregulated revenue
5%	Total Spark Infrastructure controllable costs

40%

- Strategy and Business Performance
- Organisational Performance

LONG TERM INCENTIVES

- 4-year vesting period
- 100% in Rights
- 50% of Rights subject to 4-year performance period
- 50% of Rights subject to 3-year performance period + 1-year service period

Look through OCF (25%)*

3-year performance period followed by 1-year service period

**Features in STI and LTI to promote sustainable and consistent performance over short and long term*

Standalone OCF (25%)

3-year performance period followed by 1-year service period

Risk-adjusted TSR (50%)

4-year performance period

Variable remuneration outcomes for Executives

5. REMUNERATION POLICY AND MIX

Executives' remuneration and mix of remuneration are appropriate to each Executive's position, responsibilities and performance, in a way that aligns with our business strategy.

Executives receive Fixed Remuneration and variable 'at-risk' remuneration consisting of short and long-term incentive opportunities. Executive remuneration is reviewed annually by the RemCo with reference to the market and Spark Infrastructure's business operations.

Spark Infrastructure's remuneration policy has a strong performance focus, with a large proportion of Executives' remuneration contingent on maximising Securityholder value. The charts below set out the remuneration structure and maximum remuneration mix for the MD and CFO in 2018. Refer to section 6.1 and 6.2 for detail on the structure of the STI and LTI.

MD

Fixed remuneration **38%**	**Maximum STI** **38%** (50% cash, 50% deferred equity)	**Maximum LTI** **24%** (100% equity)

CFO

Fixed remuneration **43%**	**Maximum STI** **35%** (50% cash, 50% deferred equity)	**Maximum LTI** **22%** (100% equity)

5.1 Potential Maximum at Risk Remuneration for Executives in 2018

Presented below are the maximum STI and LTI opportunities for 2018 expressed as a percentage of Fixed Remuneration. The opportunities are determined with reference to market norms and the Executive's relative influence on Spark Infrastructure's performance. The minimum STI and LTI opportunities are nil.

POSITION	MAXIMUM STI OPPORTUNITY % OF FIXED REMUNERATION	MAXIMUM LTI OPPORTUNITY % OF FIXED REMUNERATION
MD	100%	65%
CFO	80%	50%

5.2 The MD's Remuneration Package for 2018

Details of the MD's 2018 remuneration package are set out in the table below.

	BASE 2018 (INCL. SUPER-ANNUATION, CAR PARKING, LIFE AND INCOME PROTECTION INSURANCE $	2018 STI MAXIMUM OPPORTUNITY %	2018 STI MAXIMUM OPPORTUNITY $	2018 LTI MAXIMUM OPPORTUNITY %	2018 LTI MAXIMUM OPPORTUNITY $	TOTAL REMUNERATION MAXIMUM OPPORTUNITY $
Rick Francis	861,470	100%	861,470	65%	541,671[1]	2,264,611

(1) The number of Rights granted to the MD as approved by Securityholders at the 2018 AGM was calculated on the MD's Fixed Remuneration (excluding the cash salary adjustment for life and income protection insurances previously received as non-monetary benefits).

The MD will receive a CPI increase of 2% in Base Remuneration in 2019. There are no other changes to the MD's remuneration package for 2019.

5.3 STI and LTI Common Features: Clawback, Treatment of Awards on Cessation of Employment and Trading Policy

Below are key common features shared between the STI and LTI.

Clawback	Clawback arrangements remain in place for Executives. Unvested and vested but unpaid STI and/or LTI may be forfeited if an Executive: • has personally acted fraudulently or dishonestly; • has breached his or her material obligations to Spark Infrastructure; or • receives remuneration as a result of the fraud, dishonesty or breach of obligation of another person. Spark Infrastructure's clawback policy may be accessed at: www.sparkinfrastructure.com/about/corporate-governance/governance-documents.
Cessation of employment	The treatment of Rights on termination of employment will vary based on assessment by the Board of the circumstances of termination. If an Executive ceases employment with Spark Infrastructure prior to the end of the performance period, vesting period (including additional service period in respect of the OCF component of the LTI award) or deferral period by reason of resignation or termination for cause, all unvested Rights automatically lapse. If an Executive ceases employment for any other reason (including death, redundancy, genuine retirement), a pro-rata portion of their unvested Rights will remain 'on-foot' subject to the original terms until the end of the performance vesting or deferral period (as relevant). The pro-rata portion that remains 'on-foot' will be determined based on the portion of the performance vesting or deferral period elapsed on the date of their cessation, and the remaining portion will lapse on the date of cessation. Executives who cease employment remain eligible for the cash (i.e. non-deferred into Rights) component of their STI, pro-rated for the part year of their completed service (unless their employment is terminated for cause) in an amount to be determined by the Board by reference to their KPIs for that year. Any payment of the cash component of their STI will remain subject to achievement of the financial and non-financial KPIs as set by the Board. This leaver provision enhances Spark Infrastructure's risk management by: • encouraging retention; • allowing discovery of any factors that could contribute to financial restatement that may result in forfeiture of reward; • allowing for a review of Executive behaviours to ensure they have complied with Spark Infrastructure's ethical and risk management guidelines and standards of business conduct; • encouraging the establishment and maintenance of a sound management legacy; and • maintaining Securityholder alignment for a longer period.
Trading Policy	Spark Infrastructure's Securities Trading Policy applies to all KMP. The Policy prohibits KMP from entering into transactions that operate to limit the economic risk of their Spark Infrastructure Securities (e.g. Hedging arrangements) with respect to unvested remuneration entitlements held pursuant to any plan, or Securities that are subject to a holding lock or other restriction on dealing under a plan. The Policy also prohibits employees from dealing in Spark Infrastructure Securities while in possession of material non-public information relevant to Spark Infrastructure. Spark Infrastructure's Trading Policy may be viewed at: www.sparkinfrastructure.com/about/corporate-governance/governance-documents.

6. REMUNERATION STRUCTURE

6.1 Short Term Incentives

The following table sets out the key features of Spark Infrastructure's STI arrangements.

Purpose	The STI plan is operated to: • focus Executives, through challenging performance measures, on the achievement of results in areas that are expected to impact the performance of Spark Infrastructure in the short term; • create sustained annual performance over a longer term period through STI deferral; • assist in the attraction, reward and retention of high quality employees; • constrain the potential for unacceptable risk taking; • ensure that a significant portion of remuneration is "at risk" with a mix of financial and non-financial performance measures; and • strengthen the link between Executive remuneration and long-term Securityholder returns through STI deferral.
Gateway	In order for the financial component of the STI to be awarded, Spark Infrastructure must achieve its Distribution Guidance for the year. The distribution gateway does not apply to the non-financial component of the STI.
Performance measures	An Executive's STI award is assessed based on financial KPIs (subject to the gateway) and non-financial KPIs over a 12-month performance period. Non-Financial KPIs may be weighted differently among participants depending on their relative influence in the area. The weighting of financial and non-financial KPIs for each Executive in 2018 was as follows:

POSITION	FINANCIAL KPIS	NON-FINANCIAL KPIS
MD	60%	40%
CFO	60%	40%

In 2018, Spark Infrastructure Financial KPIs and Non-Financial KPIs were:

Financial KPIs: definition and rationale

- **Total distributions (25%) –** Spark Infrastructure's objective is to deliver sustainable levels of distributions to Securityholders over time, based on distributions received from its investments.
- **Total look-through OCF/EBITDA (20%) –** Look-through cash flows demonstrate growth and operational excellence and performance of the underlying businesses, which produces distribution sustainability and growth.
- **Unregulated revenue (10%) –**growth in unregulated revenue at TransGrid demonstrates achievement of key business priorities of our investment innovation, their innovation agendas and ability to participate in rapid industry change and the move to a renewable energy future.
- **Total Spark Infrastructure controllable costs (5%) –** Disciplined management of Spark Infrastructure's costs is an area of continual focus to deliver value for Securityholders.

Measures relevant to TransGrid had a 20% weighting across all financial KPIs. The creation of long-term value accretion from the 2015 investment in TransGrid is a key priority for Spark Infrastructure.

A "target" and "stretch" goal is set at the start of the financial year for financial KPIs with the outcome calculated based on the following scale. Outcomes are reviewed by the RemCo and recommended to the Board for approval.

PERFORMANCE LEVEL	% OF MAXIMUM STI AWARDED BASED ON SPARK INFRASTUCTURE FINANCIAL KPIS
Below target	0%
Target	70%
Exceed stretch target	100%

6. REMUNERATION STRUCTURE CONTINUED

6.1 Short Term Incentives continued

Performance measures continued	*Non-financial KPIs: definition and rationale* **BUSINESS PERFORMANCE** • **Strategic –** Spark Infrastructure's vision is to be the leading ASX-listed infrastructure owner in essential service infrastructure, to provide long-term value creation through capital growth and distributions from our existing portfolio of businesses, and through disciplined pursuit of acquisition. Our strategy is Value Enhance – managing for performance and organic growth; Value Acquire – evaluate opportunities to grow and diversify the portfolio through disciplined acquisitions; Value Build – building and developing a business platform of essential service infrastructure and adjacent businesses. • **Special projects –** Spark Infrastructure will undertake special projects such as the assessment of a potential acquisition opportunities with an assessment made on the diligence and effectiveness of how the project is executed and not on the outcome. • **Operations –** operational efficiency, reliability and safety of the underlying businesses in the investment portfolio coupled with identifying and prosecuting unregulated business opportunities is a key tenet of success. Spark Infrastructure exercises robust stewardship of the business through participation on the boards in its investment portfolio. Strength in operating cashflows will come from managing the businesses as efficiently as possible within the constraints of the regulatory framework, and from organic growth prospects for the capital asset bases of the businesses, whether from unregulated connection assets or one-off contingent transmission projects in TransGrid. **Target – achieving efficiency and outperformance by investment businesses, resulting in growth of the capital asset bases or unregulated business opportunities, and distributions to Spark Infrastructure. TransGrid performance against acquisition model and transformation journey** • **Optimising regulatory outcomes –** is critical to the ongoing financial performance of the businesses that comprise Spark Infrastructure's investment portfolio. **Target – engaging with regulators, government and other key stakeholders influencing and taking a thought leadership role in response to regulatory change** **ORGANISATIONAL PERFORMANCE** • **People, governance and process improvement –** people development, enhancement and expansion of the team is fundamental in maintaining and growing a sustainable business and harnessing our strategic objectives. Spark Infrastructure has a small team of specialist employees. Creation of long term value relies on the skills, expertise and experience of its people. It is also essential to have an effective risk and compliance framework in place. **Target – building, enhancing and retaining the team to deliver performance, remuneration structure for investment portfolio companies aligned to Spark Infrastructure as shareholder** • **Stakeholder management –** interaction of management with investment partners, industry participants, market participants, regulators, government and the communities in which its underlying businesses operate is critical to realising near term value creation and ensuring the long-term sustainability of the investment portfolio. Spark Infrastructure is an active participant and thought leader in industry and regulatory change. **Target – enhanced engagement with investors and partner relationships and contribution to the energy sector policy** Non-Financial KPIs and targets for Executives (other than the MD) are set and assessed by the MD and are reviewed by the RemCo. The maximum achievement for non-financial KPIs is 100%. The MD's performance is assessed and approved by the Board. The Board's assessment and review is conducted on both a quantitative and qualitative level. For a summary of overall 2018 organisational and financial performance, refer to section 2.
Performance and deferral period	Performance is measured at the end of Spark Infrastructure's financial year. For Executives, 50% of any STI award is paid in cash in March following the year of assessment. The remaining 50% of the STI is delivered in the form of Rights and vests (subject to continuous service) as follows: • 50% vests 12 months after the end of the performance period; and • 50% vests 24 months after the end of the performance period (deferral periods). Rights are granted at no cost to the Executive. Upon vesting, rights are automatically exercised and no amount is payable by the Executive on exercise. One Security is received for every Right that vests. A dividend equivalent payment is also made upon vesting, equal to the distributions the Executive would have been entitled to receive had they held the physical Securities during the deferral period. Under the Terms of the Equity Incentive Plan Rules, the Board retains discretion to settle these amounts in cash. Spark Infrastructure uses a face value methodology for allocating Rights to each Executive, being the VWAP of Securities traded in the 30 trading days up to and including 31 December. The relevant VWAP for determination of the Grant of Rights attributable to the FY2018 performance year is $2.31.

6.2 Long Term Incentives

The following table sets out the key features of Spark Infrastructure's LTI arrangements.

<table>
<tr><td>Purpose</td><td>The LTI is operated to:
• align Executive reward with the long-term interests of Spark Infrastructure and its Securityholders, ensuring creation of sustainable Securityholder returns;
• focus on performance hurdles that measure performance in terms of risk management as well as returns; and
• ensure that a significant portion of remuneration is "at risk".</td></tr>
<tr><td>Performance measures</td><td>Grants made in 2018 were subject to three independent performance measures:
• Risk Adjusted TSR (50% of LTI award)
• Standalone OCF (25% of LTI award)
• Look-through OCF (25% of LTI award)</td></tr>
<tr><td>Risk adjusted relative TSR</td><td>Risk adjusted TSR is the return on a Security in excess of what would be expected taking into consideration the relative level of risk in each peer company. The relationship between risk and return is well understood; that is, if risk is high, then there is an expectation of higher returns, and vice versa.

Traditional TSR does not consider the riskiness of an investment in a particular company. For example, two companies could have the same shareholder return, but one may be a much riskier investment than the other. While TSR is a common method of assessing long-term performance, in our view, executives who deliver the same level of return at a lower risk should be rewarded accordingly.

We understand investors in Spark Infrastructure generally seek stable returns and lower than average risk. To reflect this, we identified two key factors which influence returns: systemic risk (e.g. economic and political) and non-systemic risk (e.g. management skills and judgement). By adjusting for systemic risk in our calculation of TSR, the variability in adjusted returns is more strongly related to management performance.

Risk adjusted TSR is selected as the LTI measure as it provides Spark Infrastructure with a measure of how we are performing in comparison to the market. Where an absolute TSR measure is used, Executives could be rewarded by a rising market even if Spark Infrastructure performs relatively poorly.

Ranking companies by their risk-adjusted return, over a specific period, provides a comparison that more closely reflects how investment decisions are actually made. That is, when making an investment decision, an investor will have a requirement for a company return that is informed by the perceived risk associated with the company.

The Board views the constituents of the S&P/ASX 200 index to be the most appropriate comparator group as this group should represent the competing investment preferences of our investors.

Calculation of risk adjusted TSR and vesting schedule

The excess return of Spark Infrastructure (above what would be expected taking into consideration the relative level of risk in each peer company's security) is compared to the excess returns of S&P/ASX 200 index companies over the four-year performance period, to determine Spark Infrastructure's percentile ranking.

The degree to which LTI opportunity vests is determined by reference to the following scale:
<table>
<tr><th>TSR PERCENTILE RANKING</th><th>% OF LTI AWARD THAT VESTS</th></tr>
<tr><td>Below the 51st percentile</td><td>0%</td></tr>
<tr><td>At the 51st percentile</td><td>30%</td></tr>
<tr><td>Between the 51st percentile and the 75th percentile</td><td>Pro-rata vesting between 30% and 100%</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>

Testing of the risk adjusted TSR part of the award will occur shortly after the end of the four-year performance period. If any LTI awards do not vest on testing, they will immediately lapse. There is no retesting of LTI awards.

The risk adjusted TSR calculation is undertaken independently of management and is externally reviewed on an annual basis. The Board has disclosed the methodology used to calculate the risk adjusted TSR applicable to assess the LTI on Spark Infrastructure's website at www.sparkinfrastructure.com/about/corporate-governance/governance-documents.</td></tr>
</table>

6. REMUNERATION STRUCTURE CONTINUED

6.2 Long Term Incentives continued

Standalone OCF and Look-through OCF	Standalone OCF and Look-through OCF were selected as performance measures for the LTI as they: • can be influenced by Executives by actively managing the cost, performance, capital expenditure and debt strategy of our investments; • clearly demonstrate the performance of Spark Infrastructure; and • reflect Spark Infrastructure's ability to influence the investment companies to ensure distributions are received and are available to be paid to Spark Infrastructure investors. The OCF measures increase transparency and reduce any potential for artificial growth in distributions to Securityholders by more clearly linking the operational performance of the investment portfolio to the performance of Spark Infrastructure. The decision to use both look-through and standalone cash flow measures seeks to emphasise this balance. Use of a look-through cash flow measure recognises the importance of protecting Securityholder interests through the appropriate extraction of cash from the investment portfolio. Use of a standalone cash flow measure recognises the application of management's particular skills in the management of minority interests and represents a significant part of the value added by Spark Infrastructure. **Calculation of OCF and vesting schedule** Operating Cash flow (OCF) is the cash flow from operating activities of the businesses comprising Spark Infrastructure's investment portfolio. Operating cash flow is set each year in accordance with Spark Infrastructure's budget and business plan and reflects the underlying five-year business plans of the investment portfolio businesses. Operating Cash flow is measured on a standalone and a look through basis. Standalone OCF is calculated as the distributions from the portfolio businesses less corporate expenses and represents the cash flow available for distribution to Securityholders. Look-through OCF is comprised of the net cash flow from business operations of the investment portfolio. The degree to which LTI opportunity vests is determined by reference to OCF performance over the three-year performance period and continued service until the end of the four-year vesting period. A three-year performance period was selected as it allows smoothing of outcomes over the testing period in order to reduce volatility between and across regulatory periods. OCF performance is measured by reference to the following scale:

THREE-YEAR AGGREGATED OCF TARGET	% OF LTI AWARD THAT VESTS
Below 97.5% of target	0%
Between 97.5% of target and 100% of target	Pro-rata vesting between 25% and 100%

	Testing of the OCF part of the LTI awards will occur shortly after the end of the three-year performance period. To the extent any LTI awards are not eligible for vesting based on performance, they will immediately lapse. The OCF part of the LTI awards that become eligible for vesting (based on performance) will vest subject to continued service over an additional one-year service period. There is no retesting of LTI awards.
Is LTI grant quantum based on "face value" methodology?	Spark Infrastructure uses a face value methodology for allocating Rights to each Executive, being the VWAP of stapled securities traded in the 30 trading days up to and including 31 December. The VWAP for assessment of the 2019 Grant of LTI Awards is $2.31.
How are awards delivered?	LTI awards are delivered in the form of Rights, which are granted at no cost to the Executive. Executives receive one Security for every Right that vests, together with a distribution equivalent payment for each Security allocated on vesting. This distribution equivalent payment will be equal to the distributions the Executive would have been entitled to receive had they held the Securities during the vesting period. Rights are automatically exercised on vesting and no amount is payable by the Executive on exercise. Under the Terms of the Equity Incentive Plan Rules, the Board retains discretion to settle these amounts in cash.

7. EMPLOYMENT CONTRACT KEY TERMS

Each Executive, including the MD, has a formal employment agreement. These employment agreements are of a continuing nature and have no fixed term of service. There were no changes to the employment agreements for Executives in 2018.

The key terms of the employment agreements are summarised below:

POSITION	CONTRACT	NOTICE PERIOD (BY EXECUTIVE OR SPARK INFRASTRUCTURE)	TERMINATION PAYMENT – WITHOUT CAUSE
Managing Director	Permanent	6 months	12 months' Fixed Remuneration
Chief Financial Officer	Permanent	3 months	6 months' Fixed Remuneration

8. KEY MANAGEMENT PERSONNEL

This Report covers Spark Infrastructure's KMP, comprised of Executives and Independent NEDs.

For the year ended 31 December 2018, the KMP were as follows:

KMP	POSITION	TERM AS KMP
EXECUTIVES		
Mr Rick Francis	Managing Director and Chief Executive Officer	Full Year
Mr Nicholas Schiffer	Chief Financial Officer	Full Year
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Dr Douglas McTaggart	Independent Non-Executive Director and Chair, Member of Remuneration Committee	Full Year
Mr Andrew Fay	Member of Audit, Risk and Compliance Committee	Full Year
Mr Greg Martin	Member of Remuneration Committee	Full Year
Ms Anne McDonald	Chair of Remuneration Committee, Member of Audit, Risk and Compliance Committee	Full Year
Ms Karen Penrose	Chair of Audit, Risk and Compliance Committee	Full Year

9. 2018 REMUNERATION OUTCOMES

The sections below set out the outcomes for our Executives in 2018.

9.1 STI Awards Reflect Spark Infrastructure Performance

Spark Infrastructure's financial performance directly influences the STI received by Executives in two ways:

1. In order for the financial component of the STI to be awarded, Spark Infrastructure must achieve its Distribution Guidance for 2018 of 16.0 cps. The Board has declared a distribution of 16.0 cps for 2018. Accordingly, the Distribution Guidance was achieved; and
2. Spark Infrastructure's STI has key STI financial performance measures directly cascading from Spark Infrastructure's business strategy: total distribution financial measures, total look-through OCF/EBITDA financial measures, total TransGrid other financial measures, and total Spark Infrastructure controllable costs.

2018 performance was positive with a number of significant achievements against performance measures:

Financial Performance

Distribution Gate Result – Total distributions to Securityholders increased by 4.9% to 16.0 cps.

Achievement of distribution guidance is a gateway condition for STI financial metrics	Achieved

Financial Performance Results

FINANCIAL KPIs	LEVEL OF ACHIEVEMENT
Total distribution financial measures from investments (Total investment portfolio distributions up 7.3% to $305.1 million)	87.3%
Total look-through OCF/EBITDA financial measures (Aggregated proportional EBITDA increased by 4.7% to $828.4 million) (Aggregated proportional look-through OCF decreased by 9.1% to $342.7 million)	21.8%
Total TransGrid other financial measures (TransGrid's unregulated revenue increased by 123.8% to $149.5 million)	100%
Total Spark Infrastructure controllable costs	84.1%
TOTAL FINANCIAL KPIs	**67.3%**

Non-Financial Performance

Business Performance Results (weighted at 70% of Non-Financial KPI component)

Strategic, Special Projects and Operations – continued efficiency and outperformance by investment businesses with growth in unregulated business opportunities. Investment businesses continue to operate in line with Business Plans with strong distribution results. TransGrid performing to acquisition bid case and continued drive for cultural change. TransGrid Services business established to deliver unregulated business opportunities. Strategic narrative refined. Taking a disciplined approach to evaluation of opportunities to grow and diversify the investment portfolio

Target – achieving efficiency and outperformance by investment businesses, resulting in growth of the capital asset bases or unregulated business opportunities, and distributions to Spark Infrastructure. TransGrid performance against acquisition model and transformation journey	Above Target

Optimise regulatory outcomes – TransGrid final regulatory determination in line with Business Plan. Enhanced engagement with regulators, government and industry in response to regulatory change with a significant number of regulatory submissions made throughout the year. Voice of network shareholders, increased knowledge of renewable sector and consideration of adjacency opportunities

Target – engaging with regulators, government and other key stakeholders, influencing and taking a thought leadership role in response to regulatory change	At Target

Organisational Performance Results (weighted at 30% of Non-Financial KPI component)

People, Governance and Process Improvement – Invested in people development and built on team of specialist employees including enhancement of the Business Development function and build out of underlying management capability. Incentive and reward for investment companies aligned to Spark Infrastructure key metrics. Strong governance framework in place recognised by investors. Maintained strong risk and compliance framework

Target – building, enhancing and retaining the team to deliver performance, remuneration structure for investment portfolio companies aligned to Spark Infrastructure as shareholder	At Target

Stakeholder Management – enhanced engagement with investors through uplift in investor relations, November investor morning, and Chair's governance roadshows. Positive relationship and enhanced reputation with investment partners. Recognised and credible voice in the energy sector debate with our contribution valued by industry, regulators, partners and government

Target – enhanced engagement with investors and partner relationships and contribution to energy sector policy	Above Target

The Board assessed the performance of the MD and gave him an overall achievement of 65% against non-financial KPIs.

The following table shows the actual STI outcomes for each Executive for 2018. The actual STI outcome for Executives is based on a combination of the financial performance achieved and assessment of achievement against personal KPIs, producing a blended percentage outcome. Half of any STI award is paid in cash and the other half is awarded in Rights. For further detail regarding the STI and the weighting of financial and non-financial KPIs for individual KMP, refer to section 6.1.

EXECUTIVE	STI MAXIMUM OPPORTUNITY % OF FIXED REMUNERATION	ACTUAL STI (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)	ACTUAL STI $	ACHIEVEMENT OF FINANCIAL KPIs	ACHIEVEMENT OF PERSONAL KPIs
Rick Francis	100%	66.4%	33.6%	572,016	67.3%	65.0%
Nicholas Schiffer	80%	69.4%	30.6%	322,288	67.3%	72.5%

9.2 LTI Performance Testing at 31 December 2018

The LTI Award granted to KMP at 1 January 2015 (FY2015) had a performance period of four years i.e. ended 31 December 2018. The FY2015 LTI Award had one measure, being relative performance measured on risk adjusted TSR basis (Jensen's Alpha approach) against all entities in the S&P ASX 200 index at grant date. The vesting schedule was 30% vesting at the 51st percentile, increasing up to 100% at the 75th percentile – i.e. below the 51st percentile there is no vesting, while vesting is capped at 100% for any result above the 75th percentile.

The risk adjusted TSR result for the four-year period ended 31 December 2018 was that Spark Infrastructure ranked at the 71.8th percentile against the S&P ASX 200 index. Accordingly, 90.6% of the FY2015 LTI Award vested at 31 December 2018. The LTI Award will be settled with Spark Infrastructure Securities acquired on market in March 2019.

The calculation of risk adjusted TSR and of the relative performance against the S&P ASX 200 index was produced by an external expert, independent of Management.

9.3 Actual Remuneration Received by KMP in 2018

The following table shows details of the actual remuneration received by Executives in 2018 and 2017. The amounts in the table differ from the Executive statutory remuneration set out in section 11.1. Actual remuneration received is provided in addition to the statutory reporting of remuneration expense to increase transparency about what the Executives actually received during the year.

	SHORT TERM BENEFITS			**POST-EMPLOYMENT**	**LONG TERM BENEFITS**	**TOTAL**
	BASE SALARY[1] $	STI[2] $	NON MONETARY[1] $	SUPER-ANNUATION $	VESTED LTI[3] $	$
EXECUTIVES						
Rick Francis						
2018	836,470	709,752	–	25,000	687,068	**2,258,291**
2017	792,000	697,012	27,579	25,000	455,000	**1,996,591**
Nicholas Schiffer[4]						
2018	560,200	81,180	–	20,290	–	**664,670**
2017	218,423	–	5,329	10,024	–	**233,776**
Greg Botham[4]						
2018	–	–	–	–	–	**–**
2017	179,143	479,353	2,167	6,539	234,000	**901,202**

(1) Life and income protection insurances previously disclosed as non-monetary benefits are now included in base salary. 2017 comparatives have not been restated.

(2) The STI received in 2018 represents cash amounts earned in relation to the individual's performance from FY2017 (not deferred) and from amounts previously deferred into Rights in both 2015 and 2016 (both under the Deferred STI Plan) that vested. The STI received in 2017 represents cash amounts earned in relation to the individual's performance from FY2016 (not deferred) and from amounts previously deferred into "notional" securities in 2014 and deferred into Rights in 2015 (both under the Deferred STI Plan) that vested.

(3) LTI received in 2018 relates to the 2014 LTI Tranche and was cash settled.

(4) Nicholas Schiffer commenced as CFO on 17 July 2017. Greg Botham ceased as CFO on 30 April 2017.

9. 2018 REMUNERATION OUTCOMES CONTINUED

9.4 Executive Minimum Securityholding Policy

From 1 January 2017, the MD is required to hold the equivalent of 100% of Fixed Remuneration in Securities within a three-year period. For the CFO, the requirement is the equivalent of 50% of Fixed Remuneration in Securities within a three-year period.

For these purposes, Securities include Securities and Rights earned but not yet vested (under the Deferred STI Plan).

The below table sets out the estimated notional beneficial interests in securities held by Executives as at 31 December 2018.

Rick Francis has met the requirements of the Executive Minimum Securityholding Policy. Nicholas Schiffer has a further two years to meet the requirements of the Policy.

	TOTAL SECURITIES/ RIGHTS VESTED AT 1 JANUARY 2018	RIGHTS VESTED AT 31 DEC 2018[1][3]	TOTAL SECURITIES/ RIGHTS VESTED AT 31 DECEMBER 2018	UNVESTED RIGHTS AT 31 DECEMBER 2018[2][3]	SECURITIES/ RIGHTS AT 31 DECEMBER 2018
Rick Francis	251,798	363,545	615,343	183,600	**798,943**
Nicholas Schiffer	–	17,217	17,217	85,886	**103,103**

(1) Rights vested at 31 December 2018 for both Deferred STI and LTI include estimated additional Rights in respect of distribution equivalents applicable to the deferral years.
(2) Unvested Rights at 31 December 2018 are scheduled to vest in two further tranches on 31 December 2019 and 2020 respectively, in accordance with the terms of the Deferred STI Plan (subject only to continuity of employment).
(3) The calculations of vested and unvested Rights are pre-tax.

10. NON-EXECUTIVE DIRECTOR FEES

10.1 Approach to Non-Executive Director Fees

Remuneration for NEDs is designed to ensure that Spark Infrastructure can attract and retain suitably qualified and experienced directors. Unlike Executive remuneration, fees for NEDs are not linked to performance. However, all NEDs are expected to hold Securities to reflect alignment with Securityholder interests.

NED fees are reviewed annually utilising external market data or the advice of an independent consulting firm. NED fees take the following matters into consideration:

- the Board Chair's fee is a single fee inclusive of committee membership duties;
- the Board considers the relative workloads of committees in setting the fees applicable to committee chairs and committee members;
- members of committees shall be eligible to receive a committee membership fee in addition to the NED base fee; and
- NEDs may be appointed to special purpose committees established from time to time. NEDs who are members of special purpose committees may receive a one-off committee membership fee in addition to their other fees (for regular Board duties) to recognise the significant additional workload. Special purpose committee membership fees are determined by the Board.

10.2 Schedule of Fees

The fees for NEDs during 2018 are set out in the table below.

ROLE	2018 FEE[1] $	2017 FEE $
Board Chair[2]	303,000	296,750
Non-Executive Director Base	130,000	127,000
Audit, Risk and Compliance Committee (ARC) Chair	39,800	39,000
Audit, Risk and Compliance Committee member	19,900	19,500
Remuneration Committee (REMCO) Chair	34,200	33,500
Remuneration Committee member	17,100	16,750

(1) Following benchmarking of NED fees, the Board determined that a CPI increase of 2% in 2018 was appropriate.
(2) The Board Chair fee is inclusive of all fees for committee memberships or attendance.

Except for the payment of statutory superannuation entitlements, NEDs do not receive any other post-employment benefits. The fees above include any allowances for statutory superannuation entitlements. The aggregate fee limit for NEDs approved by Securityholders is $2 million per annum and is unchanged from 2015. There will be no change to the aggregate fee limit for 2019.

10.3 Actual (Statutory) Remuneration of NEDs

The annual fees paid to NEDs (inclusive of statutory superannuation) for 2018 and 2017 were:

		SHORT TERM BENEFITS					POST-EMPLOYMENT
	YEAR	DIRECTOR FEES $	ARC FEES $	REMCO FEES $	DUE DILIGENCE CTEE FEES $	TOTAL (INCLUSIVE OF SUPERANNUATION) $	SUPERANNUATION CONTRIBUTION[1] $
Current Non-Executive Directors							
Douglas McTaggart	2018	303,000	–	–	–	**303,000**	20,290
	2017	296,750	–	–	–	**296,750**	19,832
Andrew Fay	2018	130,000	19,900	–	–	**149,900**	13,005
	2017	127,000	19,500	–	22,400	**168,900**	14,653
Greg Martin	2018	130,000	–	17,100	–	**147,100**	12,762
	2017	127,000	–	3,368	22,400	**152,768**	13,254
Anne McDonald	2018	130,000	19,900	34,200	–	**184,100**	15,972
	2017	127,000	29,250	25,125	–	**181,375**	15,736
Karen Penrose	2018	130,000	39,800	–	–	**169,800**	14,732
	2017	127,000	29,250	–	22,400	**178,650**	15,499
Retired Non-Executive Directors							
Christine McLoughlin[2]	2018	–	–	–	–	**–**	–
	2017	100,469	–	21,626	–	**122,095**	10,593
Keith Turner[2]	2018	–	–	–	–	**–**	–
	2017	50,242	–	6,626	22,400	**79,268**	–
TOTAL	2018	823,000	79,600	51,300	–	**953,900**	76,761
	2017	955,461	78,000	56,745	89,600	**1,179,806**	89,567

(1) Contributions to personal superannuation on behalf of NEDs are deducted from their overall fee entitlements.
(2) Ms McLoughlin retired on 15 October 2017 and Dr Turner retired on 23 May 2017. The amounts included for Ms McLoughlin and Dr Turner represent payments made relating to the period during which they were NEDs.

10. NON-EXECUTIVE DIRECTOR FEES CONTINUED

10.4 NED Fees from Other Entities

Where it is deemed appropriate for Spark Infrastructure to nominate NEDs for appointment as directors of the boards of investment portfolio companies, those NEDs are entitled to receive fees in that capacity from those portfolio companies. Those directors have separate corporate responsibilities to each company of which they are a director. The directors' duties they owe to the investment companies are separate and distinct from their responsibilities as NEDs of Spark Infrastructure. Fees received in their capacity as directors on such boards are to compensate for those separate additional responsibilities. Those fees are determined and paid for by the investment portfolio company, not by Spark Infrastructure. The following Spark Infrastructure NEDs were directors on boards and committees of investment portfolio companies during 2018.

Victoria Power Networks

BOARD MEMBER	ANNUAL FEE $	AUDIT COMMITTEE	ANNUAL FEE $	RISK COMMITTEE	ANNUAL FEE $	REMUNERATION COMMITTEE	ANNUAL FEE $	TOTAL FEES RECEIVED FOR 2018 $
Anne McDonald	75,000	Chair	15,000	Member	10,000	Member	10,000	**110,000**

SA Power Networks

BOARD MEMBER	ANNUAL FEE $	AUDIT COMMITTEE	ANNUAL FEE $	RISK COMMITTEE	ANNUAL FEE $	REMUNERATION COMMITTEE	ANNUAL FEE $	TOTAL FEES RECEIVED FOR 2018 $
Andrew Fay	75,000	Chair	15,000	Member	10,000	Member	10,000	**110,000**

Note that the Spark Infrastructure MD and CFO were both directors on the Victoria Power Networks and SA Power Networks in 2018. However, all board and committee fees received for their services were paid to Spark Infrastructure. No separate board or committee fees are paid by TransGrid. Spark Infrastructure receives a shareholder allowance from TransGrid which covers the costs of directors.

11. STATUTORY REMUNERATION DISCLOSURES

11.1 Executive Statutory Remuneration (for the Years Ended 31 December 2018 and 31 December 2017)

The following table shows the statutory remuneration required to be disclosed for Executives in 2018 and 2017. These disclosures are calculated in accordance with Accounting Standards and will therefore differ from the information presented in the 2018 actual remuneration received table in section 9.3 as the remuneration in the form of equity (Deferred STI and LTI) in this section is based on the amount expensed by the company over the vesting period, rather than the amount delivered or received by the Executive in the relevant year.

		SHORT TERM BENEFITS			POST-EMPLOYMENT	BENEFIT BASED ON SECURITIES		TOTAL
		CASH SALARY[1] $	STI CASH $	NON MONETARY BENEFITS[1] $	SUPER-ANNUATION $	DEFERRED STI – RIGHTS[2] $	LTI[3] $	$
Rick Francis	2018	836,470	286,008	–	25,000	299,862	385,117	**1,832,457**
	2017	792,000	312,094	27,579	25,000	366,417	487,423	**2,010,513**
Nicholas Schiffer	2018	560,200	161,144	–	20,290	102,218	61,096	**904,948**
	2017	218,423	84,180	5,329	10,024	35,020	33,748	**386,724**
Greg Botham	2018	–	–	–	–	–	–	**–**
	2017	179,143	108,000	2,167	6,539	(129,577)	(289,505)	**(123,233)**
TOTAL	2018	1,396,670	447,152	–	45,290	402,080	446,213	**2,737,405**
	2017	1,189,566	504,274	35,075	41,563	271,860	231,666	**2,274,004**

(1) Life and income protection insurances previously disclosed as non-monetary benefits are now disclosed in cash salary. 2017 comparatives have not been restated.
(2) Represents the fair value of the component of the STI that is deferred in Rights – refer note 11.2.
(3) Represents the fair value of the LTI recognised in the year – refer note 11.3.

11.2 Deferred STI at 31 December 2018

Shown below are the number of outstanding Rights received under the Deferred STI arrangements for 2016, 2017 and 2018, the year in which the Rights may vest, and the expense recognised.

The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant, amortised in accordance with the accounting standard requirements.

	GRANT DATE	FINANCIAL YEAR DEFERRED STI RELATES TO	RIGHTS GRANTED NO.	OPENING VWAP AT GRANT DATE $	AMOUNT PAYABLE/ FAIR VALUE $	DEFERRED STI EXPENSE IN 2018 $	VESTING DATE
Rick Francis	1 January 2017	2016	67,240	2.26	151,962	50,654	31 December 2018
	1 January 2018	2017	59,788	2.61	156,047	78,023	31 December 2018
	1 January 2018	2017	59,788	2.61	104,031	52,016	31 December 2019
	1 January 2019	2018	61,906	2.31	71,501	71,501	31 December 2019
	1 January 2019	2018	61,906	2.31	47,668	47,668	31 December 2020
TOTAL			**310,628**		**531,209**	**299,862**	
Nicholas Schiffer	1 January 2018	2017	16,126	2.61	42,089	21,044	31 December 2018
	1 January 2018	2017	16,126	2.61	28,059	14,030	31 December 2019
	1 January 2019	2018	34,880	2.31	40,286	40,286	31 December 2019
	1 January 2019	2018	34,880	2.31	26,858	26,858	31 December 2020
TOTAL			**102,012**		**137,292**	**102,218**	

11.3 LTI at 31 December 2018

The table below shows details for the grants made under the LTI plan which are yet to vest, including the number of instruments granted, the years in which they may vest, and the fair value recognised.

Accounting standards require the estimated valuation of the grants recognised over the performance period. The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant, amortised in accordance with the accounting standard requirements. Refer to prior year Remuneration Reports and section 6.2 for detail regarding LTI, including the relevant performance measures and other vesting conditions.

A liability is measured at the fair value of the Rights at the grant date. The fair value determined at the grant date is expensed on a straight-line basis in the profit or loss over the vesting period, there is no subsequent re-measurement of fair value until the date of settlement.

	GRANT DATE	NUMBER OF RIGHTS GRANTED NO.	FAIR VALUE AT GRANT DATE $/CPS	FAIR VALUE AT GRANT DATE $	LTI EXPENSE IN 2018 $	VESTING DATE
Rick Francis	1 January 2015[1]	198,985	1.70	338,275	84,569	31 December 2018
	1 January 2016[1]	276,589	1.08	298,716	74,679	31 December 2019
	1 January 2017[2]	234,978	2.11	494,629	123,657	31 December 2020
	1 January 2018	207,537	1.97	408,848	102,212	31 December 2021
TOTAL					**385,117**	
Nicholas Schiffer	1 January 2017[2]	64,129	2.11	134,992	33,748	31 December 2020
	1 January 2018	55,529	1.97	109,392	27,348	31 December 2021
TOTAL					**61,096**	

(1) The 2015 and 2016 LTI awards were assessed against the following performance measures:
- **(100% of LTI award):** Spark Infrastructure's risk adjusted TSR (assessed against the constituent entities in the S&P/ASX 200 index) measured over a four-year period;

(2) The LTI awards from 2017 and onwards were assessed against the following performance measures:
- **Tranche 1 (50% of LTI award):** Spark Infrastructure's risk adjusted TSR (assessed against the constituent entities in the S&P/ASX 200 index) measured over a four-year period;
- **Tranche 2 (25% of LTI award):** Standalone OCF measured over a three-year period (the test period), plus require a further one-year service period; and
- **Tranche 3 (25% of LTI award):** Look-through OCF measured over a three-year period (the test period), plus a further one-year service period.

11. STATUTORY REMUNERATION DISCLOSURES CONTINUED

11.4 Movements in Rights during 2018

The movement in the number of Rights in relation to Deferred STI and LTI held by Executives during the year is set out below:

	OPENING BALANCE 1 JANUARY 2018 NO.	GRANTED AS REMUNERATION NO.	VALUE OF RIGHTS GRANTED[1] $	VESTED NO.	VALUE OF RIGHTS VESTED/ EXERCISED $	LAPSED NO.	NET OTHER MOVEMENTS NO.	CLOSING BALANCE 31 DECEMBER 2018 NO.
Rick Francis	932,324	331,349	528,017	307,308	709,882	18,705	–	937,660
Nicholas Schiffer	64,129	125,289	176,536	16,126	37,251	–	–	173,292

(1) The fair value of LTI Rights granted to Executives on 1 January 2018 is set out in table 11.3 and the fair value of STI Rights is set out in table 11.2.

11.5 Equity Instrument Disclosures Relating to Executives

The table below details the Spark Infrastructure stapled securities in which Executives held relevant interests during 2018:

	OPENING BALANCE 1 JANUARY 2018 NO.	NET MOVEMENT ACQUIRED/ (DISPOSED) NO.	CLOSING BALANCE 31 DECEMBER 2018 NO.
Rick Francis	116,176	135,622[1]	251,798
Nicholas Schiffer	–	–	–

(1) Securities acquired in March 2018 relating to Rights which vested on 31 December 2017.

The calculation of Securities under the Executive Minimum Securityholding Policy includes interests in vested and unvested Rights under the Deferred STI Plan. The table at section 9.4 shows the beneficial interests in Securities, vested Rights and earned but not yet vested Rights held by Executives as at 31 December 2018.

11.6 Equity Instrument Disclosures Relating to Non-Executive Directors

The relevant interest of each NED for 2018 is as follows:

	OPENING BALANCE 1 JANUARY 2018 NO.	NET MOVEMENT ACQUIRED (DISPOSED) NO.	CLOSING BALANCE 31 DECEMBER 2018 NO.
Douglas McTaggart	135,000	45,000	180,000
Andrew Fay	188,590	50,000	238,590
Greg Martin	50,000	50,000	100,000
Anne McDonald	71,000	–	71,000
Karen Penrose	50,000	5,300	55,300

Spark Infrastructure has introduced a minimum Securityholding requirement with effect from 1 January 2017, whereby NEDs must hold the equivalent of one year's base fees (assessed from the later of 1 January 2017 or the date of appointment to the Board) and will be required to do so within a period of three years. The Securityholding requirement will apply throughout tenure of directorship. All directors have met the requirements of the NED Minimum Securityholding Policy.

STATUTORY DECLARATIONS

Attendance at Directors' Meetings

The following table sets out the number of Directors' meetings held during 2018 and the number of meetings attended by each Director which they were eligible to attend (that is, in the case of Directors, while they were appointed and provided they were not disqualified from attending because of observation of processes to guard against any perceived conflict of interest).

During 2018, eight Board meetings, five Audit, Risk and Compliance Committee (ARC) meetings, four Remuneration Committee (RemCo) meetings and one Insurance Sub-committee meeting of the company were held. References to meetings "Held" means the number of meetings a Director was eligible to attend.

	BOARD OF DIRECTORS		ARC		REMCO		INSURANCE SUB-CO	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Dr Douglas McTaggart	8	8	–	–	4	4	–	–
Mr Rick Francis	8	8	–	–	–	–	1	1
Mr Andrew Fay	8	8	5	5	–	–	–	–
Mr Greg Martin	8	7	–	–	4	4	–	–
Ms Anne McDonald	8	8	5	5	4	4	–	–
Ms Karen Penrose	8	8	5	5	–	–	1	1

By agreement with the committee chairs, there is a standing invitation for all Directors to attend committee meetings. During 2018, Directors took up these invitations and attended a number of committee meetings.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Directors and former Directors of Spark RE and the officers of Spark RE are indemnified under Spark RE's constitution against all liabilities to another person that may arise from their position as Directors or officers of Spark RE subject to the limitations imposed by the *Corporations Act 2001*.

During 2018, the Trust paid a premium in respect of a contract of insurance indemnifying the Directors against a liability incurred as a Director to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The entities have not otherwise, during or since the end of 2018, indemnified or agreed to indemnify an officer or auditor of the Trust or of any related body corporate against a liability incurred as an officer or auditor, except to the extent permitted by law.

NON-AUDIT SERVICES

Details of amounts paid or payable to the external auditor for non-audit services provided during 2018 are outlined in Note 13 to the financial statements.

The Directors are satisfied that the non-audit services provided by the auditor are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are of the opinion that the services as disclosed in Note 13 to the financial statements do not compromise the external auditor's independence, based on advice received from the ARC, for the following reasons:

- non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and comply with Spark Infrastructure's policy on auditor independence; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110, *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, which includes reviewing or auditing the auditor's own work, acting in a management or decision-making capacity, acting as an advocate or jointly sharing economic risks and rewards of Spark Infrastructure.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 83.

ENVIRONMENTAL REGULATIONS

Spark Infrastructure is not subject to any environmental regulations. However, SA Power Networks, Victoria Power Networks and TransGrid are subject to various environmental regulations. The Directors are not aware of any material breaches of those regulations by either SA Power Networks, Victoria Power Networks or TransGrid.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Except as otherwise disclosed, there was no significant change in the state of affairs of Spark Infrastructure during 2018.

INFORMATION APPLICABLE TO REGISTERED SCHEMES

Spark RE is the responsible entity of the Trust. Spark RE does not hold any stapled securities. The number of stapled securities at the beginning and end of 2018 is disclosed in Note 10 to the financial statements.

OPTIONS OVER STAPLED SECURITIES

No options have been granted over the unissued Units of the Trust or stapled securities of Spark Infrastructure.

EVENTS OCCURRING AFTER REPORTING DATE

The Directors of Spark Infrastructure are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 31 December 2018 up to the date of this report.

ROUNDING OF AMOUNTS

As permitted by ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
26 February 2019

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Spark Infrastructure RE Limited
as responsible entity of Spark Infrastructure Trust
Level 29
Grosvenor Place, 225 George Street
SYDNEY NSW 2000

26 February 2019

Dear Directors

Spark Infrastructure Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Spark Infrastructure RE Limited, as responsible entity of Spark Infrastructure Trust.

As lead audit partner for the audit of the financial statements of Spark Infrastructure Trust for the financial year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust and the Consolidated Entity;

(c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

(d) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

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

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
26 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2018

	NOTES	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
Income from associates:			
– Share of equity accounted profits	6(c)	**212,037**	200,448
– Interest income		**73,590**	82,690
	3(a)	**285,627**	283,138
Other income – interest		**2,331**	1,861
		287,958	284,999
Interest expense (including borrowing costs)	3(b)	**(1,652)**	(2,242)
General and administrative expenses	3(c)	**(15,790)**	(16,953)
Impairment expense	6(d)	**(270,000)**	–
Profit before Income Tax and Loan Note Interest		**516**	265,804
Loan Note interest		**(118,582)**	(118,582)
(Loss)/Profit before Income Tax		**(118,066)**	147,222
Income tax benefit/(expense)	4(a)	**21,351**	(58,581)
Net (Loss)/Profit after Income Tax Attributable to Securityholders		**(96,715)**	88,641
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss:			
– Share of associates' actuarial (loss)/gain on defined benefit plans	12	**(1,046)**	6,776
Items that may be reclassified subsequently to profit or loss:			
– Share of associates' losses on hedges	11	**(39,807)**	(31,027)
Income tax benefit related to components of other comprehensive income		**9,645**	6,020
Other comprehensive loss for the Financial Year		**(31,208)**	(18,231)
Total Comprehensive (Loss)/Income for the Financial Year Attributable to Securityholders		**(127,923)**	70,410
Earnings per Security			
Weighted average number of stapled securities (No.'000)	14	**1,682,011**	1,682,011
Profit before income tax, Loan Note interest and Impairment ($'000)		**270,516**	265,804
Basic earnings per security before income tax, Loan Note interest and Impairment (cents)	14	**16.08¢**	15.80¢
Earnings used to calculate earnings per security ($'000)		**(96,715)**	88,641
Basic earnings per security based on net profit after income tax attributable to Securityholders (cents)	14	**(5.75)¢**	5.27¢
(Diluted earnings per security are the same as basic earnings per security).			

Notes to the financial statements are included on pages 89–111.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	NOTES	31 DEC 2018 $'000	31 DEC 2017 $'000
Current Assets			
Cash and cash equivalents	21(a)	**134,344**	117,289
Receivables from associates	5	**8,371**	9,197
Other current assets		**2,075**	1,891
Total Current Assets		**144,790**	128,377
Non-Current Assets			
Property, plant and equipment		**591**	699
Investments in associates:			
– Investments accounted for using the equity method	6(e)	**2,326,112**	2,550,342
– Loans to associates	7	**503,372**	598,837
– Loan notes to associates	8	**237,444**	237,444
Total Non-Current Assets		**3,067,519**	3,387,322
Total Assets		**3,212,309**	3,515,699
Current Liabilities			
Payables		**2,145**	3,509
Loan Note interest payable to Securityholders		**59,711**	59,711
Total Current Liabilities		**61,856**	63,220
Non-Current Liabilities			
Payables		**115**	232
Loan Notes attributable to Securityholders	9	**1,061,764**	1,061,744
Deferred tax liabilities	4(c)	**282,747**	313,739
Total Non-Current Liabilities		**1,344,626**	1,375,715
Total Liabilities		**1,406,482**	1,438,935
Net Assets		**1,805,827**	2,076,764
Equity			
Equity attributable to Parent Entity:			
– Issued capital	10	**923 270**	1,067,502
– Reserves	11	**(69,613)**	(40,911)
– Retained earnings	12	**952,170**	1,050,173
Total Equity		**1,805,827**	2,076,764
Total Equity attributable to Securityholders is as follows:			
Total Equity		**1,805,827**	2,076,764
Loan Notes attributable to Securityholders		**1,061,764**	1,061,744
Total Equity and Loan Notes		**2,867,591**	3,138,508

Notes to the financial statements are included on pages 89–111.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2018

	NOTES	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
2017					
Balance at 1 January 2017		1,199,119	(18,231)	956,396	2,137,284
Net profit after income tax for the year		–	–	88,641	88,641
Other comprehensive income for the year, net of income tax	11,12	–	(23,367)	5,136	(18,231)
Total comprehensive income for the year		–	(23,367)	93,777	70,410
Recognition of share-based payments	11	–	687	–	687
Capital distributions	10	(131,617)	–	–	(131,617)
Balance at 31 December 2017		1,067,502	(40,911)	1,050,173	2,076,764
2018					
Balance at 1 January 2018		**1,067,502**	**(40,911)**	**1,050,173**	**2,076,764**
Net loss after income tax for the year		**–**	**–**	**(96,715)**	**(96,715)**
Other comprehensive loss for the year, net of income tax	11,12	**–**	**(29,920)**	**(1,288)**	**(31,208)**
Total comprehensive loss for the year		**–**	**(29,920)**	**(98,003)**	**(127,923)**
Recognition of share-based payments	11	**–**	**1,218**	**–**	**1,218**
Capital distributions	10	**(144,232)**	**–**	**–**	**(144,232)**
Balance at 31 December 2018		**923,270**	**(69,613)**	**952,170**	**1,805,827**

Notes to the financial statements are included on pages 89–111.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 December 2018

	NOTES	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
Cash Flows from Operating Activities			
Distributions from associates – preferred partnership capital	2	**69,635**	69,635
Distributions from associates – other	2	**65,533**	50,931
Interest received from associates	2	**74,417**	82,004
Interest received – other		**2,194**	1,871
Interest paid – other		**(1,273)**	(1,385)
Other expenses	2	**(15,808)**	(17,302)
Net Cash Inflow Related to Operating Activities	21(c)	**194,698**	185,754
Cash Flows from Investing Activities			
Repayment of borrowings by associate	2	**95,465**	81,790
Purchase of property, plant and equipment		**(33)**	(706)
Equity Investment in TransGrid Services		**(9,757)**	–
Net Cash Inflow Related to Investing Activities		**85,675**	81,084
Cash Flows from Financing Activities			
Payment of external borrowing costs		**(504)**	(335)
Distributions to Securityholders:			
– Loan Note interest		**(118,582)**	(118,582)
– Capital distributions		**(144,232)**	(131,617)
Net Cash Outflow Related to Financing Activities		**(263,318)**	(250,534)
Net Increase in Cash and Cash Equivalents for the Year		**17,055**	16,304
Cash and cash equivalents at beginning of the Year		**117,289**	100,985
Cash and Cash Equivalents at end of the Year	21(a)	**134,344**	117,289

Notes to the financial statements are included on pages 89–111.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting standards include Australian Accounting Standards ("AAS"). Compliance with AAS ensures that these consolidated financial statements and notes of the Trust and the Group comply with International Financial Reporting Standards ("IFRS") for a for profit entity.

These consolidated financial statements are for the consolidated entity ("Spark Infrastructure") consisting of Spark Infrastructure Trust (the "Parent Entity" or the "Trust") and its controlled entities (collectively referred to as the "Group").

Information in respect of the Parent Entity in this financial report relates to the Trust. The financial information for the Parent Entity, disclosed in Note 23, has been prepared on the same basis as the financial statements for the Group.

These consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial report was authorised for issue by the Directors of Spark Infrastructure RE Limited ("Spark RE" or the "Company") on 26 February 2019.

New and Revised Standards and Interpretations

Standards and Interpretations Affecting Amounts Reported in the Year Ended 31 December 2018 ("Current Year" or "Financial Year")

The following new and revised Standards and Interpretations have been adopted in the Current Year. Their adoption has not had any significant impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements.

Adoption of New and Revised Standards

NEW AND REVISED STANDARD	REQUIREMENTS
AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	AASB 15 establishes a single model for accounting for revenue arising from contracts with customers and supersedes the current revenue standards AASB 118 *Revenue* and AASB 111 *Construction Contracts*. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied. The Directors note that adoption of AASB 15 does not have a material impact on the full year financial report of the Group.
AASB 9 *Financial Instruments* (December 2014) and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9' (December 2014)*	AASB 9 (2014) introduces additional requirements in addition to the early adopted AASB 9 (2010), including a new expected credit loss model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component. The Directors note that adoption of AASB 9 (2014) does not have a material impact on the full year financial report of the Group. Further detail is included within *Note 1 Summary of Accounting Policies – Financial Instruments*.
AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*	Clarifies that an entity applies AASB 9 Financial Instruments to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies AASB 9 to such long-term interests before it considers whether to discontinue the recognition of losses (where its share of losses equals or exceeds its interest in an associate or joint venture) and impairment. In applying AASB 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying AASB 128 Interests in Associates and Joint Ventures. The Directors note that adoption of AASB 9 does not have a material impact on the full year financial report of the Group.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of the financial report, the following Standards and Interpretations relevant to Spark Infrastructure were in issue but not yet effective:

STANDARD/INTERPRETATION	EFFECTIVE FOR THE ANNUAL REPORTING PERIOD BEGINNING ON	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 16 *Leases* AASB 16 primarily impacts the accounting for leases for a lessee by introducing non-financial assets and liabilities reflecting the committed lease terms. Spark Infrastructure currently holds one lease relating to its office premises, which is being accounted for as an operating lease and will be brought onto the balance sheet under AASB 16. However, the Directors anticipate that the adoption of AASB 16 will not have a material impact on the financial report of the Group in the year of initial application. The adoption of AASB 16 by Spark Infrastructure's portfolio businesses may have an impact on profit or loss, and as a consequence, Spark Infrastructure's share of equity accounted profits. However, at this stage, it is not expected that the adoption of AASB 16 will have a material impact on Spark Infrastructure's equity accounted profits.	1 January 2019	31 December 2019
Interpretation 23 *Uncertainty Over Income Tax Treatments* Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to: • Determine whether uncertain tax positions are assessed separately or as a group; and • Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: – If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. – If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. Refer to Note 4 for the Group's uncertain tax position.	1 January 2019	31 December 2019
AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*	1 January 2019	31 December 2019

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of this report:

(a) Basis of Preparation and Statement of Compliance

These consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its controlled entities as at 31 December 2018. Control is achieved where the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Where control of an entity is obtained during the financial period, its results are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of control.

All intra-group transactions, balances, income and expenses within the Group are eliminated in full on consolidation.

(c) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the assets given up, equity issued or liabilities assumed at the date of acquisition plus incidental costs directly attributable to the acquisition.

(d) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(e) Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised and added to the cost of these assets, until such time that the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments.

(g) Creditors and Accruals

Trade creditors and accruals are recognised when there is an obligation to make future payments resulting from the purchase of goods and services.

(h) Financial Instruments

Recognition and initial measurement – *Unchanged by adoption of new and revised standards*

Spark Infrastructure initially recognises financial instruments on the date on which they are originated. A financial asset or financial liability is measured initially at fair value. For an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs are also included that are directly attributable to its acquisition or issue.

Classification – *Unchanged by adoption of new and revised standards*

Financial Assets

On initial recognition, financial assets being loan and loan notes to associates are classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Liabilities

Spark Infrastructure classifies its financial liabilities being Loan Notes to Securityholders, as measured at amortised cost.

De-recognition – *Unchanged by adoption of new and revised standards*

Financial Assets

Spark Infrastructure derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Spark Infrastructure neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial Liabilities

Spark Infrastructure derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Impairment – *Policy applicable from 1 January 2018*

Spark Infrastructure recognises loss allowances for an Expected Credit Loss (ECL) on financial instruments that are measured at amortised cost.

Spark Infrastructure measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments, such as loan and loan notes to associates, on which credit risk has not increased significantly since their initial recognition.12 month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL – *Policy applicable from 1 January 2018*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Spark Infrastructure expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to Spark Infrastructure if the commitment is drawn down and the cash flows that Spark Infrastructure expects to receive.

Transaction Costs on the Issue of Stapled Securities (including Loan Notes)

Transaction costs arising on the issue of stapled securities (including Loan Notes) are recognised directly in either debt or equity as a reduction of the proceeds of the stapled securities (including Loan Notes) to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those stapled securities and which would not have been incurred had those stapled securities (including Loan Notes) not been issued.

Interest, Dividends and Distributions

Interest, dividends and distributions are classified as expenses, distributions of profit or a return of capital consistent with the Statement of Financial Position classification of the related debt or equity instruments.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(j) Employee Benefits

Wages, Salaries, Annual Leave and Other Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and other employee benefits expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

The Group's net obligation for long service leave is measured as the present value of expected future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are measured using discount rates based on the high quality corporate bond rate. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Cash-Settled Long Term Incentives

For long-term incentives issued in 2014, a liability is calculated for the services acquired (or benefits provided), measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period. The fair value of the long term and deferred incentive is expensed over the vesting period.

Equity Settled Long Term and Deferred Incentives

Equity-settled long term and deferred incentives issued from 2015 onwards are share-based payments to employees and others providing similar services and are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(k) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting 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 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 these consolidated financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates except where Spark Infrastructure is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Spark Infrastructure expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Year

Current and deferred tax is recognised as an expense or income in profit and loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Income tax expense is not brought to account in respect of the Trust, as pursuant to the Australian taxation laws the Trust is not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to the Securityholders each year.

Tax Consolidation Legislation

Tax consolidated groups have been formed within Spark Infrastructure, whereby wholly-owned Australian resident entities have combined together to form a tax consolidated group that will be taxed under Australian taxation law as if it was a single entity. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of members of a tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the head entity in the relevant tax consolidated group. Further details are provided in Note 4.

Taxation of Financial Arrangements

The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 ("TOFA legislation") was applicable to the tax consolidated groups for tax years beginning 1 January 2011. The TOFA legislation has not had any material effect on the tax expense of the tax consolidated groups. No election was made to bring pre-commencement financial arrangements into the TOFA regime.

(l) Investments in Associates

Investments in associates are accounted for using the equity method of accounting. The associates are entities over which Spark Infrastructure has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the Statement of Financial Position at cost plus post-acquisition changes in share of net assets of the associates. After application of the equity method, Spark Infrastructure determines whether it is necessary to recognise any impairment loss with respect to its net investment in associates. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of impairment loss is recognised in accordance with AASB 136 Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

Spark Infrastructure's share of its associates' post-acquisition profits or losses is recognised in profit and loss, and its share of post-acquisition movements in equity (such as actuarial gains or losses) is recognised in reserves/retained earnings, as appropriate. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the individual entity's profit and loss.

(m) Loans and Receivables

Loans to associates and other receivables are recorded at amortised cost less any impairment.

(n) Revenue Recognition

Distribution and Interest Revenue

Distribution revenue from investments is recognised when the right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(o) Investments in Subsidiaries

Investments in subsidiaries by the Parent Entity are recorded at cost. Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

(p) Contributions from Customers for Capital Works

Non-refundable contributions of cash or assets received from customers towards the cost of extending or modifying the network are recognised as revenue and an asset respectively once control is gained of the cash contribution or asset and the customer is connected to the network of either Victoria Power Networks or SA Power Networks.

Customer contributions of cash and customer contributions of assets are measured at fair value at the date either Victoria Power Networks or SA Power Networks gains control of the cash contribution or asset. Fair value is based on the regulatory return expected to be derived from the Regulated Asset Base (RAB) as a result of the specific extension or modification to the network.

(q) Critical Accounting Estimates and Judgements

The preparation of this financial report required the use of certain critical accounting estimates and exercises judgement in the process of applying the accounting policies. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectation of future events. The Directors believe the estimates and judgements are reasonable. Actual results in the future may differ from those reported.

Spark Infrastructure equity accounts the results of its associates (see Note 1(l)) and within these results there are several accounting estimates and judgements. These estimates and judgements will have a direct impact on the results reported by Spark Infrastructure as it recognises its share of profits or losses and post-acquisition movements in equity, which adjust the carrying amount of the investments in the associates. The key accounting estimates and judgements used in the preparation of this report are as follows:

- **Impairment of Assets**

At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment. Each associate, being Victoria Power Networks, SA Power Networks and TransGrid (investment portfolio), is regarded as a separate cash generating unit (CGU) for the purposes of such testing. If any indicators are identified, the recoverable amounts are determined as the higher of fair value less costs to sell and value in use.

If such indicators were determined to exist, fair value less costs to sell calculations are used to assess Spark Infrastructure's investment portfolio and to confirm that their carrying values did not exceed their respective recoverable amounts.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(q) Critical Accounting Estimates and Judgements continued
The following key assumptions are used in the assessment of fair value less costs to sell:

- Fair value less costs to sell assessments based on discounted cash flow projections over a period of 10 years;
- Cash flow projections based on financial forecasts approved by management containing assumptions about business conditions, growth in RAB and future regulatory return;
- Appropriate discount rates specific to each CGU; and
- Appropriate terminal values based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities.

Cash flow projections for a 10-year period are deemed appropriate as the investment portfolio assets operate within regulated industries that reset every five years, and have electricity transmission or distribution assets that are long life assets.

Sensitivity analysis would be undertaken regarding the impact of possible changes in key assumptions.

Fair value less costs to sell is measured using inputs that are unobservable in the market and are therefore deemed to be Level 3 fair value measurements in accordance with AASB 13 *Fair Value Measurement*.

- **Fair Value of Customer Contributions and Gifted Assets at Victoria Power Networks and SA Power Networks**

With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from depreciated replacement cost to estimating the net present value of the future cashflows expected to be derived from the RAB as a result of the specific extension or modification to the network, as described in Note 1(p). This change better reflects the value for customer contributions and gifted assets included in the RAB, on which future regulatory returns are derived.

- **Significant Influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust**

Note 6 describes that NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust are associates of Spark Infrastructure although Spark Infrastructure only has a 15.01% ownership interest. Spark Infrastructure has significant influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust by virtue of its right under the Shareholders Agreement to appoint one director for every 10% shareholding. In addition, Spark Infrastructure has a special right to appoint a second director while its ownership remains at or above 15.01%. This right is particular to Spark Infrastructure.

- **Deferred Tax Arising on the Investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust**

Deferred tax arising on the initial investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust is considered to relate to temporary differences that give rise to no accounting or taxable profit. As such, deferred tax is not recognised under the initial recognition exemption. Furthermore, subsequent changes to the unrecognised deferred tax are not recorded.

- **Deferred Tax Assets**

Deferred tax assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the foreseeable future. As at 31 December 2018 (2017: nil), there are no amounts unrecognised on the basis that the above criteria was not met.

(r) Rounding of Amounts
As permitted by ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

2. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Three segments are reported:

- Victoria Power Networks – the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor);
- SA Power Networks – the 49% interest in the electricity distribution business in South Australia; and
- TransGrid – the 15.01% interest in the electricity transmission business in New South Wales (i.e. NSW Electricity Networks Assets Holdings Trust (NSW Electricity Networks Assets) and NSW Electricity Networks Operations Holdings Trust (NSW Electricity Networks Operations).

The segments noted also fairly represent the Group's geographical segments determined by location within Australia.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

2. SEGMENT INFORMATION CONTINUED

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		TRANSGRID		TOTAL	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Segment Cash Flows								
Distributions from associates – preferred partnership capital	**–**	–	**69,635**	69,635	**–**	–	**69,635**	69,635
Distributions from associates – other	**–**	–	**45,570**	49,490	**19,963**	1,441	**65,533**	50,931
Interest received from associates	**61,458**	72,560	**–**	–	**12,959**	9,444	**74,417**	82,004
Repayment of borrowings by associates[1]	**95,465**	81,790	**–**	–	**–**	–	**95,465**	81,790
Total Segment Cash Flows	**156,923**	154,350	**115,205**	119,125	**32,922**	10,885	**305,050**	284,360
Net interest received							**921**	486
Corporate expenses							**(15,808)**	(17,302)
Total Operating Cash Flows[1]							**290,163**	267,544
Segment Revenue								
Share of equity accounted profits/(loss)	**70,353**	57,593	**141,132**	150,137	**552**	(7,282)	**212,037**	200,448
Interest income – associates	**60,493**	70,100	**–**	–	**13,097**	12,590	**73,590**	82,690
Segment revenue	**130,846**	127,693	**141,132**	150,137	**13,649**	5,308	**285,627**	283,138
Interest revenue							**2,331**	1,861
Total Revenue							**287,958**	284,999
Segment Results								
Segment contribution	**130,846**	127,693	**141,132**	150,137	**13,649**	5,308	**285,627**	283,138
Net interest income/(expense)							**679**	(381)
Corporate expenses							**(14,193)**	(12,607)
Cost associated with investing activities							**(1,597)**	(4,346)
Profit for the year before income tax, Loan Note interest and Impairment							**270,516**	265,804
Impairment expense			**(270,000)**				**(270,000)**	–
Interest on Loan Notes							**(118,582)**	(118,582)
Income tax benefit/(expense)			**81,000**				**21,351**	(58,181)
Net (Loss)/Profit attributable to Securityholders							**(96,715)**	88,641
Segment Assets								
Investments accounted for using the equity method	**523,718**	468,849	**1,366,211**	1,626,949	**436,183**	454,544	**2,326,112**	2,550,342
Loans to associates	**503,372**	598,837	**–**	–	**–**	–	**503,372**	598,837
Loan notes to associates	**–**	–	**–**	–	**237,444**	237,444	**237,444**	237,444
Receivables from associates	**5,088**	6,052	**–**	–	**3,283**	3,145	**8,371**	9,197
Total Segment Assets	**1,032,178**	1,073,738	**1,366,211**	1,626,949	**676,910**	695,133	**3,075,299**	3,395,820
Unallocated Assets								
Cash and cash equivalents							**134,344**	117,289
Other current assets							**2,075**	1,891
Property, plant and equipment							**591**	699
Total Assets							**3,212,309**	3,515,699
Unallocated Liabilities								
Loan Notes attributable to Securityholders							**1,061,764**	1,061,744
Other liabilities							**61,971**	63,452
Deferred tax liabilities							**282,747**	313,739
Total Liabilities							**1,406,482**	1,438,935

(1) Victoria Power Networks distributions include both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes.

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
3. PROFIT FOR THE FINANCIAL YEAR		
(a) Income from Associates		
Equity Accounted Profits:		
– Victoria Power Networks Pty Ltd	**70,353**	57,593
– SA Power Networks Partnership	**141,132**	150,137
– NSW Electricity Networks Assets[1]	**(5,913)**	(6,381)
– NSW Electricity Networks Operations[1]	**6,465**	(901)
	212,037	200,448
Interest Income – Associates:		
– Victoria Power Networks Pty Ltd	**60,493**	70,100
– NSW Electricity Networks Operations	**13,097**	12,590
	73,590	82,690
	285,627	283,138
(b) Interest expense – other:		
– Interest costs and other associated costs of senior debt	**1,652**	2,242
(c) General and Administrative Expenses		
Staff costs – salaries and short term benefits	**3,912**	3,318
Staff costs – post employment benefits	**197**	158
Staff costs – incentives	**2,861**	2,105
Total staff costs	**6,970**	5,581
Directors' fees – short term benefits	**877**	1,090
Directors' fees – post employment benefits	**77**	90
Depreciation	**170**	129
Project related expenses[2]	**1,597**	4,346
Other expenses	**6,099**	5,717
	15,790	16,953

(1) Together referred to as TransGrid.
(2) Costs in 2017 principally related to bid costs for Endeavour Energy.

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
4. INCOME TAXES		
Current tax		
Current tax (expense)/benefit in respect of the Current Year	**(15,782)**	4,263
Adjustments recognised in relation to the settlement deed for capitalised labour	**40,748**	–
Adjustments recognised in relation to current tax in prior years[1]	**17,005**	(29,539)
	41,971	(25,276)
Deferred tax		
Deferred tax benefit/(expense) recognised in the Current Year	**37,133**	(62,844)
Adjustments recognised in relation to the settlement deed for capitalised labour	**(40,748)**	–
Adjustments recognised in relation to deferred tax in prior years[1]	**(17,005)**	29,539
	(20,620)	(33,305)
Total income tax benefit/(expense) relating to continuing operations	**21,351**	(58,581)

(1) Amendments to the treatment of customer contributions and gifted assets reported in Spark Infrastructure Holdings No.2 Pty Ltd's income tax returns.

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
(a) Income Tax Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
(Loss)/Profit before tax for continuing operations	**(118,066)**	147,222
Income tax benefit/(expense) calculated at 30% (2017: 30%)	**35,420**	(44,167)
Add/(deduct):		
Effect of expenses that are not deductible in determining taxable (loss)/profit	**(900)**	(365)
Effect of prior year adjustments in SA Power Networks tax base	**(7,811)**	(5,318)
Tax effect on operating results of the Trusts	**(5,358)**	(8,731)
Total Current Year income tax benefit/(expense)	**21,351**	(58,581)
The tax rate of 30% used above is the current Australian corporate tax rate. There was no change in the corporate tax rate during the Current Year.		
(b) Income Tax Recognised Directly in Equity		
Share of associates' reserves	**9,645**	6,020
Income tax expense	**9,645**	6,020
(c) Deferred Tax Balances		
Temporary Differences		
Timing differences – other	**(754)**	(1,914)
Investment in associates	**(369,891)**	(494,314)
	(370,645)	(496,228)
Unused tax losses		
Tax losses[1]	**87,898**	182,489
	(282,747)	(313,739)

(1) Unused tax losses are associated with Spark Infrastructure Holdings No.1 Pty Ltd with $2,096,000 (2017: $3,731,000) and Spark Infrastructure Holdings No.2 Pty Ltd with $85,802,000 (2017: $178,758,000).

(d) Tax Consolidation

Spark Infrastructure Holdings No.1 Pty Ltd (SIH No.1), Spark Infrastructure Holdings No.2 Pty Ltd (SIH No.2), and Spark Infrastructure Holdings No.3 Pty Ltd (SIH No.3) and their wholly owned entities have each formed a tax consolidated group and therefore each group is taxed as a single entity. The head entity within each tax consolidated group is SIH No.1, SIH No.2 and SIH No.3 respectively. The members of the tax consolidated groups are identified in Note 20.

4. INCOME TAXES CONTINUED

(e) Nature of Tax Funding Arrangements and Tax Sharing Agreements

Entities within each tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with their respective head entities. Under the terms of the funding agreement, SIH No.1, SIH No.2, and SIH No.3 and each of the entities in the relevant tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in these consolidated financial statements in respect of this agreement as payment of any amounts under the agreement is considered remote at this time.

(f) Australian Tax Office (ATO) Matters

Deed of Settlement – Capitalised Labour

In September 2018, Spark Infrastructure, Victoria Power Networks and other relevant parties signed a Deed of Settlement with the ATO to finalise all matters in relation to:

- Deductibility of certain labour costs and motor vehicle running costs for Victoria Power Networks for the 31 December 2007 to 31 December 2010 income years;
- Deductions in respect of certain asset replacement projects for Victoria Power Networks for the 31 December 2008 to 31 December 2010 income years; and
- Deductibility of internal labour and motor vehicle costs in respect of certain capital projects for SA Power Networks for the 30 June 2000 to 31 December 2015 income years.

As a result, Spark Infrastructure has recognised a one-off non-cash reduction in available tax losses of $135.8 million (tax effected at 30% of $40.7 million) relating to its partnership interest in SA Power Networks with a corresponding increase in capital allowances, which will be available to SIH No.2 through amortisation in future years. Therefore the adjustments are timing in nature and have no material current year profit or loss impact for Spark Infrastructure or Victoria Power Networks.

Uncertain Tax Position – Gifted Assets and Cash Contribution

As disclosed in the prior year, Victoria Power Networks was in dispute with the ATO. The ongoing dispute between Victoria Power Networks and the ATO in respect of cash contributions and gifted assets was heard in the Federal Court in December 2018. In February 2019 a decision was handed down which found in favour of the Commissioner of Taxation.

In summary, the Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt; and
- Assets transferred to Victoria Power Networks from customers (i.e. gifted assets) should be treated as assessable income to Victoria Power Networks for tax purposes at their estimated construction value net of any rebates paid by Victoria Power Networks as part of the connection agreement.

Due to the partnership structure, Spark Infrastructure's share of the tax attributes of SA Power Networks are recognised in the SIH No.2 tax consolidated group. If it is determined that the Federal Court's decision applies to SIH No.2, it is anticipated that SIH No.2 would need to restate its remaining tax losses, recognise additional capital assets that will be deductible in future income tax years and recognise a current tax liability estimated to be $65 million to $70 million covering all years up to and including 31 December 2018 (excluding interest).

	31 DEC 2018 $'000	31 DEC 2017 $'000
5. RECEIVABLES FROM ASSOCIATES – CURRENT		
Victoria Power Networks	**5,088**	6,052
NSW Electricity Networks Operations	**3,283**	3,145
	8,371	9,197

Receivables from associates relates to interest receivable on loans to Victoria Power Networks and loan notes to NSW Electricity Networks Operations per Notes 7 and 8. These receivables are expected to be settled in full within the next 12 months.

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in Associates

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST (%) 2018	OWNERSHIP INTEREST (%) 2017	COUNTRY OF INCORPORATION/ FORMATION
Victoria Power Networks Pty Ltd	Ownership of electricity distribution networks in Victoria	**49.00**	49.00	Australia
SA Power Networks	Ownership of an electricity distribution network in South Australia	**49.00**	49.00	Australia
NSW Electricity Networks Assets Holdings Trust[1]	Ownership of electricity transmission assets in New South Wales	**15.01**	15.01	Australia
NSW Electricity Networks Operations Holdings Trust[1]	Ownership of an electricity transmission business in New South Wales	**15.01**	15.01	Australia

(1) Together referred to as TransGrid.

(b) Summarised Financial Position of Associates (100% basis)

	31 DEC 2018 $'000	31 DEC 2018 $'000	31 DEC 2018 $'000	31 DEC 2018 $'000	31 DEC 2017 $'000	31 DEC 2017 $'000	31 DEC 2017 $'000	31 DEC 2017 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS
Current assets	**331,760**	**333,509**	**85,883**	**213,951**	352,302	421,567	138,964	153,661
Non-current assets	**8,016,147**	**6,563,659**	**7,433,512**	**2,791,021**	7,756,120	6,328,172	7,513,588	2,761,374
Total assets	**8,347,907**	**6,897,168**	**7,519,395**	**3,004,972**	8,108,422	6,749,739	7,652,552	2,915,035
Current liabilities	**1,548,901**	**1,186,964**	**104,318**	**184,638**	1,701,509	721,181	78,934	201,688
Non-current liabilities	**5,223,789**	**3,316,189**	**5,681,070**	**1,650,859**	4,950,784	3,659,212	5,600,364	1,620,354
Total liabilities	**6,772,690**	**4,503,153**	**5,785,388**	**1,835,497**	6,652,293	4,380,393	5,679,298	1,822,042
Net assets	**1,575,217**	**2,394,015**	**1,734,007**	**1,169,475**	1,456,129	2,369,346	1,973,254	1,092,993

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

(c) Summarised Financial Performance of Associates (100% basis)

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000	YEAR ENDED 31 DEC 2017 $'000	YEAR ENDED 31 DEC 2017 $'000	YEAR ENDED 31 DEC 2017 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS
Regulated revenue (including advanced metering)	**1,015,487**	**829,877**	**–**	**729,788**	1,005,825	788,641	–	769,009
Revenue – semi-regulated and unregulated	**271,810**	**276,617**	**544,963**	**177,721**	206,900	258,693	519,102	90,451
Operating revenue	**1,287,297**	**1,106,494**	**544,963**	**907,509**	1,212,725	1,047,334	519,102	859,460
Revenue – transmission (pass-through)	**288,402**	**240,947**	**–**	**–**	301,437	243,445	–	–
	1,575,699	**1,347,441**	**544,963**	**907,509**	1,514,162	1,290,779	519,102	859,460
Expenses	**(1,067,657)**	**(883,435)**	**(584,355)**	**(868,342)**	(1,033,340)	(825,473)	(561,618)	(808,098)
Expenses – transmission (pass-through)	**(288,402)**	**(240,947)**	**–**	**–**	(301,437)	(243,445)	–	–
Profit/(loss) before income tax	**219,640**	**223,059**	**(39,392)**	**39,167**	179,385	221,861	(42,516)	51,362
Income tax expense	**(68,951)**	**(1,742)**	**–**	**–**	(56,068)	–	–	–
Net profit/(loss)	**150,689**	**221,317**	**(39,392)**	**39,167**	123,317	221,861	(42,516)	51,362
Other comprehensive income:								
(Loss)/gain on hedges	**(51,299)**	**(31,350)**	**(45,805)**	**166**	(41,367)	(23,148)	(36,487)	(127)
Actuarial gain/(loss) on defined benefit plans	**6,156**	**(2,660)**	**–**	**(12,351)**	15,050	621	–	8,724
Income tax benefit/(expense) related to components of other comprehensive income	**13,543**	**–**	**–**	**–**	7,895	–	–	–
Other comprehensive (loss)/income for the Financial Year	**(31,600)**	**(34,010)**	**(45,805)**	**(12,185)**	(18,422)	(22,527)	(36,487)	8,597
Total comprehensive income/(loss) for the Financial Year	**119,089**	**187,307**	**(85,197)**	**26,982**	104,895	199,334	(79,003)	59,959

Reconciliation of the above summarised financial performance (on a 100% basis) to the net profit/(loss) attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks (on a 49% basis) and NSW Electricity Networks Assets and NSW Electricity Networks Operations (on a 15.01% basis), recognised in the financial report:

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
Victoria Power Networks net profit	**73,838**	60,426
SA Power Networks net profit	**108,445**	108,712
Additional share of profits from preferred partnership capital[a]	**35,514**	35,514
NSW Electricity Networks Assets net loss	**(5,913)**	(6,382)
NSW Electricity Networks Operations net profit	**5,879**	7,709
	217,763	205,979
Adjustment in respect of regulated revenue cap[b]	**(4,437)**	(4,242)
Additional adjustments to share of equity profits[c]	**(1,289)**	(1,289)
	212,037	200,448

a Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in SA Power Networks, which ensures that Spark Infrastructure shares in 49% of the overall results of operations from SA Power Networks.

b Adjustments are made to distribution/transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

c Additional adjustments made to share of equity profits include:

- Depreciation/amortisation of fair value uplift of assets on acquisition; and
- Customer contribution and gifted asset depreciation.

(d) Impairment Loss – SA Power Networks

As previously disclosed in Spark Infrastructure's 2018 Interim Report, the Australian Energy Regulator (AER) released its draft Rate of Return Guideline (RORG) on 10 July 2018. The draft RORG sets out the approach by which the AER will estimate the allowed rate of return (and the value of imputation credits or gamma), which represents the forecast cost of funds a network business requires to attract efficient investment in the network. It is a key component in setting the amount of regulated revenue that network businesses can recover, and is relevant to future determinations by the AER.

The AER released its final RORG on 17 December 2018. The final RORG delivers a significant reduction in the regulated rate of return in the next regulatory periods commencing on 1 July 2020 and 1 January 2021 for SA Power Networks and Victoria Power Networks respectively and delivers further reductions to those highlighted in the draft RORG. The AER also released its regulatory tax review approach on 17 December 2018, setting out its position and approach to rectify perceived discrepancies between the tax allowances set by the AER and the actual tax payments made to the ATO by regulated networks.

As noted in 4(f), the February 2019 decision in favour of the Commissioner of Taxation with respect of cash contributions and gifted assets may potentially impact the SIH No.2 tax consolidated group, as the holder of Spark Infrastructure's investment in SA Power Networks.

As at 31 December 2018 the Directors have undertaken a review of the carrying values of Spark Infrastructure's network investments, being Victoria Power Networks, SA Power Networks and TransGrid, to determine whether any impairment has arisen. Fair value less costs-to-sell was calculated for each investment based on their respective board approved financial forecasts which include final regulatory determinations as at 31 December 2018. The calculations show that the carrying value of SA Power Networks exceeded its recoverable amount by $270 million and as a result the Directors have recognised an impairment charge of Spark Infrastructure's investment in SA Power Networks by this amount at 31 December 2018. The Directors are satisfied that the carrying values of Victoria Power Networks and TransGrid did not exceed their recoverable amounts and were not impaired at 31 December 2018.

As previously disclosed, cash contributions and gifted assets were previously booked as revenue and fixed assets in their entirety upfront by Victoria Power Networks and SA Power Networks over many years in accordance with Australian accounting standards.

Accounting for cash contributions and gifted assets required that the full amount be brought to account upfront as revenue and fixed assets, notwithstanding that the assets do not generate any regulatory returns in the future or any additional cash earnings.

This led to higher equity accounted income being reported by Spark Infrastructure and an increased carrying value of its investment in associates. The increased carrying value of these assets leads to a higher depreciation expense over their expected economic life, which can range from 40 to 70 years.

As was reported at the time, a consequence of the timings of the accounting treatment was that an additional accounting adjustment (expense) may be required in the future should the assets future recoverable amount be determined to be less than its accounting carrying value due to this timing mis-match.

With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of cash contributions and gifted assets as reported by Victoria Power Networks and SA Power Networks from depreciated replacement cost to estimating the net present value of the future cash flows expected to be derived from the Regulated Asset Base (RAB) (i.e. effectively nil value) as a result of the specific extension or modification to the network. From 1 January 2017 both Victoria Power Networks and SA Power Networks also adopted this approach in their own financial statements. Notwithstanding this change in fair value estimation from 1 January 2014 onwards, there was no retrospective adjustment (i.e. decrease) to the investment carrying value for the historically higher accounting value previously recognised for cash contributions and gifted assets.

As a consequence of the valuation impacts arising from the changes in regulatory decisions and the cash contribution and gifted asset Federal Court decision, SA Power Networks' future recoverable amount has been determined to be less than its accounting carrying value, with the quantum impaired being exacerbated by the mismatch in the historic accounting for cash contributions and gifted assets.

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
(e) Movement in Carrying Amounts		
Carrying amount at beginning of the Current Year	**2,550,342**	2,494,712
Share of profits after income tax	**212,037**	200,448
Preferred partnership distribution received – SA Power Networks	**(69,635)**	(69,635)
Distributions received – SA Power Networks	**(45,570)**	(49,490)
Distributions received – NSW Electricity Networks Assets	**(17,832)**	(1,441)
Distributions received – NSW Electricity Networks Operations	**(2,131)**	–
Capital contribution – NSW Electricity Networks Operations	**9,757**	–
Impairment loss – SA Power Networks	**(270,000)**	–
Share of associates' comprehensive loss recognised directly in equity	**(40,856)**	(24,252)
Carrying amount at end of the Current Year	**2,326,112**	2,550,342

(f) Contingent Liabilities

Spark Infrastructure's share of contingent liabilities are provided in Note 16.

	31 DEC 2018 $'000	31 DEC 2017 $'000
7. LOANS TO ASSOCIATES – INTEREST BEARING		
Victoria Power Networks	**503,372**	598,837

100 year loan to Victoria Power Networks at a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower. An amount of $95,465,000 was repaid by the borrower to Spark Infrastructure during 2018 (2017: $81,790,000).

	31 DEC 2018 $'000	31 DEC 2017 $'000
8. LOAN NOTES TO ASSOCIATES – INTEREST BEARING		
NSW Electricity Networks Operations	**237,444**	237,444

Loan notes advanced to NSW Electricity Networks Operations at the applicable bank bill interest rate plus a margin of 3.50% per annum. The loan notes are redeemable at the discretion of the issuer, with a maximum maturity in December 2025.

	31 DEC 2018 $'000	31 DEC 2017 $'000
9. LOAN NOTES ATTRIBUTABLE TO SECURITYHOLDERS		
Balance at beginning of the Financial Year	**1,061,744**	1,061,724
Write back of deferred discount[a]	**20**	20
Balance at end of the Financial Year	**1,061,764**	1,061,744

a The deferred discount represents the difference between the Loan Notes face value of $1.25 and the price of securities issued under the Distribution Reinvestment Plan in September 2009 of $1.0862. The deferred discount is written back over the remaining term of the Loan Notes.

	31 DEC 2018 $'000	31 DEC 2017 $'000
10. ISSUED CAPITAL		
Balance at beginning of the Financial Year	**1,067,502**	1,199,119
Capital distributions[a]	**(144,232)**	(131,617)
Balance at end of the Financial Year	**923,270**	1,067,502

a Capital distributions of 4.50 cps on 15 September 2018 (4.125 cps on 15 September 2017) and 4.075 cps on 15 March 2018 (3.70 cps on 15 March 2017) were paid to Securityholders during the year – refer Note 15.

FULLY PAID STAPLED SECURITIES	NO.'000	NO.'000
Balance at the beginning and end of the Financial Year	**1,682,011**	1,682,011

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
11. RESERVES		
Cash Flow Hedging Reserve		
Balance at beginning of the Financial Year	**(40,911)**	(18,231)
Share of associates' losses on hedges[a]	**(39,807)**	(31,027)
Related tax benefit	**9,887**	7,660
Recognition of Share-based Payments	**1,218**	687
Balance at end of the Financial Year	**(69,613)**	(40,911)

a The hedging reserve represents hedging gains and losses recognised on the effective portion of the cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedge transaction impacts the profit or loss.

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
12. RETAINED EARNINGS		
Balance at beginning of the Financial Year	**1,050,173**	956,396
Net (loss)/profit after tax for the Financial Year	**(96,715)**	88,641
Share of associates' actuarial (loss)/gain recognised directly in retained earnings[a]	**(1,046)**	6,776
Related tax expense	**(242)**	(1,640)
Balance at end of the Financial Year	**952,170**	1,050,173

a Actuarial gains or losses on defined benefit superannuation plans operated by the investment portfolio assets are recognised directly in Retained Earnings.

	YEAR ENDED 31 DEC 2018 $	YEAR ENDED 31 DEC 2017 $
13. REMUNERATION OF EXTERNAL AUDITOR		
Audit and review of the financial reports	**278,500**	261,000
General tax advice	**116,000**	101,000
Other accounting services	**28,000**	18,000
Project related tax advice and assurance services	**33,000**	299,000
	455,500	679,000

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
14. EARNINGS PER SECURITY (EPS)		
Profit before income tax, Loan Note interest and Impairment	**270,516**	265,804
Weighted average number of securities (No.'000)	**1,682,011**	1,682,011
Basic EPS before income tax, Loan Note interest and Impairment (cents)	**16.08¢**	15.80¢
Earnings used to calculate EPS	**(96,715)**	88,641
Basic EPS based on net profit attributable to Securityholders (cents)	**(5.75)¢**	5.27¢

Basic EPS is the same as diluted EPS.

	2018		2017	
	CENTS PER SECURITY	TOTAL $'000	CENTS PER SECURITY	TOTAL $'000
15. DISTRIBUTION PAID AND PAYABLE				
Distribution Paid:				
Interim distribution in respect of year ended 31 December 2018 paid on 15 September 2018 (2017: 15 September 2017):				
Interest on Loan Notes	**3.50**	**58,870**	3.50	58,870
Capital Distribution	**4.50**	**75,691**	4.125	69,383
	8.00	**134,561**	7.625	128,253
Distribution Payable/Proposed:				
Final distribution in respect of the year ended 31 December 2018 payable on 15 March 2019 (2017: 15 March 2018):				
Interest on Loan Notes	**3.55**	**59,711**	3.55	59,711
Capital Distribution	**4.45**	**74,850**	4.075	68,542
	8.00	**134,561**	7.625	128,253
Total paid and payable	**16.00**	**269,122**	15.25	256,506

	YEAR ENDED 31 DEC 2018 $	YEAR ENDED 31 DEC 2017 $
16. CONTINGENCIES		
Federal Court decision on the tax treatment of cash contributions and gifted assets[1]	**70,000**	–
Share of associates' contingent liabilities[2]	**29,864**	43,150
	99,864	43,150

(1) On 7 February 2019 the Federal Court handed down a decision on the tax treatment of cash contributions and gifted assets for Victoria Power Networks for the tax years 2008 to 2011. Further detail is included within Note 4(f).

(2) The contingent liabilities relate to a number of guarantees provided to various parties by the investment portfolio assets.

17. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The aggregate compensation made to Directors and other members of KMP of Spark Infrastructure is set out below:

	YEAR ENDED 31 DEC 2018 $	YEAR ENDED 31 DEC 2017 $
Salary and fees	**2,272,402**	2,669,973
Non-monetary expense	**–**	47,516
Superannuation expense	**123,699**	150,962
Short term incentive expense	**849,232**	1,005,429
Long term incentive expense	**446,213**	349,587
Total expense	**3,691,546**	4,223,467

18. RELATED PARTY DISCLOSURES

(a) Directors

The relevant interest of each Director of Spark Infrastructure for the Current Year is as follows:

2018	OPENING BALANCE 1 JANUARY 2018 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2018 (NO.)
Dr Douglas McTaggart	**135,000**	**45,000**	**180,000**
Mr Rick Francis	**116,176**	**135,622**	**251,798**
Mr Andrew Fay	**188,590**	**50,000**	**238,590**
Ms Anne McDonald	**71,000**	**–**	**71,000**
Ms Karen Penrose	**50,000**	**5,300**	**55,300**
Mr Greg Martin	**50,000**	**50,000**	**100,000**

The relevant interest of each Director of Spark Infrastructure in respect of 2017 was as follows:

2017	OPENING BALANCE 1 JANUARY 2017 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2017 (NO.)
Dr Douglas McTaggart	120,000	15,000	135,000
Mr Rick Francis	23,942	92,234	116,176
Mr Andrew Fay	188,590	–	188,590
Ms Anne McDonald	61,000	10,000	71,000
Ms Karen Penrose	50,000	–	50,000
Mr Greg Martin[1]	–	50,000	50,000
Ms Christine McLoughlin[2]	66,766	–	–
Dr Keith Turner[3]	75,706	–	–

(1) Mr Martin was appointed to the Board on 1 January 2017.
(2) Ms McLoughlin retired from the Board on 15 October 2017.
(3) Dr Turner retired from the Board on 23 May 2017.

(b) Group Executives

The table below details the Spark Infrastructure securities in which Group Executives held relevant interests:

2018	OPENING BALANCE 1 JANUARY 2018 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2018 (NO.)
Mr Rick Francis	**116,176**	**135,622**	**251,798**
Mr Nicholas Schiffer	**–**	**–**	**–**

2017	OPENING BALANCE 1 JANUARY 2017 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2017 (NO.)
Mr Rick Francis	23,942	92,234	116,176
Mr Nicholas Schiffer[1]	–	–	–
Mr Greg Botham[2]	–	–	–

(1) Mr Schiffer was appointed as CFO on 17 July 2017.
(2) Mr Botham resigned as CFO on 30 April 2017.

18. RELATED PARTY DISCLOSURES CONTINUED

(c) Responsible Entity
The responsible entity of the Trust is Spark Infrastructure RE Limited.

(d) KMP
KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The Directors and certain employees that meet the definition of KMP are disclosed above along with their remuneration in Note 17. Securityholding details are disclosed in Note 18(a) and Note 18(b).

(e) Other Related Parties
Other related parties include associates, subsidiaries, and entities within Spark Infrastructure.

Associates

The details of ownership interests in associates are provided in Note 6. The details of interest receivable and loans provided to associates are detailed in Notes 5, 7 and 8. Details of interest income on these loans are detailed in Note 3(a).

Subsidiaries

The details of ownership interest in subsidiaries are provided in Note 20. The terms of the tax sharing and tax funding agreements entered into by SIH No.1, SIH No.2 and SIH No.3 with their subsidiaries are provided in Note 4.

Entities within Spark Infrastructure

There are loans receivable by the Trust from other entities within Spark Infrastructure, being Spark Infrastructure (Victoria) Pty Limited, Spark Infrastructure (SA) Pty Limited, SIH No.3 and Spark Infrastructure Electricity Operations Trust.

19. SUBSEQUENT EVENTS

There were no events, other than those described in this report, that have arisen since the end of the Financial Year that have significantly affected or may significantly affect the operations of Spark Infrastructure.

20. CONTROLLED ENTITIES

ENTITY	COUNTRY OF INCORPORATION	**2018 EQUITY HOLDINGS (%)**	2017 EQUITY HOLDINGS (%)
Controlled entities of Spark Infrastructure Trust:			
– Spark Infrastructure Holdings No. 1 Pty Limited[a]	Australia	**100**	100
– Spark Infrastructure Holdings No. 2 Pty Limited[a]	Australia	**100**	100
– Spark Infrastructure Holdings No. 3 Pty Limited[a]	Australia	**100**	100
– Spark Infrastructure Electricity Assets Trust	Australia	**100**	100
Controlled entity of SIH No. 1[a]:			
– Spark Infrastructure (Victoria) Pty Limited[b]	Australia	**100**	100
Controlled entities of SIH No. 2[a]:			
– Spark Infrastructure (South Australia) Pty Limited[c]	Australia	**100**	100
– Spark Infrastructure SA (No 1) Pty Limited[c]	Australia	**100**	100
– Spark Infrastructure SA (No 2) Pty Limited[c]	Australia	**100**	100
– Spark Infrastructure SA (No 3) Pty Limited[c]	Australia	**100**	100
Controlled entities of SIH No. 3[a]:			
– Spark Infrastructure Holdings No. 4 Pty Limited ("SIH No.4")[d]	Australia	**100**	100
– Spark Infrastructure Holdings No. 5 Pty Limited ("SIH No. 5")[d]	Australia	**100**	100
– Spark Infrastructure RE Ltd[d]	Australia	**100**	100
– Spark Infrastructure Electricity Assets Pty Ltd[d]	Australia	**100**	100
– Spark Infrastructure Electricity Operations Trust	Australia	**100**	100
– Spark Infrastructure Electricity Operations Pty Ltd[d]	Australia	**100**	100

a Head entity of a tax consolidated group.
b An entity within a tax consolidated group with SIH No. 1 as the head entity.
c An entity within a tax consolidated group with SIH No. 2 as the head entity.
d An entity within a tax consolidated group with SIH No. 3 as the head entity.

	31 DEC 2018 $'000	31 DEC 2017 $'000
21. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of Cash and Cash Equivalents		
Cash on hand and at bank	**10,332**	24,277
Cash at bank held for Australian Financial Services Licensing purposes	**5,000**	5,000
Cash on deposit	**119,012**	88,012
Cash and Cash Equivalents	**134,344**	117,289

For the purposes of the Statement of Cashflows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments.

(b) Committed Financing Facilities		
Syndicated unsecured bank loan facilities:		
– Amount used	**–**	–
– Amount unused	**120,000**	250,000
	120,000	250,000

Committed Finance Facility maturities are:

- September 2021: $40,000,000 3-year revolving facility with Commonwealth Bank of Australia
- September 2021: $40,000,000 3-year revolving facility with Mitsubishi UFG Financial Group, Inc
- September 2021: $40,000,000 3-year revolving facility with Mizuho Bank, Ltd

	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
(c) Reconciliation of Profit for the Financial Year to Net Cash Inflows Related to Operating Activities		
Net loss after tax	**(96,715)**	88,641
Add back / (subtract):		
Loan Note interest expense	**118,582**	118,582
Non-cash income (tax benefit)/expense	**(21,351)**	58,581
Non-cash interest expense	**241**	867
Non-cash depreciation expense	**170**	129
Non-cash impairment expense	**270,000**	–
Share of equity accounted profits and losses of associates net of distributions received	**(76,868)**	(79,882)
Changes in net assets and liabilities:		
Decrease/(increase) in current receivables	**2,002**	(1,225)
Decrease/(increase) in current payables	**(1,363)**	61
Net cash inflow related to operating activities	**194,698**	185,754

22. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives

Spark Infrastructure's treasury function manages the financial risks and co-ordinates access to financial markets. Spark Infrastructure does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Spark Infrastructure's treasury policy, approved by the Board, which has written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by management and Spark Infrastructure's internal auditors on a regular basis.

(b) Capital Risk Management

Spark Infrastructure manages its capital through the use of a combination of debt and equity to ensure that it will be able to operate as a going concern and provide appropriate returns to Securityholders.

The capital structure of Spark Infrastructure comprises net debt (borrowings offset by cash and cash equivalents as detailed in Note 21), Loan Notes attributable to the Securityholders and equity. As the Loan Notes are a long-term instrument and subordinated, they are regarded as part of equity capital for these purposes. On this basis the total equity capital of Spark Infrastructure as at 31 December 2018 was $2,867,591,000 (2017: $3,138,508,000) comprising $1,061,764,000 (2017: $1,061,744,000) in Loan Notes and $1,805,827,000 (2017: $2,076,764,000) in equity attributable to the Securityholders.

The debt covenants under the bank debt facilities require, inter alia, that the gearing at Spark Infrastructure does not exceed 30% on a standalone basis and on a consolidated basis (including its proportionate share of debt of the investment portfolio assets) and that the gearing does not exceed 75% at any time. During the Current Year Spark Infrastructure complied with all of its debt covenants.

Spark Infrastructure holds less than a 50% interest in the investment portfolio assets and while it has significant influence, does not control these businesses and is not in a position to determine their distribution policy alone. The Distribution Policies are set out in Shareholder Agreements between Spark Infrastructure and its fellow shareholders. Any change in the Distribution Policies requires a special majority resolution of the shareholders. Further, the revenue of the investment portfolio assets is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

(c) Significant Accounting Policies

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

(d) Categories of Financial Instruments

	31 DEC 2018 $'000	31 DEC 2017 $'000
Financial Assets		
Cash and cash equivalents	**134,344**	117,289
Receivables from associates	**8,371**	9,197
Loans to associates	**503,372**	598,836
Loan notes to associates	**237,444**	237,444
Financial Liabilities		
Payables	**2,260**	3,741
Loan Note interest payable	**59,711**	59,711
Loan Notes at amortised cost	**1,061,764**	1,061,744

(e) Financial Market Risk

The principal financial market risks that Spark Infrastructure is exposed to is interest rate risk. Note 22(f) below discusses the strategy adopted to manage the interest rate risk.

Further, the revenue of the investment portfolio is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

(f) Interest Rate Risk Management

Spark Infrastructure is exposed to interest rate risk if it borrows funds at floating interest rates. Spark Infrastructure's treasury policy specifies that interest rate risk on long term drawn term debt is managed principally through the use of interest rate swap contracts. At 31 December 2018 Spark Infrastructure had no drawn debt facilities or interest rate swaps in place.

Interest Rate Swap Contracts

Under interest rate swap contracts, Spark Infrastructure agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable Spark Infrastructure to mitigate the risk of changing interest rates on debt held. The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date.

All interest rate swap contracts on behalf of Spark Infrastructure have previously been entered into by Spark Infrastructure (Victoria) Pty Limited, a subsidiary of SIH No. 1, which is the borrower of all unsecured facilities of the Group.

Interest Rate Risk Sensitivity

Sensitivity analysis is determined based on exposure to interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. An impact of a 100 basis points ("bps") movement is considered reasonable given the current level of both short and long term Australian dollar interest rates.

As there was no drawn debt at 31 December 2018 (2017: nil), any movement in interest rates would have no impact on the Group's profit for the year ended 31 December 2018.

(g) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Spark Infrastructure. Spark Infrastructure's credit risk arises from cash held on deposit and previously for derivative financial instruments. Spark Infrastructure has adopted a policy of only dealing with creditworthy counterparties and establishing and maintaining limits, as a means of mitigating the risk of financial loss from defaults. Spark Infrastructure's exposure and the credit ratings of its counterparties are continuously monitored and the transactions, where deemed appropriate, are spread amongst approved counterparties to minimise risk to any single counterparty.

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

(h) Liquidity Risk Management

Spark Infrastructure manages liquidity by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, and by continuously monitoring forecast and actual cash flows. Details of undrawn facilities are provided in Note 21.

22. FINANCIAL INSTRUMENTS CONTINUED

(h) Liquidity Risk Management continued

Liquidity and Interest Risk Tables

The following tables detail Spark Infrastructure's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cashflows of financial liabilities based on the earliest date on which Spark Infrastructure can be required to make payment. The tables include undiscounted amounts for both interest and principal cashflows.

2018	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % PA	LESS THAN 1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5+ YEARS $'000	TOTAL $'000
Payables	**–**	**597**	**1,122**	**426**	**48**	**67**	**2,260**
Commitment fee on interest bearing liabilities	**–**	**114**	**–**	**335**	**745**	**–**	**1,194**
Loan Notes attributable to Securityholders[a]	**10.85**	**–**	**59,711**	**58,870**	**474,327**	**10,817,013**	**11,409,921**
Total		**711**	**60,833**	**59,631**	**475,120**	**10,817,080**	**11,413,375**

a The Loan Notes mature in 2105.

2017	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % PA	LESS THAN 1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000	5+ YEARS $'000	TOTAL $'000
Payables	–	564	2,763	183	196	35	3,741
Commitment fee on interest bearing liabilities	–	334	–	981	552	–	1,867
Loan Notes attributable to Securityholders[a]	10.85	–	59,711	58,870	474,327	10,935,594	11,528,502
Total		898	62,474	60,034	475,075	10,935,629	11,534,110

a The Loan Notes mature in 2105.

The interest on Loan Notes was fixed at 10.85% per annum on a notional principal balance of $1.25 per Loan Note for an initial 5-year period ending 30 November 2010. The Restructure in 2010 comprised a partial repayment of the Loan Notes which resulted in a reduction in the principal amount outstanding on the Loan Notes of $0.60, from $1.25 to $0.65 per Loan Note. No change was made at that date or the reset date on 30 November 2015 to either the interest rate or the 5-year reset period. For future reset periods, any change (if made) to the interest rate must be at least the relevant swap rate plus a margin of 4%. In the above tables, the Loan Note interest rate of 10.85% has been assumed for the remaining term of the Loan Notes post 30 November 2020 (the next reset date); however the actual rate for each reset period will be subject to finalisation at future points in time.

The amounts for Loan Notes disclosed reflect undiscounted amounts for interest for the remaining term of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 31 December 2018 was $0.65 per Loan Note (31 December 2017: $0.65 per Loan Note). The Responsible Entity may defer interest payments, by notice to the Note Trustee and Noteholders. Interest continues to accrue on any outstanding amount. All outstanding interest must be paid on the next reset date, except to the extent that monies are owing by the Group to any bank, financial institution or other entity providing financial accommodation (drawn or undrawn, or secured or unsecured) for over $5,000,000. Deferral of interest payments, and non-payment on a reset date in the circumstances described above, does not constitute a default.

(i) Fair Value of Financial Instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in these consolidated financial statements approximates their fair values.

23. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The following aggregate amounts are disclosed in respect of the Parent Entity, Spark Infrastructure Trust:

FINANCIAL POSITION	31 DEC 2018 $'000	31 DEC 2017 $'000
Current assets	**19,670**	20,271
Non-current assets	**2,116,331**	2,224,438
Total Assets	**2,136,001**	2,244,709
Current liabilities	**59,733**	59,760
Non-current liabilities	**1,100,488**	1,074,501
Total liabilities	**1,160,221**	1,134,261
Net Assets	**975,780**	1,110,448
Equity		
Issued capital	**923,257**	1,067,490
Retained earnings	**52,523**	42,958
Total Equity	**975,780**	1,110,448

FINANCIAL PERFORMANCE	YEAR ENDED 31 DEC 2018 $'000	YEAR ENDED 31 DEC 2017 $'000
Net profit/(loss) for the year	**9,565**	(27,312)
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the Financial Year	**9,565**	(27,312)

(b) Guarantees entered into by the Parent Entity

The Parent Entity has provided financial guarantees in respect of Financing Facilities, refer Note 21(b).

(c) Contingent liabilities of the Parent Entity

The Parent Entity has no contingent liabilities.

(d) Contractual commitments for the acquisition of property, plant and equipment by the Parent Entity

As at 31 December 2018, the Parent Entity had no contractual commitments (2017: nil).

24. ADDITIONAL INFORMATION

The registered office of business of the Trust is as follows:

Level 29, 225 George Street
Sydney NSW 2000
Australia

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
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Independent Auditor's Report to the members of Spark Infrastructure Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Spark Infrastructure Trust (the "Trust") and its subsidiaries (the "Group"), which comprises the Consolidated Statement of Financial Position as at 31 December 2018, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Report* section of our report. We are independent of the Group 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 the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Spark Infrastructure RE Limited (the "responsible entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>

Recoverable amount of Investments accounted for using the equity method

As at 31 December 2018, the Group's Consolidated Statement of Financial Position includes 'Investments accounted for using the equity method' amounting to $2,326 million, comprising investments in Victoria Power Networks, SA Power Networks and TransGrid ("investment portfolio"). Refer to Note 6 'Investments accounted for using the equity method' for a summary of balances as at 31 December 2018.

Management identified an indicator of impairment relating to all entities in the investment portfolio. Accordingly, Spark management prepared a fair value less cost to sell impairment model relating to the investment in Victoria Power Networks, SA Power Networks and TransGrid.

The fair value less cost to sell model is based on the forecast distributions from the investment, the projected terminal value of the Regulated Asset Base ('RAB') and the projected terminal value of the unregulated business. The fair value less costs to sell model is used to confirm that the carrying value of the investment does not exceed its recoverable value.

The assessment of the recoverable value of the investment involves the exercise of significant judgement in determining the assumptions to be used in the discounted cash flow model, including the distributions, the discount rate, the RAB multiple and the EBITDA multiples for unregulated activities. Refer to Note 1(q) 'Critical Accounting Estimates and Judgements'.

</td><td>

In conjunction with Deloitte valuation specialists, our procedures included but were not limited to:

- understanding management's process for the preparation and review of the impairment models;
- evaluating the discounted cash flow model developed to assess the recoverable value of each investment, including critically assessing the following key assumptions:
  - distributions;
  - discount rate;
  - RAB multiple;
  - EBITDA multiples for unregulated activities.

We corroborated the RAB and EBITDA multiples by reference to external data. The discount rate was assessed using our own independent data.

- performing sensitivity analysis on a number of assumptions, including the discount rate and the appropriate terminal value based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities;
- testing on a sample basis the mathematical accuracy of the discounted cash flow model;
- assessing the appropriateness of disclosures in the financial statements; and
- assessing the relevant accounting treatment and tax effect of the SA Power Network impairment charge.

We concur with the assessment that the carrying value of the investment does not exceed its recoverable value for Victoria Power Networks and TransGrid.

We concur with the assessment that the carrying value of the investment in SA Power Networks exceeds its recoverable amount by $270 million and the associated impairment charge has been accounted for in accordance with AASB 136 *Impairment of assets*.

</td></tr>
</table>

Other Information

The directors of the responsible entity (the "Directors") are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report, and the other documents comprising the annual report (excluding the financial report and our auditor's report thereon) which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, 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 report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 documents comprising the annual report, 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.

Responsibilities of the Directors' for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Spark Infrastructure Trust and its Consolidated Entities included in pages 58 to 80 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Spark Infrastructure Trust and its Consolidated Entities, for the year ended 31 December 2018, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors have voluntarily presented the Remuneration Report which has been prepared 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 26 February 2019

ASX requires certain disclosures to be made in the annual report, which are set out below.

STAPLING

As a part of the usual conditions of listing a stapled structure ASX reserves the right to remove the Spark Infrastructure Trust (the Stapled Entity) from the official list if:

- any of the securities cease to be "stapled" to the corresponding securities of the Stapled Entity; or
- any security is issued by the Stapled Entity which is not stapled to corresponding securities of the Stapled Entity.

DIVESTMENT OF SECURITIES

Certain provisions in the Constitution of Spark Infrastructure Trust and Note Trust Deed (the Stapled Entity Constitutions) permit the divestment of securities in limited circumstances. These are summarised below.

Designated Foreign Holders

In certain circumstances Spark Infrastructure may divest a foreign holder of their Stapled Securities. This may occur where Spark Infrastructure wishes to issue or transfer a further security which is to be stapled to the already existing Stapled Securities ("New Attached Security"), but the issue of the New Attached Security to certain foreign holders would be unreasonable in Spark Infrastructure's opinion. In that case, rather than issue New Attached Securities to those foreign holders, Spark Infrastructure may instead divest those foreign holders of their existing Stapled Securities. Spark Infrastructure may cause New Attached Securities to be stapled provided certain conditions are satisfied including:

- the New Attached Security is (or will be) officially quoted;
- the ASX has indicated that it will approve the stapling of the New Attached Security to the Stapled Securities;
- the Stapled Entity (excluding the issuer of the New Attached Security) has agreed to the stapling of the New Attached Security to the Stapled Security and that the stapling of the New Attached Security is in the best interest of holders as a whole and is consistent with the then investment objectives of Spark Infrastructure;
- the constituent documents for the New Attached Security have provisions giving effect to the stapling;
- the issuer of the New Attached Security has agreed to enter into the Accession Deed;
- where the New Attached Security is partly-paid, or approved from holders is required to the transaction, approval of the holders has been obtained; and
- the number of New Attached Securities issued is identical to the number of Stapled Securities on issue.

The issue/transfer of a New Attached Security to a foreign holder may require compliance with legal and regulatory requirements in the foreign jurisdiction. Subject to applicable ASIC relief, the provisions in the Stapled Entity Constitutions relating to the stapling of securities provide that Spark Infrastructure will have the ability to determine that a Foreign Investor (a holder whose address in the register is in a place other than Australia) is a Designated Foreign Holder and divest that Designated Foreign Holder of their Stapled Securities where Spark Infrastructure determines that it is unreasonable to issue or transfer New Attached Securities to such holders, having regard to the following criteria:

- the number of Foreign Investors in the foreign place;
- the number and the value of New Attached Securities that may be issued or transferred to the Foreign Investors in the foreign place; and
- the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to the issue or transfer of the New Attached Securities in the foreign place.

Where Designated Foreign Holders are divested of their Stapled Securities they will receive the proceeds of sale of those Stapled Securities (net of transaction costs including without limitation any applicable brokerage, stamp duty and other taxes or charges) as soon as practicable after the sale.

Stapled Securities are issued on terms under which each investor who is or becomes a Designated Foreign Holder agrees to the above terms and irrevocably appoints each Stapled Entity as that holder's agent and attorney to do all acts and things and execute all documents which Spark Infrastructure considers necessary, desirable or reasonably incidental to effect the above actions.

Excluded US Persons

The Stapled Securities have not been, and will not be, registered under the US Securities Act and none of the Stapled Entities have been, or will be, registered under the US Investment Company Act. Accordingly, the securities may not be offered, sold or resold in, the United States or to, or for the account or benefit of US Persons except in accordance with an available exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, the US Investment Company Act and applicable United States state securities laws.[1]

In order to at all times qualify for the exemptions, the provisions of the Stapled Entity Constitutions dealing with stapling of securities provide that where a holder is an Excluded US Person:

- the Stapled Entity may refuse to register a transfer of Stapled Securities to that Excluded US Person; or
- the Excluded US Person may be requested to sell their Stapled Securities and if they fail to do so within 30 Business Days, to be divested of their Stapled Securities and to receive the proceeds of sale (net of transaction costs including without limitation any applicable brokerage, stamp duty and other taxes or charges) as soon as practicable after the sale.

In addition, the provisions in the Stapled Entity Constitutions relating to the stapling of securities provide that a holder may be required to complete a statutory declaration in relation to whether they (or any person on whose account or benefit it holds Stapled Securities) are an Excluded US Person. Any holder who does not comply with such a request can be treated as an Excluded US Person.

Stapled Securities are issued on terms under which each holder who is or becomes an Excluded US Person agrees to the above terms and irrevocably appoints the Stapled Entity as that holder's agent and attorney to do all acts and things and execute all documents which Spark Infrastructure considers necessary, desirable or reasonably incidental to effect the above actions.

(1) Stapled Securities are not permitted to be held by or for the account or benefit of any US person (as defined in Rule 902 of Regulation S under the US Securities Act, as amended) who is not both a qualified institutional buyer (QIB) (as defined in Rule 144A of the US Securities Act) and also a qualified purchaser (QP) (as defined in Section 2(a)(51) of the US Investment Company Act, as amended and the rules and regulations of the Securities and Exchange Commission promulgated thereunder). The Stapled Entity may determine that an investor is an Excluded US Person, if it considers the investor is a US person that is not both a QIB and a QP, or holds or will hold Stapled Securities for the account or benefit of any US person who is not both a QIB and a QP.

TOP 20 HOLDERS

Fully paid stapled securities (total) as at 13 February 2019

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES	717,000,345	42.628
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	201,404,659	11.974
3.	CITICORP NOMINEES PTY LIMITED	136,911,517	8.140
4.	NATIONAL NOMINEES LIMITED	74,592,852	4.435
5.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	51,571,874	3.066
6.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	26,623,384	1.583
7.	BNP PARIBAS NOMS PTY LTD <DRP>	19,411,659	1.154
8.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	15,273,594	0.908
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	7,515,423	0.447
10.	ARGO INVESTMENTS LIMITED	6,868,363	0.408
11.	PRUDENTIAL NOMINEES PTY LTD	6,550,000	0.389
12.	NATIONAL EXCHANGE PTY LTD	6,500,000	0.386
13.	IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	5,842,839	0.347
14.	NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	4,775,655	0.284
15.	AMP LIFE LIMITED	3,799,912	0.226
16.	SANDHURST TRUSTEES LTD <SISF A/C>	3,530,000	0.210
17.	AVANTEOS INVESTMENTS LIMITED <ENCIRCLE IMA A/C>	3,528,065	0.210
18.	3RD WAVE INVESTORS LTD	3,500,000	0.208
19.	BNP PARIBAS NOMS (NZ) LTD <DRP>	3,414,324	0.203
20.	JOHN E GILL TRADING PTY LTD	3,171,656	0.189
Total Securities of Top 20 Holdings		1,301,786,121	77.395
Total Securities		**1,682,010,978**	

SUBSTANTIAL HOLDERS

As at 13 February 2019

NAME OF HOLDER	% OF UNITS
Lazard Asset Management	14.2
Legg Mason	9.1
Investors Mutual	6.1

RANGE OF UNITS SNAPSHOT

As at 13 February 2019

HOLDINGS RANGE	HOLDERS	TOTAL UNITS	% OF UNITS
1–1,000	1,486	739,082	0.044
1,001–5,000	6,146	19,751,525	1.174
5,001–10,000	5,974	45,798,046	2.723
10,001–100,000	9,263	229,086,423	13.620
100,001–9,999,999,999	317	1,386,635,902	82.439
Total	**23,186**	**1,682,010,978**	**100.000**

UNMARKETABLE PARCELS (UMP)

As at 13 February 2019

TOTAL SECURITIES	UMP SECURITIES	UMP HOLDERS	UMP %
1,682,010,978	13,345	375	0.00079

GLOSSARY OF TERMS

ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ADMS	Advanced Distribution Management System
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASX	Australian Securities Exchange
Beon	Beon Energy Solutions, a subsidiary of Victoria Power Network for unregulated operations
CAB	Contracted Asset Base, being the value of assets resulting from TransGrid providing connection and other contracted services
cps	Cents per security
DER	Distributed Energy Resources
DPS	Distributions per security
DSO	Distributed System Operator
EMS	Environmental Management Systems
EPA	Environment Protection Authority
EPS	Earnings per security
ESB	Energy Security Board
GW	Gigawatts
HSE	Health, Safety and Environment
ISP	Integrated System Plan
kW	Kilowatts
LiDAR	Light Detection and Ranging Measurement
Look-through OCF	Look-through operating cash flow, being an estimate of Spark Infrastructure's proportion of the operating cash flow of the investment businesses available for distribution to Securityholders
LTIFR	Lost Time Injury Frequency Rate
MTIFR	Medical Time Injury Frequency Rate
MW	Megawatts
NEM	National Electricity Market
NSG	Network Shareholders Group
NSW	New South Wales
RAB	Regulated Asset Base, being the value of the assets used to provide prescribed distribution/ transmission services
RCAB	Regulated and Contracted Asset Base added together
REFCL	Rapid Earth Fault Current Limiter
RERT	Reliability and Emergency Reserve Trader
RIT–D	Regulatory Investment Test – Distribution
RORG	Rate of Return Guideline
SA	South Australia
Solar PV	Photovoltaic cells used in solar generation
Spark Trust	Spark Infrastructure Trust
Standalone OCF	Standalone operating cash flow, being Spark Infrastructure's cash flows from operating activities, including repayment of shareholder loans from the investment businesses
STPIS	Service Target Performance Incentive Scheme
TCFD	Task Force on Climate-related Financial Disclosures
TRIFR	Total Recordable Injury Frequency Rate
TWh	Terawatt hours
VPP	Virtual Power Plant
WHS	Work Health and Safety

CONTACT INFORMATION

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ENQUIRIES AND INFORMATION

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E: enquiries@boardroomlimited.com.au
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Investor Relations
Linda Assatoury

Company Secretary
Alexandra Finley

Auditor
Deloitte Touche Tohmatsu

FIVE-YEAR SUMMARY OF PERFORMANCE

		2018	2017	2016	2015	2014
SPARK INFRASTRUCTURE KEY METRICS						
Distribution per Security	cents	**16.0**	15.25	14.5	12.0	11.5
Standalone Operating Cash Flow[1]	$ million	**290.2**	267.5	305.6	207.4	206.9
Look-through Operating Cash Flow	$ million	**327.8**	420.7	371.5	426.8	353.6
Distributions Received from Associates[1]	$ million	**305.1**	284.4	308.3	196.5	206.3
SPARK INFRASTRUCTURE INCOME STATEMENT						
Total Income	$ million	**288.0**	285.0	243.9	270.6	288.7
Profit before Loan Note Interest	$ million	**0.5**	265.8	225.8	252.8	272.1
(Loss)/Profit after Tax Attributable to Securityholders	$ million	**(96.7)**	88.6	81.1	88.0	128.1
SPARK INFRASTRUCTURE BALANCE SHEET						
Total Assets	$ million	**3,212.3**	3,515.7	3,524.6	3,724.2	3,019.8
Total Liabilities	$ million	**1,406.5**	1,438.9	1,387.3	1,567.9	1,174.2
Total Equity	$ million	**1,805.8**	2,076.8	2,137.3	2,156.4	1,845.6
VICTORIA POWER NETWORKS KEY METRICS						
Total Revenue	$ million	**1,287.3**	1,212.7	1,297.0	1,308.1	1,174.7
EBITDA	$ million	**831.6**	780.4	900.9	939.9	805.6
Net Capital Expenditure	$ million	**495.7**	463.9	406.6	466.3	506.0
RAB[2]	$ million	**6,109**	5,897	5,734	5,547	5,167
Net Debt to RAB	%	**71.5**	71.0	72.4	73.8	79.5
No. of Customers	'000	**1,140**	1,125	1,108	1,094	1,081
SA POWER NETWORKS KEY METRICS						
Total Revenue	$ million	**1,106.5**	1,047.3	1,066.4	1,140.7	1,187.3
EBITDA	$ million	**665.0**	644.2	639.8	756.8	830.5
Net Capital Expenditure	$ million	**424.9**	391.6	285.7	315.5	363.8
RAB[2]	$ million	**4,207**	4,052	3,953	3,929	3,862
Net Debt to RAB	%	**75.0**	73.1	71.4	71.9	74.2
No. of Customers	'000	**877**	865	856	852	847
TRANSGRID KEY METRICS[3]						
Total Revenue	$ million	**892.6**	845.1	888.9		
EBITDA	$ million	**665.1**	650.7	685.4		
Capital Expenditure	$ million	**271.3**	331.5	206.4		
RCAB[2]	$ million	**6,823**	6,697	6,533		
Net Debt to RCAB	%	**80.7**	81.5	85.0		

(1) Includes repayment of shareholder loans.
(2) RAB and RCAB values are estimates.
(3) 2016 results for TransGrid are based on special purpose financial statements for the period 12 November 2015 to 30 June 2016 and unaudited financial information for the period 1 July 2016 to 31 December 2016.