THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS

Annual Report 2014

SPARK INFRASTRUCTURE

Annual report for the financial year ended 31 December 2014

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.

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DIRECTORS' REPORT

The Directors of Spark Infrastructure RE Limited ("Spark RE" or the "Company") as responsible entity of Spark Infrastructure Trust (the "Parent Entity" or the "Trust") provide this financial report for the year ended 31 December 2014 ("Financial Year" or "Current Year") of the Trust and its Consolidated Entities ("Spark Infrastructure" or the "Group"). In order to comply with the requirements of the *Corporations Act 2001*, the Directors report as follows:

The persons listed below were Directors of Spark RE as at the date of this report:

Mr Brian Scullin (Chair)
Mr Rick Francis (Managing Director and Chief Executive Officer)
Ms Cheryl Bart, AO
Mr Andrew Fay
Ms Anne McDonald
Dr Keith Turner
Ms Christine McLoughlin (appointed 1 October 2014)
Ms Karen Penrose (appointed 1 October 2014)

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

Mr Brian Scullin BEc
Independent Director (since May 2011) and Chair (from September 2011)

Mr Scullin was the Independent Non-Executive Chair of BT Investment Management and retired from this position in December 2013, having been appointed to its Board and as Chair in September 2007. Mr Scullin has previously served as a Non-Executive Director of Dexus Property Group and State Super Financial Services. Mr Scullin served as a Non-Executive Director and RREEF nominee of the Spark Infrastructure Group from 1 November 2005 to 24 August 2007. During this time he was the Chair of the Compliance Committee and a member of the Audit and Risk Management Committee.

Mr Scullin has more than 20 years' experience in the funds management industry in both Australia and Asia. Following a career in the Federal Government and politics, Mr Scullin was appointed the Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987. In 1993, Mr Scullin joined Bankers Trust, holding a number of senior positions, including President of Japan Bankers Trust. He was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management in 1999. He retired from that full time position in 2002, although remained a Non-Executive Director of Deutsche Asset Management until June 2007.

Mr Scullin has held many industry positions including Vice Chair of the Financial Services Council (then known as IFSA), a part-time member of the Federal Government's Financial Reporting Council and a panel member for the Financial Industry Complaints Service. Mr Scullin was appointed to the Board of Optia Inc and as President of the Retirement Benefits Fund of Tasmania (and its associated companies) in 2013 and is Chair of Life Education Tasmania. In December 2014 Mr Scullin was appointed as the Presiding Chair of the Tasmanian Development Board.

Mr Scullin is also Chair of the Spark Infrastructure Remuneration and Nominations Committee (RemCo).

Mr Scullin held the following directorships of other Australian listed entities within the last three years.

Listed Entity	*Period directorship held*
• BT Investment Management Limited	2007 to 2013

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 May 2012 after being appointed to the role in January 2012. He originally joined Spark Infrastructure in February 2009 as the Chief Financial Officer and served in that role for three and a half years prior to his appointment as Managing Director.

Rick has over 17 years' experience in the Australian energy and energy infrastructure industries. Prior to joining Spark Infrastructure he was employed by the ASX listed gas transmission and energy infrastructure business APA Group, where he was Chief Financial Officer for four years and by Origin Energy Limited for over eight years in a number of senior management roles including those of Group Financial Controller and Operations Manager, Energy Trading.

Rick has considerable experience in matters related to corporate strategy and development, operations management, corporate communications and investor relations, risk management, financial accounting and reporting, capital and treasury management and taxation. He also has 15 years' experience in the chartered accounting and finance fields in Australia and the UK.

Mr Francis has been a Non-Executive Director and Alternate Director of SA Power Networks and Victoria Power Networks since 2009, and is a member of the Audit, Risk Management and Compliance and Remuneration Committees of each business. He did not hold any other Australian listed entity directorships within the last three years.

Ms Cheryl Bart AO, BCom, LLB, FAICD
Independent Director (since November 2005)

Ms Bart is a lawyer and has been a Non-Executive Director on the board of SA Power Networks since 1995. She has significant utilities industry experience and is Chair of the Audit Committee of SA Power Networks and a member of its Risk and Compliance Committee.

Ms Bart is a Director on the Board of the Australian Broadcasting Corporation, appointed in 2010. Ms Bart serves on the Board of the Australian Himalayan Foundation, the Football Federation of Australia and the Local Organising Committee of the 2015 Asian Cup. Ms Bart was appointed as a Director of SG Fleet Group Limited in 2014. Ms Bart was previously the Chair of ANZ Trustees Limited, the Foundation for Alcohol Research and Education and the South Australian Film Corporation. Her other directorship positions include Audio Pixels Holdings Limited.

DIRECTORS' REPORT
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Ms Bart is a member of the Audit, Risk and Compliance Committee ("ARC").

Ms Bart has held the following directorships of other Australian listed entities within the last three years.

Listed Entity	*Period directorship held*
• Audio Pixels Holdings Limit	2004 to present
• SG Fleet Group Limited	2014 to present

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

Mr Fay is a Director of BT Investment Management Limited and is Chair of Deutsche Managed Investments Limited. Mr Fay was appointed to the Board of J O Hambro Capital Management Holdings Limited, a UK company which is wholly owned by BT Investment Management and was appointed as Chair of Tasman Lifestyle Continuum in 2014. Mr Fay consults to the Dexus Property Group Ltd in the area of capital markets and advises Microbiogen Pty Ltd, a private company which operates in the renewable energy industry, on corporate development.

Until September 2010 Mr Fay was Chair of Deutsche Asset Management (Australia) Ltd (DeAM) and associated companies. Prior to that, until January 2008, he was Head of DeAM following a 20 year career in the financial services sector. He joined DeAM in 1994 as part of the Australian Equities team and in the ensuing years held a number of positions including head of Australian Equities, Chief Investment Officer for Australia, Chief Investment Officer for Asia Pacific and in April 2005 was promoted to the position of Head of the Australian business.

From November 2006 to November 2007 he was an Alternate Director for the Spark Infrastructure Group and was also an Alternate Director for the Dexus Property Group from 2006 until 2009. For a period of six years until 2006 he was a member of the Investment Board Committee of the Financial Services Council. Prior to joining Deutsche, Mr Fay spent six years at AMP Global Investors working in the areas of Fixed Income, Economics and Australian Equities.

Mr Fay has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor, and of SA Power Networks since 2011. He is also a member of the Remuneration Committees of each business.

Mr Fay is a member of the ARC.

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

Listed Entity	*Period directorship held*
• BT Investment Management Limited	2011 to present

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

Ms McDonald is a Non-Executive Director of listed entities, including the GPT Group and Speciality Fashion Group Limited. She was appointed to the Board of Sydney Water Corporation in 2013.

Ms McDonald served as a partner of Ernst & Young for 15 years until 2005. She has broad based business and financial experience, gained through working with a wide cross section of international and local companies, assisting them with audit, transaction due diligence and regulatory and accounting requirements. She was a Board member of Ernst & Young Australia for 7 years and acts as an advisor to the Norton Rose Fullbright Australian Partnership Council.

Ms McDonald has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor since 2009. In addition, she is Chair of the Audit Committee of Victoria Power Networks and a member of its Risk and Compliance Committee.

Ms McDonald is Chair of the ARC and a member of RemCo.

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

Listed Entity	*Period directorship held*
• GPT Group	2006 to present
• Specialty Fashion Group Limited	2007 to present

Dr Keith Turner BE (Hons) ME, PhD Elec Eng
Independent Director (since March 2009)

Dr Turner possesses extensive experience in the New Zealand energy sector. He served as Chief Executive Officer of Meridian Energy Limited from 1999 to 2008. Prior to that, he worked as a private energy expert advising a range of large corporate clients and Government. He has previously served in a number of senior roles in establishing Contact Energy, and in the Electricity Corporation of New Zealand, and the New Zealand Electricity Department, as well as many industry reform roles.

He is a Director of Chorus NZ Limited and was Deputy Chair of Auckland International Airport until October 2014. Dr Turner is Chair of Fisher & Paykel Appliances Limited. He is also Chair of New Zealand's America's Cup challenge "Emirates Team New Zealand Ltd".

Dr Turner has been a Non-Executive Director of SA Power Networks, Victoria Power Networks, CitiPower and Powercor since 2009.

Dr Turner is a member of the RemCo.

Dr Turner has held the following directorships of other Australian listed entities within the last three years.

Listed Entity	*Period directorship held*
• Auckland International Airport Limited	2004 to 2014
• Fisher & Paykel Appliances Holdings Limited	2010 to present
• Chorus NZ Limited	2011 to present

Ms Christine McLoughlin BA/LLB (Hons) FAICD
Independent Director (since October 2014)

Ms McLoughlin was appointed as an independent Non-Executive Director from 1 October 2014. Ms McLoughlin has over 25 years' experience as a financial services and legal executive with iconic brands in financial services (AMP and IAG), telecommunications (Optus) and professional services industries in Australia, the UK and Asia. Ms McLoughlin was most recently appointed as a Director of Suncorp Group Limited from February 2015, is a Director of nib Holdings Limited and a Director of Whitehaven Coal Limited. She was formerly a Director of Westpac's Insurance Businesses and was the inaugural Chair of Australian Payments Council. She is Deputy Chair of The Smith Family and a Member of the Minter Ellison Advisory Council.

Ms McLoughlin is a member of the RemCo.

Ms McLoughlin has held the following directorships of other Australian listed entities within the last three years.

Listed Entity	*Period directorship held*
• nib Holdings Limited	2011 to present
• Whitehaven Coal Limited	2012 to present
• Suncorp Group Limited	2015 to present

Ms Karen Penrose B.Comm, CPA GAICD
Independent Director (since October 2014)

Ms Penrose was appointed as an independent Non-Executive Director from 1 October 2014. Ms Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and, over the eight years to January 2014, Chief Financial Officer and Chief Operating Officer roles with two ASX listed companies.

Ms Penrose is Chair of the Audit Committee and member of the Risk Committee of the Novion Property Group, Deputy Chair and Chair of the Audit and Risk Committee of Silver Chef Limited and a Director of AWE Limited, LandCom (operating as UrbanGrowth NSW) and Marshall Investments Pty Limited.

Ms Penrose is a member of the ARC.

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

Listed Entity	*Period directorship held*
• Silver Chef Limited	2011 to present
• AWE Limited	2013 to present
• Novion Property Group	2014 to present

COMPANY SECRETARY

Ms Alexandra Finley Dip Law, MLM

Ms Finley is an experienced corporate governance professional with over 15 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 in various senior legal and commercial roles, most recently as Company Secretary of the MLC Group of Companies.

Ms Finley has extensive experience in the financial services sector including mergers and acquisitions, risk management and regulatory compliance and has held strategic, operational and management roles. As a senior lawyer and senior associate in private practice, her experience includes property and construction, banking and finance, workplace relations and corporate advisory.

PRINCIPAL ACTIVITIES

The principal activity of Spark Infrastructure during the Financial Year was investment in regulated electricity distribution businesses in Australia (Victoria and South Australia, the "Asset Companies"). There has been no change in the principal activity during the Financial Year.

STAPLED SECURITIES

Spark Infrastructure is a stapled structure, wherein:

- one unit in the Trust; and
- one Loan Note issued by the Responsible Entity of the Trust

are "stapled" and are quoted on the Australian Securities Exchange ("ASX") as if they were a single security.

DIRECTORS' REPORT
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REVIEW OF OPERATIONS

The table below provides a summary of key financial performance data:

	ACTUAL 2014 $'000	UNDERLYING 2013 $'000	CHANGE COMPARED TO UNDERLYING 2013 $'000	%
Interest Income from Associates	**80,898**	80,898	–	–
Share of Equity Accounted Profits	**180,802**	153,918	26,884	17.5
	261,700	234,816	26,884	11.4
Gain on Derivative Contracts	**24,908**	–	24,908	nm
Other Income – Interest	**2,146**	1,017	1,129	111.0
Total Income	**288,754**	235,833	52,921	22.4
Interest Expense – Other	**(2,051)**	(8,374)	6,323	(75.5)
General and Administrative Expenses	**(11,315)**	(8,195)	(3,120)	38.1
Transaction Fees – Derivative Contracts	**(3,296)**	–	(3,296)	nm
Profit before Loan Note Interest ("LNI")	**272,092**	219,264	52,828	24.1
Loan Note Interest	**(103,378)**	(93,535)	(9,843)	10.5
Profit after LNI	**168,714**	125,729	42,985	34.2
Income Tax Expense	**(40,581)**	(33,639)	(6,942)	20.6
Profit Attributable to Securityholders	**128,133**	92,090	36,043	39.1
Profit before LNI per Security (cents)	**19.32c**	16.53c	2.79c	16.9
Operating Cash Flow	**206,947**	189,278	17,669	9.3
Total distributions for the year (cents)	**11.50c**	11.00c	0.50c	4.5
Total distributions for the year ($'000)	**168,631**	145,940	22,691	15.5
Net Capital Expenditure – Asset Companies (100%)	**869,804**	882,900	(13,096)	(1.5)

UNDERLYING RESULTS

The underlying income and profit summary reports the operating results of Spark Infrastructure after excluding certain non-cash and non-operating items which do not relate to the respective year's underlying performance ("Underlying Adjustments"). The Underlying Adjustments have been presented in accordance with the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 230 *"Disclosing non-IFRS financial information"* issued in December 2011. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the year.

With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets reported by its Asset Companies from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the specific extension or modification to the network, in accordance with AASB 13 *Fair Value Measurement*. This change has been accounted for in the Statement of Profit or Loss and Other Comprehensive Income as a change in estimate. This change reduced Spark Infrastructure's share of equity profits in 2014 by $61.7m and net profit after tax by $43.2m. While there are no Underlying Adjustments recorded in the Current Year, an equivalent adjustment has been made to the reported underlying results for 2013 to provide users of these reports with clearer comparatives.

The following adjustments have been made to the reported results in order to calculate the underlying results:

	IMPACT ON SHARE OF EQUITY ACCOUNTED PROFIT		IMPACT ON NET PROFIT AFTER TAX ATTRIBUTABLE TO SECURITYHOLDERS	
UNDERLYING ADJUSTMENTS	**2014** $'000	**2013** $'000	**2014** $'000	**2013** $'000
Underlying Result	**180,802**	153,918	**128,133**	92,090
Prior Year impact had the Current Year changes made to the basis of estimating fair value of customer contributions & gifted assets been made in the Prior Year	**–**	75,218	**–**	52,653
Income tax expense on ATO settlement regarding rent instalments	**–**	–	**–**	(16,308)
Total Adjustments	**–**	75,218	**–**	36,345
Statutory Result	**180,802**	229,136	**128,133**	128,435

UNDERLYING PROFIT

The Underlying Profit before Loan Note Interest for the Current Year increased by 24.1% to $272,092,000 compared to the Prior Year. The improved performance was a result of higher equity accounted share of profits from the Asset Companies, recognition of an unrealised gain on derivative contracts associated with the interest in DUET Group ("DUET"), lower interest expenses from the repayment of bank debt in prior periods, offset by the expensing of transaction costs associated with the acquisition of the interest in DUET.

OPERATING CASH FLOW

Operating cash flow for the Current Year increased by $17,669,000 or 9.3% on the Prior Year, primarily due to increased distributions from the Asset Companies, distribution equivalents received under the derivative contracts and lower interest payments on corporate bank debt facilities, offset by finance costs paid on the derivative contracts.

PERFORMANCE OF THE ASSET COMPANIES (100% BASIS)

SA POWER NETWORKS (100% BASIS)*	31 DECEMBER 2014 $'000	31 DECEMBER 2013 $'000	VARIANCE $'000	VARIANCE %
Distribution Revenue	**919,968**	854,437	65,531	7.7
Customer Contributions & Gifted Assets	**80,370**	110,302	(29,932)	(27.1)
Other Revenue	**186,968**	167,998	18,970	11.3
Total Revenue	**1,187,306**	1,132,737	54,569	4.8
Operating Costs	**(356,765)**	(312,278)	(44,487)	14.2
EBITDA	**830,541**	820,459	10,082	1.2
EBITDA (excl Customer Contributions & Gifted Assets)	**750,171**	710,157	40,014	5.6

* In the table above, customer contributions & gifted assets revenue is recorded by the Asset Company using the replacement cost approach to determine fair value. Note that from 1 January 2014 Spark Infrastructure makes an adjustment to its share of equity accounted profits in relation to these customer contributions & gifted assets such that the fair value of these revenue items is effectively nil.

In SA Power Networks Partnership ("SA Power Networks"), during the Current Year, Distribution Use of System ("DUoS") revenue increased by 7.7% to $919,968,000. This increase was principally due to higher tariffs across all segments, partly offset by lower volumes. The total volume delivered decreased by 2.0% to 10,586 GWh in the Current Year and was 4.8% below the regulatory allowance for the 2013/2014 regulatory year, reflecting volume decreases in the residential, small and large business segments. Service target performance incentive scheme ("STPIS") revenue relating to the 2012/13 regulatory year of $13,200,000 began being collected via tariffs from 1 July 2014, with $6,600,000 revenue recognised in the second half. No STPIS outcome in respect of the 2013/2014 regulatory year has yet been recognised in revenue.

Customer contributions (including gifted assets), which is either non-cash or the recovery of capital expenditure, decreased by 27.1% to $80,370,000. Other unregulated and semi-regulated revenues increased by 11.3% to $186,968,000, reflecting an increase of National Broadband Network (NBN) contracted revenues, offset by a decrease in construction and maintenance activity largely relating to transmission business, ElectraNet.

SA Power Networks operating expenses increased by 14.2% in the Current Year to $356,765,000, reflecting an increase in vegetation management expenditure, higher material and service costs of $10,200,000 principally associated with the increase in NBN activity, an increase in guaranteed service level payments of $6,200,000 compared to the Prior Year due to extreme weather conditions early in the Current Year and higher labour costs due to emergency response activities.

VICTORIA POWER NETWORKS (100% BASIS)*	31 DECEMBER 2014 $'000	31 DECEMBER 2013 $'000	VARIANCE $'000	VARIANCE %
Distribution Revenue	**843,456**	767,390	76,066	9.9
AMI Revenue	**115,374**	137,978	(22,604)	(16.4)
Customer Contributions & Gifted Assets	**66,979**	66,196	783	1.2
Other Revenue	**148,940**	182,902	(33,962)	(18.6)
Total Revenue	**1,174,749**	1,154,466	20,283	1.8
Operating Costs	**(369,126)**	(395,425)	26,299	(6.7)
EBITDA	**805,623**	759,041	46,582	6.1
EBITDA (excl Customer Contributions & Gifted Assets)	**738,644**	692,845	45,799	6.6

* In the table above, customer contributions & gifted assets revenue is recorded by the Asset Company using the replacement cost approach to determine fair value. Note that from 1 January 2014 Spark Infrastructure makes an adjustment to its share of equity accounted profits in relation to these customer contributions & gifted assets such that the fair value of these revenue items is effectively nil.

DIRECTORS' REPORT
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In Victoria Power Networks Pty Ltd ("Victoria Power Networks"), DUoS revenue increased by 9.9% to $843,456,000 during the Current Year. Total volume delivered decreased by 1.7% to 16,252 GWh in the Current Year, 4.2% below the regulatory allowance. Powercor volumes decreased by 2.1% to 10,333 GWh, largely due to reductions in the domestic and large business segments. CitiPower volumes decreased by 1.0% to 5,919 GWh, largely due to reductions in the domestic and small commercial segments. Extended hot weather during January and February resulted in higher levels of peak demand. This was partially offset by mild weather for the March to June period which specifically impacted domestic peak consumption and the small commercial segment. Tariffs increased by 9% and 10% respectively for Powercor and CitiPower from 1 January 2014 in accordance with the regulatory determinations. AMI related revenue decreased by 16.4% to $115,374,000 in the Current Year, reflecting the depreciating AMI related Regulated Asset Base ("RAB") following rollout completion in 2013. Customer contributions and gifted assets revenue increased by 1.2% to $66,979,000. Other non-prescribed revenue decreased by 18.6% to $148,940,000 largely due to lower activity in the provision of network services to third parties. The Prior Year included large projects for Endeavour Energy and TransGrid in New South Wales, and the Elaine Terminal Station project, for Meridian Energy Australia, in Victoria.

Victoria Power Networks operating expenses decreased by 6.7% to $369,126,000, reflecting net savings realised following commencement of business improvement projects, lower third party network services related costs and lower vegetation management costs. Victoria Power Networks Current Year operating costs include $19,500,000 of one off restructuring costs incurred in respect of various business improvement initiatives, which delivered operating cost savings of $28,900,000 in the Current Year.

Aggregated Asset Company depreciation and amortisation grew by 4.9% from $450,083,000 to $471,930,000, reflecting the increase in the depreciable asset base. Net interest expense (excluding subordinated debt) was $457,771,000, 2.1% higher than the Prior Year, reflecting additional external debt to part finance the ongoing capital investment in the RAB, as well as the pricing impact of refinancing maturing facilities. Aggregated Asset Company income tax expense decreased by $1,998,000 to $34,691,000.

CAPITAL EXPENDITURE AND REGULATORY ASSET BASE

Victoria Power Networks and SA Power Networks continue to invest in the replacement and expansion of their networks. During the Current Year, total capital expenditure of $869,804,000 (Spark Infrastructure share: $426,204,000) was invested on a net basis, i.e. net of customer contributions, a decrease of 1.5% from $882,900,000 (Spark Infrastructure share: $432,621,000) in the Prior Year. The decrease is largely due to the completion of the AMI programme rollout by Citipower and Powercor in the Prior Year.

The estimated RAB for Victoria Power Networks as at 31 December 2014 was $5.17 billion (100% basis), an increase of $235,228,000 or 4.8% over December 2013. The estimated RAB for SA Power Networks as at 31 December 2014 was $3.86 billion (100% basis), an increase of $176,108,000 or 4.8% over December 2013. Spark Infrastructure's aggregate 49% share of the Asset Companies' RAB balances was $4.42 billion, an increase of $201,554,000 or 4.8% over December 2013.

CORPORATE EXPENSES, LOAN NOTE INTEREST AND TAX EXPENSE

General, administrative and employee expenses increased $3,120,000 to $11,315,000 in the Current Year, reflecting increased professional advisory costs including tax advice and the revaluation of long term incentives, which were impacted by the higher market price and improved total shareholder return performance of Spark Infrastructure securities during the year.

The Current Year also included $3,296,000 of one off non-operating costs relating to the DUET transaction.

Interest expense and borrowing costs decreased in the Current Year from $8,374,000 to $2,051,000. The Prior Year included $2,199,000 in relation to cancelling certain interest rate swaps and the expensing of unamortised borrowing costs of $952,000 related to old syndicated facilities. Although no debt was drawn from available facilities in the Current Year the increase in total facilities to $275,000,000 has resulted in an increase in undrawn commitment fees.

Loan Note interest payable to Securityholders increased by $9,843,000 to $103,378,000, due to the additional Loan Notes issued during the Current Year via the Institutional Placement and Security Purchase Plan ("SPP"). New Loan Notes ranked pari passu with the pre-existing Loan Notes. Underlying income tax expense, which is non-cash, increased by $6,942,000 to $40,581,000 for the Current Year.

ATO TAX MATTERS

Both Asset Companies (SA Power Networks and Victoria Power Networks) have been subject to large business audits by the Australian Tax Office ("ATO"). The tax matters being reviewed as part of the audits date back a number of years. Details of these tax matters have been previously disclosed in the Spark Infrastructure Financial Statements.

During the Current Year, Victoria Power Networks paid amounts totalling $11,373,000 to the ATO under part payment arrangements in relation to amended assessments for the tax years ended 31 December 2008 and 31 December 2009. To date, Victoria Power Networks has paid amounts totalling $38,994,000 to the ATO under part payment arrangements, amounts which are reflected as receivables on Victoria Power Networks' balance sheet.

In May 2014, the ATO advised Victoria Power Networks that it will not pursue its position in respect to Division 974 of the *Income Tax Assessment Act 1997*, being the denial of deductions for the interest paid by Victoria Power Networks on certain shareholder loans for all relevant years. All other audit matters with the ATO still remain outstanding including the ATO's assertion that Part IVA of the *Income Tax Assessment Act 1936* should apply to the same shareholder loans. Spark Infrastructure notes that Victoria Power Networks continue to actively engage with the ATO on these matters.

As previously reported both Victoria Power Networks and the SA Power Networks Partnership have obtained legal advice with regard to the ongoing matters and will continue to vigorously defend their positions.

Full details on the ATO matters are provided in Note 4 to the Financial Statements.

DEBT, GEARING AND HEDGING

On 14 March 2014, Spark Infrastructure executed two new bank debt facilities of $75,000,000 and $50,000,000 with Commonwealth Bank of Australia ("CBA") and Bank of Tokyo Mitsubishi UFJ ("BTMU") respectively, and extended by one year the current facilities of $75,000,000 each with the National Australia Bank ("NAB") and Westpac Banking Corporation ("Westpac"). The facilities with NAB and Westpac mature on 13 March 2016, whilst the facilities with CBA and BTMU mature on 13 March 2017. Spark Infrastructure pays an average margin of 130 basis points above the applicable bank bill swap rate on the facilities. All facilities remained undrawn throughout the Current Year.

Spark Infrastructure has cash on hand at 31 December 2014 of $114,435,000 (excluding $10,000,000 of cash held for Australian Financial Services Licensing purposes) which will be used to fund the 2014 final distribution, payable in March 2015. Spark Infrastructure's look-through net gearing, including its proportionate share of the net debt of Victoria Power Networks and SA Power Networks, was 54.1% as at 31 December 2014 (31 December 2013: 57.1%).

Net debt to RAB at the Asset Company level was 77.2%, down 1.3% from 31 December 2013 (78.5%). SA Power Networks' net debt to RAB was 74.2%, down from 76.2% as at 31 December 2013. Victoria Power Networks' net debt to RAB was 79.5%, down from 80.3% as at 31 December 2013. Achieving 75% net debt to RAB gearing at the aggregate Asset Company level by the end of 2015 remains an objective.

There is currently no interest rate hedging at the Spark Infrastructure level. On a proportionate basis, 96.7% of gross debt (including Asset Company gross debt) was hedged as at 31 December 2014 (31 December 2013: 100.2%). This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure and the Asset Companies.

CASHFLOW

Spark Infrastructure's cashflow from operating activities for the Current Year was $206,947,000, 9.3% higher than the Prior Year. Spark Infrastructure received $206,254,000 in distributions from the Asset Companies, up 1.5% from $203,231,000 in the Prior Year.

Distributions received from SA Power Networks were $125,005,000, up $2,450,000 or 2.0%. Shareholder interest received from Victoria Power Networks was $81,249,000, up $573,000 or 0.7%. Distribution equivalents of $15,803,000 were also received in relation to the interest held in DUET. Cash inflows from interest received were $1,687,000 for the Current Year, $600,000 higher than the Prior Year reflecting a larger surplus of funds, albeit at lower deposit interest rates.

Cash outflows for interest paid on senior debt were $1,463,000, down $5,682,000 on the Prior Year, which included $2,199,000 in relation to cancelling certain interest rate swaps. Finance costs paid on derivative contracts of $6,105,000 arise from the embedded funding contained in the DUET related derivative contracts.

Net proceeds of $195,800,000 from the Institutional Placement were used to prepay the equivalent of 89,000,000 DUET securities under the forward contracts. Derivative contracts transaction costs paid in the Current Year totalled $2,739,000.

The refinancing of bank debt facilities in March 2014 incurred associated borrowing costs of $685,000. Spark Infrastructure paid a final distribution for the year ended 31 December 2013 of $72,970,000 to Securityholders in March 2014, representing 5.50 cents per security ("cps"). An interim cash distribution of $84,316,000 representing 5.75 cps was paid on 12 September 2014 in relation to the six months ended 30 June 2014.

EQUITY RAISINGS

During the Current Year Spark Infrastructure completed equity raisings for a total of 139,626,000 stapled securities at $1.76 per stapled security, comprising an Institutional Placement completed on 21 May 2014 and a SPP completed on 30 June 2014. Proceeds from the raisings totalled $240,968,000 (net of issue costs) and were used to prepay $195,800,000 of the embedded funding in the forward contracts as referred to above, and to further strengthen Spark Infrastructure's balance sheet. Issue costs of $4,774,000 were incurred and paid in the Current Year.

ACQUISITION OF AN INTEREST IN DUET

During the Current Year, Spark RE, as Responsible Entity of the Spark Trust, acquired an economic interest equivalent to 61,413,000 securities in DUET by way of cash-settled equity swap contracts ("swaps"). The swaps do not provide any right to buy DUET securities but offer price protection should Spark RE wish to take a physical position in DUET at a future date.

Spark RE also entered into derivative contracts with Deutsche Bank AG ("Deutsche Bank") in relation to stapled securities in DUET which gave Spark RE the ability to acquire and Deutsche Bank the obligation to deliver a minimum of 124,500,000 DUET securities at a price of $2.20 per stapled security. The first prepaid tranche of 89,000,000 DUET securities matures in May 2017 and the second tranche of 35,500,000 DUET securities matures in July 2018. At the election of Deutsche Bank, Spark RE may also acquire a further 40,945,000 DUET securities in July 2018, also at a price of $2.20 per stapled security.

Proceeds from the Institutional Placement (after issue costs) of $195,800,000 were used to prepay the equivalent of 89,000,000 DUET securities under the first tranche of the derivative contracts.

The cost of entry into the interest in DUET under the combined derivative contracts was $402,069,000 or an average entry price of $2.16 per stapled security, which is a combination of the average swap price of $2.09 and the forward contract price of $2.20. If the extra 40,945,000 DUET securities are put to Spark RE at $2.20 in July 2018, the average entry price will increase to $2.17.

DIRECTORS' REPORT
CONTINUED

Spark RE did not change its interest in DUET at the time of DUET's $396,700,000 entitlement offer, completed in December 2014, and as a result Spark RE's economic interest reduced from 14.0% to 12.4%. The interest in DUET is consistent with Spark RE's strategy of investing in quality regulated and long-lived infrastructure assets. Spark RE regularly reviews its interest in DUET and may vary the terms of the derivative contracts throughout their term as it considers appropriate.

Distribution equivalents under the derivative contracts of $15,803,000 and $16,267,000 were paid to Spark Infrastructure in August 2014 and February 2015 respectively.

The interest in DUET has been accretive to cash flows from the date of acquisition.

EQUITY AND RESERVES

Total Equity including Loan Notes attributable to Securityholders increased by $301,663,000 during the Current Year to $2,771,409,000, which included proceeds (net of issue costs) from the Institutional Placement and SPP of $240,968,000. Net profit after tax increased retained profits by $128,133,000, while other movements net of tax included: favourable mark-to-market movements in the value of interest rate derivatives held by the Asset Companies of $18,295,000; actuarial losses on defined benefit superannuation plans of the Asset Companies of $26,888,000; and a capital distribution paid during the Current Year to Securityholders of $58,864,000 (4.19 cps). The mark-to-market movements and actuarial gains are non-cash impacts and result from the application of Australian Accounting standards.

IMPAIRMENT TESTING

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets to determine whether any impairment has arisen, and are satisfied that no impairment existed at 31 December 2014. The discounted cash flow analysis undertaken as part of this review takes into account the current Corporate Plans for the Asset Companies.

REGULATORY UPDATE

Growth in Regulatory Asset Bases

During the current five year regulatory periods, which extend to 30 June 2015 for SA Power Networks and 31 December 2015 for Victoria Power Networks, the Asset Companies in total have net capital expenditure allowances from the AER of $3,729,000,000 (real 2010 dollars) (Spark Infrastructure share: $1,827,210,000), equivalent to $747,000,000 (real 2010 dollars) per annum (Spark Infrastructure share: $366,030,000). In addition, the AMI rollout programme in Victoria Power Networks which amounts to a capital investment of approximately $630,000,000 (Spark Infrastructure share: $308,700,000) from 2009 to 2013, was completed in the Prior Year.

Overall, based on the current regulatory determinations, the combined RABs of the Asset Companies are expected to grow by an average of 7%-8% per annum in accordance with the 2010 regulatory decisions after factoring in expected out-performance against regulatory allowances. Over the four years to date since December 2010, the compound annual growth rate in RAB was 7.6%.

Regulatory resets for 2015/16-20

The Asset Companies' next five year regulatory periods will commence on 1 July 2015 in the case of SA Power Networks, and on 1 January 2016 in the case of CitiPower and Powercor. SA Power Networks' lodged its regulatory submission with the AER on 31 October 2014. A Draft Determination is expected from the AER by 30 April 2015. CitiPower and Powercor will make their regulatory submissions by 30 April 2015 with a Draft Determination expected from the AER by 31 October 2015. Their submissions address the full range of elements required by the AER including proposed capital expenditure, operating expenditure, incentive mechanisms and rate of return parameters. If SA Power Networks' capital expenditure proposal were to be approved by the AER, it would result in compound annual growth in RAB over the next 5 year regulatory period July 2015 to June 2020 of approximately 7.9%.

As a result of the delay caused by completion of the AER's "Better Regulation" program, the businesses will operate under the parameters set by the AER's Draft Decisions for the first year of the new five-year regulatory periods. Once the Final Decisions are published then a 'true-up' will be undertaken for years 2-5 of the new regulatory periods on a no disadvantage basis.

AER Electricity Distribution Benchmarking Report

The AER published its first Benchmarking report on 27 November 2014. The AER has made use of Multilateral Total Factor Productivity ("MTFP") which measures total outputs relative to all input quantities and takes into account the multiple types of inputs and outputs of distributors, and Partial Performance Indicators ("PPI") which provides a means of focussing on a specific aspect of the operation.

The report ranked SA Power Networks, CitiPower and Powercor in the top five performers from the complete field of 13 Electricity Distribution networks regulated by the AER. The government owned distribution businesses were over-represented in the bottom half of the field. The AER's final MTFP model is particularly favourable for CitiPower which is the top performer on each of the three primary measures: Total expenditure ("totex") MTFP, the operating expenditure ("opex") partial MTFP and the capital expenditure ("capex") partial MTFP. The AER's model however is less favourable for Powercor. Powercor performs well on the opex partial MTFP, ranking 2nd to CitiPower in later years and 3rd after SA Power Networks in the earlier years. Powercor does not perform as well on either the totex MTFP or the capex MTFP. This is primarily because the AER's model disadvantages networks that have more kilometres of higher capacity lines (66kv), primarily rural networks. SA Power Networks ranks 3rd overall on the totex MTFP, 4th in the capex partial MTFP and 5th in the opex partial MTFP.

The AER will use benchmarking to determine if it is appropriate to rely on a business's revealed or historical costs when reviewing regulatory proposals. If the AER is satisfied the business benchmarks favourably, its regulatory proposal may be subject to relatively less scrutiny. Where a business does not benchmark well, the onus of proof will fall on the business to justify why not, and if no satisfactory explanation can be provided, have its costs realigned with the relevant industry benchmark.

DISTRIBUTIONS AND CAPITAL MANAGEMENT

As an investment proposition, Spark Infrastructure offers a reliable distribution with the potential for capital growth through Spark Infrastructure's equity investment in the Asset Companies' RABs.

Spark Infrastructure only pays out distributions which are fully supported by operating cashflows. Operating cashflows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis. Operating cashflows are reviewed after deducting an allowance for maintaining the Asset Companies' RABs. Distribution coverage from operating cashflows is assessed annually, while also taking into account the relevant 5-year regulatory period under which the Asset Companies are operating.

Distributions paid to Securityholders comprise interest income on the Loan Notes and can also include a return of capital on Units and income distributions from the Trust. A final cash distribution of 5.50 cents per security ("cps") was paid on 14 March 2014 in relation to 2013 and comprised 3.55 cps of interest on the Loan Notes and 1.95 cps of capital distributions.

An interim cash distribution of 5.75 cps for the Current Year was paid on 12 September 2014 and was comprised of 3.50 cps interest on Loan Notes and 2.25 cps return of capital.

All distributions were unfranked and made by the Trust.

The Board has declared a final cash distribution of 5.75 cps for the Current Year, payable on 14 March 2015, which will be comprised of 3.55 cps interest on Loan Notes for the period and 2.20 cps return of capital. The full year 2014 distribution of 11.50 cps represents an increase of 4.5% on 2013, and a standalone payout ratio of 81.5% for the Current Year. The distribution is unfranked and will be made by Spark Infrastructure Trust.

Distributions paid to Securityholders during the Current Year were:

	FINAL 2013 DISTRIBUTION PAID 14 MARCH 2014		**INTERIM 2014 DISTRIBUTION PAID 12 SEPTEMBER 2014**		**TOTAL DISTRIBUTIONS PAID IN 2014**	
	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000
Interest on Loan Notes	3.55	47,099	3.50	51,323	7.05	98,422
Capital distribution	1.95	25,871	2.25	32,993	4.20	58,864
Total	**5.50**	**72,970**	**5.75**	**84,316**	**11.25**	**157,286**

Distributions paid and payable to Securityholders in respect of the Current Year were:

	2014		**2013**	
	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000
Interim distribution paid	**5.75**	**84,316**	5.50	72,970
Final distribution proposed	**5.75**	**84,315**	5.50	72,970
Total	**11.50**	**168,631**	**11.00**	**145,940**

Spark Infrastructure has a Distribution Reinvestment Plan ("DRP") to enable Securityholders to reinvest their distributions into stapled securities. The Directors regularly assess the operation of the DRP and have determined that the DRP will remain suspended.

DIRECTORS' REPORT
CONTINUED

OUTLOOK

SA Power Networks and Victoria Power Networks are both in the final year of their respective 5 year regulatory periods, which have been characterised by solid operating performance and RAB growth, driven primarily through the efficient delivery of strong operating outcomes and AER approved capital expenditure. The upcoming regulatory resets will determine the level of growth in RAB for the next 5 years.

The Directors intend to provide longer term guidance for growth in distributions per security beyond 2015 at the appropriate time, taking into account business conditions and, in particular, progress in respect of the Asset Company regulatory resets.

Subject to business conditions, the Directors have provided distribution guidance of 12.0 cps for 2015, representing growth of 4.3% on 2014. Distribution per security of 12.0 cps for 2015 will represent compound annual growth of 4.7% since 2011, at the upper end of the 3-5% p.a. guidance range for growth in distributions per security provided initially in 2011.

SPARK INFRASTRUCTURE'S INVESTMENT MANDATE

In addition to the regulatory approved growth in the Asset Companies RAB's, Spark Infrastructure may consider other opportunities to grow the portfolio for the benefit of Securityholders. In this regard, Spark Infrastructure will continue to adhere to its well established investment criteria, which includes consideration of assets which have the following characteristics:

- electricity and gas distribution or transmission, or water and sewerage assets in established jurisdictions, that offer predictable earnings and reliable cashflows;
- subject to independent and transparent regulation by appropriate bodies, or supported by long term contractual arrangements with reliable counterparties;
- yield accretive, either immediately or within a relatively short timeframe;
- value accretive over the long term – offering the opportunity for low double digit returns on equity investment, using risk-adjusted return metrics appropriate for the relevant investment opportunity;
- display a similar risk profile to the assets in its current portfolio; and
- offer the opportunity for strategic diversification, by asset class, geography, regulatory regime and/or timing.

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 2014 up to the date of this report.

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 the Current Year is disclosed in Note 13 to the consolidated financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

ENVIRONMENTAL REGULATIONS

Spark Infrastructure is not subject to any environmental regulations. However, the Asset Companies are subject to various environmental regulations. The Directors are not aware of any material breaches of those regulations by the Asset Companies.

NON-AUDIT SERVICES

Details of amounts paid or payable to the external auditor for non-audit services provided during the Current Year are outlined in Note 16 to the consolidated 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 16 to the consolidated 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.

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 the Current Year, the Trust paid a premium in respect of a contract of insurance indemnifying the Directors against a liability incurred as such 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 the Current Year, indemnified or agreed to indemnify an officer or auditor of the Trust or of any related body corporate against a liability incurred as such an officer or auditor, except to the extent permitted by law.

OPTIONS OVER STAPLED SECURITIES

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

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the Financial Year and the number of meetings attended by each Director for which they were eligible to attend (i.e. in the case of Directors, while they were appointed and where they were not disqualified from attending due to observation of processes to guard against any perceived conflict of interests).

During the Current Year, sixteen Board meetings, five ARC meetings, six RemCo meetings and five Sub-committee ("Sub Co") meetings 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		SUB CO	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
Mr Brian Scullin	16	16	–	–	6	6	–	–
Mr Rick Francis	16	16	–	–	–	–	5	5
Ms Cheryl Bart, AO	16	16	5	5	–	–	–	–
Mr Andrew Fay	16	16	5	5	–	–	3	3
Ms Anne McDonald	16	16	5	5	6	6	2	2
Dr Keith Turner	16	15	–	–	6	6	2	2
Ms Karen Penrose*	2	2	1	1	–	–	–	–
Ms Christine McLoughlin*	2	2	–	–	1	1	–	–

- Ms Penrose and Ms McLoughlin attended 100% of eligible meetings since their appointments.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

ROUNDING OF AMOUNTS

As permitted by ASIC Class Order 98/0100 dated 10 July 1998, amounts in the Directors' Report and the financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Securityholders,

On behalf of the Board, I am pleased to present our 2014 Remuneration Report which covers the remuneration arrangements for our Executives and Non-Executive Directors for the year ended 31 December 2014 ("FY2014"). As foreshadowed at the 2014 Annual General Meeting, the Board requested the Remuneration and Nomination Committee ("RemCo") to undertake a review of the Executive remuneration framework. This review has prompted the Board to make changes to the Executive remuneration framework (with effect from the commencement of FY2014). The Board has looked to improve performance and retention drivers. This in turn will further strengthen alignment between the long-term interests of Securityholders and Executives and better align with general market practice. Full details of these changes are set out in the attached Remuneration Report, which has been externally audited.

In initiating the review of the Executive remuneration framework the Board was mindful of a number of important issues:

- The ability to attract, reward and retain key executives is critical to achieve Spark Infrastructure's strategic objectives, particularly given the current period of substantial industry change including continuing industry consolidation in the sector and greater demand for industry expertise as a result of potential privatisation of the electricity transmission and distribution network assets over the next few years.
- The performance measures under the Long Term Incentive plan did not adequately measure performance in terms of risk management as well as returns and so required adjustment.
- The medium term opportunities and challenges with respect to regulatory resets applicable for the assets in which Spark Infrastructure invests together with potential asset privatisations required a revision of the remuneration mix to reweight incentives to shorter term outcomes, ameliorated by deferral of a proportion as notional securities.
- The increasingly competitive operating environment in which Spark Infrastructure operates.
- Remuneration arrangements and executive employment contracts needed to be revised, with the concurrence of Executives. They are now in line with current market practice and the new termination provisions under Executive contracts comply with the *Corporations Act 2001*.

NON-EXECUTIVE DIRECTORS AND REMUNERATION

During the year RemCo also reviewed its board succession and renewal processes, and reviewed the mix of Non-Executive Director skills and expertise in light of Spark Infrastructure's strategic objectives and the potential workload for the Board as it enters a new period of potential growth and development. As an outcome of this review, the Board was very pleased to announce the appointment of Ms Christine McLoughlin and Ms Karen Penrose to the Board effective from 1 October 2014. Ms McLoughlin has subsequently joined RemCo, and Ms Penrose has joined the Audit, Risk and Compliance Committee ("ARC"). The appointment of these new directors will enhance the operational and financial experience on the Board and will provide depth in resources available to the Board.

The remuneration arrangements for Non-Executive Directors were also reviewed during the year. There were increases to the fee levels of approximately 4% for the Board and Committees to maintain alignment with market standards.

EXECUTIVE REMUNERATION FRAMEWORK

As part of the 2014 review RemCo engaged Guerdon Associates as its independent remuneration advisor on changes to the Executive remuneration framework (including remuneration benchmarking to a defined comparator group), and has also met with relevant stakeholders to seek feedback on the new remuneration framework.

The revised Executive remuneration framework is summarised below:

COMPONENT	DESCRIPTION OF CHANGE
Pay Mix	• The remuneration mix was adjusted to increase the potential STI opportunity and introduce deferred STI, while the potential LTI opportunity was correspondingly reduced and the performance period for the LTI was extended from 3 to 4 years.
Short Term Incentive ("STI")	• Executives' STI opportunities are in the range 70-100% of Fixed Remuneration. • Payment of any actual STI awards remains subject to achievement of a balance of financial and personal objectives. • STI targets were enhanced. Specific key performance indicators and respective weightings are determined by the Board, taking into consideration the opportunities presented by asset privatisations. • For FY2014, 50% of any STI award paid will be deferred for 12-24 months under the Board's new Deferred STI Plan, unless the Board determines otherwise. • Clawback arrangements remain in place for Executives.
Deferred STI Plan	• This is a new element of the Executive remuneration framework. • The deferred component of any STI award will be divided into two equal tranches of notional Spark Infrastructure securities, which will vest (respectively) 12 and 24 months after the end of the original performance period, subject to the Executive's continued employment. • On vesting, the Executive will receive a cash amount equivalent to the market value of Spark Infrastructure securities measured at the end of the applicable deferral period, together with an amount equivalent to any distributions paid on Spark Infrastructure securities during that period. • The deferred component of the STI is a cash-based 'phantom' securities plan under which notional reference securities are granted that match the value of Spark Infrastructure's security price and have an initial value equivalent to the STI outcome at award date. They are not actual securities and do not carry voting rights. STI payments are made in cash at the end of the vesting period and include cash equivalent distributions for the relevant vesting period.
Long Term Incentive ("LTI")	• Executives' LTI Opportunities are in the range 30-50% of Fixed Remuneration. • LTI Opportunities from 1 January 2014 are: • Subject to performance over a four year (rather than three year) performance period. • Vesting will be on a more graduated basis to reduce the "cliff" in vesting value on achieving the minimum threshold performance level. • Assessed against a single performance hurdle which is a risk adjusted TSR target (sometimes called Jensen's Alpha). This measure is calculated independent of Management and will be externally verified each year. • LTI Opportunities from previous years are unchanged.
One-Off LTI Transition Payment	• The shift from a three year to four year performance period in the Spark Infrastructure LTI Plan will result in no potential vesting under the LTI Plan in the 2016 Financial Year. This shift in LTI performance period represents a material decrease in potential total Executive remuneration for the 2016 Financial Year. • To address this gap, Executives will have the opportunity to receive a "One-Off" LTI Transition Payment, subject to the Board's discretion, having regard to performance during the 2014-2016 Financial Years. Any LTI Transition Payment will be paid in February 2017 (details of the Transition Payment are set out in the Remuneration Report). • The Board has determined that the LTI Transition Payment opportunity to be applied for each Executive is appropriate compensation for the gap created, and is consistent with the potential payment under the LTI.
Termination Provisions under Employment Contracts	• The Board and Executives have agreed that provisions in Executive employment contracts regarding previously guaranteed STI payments on notice periods and termination events (other than for cause) be removed. This variation represents a significant benefit foregone by Executives. • Where the Company terminates an Executive's employment (other than for cause), the Executive will be entitled to a termination payment of between 6 and 12 months' Fixed Remuneration. • Any termination payment must comply with Part 2D.2, Division 2 of the *Corporations Act 2001* (Cth).

DIRECTORS' REPORT
CONTINUED

COMPONENT	DESCRIPTION OF CHANGE
Fixed Remuneration	• In accordance with each Executive's employment agreement, Fixed Remuneration is reviewed annually at the beginning of each calendar year. • Having regard to the updates to the Executive remuneration framework and other variations to Executive contracts, including benefits foregone, Executive Fixed Remuneration will now be benchmarked at the market median (i.e. 50% percentile) level for a comparator group of companies with similar characteristics, including: market capitalisation; high capital intensity; limited operational scope and focus; high distribution yield; low beta; and where possible, a focus on infrastructure investments. • Where there is a gap between current Fixed Remuneration and the market median, the intention is to move to the market median over the next two years.

FY2014 PERFORMANCE AND EXECUTIVE REMUNERATION

Performance reviews for 2014 have been completed, individual performances of Executives have been evaluated and STI bonuses determined and approved by the Board. As discussed above, for the 2014 year, the STI opportunities have fixed weightings between company financial results and personal goals for each Executive. In addition, specific key performance indicators ("KPIs") for company financial results are set out in the Remuneration Report.

The overall performance of the company financial results component for 2014 is 79.0% and has been externally audited. Details of the weighting and achievement of financial KPIs are set out in the Remuneration Report.

For the Managing Director, the Board has assessed the result of his personal performance for STI purposes at 80.0% for the year. Coupled with the company financial result (79.0%) this has resulted in an overall achievement of 79.5% ($556,500) for the Managing Director's total STI opportunity for 2014. As previously mentioned, half of this amount ($278,250) will be deferred for 12-24 months in the form of notional reference securities under the new STI Deferral Plan. STI bonuses for the other Executives are set out in the attached report.

PERFORMANCE OF THE LONG TERM INCENTIVE PLAN IN 2014

As previously mentioned, the Long Term Incentive Plan ("LTIP") has been revised as part of the review of the Executive remuneration framework. The performance of the remaining tranches of the old LTIP (i.e. with respect to the 2012 and 2013 years) has continued to be volatile across 2014. In 2013 the 'accounting' valuation and Executive remuneration expense associated with the revaluation of the LTIP at that time was a loss. Pleasingly, the total shareholder return performance of Spark Infrastructure in 2014 was positive and has seen the previous negative equity values of the old LTIP tranches turnaround. Accordingly, Executive remuneration reported in 2014 includes a significant LTI expense associated with the revaluation of the 2012 and 2013 LTIP tranches. This volatility was in part an important reason in initiating the review of the Executive remuneration framework.

REMUNERATION ARRANGEMENTS FOR 2015

Following the implementation of the new Executive remuneration framework and the benchmarking of salaries for 2015, the remuneration arrangements for the Managing Director from 1 January 2015 are – Fixed Remuneration $784,000 and, subject to performance, maximum potential STI of 100% and maximum LTI Award of 50%.

The Board is confident that the changes to the Executive remuneration framework will serve to address the Board's retention objectives and in turn further strengthen the alignment between the long-term interests of Securityholders and Executives and better align with current market practice. The Board will continue to monitor and review the appropriateness of the new remuneration structures with regard to future industry developments, changes in market competitive forces and in light of any emerging corporate governance and remuneration practices.

BRIAN SCULLIN
CHAIR OF THE REMUNERATION
AND NOMINATION COMMITTEE

REMUNERATION REPORT – AUDITED

Contents

The remuneration report provides information about the remuneration arrangements for Key Management Personnel ("KMP"), which includes Non-Executive Directors and Executives, for the year ended 31 December 2014 ("FY2014" or "Current Year") and summarises changes to these arrangements that have been made during the Current Year.

The report covers the following matters:

1. Explanation of key terms used in this Report;
2. Who This Report Covers;
3. Remuneration Governance;
4. Remuneration policy and principles;
5. Relationship between remuneration policy and Spark Infrastructure's performance;
6. Description of Executive remuneration;
7. Details of Executive remuneration; and
8. Description of Non-Executive Director remuneration;
9. Details of Non-Executive Director remuneration; and
10. Key terms of employment contracts.

1. EXPLANATION OF KEY TERMS USED IN THIS REPORT

The following table explains some of the key terms used in this report:

Key Management Personnel (KMP)	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 Managing Director and Chief Executive Officer, the Chief Financial Officer and the General Counsel and Company Secretary.
Fixed Remuneration	Fixed Remuneration is the fixed annual remuneration component of Total Remuneration. Fixed Remuneration includes cash, superannuation and car leases but excludes Non-Monetary items.
Non-Monetary Items	Non-Monetary items include life and income protection insurances, parking allowances and any other incidental benefits.
Short-term Incentive (STI)	STI is the short-term incentive component of Total Remuneration. STI is a cash settled incentive based on achievement during the current financial year of Spark Infrastructure's financial Key Performance Indicators (KPIs); and the Executive's personal KPIs measured over the financial year. For the Current Year, half of the award is paid immediately after the end of the current financial year, while the remaining half is deferred and vests (in two equal tranches) 12 and 24 months after the end of the financial year, subject to specified vesting conditions.
Long-term Incentive (LTI)	LTI is the long-term incentive component of Total Remuneration. LTI is a cash settled incentive based on achievement of Spark Infrastructure's relative Total Securityholder Return performance versus other companies in the S&P ASX 200 index. During FY2014 there was a change in the LTI scheme: • With effect from 1 January 2014, the performance of Spark Infrastructure's risk adjusted TSR is measured solely against other companies in the S&P ASX 200 index, with a four year performance period, subject to specified vesting conditions. • Prior to 31 December 2013, TSR performance (not risk adjusted) was measured equally against the S&P ASX 200 index as well as against the S&P ASX Infrastructure index, with a three year performance period, subject to specified vesting conditions. This change and new measure is explained more fully later in the Remuneration Report.
Total Remuneration	Total Remuneration comprises Fixed Remuneration plus Non-Monetary items plus STI plus LTI.
Total Securityholder Return (TSR)	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.

DIRECTORS' REPORT
CONTINUED

2. WHO THIS REPORT COVERS

This Report presents the remuneration arrangements for Spark Infrastructure's Key Management Personnel ("KMP"). The KMP, at the date of this report, are as follows:

EXECUTIVES	
Mr Rick Francis	Managing Director and Chief Executive Officer ("MD")
Mr Greg Botham	Chief Financial Officer ("CFO")
Ms Alexandra Finley	General Counsel and Company Secretary ("GC&CS")
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr Brian Scullin	Chair of Board and Chair of Remuneration and Nomination Committee ("RemCo")
Ms Cheryl Bart AO	Member of Audit, Risk and Compliance Committee ("ARC")
Mr Andrew Fay	Member of Audit, Risk and Compliance Committee
Ms Anne McDonald	Chair of Audit, Risk and Compliance Committee, Member of Remuneration and Nomination Committee
Ms Christine McLoughlin[1]	Member of Remuneration and Nomination Committee
Ms Karen Penrose[1]	Member of Audit, Risk and Compliance Committee
Dr Keith Turner	Member of Remuneration and Nomination Committee

(1) Appointed Directors on 1 October 2014

Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year.

3. REMUNERATION GOVERNANCE

3.1 Role of the Remuneration and Nomination Committee ("RemCo")

The Board engages with Securityholders, Executives and other stakeholders as required, to continuously review and improve remuneration policies and practices. The role of the RemCo is to review and make recommendations to the Board in respect of the:

- Remuneration framework, policies and practices;
- Remuneration, recruitment, retention, performance measurement, succession planning and termination for all KMP;
- Disclosure of remuneration in Spark Infrastructure's public materials including ASX filings and the Annual Report;
- Selection, appointment and re-election of Non-Executive Directors;
- Selection and appointment of the MD; and
- Performance measurement of the Board, its committees and individual Non-Executive Directors.

The RemCo comprises a minimum of three Non-Executive Directors. Non RemCo members, including members of management as appropriate, may attend all or part of a meeting of the RemCo, at the invitation of the RemCo Chair. The members of the RemCo during the year were:

- Mr Brian Scullin (Committee Chair);
- Ms Anne McDonald;
- Dr Keith Turner; and
- Ms Christine McLoughlin.[1]

(1) Appointed as a director from 1 October 2014 and a member of the RemCo from 11 December 2014.

The RemCo has the authority to engage external professional advisors, such as Spark Infrastructure's auditors, solicitors or other independent advisers (including external consultants and specialists) without seeking approval of the Board or management. The RemCo may seek advice in relation to any matters pertaining to the powers or duties of the RemCo or the responsibilities of the RemCo.

During the current year, the RemCo engaged Guerdon Associates as its advisor on changes to the Executive remuneration framework.

The RemCo charter is available on the Spark Infrastructure website at www.sparkinfrastructure.com.

3.2 Remuneration consultants

During 2014, Guerdon Associates were appointed by the RemCo to assist with a review of the Group's remuneration framework and its STI and LTI Plans, remuneration disclosures, performance measurement and with benchmarking remuneration to a comparator group of similar companies. An amount of $80,135 (2013: $36,344 paid to PwC) was paid to Guerdon Associates for its remuneration advice. For ad hoc advice (not constituting remuneration recommendations), including the provision of the benchmarking research, performance measurement and benchmarking, and remuneration disclosures and engagement, Guerdon Associates received fees of $22,738.

The Board was satisfied that the advice provided was independent and free from influence from the Executives on the basis that:

- the remuneration advice was provided directly to the members of the RemCo, none of whom are Executive Directors;
- Guerdon Associates was engaged by and reported directly to the RemCo, and the RemCo has no reason to believe that any inappropriate pressure was placed on Guerdon Associates by the Executives with a view to influencing the advice provided; and
- Guerdon Associates has provided a declaration that the advice provided during 2014 was free from undue influence by any members of the KMP to whom the advice related.

4. REMUNERATION POLICY AND PRINCIPLES

4.1 Non-Executive Director remuneration policy

Spark Infrastructure's Non-Executive Director remuneration policy is to provide remuneration that is sufficient to attract and retain Directors with the experience, knowledge, skills and judgement to govern Spark Infrastructure's finances and operations.

4.2 Executive remuneration policy

Spark Infrastructure's Executive remuneration policy objectives are to:

- Ensure Spark Infrastructure's Executive remuneration structures are equitable and aligned with the long-term interests of Spark Infrastructure and its Securityholders;
- Attract, focus, motivate and retain skilled Executives;
- Structure short and long term incentives that are contingent on the creation of improved and sustainable Securityholder returns;
- Ensure any termination benefits are appropriate; and
- Comply with applicable legal requirements and appropriate standards of governance.

5. RELATIONSHIP BETWEEN REMUNERATION POLICY AND SPARK INFRASTRUCTURE'S PERFORMANCE

5.1 Key Performance Measures

The link between remuneration and performance is provided by:

- Ensuring that performance measures focus management on strategic business objectives that create and sustain Securityholder value;
- Requiring a significant portion of Executive remuneration to vary with performance;
- Requiring a significant proportion of Executive remuneration to be 'at risk'; and
- Utilising financial and non-financial measures to assess performance.

Spark Infrastructure also assesses performance on the following key corporate measures:

- Financial and compliance based measures including investment management, capital management, cost control, maintenance of controls and compliance environments, and internal business processes and quality;
- Non-financial and strategic measures including strategy, special projects, investor relations and stakeholder management; and
- Executives exercising proper oversight of the assets in which Spark Infrastructure invests, providing direction to Asset Company management for greater performance and developing strategies to deliver beneficial outcomes for the owners.

Remuneration for all Executives varies with performance on these key measures, and is regularly reviewed by the Board.

5.2 2014 Performance

The STI opportunities have fixed weightings between company financial results and the personal goals for each Executive.

The financial key performance indicators comprise a mix of financial measures for the company and the financial performance of its underlying investments reflecting the nature of Spark Infrastructure's operations and the long term nature and characteristic of the assets in which it invests.

A summary of achievement of financial and personal KPIs is set out below:

- The actual achievement saw results in Standalone Operating Cashflow and Look-through Operating Cashflow exceeding the Target benchmarks with achievement of 100% for each metric. Operating Costs were slightly favourable to the Target benchmark with achievement of 55%, while Net Debt to RAB was below the Target benchmark thereby achieving a result of only 40%. Of these the Standalone Operating Cashflow measure is considered the most critical and hence is afforded a weighting of 40%, while the other three measures are all weighted at 20%. Therefore on aggregate, the overall achievement for the financial KPIs for the year was 79.0%.
- Personal KPIs relate to management of processes around strategic objectives, prudent investment management, measures of employee engagement, relationship with key stakeholders including co-owners of the assets, and the strategic imperative to minimise risk through increased diversification. In summary, the Board was satisfied with stakeholder relationships, investment management and the achievement of other strategic objectives exceeded expectations, while performance against all other objectives was good. On balance, given the weightings placed on each of the strategic KPIs by the Board, personal achievements were rated as above target.
- The overall assessments blended the results, with financial KPIs having an assessment of 79.0% and the assessment of personal KPIs for executives varying between 72-82%. Overall, using the blended individual weightings (refer section 6.3), the Board's final assessment was that blended KPI performances for Executives were slightly above target ranging between 74-81%. The individual ratings for executives under the previous remuneration structure in the prior year ranged between 91-97%.

DIRECTORS' REPORT
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The table below shows the reported financial performance of Spark Infrastructure over the last five years.

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2014 $'000	**2013** $'000	**2012** $'000	**2011** $'000	**2010** $'000
Profit before Loan Note Interest and tax expense	**272,092**	294,482	277,050	217,742	238,426
Stand-alone Operating Cashflow	**206,947**	189,278	178,379	188,956	134,651
Look-through Operating Cashflow (cents per security)	**25.1**	22.3	20.6	16.2	16.0
Profit after tax attributable to Securityholders	**128,133**	128,435	173,851	82,580	80,947
Operating Costs	**11,315**	8,195	10,855	6,844	15,236
Closing Security Price as at 31 December ($)	**2.13**	1.62	1.67	1.38	1.13[1]
Distribution per security (cents)	**11.50**	11.00	10.50	10.00	13.54
Net Debt/Regulated Asset Base ("RAB") (%)	**77.2**	78.5	79.7	81.5	80.7

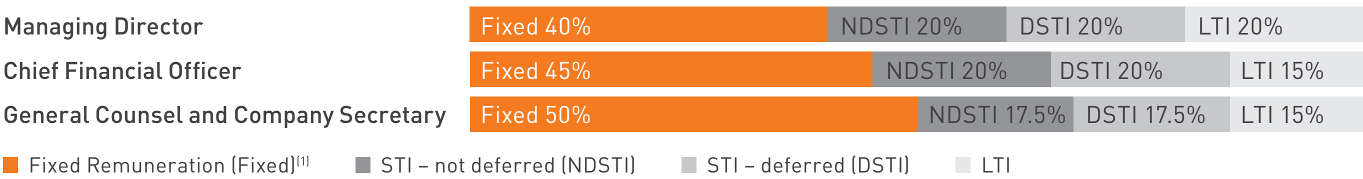
(1) The opening security price for the financial year ended 31 December 2010 was $1.38.

6. DESCRIPTION OF EXECUTIVE REMUNERATION

6.1 Executive remuneration structure

Executive remuneration has a fixed component and an 'at risk' component that varies with performance. The 'at risk' component can be earned through STI and LTI. These different elements of remuneration reflect the Board's objectives in particular with regard to retention, with a focus on both the short and long-term and ensure that a proportion of pay varies with performance over these different periods. Achievement of awards over a number of years creates a layered retention effect, encourages sustained performance aligned to Securityholders' interests and constrains the potential for unacceptable risk taking.

The potential maximum reward mix for Executives, expressed as a percentage of total potential maximum reward, is shown below:



(1) Fixed Remuneration includes superannuation and car leases, but excludes any non-monetary benefits (e.g. car parking) which are not taken into account in determining percentage-based STI and LTI 'at risk' opportunities.

The potential maximum remuneration for Executives for 2014 and 2015 is shown below:

EXECUTIVE	FY2014 FIXED REMUNERATION ($)	POTENTIAL STI (2014) ($)	DEFERRED STI (2015) ($)	DEFERRED STI (2016) ($)	LTI (4 YEAR VESTING PERIOD) ($)
Managing Director	700,000	350,000	175,000	175,000	350,000
Chief Financial Officer	400,000	180,000	90,000	90,000	140,000
General Counsel and Company Secretary	283,000	99,050	49,525	49,525	84,900

EXECUTIVE	FY2015 FIXED REMUNERATION ($)	POTENTIAL STI (2015) ($)	DEFERRED STI (2016) ($)	DEFERRED STI (2017) ($)	LTI (4 YEAR VESTING PERIOD) ($)
Managing Director	784,000	392,000	196,000	196,000	392,000
Chief Financial Officer	466,000	209,700	104,850	104,850	163,100
General Counsel and Company Secretary	352,820	123,487	61,744	61,744	105,846

6.2 Fixed Remuneration and Comparator Groups

Fixed Remuneration is the fixed annual remuneration component of Total Remuneration. Fixed Remuneration includes cash, superannuation and car leases but excludes Non-Monetary items. The level of Fixed Remuneration reflects the market value of the individual role and the employee's skills and experience, together with the Board's policy to ensure remuneration remains appropriate to attract, reward, motivate retain. Adjustments to incentive opportunities reflect the potential the Executive has to impact company performance.

Remuneration is benchmarked against an agreed comparator group of companies. Due to the limited number of listed utilities companies of a similar size to Spark Infrastructure, the comparator group includes companies with similar characteristics including: market capitalisation; high capital intensity; limited operational scope and focus; high distribution yield; low beta; and where possible, a focus on infrastructure investments.

This represents the market from which executives will be recruited or will be lost to. Therefore a policy is set at the median of this comparator group to ensure the level of remuneration is adequate for attraction and retention. Note the median levels of this comparator group are lower than the median of a more generic peer group comprising companies based on market capitalisation or size alone.

The most recent market review utilising this comparator group revealed current remuneration levels are below median and the Board has resolved to eliminate this gap on a graduated basis over the next two years. This will mean that there will be increases above general market increases for those years as this is addressed. In making this determination the Board has also taken into consideration the reduced potential termination benefits to which Executives were previously contractually entitled.

6.3 Short-term incentive ("STI") opportunity

The purpose of the STI is:

- To focus Executives on the achievement of results in areas that are expected to impact the performance of Spark Infrastructure in the short term together with annual sustained performance.
- To assist the retention and engagement of high quality individuals, particularly during times of one-off transformational opportunity.
- To constrain the potential for unacceptable risk taking.

For the deferred component of the STI, Executives and other selected employees participate in the Deferred STI Plan. It is a cash-based 'phantom' security plan that provides for a reward that varies with Spark Infrastructure's performance over the relevant vesting periods. Notional reference securities are granted that match the value of Spark Infrastructure's security price and have a value equivalent to the deferred component of the STI. These are not actual Spark Infrastructure securities and do not carry any voting entitlements.

The Incentive Plan Rules are available on the Spark Infrastructure website at www.sparkinfrastructure.com.

<table>
<tr><th>PARAMETER</th><th>COMMENTARY</th></tr>
<tr><td>STI Opportunity</td><td>The maximum STI opportunity is expressed as a percentage of Fixed Remuneration and is determined by each Executive's relative influence on Spark Infrastructure's performance. The amount of STI payable is dependent on the extent to which:
• Spark Infrastructure has achieved its financial KPIs; and
• Executives have achieved their personal KPIs.

<table><tr><th>From 1 January 2014</th><th>Position</th><th>STI Opportunity (% of Fixed Remuneration)</th></tr><tr><td>Mr Rick Francis</td><td>MD</td><td>100%</td></tr><tr><td>Mr Greg Botham</td><td>CFO</td><td>90%</td></tr><tr><td>Ms Alexandra Finley</td><td>GC&CS</td><td>70%</td></tr></table></td></tr>
<tr><td>Deferral</td><td>Deferral of a proportion of STI was introduced under the revised remuneration framework with the objective of aligning the interests of Executives and Securityholders, to act as a retention mechanism and to encourage performance sustainability.

Payment of 50% of any STI earned is made in February following the year of assessment, with the remaining 50% deferred evenly over the following two years i.e. 25% is paid 12 months later with the final 25% paid 24 months later.

Clawback arrangements remain in place for Executives and the deferred STI may be forfeited if the employee leaves, negative financial misstatement occurs, if performance proves to be unsustainable, or if an acquisition or investment subsequently requires material write-down.

The deferred components of the STI are awarded as notional securities – Refer to Payment Vehicle below.</td></tr>
</table>

DIRECTORS' REPORT
CONTINUED

<table>
<tr><th>PARAMETER</th><th colspan="4">COMMENTARY</th></tr>
<tr><td rowspan="7">Performance Measures</td><td colspan="4">The plan is designed to align STI outcomes with financial results and individual performance focusing on achievement of specific corporate measures over the year.
By linking individual rewards to the achievement of Spark Infrastructure financial targets, these KPIs align the interests of Executives with Securityholders.</td></tr>
<tr><td>KPI's – from 1 January 2014</td><td>Mr Rick Francis Individual Weighting</td><td>Mr Greg Botham Individual Weighting</td><td>Ms Alexandra Finley Individual Weighting</td></tr>
<tr><td>Spark Infrastructure Financial KPIs:
• Stand-alone Operating Cashflow
• Operating costs
• Look-through Operating Cashflow
• Net Debt/RAB</td><td>50%</td><td>40%</td><td>30%</td></tr>
<tr><td>Personal KPIs, which may be financial or non-financial and include those measures disclosed in section 5.</td><td>50%</td><td>60%</td><td>70%</td></tr>
<tr><td colspan="4">For the Current Year, the composition weighting of the Spark Infrastructure financial KPI was determined as – Standalone Operating Cashflow 40%; Operating costs 20%; Look-through Operating Cashflow 20%; and Net Debt/RAB 20%.
The measurement scale for the financial KPIs is set out below, and final results are determined on a pro-rata basis between the range:</td></tr>
<tr><td></td><td>Below Threshold</td><td>Target</td><td>Exceed Stretch Target</td></tr>
<tr><td>Spark Infrastructure Financial KPIs</td><td>0%</td><td>50%</td><td>100%</td></tr>
<tr><td></td><td colspan="4">The weightings and measurement applied between the various personal KPIs will vary between individual and will vary each year in response to the relative importance of matters such as business plans for the year, special projects and regulatory cycles and other activity.</td></tr>
<tr><td>Clawback</td><td colspan="4">The Board has approved a Clawback Policy that allows the clawback of STI payments if subsequent events show that a reduction is appropriate. Circumstances in which the Board may seek to reduce or recoup 'at risk' remuneration (whether vested or unvested) include fraud, a material misstatement in financial statements due to misrepresentation or negligence, conduct that exposes the Company to reputational damage or legal action, or a wilful or persistent breach of company policy. Under the Clawback Policy the Board may deem unvested awards to have lapsed, deem awards not yet paid to be forfeited or require repayment of cash amounts received following vesting.</td></tr>
<tr><td>Performance, Payment and vesting periods</td><td colspan="4">Performance period: 12 months (i.e. current financial year)
The initial 50% of STI will be paid in cash subsequent to the current year-end (i.e. February 2015).
Subsequent vesting periods: 25% 12 months after year-end, and final 25% 24 months after year end.</td></tr>
</table>

PARAMETER	COMMENTARY
Payment Vehicle	The initial 50% of STI will be paid in cash. Spark Infrastructure securities comprise a Loan Note stapled to a unit in the Spark Infrastructure Trust. This means that Spark Infrastructure cannot readily issue new stapled securities to meet the requirements of an employee equity plan as it would be both complex and costly to do so due to the treatment of the Loan Note under relevant legislation. Therefore it has established a 'phantom' securities Incentive Plan under which notional securities are offered to Executives thereby creating alignment with Securityholders. Board discretion will apply in the event of a change of control. The deferred component will be awarded as 'notional securities'. The number of notional securities granted will be equal to the value of the deferred component (50% of the total STI awarded) divided by the Spark Infrastructure security volume weighted average price (VWAP) over the 30 trading days prior to the deferral period. The value of the deferred component thus exposes the Executive to movements in Spark Infrastructure's security price during the deferral period. Deferred STI components will be paid as the cash equivalent of the Spark Infrastructure security price at the end of the deferral period, including 'notional distributions' paid during the period. This enhances alignment of the Executive's interest with those of Securityholders.
Performance Assessment	Spark Infrastructure Financial KPIs and outcomes are reviewed by the RemCo and recommended to the Board for approval. This method of assessment is rigorous, objective and reflective of standard practice. Personal KPIs for Executives (other than the MD) are set and assessed by the MD and reviewed by the RemCo. The MD's performance is assessed and approved by the Board.
Hedging	Executives are not permitted to hedge their STI Awards or notional securities issued under the Spark Infrastructure Incentive Plan.

6.4 Long-term incentive ("LTI") opportunity

The purpose of the LTI is:

- To align Executive reward with the long-term interests of Spark Infrastructure and its Securityholders, ensuring creation of sustainable Securityholder returns.
- To recognise the regulatory reset periods which apply to the underlying assets in which Spark Infrastructure invests and that those assets are long lived.
- To permit a fair assessment of relative performance that recognises returns above those expected for each security's investment risk.

Executives and other selected employees participate in an LTI plan. The plan is designed to focus performance and reward long term drivers of Securityholder value. It is a cash-based 'phantom' security plan that provides for a reward that varies with Spark Infrastructure's performance over a four year period (note that the LTI plan in years prior to 2014 was assessed over a three year period). Notional reference securities are granted that match the value of Spark Infrastructure's security price and have a value equivalent to the LTI target opportunity. These are not actual Spark Infrastructure securities and do not carry any voting entitlements.

The Incentive Plan Rules are available on the Spark Infrastructure website at www.sparkinfrastructure.co.

PARAMETER	COMMENTARY
LTI Opportunity	The maximum LTI opportunity is expressed as a percentage of Fixed Remuneration and is determined by each Executive's relative influence on Spark Infrastructure's long-term performance.

From 1 January 2014	Position	LTI Opportunity (% of Fixed Remuneration)
Mr Rick Francis	MD	50%
Mr Greg Botham	CFO	35%
Ms Alexandra Finley	GC&CS	30%

DIRECTORS' REPORT
CONTINUED

<table>
<tr><th>PARAMETER</th><th>COMMENTARY</th></tr>
<tr><td>Pre 2014 Performance Measures</td><td>
The relative performance measure is based on TSR.
Relative TSR is assessed against two peer groups for grants between 1 January 2012 and 31 December 2013 being:

Companies in the S&P ASX 200 index (50% weighting); and
Companies in the S&P ASX Infrastructure index (50% weighting).

TSR is calculated as the difference in notional reference security price over the performance period, plus the value of notional reference securities earned from reinvesting distributions received over this period, expressed as a percentage of the notional reference security price at the beginning of the performance period.
TSR = (Security price (closing) – Security price (starting) + distributions) / Security price (starting)
The starting and closing security price for each reference security are determined based on the 30 trading days' volume weighted average market price ("VWAP") of the security immediately prior to the start and end of the performance period.
For grants between 1 January 2012 and 31 December 2013:
<table>
<tr><th>TSR Percentile Ranking</th><th>% of Award Vesting</th></tr>
<tr><td>< 51st</td><td>0%</td></tr>
<tr><td>51st</td><td>50%</td></tr>
<tr><td>51st – 100th</td><td>Increasing proportionally on a straight line basis from > 50% to < 150%</td></tr>
<tr><td>100th</td><td>150%</td></tr>
</table>
</td></tr>
<tr><td>Pre 2014 Performance Period</td><td>Performance is assessed over a three year period for those notional reference securities awarded between 1 January 2012 and 31 December 2013 i.e. the 2012 and 2013 LTI allocations.</td></tr>
<tr><td>2014 Performance Measures</td><td>
The relative performance measure is based on risk adjusted TSR, using Jensen's Alpha, which is a well known and credible methodology (described below).
From 1 January 2014 the S&P ASX Infrastructure index peer group has been removed as the Board is of the view that the composition is no longer of relevance to Spark Infrastructure, given the continued consolidation within the sector.
From 1 January 2014 the sole performance hurdle going forward will be the achievement of a risk adjusted TSR assessed against the following peer group – Companies in the S&P ASX 200 index (100% weighting).
The risk adjusted TSR is the return on a security in excess of what would be expected given its relative riskiness (or beta as determined by capital asset pricing model (CAPM) principles). The excess return of Spark Infrastructure is compared to the excess returns of ASX 200 index companies, over the performance period, to determine its percentile ranking. Because the method takes into account market and share price volatility, share price is not averaged prior to the start and end of the performance period. The risk adjusted TSR outcome is produced independent of Management and is externally reviewed on an annual basis.
The level of risk adjusted TSR growth achieved by Spark Infrastructure in each period is given a percentile ranking having regard to its performance versus companies in the peer groups. The degree to which the LTI opportunity vests is determined by reference to the following scales.
For grants made from 1 January 2014:
<table>
<tr><th>TSR Percentile Ranking</th><th>% of Award Vesting</th></tr>
<tr><td>< 51st</td><td>0%</td></tr>
<tr><td>51st</td><td>30%</td></tr>
<tr><td>51st – 75th</td><td>Increasing proportionally on a straight line basis from > 30% to < 100%</td></tr>
<tr><td>75th or higher</td><td>100%</td></tr>
</table>
</td></tr>
</table>

PARAMETER	COMMENTARY
2014 Performance Measures *continued*	In selecting a risk adjusted TSR as the appropriate hurdle for the LTI the Board had regard to a number of alternatives including the difficulty in setting an appropriate benchmark peer group noting ongoing industry consolidation in the sector. In particular, the Board has given careful consideration to the vesting schedule to reduce the potential for excessive risk taking as threshold performance is approached. In determining that a single LTI benchmark of risk adjusted TSR (or Jensen's Alpha) assessed against the S&P ASX 200 index was appropriate, the Board had regard to market practice and the nature of Spark Infrastructure's operations. Other financial and operational measures for the LTI plan were considered and rejected given the focus of the company is primarily investment related and non-operational.
Retesting	There is no retesting of LTI vesting.
2014 Performance Period	The performance of notional reference securities awarded from 1 January 2014 onwards is assessed over a four year period. A four year period was considered more appropriate than three years given the long lived nature of the regulated assets in which Spark Infrastructure invests.
Payment Vehicle	Due to the nature of Spark Infrastructure securities being a Loan Note stapled to a unit in the Spark Infrastructure Trust, Spark Infrastructure does not operate a securities plan but has instead established a 'phantom' securities Incentive Plan under which notional securities are offered to Executives thereby creating alignment with Securityholders. Board discretion will apply in the event of a change of control. The LTI payment is made in cash at the end of the vesting period (either three or four years) if certain conditions have been met. Cash equivalent distributions on the notional securities are tracked throughout the vesting period. Upon vesting, the cash equivalent distributions, corresponding to the number of securities that vested, are also paid to participants. No cash equivalent distributions are paid prior to vesting, nor on any notional securities that do not ultimately vest. These distributions are proportional to operating cashflow, which reinforces the focus on performance and alignment with the interests of Securityholders provided by this form of remuneration.
Unvested Notional Securities	The treatment of unvested LTI notional securities on termination of employment will vary based on assessment by the Board on the circumstances of termination. This additional requirement is to enhance Spark Infrastructure 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.
Hedging	Executives are not permitted to hedge their LTI Awards or notional securities issued under the Spark Infrastructure Incentive Plan.

6.5 LTI Transition Payments

Due to the extension of LTI vesting maturities from three to four years commencing in the Current Year, no LTI award will vest in the 2016 Financial Year. This represents a material decrease in potential total Executive remuneration for the 2016 Financial Year.

As a "one-off" transitional arrangement, Executives will have the opportunity to receive a LTI Transition Payment, subject to Board discretion, covering the period 2014-2016. Any payments arising from this opportunity will be made in February 2017.

The Board has determined that the LTI Transition Payment opportunity to be applied for each Executive is appropriate compensation for the gap created, and is consistent with any potential payment under the LTI.

In making any Transition Payment the Board will have regard to Executive performance over the period from 2014-2016 and incentive payments already received in prior periods.

7. DETAILS OF EXECUTIVE REMUNERATION

7.1 Actual remuneration received by Executives

The format and content of the remuneration report are reviewed each year with a view to presenting information consistently, concisely and in a form that complies with the *Corporations Act 2001*. Spark Infrastructure has continued to provide voluntary disclosure of actual remuneration received by each Executive. Actual remuneration received is provided in addition to the statutory reporting of remuneration expense (refer section 7.1) to increase transparency about what the Executive actually received during the year.

The STI paid in each year represents amounts earned in relation to the individual's performance from the preceding year. Note: Deferral of STI under the new Deferred STI Plan will only impact STI's awarded from 1 January 2015.

The LTI paid in the Current Year relates to the 2011 LTI allocation which vested on 31 December 2013 and was paid in February 2014. The 2012 LTI allocation vested on 31 December 2014 and will be paid in February 2015. The 2013 and 2014 LTI allocations are still subject to performance and service conditions and are still 'at risk' of forfeiture.

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	SALARY ($)	STI PAID ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	LTI PAID ($)	TOTAL ($)
Received in 2014						
Mr Rick Francis	675,000	350,000	31,361	25,000	135,196	1,216,557
Mr Greg Botham	381,721	170,000	21,265	18,279	38,173	629,438
Ms Alexandra Finley	264,721	100,000	23,979	18,279	63,622	470,601
	1,321,442	**620,000**	**76,605**	**61,558**	**236,991**	**2,316,596**
Received in 2013						
Mr Rick Francis	605,000	275,000	22,844	25,000	–	927,844
Mr Greg Botham	332,878	77,800	18,026	17,122	–	445,826
Ms Alexandra Finley	254,878	89,000	20,341	17,122	–	381,341
	1,192,755	**441,800**	**61,211**	**59,245**	**–**	**1,755,011**

7.2 Remuneration of Executives expensed in relation to the year

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS		
	SALARY ($)	TOTAL STI EXPENSE ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	TOTAL LTI EXPENSE* ($)	LTI TRANSITION EXPENSE ($)	TOTAL EXPENSE ($)
In relation to 2014							
Executives							
Mr Rick Francis	675,000	394,187	31,361	25,000	793,843	35,000	1,954,391
Mr Greg Botham	381,721	206,040	21,265	18,279	324,050	18,000	969,355
Ms Alexandra Finley	264,721	109,871	23,979	18,279	247,013	9,905	673,768
	1,321,442	**710,098**	**76,605**	**61,558**	**1,364,906**	**62,905**	**3,597,514**
In relation to 2013							
Executives							
Mr Rick Francis	605,000	350,000	22,844	25,000	(19,539)	–	983,305
Mr Greg Botham	332,878	170,000	18,026	17,122	(7,574)	–	530,452
Ms Alexandra Finley	254,878	100,000	20,341	17,122	(6,418)	–	385,923
	1,192,755	**620,000**	**61,211**	**59,245**	**(33,531)**	**–**	**1,899,680**

* At 31 December 2013 it was determined that cash payments under the long term incentive were less likely to vest than before, and as a result previously accrued expenses were reversed, giving rise to a negative expense for FY2013.

7.3 Performance related remuneration

7.3.1 Short Term Incentives (STIs)

The following tables show the STIs that were awarded and deferred during the year and the number of notional reference Securities that have been allocated to Executives under the Deferred STI Plan but have not yet vested or been paid, the years in which they may vest and the fair value recognised. The fair value attributed to the notional reference Securities will be remeasured at the end of each reporting period until the date of settlement. Any changes in fair value are recognised within profit or loss.

TOTAL STI AWARD IN RELATION TO 2014	TOTAL STI AWARD ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)	STI AWARD TO BE PAID[1] ($)	STI AWARD DEFERRED ($)	STI EXPENSE[2] ($)
Mr Rick Francis	556,500	79.5%	20.5%	278,250	278,250	394,187
Mr Greg Botham	290,880	80.8%	19.2%	145,440	145,440	206,040
Ms Alexandra Finley	155,112	78.3%	21.7%	77,556	77,556	109,871

(1) STI to be paid in February 2015.

(2) STI Expense reflects the amount expensed in the year for both STI and Deferred STI based on the period of service completed by the Executives at 31 December 2014.

DEFERRED STI IN RELATION TO 2014	DATE OF AWARD	NOTIONAL REFERENCE SECURITIES (NO.)	OPENING VWAP ($)	CLOSING VWAP ($)	AMOUNT PAYABLE/ FAIR VALUE ($)	DEFERRED STI EXPENSE ($)	EXPECTED VESTING DATE
Mr Rick Francis	1 Jan 2015	70,622	1.97	1.97	69,563	69,563	31 Dec 2015
	1 Jan 2015	70,622	1.97	1.97	46,375	46,374	31 Dec 2016
		141,244				115,937	
Mr Greg Botham	1 Jan 2015	36,914	1.97	1.97	36,360	36,360	31 Dec 2015
	1 Jan 2015	36,914	1.97	1.97	24,240	24,240	31 Dec 2016
		73,828				60,600	
Ms Alexandra Finley	1 Jan 2015	19,684	1.97	1.97	19,389	19,389	31 Dec 2015
	1 Jan 2015	19,684	1.97	1.97	12,926	12,926	31 Dec 2016
		39,368				32,315	

TOTAL STI AWARD IN RELATION TO 2013	TOTAL STI AWARD ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)	STI AWARD TO BE PAID[1] ($)	STI AWARD DEFERRED[2] ($)	STI EXPENSE ($)
Mr Rick Francis	350,000	92.6%	7.4%	350,000	–	350,000
Mr Greg Botham	170,000	97.1%	2.9%	170,000	–	170,000
Ms Alexandra Finley	100,000	91.9%	8.1%	100,000	–	100,000

(1) STI paid in February 2014.

(2) There was no Deferred STI applicable in 2013.

DIRECTORS' REPORT CONTINUED

7.3.2 Long Term Incentives (LTIs)

The following tables set out the number of notional reference Securities that have been allocated to Executives under the LTI plan but have not yet vested or been paid, the years in which they may vest and the fair value recognised. The fair value attributed to the notional reference Securities will be remeasured at the end of each reporting period until the date of settlement. Any changes in fair value are recognised within profit or loss.

2014	DATE OF AWARD	NOTIONAL REFERENCE SECURITIES (NO.)	OPENING VWAP ($)	NOTIONAL TSR ACHIEVEMENT (%)	CLOSING VWAP ($)	AMOUNT PAYABLE/FAIR VALUE ($)	LTI EXPENSE ($)	ACTUAL/ EXPECTED VESTING DATE
Mr Rick Francis	1 Jan 2012	225,732	1.31	89%	1.97	461,449	374,256	31 Dec 2014[1]
	1 Jan 2013	229,091	1.65	82%	1.97	286,708	286,708	31 Dec 2015
	1 Jan 2014	220,126	1.59	100%	1.97	132,879	132,879	31 Dec 2017
							793,843	
Mr Greg Botham	1 Jan 2012	83,333	1.31	89%	1.97	170,352	138,163	31 Dec 2014[1]
	1 Jan 2013	106,061	1.65	82%	1.97	132,736	132,736	31 Dec 2015
	1 Jan 2014	88,050	1.59	100%	1.97	53,151	53,151	31 Dec 2017
							324,050	
Ms Alexandra Finley	1 Jan 2012	79,771	1.31	89%	1.97	163,071	132,258	31 Dec 2014[1]
	1 Jan 2013	65,939	1.65	82%	1.97	82,523	82,523	31 Dec 2015
	1 Jan 2014	53,396	1.59	100%	1.97	32,233	32,233	31 Dec 2017
							247,014	

(1) 100% of the 2012 LTI allocation vested on 31 December 2014 and will be paid in February 2015.

2013	DATE OF AWARD	NOTIONAL REFERENCE SECURITIES (NO.)	OPENING VWAP ($)	NOTIONAL TSR ACHIEVEMENT (%)	CLOSING VWAP ($)	AMOUNT PAYABLE/FAIR VALUE ($)	LTI EXPENSE[2] ($)	ACTUAL/ EXPECTED VESTING DATE
Mr Rick Francis	1 June 2011	103,298	1.20	71%	1.59	135,196	4,159	31 Dec 2013[1]
	1 Jan 2012	225,732	1.31	30%	1.59	87,193	(23,698)	31 Dec 2014
	1 Jan 2013	229,091	1.65	0%	1.59	–	–	31 Dec 2015
							(19,539)	
Mr Greg Botham	1 June 2011	29,167	1.20	71%	1.59	38,173	1,175	31 Dec 2013[1]
	1 Jan 2012	83,333	1.31	30%	1.59	32,189	(8,749)	31 Dec 2014
	1 Jan 2013	106,061	1.65	0%	1.59	–	–	31 Dec 2015
							(7,574)	
Ms Alexandra Finley	1 June 2011	48,611	1.20	71%	1.59	63,622	1,957	31 Dec 2013[1]
	1 Jan 2012	79,771	1.31	30%	1.59	30,813	(8,375)	31 Dec 2014
	1 Jan 2013	65,939	1.65	0%	1.59	–	–	31 Dec 2015
							(6,418)	

(1) The 2011 LTI allocation vested on 31 December 2013 and was paid in February 2014.

(2) At 31 December 2013 it was determined that cash payments under the long term incentive were less likely to vest than before, and as a result previously accrued expenses were reversed, giving rise to a negative expense for FY2013.

7.3.3 LTI Transition Payment

The shift from a 3 year to 4 year performance period under the revised LTI Plan will result in no potential vesting under the LTI plan in the 2016 Financial Year. The Board has determined that Executives will have the opportunity to receive an LTI Transition Payment, which will vest at 31 December 2016. The LTI Transition Payment opportunity is un-hurdled but will be subject to the Board's discretion, having regard to the Executive's performance during the 2014-2016 financial years. Any LTI Transition Payment will be paid in February 2017.

In making this determination, the Board had regard to:

- the LTI vesting gap for the 2016 year;
- the benefits foregone by Executives under the agreed changes to their employment contracts to remove provisions relating to previously guaranteed STI payments on notice periods and termination events (other than for cause); and
- the Board's strategic objectives and the need to retain key executives.

In all of these circumstances, the Board considers it appropriate to provide Executives with the opportunity to receive an LTI Transition Payment and that the amounts as determined are fair and reasonable.

The following table shows the potential maximum LTI Transition Payments determined by the Board.

2014	EXPECTED VESTING DATE[1]	LTI TRANSITION PAYMENT OPPORTUNITY ($)
Mr Rick Francis	31 Dec 2016	455,000
Mr Greg Botham	31 Dec 2016	234,000
Ms Alexandra Finley	31 Dec 2016	128,765

(1) The 2016 LTI Transition Payments are expected to be paid in February 2017.

8. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration for Non-Executive Directors is designed to ensure that Spark Infrastructure can attract and retain suitably qualified and experienced directors. Fees for Non-Executive Directors are fixed and are not linked to the financial performance of Spark Infrastructure. As announced on 1 October 2014, further appointments were made to the Board. The two new Directors are expected to bring significant value to Spark Infrastructure as it enters a new period of potential growth and development. All current Non-Executive Directors hold securities in Spark Infrastructure.

The basis of fees are reviewed annually utilising external market data or the advice of an independent consulting firm. Fee levels for all Non-Executive Directors are positioned having regard to the 75th percentile of the general market and against comparable board fees across various ASX peer groups (e.g. ASX 100, 200 and 300 groupings), and take into account company size, market capitalisation and workload.

In addition, Non-Executive Director fees take the following matters into consideration:

- The Board Chair's fee to be in the range of 2.0 – 2.5 times the base Non-Executive Director fee;
- The Board Chair shall be eligible to receive a committee membership / chair fee in addition to the base Chair Board fee;
- Members of board committees shall be eligible to receive a committee membership fee in addition to the base Non-Executive Director fee, set at approximately half the fee of the committee chair; and
- In setting the fees applicable to committee chairs and committee members, the Board takes into account the relative workloads of committees.

The annual fees payable to Non-Executive Directors (inclusive of statutory superannuation) in place for 2014 and 2015 are:

ROLE	FY2014 FEE	FY2015 FEE
Board Chair	**$256,000**	$268,000
Non-Executive Director	**$117,500**	$122,000
Audit Risk and Compliance Committee Chair	**$36,000**	$37,500
Audit Risk and Compliance Committee member	**$18,000**	$19,000
Nomination and Remuneration Committee Chair	**$31,000**	$32,000
Nomination and Remuneration Committee member	**$15,500**	$16,000

Increases to fee levels for 2015 were approximately 4% to maintain alignment with market standards. Except for the payment of statutory superannuation entitlements (where applicable), Non-Executive Directors do not receive any other post-employment benefits.

The aggregate fee limit for Non-Executive Directors approved by Securityholders is $2.0 million, and is unchanged from prior years.

DIRECTORS' REPORT
CONTINUED

As a separate but related matter, a number of Non-Executive Directors have also been appointed as directors on the Boards of SA Power Networks and Victoria Power Networks (the "Asset Company Boards"). Those Non-Executive Directors who are also directors on the Asset Company Boards are entitled to receive director's fees which reflect the separate corporate and legal responsibilities as directors of those companies. Asset Company Board director's fees are determined and paid for by the relevant Asset Company. For the avoidance of doubt, director's fees for the Asset Company Boards do not form part of the aggregate fee limit for Spark Infrastructure.

9. DETAILS OF NON-EXECUTIVE DIRECTOR REMUNERATION

9.1 Remuneration of Non-Executive Directors earned in relation to the year

IN RELATION TO 2014	SHORT-TERM DIRECTOR BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	FEES ($)	STI PAID OR PAYABLE ($)	NON-MONETARY ($)	SUPER-ANNUATION[2] ($)	LTI EXPENSE ($)	TOTAL ($)
Non-Executive Directors						
Mr Brian Scullin	268,721	–	–	18,279	–	287,000
Ms Cheryl Bart AO	123,886	–	–	11,614	–	135,500
Mr Andrew Fay	123,886	–	–	11,614	–	135,500
Ms Anne McDonald	154,514	–	–	14,486	–	169,000
Ms Christine McLoughlin[1]	27,641	–	–	2,626	–	30,267
Ms Karen Penrose[1]	27,772	–	–	2,638	–	30,411
Dr Keith Turner	133,000	–	–	–	–	133,000
	859,420	**–**	**–**	**61,257**	**–**	**920,677**

(1) Ms McLoughlin and Ms Penrose were appointed on 1 October 2014. The amounts included for Ms McLoughlin and Ms Penrose represent payments made or payable relating to the period during which they were Non-Executive Directors.

(2) Contributions to personal superannuation on behalf of Non-Executive Directors are deducted from their overall fee entitlements.

IN RELATION TO 2013	SHORT-TERM DIRECTOR BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	FEES ($)	STI PAID OR PAYABLE ($)	NON-MONETARY ($)	SUPER-ANNUATION[1] ($)	LTI EXPENSE ($)	TOTAL ($)
Non-Executive Directors						
Mr Brian Scullin	262,878	–	–	17,122	–	280,000
Ms Cheryl Bart AO	121,421	–	–	11,079	–	132,500
Mr Andrew Fay	121,421	–	–	11,079	–	132,500
Ms Anne McDonald	151,203	–	–	13,797	–	165,000
Dr Keith Turner	130,000	–	–	–	–	130,000
	786,922	**–**	**–**	**53,078**	**–**	**840,000**

(1) Contribution to personal superannuation on behalf of Non-Executive Directors are deducted from their overall fee entitlements.

9.2 Asset Company Board Fees – 2014 and 2013

In addition to the fees paid by Spark Infrastructure, Ms Cheryl Bart, Ms Anne McDonald, Dr Keith Turner and Mr Andrew Fay were entitled to Directors' fees as directors of the Asset Company Boards. These fees are paid by the Asset Companies and do not form part of Spark Infrastructure's aggregate fee limit.

Ms Bart was entitled to Director's fees totalling $100,000 as a director on the SA Power Networks Board comprised as follows:

- Non-Executive Director – annual fee of $75,000
- Chair of Audit Committee –annual fee of $15,000
- Member of Risk Management and Compliance Committee – annual fee of $10,000

Ms McDonald was entitled to Director's fees totalling $100,000 as a Director on the Victoria Power Networks Board comprised as follows:

- Non-Executive Director – annual fee of $75,000
- Chair of Audit Committee –annual fee of $15,000
- Member of Risk Management and Compliance Committee – annual fee of $10,000

Dr Turner was entitled to Director's fees of $150,000 as a Director on the Boards of SA Power Networks and Victoria Power Networks comprised as follows:

- Non-Executive Director of the Victoria Power Networks Board – annual fee of $75,000
- Non-Executive Director of the SA Power Networks Board – annual fee of $75,000

Mr Fay was entitled to Director's fees of $170,000 as a director on the Boards of SA Power Networks and Victoria Power Networks comprised as follows:

- Non-Executive Director of the Victoria Power Networks Board – annual fee of $75,000
- Member of Victoria Power Networks Remuneration Committee – annual fee of $10,000
- Non-Executive Director of the SA Power Networks Board – annual fee of $75,000
- Member of SA Power Networks Remuneration Committee – annual fee of $10,000.

The Spark Infrastructure MD also sits on all Asset Company boards and committees. All fees received in respect of the MD's services are paid to Spark Infrastructure.

10. STAPLED SECURITY HOLDINGS

10.1 Executive Security Holdings

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

2014	OPENING BALANCE 1 JANUARY 2014 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2014 (NO.)
Mr Rick Francis	10,000	8,500	18,500
Mr Greg Botham	–	–	–
Ms Alexandra Finley	–	–	–

The relevant interest of each Executive of Spark Infrastructure in respect of the previous Financial Year was as follows:

2013	OPENING BALANCE 1 JANUARY 2013 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2013 (NO.)
Mr Rick Francis	10,000	–	10,000
Mr Greg Botham	–	–	–
Ms Alexandra Finley	–	–	–

10.2 Non-Executive Directors' Stapled Security Holdings

The relevant interest of each Non-Executive Director of Spark Infrastructure for the Financial Year is as follows:

2014	OPENING BALANCE 1 JANUARY 2014 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2014 (NO.)
Mr Brian Scullin	10,000	–	10,000
Mr Rick Francis	10,000	8,500	18,500
Ms Cheryl Bart, AO	160,714	–	160,714
Mr Andrew Fay	75,000	(22,000)	53,000
Ms Anne McDonald	40,000	8,500	48,500
Dr Keith Turner	50,000	8,500	58,500
Ms Christine McLoughlin	–	30,000	30,000
Ms Karen Penrose	–	25,000	25,000

DIRECTORS' REPORT
CONTINUED

The relevant interest of each Non-Executive Director of Spark Infrastructure in respect of the previous Financial Year was as follows:

2013	OPENING BALANCE 1 JANUARY 2013 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2013 (NO.)
Mr Brian Scullin	–	10,000	10,000
Mr Rick Francis	10,000	–	10,000
Ms Cheryl Bart, AO	160,714	–	160,714
Mr Andrew Fay	150,000	(75,000)	75,000
Ms Anne McDonald	40,000	–	40,000
Dr Keith Turner	50,000	–	50,000

11. KEY TERMS OF EMPLOYMENT CONTRACTS

11.1 Changes to Executive contracts

Material changes to employment agreements for all Executives were made in 2014 to bring termination payments into line with market practice. As Spark Infrastructure Trust is not a listed company the provisions in the *Corporations Act 2001* regarding termination payments do not apply. However, Spark Infrastructure voluntarily consents to comply with these provisions as if it was a listed company.

Executive contracts have been varied to remove previously guaranteed STI payments on notice periods and termination events (other than for cause). This variation represents a significant benefit foregone by Executives.

These changes ensure that Executive contracts enable full compliance with the *Corporations Act 2001* for termination payments.

The Board has considered the reduced potential termination benefits to which Executives were previously contractually entitled and has resolved that Executive Fixed Remuneration will now be benchmarked at the market median level for a comparator group of companies with similar characteristics, including: market capitalisation; high capital intensity; limited operational scope and focus; high distribution yield; low beta; and where possible, a focus on infrastructure investments. Where there is a gap between current Fixed Remuneration and the market median, the intention is to move to the market median over the next two years.

11.2 Managing Director and Chief Executive Officer

In accordance with the Spark Infrastructure's updated Executive remuneration framework, the key terms of the MD's employment agreement were updated and disclosed to the ASX on 17 November 2014. Details of the changes are set out below.

There have been no subsequent changes to the key terms of the MD's employment agreement not otherwise set out in this Remuneration Report.

STI	• For performance during the 2014 Financial Year and subsequent financial years, the MD's annual STI opportunity will be 100% of his Fixed Remuneration. • The MD is eligible for a pro-rated STI award for a part year of completed service (unless his employment is terminated for cause) in an amount determined by the Board by reference to the original performance objectives. No minimum STI guarantee will apply. • Any actual STI payment will be subject to achievement of quantitative and qualitative performance objectives set by the Board. • For the Current Year, 50% of any STI payment will be deferred under the Deferred STI Plan.
LTI	• The MD is eligible to participate in the LTI Plan. • For the Current Year, the Board has determined that the MD's LTI award opportunity will be 50% of his Fixed Remuneration.
Notice / Payment in Lieu	• The MD's notice period is 6 months or payment in lieu thereof. • Any payment in lieu will be calculated based on the MD's current Fixed Remuneration.
Termination Payment	• Where Spark Infrastructure terminates the MD's employment (other than for cause), the MD will be entitled to a termination payment of 12 months' Fixed Remuneration. • Any termination payment must comply with Part 2D.2, Division 2 of the *Corporations Act 2001*.

11.3 Executive contracts

The following table sets out the notice periods and termination payments payable under the individual Executive contracts in force as at 1 January 2015.

EXECUTIVE	CONTRACT PERIOD	NOTICE PERIOD	TERMINATION PAYMENT – WITHOUT CAUSE
Mr Rick Francis	Permanent	6 months	12 months' Fixed Remuneration
Mr Greg Botham	Permanent	3 months	6 months' Fixed Remuneration
Ms Alexandra Finley	Permanent	3 months	6 months' Fixed Remuneration

The following termination provisions and benefits are applicable to all Executive contracts:

Termination for cause

Spark Infrastructure may terminate the Executive's employment immediately in certain events including serious misconduct and material breach of contract. On termination for cause (including serious misconduct or material breach of contract), no pro-rata STI payment is payable and no termination payment will be made.

Termination other than for cause

Where Spark Infrastructure terminates the Executive's employment (other than for cause) the Executive will receive a termination payment as set out above, subject to complying with Part 2D.2, Division 2 of the *Corporations Act 2001* (Cth).
In addition, the Executive may be entitled to the following:

- The Executive will remain eligible for a STI payment for the part year of completed service in an amount determined by the Board.
- A payment in lieu of all or part of the notice period calculated on the Executive's Fixed Remuneration may be paid.
- The Executive will also receive payment of accrued statutory entitlements.
- In addition to the termination payments above, where considered appropriate, the Board is also entitled to make further ex-gratia payments to Executives on termination. The payment of any additional amount is at the sole and absolute discretion of the Board.

Treatment of Incentives on termination

Where Spark Infrastructure terminates the Executive's employment other than for cause, it is intended that the Executive will be entitled to retain vested and unvested performance rights granted under Incentive Plan awards. Unvested performance rights will be subject to the same performance hurdles and performance periods as if the Executive's employment continued.

On termination with cause, it is intended that all unvested performance rights would lapse.

Notwithstanding the above, the Board retains its discretion to vest or lapse more or less performance rights of the Executives, in accordance with the Incentive Plan Rules.

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

B SCULLIN
CHAIR

R FRANCIS
MANAGING DIRECTOR

Sydney
20 February 2015

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

The Board of Directors
Spark Infrastructure Trust
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SYDNEY NSW 2000

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20 February 2015

Dear Board Members

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 Trust.

As lead audit partner for the audit of the financial statements of Spark Infrastructure Trust for the financial year ended 31 December 2014, 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

BJ Pollock

BJ Pollock
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:

B SCULLIN
CHAIR

R FRANCIS
MANAGING DIRECTOR

Sydney
20 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTES	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Income from associates:			
– Share of equity profits	8 (c)	**180,802**	229,136
– Interest income	3 (a)	**80,898**	80,898
		261,700	310,034
Gain on derivative contracts		**24,908**	–
Other income – interest		**2,146**	1,017
		288,754	311,051
Interest expense – other	3 (b)	**(2,051)**	(8,374)
General and administrative expenses	3 (c)	**(11,315)**	(8,195)
Transaction fees – derivative contracts		**(3,296)**	–
Profit before Income Tax and Loan Note Interest		**272,092**	294,482
Interest expense – Loan Notes		**(103,378)**	(93,535)
Profit before Income Tax attributable to Securityholders		**168,714**	200,947
Income tax expense	4 (a)	**(40,581)**	(72,512)
Net Profit attributable to Securityholders		**128,133**	128,435
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges – gain on interest rate swaps	14	**–**	4,359
Share of associates' other comprehensive income:			
– Gain on hedges	14	**26,135**	49,348
– Actuarial (loss)/gain on defined benefit plans	15	**(38,411)**	60,745
Income tax benefit/(expense) related to components of other comprehensive income		**3,683**	(34,335)
Other comprehensive (loss)/income for the Financial Year		**(8,593)**	80,117
Total Comprehensive Income for the Financial Year attributable to Securityholders		**119,540**	208,552
Earnings per Security			
Weighted average number of stapled securities (No'000)	17	**1,408,089**	1,326,734
Profit before income tax and Loan Note interest ($'000)		**272,092**	294,482
Basic earnings per security before income tax and Loan Note interest (cents)	17	**19.32¢**	22.20¢
Earnings used to calculate earnings per security ($'000)		**128,133**	128,435
Basic earnings per security based on net profit attributable to Securityholders (cents)	17	**9.10¢**	9.68¢

(Diluted earnings per security are the same as basic earnings per security).

Notes to the financial statements are included on pages 38 – 63.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	NOTES	31 DEC 2014 $'000	31 DEC 2013 $'000
Current Assets			
Cash and cash equivalents	26 (a)	**124,435**	33,035
Receivables from associates	5	**11,294**	11,646
Other current assets	7	**1,599**	783
Total Current Assets		**137,328**	45,464
Non-Current Assets			
Property, plant and equipment	10	**184**	233
Investments in associates:			
– Investments accounted for using the equity method	8 (d)	**1,898,979**	1,855,458
– Loans to associates	9	**745,601**	745,601
Other financial assets	6	**237,758**	–
Total Non-Current Assets		**2,882,522**	2,601,292
Total Assets		**3,019,850**	2,646,756
Current Liabilities			
Payables	11	**3,363**	2,378
Loan Note interest payable to Securityholders		**52,056**	47,099
Other financial liabilities	6	**26,747**	–
Total Current Liabilities		**82,166**	49,477
Non-Current Liabilities			
Payables	11	**2,295**	452
Loan Notes attributable to Securityholders	12	**925,841**	836,827
Deferred tax liabilities	4 (c)	**163,980**	127,081
Total Non-Current Liabilities		**1,092,116**	964,360
Total Liabilities		**1,174,282**	1,013,837
Net Assets		**1,845,568**	1,632,919
Equity			
Equity attributable to Parent Entity			
– Issued capital	13	**1,115,263**	1,022,153
– Reserves	14	**(28,622)**	(46,916)
– Retained earnings	15	**758,927**	657,682
Total Equity		**1,845,568**	1,632,919
Total Equity attributable to Securityholders is as follows:			
Total Equity		**1,845,568**	1,632,919
Loan Notes attributable to Securityholders		**925,841**	836,827
Total Equity and Loan Notes		**2,771,409**	2,469,746

Notes to the financial statements are included on pages 38 – 63.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTES	ISSUED CAPITAL $'000	HEDGING RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
2013					
Balance at 1 January 2013		1,071,242	(84,511)	486,725	1,473,456
Net profit for the financial year		–	–	128,435	128,435
Other comprehensive income for the year, net of income tax	14,15	–	37,595	42,522	80,117
Total comprehensive income for the financial year			37,595	170,957	208,552
Capital distributions	13	(49,089)	–	–	(49,089)
Balance at 31 December 2013		1,022,153	(46,916)	657,682	1,632,919
2014					
Balance at 1 January 2014		**1,022,153**	**(46,916)**	**657,682**	**1,632,919**
Net profit for the financial year		**–**	**–**	**128,133**	**128,133**
Other comprehensive income for the year, net of income tax	**14,15**	**–**	**18,294**	**(26,888)**	**(8,594)**
Total comprehensive income for the financial year		**–**	**18,294**	**101,245**	**119,539**
Capital distributions	**13**	**(58,864)**	**–**	**–**	**(58,864)**
Contributions of equity (net of issue costs)	**13**	**151,974**	**–**	**–**	**151,974**
Balance at 31 December 2014		**1,115,263**	**(28,622)**	**758,927**	**1,845,568**

Notes to the financial statements are included on pages 38 – 63.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTES	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Cash Flows from Operating Activities			
Distribution from associates – preferred partnership capital		**69,635**	69,635
Dividends received – associates		**55,370**	52,920
Interest received – associates		**81,249**	80,676
Distributions received from derivative contracts		**15,803**	–
Finance costs paid – derivative contracts		**(6,105)**	–
Interest received – other		**1,687**	1,087
Interest paid – other		**(1,463)**	(7,145)
Other expenses		**(9,229)**	(7,895)
Net Cash Inflow Related to Operating Activities	26 (c)	**206,947**	189,278
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		**–**	(14)
Payment of forward derivative contract		**(195,800)**	–
Transaction costs – derivative contracts		**(2,739)**	–
Net Cash Outflow Related to Investing Activities		**(198,539)**	(14)
Cash Flows from Financing Activities			
Proceeds from issue of stapled securities		**245,742**	–
Payment of issue costs		**(4,779)**	–
Drawdown of new external borrowings		**–**	55,000
Repayment of external borrowings		**–**	(110,000)
Payments of external borrowing costs		**(685)**	(571)
Distributions to Securityholders:			
– Loan Note interest		**(98,422)**	(93,535)
– Capital distributions		**(58,864)**	(49,089)
Net Cash Outflow Related to Financing Activities		**82,992**	(198,195)
Net Increase/(Decrease) in Cash and Cash Equivalents for the Financial Year		**91,400**	(8,931)
Cash and cash equivalents at beginning of the Financial Year		**33,035**	41,966
Cash and Cash Equivalents at end of the Financial Year	26 (a)	**124,435**	33,035

Notes to the financial statements are included on pages 38 – 63.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS 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 28, 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 20 February 2015.

New and revised standards and interpretations

(a) Standards and Interpretations affecting amounts reported in the current period

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 AND IMPACT ASSESSMENT
AASB 1031 *Materiality* (December 2013)	Revised AASB 1031 is an interim standard that cross-references to other standards and the *Framework for the Preparation and Presentation of Financial Statements* (issued December 2013) that contain guidance on materiality. The application of the requirements of the Standard has not had a material effect on the Group's financial information.
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	Amends AASB 124 *Related Party Disclosures* to remove the individual key management personnel disclosures required by Australian specific paragraphs. Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the *Corporations Act 2001*. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2012-3 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*	Addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 *Financial Instruments: Presentation*. Clarifies the meaning of 'currently has a legally enforceable right to set-off' and 'simultaneous realisation and settlement'. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*	Narrow scope amendments to AASB 136 *Impairment of Assets* address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*	Amends AASB 139 Financial Instruments: *Recognitions and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2013-9 *Amendments to Australian Accounting Standards (Part B Materiality)*	Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and minor editorial amendments to various standards. The application of the requirements of the amendments has not had a material effect on the Group's financial information.

(b) 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 9 *Financial Instruments, and the relevant amending standards*	1 January 2018	31 December 2018
AASB 2014-1 *Amendments to Australian Accounting Standards* – Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles – Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) – Part C: Materiality	1 July 2014	31 December 2015
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016	31 December 2016
AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	1 January 2017	31 December 2017
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016	31 December 2016
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	1 January 2016	31 December 2016

The Directors' anticipate that the above standards and interpretations will not have a material impact on the financial report of the Group in the year of initial application.

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 2014. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(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

Financial instruments are recognised when Spark Infrastructure becomes a party to the contractual provisions of the instrument.

Derivative Financial Instruments

Financial assets and liabilities are recognised when Spark Infrastructure becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or liabilities at 'fair value through profit or loss' (FVTPL) are recognised immediately in profit or loss. Transaction costs directly attributable to all other financial assets and liabilities adjust the fair value of the financial asset or liability on initial recognition.

Financial Assets/Liabilities at FVTPL

Financial assets/liabilities are classified as at FVTPL when the financial asset/liability is either held for trading or it is designated as at FVTPL.

A financial asset/liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement, at each reporting date, recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend, interest earned or interest liabilities on the financial asset or financial liability and is included in the 'gain on derivative contracts' line item. Fair value is determined in the manner described in Note 27.

Derivative financial instruments that are not designated and effective as hedging instruments are classified as held for trading.

Derecognition of Financial Assets/Liabilities

Spark Infrastructure derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognised in Other Comprehensive Income and accumulated in equity is recognised in profit or loss.

Spark Infrastructure derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

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 equity instruments 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.

(j) Impairment of Tangible and Intangible Assets

At each reporting date, Spark Infrastructure reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Spark Infrastructure estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or the cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) 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 discounted using market yields at the reporting date on government bonds that have maturity dates approximating to the terms of the Group's obligations.

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.

Long Term and Deferred Incentives (Cash-settled share based payment transactions)

For cash settled share based payments, 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 the profit or loss for the period. The fair value of the cash-settled share based payments is expensed over the vesting period.

(l) 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.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

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.

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

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

Current and deferred tax is recognised as an expense or income in the 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.

(m) 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.

Spark Infrastructure's share of its associates' post-acquisition profits or losses is recognised in the 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.

(n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 1(d)). Contingent rentals are recognised as an expense in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Loans and Receivables

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

(p) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives are as follows:

• Software	4 years
• Leasehold Improvements	5 - 100 years
• Equipment	3 - 20 years

(q) Revenue Recognition

Dividend and Interest Revenue

Dividend 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.

(r) Contributions from Customers for Capital Works

Non-refundable contributions 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 Asset Companies' network.

Customer contributions of cash and customer contributions of assets are measured at fair value at the date the Asset Companies gain control of the cash contribution or asset. Fair value is based on the regulatory return expected to be derived from the regulatory asset base ('RAB') as a result of the specific extension or modification to the network.

(s) Investments in Subsidiaries

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

(t) 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 the Asset Companies (See Note 1(m)) 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 Asset Companies.

The key accounting estimates and judgements used in the preparation of this report are as follows:

• *Fair value of customer contributions and gifted assets*

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 regulatory asset base ('RAB') as a result of the specific extension or modification to the network, as described in Note 1(r). This change better reflects the value for customer contributions and gifted assets included in the RAB, on which future regulatory returns are derived.

• *Accounting for Acquisitions*

On 15 December 2005, Spark Infrastructure acquired a 49% interest in each of three electricity distribution businesses, CitiPower and Powercor in Victoria (combined businesses referred to as Victoria Power Networks) and SA Power Networks in South Australia. Spark Infrastructure is required to reflect its equity accounted investments in the three businesses by reference to its share of the fair value of the net assets of the businesses. This assessment of fair value by Spark Infrastructure resulted in a notional increase in the carrying value of certain depreciable assets and amortisable intangible assets, which are depreciated/amortised over the estimated useful life of such assets, extending up to 200 years. As a result of this, the share of Spark Infrastructure's equity accounted profits has been adjusted by additional depreciation and amortisation arising from this increase in the carrying value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

- *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 forseeable future. As at 31 December 2014 (2013: nil) there are no amounts unrecognised on the basis that the above criteria was not met.

- *Impairment of Assets*

At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment. Each associate, being SA Power Networks and Victoria Power Networks, is regarded as a separate cash generating unit for the purposes of such testing. If any indicators are identified, a discounted cashflow analysis is undertaken.

Changes to external market conditions since Spark Infrastructure acquired the interests in its associates and regulatory reset processes have the potential to impact asset values and Spark Infrastructure regards these as potential indicators of impairment. Accordingly, impairment testing was undertaken to confirm that the carrying value of assets do not exceed their respective recoverable values. The following key parameters were used in testing for impairment:

- Cashflow projections, based on financial forecasts approved by management containing assumptions about business conditions, growth in regulated asset base ("RAB") and future regulatory returns, over a period of 10 years with an appropriate terminal value based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities; and
- Appropriate discount rates specific to the individual assets.

Cashflow projections for a 10 year period are deemed appropriate as the asset companies operate within a regulated industry that resets every five years, and have electricity distribution assets that are long life assets.

- *Other Financial Assets/Liabilities*

The derivative contracts associated with the interest in DUET are recorded at FVTPL within 'other financial assets/liabilities'.

Other financial assets/liabilities include put and call options, the fair value of which are determined using a 'Level 2' valuation method involving the use of generally accepted option valuation models: inputs are based on market observable data for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), at the reporting date and compared with valuations provided by third parties. These calculations require the use of estimates and assumptions based on underlying securities. Any changes in assumptions in relation to security prices, volatilities and future distribution streams could have a material impact on the fair value attributable to the put and call options at each reporting date. When these assumptions change in the future the differences will impact the income statement in the period in which the change occurs.

Other financial assets/liabilities also include the fair value of the forward and swap contracts in respect of the economic interest in DUET Group. The fair value is determined with reference to the underlying security price at each reporting date and is therefore subject to change in value.

(u) Rounding of Amounts

As Spark Infrastructure is an entity of the kind referred to in ASIC Class Order 98/0100, relevant amounts in these consolidated financial statements and Directors' Report have been rounded 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 – which represents the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor), SA Power Networks – which represents the 49% interest in the electricity distribution business in South Australia, and Other Interest – which represents the economic interest in DUET Group, an ASX listed entity head quartered in New South Wales.

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.

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		OTHER		TOTAL	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Segment Cashflows								
Net cashflows	**81,249**	80,676	**125,005**	122,555	**9,698**	–	**215,952**	203,231
Net interest received/(paid)							**224**	(6,058)
Corporate costs							**(9,229)**	(7,895)
Total Operating Cashflows							**206,947**	189,278
Segment Revenue								
Share of equity accounted profits	**5,525**	16,341	**175,277**	212,795	**–**	–	**180,802**	229,136
Interest income – associates	**80,898**	80,898	**–**	–	**–**	–	**80,898**	80,898
Gain on derivative contracts	**–**	–	**–**	–	**24,908**	–	**24,908**	–
Segment revenue	**86,423**	97,239	**175,277**	212,795	**24,908**	–	**286,608**	310,034
Interest revenue							**2,146**	1,017
Total Revenue							**288,754**	311,051
Segment Results								
Segment contribution	**86,423**	97,239	**175,277**	212,795	**21,612**	–	**283,312**	310,034
Net interest benefit/(expense)							**95**	(7,357)
Corporate costs							**(11,315)**	(8,195)
Profit for the year before Loan Note interest and income tax expense							**272,092**	294,482
Interest on Loan Notes							**(103,378)**	(93,535)
Income tax expense							**(40,581)**	(72,512)
Net Profit attributable to Securityholders							**128,133**	128,435
Segment Assets								
Investments accounted for using the equity method	**318,719**	314,298	**1,580,260**	1,541,160	**–**	–	**1,898,979**	1,855,458
Loans to associates	**745,601**	745,601	**–**	–	**–**	–	**745,601**	745,601
Receivables from associates	**11,294**	11,646	**–**	–	**–**	–	**11,294**	11,646
Other financial assets	**–**	–	**–**	–	**237,758**	–	**237,758**	–
Total Segment Assets	**1,075,614**	1,071,545	**1,580,260**	1,541,160	**237,758**	–	**2,893,632**	2,612,705
Unallocated Assets								
Cash and cash equivalents							**124,435**	33,035
Other current assets							**1,599**	783
Property, plant & equipment							**184**	233
Total Assets							**3,019,850**	2,646,756
Segment Liabilities								
Other liabilities	**–**	–	**–**	–	**26,747**	–	**26,747**	–
Unallocated Liabilities								
Loan Notes attributable to Securityholders							**925,841**	836,827
Other liabilities							**57,714**	49,929
Deferred tax liabilities							**163,980**	127,081
Total Liabilities							**1,174,282**	1,013,837

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. PROFIT FOR THE FINANCIAL YEAR

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
(a) Income		
Income from associates:		
– Share of equity accounted profits	**180,802**	229,136
– Interest income	**80,898**	80,898
	261,700	310,034
(b) Expenses		
Interest expense – other:		
– Interest costs and other associated costs on senior debt	**2,051**	4,470
– Interest rate swap cancellation fees	**–**	3,904
	2,051	8,374
(c) General and Administrative Expenses		
Staff costs – salaries and short term benefits	**2,391**	2,214
Staff costs – post employment benefits	**138**	126
Staff costs – LTI expense	**1,539**	(46)
Staff costs – other incentives	**1,316**	785
Total staff costs	**5,384**	3,079
Directors' fees – short term benefits	**859**	787
Directors' fees – post employment benefits	**61**	53
Depreciation	**49**	50
Other expenses	**4,962**	4,226
	11,315	8,195

4. INCOME TAXES

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Current tax		
Current tax expense in respect of the current year	**(27,479)**	(38,818)
Adjustments recognised in relation to current tax in prior years	**3,478**	(1,144)
	(24,001)	(39,962)
Deferred tax		
Deferred tax expense recognised in the year	**(16,580)**	(16,242)
Deferred tax asset reversal in relation to ATO rent instalment settlement	**–**	(16,308)
	(16,580)	(32,550)
Total income tax expense relating to continuing operations	**(40,581)**	(72,512)
(a) Income Tax Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Profit before tax for continuing operations	**168,714**	200,947
Income tax expense calculated at 30% (2013: 30%)	**(50,614)**	(60,284)
Add/(deduct):		
Effect of expenses that are not deductible in determining taxable profit	**(85)**	(1,943)
Deferred tax asset reversal in relation to ATO rent instalment settlement	**–**	(16,308)
Effect of prior year adjustments in associates tax base	**5,521**	5,645
Adjustments recognised in relation to current tax in prior years	**3**	91
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	**–**	(36)
Tax effect on operating results of the Trust	**4,594**	323
Total current year income tax expense	**(40,581)**	(72,512)

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.

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
(b) Income Tax Recognised Directly in Equity		
Revaluations of financial instruments treated as cash flow hedges	**–**	(1,308)
Share of associates' reserves	**3,683**	(33,027)
Income tax expense	**3,683**	(34,335)

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2014 $'000
(c) Deferred Tax Balances		
Temporary Differences		
Timing differences – other	**2,450**	2,033
Investment in associates	**(239,497)**	(225,784)
Unused tax losses	**(237,047)**	(223,751)
Tax losses	**73,067**	96,670
	(163,980)	(127,081)

Tax Consolidation

Relevance of Tax Consolidation to Spark Infrastructure:

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 25.

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.

SA Power Networks Partnership

The Australian Taxation Office ("ATO") has completed its tax audits of the SA Power Networks Partnership and has made adjustments to the income tax treatment adopted by SA Power Networks in relation to the following matters:

a) a denial of deductions for rent instalments paid by SA Power Networks on the grounds that they are of a capital nature;

b) a denial of deductions for direct internal labour and motor vehicle costs incurred by SA Power Networks on self-constructed assets, after separate favourable adjustments for asset replacement, on the grounds that they are of a capital nature, and a corresponding allowance of tax depreciation deductions for those costs over the effective life of the assets; and

c) a denial of deductions for a part of the interest cost incurred by SA Power Networks on its subordinated debt under Part IVA of the *Income Tax Assessment Act 1936* ("Part IVA"), not Division 974 of the *Income Tax Assessment Act 1997* ("Division 974").

During July and August 2012, the ATO adjusted the income tax returns of SA Power Networks Partnership for the years 2000 through to 2010 and amended tax assessments have been issued to all the SA Power Networks partners, including Spark Infrastructure Holdings No 2 Pty Limited ("SIH No. 2") as the head entity of the relevant tax consolidated group for the 2007 to 2010 calendar years in respect of the above adjustments. In June 2013, an amended assessment in respect of (a) and (b) above was issued to SIH No. 2 for the 2011 year.

4. INCOME TAXES CONTINUED

On 13 January 2014 a Deed of Settlement was entered into with the ATO on matter (a) concerning the denial of deductions for rent instalments paid by SA Power Networks. The terms of the settlement provide that there will be no adjustment to the rent instalment deductions claimed by SA Power Networks in prior income tax years up to the 2012 calendar year, and no deductions will be claimed in future income tax years.

SA Power Networks has obtained legal advice that supports its current tax treatment of the remaining items (b) and (c) above. SA Power Networks and the partners are of the opinion that no adjustments are required in relation to these items, and will vigorously defend their positions. Objections to all amended assessments for the years 2007 to 2011 have been lodged with the ATO by SIH No. 2, and SA Power Networks and the partners continue to actively engage with the ATO on these matters. Notwithstanding the ATO's adjustments, no amount of cash tax is payable by SIH No. 2 from the amended assessments for the 2007 to 2011 calendar years due to the availability of carried forward tax losses, and on the basis of all the information currently available, Spark Infrastructure is of the opinion that the overall impact of any adjustments that may arise would not be material.

Victoria Power Networks Pty Ltd

During 2010, the ATO advised that its large business tax audit in relation to the financing structure/arrangements of the CKI/HEI Electricity Distribution Holdings (Australia) Pty Ltd ("CHEDHA") consolidated group had been completed. The ATO advised that certain material tax adjustments were required for the years ended 31 December 2002 to 2005 on the basis that Division 974 and/or Part IVA applied. No assessments have been issued to CHEDHA by the ATO, as the CHEDHA tax consolidated group is in a carry forward tax loss position in those years.

During 2013, the ATO advised Victoria Power Networks that it intended to make material adjustments in relation to the following items:

a) a denial of deductions for interest paid by Victoria Power Networks on certain shareholder loans during the years ended 31 December 2006 to 31 December 2008 on the basis that Division 974 or (in the alternative) Part IVA applied;
b) a denial of deductions for certain labour costs and motor vehicle running costs incurred during the years ended 31 December 2007 ("2007 year") to 31 December 2010 ("2010 year");
c) the recognition of assessable income for assets transferred by customers to entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;
d) a denial of deductions for rebates paid to customers by entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;
e) a further consequential increase in the allowance of depreciation for the labour costs, motor vehicle running costs and transferred assets during the years ended 31 December 2007 to 31 December 2010; and
f) a denial of deductions in respect of certain asset replacement projects during the years ended 31 December 2008 to 31 December 2010.

Subsequently, the ATO issued amended assessment notices for the 2007 to 2010 years, consistent with the adjustments above. In aggregate these amendments totaled $709,318,000. Victoria Power Networks elected to utilise some carried forward losses to reduce the ATO's adjustments, resulting in an aggregated net tax payable position of $87,313,000. Under part payment arrangements with the ATO, Victoria Power Networks subsequently remitted $26,396,000 during 2013 and a further $11,373,000 in January 2014 with respect to the 2007 to 2010 years, which have been recorded as receivables. To date the ATO has issued a shortfall penalty and interest notices for $7,186,000 in relation to the 2007 year and Victoria Power Networks has remitted $1,225,000 under part payment arrangements. The ATO has not yet formalised its view on any shortfall interest charges or penalties for the tax years post the 2007 year.

On 14 May 2014, the ATO advised Victoria Power Networks that it will not pursue its position in respect to Division 974, which concludes that matter with the ATO for all years in question. All other matters with the ATO remain outstanding, including the ATO's alternative position that Part IVA could apply. At this time no updates to previously disclosed amended assessment notices have been made by the ATO to reflect this development. Victoria Power Networks remains engaged in discussions with the ATO.

Aside from the part payment arrangements recorded as receivables, no further adjustments in relation to the above matters have been recognised in this financial report. Victoria Power Networks has lodged objections in relation to all amended assessments, continues to disagree with the ATO's positions on the matters, has sought legal advice and will vigorously defend its positions.

Full details of prior year tax disclosures can be found in prior annual financial reports of Spark Infrastructure.

5. RECEIVABLES FROM ASSOCIATES – CURRENT

	31 DEC 2014 $'000	31 DEC 2013 $'000
Victoria Power Networks	**11,294**	11,646

Receivables from associates relates to interest receivable on loans held with Victoria Power Networks per Note 9. These receivables are expected to be settled in full within the next 12 months.

6. OTHER FINANCIAL ASSETS/(LIABILITIES)

	31 DEC 2014 $'000	31 DEC 2013 $'000
Other financial liabilities (Current)		
– derivative contracts at fair value	**(26,747)**	–
Other financial assets (Non-Current)		
– derivative contracts at fair value	**237,758**	–
	211,011	–

During the Current Year, Spark RE, as Responsible Entity of the Spark Trust, acquired an economic interest equivalent to 61,413,000 securities in DUET Group (DUET) by way of cash-settled equity swap contracts ("swaps"). The swaps do not provide any right to buy DUET securities but offer price protection should Spark RE wish to take a physical position in DUET at a future date.

Spark RE also entered into derivative contracts with Deutsche Bank AG ("Deutsche Bank") in relation to stapled securities in DUET which gave Spark RE the ability to acquire and Deutsche Bank the obligation to deliver a minimum of 124,500,000 DUET securities at a price of $2.20 per stapled security. The first prepaid tranche of 89,000,000 DUET securities matures in May 2017 and the second tranche of 35,500,000 DUET securities matures in July 2018. At the election of Deutsche Bank, Spark RE may also acquire a further 40,945,000 DUET securities in July 2018, also at a price of $2.20 per stapled security. Proceeds from the Institutional Placement (after issue costs) of $195,800,000 were used to prepay the equivalent of 89,000,000 DUET securities under the first tranche of the derivative contracts.

Spark RE has also entered into call options with Deutsche Bank over 185,913,000 DUET securities with a strike price of $2.30 per stapled security, which mature in 2015.

Spark RE regularly reviews its interest in DUET and may vary the terms of the derivative contracts throughout their term as it considers appropriate.

7. OTHER CURRENT ASSETS

	31 DEC 2014 $'000	31 DEC 2013 $'000
GST receivable	**107**	27
Prepayments	**313**	301
Other receivables	**539**	105
Unamortised borrowing costs[a]	**640**	350
	1,599	783

a Represents unamortised borrowing costs of borrowings incurred in respect of the March 2013 and March 2014 refinancings.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in Associates

		OWNERSHIP INTEREST (%)		
NAME OF ENTITY	PRINCIPAL ACTIVITY	2014	2013	COUNTRY OF INCORPORATION/ FORMATION
Victoria Power Networks Pty Ltd	Ownership of electricity distribution networks in Victoria	**49**	49	Australia
SA Power Networks	Ownership of an electricity distribution network in South Australia	**49**	49	Australia

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

(b) Summarised Financial Position of Associates (100% basis)

	31 DEC 2014 $'000	31 DEC 2014 $'000	31 DEC 2013 $'000	31 DEC 2013 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	VICTORIA POWER NETWORKS	SA POWER NETWORKS
Current assets	**334,478**	**450,818**	332,918	308,294
Non-current assets	**7,240,324**	**5,846,022**	6,881,962	5,552,635
Total assets	**7,574,802**	**6,296,840**	7,214,880	5,860,929
Current liabilities	**844,154**	**662,411**	928,473	505,144
Non-current liabilities	**5,764,568**	**3,505,803**	5,385,756	3,388,185
Total liabilities	**6,608,722**	**4,168,214**	6,314,229	3,893,329
Net assets	**966,080**	**2,128,626**	900,651	1,967,600

(c) Summarised Financial Performance of Associates (100% basis)

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2013 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	VICTORIA POWER NETWORKS	SA POWER NETWORKS
Revenue – distribution and metering	**958,830**	**919,968**	905,368	854,437
Revenue – semi-regulated and unregulated	**148,940**	**186,968**	182,902	167,998
Customer contributions & gifted assets	**66,979**	**80,370**	66,196	110,302
Operating revenue	**1,174,749**	**1,187,306**	1,154,466	1,132,737
Revenue – transmission (pass-through)	**262,164**	**254,005**	275,337	270,804
	1,436,913	**1,441,311**	1,429,803	1,403,541
Expenses	**(1,072,253)**	**(820,916)**	(1,072,448)	(771,262)
Expenses – transmission (pass-through)	**(262,164)**	**(254,005)**	(275,337)	(270,804)
Profit before income tax	**102,496**	**366,390**	82,018	361,475
Income tax (expense)/benefit	**(34,759)**	**68**	(38,674)	1,985
Net profit	**67,737**	**366,458**	43,344	363,460
Other comprehensive income:				
Gain on hedges	**39,970**	**25,358**	62,774	56,769
Actuarial (loss)/gain on defined benefit plans	**(43,192)**	**(48,156)**	64,681	78,691
Income tax benefit/(expense) related to components of other comprehensive income	**967**	**–**	(38,238)	–
Other comprehensive (loss)/income for the Financial Year	**(2,255)**	**(22,798)**	89,217	135,460
Total comprehensive income for the Financial Year	**65,482**	**343,660**	132,561	498,920

Reconciliation of the above summarised financial performance (on a 100% basis) to the net profit attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks (on a 49% basis), recognised in the financial report:

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	**33,191**	21,239
SA Power Networks net profit applicable to Spark Infrastructure	**179,564**	178,095
Additional share of profits from preferred partnership capital[a]	**35,490**	35,514
	248,245	234,848
Additional depreciation/amortisation charge[b]	**(5,088)**	(5,712)
Adjustment in respect of customer contributions & gifted assets[c]	**(62,355)**	–
	180,802	229,136

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 results of operations from SA Power Networks.

b Relates to depreciation/amortisation of fair value on uplift of assets on acquisition and depreciation of the revised fair value of customer contributions & gifted assets as discussed at c below.

c Relates to differences in the measurement of the fair value of customer contributions & gifted assets under AASB 13 *Fair Value Measurement* ('AASB 13') in respect of SA Power Networks and Victoria Power Networks. Refer to Spark Infrastructure's accounting policy at Note 1(r). With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions & gifted assets from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the specific extension or modification to the network, in accordance with AASB 13. This change has been accounted for in the Statement of Profit or Loss and Other Comprehensive Income as a change in estimate. The impact of this change in estimate in respect of the six months ended 31 December 2014 is $31.3 million.

(d) Movement in Carrying Amounts

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Carrying amount at beginning of the Financial Year	**1,855,458**	1,638,784
Share of profits after income tax	**180,802**	229,136
Preferred partnership distribution received	**(69,635)**	(69,635)
Dividends received – SA Power Networks	**(55,370)**	(52,920)
Share of associates' comprehensive (loss)/income recognised directly in equity	**(12,276)**	110,093
Carrying amount at end of the Financial Year	**1,898,979**	1,855,458

(e) Commitments for Expenditure and Contingent Liabilities

Spark Infrastructure's share of commitments for expenditure and contingent liabilities are provided in Note 19 and Note 21 respectively.

9. LOANS TO ASSOCIATES – INTEREST BEARING

	31 DEC 2014 $'000	31 DEC 2013 $'000
Loan to Associates – interest bearing	**745,601**	745,601

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. PROPERTY, PLANT AND EQUIPMENT

	31 DEC 2014 $'000	31 DEC 2013 $'000
Cost		
Balance at the beginning of the Financial Year	**356**	342
Additions	**–**	14
Balance at the end of the Financial Year	**356**	356
Accumulated Depreciation		
Balance at the beginning of the Financial Year	**123**	73
Depreciation charge	**49**	50
Balance at the end of the Financial Year	**172**	123
Carrying Amounts		
Net book value at the end of the Financial Year	**184**	233

11. PAYABLES

	31 DEC 2014 $'000	31 DEC 2013 $'000
Current Payables		
Lease incentive	**41**	40
Other payables	**3,322**	2,338
	3,363	2,378
Non-Current Payables		
Lease incentive	**62**	102
Other payables	**2,233**	350
	2,295	452

12. LOAN NOTES ATTRIBUTABLE TO SECURITYHOLDERS

	31 DEC 2014 $'000	31 DEC 2013 $'000
Balance at beginning of the Financial Year	**836,827**	836,807
Issue of Loan Notes under Institutional Placement[a]	**73,864**	–
Issue of Loan Notes under Security Purchase Plan[a]	**16,893**	–
Issue costs associated with Loan Notes	**(1,763)**	–
Write back of deferred discount[b]	**20**	20
Balance at end of the Financial Year	**925,841**	836,827

a Under the Institutional Placement on 27 May 2014 and the Security Purchase Plan on 30 June 2014 additional securities were raised at a price of $1.76 per security of which $0.65 per security was allocated to Loan Notes.

b 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.

13. ISSUED CAPITAL

	31 DEC 2014 $'000	31 DEC 2013 $'000
Balance at beginning of the Financial Year	**1,022,153**	1,071,242
Issue of securities under Institutional Placement[a]	**126,137**	–
Issue of securities under Security Purchase Plan[a]	**28,848**	–
Issue costs	**(3,011)**	–
Contributions of equity (net of issue costs)	**151,974**	–
Capital distribution[b]	**(58,864)**	(49,089)
Balance at end of the Financial Year	**1,115,263**	1,022,153

a Under the Institutional Placement on 27 May 2014 and the Security Purchase Plan on 30 June 2014 additional securities were raised at a price of $1.76 per security of which $1.11 per security was allocated to Issued Capital.

b Capital distributions of 2.25 cents per security ("cps") on 12 September 2014 (2.00cps on 13 September 2013) and 1.95cps on 14 March 2014 (1.70cps on 15 March 2013) were paid to Securityholders during the year – refer Note 18.

FULLY PAID STAPLED SECURITIES	NO.'000	NO.'000
Balance at the beginning of the Financial Year	**1,326,734**	1,326,734
Issue of securities under Institutional Placement	**113,636**	–
Issue of securities under Security Purchase Plan	**25,990**	–
Balance at the end of the Financial Year	**1,466,360**	1,326,734

14. RESERVES

CASH FLOW HEDGING RESERVE	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Balance at beginning of the Financial Year	**(46,916)**	(84,511)
Gain recognised:		
Interest rate swaps[a]	**–**	4,359
Deferred tax expense	**–**	(1,308)
	–	3,051
Share of associates' gains on hedges[a]	**26,135**	49,348
Related tax expense	**(7,841)**	(14,804)
Balance at end of the Financial Year	**(28,622)**	(46,916)

a The hedging reserve represents hedging gains and losses recognised on the effective portion of the cashflow 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.

15. RETAINED EARNINGS

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Balance at beginning of the Financial Year	**657,682**	486,725
Net profit after tax for the Financial Year	**128,133**	128,435
Share of associates' actuarial (loss)/gain recognised directly in retained earnings[a]	**(38,411)**	60,745
Related tax benefit/(expense)	**11,523**	(18,223)
Balance at end of the Financial Year	**758,927**	657,682

a Actuarial gains or losses on defined benefit superannuation plans operated by Victoria Power Networks and SA Power Networks are recognised directly in Retained Earnings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. REMUNERATION OF EXTERNAL AUDITOR

	YEAR ENDED 31 DEC 2014 $	YEAR ENDED 31 DEC 2013 $
Audit and review of the financial reports	**251,000**	256,200
Tax advice	**105,000**	85,275
Other accounting services	**33,600**	18,900
	389,600	360,375

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

17. EARNINGS PER SECURITY ("EPS")

	YEAR ENDED 31 DEC 2014 $	YEAR ENDED 31 DEC 2013 $
Profit before income tax and Loan Note interest	**272,092**	294,482
Weighted average number of securities (No'000)	**1,408,089**	1,326,734
Basic earnings per security before income tax and Loan Note interest (cents)	**19.32¢**	22.20¢
Earnings used to calculate EPS	**128,133**	128,435
Basic earnings per security based on net profit attributable to Securityholders (cents)	**9.10¢**	9.68¢

Basic EPS is the same as diluted EPS.

18. DISTRIBUTION PAID AND PAYABLE

	2014		2013	
	CENTS PER SECURITY	TOTAL $'000	CENTS PER SECURITY	TOTAL $'000
Distribution Paid:				
Interim distribution in respect of year ended 31 December 2014 paid on 12 September 2014 (2013: 13 September 2013):				
Interest on Loan Notes	**3.50**	**51,323**	3.50	46,436
Capital Distribution	**2.25**	**32,993**	2.00	26,534
	5.75	**84,316**	5.50	72,970
Distribution Payable/Proposed:				
Final distribution in respect of the year ended 31 December 2014 payable on 13 March 2015 (2013: 14 March 2014):				
Interest on Loan Notes	**3.55**	**52,055**	3.55	47,099
Capital Distribution	**2.20**	**32,260**	1.95	25,871
	5.75	**84,315**	5.50	72,970
Total paid and payable	**11.50**	**168,631**	11.00	145,940

19. COMMITMENTS FOR EXPENDITURE

	31 DEC 2013 $'000	31 DEC 2014 $'000
(a) Capital Expenditure commitments		
Share of associates' capital expenditure commitments		
– Not longer than 1 year	**11,572**	14,092
– Longer than 1 year and not longer than 5 years	**–**	729
	11,572	14,821
(b) Other Expenditure Commitments		
Share of associates' other expenditure commitments		
– Not longer than 1 year	**5,545**	4,126
– Longer than 1 year and not longer than 5 years	**21,455**	13,255
– Longer than 5 years	**60,426**	6,442
	87,426	23,823

There are no capital expenditure or other expenditure commitments in Spark Infrastructure other than those shown in Note 20.

20. OPERATING LEASE ARRANGEMENTS

	YEAR ENDED 31 DEC 2014 $	YEAR ENDED 31 DEC 2013 $
a) Payments recognised as an expense		
– Minimum lease payments	**477**	499
	477	499
b) Non-cancellable operating lease commitments		
– Not longer than 1 year	**441**	478
– Longer than 1 year and not longer than 5 years	**696**	1,137
– Longer than 5 years	**–**	–
	1,137	1,615
c) Liabilities recognised in respect of non-cancellable operating leases		
Lease incentives (Note 11)		
– Current	**41**	41
– Non-current	**62**	102
	103	143

21. CONTINGENCIES

	31 DEC 2014 $'000	31 DEC 2013 $'000
Share of associates' contingent liabilities	**16,737**	20,495

The contingent liabilities relate to guarantees provided to various parties by Victoria Power Networks and SA Power Networks. There are no contingent liabilities or contingent assets in Spark Infrastructure.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION

The aggregate compensation made to Directors and other members of key management personnel of Spark Infrastructure is set out below:

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Salary and Fees	**2,180,862**	1,979,677
Total STI Expense	**710,098**	620,000
Non-monetary Expense	**76,605**	61,211
Superannuation Expense	**122,815**	120,502
LTI Expense	**1,364,906**	(33,531)
LTI Transition Expense	**62,905**	–
Total Expense	**4,518,191**	2,747,859

23. RELATED PARTY DISCLOSURES

(a) Directors

Details of the Directors remuneration are disclosed in Note 22. The relevant interest of each Director of Spark Infrastructure for the Current Year is as follows:

2014	OPENING BALANCE 1 JANUARY 2014 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2014 (NO.)
Mr Brian Scullin	**10,000**	**–**	**10,000**
Mr Rick Francis	**10,000**	**8,500**	**18,500**
Ms Cheryl Bart, AO	**160,714**	**–**	**160,714**
Mr Andrew Fay	**75,000**	**(22,000)**	**53,000**
Ms Anne McDonald	**40,000**	**8,500**	**48,500**
Dr Keith Turner	**50,000**	**8,500**	**58,500**
Ms Karen Penrose	**–**	**25,000**	**25,000**
Ms Christine McLoughlin	**–**	**30,000**	**30,000**

The relevant interest of each Director of Spark Infrastructure in respect of the Prior Year was as follows:

2013	OPENING BALANCE 1 JANUARY 2013 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2013 (NO.)
Mr Brian Scullin	–	10,000	10,000
Mr Rick Francis	10,000	–	10,000
Ms Cheryl Bart, AO	160,714	–	160,714
Mr Andrew Fay	150,000	(75,000)	75,000
Ms Anne McDonald	40,000	–	40,000
Dr Keith Turner	50,000	–	50,000

(b) Group Executives

Details of the Group Executives remuneration are disclosed in Note 22. The table below details the Spark Infrastructure securities in which Group Executives held relevant interests:

2014	OPENING BALANCE 1 JANUARY 2014 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2014 (NO.)
Mr Rick Francis	**10,000**	**8,500**	**18,500**
Mr Greg Botham	**–**	**–**	**–**
Ms Alexandra Finley	**–**	**–**	**–**

2013	OPENING BALANCE 1 JANUARY 2013 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2013 (NO.)
Mr Rick Francis	10,000	–	10,000
Mr Greg Botham	–	–	–
Ms Alexandra Finley	–	–	–

(c) Responsible Entity

The responsible entity of the Trust is Spark RE.

(d) Key Management Personnel ("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 along with their remuneration in Note 22. Securityholding details are disclosed in Note 23(a) and Note 23(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 8. The details of interest receivable and loans provided to associates are detailed in Notes 5 and 9 respectively. 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 25. 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, and SIH No.3.

24. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. CONTROLLED ENTITIES

ENTITY	COUNTRY OF INCORPORATION	2014 EQUITY HOLDINGS (%)	2013 EQUITY HOLDINGS (%)
Controlled entities of Spark Infrastructure Trust:			
– Spark Infrastructure Holdings No. 1 Pty Limited (SIH No.1)[a]	Australia	**100**	100
– Spark Infrastructure Holdings No. 2 Pty Limited (SIH No. 2)[a]	Australia	**100**	100
– Spark Infrastructure Holdings No. 3 Pty Limited (SIH No. 3)[a]	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

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.

26. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

	31 DEC 2014 $'000	31 DEC 2013 $'000
Cash on hand and at bank	**16,921**	871
Cash at bank held for AFSL purposes[1]	**10,000**	5,000
Cash on deposit	**97,514**	27,164
Cash and Cash Equivalents	**124,435**	33,035

1 Quarantined cash to meet Spark RE's Australian Financial Services Licence financial requirements. This cash is not available for day-to-day operating purposes.

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

	31 DEC 2014 $'000	31 DEC 2013 $'000
Syndicated unsecured bank loan facilities:		
– Amount used	**–**	–
– Amount unused	**275,000**	150,000
	275,000	150,000

Committed Finance Facility maturities are:

- March 2016: $75,000,000 2-year revolving facility with National Australia Bank ("NAB")
- March 2016: $75,000,000 2-year revolving facility with Westpac Banking Corporation ("Westpac")
- March 2017: $75,000,000 3-year revolving facility with Commonwealth Bank of Australia ("CBA")
- March 2017: $50,000,000 3-year revolving facility with Bank of Tokyo Mitsubishi UFJ ("BTMU")

On 14 March 2014 Spark Infrastructure executed two new 3-year revolving facilities of $75,000,000 with CBA and $50,000,000 with BTMU. In addition the current facilities of $75,000,000 each with NAB and Westpac were extended by a further year to March 2016. At 31 December 2014 there were no drawn balances. Unamortised borrowing costs which are being amortised over the term of the facilities are included in 'other non-current assets'.

(c) Reconciliation of Profit for the Financial Year to Net Cash Inflows Related to Operating Activities

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Net profit after tax	**128,133**	128,435
Add back / (subtract):		
Loan Note interest expense	**103,378**	93,535
Income tax expense	**40,581**	72,512
Non-cash interest expense	**130**	1,193
Non-cash depreciation expense	**49**	50
Share of profits of associates (less dividends/distributions)	**(55,797)**	(106,581)
Gain on derivative contracts (less distributions)	**(15,211)**	–
Changes in net assets and liabilities:		
Increase in current receivables	**(173)**	(56)
Increase in current payables	**5,857**	190
Net cash inflow related to operating activities	**206,947**	189,278

(d) Bank Guarantee Facility

A bank guarantee of $420,000 equivalent to 12 months' rent and share of outgoings plus GST has been provided to the Landlord in respect of Spark Infrastructure's office lease.

27. 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.

Spark Infrastructure's activities expose it primarily to interest rate and equity price risks which are managed through various financial instruments. Spark Infrastructure has no exposure to foreign currency.

(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 26), 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 2014 was $2,771,409,000 (2013: $2,469,746,000) comprising $925,841,000 (2013: $836,827,000) in Loan Notes and $1,845,568,000 (2013: $1,632,919,000) 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% and on a consolidated basis (including its proportionate share of debt of the Asset Companies) that the gearing does not exceed 75% at any time. During the Financial Year, Spark Infrastructure complied with all of its debt covenants.

Spark Infrastructure holds a 49% interest in both Victoria Power Networks Pty Limited and SA Power Networks and as such, does not control these businesses and is not in a position to determine their distribution policy. The Distribution Policies are set out in Shareholder Agreements between Spark Infrastructure and its fellow shareholders in Victoria Power Networks Pty Ltd and SA Power Networks. Any change in the Distribution Policies requires a special majority shareholders resolution of not less than 75% of the total number of eligible shares voting. Further, the revenue of the Asset Companies is significantly reliant on the regulatory determinations of the Australian Energy Regulator ("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.

27. FINANCIAL INSTRUMENTS CONTINUED

(d) Categories of Financial Instruments

	31 DEC 2014 $'000	31 DEC 2013 $'000
Financial Assets		
Cash & cash equivalents	**124,435**	33,035
Receivables from associates	**11,294**	11,646
Other financial assets	**237,758**	–
Loans to associates	**745,601**	745,601
Financial Liabilities		
Payables	**5,658**	2,830
Loan Note interest payable	**52,056**	47,099
Other financial liabilities	**26,747**	–
Loan Notes at amortised cost	**925,841**	836,827

Other Financial Assets Designated as at FVTPL

Included within other financial assets is a prepaid forward contract of $219,677,000 which has been designated as fair value through profit and loss. The cumulative change in value attributable to changes in credit risk is a decrease of $2,613,000.

(e) Financial Market Risk

The principal financial market risks that Spark Infrastructure is exposed to are interest rate risk and equity price risk. Note 27(f) below discusses the strategy adopted to manage the interest rate risk and Note 27(g) discusses the strategy adopted to manage equity price risk.

Further, the revenue of the Asset Companies 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 Infrastructures treasury policy specifies that all drawn term debt interest rate risk is managed principally through the use of interest rate swap contracts. At 31 December 2014 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. At 31 December 2014 Spark Infrastructure has no drawn debt facilities or interest rate swaps in place. In line with the treasury policy Spark Infrastructure will implement a high level of hedges for any drawn term bank facilities, but not for short term liquidity funding.

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

The sensitivity analysis has been determined based on the exposure to interest rates for derivative financial instruments at the end of the reporting period. The impact of a 100 basis points ("bps") movement has been selected as this is considered reasonable given the current level of both short and long term Australian dollar interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by $1,654,000 (2013: nil). There is no change to other comprehensive income for the Current Year.

(g) Equity Price Risk

Equity price risk is the risk of loss to Spark Infrastructure arising from adverse fluctuations in the price of an equity instrument or equity derivative. Spark Infrastructure has exposure to equity risk arising on the derivative financial instruments held in respect of DUET Group equity securities. This investment is held for strategic rather than trading purposes. Refer to Note 6 for key terms of the equity derivatives.

Equity Price Risk Sensitivity

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would increase/decrease by $5,754,000 and $10,298,000 respectively (2013: nil). There is no change to other comprehensive income for the Current Year.

(h) 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 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.

(i) 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 26.

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 non-derivative 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.

2014	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	**–**	**1,148**	**2,130**	**92**	**2,130**	**158**	**5,658**
Loan Notes attributable to Securityholders[a]	**10.85**	**–**	**52,056**	**51,323**	**413,514**	**9,843,675**	**10,360,568**
Total		**1,148**	**54,186**	**51,415**	**415,644**	**9,843,833**	**10,366,226**

2013	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	–	533	1,812	33	272	180	2,830
Loan Notes attributable to Securityholders[a]	10.85	–	47,099	46,436	374,139	8,999,902	9,467,576
Total		533	48,911	46,469	374,411	9,000,082	9,470,406

a The Loan Notes have a term of 100 years, maturing 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 to either the interest rate or the 5 year reset period. For future reset periods, any change (if made) to the interest rate is based on 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 90 years of the Loan Notes post 30 November 2015 (the next reset date), however the actual rate for each reset period will be subject to finalisation at future points in time.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. FINANCIAL INSTRUMENTS CONTINUED

(i) Liquidity Risk Management continued

The following table details Spark Infrastructure's remaining contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

2014	LESS THAN 1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	2-5 YEARS $'000	5+ YEARS $'000
Other financial assets					
– **Inflows**	–	16,267	16,267	69,222	–
– **Outflows**	(134)	(1,131)	(7,871)	(9,418)	–
Total	(134)	15,136	8,396	59,804	

(j) Fair Value of Financial Instruments

Some of the Groups financial assets and financial liabilities are measured at fair value at the end of the each reporting period.

The following table gives further information about how Spark Infrastructure determines the fair values of various derivative financial assets and liabilities (in particular, the valuation techniques and inputs used).

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUES AND KEY INPUTS
Cash-settled equity swaps	2	Discounted cashflow – Future cash flows are estimated based on forecast distributions, equity forward price and notional interest payments. All cashflows are discounted at a rate that reflects the credit risk of the counterparties.
Forward contracts	2	Discounted cashflow – As above.
Zero-cost cash settled collar	2	Monte Carlo simulation – Contractual strike prices, forward interest rates from observable yield curves, expected distribution yield and volatility factors.
Put Options embedded in the forward contracts	2	Black Scholes model – Contractual strike prices, forward interest rates from observable yield curves, expected distribution yield and volatility factors.
Loan Notes attributable to Securityholders	2	Linked to the security price of Spark Infrastructure given the long term nature of the stapled structure

All derivative contracts are deemed to be level 2 fair value measurements in accordance with AASB 13 *Fair Value Measurement* as there are no significant unobservable inputs. There have been no transfers between levels during the Current Year.

The amounts for Loan Notes disclosed reflect undiscounted amounts for interest for the remaining 91 years of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 31 December 2014 was $0.65 per Loan Note (31 December 2013: $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.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in these consolidated financial statements approximates their fair values, with the exception of the Loan Notes attributable to Securityholders.

28. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The following aggregate amounts are disclosed in respect of the Parent Entity, Spark Infrastructure Trust:

	31 DEC 2014 $'000	31 DEC 2013 $'000
Financial Position		
Current assets	**188,238**	50,030
Non-current assets	**1,991,828**	1,896,770
Total Assets	**2,180,066**	1,946,800
Current liabilities	**79,363**	48,087
Non-current liabilities	**935,176**	841,607
Total liabilities	**1,014,539**	889,694
Net Assets	**1,165,527**	1,057,106
Equity		
Issued capital	**1,115,258**	1,022,153
Retained earnings	**50,269**	34,953
Total Equity	**1,165,527**	1,057,106

	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2013 $'000
Financial Performance		
Net profit for the year	**15,314**	1,075
Other comprehensive income	**–**	–
Total comprehensive income for the Financial Year	**15,314**	1,075

(b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any financial guarantees in respect of bank guarantees and loans of subsidiaries or any unsecured guarantees at 31 December 2014 (2013: nil).

(c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 31 December 2014 (2013: nil).

(d) Contractual commitments for the acquisition of property, plant and equipment by the Parent Entity

As at 31 December 2014, the Parent Entity had no contractual commitments (2013: nil).

29. ADDITIONAL INFORMATION

The registered office of business of the Trust is as follows:

Level 25, 259 George Street
Sydney NSW 2000
Australia

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Spark Infrastructure Trust

Report on the Financial Report

We have audited the accompanying financial report of Spark Infrastructure Trust (the 'Trust'), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 33 to 63.

Directors' Responsibility for the Financial Report

The directors of the company 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Spark Infrastructure Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Spark Infrastructure Trust is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 31 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Spark Infrastructure Trust for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock

BJ Pollock
Partner
Chartered Accountants
Sydney, 20 February 2015

ADDITIONAL ASX DISCLOSURES

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 UP person who is not both a QIB and a QP.

SHAREHOLDER INFORMATION

Spark Infrastructure | Fully paid stapled securities (total) as of 02 Mar 2015

TOP HOLDERS SNAPSHOT – UNGROUPED | COMPOSITION : ORD

RANK	NAME	UNITS	% OF UNITS
1.	HSBC Custody Nominees (Australia) Limited	376,589,120	25.68
2.	National Nominees Limited	210,732,259	14.37
3.	J P Morgan Nominees Australia Limited	165,458,516	11.28
4.	CKI Spark Holdings No Three Limited	113,188,473	7.72
5.	Citicorp Nominees Pty Limited	105,652,788	7.21
6.	BNP Paribas Noms Pty Ltd	37,293,937	2.54
7.	RBC Investor Services Australia Nominees Pty Limited	28,240,630	1.93
8.	AMP Life Limited	25,796,642	1.76
9.	HSBC Custody Nominees (Australia) Limited	9,232,896	0.63
10.	Custodial Services Limited	8,860,066	0.60
11.	Ecapital Nominees Pty Limited	7,834,630	0.53
12.	Questor Financial Services Limited	7,571,222	0.52
13.	Citicorp Nominees Pty Limited	6,278,976	0.43
14.	RBC Investor Services Australia Nominees Pty Limited	5,557,426	0.38
15.	Avanteos Investments Limited	5,445,455	0.37
16.	Morgan Stanley Australia Securities (Nominee) Pty Limited	5,078,507	0.35
17.	Argo Investments Limited	4,244,214	0.29
18.	Nulis Nominees (Australia) Limited	3,487,116	0.24
19.	Waterview Custodian Limited	3,416,000	0.23
20.	QIC Limited	3,086,202	0.21
Totals: Top 20 holders of fully paid stapled securities (total)		**1,133,045,075**	**77.27**
Total remaining holders balance		**333,315,053**	**22.73**

SUBSTANTIAL HOLDERS

At 02 Mar 2015

NAME OF HOLDER	% OF ISSUED CAPITAL
RARE Infrastructure	10.5
Lazard Asset Management	9.6
Cheung Kong Infrastructure	7.7

SHAREHOLDER INFORMATION CONTINUED

Spark Infrastructure

Fully paid stapled securities (total) as of 02 Mar 2015

RANGE OF UNITS SNAPSHOT

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	1,114	566,260	0.04
1,001 – 5,000	4,730	15,150,604	1.03
5,001 – 10,000	4,585	34,983,516	2.39
10,001 – 100,000	7,836	196,666,536	13.41
100,001 – 9,999,999,999	302	1,218,993,212	83.13
Rounding			**0.00**
Total	**18,567**	**1,466,360,128**	**100.00**

UNMARKETABLE PARCELS

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $2.07 per unit	242	288	6,959

CORPORATE CONTACT DETAILS

REGISTERED OFFICE

Spark Infrastructure
Level 25, 259 George Street,
Sydney NSW 2000

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W: sparkinfrastructure.com

Managing Director
Rick Francis

Chief Financial Officer
Greg Botham

Company Secretary
Alexandra Finley

Investor Relations
Mario Falchoni

SECURITY REGISTRY

Computershare Investor Services Pty Limited
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Melbourne Victoria 8060 Australia
T: +61 3 9415 4286 (international)
T: Freecall 1300 730 579 (within Australia)
W: computershare.com

Spark Infrastructure RE Limited (ABN 36 114 940 984) as the responsible entity for Spark Infrastructure Trust (ARSN 116 870 725)

CREATED BY DESIGNATE

sparkinfrastructure