



Thursday 4 November 2010

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

RESTRUCTURE IMPLEMENTATION - EXPLANATORY MEMORANDUM

Convening of securityholder meetings

Spark Infrastructure Group is pleased to announce that the first court hearing in relation to the proposed restructure of Spark Infrastructure has taken place and the Supreme Court of New South Wales has ordered the convening of Spark Infrastructure securityholder meetings scheduled to be held on Thursday, 9 December 2010 in Sydney.

The meetings are being convened so that securityholders can vote on the restructure proposal in relation to Spark Infrastructure as described in the Explanatory Memorandum, a copy of which is attached.

Explanatory Memorandum

The Explanatory Memorandum will be despatched to securityholders on or about 9 November 2010 and will include notices convening the meetings and a personalised proxy form.

The Explanatory Memorandum contains important information for securityholders to consider in relation to the restructure proposal. Securityholders are encouraged to read this document carefully and in its entirety, including the materials accompanying it, before deciding whether or not to vote for or against the restructure proposal.

The Scheme Meetings and Extraordinary General Meetings

The Scheme Meetings and Extraordinary General Meetings are scheduled to be held at Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia at 3:00 pm (Sydney time) on Thursday, 9 December 2010.

Spark Infrastructure securityholders are encouraged to attend and vote at the Meetings. Securityholders may appoint a proxy to attend the meetings on their behalf by filling in and lodging the proxy form despatched with their Explanatory Memorandum so that it is received by 3:00 pm (Sydney time) on Tuesday, 7 December 2010.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alexandra Finley", is written over a circular stamp or seal.

Alexandra Finley
Company Secretary



SparkInfrastructure



NOTICES OF MEETING AND EXPLANATORY MEMORANDUM

**SCHEME MEETINGS AND EXTRAORDINARY GENERAL MEETINGS
9 December 2010**

**Radisson Plaza Hotel,
27 O'Connell Street,
Sydney NSW Australia**

For a recommended proposal to restructure Spark Infrastructure which will result in a partial reduction in the face value of the Loan Notes and a simplification of the existing ownership and stapled security structure (Restructure proposal)

This Explanatory Memorandum comprises:

- an explanatory statement to explain the proposed member schemes of arrangement for each of Spark Infrastructure Holdings No. 1 Limited and Spark Infrastructure Holdings No. 2 Limited
- an explanatory statement to explain the proposed creditor scheme of arrangement for Spark Infrastructure RE Limited (being the responsible entity of Spark Infrastructure Trust)
- an explanatory memorandum to explain the matters to be considered at the Extraordinary General Meetings.

This explanatory Memorandum has been lodged with ASIC pursuant to section 412(6) of the Corporations Act.

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the resolutions to approve the Restructure and, if necessary, consult your legal, investment, taxation or other professional adviser(s). You may call the Spark Infrastructure Securityholder Information Line on 1300 608 629 (within Australia) or +61 3 9415 4068 (outside Australia) if you have any questions.

SPARK INFRASTRUCTURE HOLDINGS NO.1 LIMITED (ABN 14 116 940 786)

SPARK INFRASTRUCTURE HOLDINGS NO.2 LIMITED (ABN 14 116 940 795)

SPARK INFRASTRUCTURE HOLDINGS INTERNATIONAL LIMITED (ARBN 117 034 492)

SPARK INFRASTRUCTURE RE LIMITED (ACN 117 940 984) (AFSL 290436)

AS RESPONSIBLE ENTITY OF SPARK INFRASTRUCTURE TRUST (ARSN 116 870 725)



IMPORTANT INFORMATION

This Explanatory Memorandum is issued by Spark Infrastructure Group. Spark Infrastructure Group comprises Spark Infrastructure Trust (ARSN 116 870 725) (Spark Trust), Spark Infrastructure Holdings No. 1 Limited (ABN 14 116 940 786) (Spark Holdings 1), Spark Infrastructure Holdings No. 2 Limited (ABN 16 116 940 795) (Spark Holdings 2) and Spark Infrastructure Holdings International Limited (ARBN 117 034 492) (Spark International) (collectively Spark Infrastructure and each a Stapled Entity). Spark Infrastructure RE Limited (ABN 36 114 940 984) (Spark RE) is the responsible entity of Spark Trust. Spark Infrastructure Management Limited (ABN 84 114 940 304) (the Manager) is the manager of each of Spark Trust, Spark Holdings 1, Spark Holdings 2 and Spark International.

DEFINED TERMS

Capitalised terms used in this Explanatory Memorandum have the meaning given to them in the Glossary.

DISCLAIMER

This Explanatory Memorandum and the accompanying Notices of Meeting and enclosed personalised proxy form are important and require your immediate attention. You should read these documents carefully and in their entirety before deciding how to vote on the Restructure.

This Explanatory Memorandum has been prepared by Spark RE (as responsible entity of Spark Trust), Spark Holdings 1, Spark Holdings 2 and Spark International based on information available to them. The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinions and conclusions contained in this Explanatory Memorandum. To the maximum extent permitted by law neither Spark Infrastructure nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on their part.

The historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with Spark Infrastructure's other periodic and continuous disclosure announcements including the Spark Infrastructure results for the half year ended 30 June 2010 lodged with ASX Limited (ASX) on 23 August 2010 and announcements to the ASX available at asx.com.au.

The information in this Explanatory Memorandum remains subject to change without notice. Spark Infrastructure reserves the right to withdraw or vary the timetable for the Restructure without notice.

The pro forma historical financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of Spark Infrastructure's views on its future financial condition and/or performance. Similarly, Securityholders should note that past performance provides no guidance as to future performance of Spark Infrastructure stapled securities (Securities). See below in relation to forward-looking statements including in relation to distribution guidance.

NO INVESTMENT ADVICE

This Explanatory Memorandum does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of Spark Infrastructure's stapled securities.

This Explanatory Memorandum does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in Spark Infrastructure nor does it contain all the information which would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. This Explanatory Memorandum has been prepared without taking account of any person's investment objectives, financial situation or particular needs. Securityholders should seek independent financial and taxation advice before making any decision on how to vote in respect of the Restructure or any investment decision in relation to Spark Infrastructure.

RESPONSIBILITY FOR INFORMATION

Except as outlined below, the information contained in this Explanatory Memorandum has been provided by Spark Infrastructure and is its responsibility alone. Except as outlined below, none of Spark Infrastructure's directors, employees, officers, agents, advisers or intermediaries assume any responsibility for the accuracy or completeness of any such information.

To the maximum extent permitted by law, Spark Infrastructure and its affiliates, officers, employees, agents, advisers and intermediaries disclaim all liability that may otherwise arise due to any information contained in this Explanatory Memorandum being inaccurate or due to information being omitted from this Explanatory Memorandum, whether by way of negligence or otherwise.

None of Spark Infrastructure's advisers or intermediaries or any other person named in this Explanatory Memorandum

other than Spark Infrastructure, have authorised or caused the issue, submission, despatch or provision of this Explanatory Memorandum and, except as outlined below none of them makes or purports to make any statement in this Explanatory Memorandum and there is no statement in this Explanatory Memorandum which is based on any statement by any of them.

Loneragan Edwards & Associates Limited (the Independent Expert) has provided and is responsible for the information contained in the Independent Expert's Report. Neither Spark Infrastructure nor any of its directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report which accompanies this Explanatory Memorandum. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in Annexure 6.

Deloitte Touche Tohmatsu (the Investigating Accountant) has provided and is responsible for the information contained in the Investigating Accountant's Report. Neither Spark Infrastructure nor any of its directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in the Independent Accountant's Report which accompanies this Explanatory Memorandum. The Investigating Accountant does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in Annexure 7.

ASIC AND ASX

A copy of this Explanatory Memorandum (including the Independent Expert's Report and Investigating Accountant's Report) has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and lodged with, and registered for the purposes of section 412(6) of the Corporations Act by, ASIC. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement it will be produced to the Court at the time of the Second Court Hearing.

A copy of this Explanatory Memorandum will be lodged with the ASX.

None of ASIC, ASX and their respective officers take any responsibility for the contents of this Explanatory Memorandum.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUB-SECTION 411(1) OF CORPORATIONS ACT (CTH)

The fact that under subsection 411(1) of the Corporations Act 2001 (Cth) the Court has ordered that a meeting be convened and has approved this Explanatory Memorandum being required to accompany the notices of the meeting does not mean that the Court:

- has formed any view as to the merits of the proposed scheme or as to how members/creditors should vote (on this matter members/creditors must reach their own decision); or
- has prepared, or is responsible for the content of, this Explanatory Memorandum.

The above important notice applies equally in relation to the giving of the First Judicial Advice.

NOTE TRUSTEE INVOLVEMENT

Other than as stated in this paragraph, the Australian Executor Trustees Limited ("AET") has no material interests, whether as trustee for the holders of the Loan Notes, or as member or creditor of Spark RE or otherwise. AET as the Note Trustee is entitled to fees in its capacity as trustee for the holders of the Loan Notes under the Loan Note Trust Deed. However, AET as the Note Trustee is not formally a party to the proposed creditors scheme of arrangement. AET does not have any material interest in the Securities as principal. AET or other members of the AET group may hold interests in the Securities as trustees or responsible entities of other funds. However, the proposed creditors scheme of arrangement does not have any effect on those interests of AET (in those capacities) that is different from the effect on the like interests of other persons.

The Note Trustee has not authorised or caused the issue, submission, despatch or provision of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum which is based on any statement made by it.

Neither the Note Trustee nor any of its directors, employees, officers, affiliates, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of any information contained in this Explanatory Memorandum. To the maximum extent permitted by law, the Note Trustee and its directors, employees, officers, affiliates, agents, advisers and intermediaries disclaim all liability that may otherwise arise due to any information in this Explanatory Memorandum being inaccurate or due to information being omitted from this Explanatory Memorandum, whether by way of negligence or otherwise.

Part of this section has been prepared based on information provided by AET to Spark Infrastructure in relation to its interests in the Securities. Spark Infrastructure makes no representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this section that is based on the foregoing information provided by AET to the extent that such information provided by AET is inaccurate, incomplete or incorrect.

RISK FACTORS

There are a number of risks and uncertainties in relation to Spark Infrastructure. These include risks specific to the Restructure itself and other risks of a more general nature which Spark Infrastructure considers are relevant more generally to the Restructure. Please see the summary of risks and disadvantages of the Restructure set out in Section 1.10 and the more detailed description of risk factors in Section 10 of this Explanatory Memorandum for further details.

OTHER GENERAL MATTERS

Please see Additional Information (included in Section 11) for other important notices and acknowledgments.

Where a contract or other document is referred to in this Explanatory Memorandum it is not incorporated by reference unless expressly referred to otherwise in this Explanatory Memorandum.

NOTICES TO PERSONS OUTSIDE AUSTRALIA

This Explanatory Memorandum is subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. In addition, this Explanatory Memorandum does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. See Section 4.8 and Annexure 8 for specific information on foreign jurisdictions.

UNITED STATES SECURITYHOLDERS

This Explanatory Memorandum is neither an offer to sell nor a solicitation of an offer to buy securities as such terms are defined under the Securities Act. The new Units to be issued under the Schemes have not been and will not be registered under the Securities Act.

Spark Infrastructure intends to rely on an exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) of the Securities Act in connection with the implementation of the Schemes and the issue of the new Units pursuant to those Schemes. Approval of the Schemes by the Court is a criteria for the Section 3(a)(10) exemption.

None of the Securities Exchange Commission, any US state securities commission or any other US regulatory authority has passed comment upon or endorsed the merits of the Schemes or the accuracy, adequacy or completeness of this Explanatory Memorandum. Any representation to the contrary may be a criminal offence.

See Annexure 8 for further information relating to United States Securityholders.

DISCLOSURES REGARDING FORWARD LOOKING STATEMENTS

This Explanatory Memorandum contains "forward looking statements". Forward-looking statements include those containing such words as "anticipate", "estimates", "should", "could", "may", "will", "expects", "plans", or similar expressions. Indications of and guidance or outlook on future revenues, distributions or financial position and performance or return or growth in underlying investments are also forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark Infrastructure's control, and may involve elements of subjective judgment and assumptions as to future events which may or may not be correct and which may cause actual results to differ materially from those expressed in the statements contained in this Explanatory Memorandum. You should not place undue reliance on these forward-looking statements having regard to the fact that the outcome may not be achieved. These forward-looking statements are based on information available to Spark Infrastructure as of the date of this Explanatory Memorandum. Subject to any continuing obligations under the Corporations Act or the Listing Rules, Spark Infrastructure does not give any undertaking to update or revise any forward-looking statements after the date of this Explanatory Memorandum to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

CURRENCY

Unless stated otherwise, all dollar values are in Australian dollars (A\$) and financial data is presented as at 30 June 2010.

DATE

This Explanatory Memorandum is dated 3 November 2010.

CHAIRMAN'S LETTER

SPARK INFRASTRUCTURE

Dear Securityholder,

On behalf of the Boards of Spark Infrastructure I am pleased to invite Securityholders to vote in relation to the proposed Restructure of Spark Infrastructure at Securityholder meetings to be held at 3:00 pm (Sydney time) on Thursday, 9 December 2010.

REPOSITIONING

The Asset Companies in which Spark Infrastructure holds a 49% interest, CitiPower and Powercor and ETSA Utilities, are entering an exciting period of growth. The Australian Energy Regulator (AER) has approved capital expenditure over the next five years that will drive increased growth in the Regulatory Asset Bases of the Asset Companies. Correspondingly increased revenues of the Asset Companies have also been approved by the regulator.

Funding of this capital expenditure in line with AER's assumptions will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' Regulatory Asset Bases, in which Securityholders are expected to indirectly benefit via their investment in Spark Infrastructure.

Spark Infrastructure's Strategic Review, announced on 26 February 2010, was designed to prepare and position Spark Infrastructure to take advantage of these growth opportunities. As part of the Strategic Review, the Boards established a committee of the Independent Directors to manage any conflicts of interest within the process and to regulate the flow of information as appropriate amongst the Boards, the Independent Directors, the Asset Companies, the asset partners (CKI and HKE) and Spark Infrastructure's Manager.

The Independent Directors evaluated a number of options in relation to Spark Infrastructure's capital structure, ownership structure and future funding needs aimed at maximising Securityholder value.

On 22 September 2010 Spark Infrastructure announced the completion of its strategic review with a Repositioning in order to prepare and position Spark Infrastructure to take advantage of these future growth opportunities.

The Repositioning is made up of two components. Firstly, a \$295 million accelerated non-renounceable entitlement offer, details of which can be found in the Investor Information Booklet which was lodged with the ASX on 22 September 2010 and mailed to securityholders on 30 September 2010. The institutional component of the Entitlement Offer closed oversubscribed while the retail component (which was fully underwritten) completed on 29 October 2010. The Entitlement Offer was designed to strengthen Spark Infrastructure's balance sheet and increase Spark Infrastructure's financial flexibility to fund growth capital expenditure requirements of the Asset Companies.

The second part of the Repositioning involves a restructure of Spark Infrastructure (the Restructure) which is designed to realign Spark Infrastructure's Loan Note interest obligations more closely with cashflows expected to be available from the Asset Companies and simplify Spark Infrastructure's ownership and stapled security structure. It is those aspects on which Securityholders are being asked to vote at the Securityholder meetings.

RESTRUCTURE

The proposed Restructure involves:

- A partial reduction of the principal amount outstanding on the Loan Notes by \$0.60 face value per Security, with the amount repaid to be applied to the issue of additional Units to Securityholders. Effectively, that portion of the Loan Note principal will be converted from subordinated debt to equity in Spark Trust. Securityholders will not receive cash. Following the Restructure, the Loan Notes will have a face value of \$0.65 per Security and will carry a correspondingly reduced interest entitlement; and
- The simplification of the existing Spark Infrastructure ASX listed security from a five stapled security with four issuers to an ASX listed dual stapled security with Spark Trust as the sole listed entity.

Following implementation of the Restructure, Securityholders eligible to participate in the Restructure will continue to hold the same proportionate interest in Spark Infrastructure as they held immediately prior to the Restructure.

The Restructure remains subject to a number of conditions precedent including Securityholder and Court approvals.

INDEPENDENT EXPERT'S REPORT AND DIRECTORS' RECOMMENDATION

The Independent Expert, Lonergan Edwards & Associates Limited, has concluded that the proposed Restructure is in the best interests of Securityholders. The Independent Expert's Report is attached as Annexure 6 and contains an evaluation of the proposed Restructure. The Independent Expert has evaluated the Restructure by assessing its overall impact on Securityholders and forming a judgment as to whether the expected benefits to Securityholders outweigh the disadvantages and risks that might result.

The Directors of Spark Infrastructure unanimously recommend that Securityholders vote in favour of the Restructure at the Securityholder meetings, subject to there being no change of control proposal emerging which is superior to the Restructure and the Independent Expert not changing or withdrawing its conclusion. At present, no change of control proposal has yet emerged which the Directors of Spark Infrastructure consider is superior to the Restructure.

A summary of the Directors' assessment of the anticipated benefits and potential risks and disadvantages of the Restructure is set out in Section 1.10.

SPARK INFRASTRUCTURE WILL REMAIN EXTERNALLY MANAGED

As part of the Strategic Review, the Board, with conflicted Directors excluded, considered Internalisation of the management function. On conclusion of the Strategic Review, an Internalisation proposal with suitable commercial conditions had not been achieved and accordingly Internalisation is not being pursued as part of the Restructure.

As a result, after the Repositioning, Spark Infrastructure will remain externally managed with Spark Infrastructure Management Limited continuing to provide management services. The Independent Directors will continue to give consideration to Internalisation of the management function in the future subject to suitable commercial conditions. If an Internalisation proposal can be achieved that the Independent Directors consider suitable, they will seek Securityholder approval at the appropriate time.

THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum provides Securityholders with information about the Restructure to assist them in deciding how to vote at the Meetings in relation to the proposed Restructure to be held at 3:00 pm (Sydney time) on Thursday, 9 December 2010. It includes an overview of the Restructure, the Strategic Review, the Directors' recommendations and a summary of the advantages, disadvantages, risks and tax consequences associated with the Restructure, as well as the Independent Expert's Report (see in particular Sections 1,4,8 and Annexure 6). Section 2 contains answers to key questions and Section 10 contains risk factors relating to the Restructure specifically or associated with Spark Infrastructure more generally.

You should read this Explanatory Memorandum carefully and in its entirety before deciding how to vote on the Restructure.

This Explanatory Memorandum does not contain detailed information in relation to the Entitlement Offer as that component of the Repositioning was completed on 29 October 2010. Securityholders should refer to the Investor Information Booklet if they require more information on the Entitlement Offer.

VOTING AND PROXIES

Securityholders are encouraged to attend and vote at the Meetings scheduled to be held at Radisson Plaza Hotel, 27 O'Connell Street, Sydney, NSW Australia at 3:00 pm (Sydney time), Thursday, 9 December 2010. Securityholders may vote either in person or by proxy. If you wish to appoint a proxy, you should complete and return the enclosed proxy form in accordance with its instructions and Section 3 of this Explanatory Memorandum. Proxy forms must be returned by 3:00 pm (Sydney time) on Tuesday, 7 December 2010. A reply-paid envelope has also been enclosed with this Explanatory Memorandum for this purpose. Proxy forms returned after that time will be invalid.

If you are uncertain about what course of action you should take regarding any information contained in the Notices of Meeting and Explanatory Memorandum, you should consult your legal, investment, taxation or other professional adviser(s).

HOW TO OBTAIN FURTHER INFORMATION

If you have any questions about the Restructure please call the Spark Infrastructure Securityholder Information Line on 1300 608 629 (within Australia) or +61 3 9415 4068 (outside Australia).

On behalf of the Directors, I thank you for your continued support of Spark Infrastructure and encourage you to vote in favour of the proposed Restructure.



Stephen Johns

Chairman

PURPOSE OF THIS EXPLANATORY MEMORANDUM AND KEY DATES

This Explanatory Memorandum sets out information relating to the Restructure and the Meetings of Securityholders to be held at 3:00 pm (Sydney time) on Thursday, 9 December 2010 at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia, to consider the second of the Repositioning initiatives being the Restructure. The Notices of Meeting are set out in Annexure 1.

SCHEME MEETINGS

This Explanatory Memorandum includes the information required to be sent to Securityholders in relation to the Scheme Meetings for the Schemes under Part 5.1 of the Corporations Act which will form part of the Restructure.

If the conditions to the Restructure are satisfied, the Restructure is to be effected by, among other things:

- Two member schemes of arrangement under Part 5.1 of the Corporations Act in respect of Spark Holdings 1 (the Spark Holdings 1 Member Scheme) and Spark Holdings 2 (the Spark Holdings 2 Member Scheme); and
- A creditor scheme of arrangement under Part 5.1 of the Corporations Act in respect of Spark RE (the Note Scheme).

Copies of the proposed scheme terms for each of the Schemes are set out in Annexures 2, 3 and 4 respectively.

EXTRAORDINARY GENERAL MEETINGS

This Explanatory Memorandum also includes information relating to the Extraordinary General Meetings to consider the Constitutional Amendment and Related Resolutions which are also required to facilitate the Restructure. The form of the proposed amendments to the Constitutions are set out in Annexure 5.

THIS EXPLANATORY MEMORANDUM

An overview of the Restructure, the Strategic Review, the Directors' recommendations and a summary of the advantages, disadvantages, risks and tax consequences associated with the Restructure, as well as the Independent Expert's Report are contained in Sections 1,4,8 and Annexure 6 respectively. Section 2 contains answers to key questions and Section 10 contains risk factors relating to the Restructure or associated with Spark Infrastructure more generally.

A more detailed description of the Restructure and key documents are set out in Sections 4 and 11 respectively.

Securityholders are encouraged to read this Explanatory Memorandum in its entirety before making a decision on how to vote on the Restructure.

KEY DATES

Event	Date
Institutional Entitlement Offer	Completed on 23 September 2010
Final settlement of applications under the Institutional Entitlement Offer	Completed on 8 October 2010
Retail Entitlement Offer	Completed on 21 October 2010
Final settlement of applications under the Retail Entitlement Offer	Completed on 28 October 2010
Date of Explanatory Memorandum	3 November 2010
Time and date by which proxy forms must be received	3:00 pm (Sydney time), Tuesday 7 December 2010
Time and date for determining eligibility to vote at the Meetings	7:00 pm (Sydney time), Tuesday 7 December 2010
Meetings of Securityholders held concurrently in relation to Restructure	3:00 pm (Sydney time), Thursday, 9 December 2010

If the Restructure Resolutions (other than those relating to Spark International) ¹ are approved	
Event	Date
Second Court Hearing	Friday, 17 December 2010
Last day of trading in existing Spark Infrastructure stapled securities	Monday, 20 December 2010
Effective date	Monday, 20 December 2010
Commence trading of post Restructure Spark Trust stapled securities (comprising Units and Loan Notes) on a deferred settlement basis	Tuesday, 21 December 2010
Record Date	7:00 pm (Sydney time), Wednesday 29 December 2010
Implementation date of the Restructure	Friday, 31 December 2010
Despatch of holding statements for post Scheme Units and Loan Notes	Thursday, 6 January 2011

This timetable is indicative only and Spark Infrastructure has the right to vary these times and dates and will announce any variations to the ASX. Certain times and dates and the occurrence of certain events are conditional on satisfaction of certain conditions precedent, including Securityholder, regulatory and Court approvals. Any change to this timetable will be notified to ASX and posted on Spark Infrastructure's website at sparkinfrastructure.com

¹ While the restructure of Spark International (being a redemption of ordinary shares (and cancellation of related CDIs)) is conditional on the Schemes and other Restructure Resolutions being approved, the Schemes and the other Restructure Resolutions are not conditional on the redemption of Spark International's ordinary shares proceeding. See Sections 2, 4.5 and 4.7 for further information.

WHAT YOU SHOULD DO NEXT

1. READ THIS EXPLANATORY MEMORANDUM AND SEEK ADVICE AS APPROPRIATE

This Explanatory Memorandum, including the annexures, contains important information about the Restructure. You should read it carefully and in its entirety before deciding how to vote on the resolutions to be considered at the Meetings and, if necessary, consult your legal, investment, taxation or other professional adviser(s).

If prior to 7:00 pm (Sydney time) on 7 December 2010 you have sold all of your Spark Infrastructure securities, please disregard this document.

2. VOTE ON THE RESOLUTIONS IN RELATION TO THE RESTRUCTURE

As a Securityholder, you are entitled to vote (subject to the voting exclusion statements in the Notices of Meeting) on whether you want the Restructure to proceed or not.

You can vote in person by attending (or having your attorney or, in the case of a body corporate, a corporate representative attend) the Scheme Meetings and the Extraordinary General Meetings (together, the Meetings) to be held at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia, commencing at 3:00 pm (Sydney time) on Thursday, 9 December 2010.

Alternatively, you can vote by proxy. Your personalised Proxy Form accompanies this Explanatory Memorandum.

Each Securityholder is entitled to appoint not more than 2 proxies to attend, who need not be Securityholders. Proxy Forms (together with any power of attorney or authority under which they are executed) must be received by 3:00 pm (Sydney time), Tuesday, 7 December 2010. Proxy Forms received after that time will be invalid.

For details on how to complete and lodge the proxy form, please refer to Section 3 and the instructions on the enclosed proxy form. For details on having your attorney or corporate representative attend the Meetings, please refer to Section 3.

3. QUESTIONS

There are frequently asked questions in Section 2 to help answer any questions you may have. If you have any doubts as to what action you should take, you should seek financial, tax or other professional advice before making any decision in relation to your Spark Infrastructure securities and how to vote at the Meetings.

If after reading this Explanatory Memorandum, you have any questions relating to the Restructure, please contact the Spark Infrastructure Securityholder Information Line on 1300 608 629 (within Australia) and +61 3 9415 4068 (outside Australia).

ADDITIONAL DISCLOSURES RELATING TO INFRASTRUCTURE ENTITIES – ASIC CP 134

In April 2010, ASIC released its consultation paper (CP 134) which outlines a number of suggested disclosures that should be made in relation to infrastructure entities in a disclosure document with the aim of improving disclosure for retail investors. Although CP 134 is only draft ASIC policy and this Explanatory Memorandum is not a disclosure document as it is neither a prospectus nor a product disclosure statement under the Corporations Act, Spark Infrastructure has had regard to the disclosures outlined in CP 134.

Where suggested disclosure areas are considered relevant to the Restructure and appropriate for inclusion (for example, where the existing arrangements previously disclosed are changing or are referred to in this document), Spark Infrastructure has provided disclosure on those topics in this Explanatory Memorandum.

Where the suggested disclosure areas relate to other matters of a more general application, Spark Infrastructure has referred to where the information is available. In this regard, it is noted that the Stapled Entities are “disclosing entities” under the Corporations Act (see Section 11.3 for further details). As such, Spark Infrastructure has already provided disclosure of some of the key disclosure areas suggested in CP 134 through its prospectus and product disclosure statement dated 18 November 2005 (the IPO Document), its Investor Information Booklet dated 22 September 2010, and other periodic and continuous disclosure announcements lodged with the ASX and made available at asx.com.au (together, the Prior Disclosure).

The table below outlines disclosure areas suggested in CP 134 and the most relevant part of this Explanatory Memorandum or other Prior Disclosure in which they can be found.

Disclosure area	Summary of disclosure area	Section	Prior Disclosure section
Corporate structure and management	Spark Infrastructure’s ownership structure, management team, governance arrangements, independence of directors policy and related party policies	Sections 1, 4, 5 and 6	Annual Report 2009 Sections 8.6.2 and 14.6.1 of the IPO Document Investment Highlights (page 13), Sections 2.6, 2.7, 7.2 and 7.4 of the Investor Information Booklet
Funding	Spark Infrastructure’s policy in relation to borrowing and hedging	Section 6	Spark Infrastructure HY 2010 interim financials Section 8 of the Investor Information Booklet
Assumptions	Spark Infrastructure’s guidance and any assumptions	Sections 5.7, 5.8, 5.9 and 9	Spark Infrastructure HY 2010 interim financials Sections 6 and 11 of the Investor Information Booklet
Valuation policy	Spark Infrastructure’s policy in relation to valuation of assets and approvals of valuations	Not included	Spark Infrastructure HY 2010 interim financials
Distributions	Spark Infrastructure’s position in relation to funding of and payment of distributions	Sections 5 and 9	ASX announcements Sections 6 and 11 of the Investor Information Booklet
Withdrawal policy	Spark Infrastructure’s policy in relation to withdrawal of units from Spark Trust	Not applicable	Not applicable
Portfolio diversification	Spark Infrastructure’s portfolio diversification policy	Section 5	Section 9 of the IPO Document Section 6 of the Investor Information Booklet

In addition, the IPO Document contains (in section 14 of that document) summaries of the material contracts entered into by Spark Infrastructure including the Constituent Documents for the entities (in particular, the Loan Note Trust Deed and the Constitution for the Spark Trust), the Management Agreement and the Asset Company Agreements.

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SECTION 1 OVERVIEW

1.1 OVERVIEW OF REPOSITIONING

Following a detailed Strategic Review, the Boards of Spark Infrastructure proposed a series of initiatives to reposition Spark Infrastructure for the future in order to take advantage of the growth opportunities expected by the Asset Companies in which it holds a 49% interest. The Entitlement Offer which has now completed was designed to strengthen Spark Infrastructure's balance sheet and increase Spark Infrastructure's financial flexibility to fund growth capital expenditure requirements of the Asset Companies.

The Restructure, on which Securityholders are being asked to vote at the Securityholder meetings, is designed to:

- **Realign** Spark Infrastructure's Loan Note interest obligations more closely with cashflows expected to be available from the Asset Companies; and
- **Simplify** Spark Infrastructure's ownership and stapled security structure.

1.2 ENTITLEMENT OFFER AND ITS STATUS

On 22 September 2010, Spark Infrastructure announced a 2 for 7 accelerated non-renounceable entitlement offer of new stapled securities to institutional and retail investors to raise approximately \$295 million, with the proceeds to be used as follows:

Sources	\$million	Uses	\$million
Entitlement Offer	294.8	Repayment of debt	200.0
		Cash retained to fund future growth capital expenditure	84.8
		Transaction costs	10.0
Total sources of funds	294.8	Total uses of funds	294.8

The Entitlement Offer was fully underwritten by Deutsche Bank AG, Sydney Branch and UBS AG, Australia Branch.

The Entitlement Offer completed on 29 October 2010 and holding statements were despatched to Securityholders on 1 November 2010. For further information relating to the Entitlement Offer, please refer to the Investor Information Booklet.

Spark Infrastructure's \$200 million bank loan due in June 2011 was partly prepaid by \$170 million in October 2010 and will be repaid in full by December 2010 from the proceeds from the retail component of the Entitlement Offer, after which Spark Infrastructure will cancel this facility. Transaction costs have been paid using the proceeds of the Entitlement Offer.

1.3 KEY ELEMENTS OF RESTRUCTURE AND NEXT STEPS

The key elements of the Restructure are:

- Reduction in the principal amount outstanding on the Loan Notes held by Securityholders and consequently a reduction in the Loan Note interest obligation in respect of each Security. The reduction will be effected by Spark Trust partially repaying the principal amount outstanding on the Loan Notes, with the amount repaid applied by Securityholders to subscribe for additional Units; and
- Simplification of the five stapled security structure.

The Restructure will be considered at Meetings of Securityholders to be held on Thursday, 9 December 2010. If approved, the Restructure is then subject to Court approval at the Second Court Hearing scheduled to be held on Friday, 17 December 2010.

1.4 KEY CONDITIONS REMAINING TO IMPLEMENTATION OF THE RESTRUCTURE

The Restructure is subject to various conditions described in Section 4.7. Of these conditions, the key ones which remain to be satisfied are approval of lenders under the Spark Infrastructure senior debt facility¹, execution of the Governance Deed and Special Share Transfer Deed, Securityholder and Court approvals mentioned above.² If these conditions are not all satisfied or, if applicable, waived, the Restructure will not proceed. If the Restructure does not proceed, there are a number of consequences and implications. See Sections 1.8 and 1.9 for a summary of these.

¹ As at the date of this Explanatory Memorandum, in-principle approval has been received by Spark Infrastructure from its lenders. Please refer to Section 4.7 for further information regarding the status of this approval.

² ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement it will be produced to the Court at the time of the Second Court Hearing.

1.5 SUMMARY OF KEY EFFECTS OF RESTRUCTURE

The following table summarises some of the key effects on Spark Infrastructure if the Restructure proceeds.

	Prior to Restructure	Post Restructure
Loan Note face value (per Security)	\$1.25	\$0.65
Interest rate on Loan Notes	10.85%	10.85%
Loan Note interest obligation per annum (per Security)	13.56c	7.0c ³
Number of stapled securities	5 stapled	2 stapled
Financial statements produced by Spark Infrastructure	4	1

Refer to Sections 1.7 to 1.10 inclusive, 1.12, 2 and 4 for other important information. The Investor Information Booklet described the key effects of the Entitlement Offer and subsequent repayment of Spark Infrastructure's corporate debt on Spark Infrastructure's debt and gearing levels (see Sections 8 and 9 of the Investor Information Booklet).

1.6 INDEPENDENT EXPERT REPORT AND BOARD RECOMMENDATION

As announced on 22 September 2010, the Boards of Spark Infrastructure undertook a wide ranging Strategic Review, details of which were set out in the Investor Information Booklet and are also set out in this Explanatory Memorandum (Sections 1.13 to 1.17 inclusive). Following the results from the Strategic Review, the Boards concluded that the Repositioning was the best option. This conclusion remains unchanged.

A summary of the Directors' assessment of the anticipated benefits, and potential risks and disadvantages of the Restructure is set out in Section 1.10.

The IBC also commissioned a report on the Restructure from Lonergan Edwards & Associates Limited (the Independent Expert), and on the basis of the matters discussed in the Independent Expert's Report, the Independent Expert has concluded that the Restructure is in the best interests of Securityholders. This report is set out in full in Annexure 6.

Accordingly, each Director on the Boards:

- Unanimously recommends that Securityholders vote in favour of the Restructure, subject to there being no change of control proposal emerging which is superior to the Restructure and the Independent Expert not changing or withdrawing its conclusion that the Restructure is in the best interests of Securityholders; and
- Intends to vote any Securities they hold in favour of the Restructure Resolutions.

1.7 KEY FEATURES OF THE LOAN NOTES WHICH HAVE GIVEN RISE TO THE RESTRUCTURE

This section provides a brief summary of key features of the Loan Notes which have given rise to the Restructure proposal. Further information in relation to other aspects of the Loan Notes and the Restructure are contained elsewhere in this Explanatory Memorandum.

FEATURES OF THE LOAN NOTES GIVING RISE TO THE RESTRUCTURE	
Loan Note features	<p>The Loan Notes forming part of the Securities are unsecured notes and are subordinated to all secured and unsecured creditors of Spark Trust for all amounts (including Senior Debt and management fees payable)</p> <p>The Loan Notes carry a right to repayment of principal on maturity and half yearly interest distributions payable in March and September in respect of the preceding interest period, based on their face value per Security (currently \$1.25)</p> <p>For a summary of the key terms of the Loan Notes, please refer to the IPO Document section 14.3</p>
Deferral right	As part of the subordination feature, the terms of the Loan Notes permit the Spark RE to Defer part or all of the interest accrued on the Loan Notes in certain circumstances by notice to Securityholders

³ This represents the amount per Security payable under the terms of the Loan Notes using the post Restructure face value of \$0.65 per Loan Note. While the Restructure is designed to realign Spark Infrastructures' Loan Note Interest obligations more closely with the cash flows expected to be available from the Asset Companies, there can be no guarantee that this amount will be paid. See Sections 1.10, 5.9, 9 and 10 for a summary of the risk factors and key assumptions underlying distribution guidance.

FEATURES OF THE LOAN NOTES GIVING RISE TO THE RESTRUCTURE	
Mismatch between interest obligations and available cashflows	<p>Spark Infrastructure anticipates a mismatch between its Loan Note interest obligations to Securityholders and the cashflows expected to be available from the Asset Companies in future periods. This arises given the capital expenditure requirements of the Asset Companies for the next regulatory period and their desire to retain a greater proportion of cash from operations to contribute to funding of this capital expenditure</p> <p>Absent the Restructure, there is therefore a risk that part or all of the Loan Note interest in future periods may need to be Deferred</p>
Consequences of Deferral	<p>In addition to the incremental interest cost that Deferral would entail (as interest is payable on Deferred interest), Deferral (particularly on an ongoing basis) may have a range of adverse consequences for Spark Infrastructure and Securityholders, including impacts on:</p> <ul style="list-style-type: none"> • The market price and liquidity of trading of Securities (which may restrict or impede further capital raising including under the distribution reinvestment plan (DRP)); • Spark Infrastructure's balance sheet (via an increasing liability), its credit rating and its Senior Debt, including the cost of debt and future refinancing capability; and • Spark Infrastructure's reputation. <p>If Deferral occurs there is a consequent risk that certain Securityholders might be liable to tax on Loan Note interest they have not received</p> <p>For further information on the consequences of Deferral refer to Section 10.2</p>
Realignment of Loan Note interest obligations with cashflows	<p>The Directors are proposing the Restructure as a means of realigning the Loan Note interest obligations more closely with the cashflows expected to be available from the Asset Companies in the future</p>
Issue of further Securities	<p>In order to trade on the ASX with existing Securities, Loan Notes must be issued at their then current face value. Absent the Restructure, interest and repayment obligations under any Loan Notes will be based on a face value of \$1.25, which may be higher than any offer price or prevailing market price of Securities. This is inefficient from a financing perspective for Spark Infrastructure. As the offer price under the Entitlement Offer was \$1.00 per Security, this feature applied to the Entitlement Offer</p>

1.8 POSSIBLE OUTCOMES AND MAIN CONSEQUENCES OF THE RESTRUCTURE

The Restructure is subject to certain conditions being satisfied or, if applicable, waived before the Restructure can be implemented. As some of the Restructure conditions are outside the ability of Spark Infrastructure to control, there are now two possible outcomes that could occur:

- The Restructure is not completed; or
- The Restructure is completed.

There can be no assurance that all the conditions to the Restructure will be satisfied. The main consequences of each outcome for Securityholders can be broadly described as follows:

Outcome and main consequences ¹	Section
<p>The Restructure is not completed</p> <ul style="list-style-type: none"> • Spark Infrastructure would remain a five stapled security structure • Following the Entitlement Offer, the principal of the Loan Note liability has increased to \$1,658 million and will not subsequently be reduced (a Loan Note liability of \$1.25 per Security) • Spark Infrastructure's distribution profile will continue to reflect cashflows expected to be available from the Asset Companies, however, Loan Note interest obligations will not be realigned to reflect those cashflows • There is a risk that Spark Infrastructure may need to Defer payment of some or all of the interest accruing under the Loan Notes in the future. Deferral may have a range of adverse consequences for Securityholders 	<p>Sections 1.5, 1.7, 1.10, 10.2</p>

¹ Under each outcome Spark Infrastructure will remain externally managed. See Section 1.18.

<p>The Restructure is completed</p> <ul style="list-style-type: none"> • Spark Trust will become the sole listed entity with two stapled securities (a Unit and Loan Note) thereby providing a simpler structure for investors • Face value of the Loan Notes will be reduced from \$1.25 to \$0.65 in exchange for further Units, effectively converting part of their investment from subordinated debt to equity • Spark Infrastructure's Loan Note interest obligations will be realigned more closely with the cashflows expected to be available from the Asset Companies • There is a reduced risk that Spark Infrastructure may need to Defer payment of interest on the Loan Notes in the future • The tax consequences for Spark Infrastructure are summarised in Section 1.10 and set out in more detail in Section 10.2. The tax implications for Securityholders are summarised in Section 8 	<p>Sections 1.3, 1.5, 1.10, 1.12, 8, 10.2</p>
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1.9 IMPLICATIONS IF THE RESTRUCTURE DOES NOT PROCEED

If the Restructure does not proceed as proposed, the Boards would assess available options at the relevant time. This may involve consideration of a number of options including but not limited to those outlined in Section 1.16. The Boards consider that these options at the present time are less effective than the Repositioning initiatives. Depending on the available options, it may be necessary for the Boards to seek Securityholder approval at the appropriate time. Securityholders should note that in these circumstances Spark Infrastructure may need to consider a Deferral of all or part of the interest payable on the Loan Notes, the consequences, risks and disadvantages of which are described in Sections 1.7, 1.10, 1.11 and 10.2.

1.10 SUMMARY OF THE KEY BENEFITS, RISKS AND DISADVANTAGES OF THE RESTRUCTURE

This section provides a brief summary only. Securityholders considering how to vote on the Restructure should consider all of the information contained in this Explanatory Memorandum to assess the potential impact of the Restructure on them. See in particular Sections 1, 2, 4, 8 and 10 for further details.

The table below provides a brief summary of the anticipated benefits of the Restructure, as well as the potential risks and disadvantages.

Summary of key benefits of Restructure
<p>Reduced Loan Note interest obligations per Security</p> <ul style="list-style-type: none"> – Reduced face value of Loan Note reducing the interest payable on each Loan Note – Designed to realign Loan Note interest obligations more closely with cashflows expected to be available from the Asset Companies in the future – The actual distribution profile from the Units and Loan Notes will continue to reflect cashflows expected to be available from the Asset Companies
<p>Lower risk of interest Deferral</p> <ul style="list-style-type: none"> – Reducing the risk that distributions able to be supported in the future are less than the interest accruing to Securityholders on the Loan Notes – Reducing the risk of Spark Infrastructure needing to Defer payment of interest on the Loan Notes in the future and the adverse consequences that may entail (see Sections 1.7, 1.10, 1.12 and 10.2)
<p>Broader investor appeal through simplified stapled security structure</p> <ul style="list-style-type: none"> – Responding to investor preferences for simpler structures – Potential for increased investor demand for Securities as simplified stapled security structure may have greater appeal to a broader range of investors
<p>Simpler structure leading to increased administrative efficiency</p> <ul style="list-style-type: none"> – Simplifies financial reporting, compliance and regulatory obligations for Spark Infrastructure as there would only be one listed entity – More easily understandable financial statements for Securityholders – Potential for some head office cost savings due to reduced administrative complexity
<p>Facilitates capital raising by Spark Infrastructure in future periods</p> <ul style="list-style-type: none"> – Issuing further Securities under the current structure is inefficient from a financing perspective (see Section 1.7) – Reducing the face value of the Loan Notes should partly alleviate the inefficiency above – Note that the Directors' do not expect to require further Securityholder funds to fund expected growth capital expenditure of the Asset Companies for at least 3 years, except for the expected reactivation of Spark Infrastructure's distribution reinvestment plan

Summary of key risks and disadvantages of the Restructure ¹
<p>No guarantee of distributions or Security price growth and general risks</p> <ul style="list-style-type: none"> – While the Restructure is designed to realign Spark Infrastructure's Loan Note interest obligations more closely with cashflows expected to be available from the Asset Companies, there can be no guarantee that interest payments on the Loan Notes will always be paid or, if paid, that they will be paid in full or consistent with any distribution guidance – Similarly, there can be no guarantee or assurance that any capital growth in the Asset Companies will translate into a higher price at which the Securities (then comprising Units and Loan Notes in Spark Trust) trade or growth in distributions
<p>Tax consequences and risks</p> <ul style="list-style-type: none"> – The Restructure may have a number of tax consequences for Spark Infrastructure, including accelerating the point in time at which entities in the Spark Infrastructure group become subject to paying tax – If the Restructure proceeds, there is a risk that Spark Trust may be taxed as a company in the future if it were to acquire new businesses. If Spark Infrastructure makes acquisitions, it would assess the implications for Securityholders at that time, including the impact on the distribution profile of Spark Trust (refer to Section 10.2 for further detail) – The Restructure may have a number of tax consequences for Securityholders. Spark Infrastructure is seeking a Class Ruling from the ATO to confirm certain taxation matters relating to the Restructure for Securityholders. However, it is possible that the Class Ruling will not be issued by the ATO before Securityholders meet to vote on the Restructure. Refer to Section 8 for further detail.
<p>Reduced Loan Note face value and interest entitlement and partial conversion to equity</p> <ul style="list-style-type: none"> – If the Restructure proceeds, there will be a reduction in the face value of the Loan Notes (reducing the interest payable on each Loan Note). – Effectively that portion of Loan Note principal will be converted from subordinated debt to Units (being equity in Spark Trust). In relation to the Units, Spark RE will have substantial discretion over distributions of income and capital. See Section 1.12.
<p>Other disadvantages including:</p> <ul style="list-style-type: none"> – Ineligible Overseas Securityholders will have their complete holding of Securities sold by the Sale Agent through a nominee sale process (see Section 4.8 for further details) – Transaction costs incurred as part of the Restructure (see Section 2)

CONCLUSION

The Directors of Spark Infrastructure are of the opinion that the anticipated benefits of the Restructure outweigh the potential risks and disadvantages.

1.11 TAX IMPLICATIONS FOR SECURITYHOLDERS

A summary of the general tax implications and risks for Securityholders is set out in Section 8. The discussion is in general terms and is not intended to provide specific advice in relation to circumstances of any particular Securityholder and does not deal with the tax implications and risks of the Restructure for certain Securityholders.

It is noted that Spark Infrastructure is seeking a Class Ruling from the ATO to confirm certain taxation matters relating to the Restructure for Securityholders. However, it is possible that the Class Ruling will not be issued by the ATO before Securityholders meet to vote on the Restructure.

All Securityholders should seek their own tax advice before deciding what to do.

¹ Section 10 sets out in more detail risks relating to the Restructure specifically as well as other risks of a more general nature which Spark Infrastructure considers are relevant to the Restructure more generally.

1.12 CONVERSION OF PART OF THE LOAN NOTES TO UNITS (BEING EQUITY IN SPARK TRUST)

The Loan Note aspects of the Restructure effectively convert part of a Securityholder's investment from subordinated debt to equity in Spark Trust.

Given the existing subordination feature of the Loan Notes and the stapled structure, and Spark Infrastructure's distribution profile and the consequences of Deferral, the practical consequences for Securityholders of the partial conversion are considered by Spark Infrastructure to be slight. An overview of the key differences in respect of the relevant portion of the investment follows:

FEATURES OF THE LOAN NOTES RELEVANT TO THE PARTIAL CONVERSION TO EQUITY		
Feature	Loan Notes	Units
Distributions	<ul style="list-style-type: none"> • A right to half yearly interest payments at an interest rate provided for in the terms of the Loan Notes based on their face value • The right to interest is subject to Spark RE's ability to defer part or all of the interest in certain circumstances • In practice, Spark Infrastructure's actual distribution profile will continue to reflect cashflows expected to be available from the Asset Companies • As noted in Section 1.7, Deferral of interest may have a range of adverse consequences for Securityholders 	<ul style="list-style-type: none"> • Distributions of income or capital may be made on Units • While Spark Trust would generally distribute all its taxable income each financial year, Spark RE does have substantial discretion over payment of distributions, especially distributions of capital • If the actual distribution profile exceeds the interest payment obligations on the Loan Notes, the balance may comprise income or return of capital from Spark Trust • The concern with Deferral does not arise in relation to the Units
Ranking	<ul style="list-style-type: none"> • As noted in Section 1.7, the Loan Notes are unsecured notes and are subordinated to all secured and unsecured creditors of Spark Trust for all amounts. The Loan Notes rank for payment ahead of the Units • In practice, Loan Note holders are also holders of Units as a result of the stapled structure 	<ul style="list-style-type: none"> • As equity, the Units rank after all creditors of Spark Trust, including after the Loan Notes
Voting rights	<ul style="list-style-type: none"> • The Loan Notes carry voting rights based on their face value 	<ul style="list-style-type: none"> • The Units carry voting rights based on their value determined under the Corporations Act

1.13 CIRCUMSTANCES LEADING TO STRATEGIC REVIEW

On 26 February 2010, Spark Infrastructure commenced a Strategic Review to consider its capital structure, ownership structure and future funding needs. The Strategic Review followed measures undertaken by the Boards in 2009, including a reduction in distributions and activation of a distribution reinvestment plan to ensure Spark Infrastructure could meet its funding requirements for 2010¹.

At the same time, the Boards said they would continue to review the appropriateness of Spark Infrastructure's capital structure in light of changing market conditions and, in particular, its future funding needs as and when there was further clarity on the decisions around the regulatory resets for the Asset Companies for the next five year regulatory period. The AER issued its final determination for ETSA Utilities on 6 May 2010 and its draft determination for Powercor and CitiPower on 4 June 2010.

Spark Infrastructure and its 51% partners at the Asset Company level (CKI and HKE) are undertaking a review of the business plans for the Asset Companies. In doing so, Spark Infrastructure recognises that the environment for infrastructure investment (particularly in the listed market) has changed significantly in the past 18-24 months as has the approach to the funding of investment and capital expenditure post the global financial crisis. In addition, the total amount of required capital expenditure of the Asset Companies is expected to roughly double in the next regulatory period.

The Asset Companies have indicated their desire to retain a greater proportion of cash from operations to contribute to the funding of this capital expenditure. This would limit their cash distributions to their shareholders during the next regulatory period. In turn, this would affect the level of distributions Spark Infrastructure is able to pay to its Securityholders from the cash it receives from the Asset Companies.

Notwithstanding the impact that this retention would have on the cash resources of Spark Infrastructure, it is important to note that the increased capital expenditure should enhance the long term value of the Asset Companies through a higher Regulatory Asset Base and corresponding regulatory revenues.

¹ See Section 5.4 in relation to the Victorian Final Regulatory Determination.

1.14 SCOPE OF STRATEGIC REVIEW

The Strategic Review involved an extensive assessment of a wide range of options and included discussions with a number of parties and consultation with key Spark Infrastructure stakeholders. All the Strategic Review outcomes were evaluated and assessed with a focus on maximising Securityholder value. The Strategic Review included a detailed consideration of the following:

Issue	Scope
Future funding needs	Assessment of funding needs in view of the increase in capital expenditure (expected to roughly double in the next regulatory period) and given the desire of the Asset Companies to retain a greater proportion of cash from operations to contribute to the funding of expected capital expenditure. Greater clarity was provided to Spark Infrastructure on the release of a final determination for ETSA Utilities on 6 May 2010 and the draft regulatory determinations released on 4 June 2010 for CitiPower and Powercor ¹ .
Capital structure	Assessment of Spark Infrastructure's capital structure in light of changing market conditions and environment for infrastructure companies over the past 18 to 24 months as well as considering the future funding needs of the Asset Companies. This also included an assessment of Spark Infrastructure's distributions and expected distribution profile given the potential for lower distributions of operating cashflow from the Asset Companies
Ownership and stapled security structure	Assessment of Spark Infrastructure's existing ownership and stapled security structure, given future funding requirements and regulatory determinations for the Asset Companies. In addition, the Strategic Review considered potential change of control transactions for Spark Infrastructure, or full and partial sales of Spark Infrastructure's ownership interests in the Asset Companies
Internalisation of management	Assessment of the current external management arrangements including an assessment of the relative merits of both internalising or maintaining the current structure

1.15 INDEPENDENT BOARD COMMITTEE

The Boards comprise nine directors: five independent directors including the Chairman, two appointed by CKI and two appointed by RREEF. For the Strategic Review, the Boards formed an Independent Board Committee (IBC) of the five independent directors to undertake a detailed review of the potential Strategic Review options in more detail.

The composition of the IBC is as follows:

- Stephen Johns (Chairman);
- Cheryl Bart AO;
- Anne McDonald;
- Don Morley; and
- Dr Keith Turner.

Governance protocols were put in place by the IBC to manage any potential conflicts during the Strategic Review process and the flow of information amongst the Boards, the IBC, the Asset Companies, the Manager, CKI and HKE.

Deutsche Bank acted as financial adviser to Spark Infrastructure in relation to the Strategic Review and Investec Bank (Australia) Limited was appointed to advise the IBC and work closely with Deutsche Bank on all aspects of the Strategic Review. Deutsche Bank and UBS AG, Australia Branch acted as joint lead managers to Spark Infrastructure for the Repositioning (and in particular as underwriters to the Entitlement Offer). Ernst & Young advised on tax matters, Deloitte Touche Tohmatsu advised on financial accounting and certain tax matters relevant to the Asset Companies, and Mallesons Stephen Jaques advised on all legal aspects of the Strategic Review.

¹ See Section 5.4 in relation to the Victorian Final Regulatory Determination which was received after the Strategic Review on 29 October 2010.

1.16 OPTIONS CONSIDERED BY THE IBC

As part of the Strategic Review, the IBC considered various options which are summarised below:

STRATEGIC REVIEW CONSIDERATIONS	STRATEGIC REVIEW OUTCOMES
Continue with current arrangements	
<p>Whether the current ownership and stapled security structure could meet Spark Infrastructure's future funding needs and, in particular, the changing investment and capital expenditure needs of the Asset Companies</p>	<p>Maintaining the status quo does not adequately address changing market conditions or the future funding needs of the Asset Companies, which are expected to roughly double in the next regulatory period. Nor does the status quo address the risk that future distributions to Spark Infrastructure may not be sufficient to meet its interest obligations under the Loan Notes</p> <p>There is a risk that Spark Infrastructure may need to Defer interest on the Loan Notes in the future, which could have a range of adverse consequences detailed in Sections 1.7, 1.10 and 10.2</p>
Change in ownership and stapled security structure	
<p>A number of alternatives were considered to simplify Spark Infrastructure's existing stapled security structure</p>	<p>Implementation of the Restructure which would result in a simplification of Spark Infrastructure's ownership and stapled security structure and a reduction in the principal amount outstanding of Loan Notes held by Securityholders. This is designed to realign interest obligations under the Loan Notes with cashflows expected to be available from the Asset Companies and will provide greater financial flexibility</p>
Internalisation of external management arrangements	
<p>The Strategic Review considered an Internalisation of the Manager</p>	<p>The IBC considered an Internalisation as part of the Strategic Review. On conclusion of the Strategic Review, an Internalisation proposal with suitable commercial conditions had not been achieved and accordingly Internalisation is not being pursued as part of the Restructure</p> <p>The Independent Directors will continue to give further consideration to Internalisation of the management function in the future subject to suitable commercial conditions</p> <p>If an Internalisation proposal that the Independent Directors consider suitable can be achieved, they will seek Securityholder approval at the appropriate time</p>
Changes in capital structure and capital raisings	
<p>Extensive assessment of capital structure to improve Spark Infrastructure's financial flexibility to meet future capital expenditure requirements and invest in future growth</p> <p>Assessment undertaken in light of final regulatory decision for ETSA Utilities and draft regulatory determinations for CitiPower and Powercor¹</p>	<p>Implementation of the Entitlement Offer, proceeds of which will be partially used to reduce Spark Infrastructure level debt and partially used to fund near term equity investment in growth capital expenditure of the Asset Companies</p> <p>This also provides improved financial flexibility for Spark Infrastructure</p>

¹ The final regulatory decision for CitiPower and Powercor was only received on 29 October 2010. Accordingly, the assessment made by the IBC as part of its Strategic Review in relation to CitiPower and Powercor was made on the basis of the draft determination received 4 June 2010.

STRATEGIC REVIEW CONSIDERATIONS	STRATEGIC REVIEW OUTCOMES
Full or partial sale of assets or change of control transaction for Spark Infrastructure	
<p>Spark Infrastructure undertook a process to explore and evaluate a wide range of alternatives, including a change of control of Spark Infrastructure and full or partial asset sales</p> <p>Spark Infrastructure held discussions with a number of parties and the available options were considered and evaluated as part of this process</p>	<p>As announced previously to the market, an important objective of the Strategic Review was to assess whether Spark Infrastructure is appropriately valued in the listed market and whether greater value could be secured elsewhere. As part of the Strategic Review the Independent Directors conducted a thorough market testing process of a range of options, including consideration of full and partial sales of Spark Infrastructure and its 49% interests in the Asset Companies.</p> <p>Spark Infrastructure received a number of proposals including an indicative proposal for the Spark Infrastructure stapled group at a significant premium to the market price at the time. The proposal, which was received prior to the announcement of the Repositioning on 22 September 2010, was highly conditional, was subject to the outcome of the AER's final determination for CitiPower and Powercor (subsequently released 29 October 2010) and involved a lengthy due diligence process. In the Independent Directors' opinion these matters created significant execution and timing risks which were considered unacceptable.</p> <p>In addition, had the Independent Directors pursued this indicative offer, it would have reduced Spark Infrastructure's options in relation to the restructure of the Loan Notes and simplification of the stapled group.</p> <p>Accordingly, after careful consideration, the Board's view (as announced on 22 September 2010 and which remains unchanged) is that the best available option for Securityholders is to continue with completion of the proposed Repositioning initiatives. The remaining aspect, the Restructure, is being put to Securityholder vote as described in this Explanatory Memorandum.</p> <p>The Boards note that while they are recommending the Restructure to Securityholders as the best alternative, in the normal course of deliberations they will consider any change of control proposal which is superior to the Restructure which may emerge either before or after the Restructure which is scheduled to be implemented on 31 December 2010. At present, no change of control proposal has yet emerged which the Directors of Spark Infrastructure consider is superior to the Restructure.</p>

1.17 CKI'S AND DEUTSCHE BANK'S INVOLVEMENT IN THE STRATEGIC REVIEW

CKI and Deutsche Bank each have various roles and interests in respect of the initiatives relating to the Repositioning. The broad nature of these interests is described below:

- The Global Banking division of Deutsche Bank AG Australia was appointed as one of the financial advisers to Spark Infrastructure in relation to the Strategic Review. The Manager is indirectly 50% owned by RREEF Infrastructure. RREEF is the infrastructure investment arm of Deutsche Asset Management, the asset management business of the Deutsche Bank Group. John Dorrian, Managing Director and Head of RREEF Infrastructure Asia Pacific, and Andrew Fay, Chairman of Deutsche Asset Management (Australia) Limited and its associated entities, are currently directors of the Manager and the entities comprising Spark Infrastructure. John Dorrian is also a director of ETSA Utilities and CHEDHA;
- Both CKI and Deutsche Bank subscribed for their full Entitlements under the Entitlement Offer. As such, their holdings following the Entitlement Offer remain unchanged at 8.5% and 2.4% of the Securities, respectively. Based on current substantial shareholder notices available to Spark Infrastructure, each are deemed to have a relevant interest in 12.41% of the Securities together;
- CKI holds various interests in respect of Spark Infrastructure and the Asset Companies. The Manager is indirectly 50% owned by CKI. CKI / HKE hold an indirect 51% interest in CHEDHA and ETSA Utilities. Andrew Hunter, Chief Operating Officer and Executive Director of CKI, and Dominic Chan, Chief Financial Officer of CKI, are currently directors of the Manager, the entities comprising Spark Infrastructure, ETSA Utilities and CHEDHA; and
- Deutsche Bank AG, Sydney Branch was one of the two underwriters for the Entitlement Offer and received fees for so acting (see the Investor Information Booklet for further detail).

1.18 EXTERNAL MANAGEMENT ARRANGEMENTS

The Directors are not proposing an Internalisation of Spark Infrastructure's management at this stage. Accordingly, Spark Infrastructure will remain an externally managed fund which is managed by the Manager. The Manager is wholly owned by CKI RREEF JV Holdings Pty Limited, owned by CKI (50%) and RREEF Infrastructure (50%). Spark Infrastructure will continue to operate under the existing management arrangements with the Manager, which can be summarised as follows:

- The Manager will continue to provide management services to the Spark RE as responsible entity for Spark Trust and also Spark Holdings 1, Spark Holdings 2, and Spark International (which under the Restructure will become subsidiaries of Spark Trust);
- CKI / HKE and RREEF will continue to provide services to the Manager for the benefit of Securityholders;
- Spark RE will continue to be the responsible entity of the Spark Trust (and issuer of the Loan Notes and the Units). Spark RE is also wholly owned by CKI RREEF JV Holdings Pty Limited; and
- The existing Spark Infrastructure management team will also remain in place.

Some key features of the existing Management Agreement are:

- The Manager has been appointed for a term of 25 years from December 2005, subject to limited termination events;
- Under the Management Agreement (see Section 14.6 of the IPO Document), the Manager is entitled to be paid base fees calculated as 0.5% per annum of Enterprise Value up to \$2.443 billion and 1.0% per annum of any amount by which the Enterprise Value exceeds \$2.443 billion; and
- The Manager may also be entitled to a performance fee which is payable when the actual return exceeds the benchmark return.

Further information in relation to fees is available on Spark Infrastructure's website, sparkinfrastructure.com and disclosed in the IPO Document Section 14.6.

1.19 GOVERNANCE ARRANGEMENTS

Following the Restructure, Spark Trust will become the sole listed parent entity with Spark RE as the responsible entity.

Under the Corporations Act, the governance of Spark RE is a matter for its ultimate shareholders, CKI and RREEF. However, to preserve and replicate as far as practicable Spark Infrastructure's current corporate governance arrangements after the Restructure is implemented those parties have agreed in-principle with Spark Infrastructure, and subject to their board approval, to enter into a Governance Deed with Spark RE. The key aspects of the Governance Deed are that Spark RE, CKI and RREEF (as applicable) have agreed that:

- The Board of Spark RE will continue to have a majority of independent directors as it currently does (the current director rotation arrangements will continue);
- Securityholders' ability to vote on the appointment of the independent directors remains unchanged; and
- Spark RE will hold an annual general meeting of Securityholders each year consistent with an annual general meeting of a public listed company.

These arrangements are being documented in a governance deed poll in favour of the Spark RE and Securityholders which is summarised in Section 11.1.3. Some or all of such arrangements may terminate in certain circumstances including if Spark RE is removed or replaced as responsible entity of Spark Trust or if CKI or RREEF ceases to own an interest in Spark RE.

CKI and RREEF have also agreed in-principle with Spark Infrastructure, subject to their board approval, for the Manager to enter into a Special Share Transfer Deed, under which:

- the Manager's special shares in Spark Holdings 1, Spark Holdings 2 and Spark International will be transferred to the Spark RE as responsible entity of Spark Trust; and
- Spark Infrastructure will agree to take all reasonable steps to reinstate the Manager's right to appoint directors in certain limited circumstances¹. See Section 11.1.4 for further details.

¹ The limited circumstances are if any one of Spark Holdings 1, Spark Holdings 2 and Spark International is re-listed as part of a stapled structure and the current external management arrangements continue at that time.

SECTION 2 Q&A

REPOSITIONING BACKGROUND

Question	Answer	Refer to Section
Why is Spark Infrastructure adopting the Repositioning initiatives?	<p>The Boards of Spark Infrastructure have proposed the Restructure to:</p> <ul style="list-style-type: none"> • Realign Spark Infrastructure's Loan Note interest obligations more with cashflows expected to be available from the Asset Companies; and • Simplify Spark Infrastructure's ownership and stapled security structure. <p>The Restructure follows the first component of the Repositioning, the Entitlement Offer, which was designed to increase Spark Infrastructure's financial flexibility to fund growth capital expenditure requirements at the Asset Companies.</p> <p>It is the Restructure on which Securityholders are now being asked to vote.</p>	Section 1
What is the status of the Strategic Review?	<p>As announced on 22 September 2010, the Strategic Review is now complete. The Boards will continue to consider, in the normal course of its deliberations, any change of control proposal which is superior to the Restructure which may emerge either before or after the Restructure is implemented.</p> <p>At present, no change of control proposal has yet emerged which the Directors of Spark Infrastructure consider is superior to the Restructure.</p>	Section 1.13, 1.14 1.15 and 1.16
What alternatives were considered by the IBC?	Details of the options considered as part of the Strategic Review are set out in Section 1.16.	Section 1.16
How does the proposed Restructure relate to the Entitlement Offer?	<p>The Entitlement Offer, which was not conditional on the Restructure, is now complete.</p> <p>The Restructure remains subject to various conditions, including Securityholder and Court approvals. It may or may not proceed. Securityholders are not being asked to vote on the Entitlement Offer.</p>	Sections 1.2, 1.8, 4
Will Spark Infrastructure's investment strategy change post Repositioning?	No. Spark Infrastructure will continue to focus on its core business as an investor in regulated infrastructure. Spark Infrastructure is undertaking the Repositioning to put in place a more appropriate capital structure to support expected significant organic growth in the regulated businesses over the coming regulatory period.	Section 5
Why isn't Spark Infrastructure also pursuing an Internalisation of the Manager?	<p>The IBC considered an Internalisation as part of the Strategic Review, On conclusion of the Strategic Review, an Internalisation proposal with suitable commercial conditions had not been achieved and accordingly Internalisation is not being pursued as part of the Restructure.</p> <p>The Independent Directors will continue to give consideration to Internalisation of the management function in the future subject to suitable commercial conditions.</p> <p>If an Internalisation proposal can be achieved that the Independent Directors consider suitable they will seek Securityholder approval at the appropriate time.</p>	Sections 1.14, 1.16 and 1.18
Where do I find information about CKI and Deutsche Bank's involvement in the Repositioning initiatives?	Information about CKI and Deutsche Bank's involvement in the initiatives and ongoing roles with respect to Spark Infrastructure is set out in Section 1.17.	Section 1.17
What are the overall costs of Repositioning expected to be?	Overall costs of the Repositioning are expected to be \$10 million.	

RESTRUCTURE

Question	Answer	Refer to Section
What is the Restructure?	<p>The Restructure comprises a partial repayment of the Loan Notes which results in a reduction in the principal amount outstanding on the Loan Notes, and the simplification of Spark Infrastructure's ownership and stapled security structure.</p> <p>The Restructure will reduce the aggregate principal amount (face value) of the Loan Notes by \$795 million (\$0.60 per Loan Note), with the amount repaid to be applied to the issue of additional Units to Securityholders. Securityholders will not receive cash. Effectively, that portion of the Loan Note principal will be converted from subordinated debt to equity in Spark Trust. Following the Restructure, the face value owing on the Loan Notes will be reduced from \$1.25 to \$0.65 per Security (representing an aggregate principal of approximately \$863 million), and they will carry a correspondingly reduced interest entitlement.</p> <p>Interest will continue to be calculated at the same rate of 10.85% per annum, and accordingly the Loan Note interest obligation per Security will be approximately 7.0 cents per annum for interest periods following the Restructure (compared to 13.56 cents per annum before it).</p> <p>The Restructure will also convert Spark Infrastructure securities from a four issuer five stapled security structure to a single listed entity (Spark Trust) with two securities (being a Loan Note and the Unit) stapled to each other.</p>	Section 4
What are the objectives of the Restructure?	<p>The objectives are to:</p> <ul style="list-style-type: none"> • Realign Spark Infrastructure's Loan Note interest obligations more closely with cashflows expected to be available from the Asset Companies; and • Adopt a simpler ownership and stapled security structure, recognising investors' preference for simpler structures. 	Sections 1.1, 1.3 and 1.5
What are the main consequences for eligible Securityholders?	<p>The main consequences for Securityholders eligible to participate will be:</p> <ul style="list-style-type: none"> • A reduction in the principal outstanding (face value) of their Loan Notes by \$0.60 face value per security • A corresponding reduction in interest entitlements (from 13.56 cents per security per annum to 7.0 cents per security per annum) • Part of their investment is effectively converted from subordinated debt to equity in Spark Trust with Spark RE having substantial discretion over distributions of income and capital • A reduced risk of Spark Infrastructure needing to Defer interest on the Loan Notes in subsequent interest periods (and the adverse consequences for Securityholders that would entail) • Spark Infrastructure having a simpler ownership and stapled security structure • Spark Trust becoming the parent entity with Spark Holdings 1, Spark Holdings 2 and Spark International becoming subsidiaries; • Securityholders eligible to participate will continue to hold the same proportionate interest in Spark Infrastructure as immediately before the Restructure; • Spark Infrastructure incurring one-off transaction costs; and • Tax consequences for Spark Infrastructure and tax implications for Securityholders as summarised in Sections 1.10, 8 and 10.2. 	Sections 1.7, 1.8, 1.9, 1.10, 1.11, 1.12, 4, 8 and 10.2
What are the benefits of the Restructure?	<p>The Boards consider the Restructure offers a number of benefits to Securityholders, which are summarised in Section 1.10.</p>	Section 1.10

Question	Answer	Refer to Section
What are the risks and disadvantages of the Restructure?	While the Boards intend to recommend that Securityholders vote in favour of the Restructure, there are various risks and disadvantages which Securityholders should consider.	Sections 1.6, 1.10, 10
What is the Independent Expert's view of the Restructure?	On the basis of the matters discussed in their Report, the Independent Expert has concluded that the Restructure is in the best interests of Securityholders. The Report is set out in full in Annexure 6.	Section 1.6 and Annexure 6
What are the tax implications and risks for Securityholders of the Restructure?	<p>A summary of the general tax implications and risks for Securityholders is set out in Section 8.</p> <p>The discussion is in general terms, is not intended to provide specific advice in relation to circumstances of any particular Securityholder and does not deal with the tax implications and risks of the Restructure for certain Securityholders.</p> <p>It is noted that Spark Infrastructure is seeking a Class Ruling from the ATO to confirm certain taxation matters relating to the Restructure for Securityholders. However, it is possible that the Class Ruling will not be issued by the ATO before Securityholders meet to vote on the Restructure.</p> <p>All Securityholders should seek their own tax advice before deciding what to do.</p>	Section 8
What are the tax implications for Spark Infrastructure of the Restructure?	The tax consequences for Spark Infrastructure are summarised in Section 1.10 and are set out in more detail in Section 10.2	Sections 1.10 and 10.2
What is the financial effect of the Restructure on Spark Infrastructure?	The financial effect of the Restructure on Spark Infrastructure is set out in Section 7.	Section 7
What is the impact of the effective conversion of part of a Securityholder's investment in the Loan Notes to Units?	<p>If the Note Scheme is approved, part of a Securityholder's investment in Spark Infrastructure will effectively be converted from subordinated debt to Units (being equity in Spark Trust). In relation to the Units, Spark RE will have substantial discretion over distributions of income and capital.</p> <p>See Section 1.12 for more information in relation to these aspects.</p>	Section 1.12
Who is eligible to participate in the Restructure?	It is expected that Securityholders whose addresses are shown in the register on the record date for the Restructure as being in the jurisdictions listed in Section 4.8(a) and that are not US persons (other than as described in Section 4.8(a)) will be entitled to have new Units issued to them under the Restructure, subject to the qualifications for particular jurisdictions in Section 4.8(a). Ineligible Overseas Securityholders will not be able to participate.	Section 4.8(a)
What is the Record Date for the Restructure?	Wednesday 29 December 2010	Purpose of this Explanatory Memorandum and Key Dates
Do Securityholders receive more securities under the Restructure?	<p>Securityholders (other than Ineligible Overseas Securityholders) will receive three tranches of further Units (one tranche as part of the Note Scheme, one tranche as part of the Spark Holdings 1 Member Scheme and one tranche as part of the Spark Holdings 2 Member Scheme).</p> <p>After these steps their aggregate Unit holdings will be consolidated such that they hold the same number of Units as the Securities they held immediately before that time. While the number of Units will be reduced in the consolidation, the capital contributed per Unit will have been increased as a result of the Schemes.</p> <p>The effect of the Restructure on the equity in the Pro-Forma Historical Balance Sheet is set out in Section 7.4.</p>	Sections 4 and 7.4

Question	Answer	Refer to Section
What happens to Ineligible Overseas Securityholders?	Certain Securityholders in foreign jurisdictions may be Ineligible Overseas Securityholders (see Section 4.8(b)). Units will not be issued to these persons under the Restructure. Instead, Ineligible Overseas Securityholders will have their full holding of Securities sold through a nominee sale process.	Sections 4.8(b) and 4.8(c)
What are the conditions precedent to the Restructure?	<p>The Restructure has a number of conditions precedent including:</p> <ul style="list-style-type: none"> • Completion of the Entitlement Offer (now completed); • Securityholder approvals to the Restructure Resolutions; • Independent Expert not changing or withdrawing its conclusion that the Restructure is in the best interests of Securityholders; • Court approval to the Schemes; • ASIC and ASX waivers and/or confirmations (all waivers now given)¹; • Approval of the lenders under Spark Infrastructure's senior debt (in-principle approval received. Final approval yet to be provided); and • CKI, RREEF and the Manager execute the Governance Deed and Special Share Transfer Deed and give the relevant consent. <p>Other than the restructure of Spark International, each of the three Schemes and other related Securityholder approvals are interconditional on each other. For administrative reasons, they are not conditional upon the restructure of Spark International (see further question/answer below).</p> <p>Spark Infrastructure will announce to the ASX any material developments in the status of these conditions.</p>	Section 4.7
What Securityholder approvals are required for the Restructure?	<p>A number of Securityholder approvals are required for the Restructure. Some of these are special resolutions (requiring at least 75% approval of the votes cast) and three are scheme resolutions (requiring at least 75% approval of:</p> <ul style="list-style-type: none"> • the votes cast (in the case of the Spark Holdings 1 Member Scheme and Spark Holdings 2 Member Scheme); or • the total amount outstanding on the Loan Notes held (in the case of the Note Scheme), <p>by holders present and voting, and more than 50% by number).</p>	Section 4.12 and Notices of Meeting
Can the Restructure be terminated?	<p>Yes. The Stapled Entities may terminate the Restructure Implementation Deed if the Schemes have not become Effective by 31 December 2010. Further, Spark Infrastructure has an ability to terminate the Restructure prior to the Court approval of the Schemes. This includes a right to terminate if a change of control proposal emerges which is superior to the Restructure or a materially adverse development arises prior to that time.</p>	Section 4.7
What happens if the Restructure does not proceed?	<p>If the Restructure does not proceed, the structure will remain the same and the principal outstanding of the Loan Notes will remain at \$1,658 million. The consequences for the Securityholders are described in Sections 1.7 to 1.10.</p> <p>There are a number of risks and disadvantages of this outcome which are described in Sections 1.7 to 1.11 and Section 10.2. In particular, there is a risk that all or part of the interest accruing under the Loan Notes in future periods may need to be Deferred.</p>	Sections 1.7 to 1.11 inclusive and 10.2
What are the Loan Notes?	<p>The Loan Notes are unsecured notes for the purposes of s283BH of the Corporations Act and are issued by the Spark RE as trustee of Spark Trust. They are subordinated to all secured and unsecured creditors of Spark Trust for all amounts.</p> <p>The Loan Notes will continue to be stapled to Units following the Restructure.</p>	Section 1.7

¹ ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement it will be produced to the Court at the time of the Second Court Hearing.

Question	Answer	Refer to Section
How will the interest distribution on the Loan Notes for the second half of 2010 be calculated if the Restructure proceeds and will all Securities be entitled to the final amount?	<p>The interest on the Loan Notes for the second half of 2010 will be calculated in accordance with the Loan Note Trust Deed as follows:</p> <ul style="list-style-type: none"> • For the period from 15 September 2010 up to but not including the implementation date of the Restructure – at a rate of 10.85% per annum on the current face value of the Loan Notes (\$1.25); and • For the period from (and including) that date – at a rate of 10.85% per annum on the post Restructure reduced face value (\$0.65). 	Section 5
Will the interest rate of the Loan Notes be reset?	No, the Boards do not intend to reset the interest rate applicable on the Loan Notes on 30 November 2010. Accordingly, interest will continue to accrue at a rate of 10.85% per annum. The next reset date will be 15 September 2015 (not 30 November 2015 as previously noted in the Investor Information Booklet).	N/A
Will the Restructure proceeding or not affect the distribution guidance provided in the Investor Information Booklet and reproduced in this Explanatory Memorandum?	No. The distribution guidance amount does not assume the Restructure proceeds. If the Restructure proceeds, distributions in accordance with the guidance will satisfy the post Restructure interest obligations on the Loan Notes and are likely to comprise partly interest and partly return of capital on Units. If the Restructure does not proceed, the distribution is likely to comprise Loan Note interest only and there may be a Deferral of the balance of the interest for the relevant period	Sections 5.7, 5.8, 5.9 and 9
What will Spark Infrastructure's approach to distributions be going forward?	Spark Infrastructure will continue to pay distributions which are fully supported by operating cashflows.	Sections 5.7, 5.8 and 5.9
What happens if the levels of distributions paid by the Asset Companies are higher or lower than expected?	<p>In order for Spark Infrastructure to pay distributions to its Securityholders, Spark Infrastructure relies on distributions from the Asset Companies. Should the Asset Companies' capital expenditure, cashflows or capital structure vary from Spark Infrastructure's expectations, Spark Infrastructure may need to adjust its distributions to Securityholders and there is a risk that Spark Infrastructure may need to Defer interest on the Loan Notes in the future, which may have a range of adverse impacts.</p> <p>If the levels of distributions paid by the Asset Companies are lower than expected, this may result in less being distributed by Spark Infrastructure to Securityholders. If distributions paid by the Asset Companies exceed Spark Infrastructure's expectations, Spark Infrastructure will consider the appropriate level of distributions to Securityholders.</p>	Sections 1.7 and 5
What forward planning is Spark Infrastructure doing around distributions?	Spark Infrastructure is currently in discussions with the Asset Companies and the other shareholders with a view to finalising business plans for the next regulatory period. This includes forward planning for capital expenditure and expected distributions to Spark Infrastructure from the Asset Companies.	Section 5
Are distributions guaranteed?	No. It is not certain that distributions will be paid or that any guidance will be met as the ability to pay future distributions depends on a range of factors. Securityholders should carefully read Sections 5.9 and 9 which set out key assumptions on which the distribution guidance is based and Sections 1.10 and 10 which detail risk factors.	Sections 1.10, 5.9, 9 and 10
Will the distribution reinvestment plan be reactivated?	Spark Infrastructure expects to reactivate its DRP in 2011 to finance capital expenditure in existing businesses.	Section 5.7
Can there be any assurance that Securities trade at or above a particular price?	There can be no assurance that Securities will trade at or above a particular price or as to liquidity of trading. Securityholders should carefully read Sections 1.10 and 10 which detail risk factors.	Sections 1.10 and 10

Question	Answer	Refer to Section
Will you have to pay brokerage or stamp duty in connection with the Restructure proceeding?	No. Note if you are an Ineligible Overseas Securityholder, certain fees and expenses will be deducted from your cash entitlement (if any).	Sections 4.8(c) and 8
What is happening to Spark International under the Restructure?	<p>Spark International is proposed to be retained in the structure in order to preserve the ability for Spark Infrastructure to pursue international acquisition opportunities in the future, should these arise.</p> <p>While the restructure of Spark International (being a redemption of ordinary shares (and cancellation of related CDIs)) is conditional on the Schemes and other Restructure Resolutions being approved, the Schemes and other Restructure Resolutions are not conditional on the redemption of Spark International's ordinary shares proceeding. If Spark International is unable to proceed with the redemption, the directors of Spark International will unstamp the ordinary shares/CDIs before the other implementation steps and proceed to have Spark International wound up instead.</p> <p>The alternative treatment of Spark International is for administrative reasons given it is a less significant part of the structure and the Bahamas does not have the equivalent of the scheme of arrangement provisions under the Corporations Act.</p>	Section 4

MEETINGS

Question	Answer	Refer to Section
When and where are the Meetings?	The Meetings to consider the Restructure Resolutions have been called for Thursday, 9 December 2010 and will be held at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia, commencing at 3:00 pm (Sydney time).	Section 3 and Notices of Meeting
When and where are proxy forms submitted?	<p>If you cannot attend the Meetings in person, you should complete the enclosed Proxy Forms and return them to Computershare Investor Services Pty Limited using one of the methods set out in Section 3 as soon as possible and in any event by 3:00 pm (Sydney time) on Tuesday, 7 December 2010.</p> <p>Proxy Forms received after that time will be invalid.</p>	What you should do next
Who is eligible to vote on the Restructure Resolutions?	All Securityholders on the Spark Infrastructure register at 7:00 pm (Sydney time) on Tuesday, 7 December 2010 and not otherwise excluded in the manner set out in the Notices of Meeting, will be eligible to vote on the Restructure Resolutions.	Section 3 and Notices of Meeting
Are CKI and Deutsche Bank able to vote on the Restructure Resolutions?	Yes, CKI and Deutsche Bank have the same interest in the Restructure Resolutions as other Securityholders.	N/A
Should I vote?	You do not have to vote. However, the Directors believe that the Restructure is important to all Securityholders and unanimously recommend that you vote in favour of the Restructure, subject to there being no change of control proposal emerging which is superior to the Restructure and the Independent Expert not changing or withdrawing its conclusion that the Restructure is in the best interests of Securityholders.	Section 1.6
What if a Securityholder does not vote or votes against the Restructure?	If a Securityholder elects to either not vote or to vote against the Restructure Resolutions and all conditions to the Restructure are satisfied or waived, they will, to the extent they are eligible to participate in the Restructure, receive additional Units in exchange for their shares in Spark Holdings 1, Spark Holdings 2 and under the Loan Note reduction. This is so even if they did not vote or voted against any or all of the Restructure Resolutions.	Section 1.8

Question	Answer	Refer to Section
Other than the required Securityholder approvals for the Restructure described earlier, are there any other resolutions to be put to Securityholders?	There are no resolutions to be put to Securityholders in relation to the Restructure other than the Restructure Resolutions. However, Spark Infrastructure is taking the opportunity to include in the Constitution Amendments a minor change to the Stapling Provisions to facilitate the operation of the DRP.	Section 4.11
Any other questions?	If, after reading this Explanatory Memorandum, you have any questions about the Restructure, please call the Spark Infrastructure Securityholder Information Line on 1300 608 629 (within Australia) and +61 3 9415 4068 (outside Australia). If you are in any doubt as to whether to vote in favour of or against the Restructure Resolutions, you should consult your legal, investment, taxation or other professional adviser(s).	What you should do next

ENTITLEMENT OFFER

Question	Answer	Refer to Section
What is the status of the Entitlement Offer?	The Entitlement Offer is now complete.	Section 1.2
Why did the Entitlement Offer proceed before the proposed Restructure?	Spark Infrastructure refinanced all of its financing facilities on 13 September 2010 and hence it was important for the Entitlement Offer to proceed as part of that refinancing activity. In addition, Spark Infrastructure proceeded with the Entitlement Offer first to: <ul style="list-style-type: none"> • Fund near term equity investment in growth capital expenditure requirements of the Asset Companies; and • To reduce the potential fees and costs of the Entitlement Offer and to facilitate its underwriting. 	Sections 5 and 6
Where do I find more information about the Entitlement Offer	Detailed disclosure about the Entitlement Offer is contained in the Investor Information Booklet that was despatched to Securityholders on 30 September 2010.	Investor Information Booklet

SECTION 3 MEETING DETAILS AND HOW TO VOTE

3.1 LOCATION OF MEETINGS

Location:	Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia
Date:	Thursday, 9 December 2010
Time:	Commencing at 3:00 pm. The Scheme Meetings will be held simultaneously but as separate meetings. The Extraordinary General Meetings will follow the Scheme Meetings.

The Notices of Meeting are set out in Annexure 1 of this Explanatory Memorandum. **You should read this Explanatory Memorandum and the accompanying Notices of Meeting in their entirety before making a decision on how to vote on the Restructure Resolutions.**

There is a single personalised Proxy Form for all of the Meetings enclosed with this Explanatory Memorandum.

3.2 ENTITLEMENT TO VOTE

All Securityholders on the Register at 7:00pm on Tuesday, 7 December 2010 are entitled to vote on the Restructure Resolutions at the Meetings (subject to any voting exclusions set out in the Notices of Meeting).

The Restructure Resolutions are the Spark Holdings 1 Member Scheme Resolution, the Spark Holdings 2 Member Scheme Resolution, the Note Scheme Resolution and the Constitution Amendment and Related Resolutions, which are required to give effect to the Restructure.

Section 4.11 provides details of the Restructure Resolutions and the required voting majorities for them to be passed.

Spark Infrastructure does not expect any Securityholders will be excluded from voting on the Restructure Resolutions. In particular, Spark Infrastructure will not need to disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or cast by a person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides; or
- Spark RE and its associates to the extent they do not have an interest in a Restructure Resolution other than as a member of Spark Trust.

Each Director on the Boards unanimously recommends that Securityholders vote in favour of all Restructure Resolutions to approve the Restructure, subject to there being no change of control proposal emerging which is superior to the Restructure and the Independent Expert not changing or withdrawing its conclusion that the Restructure is in the best interests of Securityholders.

3.3 VOTING IN PERSON, BY ATTORNEY OR BY CORPORATE REPRESENTATIVE

If you wish to vote in person, you must attend the Meetings.

If you cannot attend the Meetings, you may vote (a) by proxy (see Section 3.4) or (b) through your attorney, or (c) if you are a body corporate, by appointing a corporate representative.

Attorneys who plan to attend the Meetings should bring with them the original, or a certified copy of, the power of attorney under which they have been authorised to attend and vote at the Meetings.

A body corporate that is a Securityholder may appoint an individual to act as its corporate representative. The appointment must comply with the Corporations Act, any applicable law of The Bahamas (in the case of Spark International) and each Stapled Entity's constituent document. The representative should bring to the Meetings evidence of his or her appointment, including any authority under which it is signed.

3.4 VOTING BY PROXY

If you wish to appoint a proxy to attend and vote at the Meetings on your behalf, please complete and sign the personalised Proxy Form accompanying this Explanatory Memorandum in accordance with the instructions set out on the Proxy Form. You may complete the Proxy Form in favour of the Chairman of the Meetings, or appoint up to 2 proxies to attend and vote on your behalf at the Meetings. If 2 proxies are appointed, and the appointment does not specify the proportion or number of the Securityholder's vote each proxy may exercise, each proxy may exercise half of the votes. If a proxy appointment is signed by, or validly authenticated by, the Securityholder but does not name the proxy or proxies in whose favour it is given, the Chairman of the Meetings will act as a proxy.

Proxy Forms may be lodged as follows:

- Lodge your proxy appointment online through the Computershare website at investorvote.com.au (in which case your appointment will need to be authenticated in the manner described on that website). You will require your SRN/ HIN and Control Number, located on the front of your Proxy Form;
- Mail the completed Proxy Form to Computershare Investor Services Pty Limited at GPO Box 242 Melbourne, Victoria 3001 using the enclosed reply paid envelope;
- Fax the completed Proxy Form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia); or
- Deliver the completed Proxy Form to Computershare Investor Services Pty Limited at Level 4, 60 Carrington Street, Sydney NSW.

THE PROXY FORM SHOULD BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS ON THE PROXY FORM.

TO BE VALID, PROXY FORMS MUST BE RECEIVED BY THE REGISTRY, COMPUTERSHARE INVESTOR SERVICES PTY LIMITED, NO LATER THAN 3:00 PM ON TUESDAY, 7 DECEMBER 2010.

SECTION 4 RESTRUCTURE

This Section 4 contains some more detailed information of the Restructure. For an overview of the Restructure, the Strategic Review, the Directors' recommendations and a summary of the key benefits, risks and disadvantages and tax consequences associated with the Restructure, as well as the Independent Expert's conclusion (including its report) see Sections 1, 4, 8 and Annexure 6 respectively. Section 2 contains answers to key questions and Section 10 contains risk factors relating to the Restructure specifically or associated with Spark Infrastructure more generally.

4.1 OVERVIEW

The Restructure involves:

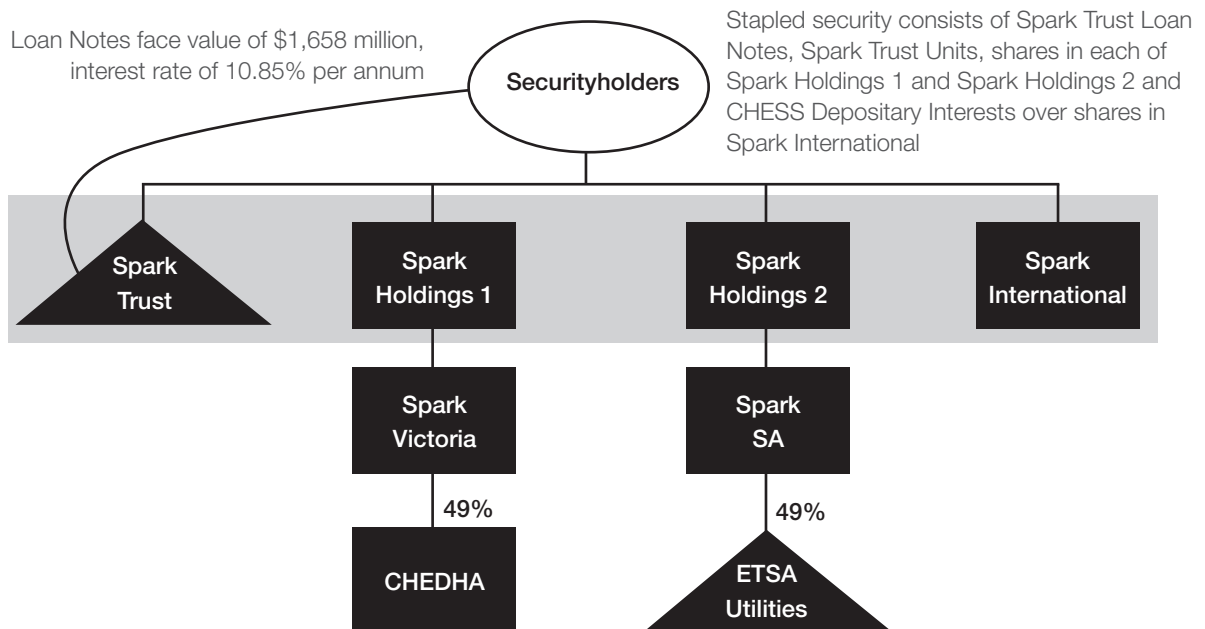
- A partial repayment of the Loan Notes which results in reduction of the principal amount outstanding (face value of \$1.25) of the Loan Notes held by Securityholders with the amount repaid to be applied to the issue of additional Units to Securityholders. This is being undertaken to realign Spark Infrastructure's Loan Note interest obligations more closely with the cashflows expected to be available from the Asset Companies; and
- A simplification to Spark Infrastructure's ownership and stapled security structure so that Spark Infrastructure becomes a single listed entity (Spark Trust) with two stapled securities (comprising a Loan Note and a Unit).

The Stapled Entities have entered into a Restructure Implementation Deed whereby the parties have agreed to use their respective best endeavours to give effect to the Restructure subject to the terms of the Restructure Implementation Deed, their respective Constitutions, the law, the Listing Rules and the ASX Settlement Operating Rules.

The Restructure is subject to the satisfaction or waiver of a number of conditions set out in Section 4.7. A summary of the Restructure Implementation Deed is also set out in Section 11.1.1.

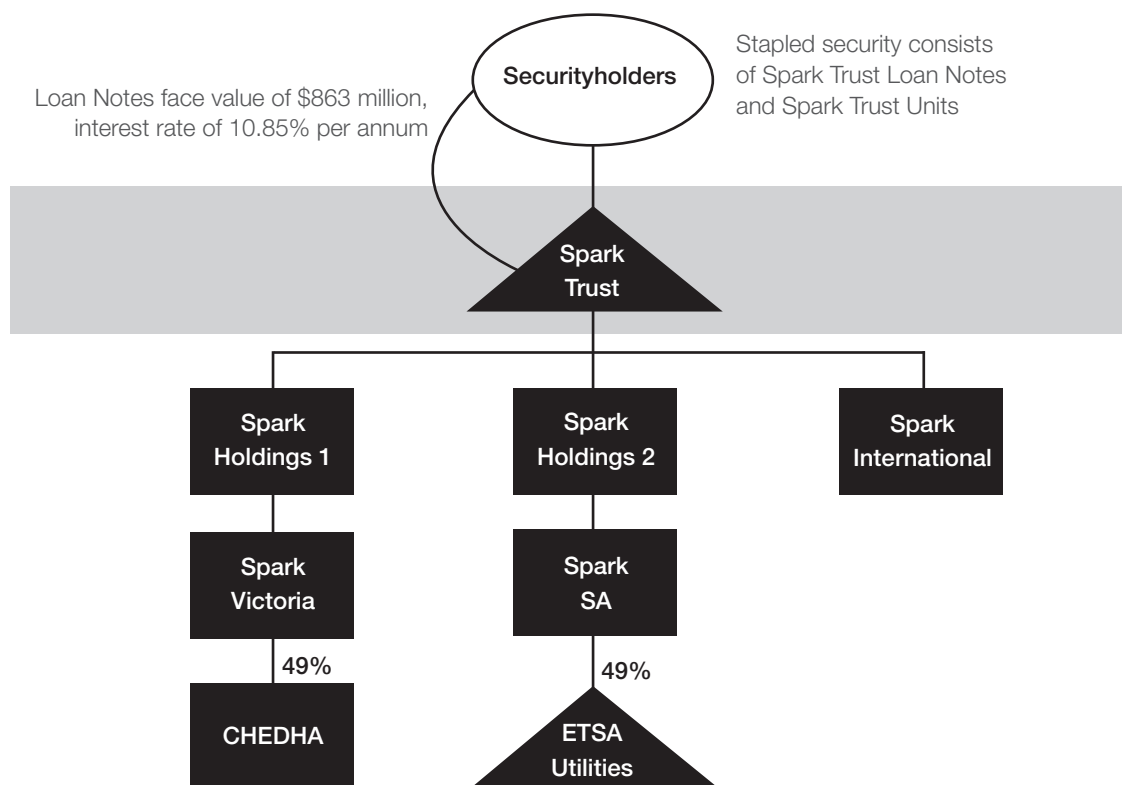
4.2 CURRENT STRUCTURE AND IMPACT OF REPOSITIONING

Following completion of the Entitlement Offer, the total Loan Note principal increased from \$1,290 million to \$1,658 million. The current capital and ownership structure of Spark Infrastructure is detailed in the following diagram:



4.3 RESTRUCTURE

Following the Restructure, Securityholders will hold a stapled security comprising a Unit and a Loan Note issued by Spark Trust. In turn Spark Trust will hold all the ordinary shares in Spark Holdings 1, Spark Holdings 2 and Spark International, so they become subsidiaries, as illustrated below.



4.4 EXTERNAL MANAGEMENT AND GOVERNANCE ARRANGEMENTS

Following the Restructure, Spark Infrastructure will continue to remain externally managed and arrangements have been put in place to replicate the current governance arrangements. Refer to Sections 1.18, 1.19, 11.1.3 and 11.1.4 for details.

4.5 STEPS TO IMPLEMENT THE RESTRUCTURE

There are a number of key steps in implementing the Restructure, being:

- (a) **Temporary unstapling of Securities:** The Securities will be temporarily unstapled - this is required so that each component of the stapled security is able to be dealt with separately to implement the further steps in the Restructure;
- (b) **Redemption of Spark International shares and cancellation of CDIs:** Spark International ordinary shares will be redeemed (and the related CDIs cancelled) under the constitutional amendments set out in Section 4.11(d). No cash will be paid to Securityholders in connection with the redemption. Spark International is a dormant company and does not have any assets;
- (c) **Spark International becomes a subsidiary of Spark Trust:** Simultaneous with the redemption of its existing ordinary shares, Spark International will issue one new ordinary share to Spark Trust, so that it becomes a subsidiary of Spark Trust;
- (d) **Partial repayment of principal on Loan Notes in exchange for additional Units:** Spark RE will repay part of the principal amount outstanding on the Loan Notes (\$0.60 face value per Loan Note) on condition that the proceeds are applied to the issue of additional Units pursuant to the Note Scheme (see further Section 4.13). No cash will be payable. Effectively, that portion of the Loan Note principal will be converted from subordinated debt to equity in Spark Trust and the face value of the Loan Notes would be reduced to \$0.65 per Loan Note;
- (e) **Spark Holdings 1 acquired by Spark Trust for additional Units:** Spark Trust will acquire all of Spark Holdings 1 ordinary shares so that Spark Holdings 1 becomes a subsidiary of Spark Trust. In return, Securityholders will be issued one new Unit for every one Spark Holdings 1 ordinary share held pursuant to the Spark Holdings 1 Member Scheme;
- (f) **Spark Holdings 2 acquired by Spark Trust for additional Units:** Spark Trust will acquire all of Spark Holdings 2 ordinary shares so that Spark Holdings 2 becomes a subsidiary of Spark Trust. In return, Securityholders will be issued one new Unit for every one Spark Holdings 2 ordinary share held pursuant to the Spark Holdings 2 Member Scheme;
- (g) **Unit consolidation:** After the three issues of additional Units, Spark RE will undertake a unit consolidation such that the number of Units that a Securityholder holds is the same as the number of Securities that the Securityholder held immediately prior to the Restructure; and
- (h) **Restapling of Units to Loan Notes:** Spark RE will then restaple the consolidated Units and Loan Notes at a ratio of 1 for 1.

It is intended that the restapled Units and Loan Notes would then resume normal trading on the ASX. Spark Holdings 1, Spark Holdings 2 and Spark International would be removed from the official list of the ASX.

If the Schemes are able to be implemented but the other conditions to the redemption of Spark International ordinary shares (and cancellation of CDIs) (including Securityholder approval) are not satisfied or waived to permit the redemption to occur on or within a reasonable time after the Implementation Date, the directors of Spark International will proceed to unstaple the Spark International ordinary shares/CDIs from the stapled securities (while the other components remain stapled) and wind it up.

The Manager holds a special share in each of Spark Holdings 1, Spark Holdings 2 and Spark International. The special share entitles the holder to appoint one less than half of the maximum number of directors on the relevant Boards. It is intended that as part of the Restructure, the special share held by the Manager in Spark Holdings 1, Spark Holdings 2 and Spark International will be transferred to Spark Trust. Under the Special Share Transfer Deed (when executed), Spark Infrastructure will agree to take all reasonable steps to reinstate the Manager's right to appoint directors in certain limited circumstances¹. See Section 11.1.4.

Following the Restructure, it is contemplated that there will be some consequential changes in Spark Infrastructure's intra-group loans. See Section 6.2 for further details.

4.6 TAX IMPLICATIONS AND RISKS OF THE RESTRUCTURE

The taxation implications of the Restructure for Securityholders will depend on the personal taxation and financial circumstances of each Securityholder. General taxation implications and risks of the Restructure for Securityholders are discussed in Section 8 and it is important that you read this carefully. Securityholders should consult their own taxation advisers about the taxation consequences for them if the Restructure is implemented.

For a description of the tax consequences for Spark Infrastructure generally, please refer to the summary in Section 1.10, and for more detail, Section 10.2.

4.7 CONDITIONS AND TERMINATION RIGHTS

The Restructure is subject to a number of conditions. Set out below are all of the conditions to the implementation of the Restructure which are set out in the Restructure Implementation Deed, together with a brief description of the status of these conditions.

Conditions — generally	Status
Completion of the Entitlement Offer	This is now complete
Independent Expert's Report: The Independent Expert not changing or withdrawing its conclusion in its Independent Expert's Report (which is set out in Annexure 6) that the Schemes are in the best interests of Securityholders	Spark Infrastructure is not aware of any intention of the Independent Expert to change its conclusion or withdraw the report.
Securityholder approvals - in relation to the Restructure Resolutions, including the Schemes and the other special resolutions but not including the Spark International resolutions (see further below)	The relevant Securityholder meetings to consider the Restructure Resolutions are to be held on Thursday, 9 December 2010 on the same day (but as separate meetings).
Deed poll by the Spark RE to Securityholders to perform its obligations in relation to the Schemes	This is expected to be executed prior to the date of the Second Court Hearing, being Friday 17 December 2010.
Court approval of the Schemes	An application for Court approval to the Schemes may be made if the Restructure Resolutions are passed by the requisite majorities of Securityholders.
Regulatory approvals — receipt of any necessary or desirable ASX and ASIC relief and confirmations	Most confirmations and modifications have now been obtained — see Sections 11.4 and 11.5. ²
Approval of lenders under the Spark Infrastructure senior debt facility	Spark Infrastructure has received in-principle approval from its lenders to the extent required to facilitate the Restructure and subject to certain conditions being satisfied. Final approval is expected to be received prior to the Second Court Hearing
CKI, RREEF and the Manager executing the Governance Deed and Special Share Transfer Deed and giving the relevant consent	CKI and RREEF have agreed in-principle with Spark Infrastructure to enter into the Governance Deed and Special Share Transfer Deed. These are expected to be executed prior to the Second Court Hearing.

¹ The limited circumstances are if any one of Spark Holdings 1, Spark Holdings 2 and Spark International is re-listed as part of a stapled structure and the current external management arrangements continue at that time.

² ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Schemes. If ASIC provides that statement it will be produced to the Court at the time of the Second Court Hearing.

There are no injunctions or restraining orders	Spark Infrastructure is not aware of any restraining orders or injunctions preventing any aspect of the Restructure.
Additional conditions for Spark International	Status
Securityholder approval (holders of CDIs and the CHES Nominee) in relation to the Spark International resolutions and the constitutional amendments becoming effective	The Securityholder meeting of Spark International to consider the Spark International resolutions will be held on the same day as the meetings referred to above.

Spark Infrastructure will announce to the ASX any material developments in the status of these conditions.

TERMINATION OF RESTRUCTURE

In addition, the Restructure Implementation Deed may be terminated by agreement between the Stapled Entities prior to the Court approval of the Schemes or, if before that time there is a publicly announced change of control transaction which the Boards, acting in good faith and after taking advice from their legal, financial and taxation advisers, determine is superior to the Restructure because it:

- Is reasonably capable of being completed taking into account all aspects of the transaction; and
- Is more favourable to Securityholders than the Restructure, taking into account all terms and conditions of the transaction.

The Stapled Entities may also terminate if before that time the Boards, acting in good faith and after taking advice from their legal, financial and taxation advisers, determine they should do so because of a development after the date of the Restructure Implementation Deed which has or is reasonably likely to have a materially adverse effect on Spark Infrastructure or the Securityholders or mean the Restructure is no longer in the best interests of Securityholders.

The Stapled Entities may also terminate the Restructure Implementation Deed if the Schemes have not become Effective by 31 December 2010.

4.8 FOREIGN SECURITIES LAWS AND INELIGIBLE OVERSEAS SECURITYHOLDERS

Restrictions in certain foreign countries make it impractical or unlawful to offer or receive Units in those countries. This Explanatory Memorandum and any accompanying documents do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Explanatory Memorandum and accompanying documents in jurisdictions outside Australia may be restricted by law and anyone who receives this Explanatory Memorandum and accompanying documents should seek advice and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. See also the Important Information for further details.

No action has been taken to register or qualify the new Units or otherwise permit the public offering of such securities in any jurisdiction outside Australia. It is the responsibility of all overseas Securityholders to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the Restructure. Specific jurisdictional disclaimers are set out in Annexure 8.

(A) ELIGIBLE SECURITYHOLDERS

Based on information available to Spark Infrastructure as at the date of this Explanatory Memorandum, Securityholders whose addresses are shown in the Register on the Record Date as being in the following jurisdictions and that are not US persons (other than as described below for Securityholders in the United States of America) will be entitled to have new Units issued to them pursuant to the Restructure subject to the qualifications, if any, set out below in respect of that jurisdiction:

- Australia;
- New Zealand;
- Hong Kong;
- Singapore, where the Securityholder is an institutional investor under the Securities and Futures Act, Chapter 289;
- France, to (i) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D.734-1, D. 744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (*cercle restreint d'investisseurs*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation;
- Germany;
- Ireland, where the Securityholder is a qualified investor under the Prospectus (Directive 2003/71/EC) Regulations 2005 (SI No. 324 of 2005);
- Netherlands, (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity that has two or more of: (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000; (c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of Spark Infrastructure and any underwriter for any such offer; or (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of new Units shall result in a requirement for the publication by Spark Infrastructure of a prospectus pursuant to Article 3 of the Prospectus Directive;

- Norway, (a) to “professional investors” (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876); (b) any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and who fulfils two or more of the following: (i) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters; (ii) any natural person with a portfolio of securities with a market value of at least €500,000; and (iii) any natural person who works, or has worked for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities; (c) to fewer than 100 natural or legal persons (other than “professional investors”, as defined in (a) and (b) above); or (d) in any other circumstances provided that no such offer of new Units shall result in a requirement for the registration, or the publication by Spark Infrastructure or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007;
- Switzerland;
- United Kingdom;
- United Arab Emirates, to Securityholders who (i) are not in the Dubai International Financial Centre (DIFC) or (ii) if in the DIFC, have on their volition requested this Explanatory Memorandum and not as a result of any “financial promotion” and who can receive new Units in the Restructure in an “excluded offer” (as such terms are defined in Rule 4.1.2 of the Collective Investment Rules of the Dubai Financial Services Authority);
- Canada;
- United States of America in reliance on the exemption provided by Section 3(2)(10) of the Securities Act and to Securityholders that are reasonably believed to be “qualified institutional buyers” (as defined in Rule 144A of the Securities Act) and also “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act) in transactions exempt from the registration requirements of the Investment Company Act pursuant to Section 3(c)(7) thereof; and
- Any other jurisdictions in which Spark Infrastructure reasonably believes that it is not prohibited and not unduly onerous or impractical to implement the Schemes and issue additional Units to a Securityholder with a registered address in such a jurisdiction.

In relation to the qualifications to this Section 4.8(a), a Securityholder means a beneficial owner of the Security.

(B) INELIGIBLE OVERSEAS SECURITYHOLDERS

Securityholders who do not satisfy the criteria referred to in Section 4.8(a) or who Spark Infrastructure subsequently determines are resident in a jurisdiction in respect of which the issue to them of Units under the Schemes are prohibited or unduly onerous or impractical will be Ineligible Overseas Securityholders.

Units will not be issued to Ineligible Overseas Securityholders. Under the Restructure, the entire holding of Securities held by Ineligible Overseas Securityholders will be transferred to the Sale Agent. Under each of the Schemes, the Units to which Ineligible Overseas Securityholders would otherwise have been entitled will be issued to the Sale Agent. After the consolidation of the Units and the restapling to the Loan Notes, the Sale Agent will then sell the securities (then comprising the Units and Loan Notes) it holds. The net proceeds from the sales (if any) will be remitted to Ineligible Overseas Securityholders after the sale of all securities (then comprising the Units and Loan Notes).

The Spark Trust Constitution is to be amended to facilitate this transfer and sale mechanism.

(C) FOREIGN SALE FACILITY AND THE SALE AGENT

Under the Foreign Sale Facility:

- the Sale Agent will be appointed as nominee, for the purposes of the Foreign Sale Facility;
- Securities held by Ineligible Overseas Securityholders as at the Record Date will be transferred to the Sale Agent on or before the Implementation Date without the need for any further action by Ineligible Overseas Securityholders;
- the Sale Agent will participate in the Schemes in respect of those ineligible Securities (i.e. the principal amount of the Loan Notes will be partly repaid, and the Spark Holdings 1 ordinary shares and Spark Holdings 2 ordinary shares will be transferred to Spark RE, in exchange for the issue of additional Units to the Sale Agent). After the consolidation of the Units and the restapling of the Units to the Loan Notes, the Sale Agent will hold stapled securities comprising only Units and Loan Notes;
- as soon as is reasonably practicable after the Implementation Date (and in any event within 30 days on and from the Implementation Date), the Sale Agent will sell the securities (then comprising Units and Loan Notes) it holds;
- following the settlement of the sale of the securities (then comprising Units and Loan Notes), the Sale Agent will remit the sale proceeds (less the fees and expenses payable to it) to the Spark RE; and
- no later than 5 business days after the day on which the last of the proceeds of sale of all of the securities (then comprising Units and Loan Notes) are notified to the Registry, the Registry will arrange for the despatch of a cheque or bank draft or electronic funds transfer into the same bank account nominated by the Ineligible Overseas Securityholder for receipt of Spark Infrastructure distributions (unless the Ineligible Overseas Securityholder advises otherwise) for the amount due to each Ineligible Overseas Securityholder together with a statement of how the amount is calculated.

Each Ineligible Overseas Securityholder who participates in the Foreign Sale Facility will receive an amount equal to the average price at which the Sale Agent sold the securities (then comprising Units and Loan Notes) it holds under the Foreign Sale Facility multiplied by the corresponding number of ineligible Securities that were held by the Ineligible Overseas Securityholder as at the Record Date, less any reasonable applicable brokerage, stamp duty and other selling costs, taxes and charges (including a fee of 1% of the gross sale proceeds (including GST) and out-of-pocket expenses payable to the Sale Agent). Each Ineligible Overseas Securityholder’s entitlement to this amount is subject to compliance with applicable law (including on conduct of the Foreign Sale Facility and remittance of funds).

The sale proceeds (net of fees and expenses) may be held by Spark RE in one or more bank accounts for the benefit of Spark RE. Spark RE may transfer funds between accounts to facilitate payments to Ineligible Overseas Securityholders.

The Sale Agent will sell the securities (then comprising Units and Loan Notes) in one or more tranches. It is expected that the sale will occur on market.

The sale price of the securities (then comprising Units and Loan Notes) and the net proceeds that the Ineligible Overseas Securityholder will receive cannot be guaranteed. The net proceeds will not necessarily be the highest price at which the securities could be sold during the sale period. The Sale Agent will sell the securities in such manner, at such price or prices and on such other terms as it determines in good faith at the risk of the Ineligible Overseas Securityholders with the objective of achieving the best prices reasonably obtainable at the time of the sales, bearing in mind:

- The total number of securities (then comprising Units and Loan Notes) that participate in the Foreign Sale Facility. If a large number of securities participate in the Foreign Sale Facility, the sale price for those securities may be smaller.
- The prevailing market conditions (including the prevailing price of securities (then comprising Units and Loan Notes) on ASX) and the prevailing demand for those securities.
- The desire to maintain an orderly market for the securities (then comprising Units and Loan Notes).
- The period during which the sale process is undertaken (30 days on and from the Implementation Date).

As an alternative to participating in the Foreign Sale Facility, Securityholders who expect to be Ineligible Overseas Securityholders on the Record Date may choose to sell their Securities on market prior to the last day of trading of pre-Scheme Securities (expected to be 20 December 2010 being the Effective Date). There are a number of differences between selling ineligible Securities on market and participating in the Foreign Sale Facility, including:

- the price may be higher or lower;
- under the Foreign Sale Facility, Ineligible Overseas Securityholders have no control over the net sale proceeds they will receive for their Securities;
- Ineligible Overseas Securityholders will need to wait until after the Foreign Sale Facility process is completed before they receive the net sale proceeds; and
- transfers and sales under the Foreign Sale Facility will only proceed if the Restructure is implemented (and subject to compliance with applicable law).

ASIC has given the relief necessary to allow Spark RE to deal with the Ineligible Overseas Securityholders in this manner, subject to certain conditions including that:

1. the Schemes are implemented on terms that allow Spark RE to determine that a Securityholder is an Ineligible Overseas Securityholder;
2. Spark RE determines that a Securityholder is an Ineligible Overseas Securityholder, so that:
 - (a) the Sale Agent sells the securities (then comprising Units and Loan Notes) in one or more tranches through the ASX (including by special crossing) and remits the proceeds of sale (calculated on an averaged basis), less any reasonable applicable brokerage, stamp duty and other selling costs, taxes and charges, to the Spark RE; and
 - (b) the Spark RE promptly pays to the Ineligible Overseas Securityholder its share of the net proceeds of the sale.

The Sale Agent will be engaged directly by Spark Infrastructure to act as nominee and owes contractual duties to Spark Infrastructure under a Foreign Sale Facility agreement (see summary at Section 11.1.5).

4.9 RANKING OF NEW UNITS

New Units issued to Securityholders pursuant to the Schemes will rank equally in all respects to existing Units, including as to any unit distribution for the period in which they are issued. These new Units will be consolidated such that the number of Units that a Securityholder holds is the same as the number of Securities that the Securityholder held immediately prior to the Restructure.

It is anticipated that the Restructure will be implemented prior to the 31 December 2010 distribution. All Securityholders on the relevant record date for the 31 December 2010 distribution will then be entitled to receive interest based on:

- A face value of \$1.25 per Loan Note calculated from 15 September 2010 up to but excluding the Implementation Date; and
- Assuming the Restructure proceeds, the lower face value of \$0.65 per Loan Note from and including the Implementation Date up to but excluding 15 March 2011.

Separately, it is noted that the Directors do not intend to reset the interest rate applicable on the Loan Notes which will remain at 10.85% per annum for the five year period through to 15 September 2015. Accordingly, the Loan Note interest obligation per Security will be approximately 7.0 cents per annum following the Restructure.

4.10 INTENTIONS OF SPARK INFRASTRUCTURE DIRECTORS

Implementation of the Schemes will have no practical effect on the underlying assets or operations of Spark Infrastructure, including its investment in the Asset Companies. Further, it is the intention of the Spark Infrastructure Directors, upon the Schemes becoming Effective, to:

- continue the business of Spark Infrastructure;
- not make any major changes to the business of Spark Infrastructure or redeploy any of the fixed assets of Spark Infrastructure; or
- not make any changes to the management arrangements as they relate to the future employment of present employees of the Manager who are made available to Spark Infrastructure.

4.11 EXPLANATION OF REQUIRED RESTRUCTURE RESOLUTIONS

Each Security comprises a unit in Spark Trust, a Loan Note issued by Spark Trust and a share in each of Spark Holdings 1, Spark Holdings 2 and a CHESS Depository Interest (CDI) representing a share in Spark International.

The Restructure involves three separate but inter conditional Schemes and a number of other inter conditional resolutions required to effect the Restructure.

The Schemes are:

- The **Spark Holdings 1 Member Scheme**: a Court approved member scheme of arrangement whereby Spark Holdings 1 ordinary shares are exchanged for Spark Trust Units;
- The **Spark Holdings 2 Member Scheme**: a Court approved member scheme of arrangement whereby Spark Holdings 2 ordinary shares are exchanged for Spark Trust Units; and
- The **Note Scheme**: a Court approved creditor scheme of arrangement whereby part of the principal amount outstanding on the Loan Notes is repaid on condition that the proceeds are applied for the issue of additional Spark Trust Units. No cash will be received by the holders of Loan Notes.

Each of the Restructure Resolutions are described below and are set out in full in Annexure 1. Copies of the Spark Holdings 1 Member Scheme, Spark Holdings 2 Member Scheme and Note Scheme are set out in Annexures 2, 3 and 4 respectively. To the extent that the resolutions below involve amendments to the Constitutions, the form of the proposed Constitution Amendments is set out in Annexure 5 and will be tabled at the Extraordinary General Meetings.

(A) SPARK HOLDINGS 1 — MEMBER SCHEME RESOLUTION

The Spark Holdings 1 Member Scheme is a Court supervised scheme of arrangement under section 411(1) of the Corporations Act between Spark Holdings 1 and its shareholders, pursuant to which it is proposed that all of the issued and outstanding Spark Holdings 1 ordinary shares will be transferred to Spark Trust for the relevant scheme consideration (described in Section 4.13) applicable to the Spark Holdings 1 Member Scheme.

The Spark Holdings 1 Member Scheme Resolution will be considered at the Spark Holdings 1 Scheme Meeting being convened by order of the Court, and which must be approved by at least 75% of the votes cast by Spark Holdings 1 shareholders on the resolution and by a majority in number of Spark Holdings 1 shareholders present and voting (either in person or by proxy). Spark Infrastructure does not expect that any shareholders of Spark Holdings 1 will be excluded from voting on this resolution.

(B) SPARK HOLDINGS 2 — MEMBER SCHEME RESOLUTION

The Spark Holdings 2 Member Scheme is a Court supervised scheme of arrangement under section 411(1) of the Corporations Act between Spark Holdings 2 and its shareholders, pursuant to which it is proposed that all of the issued and outstanding Spark Holdings 2 ordinary shares will be transferred to Spark Trust for the relevant scheme consideration (described in Section 4.13) applicable to the Spark Holdings 2 Member Scheme.

The Spark Holdings 2 Member Scheme Resolution will be considered at the Spark Holdings 2 Scheme Meeting being convened by order of the Court, and which must be approved by at least 75% of the votes cast by its shareholders on the resolution and by a majority in number of Spark Holdings 2 shareholders present and voting (either in person or by proxy). Spark Infrastructure does not expect that any shareholders of Spark Holdings 2 will be excluded from voting on this resolution.

(C) NOTE SCHEME RESOLUTION

The Note Scheme is a Court supervised creditors scheme of arrangement under section 411(1) of the Corporations Act between Spark RE and Spark RE's holders of Loan Notes, pursuant to which it is proposed that \$795 million will be repaid and applied to reduce the principal amount outstanding on the Loan Notes from \$1,658 million to \$863 million or \$1.25 per Loan Note to \$0.65 per Loan Note on condition that the moneys repaid are applied for that number of additional Units equal to the relevant scheme consideration (described in Section 4.13) applicable to the Note Scheme.

The Note Scheme Resolution will be considered at the Note Scheme Meeting being convened by order of the Court, and which must be approved by a resolution passed by a majority in number of holders of Loan Notes present and voting (either in person or by proxy) whose Loan Notes represent at least 75% of the total amount outstanding on the Loan Notes of those holders of Loan Notes present and voting (either in person or by proxy). Spark Infrastructure does not expect that any holders of Loan Notes will be excluded from voting on this resolution.

(D) CONSTITUTION AMENDMENT AND RELATED RESOLUTIONS

As part of the Restructure, Securityholders of each Stapled Entity and holders of Loan Notes will be asked to approve certain amendments to the Constitutions (and in the case of the Loan Notes and Spark International, other related resolutions). Some of these amendments will be specific to a particular entity (Section 4.11(d)(i) to (iii)) and some of a more general application (Section 4.11(d)(iv)) which will apply to all of the Stapled Entities.

These amendments will be considered at separate meetings of Securityholders of each Stapled Entity and the holders of Loan Notes (as applicable) held for this purpose which must be approved by a special resolution of Securityholders of each Stapled Entity and the holders of Loan Notes (as applicable) and must be passed by at least 75% of the votes cast by holders present in person or by proxy and entitled to vote on the resolution. Spark Infrastructure does not expect that any Securityholder will be excluded from voting on these resolutions.

(i) Note Trust Deed – Terms of Issue Amendment and related resolution

Holders of Loan Notes will be asked to approve amendments to the Terms of Issue of the Notes (which are attached to the Loan Note Trust Deed) to:

- Confirm the restatement of the face value of \$1.25 per Loan Note with the reduced post Restructure face value of \$0.65 per Loan Note (to reflect the partial repayment of principal under the Note Scheme);
- Facilitate the application of the partial repayment of the principal amount to the issue of additional Units (reinforcing that no actual cash payments are required to be made to or by Securityholders under the Note Scheme); and
- Confirm the calculation of interest for days within the calculation period prior to the Implementation Date using \$1.25 as the face value per Loan Note and for days following the Implementation Date, using the reduced face value of \$0.65 per Loan Note.

The Note Trustee acts as trustee for the benefit of Loan Note holders pursuant to the Loan Note Trust Deed. Accordingly, the holders will, by an additional special resolution which must be passed by the equivalent majority referred to in this Section 4.11(d) and set out at Part E of Annexure 1, direct the Note Trustee to effect the amendments described above. This includes signing supplemental deeds which acknowledge and consent to the Note Scheme.

(ii) Spark Trust – Sale Facility Amendment– Ineligible Overseas Securityholders

Holders of Units will be asked to approve specific amendments to the Spark Trust Constitution (which are included in the Stapling Provisions) to facilitate the transfer of Units held by Ineligible Overseas Securityholders to the Sale Agent for sale (as described in Sections 4.8(b) and (c)). For further information on foreign securities laws and eligibility and the sale of other components of stapled securities, please refer to Section 4.8.

(iii) Spark International – Amendment to facilitate Redemption and related resolutions

Spark International CDI holders will be asked to approve:

- Amendments to the constituent documents of Spark International required to facilitate the redemption of the Spark International ordinary shares on the terms described in Section 4.5(b);
- The variation to the rights attached to the Spark International ordinary shares caused by the insertion of the terms on which those shares may be redeemed; and
- The redemption of the ordinary shares on those terms and the cancellation of the related CDIs.

No cash will be paid to Securityholders in connection with the redemption. Spark International is a dormant company and does not have any assets. The existing Spark International ordinary shares and the corresponding CDIs were issued for \$0.00 cash consideration and the shareholder funds have at all times been recorded as \$0.00 in the Spark International books of account.

The requirement for CDI holder approval arises as Spark International is a Bahamas incorporated company and the component part of Spark Infrastructure securities issued by Spark International and held by Securityholders are CDIs over ordinary shares in Spark International. The ordinary shares are held by CHESS Depository Nominees. Accordingly, Spark International shareholders will also be asked to authorise and direct CHESS Depository Nominees, as sole ordinary shareholder, to sign the equivalent resolutions to those above.

(iv) Stapling Provisions Generally

The Stapling Provisions form part of the Constitutions. Certain amendments are proposed to be made to the Stapling Provisions in order to introduce provisions which will have the effect of authorising any additional actions (by the Stapled Entities and/or on behalf of Securityholders) necessary or desirable to give effect to or incidental to the Restructure, and not separately authorised, including the key implementation steps referred in Section 4.5. The amendments will confirm that the Note Trustee's indemnity under clause 11.3 of the Note Trust Deed covers any liability or loss arising from, and any reasonable costs incurred by the Note Trustee in connection with, any act, omission, matter or thing to give effect to the Restructure. The amendments will also confirm that the Restructure is a "Stapling Matter" for the purposes of the Stapling Provisions, a consequence of which is that the limitation on liability included there will apply. This provides that to the fullest extent permitted by law each Stapled Entity shall be under no liability to any Securityholder or any Stapled Entity and a Stapled Entity shall be under no liability to any Securityholder for any loss or disadvantage incurred by a Securityholder as a result, whether directly or indirectly, of each Stapled Entity exercising its powers in relation to any Stapling Matter.

(v) Other amendments — Manager’s special shares and DRP

In addition, in order to facilitate the transfer of the special shares from the Manager to the Spark RE as responsible entity of Spark Trust, amendments have been proposed to modify the transfer restriction in article 2.10 of the Constitutions for Spark Holdings 1, Spark Holdings 2 and Spark International respectively. These amendments will permit the special shares to be transferred to a trustee or responsible entity of the Spark Trust or another trust which holds all (but not some only) of the ordinary shares of the relevant company. The Manager’s consent to the variation of the rights attaching to the special shares has been sought.

Further, Spark Infrastructure is taking the opportunity now to make certain amendments to the Stapling Provisions relevant to the ongoing operation of Spark Infrastructure’s DRP. At present, Securities issued under the DRP (“DRP Securities”) are priced based on the average volume weighted trading prices over a period of 10 trading days linked to the distribution record date. In the absence of trust income distributions, the DRP Securities would be priced with reference to Spark Infrastructure’s usual early March and September record dates, with the DRP Securities issued not long after the distribution payment date of 15 March or 15 September. However, if Spark Infrastructure distributes trust income as year end distributions, the Spark Trust Constitution requires the distribution record date to be 31 December but the distribution payment date of 15 March would remain unchanged. This means that the DRP Securities would be priced with reference to the 31 December record date but would only be issued at the end of March (after the distribution payment date). This creates a pricing risk over a longer period for Securityholders. To reduce the impact of variations in the trading prices of the Securities between the time the DRP Securities are priced and the actual issue of the DRP Securities, amendments have been proposed to price the DRP Securities with respect to a period linked to the date on which the DRP Securities are to be issued, rather than the distribution record date. These amendments form part of the Constitution Amendments.

CONDITIONALITY OF RESTRUCTURE RESOLUTIONS

Each Restructure Resolution described above (except for the resolutions required in connection with Spark International) will be inter conditional with each other Restructure Resolution, and none of them will become effective until each of the Restructure Resolutions have been passed by the requisite majorities of Securityholders.

The redemption of the ordinary shares in Spark International is being done pursuant to amendments to the constituent documents of Spark International and related resolutions. While the redemption is conditional on the Schemes and the other inter-conditional resolutions being approved, the Schemes and those resolutions are not conditional on it. See further Section 1 and Section 4.7.

4.12 IMPLEMENTING THE RESTRUCTURE

(A) SCHEME MEETINGS

As required under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meetings be convened to consider each of the Schemes.

The Scheme Meetings will be held simultaneously but as separate meetings. These meetings are scheduled to be held at Radisson Plaza, 27 O’Connell Street, Sydney NSW Australia on Thursday, 9 December 2010 commencing at 3:00 pm.

The notices for the Scheme Meetings are set out in Annexure 1.

Instructions on how to attend and vote at the Meetings in person (by attending or having your attorney or corporate representative (as applicable) attending), or to appoint a proxy are set out in Section 3.

If the Schemes are approved, all Spark Holdings 1 ordinary shares and Spark Holdings 2 ordinary shares will, on the Implementation Date, be transferred to Spark RE without the need for further action by Securityholders. In addition, the principal amount outstanding on the Loan Notes will also be reduced at this time from \$1.25 face value per Loan Note to \$0.65 face value per Loan Note.

(B) COURT APPROVAL OF THE SCHEMES

In the event that:

- All the Restructure Resolutions relevant to the Schemes are approved by the requisite majority of Securityholders; and
- All conditions to the Schemes (other than Court approval) have been satisfied or remain capable of being satisfied or, where applicable, waived,

Spark Infrastructure may apply to the Court for an order under section 411(4)(b) of the Corporations Act approving each of the Schemes.

The Court has discretion not to grant the order approving a Scheme, even if that Scheme is approved by the requisite majority of Securityholders. Any Securityholder who wishes to oppose the approval of one or more of the Schemes may do so by filing with the Court and serving on Spark Infrastructure a notice of appearance in the prescribed form together with any affidavit on which the Securityholder will seek to rely at the Second Court Hearing.

The Court’s hearing of these applications (Second Court Hearing) is currently scheduled to take place on Friday, 17 December 2010. Any change to this date will be announced through the ASX and notified on Spark Infrastructure’s website on sparkinfrastructure.com.

(C) EXTRAORDINARY GENERAL MEETINGS

The Boards will convene Extraordinary General Meetings of each Stapled Entity to be held on the same day as the meetings required to give effect to the Schemes, but which will be held as separate meetings. These remaining Meetings will be held immediately following the Scheme Meetings (provided that the resolutions considered at the Scheme Meetings are all approved by the required majorities). The notices for the Extraordinary General Meetings are set out in Annexure 1.

Further, in connection with the Extraordinary General Meeting for Spark Trust, the Court has also advised that under section 63 of the *Trustee Act 1925 (NSW)*, Spark RE would be justified in convening the Extraordinary General Meeting for Spark Trust and proceeding on the basis that amending the Spark Trust Constitution as set out in the Supplemental Deeds, following the approval by special resolution of unitholders of Spark Trust, would be within the amendment powers conferred by the Spark Trust Constitution and section 601GC of the Corporations Act.

The purpose of the Extraordinary General Meetings is to consider and, if thought fit, pass the Constitution Amendment and Related Resolutions summarised in Section 4.11(d). Spark RE and associates of Spark RE will not vote on the resolutions of unitholders of Spark Trust to the extent they are precluded from doing so by the Corporations Act or their votes would be disregarded under the Listing Rules.

(D) SECOND JUDICIAL ADVICE

At the same time that Spark Infrastructure applies to Court for approval of the Schemes (see paragraph (b) above), Spark Infrastructure will apply to the Court for orders confirming that Spark RE would be justified in acting upon the resolutions passed at the Extraordinary General Meeting of Spark Trust and in doing all things, and taking all necessary steps, to put the Constitution Amendments for Spark Trust into effect.

Any person who claims that his or her rights as a unitholder of Spark Trust will be prejudiced by the Constitution Amendments to Spark Trust may at the Second Court Hearing apply to the Court for such orders or such directions as the circumstances may require.

(E) PREPARATORY STEPS FOR IMPLEMENTATION

If the Court makes orders approving the Schemes and all other conditions to the Restructure have been satisfied or waived, Spark Infrastructure will take or procure the taking of all steps required to implement the Restructure, without the need for any further act by any Securityholder, including lodging with ASIC an office copy of the court orders.

If the Restructure Resolutions are passed at the meetings with the requisite majorities:

- Spark International will lodge a copy of the resolutions amending Spark International's Constitution and any other required documents with the Bahamas Registrar General for registration; and
- Spark RE as responsible entity of Spark Trust will lodge with ASIC the modifications to Spark Trust's Constitution under section 601GC(2) of the Corporations Act.

Spark Infrastructure will then request the removal of Spark Holdings 1, Spark Holdings 2 and Spark International from the official list of the ASX.

Upon proceeding with the formalities referred to above, the Restructure will be implemented in accordance with the implementation steps outlined in Section 4.5.

If the Schemes are able to be implemented but the other conditions to the redemption of Spark International shares (and cancellation of CDIs) (including Securityholder approval) are not satisfied or waived to permit the redemption on or within a reasonable time after the Implementation Date, the directors of Spark International will proceed to unstaple the Spark International shares/CDIs from the stapled securities (while the other components remain stapled) and wind it up. Please see Section 4.7 for a summary of the relevant conditions precedent.

(F) TIMETABLE FOR IMPLEMENTATION AND TRADING IN SPARK INFRASTRUCTURE SECURITIES

The timetable for implementing the Restructure will depend on the date all conditions precedent to the Restructure (details of which are summarised in Section 4.7) are satisfied or waived. At present, it is intended that this implementation will occur on 31 December 2010 however no assurance is given that all the conditions will be satisfied.

For further detail on the timetable for implementation, please refer to Purpose of the Explanatory Memorandum and Key Dates on page 3 of this Explanatory Memorandum.

(G) WARRANTY BY SECURITYHOLDERS ABOUT THEIR SECURITIES

Securityholders should be aware that pursuant to:

- the Schemes, details of which are described in Annexures 2, 3 and 4 respectively; and
- the Constitution Amendments for Spark Trust (described in Part A of Annexure 5),

each Securityholder, including those that might vote against the Restructure Resolutions and those who do not vote, will be deemed to have warranted to Spark Infrastructure that their Securities are not subject to any encumbrances or interests of third parties and that they have full power and capacity to sell and transfer such Securities.

4.13 DETERMINING THE RELEVANT SCHEME CONSIDERATION

The relevant scheme consideration for each Scheme is to be determined as follows:

- in respect of the satisfaction and discharge of the obligation of the Spark RE arising under the Note Scheme to repay \$0.60 of the principal amount of each Loan Note, the number of new Units to be issued at the application price (as determined below) as set out in the Note Scheme;
- for each Spark Holdings 1 share, one new Unit to be issued at the application price (as determined below) as set out in the Spark Holdings 1 Member Scheme; and
- for each Spark Holdings 2 share, one new Unit to be issued at the application price (as determined below) as set out in the Spark Holdings 2 Member Scheme.

After issue of the three tranches of Units to Securityholders eligible to participate in the Restructure under the three Schemes, each eligible Securityholder's aggregate Unit holdings will be consolidated such that they hold the same number of Units as the Securities they held immediately before the Restructure. While the number of Units will be reduced in the consolidation, the capital contributed per Unit will have been increased as a result of the Schemes. Refer to Section 4.5. Further details regarding the number and application price of the Units being issued under the Schemes are described below (as required by the Corporations Regulations).

The application price for the new Units issued under each Scheme will be calculated as the greater of (a) \$0.001 per Unit or (b) the amount determined by the Spark RE in accordance with the Spark Trust Constitution as being the market price of a stapled security on the Implementation Date less \$1.25 being the notional application price of the Loan Note. The market price of a stapled security is in turn the weighted average price per stapled security for the 15 trading days immediately before the Implementation Date (whether or not a sale was recorded). For example:

- if the market price of a stapled security on the implementation date of the Schemes is less than \$1.25, the application price for the new Units would be \$0.001 per Unit for each of the Schemes; and
- if the market price of a stapled security on the implementation date of the Schemes is more than \$1.25, say \$1.40, then the application price for the new Units would be \$0.15 per Unit for each of the Schemes.

In light of the variability of the application price, the number of new Units issued in respect of each Note under the Note Scheme will vary depending on the market price of the stapled security. Where fractions arise in the calculation of the number of Units, the Units will be rounded down to the nearest whole number of new Units issued. Continuing with the examples above:

- at an application price of \$0.001 per Unit, the number of Units to be issued in respect of each Note would be 600, being \$0.60 divided by \$0.001;
- at an application price of \$0.15 per Unit, the number of Units to be issued in respect of each Note would be 4, being \$0.60 divided by \$0.15.

Regardless of the application price per Unit, the number of new Units issued in exchange for Spark Holdings 1 ordinary shares and Spark Holdings 2 ordinary shares under the Spark Holdings 1 Member Scheme and Spark Holdings 2 Member Scheme respectively will remain unchanged at one new Unit per Spark Holdings 1 ordinary share or Spark Holdings 2 ordinary share respectively.

4.14 OVERALL EFFECT OF RESTRUCTURE

If the Restructure is implemented:

- the face value per Loan Note will reduce from \$1.25 to \$0.65 per Loan Note, and will carry a correspondingly reduced interest entitlement (from 13.56 cents per Security per annum to 7.0 cents per Security per annum). Effectively that portion of Loan Note principal will be converted from subordinated debt to Units (being equity in Spark Trust). In relation to the Units, Spark RE will have substantial discretion over distributions of income and capital. See Section 1.12 for more information in relation to these aspects;
- Spark Holdings 1, Spark Holdings 2 and Spark International will become wholly owned subsidiaries of Spark Trust (unless, in the case of Spark International only, it is wound up instead);
- Spark Holdings 1, Spark Holdings 2 and Spark International will be removed from the official list of the ASX;
- Spark Infrastructure will be converted from a four issuer five stapled structure to a single listed entity (Spark Trust) with two securities (being a Loan Note and Unit) stapled to each other;
- Securityholders eligible to participate in the Restructure (excluding Ineligible Overseas Securityholders) will continue to hold the same proportionate interest in Spark Trust as they held in Securities immediately prior to the Restructure; and
- the tax consequences for Spark Infrastructure are summarised in Section 1.10 and set out in more detail in Section 10.2. The tax implications for Securityholders are summarised in Section 8.

4.15 RIGHTS AND LIABILITIES ATTACHING TO SPARK INFRASTRUCTURE SECURITIES POST THE RESTRUCTURE

If the Restructure is implemented, Securityholders will hold their investment in Spark Infrastructure through Spark Trust only with Units and Loan Notes stapled together. Other than as contemplated by the Constitution Amendment Resolutions required to facilitate the Restructure (as described in Section 4.11) and the Schemes, implementation of the Restructure will not change the rights and liabilities attaching to a holder's ownership of Units and Loan Notes. As outlined in Section 1.12, implementation of the Restructure will change the relative composition of a Securityholder's investment in Spark Infrastructure, effectively converting part of a Securityholder's investment from subordinated debt to equity in Spark Trust.

A summary of the Unit and Loan Note terms was disclosed on 16 December 2005 as part of the initial public offering of Spark Infrastructure and copies of the constituent documents are available on ASX's website, asx.com. The form of the proposed Constitution Amendments is set out in Annexure 5 and will also be tabled at the Extraordinary General Meetings.

4.16 CONSEQUENCES IF THE RESTRUCTURE DOES NOT PROCEED

If the Restructure does not proceed, Spark Infrastructure will remain in its current form as a five stapled security with four issuers. In addition, each Loan Note will continue to have a face value of \$1.25 per Security. The aggregate principal of the Loan Notes on issue will be approximately \$1,658 million.

For more details on the consequences, risks and disadvantages of this outcome see Sections 1.7 to 1.11 and 10.2.

SECTION 5 OVERVIEW OF SPARK INFRASTRUCTURE AND TRADING UPDATE

5.1 SPARK INFRASTRUCTURE GROUP – OVERVIEW

Spark Infrastructure was listed in December 2005 with seed assets acquired from Cheung Kong Infrastructure Holdings Limited (CKI) and Hong Kong Electric Holdings (HKE). Spark Infrastructure is managed by an external manager, Spark Infrastructure Management Limited (the Manager), which is 50% owned by CKI and 50% owned by RREEF Infrastructure (RREEF). The Manager manages the existing investments of Spark Infrastructure under a management agreement (the Management Agreement). See Section 1.17 for details of CKI and RREEF's interests in Spark Infrastructure Securities and Section 1.18 for details of the Management Agreement.

Spark Infrastructure has a 49% interest in the three Australian electricity distribution businesses (the Asset Companies) it acquired at time of listing:

- ETSA Utilities (ETSA Utilities) based in South Australia;
- CitiPower Pty Limited (CitiPower), servicing Melbourne's inner suburbs and central business district; and
- Powercor Australia Limited (Powercor) based in Victoria, servicing western Victoria (including the western suburbs of Melbourne).

Spark Infrastructure's investments in CitiPower and Powercor are held through a company called CHEDHA, which owns 100% of CitiPower and Powercor and in which Spark Infrastructure holds a 49% interest. The remaining 51% equity interest in CHEDHA and ETSA Utilities is held by CKI and HKE.

Since the initial public offering, Spark Infrastructure has maintained its 49% interest in the three underlying assets and over this time, the proportional EBITDA¹ has increased from \$517 million in 2005 to \$617 million in 2009, representing an average annual growth rate of 4.5%. Similarly, the Regulatory Asset Base (RAB) has increased by average annual growth rates of 5.1%, 7.3% and 2.6% per annum at CitiPower, Powercor and ETSA Utilities respectively over the same period. As at 31 December 2009, Spark Infrastructure's proportional share of the Asset Companies' total RAB was \$2.98 billion (49% of \$6.09 billion).

5.2 ETSA UTILITIES – COMPANY OVERVIEW

ETSA Utilities operates the only significant electricity distribution business in South Australia, servicing Adelaide and all of the major population centres in the State. ETSA Utilities is held 49% by Spark Infrastructure and 51% by CKI and HKE.

(A) OVERVIEW OF ASSETS

Serving more than 812,000 residential, commercial, and industrial customers, ETSA Utilities connects residential and business customers to a safe and reliable supply of electricity. Retailers, who sell electricity to customers after having purchased energy from generators, pay ETSA Utilities for the use of the distribution system to deliver electricity to the customer.

ETSA Utilities' distribution network comprises a route length of over 86,000 kilometres and has a RAB of approximately \$2.75 billion as at 31 December 2009.

Date acquired	Owned at time of listing (December 2005)
% interest	49%
Location	South Australia
Capital expenditure requirements	The AER's final distribution determination in May 2010 confirmed that capital expenditure for ETSA Utilities will double in the next regulatory period to c.\$1.65 billion
RAB (as at 31 December 2009)	\$2.75 billion
Next regulatory reset	1 July 2015
2009 EBITDA	\$624.4 million

(B) OVERVIEW OF 2009 AND SIX MONTHS ENDING JUNE 2010 FINANCIAL PERFORMANCE

In the 2009 financial year, ETSA Utilities' EBITDA increased by 16.0% to \$624.4 million due to higher prescribed revenues of \$538.5 million and non-prescribed revenues of \$313.4 million. Growth in regulated revenue was primarily due to higher tariffs, which moved up in line with the regulatory formula and operating costs were lower largely due to lower unregulated revenue.

ETSA Utilities also experienced continued growth in employee numbers mainly due to the success of its apprentice recruitment program.

¹ Spark Infrastructure's 49% share of Asset Companies' earnings before interest taxes depreciation and amortisation.

ETSA Utilities also undertakes non-regulated operations which include the Construction and Maintenance Services (**CaMS**) group. The CaMS group provides services including substation design and construction, transmission and distribution line maintenance and construction, telecommunications engineering and design and material sales, for other entities. Major customers include ElectraNet (making up approximately 50% of CaMS revenue), mining and other companies with specific electricity infrastructure needs, and windfarm companies. It also provides services in the State of Victoria to Powercor and Jemena, electricity distributors.

5.3 CHEDHA — COMPANY OVERVIEW

CHEDHA holds a 100% interest in each of the CitiPower and Powercor electricity distribution businesses. CHEDHA is held 49% by Spark Infrastructure and 51% by CKI and HKE.

(A) OVERVIEW OF ASSETS

CitiPower

CitiPower owns and operates the distribution network that supplies electricity to approximately 305,000 customers in Melbourne's CBD and inner suburbs. These customers include some of Australia's largest companies, public transport systems and cultural and sporting venues.

CitiPower charges retailers for the use of the distribution system to deliver electricity to the retailer's customers. The network itself consists of 6,478 kilometres of distribution line spanning approximately 157 square kilometres and has a RAB of \$1.22 billion as at 31 December 2009.

Date acquired	Owned at time of listing (December 2005)
% interest	49%
Location	Melbourne
Capital expenditure requirements	<p>AMI or "smart meters"</p> <ul style="list-style-type: none"> Roll-out commenced late 2009 Project estimated to have total capital expenditure requirements for Powercor and CitiPower of c. \$630 million, with half of the capital expenditure required in 2012 – 2013 <p>Supply security project for the Melbourne CBD</p> <ul style="list-style-type: none"> Capital expenditure will be required to augment the system as part of this project which is added to the RAB and contributable to future revenue <p>Regulated capital expenditure is expected grow significantly in the next regulatory period</p>
RAB (as at 31 December 2009)	\$1.22 billion
Next regulatory reset	1 January 2011
2009 EBITDA	\$635.5 million (combined with Powercor)

Powercor

Powercor operates the primary electricity distribution business in the central and western region of the State of Victoria, serving more than 698,000 residential, commercial, and industrial customers. The primary business is the operation, construction, and maintenance of the electricity distribution network – a strategic community asset that constitutes a core component of the region's infrastructure.

Powercor charges retailers for the use of the distribution system to deliver electricity to the retailer's customers. Powercor's distribution network covers 150,000 square kilometres, has a route length in excess of 80,000 kilometres and has a RAB of \$2.12 billion as at 31 December 2009.

Date acquired	Owned at time of listing (December 2005)
% interest	49%
Location	Victoria
Capital expenditure requirements	<p>AMI or "smart meters"</p> <ul style="list-style-type: none"> Roll-out commenced late 2009 Project estimated to have total capital expenditure requirements for Powercor and CitiPower of c.\$630 million, with half of the capital expenditure required in 2012 – 2013 <p>Regulated capital expenditure for next regulatory period expected to grow substantially</p>
RAB (as at 31 December 2009)	\$2.12 billion
Next regulatory reset	1 January 2011
2009 EBITDA	\$635.5 million (combined with CitiPower)

(B) OVERVIEW OF 2009 AND SIX MONTHS ENDING JUNE 2010 FINANCIAL PERFORMANCE

In the 2009 financial year, CHEDHA had total revenues of \$910.2 million and total EBITDA of \$635.5 million. The 7.5% increase in EBITDA over the prior year was largely as a result of increases in prescribed revenue including the roll-out of AMI. Regulated revenue increased by 9.4% (including \$32.1 million or 113% increase in metering revenue) despite a 0.1% fall in electricity sales volume while operating expenditure increased by 7.1% largely due to budgeted cost increases related to the regulated business.

CitiPower and Powercor undertake unregulated business activities through CHED Services and Powercor Network Services.

CHED Services provides common back office services to CitiPower and Powercor Network Services. CHED Services also provides some of these services on commercial terms to other entities, predominantly in the Cheung Kong Group. This includes customer services (Full Retail Contestability support and Contact Centre operations) to ETSA Utilities, and IT services to third parties including ETSA Utilities and Northern Gas Networks Limited. CHED Services also provides back office services to Wellington Electricity Lines Limited.

Powercor Network Services provides design, construction and maintenance services to CitiPower and Powercor to augment and maintain the distribution networks. In addition, Powercor Network Services provides similar services to other electrical infrastructure businesses (transmission and distribution networks) located in Victoria, New South Wales, Queensland and Tasmania or customers requiring design, construction or maintenance of electrical infrastructure on a project basis.

5.4 REGULATION

The electricity industry in Australia is regulated through Commonwealth and State regulatory bodies. From January 2008, the wholesale electricity industry became subject to economic regulation by the AER.

The AER's functions are focussed on regulating the natural monopoly electricity transmission and distribution sectors. AER has the power to regulate electricity distribution pricing. The legal framework and objectives for making price determinations require that AER use price regulation adopting a CPI-X approach and with a regulatory period of not less than five years.

Regulatory resets take effect from 1 July 2010 (ETSA Utilities) and from 1 January 2011 (CitiPower and Powercor) providing relatively certain revenues for the following five years.

SPARK INFRASTRUCTURE REGULATORY RESET MILESTONES

	ETSA Utilities	CitiPower and Powercor
Issue of Draft Decision	27 November 2009	4 June 2010
Business submits revised Regulatory Proposal	14 January 2010	21 July 2010
AER issues Final Decision	6 May 2010	29 October 2010
Regulatory reset (start date)	1 July 2010	1 January 2011
Regulatory period ending date	30 June 2015	31 December 2015

Full details of the regulatory submissions and determinations are available from the AER at aer.gov.au.

In relation to Victoria (CitiPower and Powercor) there is a separate regulatory regime relating to AMI.

The final regulatory decision of the AER in relation to CitiPower and Powercor ("Victorian Final Regulatory Determination") was only received on Friday 29 October 2010. A copy of Spark Infrastructure's statement to the ASX issued on 29 October 2010 and appending the AER's relevant media release and the statement issued in response by CitiPower and Powercor, is available on Spark Infrastructure's website, sparkinfrastructure.com. CitiPower and Powercor, and in turn Spark Infrastructure, are currently undertaking a detailed analysis of the Victorian Final Regulatory Determination. However, from its preliminary analysis, Spark Infrastructure does not expect that the Victorian Final Regulatory Determination will have any materially adverse impact on the assumptions set out in Section 9.3 in relation to the distribution guidance set out in the Investor Information Booklet and reproduced in Sections 5.7 to 5.9. On that basis, Spark Infrastructure does not expect to alter its distribution guidance for the second half of 2010 and the 2011 year as set out in Sections 5.7 to 5.9 as a result of the release of the Victorian Final Regulatory Determination.

If after further analysis, Spark Infrastructure considers that the Victorian Final Regulatory Determination gives rise to a significant change or a significant new matter as contemplated by Section 11.13 it will circulate a supplementary document to this Explanatory Memorandum in one of the ways contemplated in that section.

5.5 FINANCIAL OVERVIEW AND TRADING UPDATE FOR SPARK INFRASTRUCTURE

On 23 August 2010, Spark Infrastructure announced a strong underlying half year 2010 performance based on consistent growth in the regulated electricity distribution network activities of the three electricity distribution businesses in which Spark Infrastructure has a 49% interest – ETSA Utilities, CitiPower and Powercor.

HY 2010 FINANCIAL RESULTS

- Spark Infrastructure underlying income was up 9.4%
- Prescribed (regulated) revenue of the Asset Companies was up 4.5% due to improved tariff mix and increased metering revenue
- Operating cashflows were down 54.4% due to lower levels of distributions and loan repayments from the Asset Companies

which were retained to fund regulated capital expenditure growth. The timing of distributions received or receivable from the Asset Companies across 2010 is also significantly different to that of the prior year, with a larger portion of planned distributions expected to be received in the second half of the 2010 year. Spark Infrastructure's proportionate share of the Asset Companies' look-through operating cashflow for the period was \$84.1 million.

Spark Infrastructure financial performance	HY 2010 (\$ million)	HY 2009 (\$ million)	Variance (%)
Total income (underlying)	150.2	137.3	+9.4%
Profit before loan note interest and tax (underlying)	128.0	117.2	+9.2%
Operating and investing cashflows (stand alone)	44.0	96.4	-54.4%

HY 2010 HIGHLIGHTS

- ETSA Utilities commenced its new five year regulatory period on 1 July 2010
- CitiPower and Powercor provided revised proposals to the AER following the release of the regulator's draft decision in June 2010
- Distribution to Securityholders of 6.72 cents per Security paid for HY 2010
- At the end of the period, Spark Infrastructure's net gearing including its proportionate share of the Asset Companies' debt, was 60.4%, with effective interest rate hedging of 89.5%.

On 13 September 2010 Spark Infrastructure announced it had successfully syndicated its new \$250 million debt facility package. \$225 million of this facility was drawn down on 30 September 2010 and was used to repay Spark Infrastructure's existing \$225 million debt maturity due in December 2010, and comprises a 3-year revolving facility of \$165 million and a 4-year term loan of \$85 million. Following repayment of Spark Infrastructure's remaining debt maturity due in June 2011 from the proceeds of the Entitlement Offer, Spark Infrastructure will have no debt maturities until September 2013.

The Asset Companies continue to experience steady growth in regulated electricity distribution revenues and have maintained a steady flow of non-prescribed revenues in their respective businesses.

Given the commencement of the new regulatory period for ETSA Utilities and the release of the AER's final decision for CitiPower and Powercor, the portfolio of Asset Companies is approaching the point in the regulatory cycle which offers the greatest degree of certainty. Spark Infrastructure notes that ETSA Utilities has been granted leave to appeal by the Australian Competition Tribunal in relation to the value of imputation credits (gamma) and the level of its opening RAB; and see Section 5.4 in relation to the AER's final decision for CitiPower and Powercor, a copy of which has been made available on Spark Infrastructure's website, sparkinfrastructure.com.

5.6 MANAGEMENT

Spark Infrastructure	
Ms Laura Reed Chief Executive Officer	Laura was appointed Chief Executive Officer of Spark Infrastructure in September 2008 following her role as Chief Financial Officer since February 2007. Laura has over 20 years experience working in various financial and commercial roles in the gas industry. Prior to joining Spark Infrastructure, Laura spent nine years at ASX listed gas distribution business Envestra Limited in a number of senior financial roles, most recently as CFO.
Mr Rick Francis Chief Financial Officer	Rick has 25 years experience in accounting and finance in Australia and the UK and was appointed Chief Financial Officer of Spark Infrastructure in February 2009 Immediately prior to this role, Rick was Chief Financial Officer of APA Group, an ASX listed gas and electricity transmission and distribution business for three and a half years. Rick has also held senior management positions at Origin Energy, an ASX listed energy company for over 8 years.
Asset Companies	
Mr Robert Stobbe Chief Executive Officer	Robert was announced as the new CEO of ETSA Utilities on 27 August 2009 and commenced on 1 March 2010. He was previously the CEO of TransAdelaide after having served as the inaugural CEO of Spark Infrastructure. Robert was also previously Chief Financial Officer of ETSA Utilities, CitiPower and Powercor. The CFO and General Managers of Demand & Network Management, Regulation & Company Secretary, and Corporate Services have each been with ETSA Utilities for over 20 years.

<p>Mr Shane Breheny Chief Executive Officer</p>	<p>Shane has been with Powercor and CitiPower for more than 13 years and prior to his appointment as CEO in 2003 he was the CFO. He was the inaugural Managing Director of CitiPower. He has over 30 years of experience in the electricity and telecommunications sectors and is a qualified accountant.</p> <p>The CFO and General Managers of Electricity Networks, Customer Services, Network Services, Advanced Metering and Company Secretary and Legal Services have each been in the electricity industry for over 15 years.</p>
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5.7 DISTRIBUTIONS

(A) APPROACH TO DISTRIBUTIONS

Spark Infrastructure is shifting from a yield focussed security to an investment offering distribution yield and capital growth in Spark Infrastructure's equity investment in the Asset Companies' RAB.

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, i.e. including Spark Infrastructure's 49% interest share of the Asset Companies relevant operating cashflows. Operating cashflows are calculated after deducting an allowance for maintaining the Asset Companies' Regulatory Asset Bases. Distribution coverage by operating cashflows is assessed annually, while also taking into account the relevant 5-year regulatory period under which the Asset Companies are operating.

If the Restructure proceeds, distributions paid to Securityholders can comprise interest income on the Loan Notes, return of capital on Units and income distributions from Spark Trust. Consistent with prior years, it is expected that the majority of the distributions to Securityholders in the near future will comprise interest income on the Loan Notes. After the Restructure, the Loan Note interest obligation per Security per annum will be approximately 7.0 cents.

Under the Loan Note Trust Deed, interest on the Loan Notes is payable half yearly in arrears but may be Deferred in certain circumstances (see Section 1.7). The Directors note that the Asset Companies have indicated they wish to retain a greater proportion of cash from operations to fund the expected rise in capital expenditure.

Unless otherwise determined by Spark RE, the distributable income of Spark Trust will not be less than the taxable income of Spark Trust. Spark Trust will, unless otherwise determined by Spark RE, distribute all of its taxable income. Refer to Section 8 for a general summary of the tax treatment of distributions post Restructure.

Spark Infrastructure has a distribution reinvestment plan (DRP) which enables Securityholders to reinvest their distributions into Securities. The DRP was operative in respect of the distribution paid in September 2009, and Spark Infrastructure expects to re-activate the DRP in the future as required to help finance capital expenditure in the Asset Companies. The Directors expect to utilise the DRP to provide funding flexibility in the next regulatory period.

Distributions to Securityholders are expected to be payable half yearly in March and September each year in respect of the preceding six month periods.

If the Restructure does not proceed, distributions which are fully supported by operating cashflows as described in this section would continue to be paid. Under the existing structure, it is possible that distributions could comprise interest income on the Loan Notes, income distributions from Spark Trust and return of capital on Units or dividends on shares in Spark Holdings 1, Spark Holdings 2 and Spark International. Since listing, the majority of distributions have comprised interest income on the Loan Notes with some return of capital on the Units and dividends have not been paid on the shares in the companies. If the Restructure does not proceed, most or all of the distributions are likely to comprise Loan Note interest and there may be a risk of a Deferral of part or all of the interest on the Loan Notes in future periods. Refer to Section 1.7 for the adverse consequences that a Deferral may entail.

(B) GUIDANCE FOR 2010 AND 2011

On 22 September 2010, the Directors announced distribution guidance for the second half of 2010 of around 5.6 cents per Security. The distribution will be payable in March 2011.

The Directors also provided distribution guidance for the 2011 year of 9.11 cents per Security comprising 7.0 cents Loan Note interest and 2.11 cents return of capital on Units:

- An interim distribution of 4.50 cents per Security for the first half; and
- A final distribution of 4.61 cents per Security for the second half.

If the Restructure proceeds, distributions in accordance with the guidance will satisfy the post Restructure interest obligations on the Loan Notes. If the Restructure does not proceed, the distribution is likely to comprise Loan Note interest only and there may be a Deferral of the balance of the interest for the relevant period (refer to Sections 1.7, 1.8, 1.9, 1.10 and 10.2 on consequences and risks and disadvantages of a potential Deferral).

This distribution guidance has been provided as a guide for Securityholders only. It is not a forecast and actual distributions may vary. The current Loan Note interest obligation is 13.56 cents per Security per annum. See Section 8 in relation to taxation generally.

This distribution guidance has been prepared by Spark Infrastructure. It is not certain that the distributions described will be achieved. Please refer to Sections 5.9 and 9 for more detail on the key assumptions on which

the guidance is based, Sections 1.8 and 1.9 concerning Restructure outcomes, and Sections 1.10 and 10 for risk factors.

The distribution guidance does not presume that the Restructure proceeds; however, the Restructure proceeding or not is relevant as described above. The guidance also serves to illustrate the mismatch under the existing structure between the Loan Note interest obligations and the cashflows expected to be available from the Asset Companies.

5.8 DISTRIBUTIONS FROM THE ASSET COMPANIES TO SPARK INFRASTRUCTURE

Investors in Spark Infrastructure participate in the aggregated earnings and cash flows of the Asset Companies through the payment of distributions from the Asset Companies to Spark Infrastructure.

Spark Infrastructure receives a return on its 49% investment in the Asset Companies in the form of payment of interest on subordinated debt, partnership distributions, dividend income and returns on capital. These returns from the investment in the Asset Companies are Spark Infrastructure's main source of funds for distributions to Securityholders.

While net profit or loss will have an impact on the overall ability of the Asset Companies to pay dividends to Spark Infrastructure, it is not believed to be indicative of the capability of the Asset Companies to pay distributions to Spark Infrastructure. Rather, it is the ability of the Asset Companies to generate free cash flow from operations after funds required for capital expenditure and the servicing of Senior Debt that determines the ability of the Asset Companies to pay distributions to Spark Infrastructure.

5.9 KEY ASSUMPTIONS SUPPORTING DISTRIBUTION GUIDANCE

The distribution guidance provided in the Investor Information Booklet and reproduced in Section 5.7 has been prepared based on certain assumptions about future events which are set out in Section 9.

These summaries are intended to assist Securityholders in assessing the reasonableness and likelihood of those future events occurring. Investors should be aware that the impact of future events may have a materially different positive or negative effect on the distribution guidance.

These assumptions are by their very nature subject to significant uncertainty and contingencies, many of which are outside the control of Spark Infrastructure and the Asset Companies and are not capable of reliable prediction.

Accordingly neither Spark Infrastructure nor its Directors can give any assurance that the guidance will be achieved.

Spark Infrastructure's distribution profile will continue to reflect cashflows expected to be available from the Asset Companies. The underlying cashflows of the Asset Companies may be impacted by deviations from key assumptions used in preparing the distribution guidance. In most scenarios, given an adverse change to an assumption, Spark Infrastructure or the Asset Companies would be expected to undertake proactive steps to mitigate the impact of any potential negative impacts on earnings or cashflows. Nonetheless, mitigation may not be possible and Securityholders should carefully review the key assumptions set out in Section 9, and the risk factors in Sections 1.10 and 10 in conjunction with the distribution guidance.

5.10 SPARK INFRASTRUCTURE STAPLED SECURITY PRICE HISTORY

Last recorded security price before lodgement	1 November 2010	\$1.12
3-mth high		\$1.21
3-mth low		\$1.05
Last recorded security price before Repositioning announcement	21 September 2010	\$1.15

5.11 CAPITAL STRUCTURE

As at 1 November (the last practical trading date before this Explanatory Memorandum was lodged for registration with ASIC), there were 1,326,734,264 Spark Infrastructure stapled securities on issue.

Size of Securityholding	No. of Securityholders	No. of securities stapled	% of issued capital
0-1,000	938	542,802	0.041
1,001-5,000	5,114	16,541,653	1.247
5,001-10,000	4,880	37,982,334	2.863
10,001-100,000	9,559	258,117,545	19.455
100,001 and over	578	1,013,549,930	76.394
Total	21,069	1,326,734,264	100

The Corporations Regulations require this Explanatory Memorandum to set out the expected dividend/distribution on winding up that would be available to the holders of Loan Notes as creditors of Spark RE in the Note Scheme, if Spark RE were to be wound up within 6 months after the date of the hearing of the application to the Court for an order convening the Note Scheme Meeting ("Relevant Period").

Spark Infrastructure does not intend for Spark RE to be wound up within the Relevant Period nor does it consider this a likely outcome in the short or medium term, even if the Restructure does not proceed. More information on the consequences of the Restructure not proceeding is set out in Sections 1.7, 1.8, 1.9 and 1.10.

If the Restructure does not proceed, Loan Notes holders will continue to have their rights under the Loan Notes, subject always to their restrictions (including those relating to Deferral and subordination).

Spark RE is the issuer of the Loan Notes. It has a personal obligation to pay and repay Loan Note holders on the terms of the Loan Notes. However, as it issued the Loan Notes as responsible entity of the Spark Trust, absent Disentitling Conduct¹, its liability to Loan Note holders is limited to the assets of Spark Trust out of which it is indemnified for the liability. Conversely, the personal assets of Spark RE would not be available to Loan Note holders as creditors in a winding up of Spark RE, absent Disentitling Conduct.

If, contrary to Spark Infrastructure's intention noted above, Spark RE was proposed to be wound up within the Relevant Period, then Spark Infrastructure would expect to first arrange a replacement responsible entity for Spark Trust (with the consent of third parties, most relevantly Spark Infrastructure's Senior Debt providers), to protect the interests of Security holders.

Accordingly, the dividend/distribution Spark Infrastructure would expect to be available to holders of Loan Notes as creditors of Spark RE if it were wound up within the Relevant Period would be nil.

Loan Note holders would upon the change of responsible entity become creditors of the new responsible entity, who would assume the Loan Note obligations, and absent Disentitling Conduct the personal assets of Spark RE should not be available to Loan Note holders in respect of its former role as responsible entity.

If contrary to Spark Infrastructure's expectation noted above, Spark RE were wound up within the Relevant Period and it was still responsible entity of the Spark Trust, the interests of Securityholders would likely be adversely affected. Winding up of Spark RE would accelerate its repayment obligations under the Loan Notes (which are otherwise long term obligations). It would also operate to accelerate Spark Infrastructure's repayment obligations under its Senior Debt and likely trigger a requirement to wind up the Spark Trust. Given the long term nature of Spark Trust's assets, and that Spark RE's obligations to Loan Note holders are subordinated to claims of Senior Debt providers and other unsecured creditors, the assets available to the Loan Note holders if Spark RE were wound up within the Relevant Period and it was still responsible entity may be significantly less than the liabilities to them under the Loan Notes.

¹ Disentitling Conduct is defined generally under the Loan Note Trust Deed to be Spark RE's fraud, negligence or breach of trust which causes any obligation or liability of Spark RE to be unsatisfied because there is a reduction in the extent of Spark RE's indemnification out of the assets of the Spark Trust.

SECTION 6 FINANCING UPDATE

6.1 OVERVIEW OF SPARK INFRASTRUCTURE'S DEBT CAPITAL POSITION

(a) Debt capital management

Since listing Spark Infrastructure had Look-through Gearing of around 60%, in line with the regulatory regime for the Asset Companies and greater than 5.0x stand-alone interest coverage ratio. Both ETSA Utilities and CHEDHA have financial policies in place to maintain their creditworthiness. As at 30 June 2010, Spark Infrastructure had net debt of \$337.3 million and Look-through Gearing of 60.4%.

Spark Infrastructure benefits from stable cash flows at the Asset Company level, with the majority of revenues underpinned through regulatory determinations or long-term contracts. It also maintains financial flexibility through undrawn facilities and cash on hand. As at 15 October 2010, following receipt of proceeds from the institutional component of the Entitlement Offer and the early prepayment of \$170 million of Spark Infrastructure's June 2011 corporate debt facility, Spark Infrastructure had cash reserves of \$28 million plus committed undrawn facilities of \$25 million provided as part of Spark Infrastructure's new \$250 million debt facility, noting that Spark Infrastructure was expecting a further \$114 million to be received as part of the Retail component of the Entitlement Offer at the end of October 2010 (now received).

Following the Entitlement Offer and subsequent repayment of the balance of the \$200 million corporate debt facility due in June 2011, Spark Infrastructure's Standalone Gearing (gross) will be approximately 9.2%.

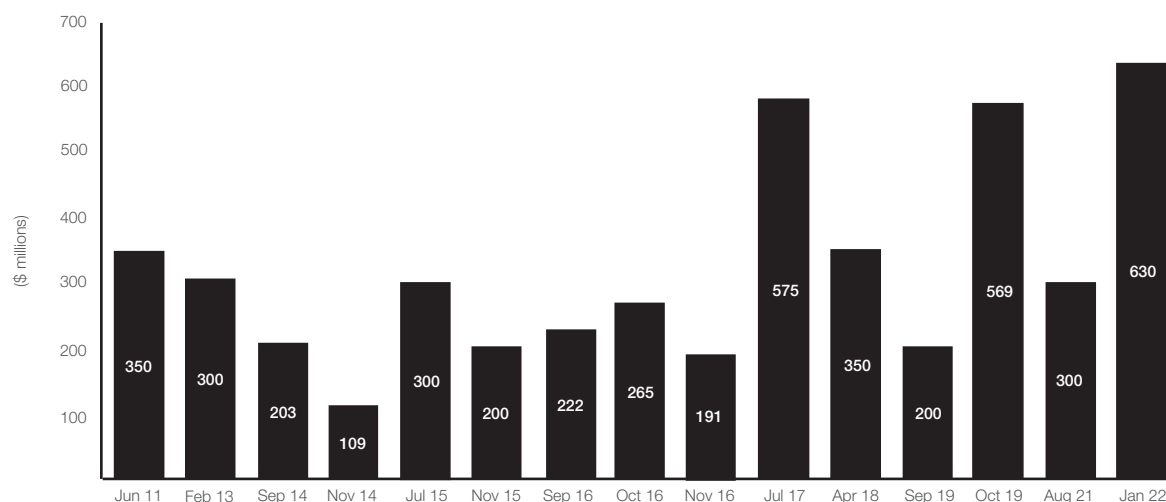
(b) Debt maturity profile and refinancing requirements

Over the last 12 months, the Asset Companies have successfully refinanced the following facilities utilising the bank market and the United States Private Placement bond market:

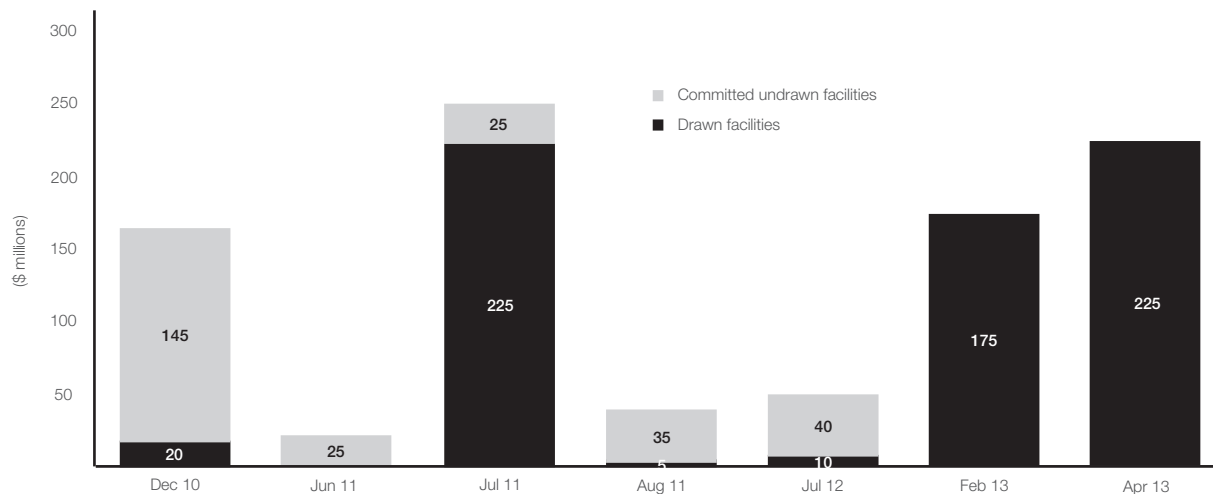
- \$750 million of debt at ETSA Utilities (December 2009)
- \$175 million of debt at CitiPower (November 2009)
- US\$275 million of debt at Powercor (October 2009)

The next debt maturity is a \$350 million note due to mature in June 2011. A summary of the debt facilities for Spark Infrastructure and the Asset Companies is shown in the following graphs.

ASSET COMPANIES' CAPITAL MARKETS DEBT MATURITY PROFILE



ASSET COMPANIES' BANK DEBT AND WORKING CAPITAL DEBT MATURITY PROFILE



(c) Refinancing of Spark Infrastructure bank debt facility

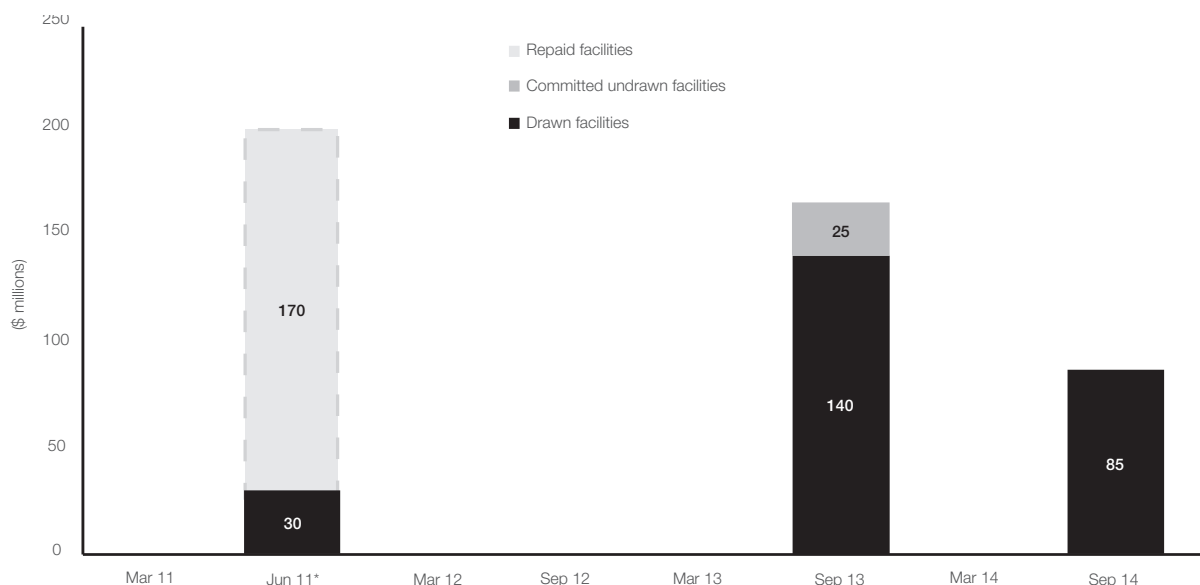
As announced to the market on 29 June 2010, Spark Infrastructure has entered into underwritten commitments with NAB and Westpac for the refinancing of all of the existing bank debt facilities at the Spark Infrastructure level. The underwritten commitment was for a total of \$450 million comprised of:

- \$250 million bank debt facility including a \$165 million 3-year revolving facility and a \$85 million 4-year term loan. This facility was executed on 10 September 2010 and on 30 September 2010 Spark Infrastructure drew down \$140 million of the 3 year revolving facility and \$85 million of the 4 year term loan. Spark Infrastructure will pay margins of 185 basis points and 205 basis points above the applicable bank bill swap rate on the 3 year and 4 year tranches respectively; and
- \$200 million bank debt facility including \$135 million 3-year revolving facility and a \$65 million 4-year term loan. This facility lapsed following completion of the Entitlement Offer.

As the Strategic Review and the Entitlement Offer are now complete, the intention is to only draw down on the \$250 million facility. The current \$225 million bank loan due in December 2010 has been repaid by the recently executed new debt facility, leaving committed undrawn facilities of \$25 million available to Spark Infrastructure. The 3-year component of this facility will mature in September 2013 and the 4-year component of this facility in September 2014.

The \$200 million bank loan due in June 2011 was partly prepaid by \$170 million in October 2010 and will be repaid in full by December 2010 with the proceeds from the retail component of the Entitlement Offer, after which Spark Infrastructure will cancel the facility. The underwritten commitment with NAB and Westpac which was signed on 29 June 2010 was negotiated with no break fee on the \$200 million facility. Spark Infrastructure let this facility lapse at 31 October 2010 at no cost.

SPARK INFRASTRUCTURE CORPORATE DEBT MATURITY PROFILE



*Note: \$170 million of debt maturing June 2011 was prepaid in October 2010. The balance will be repaid and the facility cancelled in full following completion of the Entitlement Offer.

6.2 OVERVIEW OF SPARK INFRASTRUCTURE INTRA-GROUP FINANCING

If the Restructure proceeds, Spark Infrastructure intends to subsequently reorganise its intra-group financing arrangements to bring those arrangements into line with Spark Infrastructure's new stapled security structure and realigned Loan Note interest obligations.

At the time when Spark Infrastructure was listed, the proceeds of the IPO, together with debt raised by Spark Infrastructure, were used to fund the acquisition of a 49% interest in ETSA Utilities, CitiPower and Powercor. In summary, the acquisition was effected as follows:

- The majority of the IPO proceeds were allocated as Loan Notes issued by Spark Trust;
- Spark Trust on lent the IPO proceeds received as debt to Spark Victoria, a subsidiary of Spark Holdings 1, which used part of the funds to acquire a 49% interest in CHEDHA, which owns the CitiPower and Powercor businesses; and
- Spark Victoria on lent the remainder of the funds to Spark SA, a subsidiary of Spark Holdings 2, which used the funds to acquire a 49% interest in ETSA Utilities.

The purpose of the structure was to facilitate distributions from ETSA Utilities (via preferred payments from Spark SA) and CHEDHA (via interest payments from Spark Victoria) via Spark Trust to Securityholders.

Following the Restructure, Spark Trust will hold 100% of the shares in Spark Holdings 1, Spark Holdings 2 and Spark International (alternatively Spark International may be wound up, see Section 4.5). If the Restructure proceeds, Spark Infrastructure also intends to reorganise its intra-group financing arrangements to reflect its revised external capital structure and asset holding structure. In this regard, the intent of the reorganisation will be to ensure that Spark Victoria and Spark SA will continue to be obliged to pay interest to Spark Trust that is sufficient to meet its interest obligations on the reduced Loan Note principal. Spark Infrastructure will then at its discretion retain any distributions from the Asset Companies in excess of these amounts to meet its other outgoings, repay debt and fund its contributions to the future capital expenditure requirements of the Asset Companies or will distribute further amounts to its Securityholders.

The reorganisation of Spark Infrastructure's intra-group financing arrangement is conditional on the Restructure proceeding but the Restructure is not conditional on it.

SECTION 7 FINANCIAL INFORMATION

The financial information set out in Section 7 illustrates the expected impact on Spark Infrastructure's financial performance and position assuming completion of the Repositioning initiatives as if they were effective on 1 January 2009. This information comprises the following:

- Pro-forma Historical Income Statement for Spark Infrastructure for the financial year ended 31 December 2009 and financial half year ended 30 June 2010 (extracted from the Historical Statement of Comprehensive Income for the financial year ended 31 December 2009 and financial half year ended 30 June 2010);
- Pro-forma Historical Cash Flow Statement for Spark Infrastructure for the financial year ended 31 December 2009 and financial half year ended 30 June 2010;
- Pro-forma Historical Balance Sheet for Spark Infrastructure as at 30 June 2010; and
(together the Pro-forma Historical Financial Information)
- Assumptions and notes relevant to the above.

7.1 BASIS FOR PREPARATION

The Pro-forma Historical Financial Information set out below is based on information extracted or derived from Spark Infrastructure's audited Financial Report for the year ended 31 December 2009 and Spark Infrastructure's reviewed (but unaudited) Financial Report for the half year ended 30 June 2010. Spark Infrastructure prepares its financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. The accounting policies upon which the Pro-forma Historical Financial Information has been prepared are set out in the financial statements of Spark Infrastructure for the year ended 31 December 2009 and the financial report for the half year ended 30 June 2010. Copies of these financial statements are available on Spark Infrastructure's website at sparkinfrastructure.com.

The Spark Infrastructure financial report for the year ended 31 December 2009 was audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. The audit report issued to the Securityholders of Spark Infrastructure in relation to the financial report for the year ended 31 December 2009 was unqualified. The Spark Infrastructure financial report for the half year ended 30 June 2010 was reviewed by Deloitte Touche Tohmatsu in accordance with Auditing Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity". The review report issued to the Securityholders of Spark Infrastructure in relation to the half year report was unqualified.

The financial information contained in this Section 7 is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report or interim report prepared in accordance with the *Corporations Act 2001*.

7.2 PRO-FORMA HISTORICAL INCOME STATEMENT INFORMATION

The table below sets out Spark Infrastructure's Pro-forma Historical Income Statement for the financial year ended 31 December 2009 and the financial half year ended 30 June 2010. Adjustments have been made to give effect to the Entitlement Offer and the Restructure as if they had occurred at 1 January 2009.

	2009 Full Year Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Restructure \$million	2009 Full Year Pro Forma \$million	2010 Half Year Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Restructure \$million	2010 Half Year Pro Forma \$million
Income from associates								
— Share of equity profits	197.5			197.5	105.6			105.6
— Interest income	83.5			83.5	40.3			40.3
Other income — interest	2.3			2.3	2.5			2.5
Total income	283.3			283.3	148.4			148.4
Management fees	(7.9)			(7.9)	(4.1)			(4.1)
Interest expense — other	(29.2)	12.7		(16.5)	(13.8)	6.4		(7.4)
General and administrative expenses	(4.8)			(4.8)	(4.2)			(4.2)
Profit before Income Tax and Loan Note Interest	241.4			254.1	126.3			132.7
Interest expense — Loan Notes	(138.4)	(40.0)	86.4	(92.0)	(69.4)	(20.0)	43.2	(46.2)
Profit before Income Tax Expense	103.0	(27.3)	86.4	162.1	56.9	(13.6)	43.2	86.5
Income tax benefit/(expense)	19.5	8.2	(25.9)	1.8	(3.2)	4.1	(13.0)	(12.1)
Net profit	122.5	(19.1)	60.5	163.9	53.7	(9.5)	30.2	74.4

PRO-FORMA ADJUSTMENTS

The following pro-forma adjustments have been made in the presentation of the Pro-forma Historical Income Statement:

Entitlement Offer

- Interest on repayment of current interest bearing liabilities
 - \$200.0 million of the proceeds raised from the Entitlement Offer is used to pay down current interest bearing liabilities. A pro-forma adjustment has been made to reduce the interest expense on the current interest bearing liabilities for the year ended 31 December 2009 by \$12.7 million and for the half year ended 30 June 2010 by \$6.4 million based on an interest rate of 6.35%. A pro-forma adjustment has also been made to reflect the associated income tax.
 - No adjustment has been made for interest income on the remaining net proceeds of \$84.8 million as it is expected to be invested in the Asset Companies by Spark Infrastructure
- Interest on new Loan Notes issued
 - Approximately 294.8 million new Securities are issued to existing Securityholders under the Entitlement Offer at an issue price of \$1.00 per Security. The entire value is attributed to the Loan Notes, no value is attributed to the equity. A pro-forma adjustment has been made to reflect the interest expense on the increased number of Loan Notes for the year ended 31 December 2009 of \$40.0 million and for the half year ended 30 June 2010 of \$20.0 million, based on the Loan Note face value prior to the Restructure of \$1.25. A pro-forma adjustment has also been made to reflect the associated income tax

Restructure

- Interest on partial repayment of Loan Notes
 - Units in Spark Trust are issued as consideration for the partial repayment of Loan Notes, resulting in a reduction in the face value to \$0.65 per Loan Note. A pro-forma adjustment has been made to reduce the interest expense on the Loan Notes for the year ended 31 December 2009 by \$86.4 million and for the half year ended 30 June 2010 by \$43.2 million, arising from the reduction in the face value under the Restructure from \$1.25 to \$0.65 per Loan Note. A pro-forma adjustment has also been made to reflect the associated income tax
- Management fees and other operating costs
 - The management fee calculation includes an adjustment for Spark Infrastructure's debt levels and has been recalculated based on the Restructure. The adjustment arising is not considered to be material
 - A reduction in the number of listed companies results in lower operating costs. The adjustment arising is not considered to be material
 - Adjustments have therefore not been included within the Pro-forma Historical Income Statement Information with respect to either of these costs

7.3 PRO-FORMA HISTORICAL CASH FLOW STATEMENT INFORMATION

The table below sets out Spark Infrastructure's Pro-forma Historical Cash Flow Statement for the financial year ended 31 December 2009 and the financial half year ended 30 June 2010. Adjustments have been made to give effect to the Entitlement Offer and the Restructure as if they had occurred at 1 January 2009.

	2009 Full Year Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Restructure \$million	2009 Full Year Pro Forma \$million	2010 Half Year Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Restructure \$million	2010 Half Year Pro Forma \$million
Distributions from associates — preferred partner capital	69.6			69.6	34.3			34.3
Dividend received — associates	33.2			33.2	1.0			1.0
Interest received — associates	85.4			85.4	27.4			27.4
Interest received — other	2.4			2.4	2.3			2.3
Interest paid — other	(27.3)	12.7		(14.6)	(13.7)	6.4		(7.3)
Management fees	(7.7)			(7.7)	(4.3)			(4.3)
Other income/(expenses)	(5.4)			(5.4)	(3.4)			(3.4)
Net cash inflow related to operating activities	150.2	12.7		162.9	43.6	6.4		50.0
Repayment of borrowings from associates	46.8			46.8	0.3			0.3

	2009 Full Year Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Restructure \$million	2009 Full Year Pro Forma \$million	2010 Half Year Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Restructure \$million	2010 Half Year Pro Forma \$million
Net cash outflow related to investing activities	46.8			46.8	0.3			0.3
Proceeds from issue of Loan Notes	25.2			25.2	—			—
Distribution to Stapled Security Holders								
— Loan Note interest	(136.9)		46.4	(90.5)	(70.6)		23.2	(47.4)
— Capital distribution	(24.3)		(46.4)	(70.7)	—		(23.2)	(23.2)
Net cash outflow related to financing activities	(136.0)		—	(136.0)	(70.6)		—	(70.6)
Net increase/(decrease) in cash	61.0	12.7		73.7	(26.7)	6.4		(20.3)
Net cash at the beginning of the financial year	53.3			53.3	114.3			114.3
Cash at the end of the financial year	114.3	12.7		127.0	87.6	6.4		94.0

PRO-FORMA ADJUSTMENTS

The following pro-forma adjustments have been made in the presentation of the Pro-forma Historical Cash Flow Statement:

Entitlement Offer

- Interest on repayment of current interest bearing liabilities
 - \$200.0 million of the proceeds raised from the Entitlement Offer is used to pay down current interest bearing liabilities. A pro-forma adjustment has been made to reduce the interest payable on the current interest bearing liabilities for the year ended 31 December 2009 by \$12.7 million and for the half year ended 30 June 2010 by \$6.4 million based on an interest rate of 6.35%
- Interest on new Loan Notes issued
 - Approximately 294.8 million new Securities are issued to existing Securityholders under the Entitlement Offer. At 31 December 2009 and 30 June 2010 amounts equal to the additional interest accrued on the Loan Notes of \$40.0 million and \$20.0 million respectively are Deferred under the assumption that total distributions to Securityholders remain unchanged. Adjustments have therefore not been included within the Pro-forma Historical Cash Flow Statement Information

Restructure

- Interest on partial repayment of Loan Notes
 - Units in Spark Trust are issued as consideration for the partial repayment of Loan Notes, resulting in a reduction in the face value to \$0.65 per Loan Note. A pro-forma adjustment has been made to reduce the interest payable on the Loan Notes for the year ended 31 December 2009 by \$46.4 million and for the half year ended 30 June 2010 by \$23.2 million, with a corresponding increase in capital distributions. The pro-forma adjustment is a net amount reflecting the additional interest payable on new Securities issued under the Entitlement Offer and the lower interest payable on the reduced Loan Note principal of \$0.65 per Loan Note
 - The pro-forma adjustments assume that the total distributions to Securityholders for the year ended 31 December 2009 and half year ended 30 June 2010 remain unchanged

7.4 PRO-FORMA HISTORICAL BALANCE SHEET INFORMATION

The table below sets out Spark Infrastructure's Pro-forma Historical Balance Sheet as at 30 June 2010. Adjustments have been made to give effect to the Entitlement Offer and the Restructure as if they were effective from 30 June 2010.

	2010 Actual \$million	Adjustment For Entitlement Offer \$million	Adjustment For Simplification of Stapled Structure \$million	Adjustment For Partial Repayment of Loan Notes \$million	2010 Pro Forma \$million
Current assets					
Cash and cash equivalents	87.7	84.8			172.5
Receivables from associates	11.3				11.3
Other current assets	1.1				1.1
Non-current assets					
Investments in associates:					
— Investments accounted for using the equity method	1,545.0				1,545.0
— Loans to associates	758.7				758.7
Total assets	2,403.8	84.8			2,488.6
Current liabilities					
Payables	5.4				5.4
Loan Notes interest payable to Stapled Securityholders	69.3				69.3
Interest bearing liabilities	425.0	(200.0)			225.0
Other financial liabilities	2.0				2.0
Non-current liabilities					
Loan Notes attributable to Securityholders	1,256.8	284.8		(702.1)	839.5
Deferred tax liabilities	11.5				11.5
Total liabilities	1,770.0	84.8		(702.1)	1,152.7
Net assets	633.8			702.1	1,335.9
Equity					
Equity attributable to the Parent Entity					
— Issued capital	183.0		246.8	702.1	1,131.9
— Reserves	(6.6)		14.2		7.6
— Retained earnings	39.4		157.0		196.4
	215.8		418.0	702.1	1,335.9
Equity attributable to minority interests (i.e. other Stapled Entities)					
— Issued capital	246.8		(246.8)		—
— Reserves	14.2		(14.2)		—
— Retained earnings	157.0		(157.0)		—
	418.0		(418.0)		—
Total Equity	633.8	—	—	702.1	1,335.9

PRO-FORMA ADJUSTMENTS

The following pro-forma adjustments have been made in the presentation of the Pro-forma Historical Balance Sheet:

Entitlement Offer

- Entitlement Offer
 - Issue of new Securities to existing Securityholders prior to the Restructure to the value of \$294.8 million. For accounting purposes the new Securities are recorded at the issue value of \$1.00 per Security, not the face value of \$1.25 per Security, and the entire value is attributed to the Loan Notes, no value is attributed to the equity. If the Restructure does not occur, the discount of \$0.25 per Security is brought to account over the period to maturity in 2105, resulting in an immaterial income statement charge and additional Loan Note liability in each of these years
 - Issue costs of \$10.0 million have been recorded as a reduction to the new Securities issued and have therefore been netted against Loan Notes attributable to Securityholders
 - \$200.0 million of the proceeds raised from the Entitlement Offer is used to pay down current interest bearing liabilities, with the balance of \$84.8 million reflected in cash and cash equivalents

Restructure:

- Simplification of stapled structure
 - Under the existing stapled structure, Spark Holdings 1 was designated as the parent entity of the stapled group in accordance with AASB Interpretation 1002 “Post-date of Transition Stapling Arrangements”. Consequently, the reserves of Spark Holdings 2, Spark Trust, and Spark International have historically been disclosed as “minority interests” within the financial statements. Under the simplification, Spark Trust is to become the parent entity of the Group with Spark Holdings 1, Spark Holdings 2 and Spark International becoming subsidiaries. Or alternatively, the Directors of Spark International will resolve to wind it up if the conditions precedent to its redemption are not satisfied or waived by the Record Date. See Section 4.5 for additional detail. A pro-forma adjustment has been made to reclassify the equity components of the Group removing the minority interests
- Partial repayment of Loan Notes
 - Units in Spark Trust are issued as consideration for the partial repayment of Loan Notes down to \$0.65 per Loan Note. A pro-forma adjustment has been made to reduce the Loan Note liability by \$720.5 million, with a corresponding increase in equity. Offsetting this is an adjustment of \$18.4 million for the reallocation of Loan Note issue costs (of both the Entitlement Offer and the original Loan Notes issued at IPO). The net pro-forma adjustment is therefore \$702.1 million
- Refinancing
 - No pro-forma adjustments have been included in respect of Spark Infrastructure’s debt refinancing which was finalised during September 2010

7.5 NOT A FORECAST

The Pro-forma Historical Financial Information has been prepared for illustrative purposes only to show the pro-forma impact on the historical balance sheet as at 30 June 2010 and historical income statement and historical cash flow statement for the year ended 31 December 2009 and half year ended 30 June 2010 of the Pro-forma adjustments set out in Sections 7.2, 7.3 and 7.4 above.

The Pro-forma Historical Financial Information is not represented as being indicative of Spark Infrastructure’s views on future financial performance or position. The Pro-forma Historical Financial Information is presented to reflect the financial performance and position of Spark Infrastructure, after adjusting for the impact of the adjustments above, as if the Entitlement Offer and Restructure had taken place on 1 January 2009 (in the case of the Pro-forma Historical Income Statement Information and Pro-forma Historical Cash Flow Statement Information) and 30 June 2010 (in the case of the Pro-forma Historical Balance Sheet Information), and does not take into account the financial performance, cash flows or other movements in the balance sheet or income statement of Spark Infrastructure for the period from 30 June 2010 to the date of this Explanatory Memorandum.

SECTION 8 TAXATION

This taxation section is based on the *Income Tax Assessment Act 1936 (Cth)*, the *Income Tax Assessment Act 1997 (Cth)*, the *New Tax System (Goods and Services Tax) Act 1999 (Cth)* and the various stamp duty laws applicable to Australian States and Territories as applicable at the date of this Explanatory Memorandum.

This Section is intended to provide a general summary of the Australian taxation implications of the Restructure for Securityholders.

This Section does not comment on the tax consequences for Securityholders:

- Who hold their Securities as trading stock or in the ordinary course of carrying on a business;
- Who acquire or hold their Securities for the purposes of resale at a profit;
- Who are subject to taxation under the Taxation of Financial Arrangements rules (TOFA) contained in Division 230 of the *Income Tax Assessment Act 1997 (Cth)* (see below); or
- Who are banks, insurance companies or tax exempt entities, and/or are subject to special tax rules.

This taxation summary does not purport to be a complete analysis of all potential Australian tax consequences of the Restructure and does not comment on the consequences of any possible future changes to the Australian taxation system. This tax summary does not address the laws of any jurisdiction other than Australia.

The tax implications for Securityholders may differ depending on their individual circumstances. Securityholders should not rely on this summary only and should seek appropriate independent professional advice that considers the taxation implications applicable to their own specific circumstances.

Spark Infrastructure is seeking a Class Ruling from the ATO to confirm certain taxation matters relating to the Restructure for Securityholders. However, it is possible that the Class Ruling will not be issued by the ATO before Securityholders meet to vote on the Restructure. If this occurs, Spark Infrastructure will not be in a position to confirm the tax consequences of the Restructure for Securityholders. Spark Infrastructure will update Securityholders by announcement to the ASX once the Class Ruling has been issued by the ATO.

8.1 POTENTIAL APPLICATION OF THE TOFA RULES

The Taxation of Financial Arrangements rules (TOFA) contained in Division 230 of the *Income Tax Assessment Act 1997 (Cth)* were enacted in 2009 and may apply to determine the tax treatment of certain financial instruments.

The TOFA regime only applies to financial arrangements that a taxpayer starts to hold on or after 1 July 2010 (or earlier if the taxpayer so elects).

Due to certain specific exceptions, Spark Infrastructure considers that the TOFA rules generally should not apply to Securities held by a Securityholder if they are:

- an individual; or
- a superannuation entity, managed investment scheme or an entity substantially similar to a managed investment scheme under foreign law with assets of less than \$100 million; or
- an authorised deposit-taking institution, securitisation vehicle or other financial sector entity with an aggregated turnover of less than \$20 million; or
- another entity with an aggregated turnover of less than \$100 million, financial assets of less than \$100 million and assets of less than \$300 million,

unless they have made an election for the TOFA rules to apply to them.

The comments in this Section do not apply to a Securityholder who:

- is generally subject to taxation under the TOFA rules;
- does not fall within one of the specific classes of investor listed above; or
- has made an election for the TOFA rules to apply.

The Class Ruling to be issued by the ATO will not apply to those Securityholders whose Securities are subject to taxation under the TOFA rules. As the application of the TOFA rules is complex, it is recommended that Securityholders whose Securities may be subject to taxation under the TOFA rules should not rely on this summary and should seek independent tax advice that takes into account their specific circumstances.

8.2 TAXATION IMPLICATIONS OF THE RESTRUCTURE.

(A) REDUCTION OF PRINCIPAL AMOUNT OUTSTANDING (FACE VALUE) ON LOAN NOTES

As part of the Restructure, Spark Trust will partially repay the principal amount outstanding on the Loan Notes. The amount repaid will be applied by Securityholders to subscribe for additional Units.

The partial repayment of principal on the Loan Notes should not be assessable income provided the amount repaid is less than the Securityholder's tax cost base in the Loan Notes.

For CGT purposes, the Note Scheme should result in a reallocation of a Securityholders' tax cost base from the Loan Notes to the additional Units. However, it is not clear exactly how much of the tax cost base will be reallocated to the additional Units where the market price of a stapled Security is less than \$1.25 on the implementation date of the Schemes. Spark Infrastructure considers that the amount to be reallocated should equal the market value of the additional Units at the time of issue, with the result that:

- a Securityholder's cost base in the additional Units issued under the Note Scheme should equal the market value of those Units at the time of issue; and
- a Securityholder's cost base in their Loan Notes should be reduced by the market value of the Units issued under the Note Scheme.

As part of the Class Ruling, Spark Infrastructure is seeking confirmation from the ATO as to the appropriate basis to determine a Securityholder's cost base in the Loan Notes and Units, and how the market value of those Units should be determined. If the ATO takes the view that a Securityholder's cost base should be determined on a different basis, this may have an impact on the calculation of the capital gain or loss derived by a Securityholder in the future on disposal of their Securities. The actual gain or loss will depend on the applicable cost base and also the capital proceeds received by a Securityholder in respect of the disposal.

(B) SIMPLIFICATION OF SPARK INFRASTRUCTURE'S SECURITY STRUCTURE

The simplification of the stapled security structure from a five stapled security to a dual stapled security should qualify for CGT roll-over relief under Subdivision 124-Q of the Income Tax Assessment Act 1997 (Cth). The consequences of the roll-over for an Australian resident Securityholder are that:

- Any capital gain/loss derived by the Securityholder on the disposal of their shares in Spark Holdings 1 and Spark Holdings 2, and the cancellation of their CDIs in Spark International should be disregarded; and
- The Securityholder's cost base in Spark Trust Units that are issued in consideration for the disposal of shares in Spark Holdings 1 and Spark Holdings 2 should be equal to their tax cost bases in those shares.

The consequences of the simplification for non-Australian resident Securityholders should be that:

- Any capital gain/loss derived by the Securityholder on the disposal of their shares in Spark Holdings 1 and Spark Holdings 2, and the cancellation of their CDIs in Spark International should be disregarded; and
- The Securityholder's cost base in Spark Trust Units that are issued in consideration for the disposal of shares in Spark Holdings 1 and Spark Holdings 2 should be equal to the market value of those shares at the time the Spark Trust units are issued.

(C) CONSOLIDATION OF SPARK TRUST UNITS AND RESTAPLING

At the completion of the Restructure, Spark Trust will consolidate the Units such that the number of Units that a Securityholder holds is the same as the number of Securities that the Securityholder held prior to the Restructure.

The consolidation of the Units should not result in any amount being included in the assessable income of a Securityholder.

For CGT purposes, the tax cost base of the consolidated Units should be equal to the sum of the tax cost bases of the Units that were consolidated (see comments above in relation to the cost base of additional Units issued under the Restructure).

(D) DISTRIBUTIONS FROM SPARK TRUST POST RESTRUCTURE

The taxation treatment of distributions from Spark Trust should generally be as set out below. Spark Infrastructure will provide an annual distribution and interest tax guide to assist Securityholders in completing their Australian income tax returns.

Australian residents

For an Australian resident Securityholder:

- Interest in respect of the Loan Notes should be assessable to the Securityholder;
- Capital returns from Spark Trust should not be subject to Australian tax provided the returns do not exceed the Securityholder's cost base in the Units; and

- The Securityholder's share of the net income derived by Spark Trust may be taxable. To the extent the net income consists of franked dividends received from Spark Holdings 1 or Spark Holdings 2, the income should carry a franking credit (which may be available to offset the relevant tax liability, or refundable, depending on the particular circumstances of the Securityholder).

Non-residents

For a non-Australian resident Securityholder:

- Interest in respect of the Loan Notes should continue to be exempt from withholding tax;
- Capital returns from Spark Trust should not be subject to Australian tax provided the returns do not exceed the Securityholder's cost base in the Units; and
- The Securityholder's share of the net income derived by Spark Trust should be assessable. To the extent the net income consists of unfranked dividends received from Spark Holdings 1 or Spark Holdings 2, the income should be subject to dividend withholding tax at a rate of 30% (which may be reduced under an applicable Australian double tax agreement). To the extent the net income consists of franked dividends received from Spark Holdings 1 or Spark Holdings 2, it should not be subject to dividend withholding tax. Other forms of net income may be subject to withholding tax at reduced rates (e.g. additional interest income would be subject to 10% withholding tax).

(E) DISPOSAL OF SECURITIES FOLLOWING THE RESTRUCTURE

Australian residents

Australian resident Securityholders should be subject to tax on any gains derived on the disposal of a Security following the Restructure. For tax purposes, the Loan Notes and Units comprising the Securities following the Restructure should be treated separately.

Loan Notes

Gains realised by a Securityholder on the disposal of the Loan Notes should be included in their assessable income. The CGT discount and capital losses will not be available to reduce any gain. Losses realised by a Securityholder on the disposal of the Loan Notes may be an allowable deduction to the Securityholder.

Spark Infrastructure notes that in determining the quantum of any gain or loss derived on the disposal of the Loan Notes, it is not clear whether a Securityholder should take into account the nominal amount of the Loan Note repayment received from Spark Trust (being \$0.60) where the market price of a stapled Security is less than \$1.25 on the implementation date of the Schemes. Spark Infrastructure considers that the better view is that a Securityholder should calculate their gain or loss taking into account the market value of the Units received.

Spark Infrastructure is seeking confirmation on this issue from the ATO as part of the Class Ruling. There is a risk that the ATO may adopt a different view as to the calculation of the gain derived by a Securityholder on disposal of their Loan Notes. The quantum of the gain will depend on the view adopted by the ATO and also the price paid by a Securityholder to acquire the Loan Notes and the proceeds received by a Securityholder in respect of the disposal.

Units

Australian resident Securityholders should be subject to CGT on any gains derived on the disposal of a Spark Trust unit.

The cost base used to calculate the Securityholder's gain or loss on the disposal should be reduced by previous non-assessable capital returns received by the Securityholder in respect of Spark Trust Units.

For CGT discount purposes, Spark Infrastructure considers it likely that a significant proportion of the Spark Trust Units that comprise part of the Securities following the Restructure should be treated as having been acquired on the Implementation Date, with the consequence that the CGT discount 12 month holding period rule for those units will start from that date. Spark Infrastructure will confirm how Securityholders should determine the acquisition date(s) of Spark Trust Units for CGT discount purposes as part of the Class Ruling it is seeking from the ATO.

Non-residents generally

Generally, a non-Australian Securityholder should not be subject to CGT on disposal of Spark Trust Units provided that:

- They (together with their associates) have not held an interest of 10% or more in Spark Trust at any time throughout a 12 month period that began no earlier than 24 months before the disposal of and ending no later than that time; and
- They do not hold the dual stapled Securities following the Restructure at any time in connection with carrying on a business at or through a permanent establishment in Australia.

Gains realised by a non-Australian resident retail Securityholder on the disposal of the Loan Notes may be subject to Australian tax if the gain is considered Australian sourced (unless the Securityholder is entitled to an exemption, such as under an applicable Australian double tax treaty). In relation to the determination of the quantum of any gain, refer to the comments above under "Australian Residents".

It is recommended that non-Australian resident Securityholders seek their own Australian tax advice.

Ineligible Overseas Securityholders

Under the Restructure, the securities to which the Ineligible Overseas Securityholders would otherwise be entitled will be disposed of by the Sale Agent. The Ineligible Overseas Securityholders will receive the net proceeds (if any) in respect of the disposal.

Ineligible Overseas Securityholders should not be subject to CGT in respect of Spark Trust Units that are disposed by the Sale Agent as the Spark Trust Units should not constitute taxable Australian property at that time. Spark Infrastructure will confirm this as part of the Class Ruling it is seeking from the ATO.

In any event, an Ineligible Overseas Securityholder should not be subject to CGT in respect of the disposal of Spark Trust Units provided that:

- They (together with their associates) have not held an interest of 10% or more in Spark Trust at any time throughout a 12 month period that began no earlier than 24 months before the disposal of and ending no later than that time; and
- They do not hold the dual stapled Securities following the Restructure at any time in connection with carrying on a business at or through a permanent establishment in Australia.

Gains realised by an Ineligible Overseas Securityholder on the disposal of the Loan Notes should be subject to Australian tax on the basis that the income will be Australian sourced. Certain Securityholders may be entitled to an exemption, such as under an applicable Australian double tax treaty. In relation to the determination of the quantum of any gain, refer to the comments above under "Australian Residents".

It is recommended that Ineligible Overseas Securityholders seek their own Australian tax advice.

Other

No GST or stamp duty should be payable by Securityholders in respect of the Restructure.

SECTION 9 ASSUMPTIONS UNDERLYING THE DISTRIBUTION GUIDANCE

The distribution guidance set out in the Investor Information Booklet and reproduced in Sections 5.7 to 5.9 has been prepared based on certain assumptions about future events, which are set out below. Potential investors should carefully review the key assumptions and the risk factors in Sections 1.10 and 10 in conjunction with the distribution guidance.

These summaries are intended to assist investors in assessing the reasonableness and likelihood of those future events occurring. Investors should be aware that the impact of future events may have a materially different positive or negative effect on the distribution guidance.

These assumptions are by their very nature subject to significant uncertainty and contingencies, many of which are outside the control of Spark Infrastructure and the Asset Companies and are not capable of reliable prediction.

Accordingly, neither Spark Infrastructure nor its Directors can give any assurance that the guidance will be achieved.

9.1 GENERAL ASSUMPTIONS

CONTINUITY OF OPERATIONS

There will be no significant disruptions to the continuity of operations of any of Spark Infrastructure's entities or the Asset Companies.

INSURANCE

The Asset Companies maintain insurance policies which will assist to mitigate operational risks (e.g. bushfires). It is assumed that insurance premiums will not increase materially during the Guidance Period. It should be noted, as a result of the effects of natural disasters, general insurance premiums may increase and the Asset Companies may be required to pay higher insurance premiums in the period post the Guidance Period.

LEGISLATION

There will be no change in Federal, State or local Government laws, regulations or policies, or in taxation legislation that will have a material effect on the Asset Companies' financial performance and reported cash flows during the Guidance Period.

ECONOMIC AND POLITICAL ENVIRONMENT

There will be no significant change in prevailing economic and political conditions or the rate of economic growth in Victoria or South Australia.

INFLATION

CPI increases for Victoria and South Australia during the Guidance Period are assumed to be consistent with market long-term expectations.

ACQUISITIONS AND INVESTMENTS

There are no acquisitions or investments assumed to be undertaken during the Guidance Period that will have a material impact on the financial performance and reported cash flows on the Asset Companies or Spark Infrastructure.

DIVESTMENTS

There are no divestments of businesses assumed during the Guidance Period.

LITIGATION AND CONTINGENT LIABILITIES

No material litigation, negative findings from the current ATO audit or contingent liabilities are expected to arise during the Guidance Period.

9.2 SPARK INFRASTRUCTURE CORPORATE LEVEL ASSUMPTIONS

ENTITLEMENT OFFER AND RESTRUCTURE ASSUMPTIONS

The assumptions around the Entitlement Offer and uses of proceeds are as set out in the Investor Information Booklet. The distribution guidance does not presume the Restructure proceeds; however if it does not proceed there may be a partial Deferral of interest on the Loan Notes (see Sections 1.7, 1.8, 1.9, 1.10 and 10.2 of this Explanatory Memorandum).

DISTRIBUTIONS FROM ASSET COMPANIES

Spark Infrastructure expects to principally receive interest income from the subordinated debt and preferred capital distributions during the Guidance Period. Refer to Section 5.8 above.

LOAN NOTES

Interest on Loan Notes is expected to account for the majority of the distributions paid to Securityholders during the Guidance Period.

The Loan Note principal outstanding post the Restructure would be \$863m, based on a face value of \$0.65 per Loan Note. The Loan Notes will accrue interest at a current rate of 10.85% of the face value on a cumulative basis.

On the assumption the Restructure proceeds, the interest on the Loan Note for the second half of 2010 will be calculated using the face value of:

- \$1.25 per Loan Note for the period from 15 September 2010 up to and but not including the Implementation Date; and
- \$0.65 per Loan Note for the period from and including the Implementation Date up to but not including 15 March 2011.

MANAGEMENT FEES

Management fees have been calculated based on the terms set out in the Spark Infrastructure Trust Constitution and the Management Agreement. It has been assumed that no performance fees will be paid.

DEBT AND INTEREST EXPENSE

Spark Infrastructure will repay \$200m of an existing \$425m Senior Debt facility with proceeds from the Entitlement Offer. Subsequent to repayment, bank facilities will comprise a \$165m 3-year revolving facility and a \$85m 4-year term loan. Interest on the debt facility is at a current market rate.

INCOME TAX

Spark Infrastructure is not expected to pay tax during the Guidance Period. Unless otherwise determined by the Responsible Entity, during the Guidance Period, 100% of distributions from the Loan Notes and Spark Infrastructure Trust will be passed to Securityholders on a pre-tax basis.

DISTRIBUTIONS

Securityholders should refer to Section 5.7 for a summary of the distribution guidance of Spark Infrastructure for the second half of 2010 and for 2011.

DISTRIBUTION REINVESTMENT PLAN (DRP)

Spark Infrastructure expects to reactivate the DRP to finance capital expenditure in the existing businesses. The DRP is assumed to operate on a non-underwritten basis. A 20% participation rate has been assumed.

9.3 SPECIFIC ASSUMPTIONS – ASSET COMPANY ASSUMPTIONS¹

REGULATORY DETERMINATIONS

The price determination delivered by the AER on 4 June 2010 (Victorian Draft Regulatory Determination) is the basis of regulatory revenue assumptions for CitiPower and Powercor over the Guidance Period.

No outcome, positive or negative from the response to Victorian Draft Regulatory Determination as it relates to CitiPower and Powercor had been assumed.

The price determination delivered by the AER on 6 May 2010 (ETSA Final Regulatory Determination) is the basis of regulatory revenue assumptions for ETSA over the Guidance Period.

No outcome, positive or negative from an appeal of the South Australian Final Regulatory Determination as it relates to ETSA is assumed.

See Section 5.4 in relation to the release of AER's final determination for CitiPower and Powercor. As noted in Section 5.4 from its preliminary analysis, Spark Infrastructure does not expect that the Victorian Final Regulatory Determination released on 29 October 2010 will have any materially adverse impact on its assumptions in relation to distribution guidance.

REGULATED REVENUES AND VOLUMES

The price determinations delivered by the AER on 6 May 2010 (ETSA Final Regulatory Determination) and on 4 June 2010 (Victorian Draft Regulatory Determination) and the historical performance of the businesses are the basis of regulatory revenue assumptions for ETSA and CHEDHA over the Guidance Period.

Actual distribution volumes and load growth may change if other factors that drive distribution volumes differ from the assumptions made in the ETSA Final Regulatory Determination and the Victorian Draft Regulatory Determinations.

REGULATED DISTRIBUTION TARIFFS

There will be no substantial change to the regulatory environment as it relates to distribution tariffs, as described by the Victorian Draft Regulatory Decision and ETSA Final Regulatory Determination during the Guidance Period.

REVENUE RELATED TO AMI – CHEDHA

The price determination delivered by the AER on 30 October 2009 (AMI Final Regulatory Determination) is the basis of regulatory AMI revenue assumptions for CitiPower and Powercor over the Guidance Period.

¹ See Section 5.4 in relation to the release of AER's final determination for CitiPower and Powercor. As noted in section 5.4, from its preliminary analysis, Spark Infrastructure does not expect that the Victorian Final Regulatory Determination released on 29 October 2010 will have any materially adverse impact on its assumptions relating to the distribution guidance.

REVENUE FROM NON-REGULATED ACTIVITIES

Revenue from non-regulated activities relating to external construction and network maintenance activities and information technology and telecommunication services is expected to eventuate over the Guidance Period in line with the organisation's strategies relating to its non-regulated business.

REVENUE FROM OTHER ACTIVITIES

There will be no material change to the nature of non-distribution revenue which includes items such as the provision of public lighting and metering services.

OPERATING EXPENDITURE

Assumed Operating expenditure associated with the operation, management and maintenance of the network has been based on the ETSA Final Regulatory Determination and the Victorian Draft Regulatory Determinations and the ability to execute the operating plan to meet planned network availability and performance requirements efficiently.

CAPITAL EXPENDITURE

Assumed capital expenditure associated with the expansion, rectification and safeguarding of the network has been based on the ETSA Final Regulatory Determination and the Victorian Draft Regulatory Determinations and the ability to execute the capital expenditure plan to meet planned network availability and performance requirements efficiently. A portion of the capital expenditure is to be funded using draw downs of new borrowings and it is assumed that Senior Debt facilities are available for this purpose.

SENIOR DEBT

Senior Debt over the Guidance Period is based on expected borrowings and financing facilities and the refinancing of those facilities.

Senior Debt held by the Asset Companies will need to be refinanced at varying maturity dates.

Net borrowings are assumed to increase reflecting the requirement that debt will be used to partially fund capital expenditure expected to be incurred over the Guidance Period.

SENIOR DEBT INTEREST EXPENSE

Interest expense over the Guidance Period is based on expected borrowings and financing facilities, current interest rates and timing of interest payments and assuming that the Asset Companies retain their current credit ratings for their senior unsecured obligations from Standard & Poor's.

Senior Debt is predominantly floating rate debt with varying terms to maturity. The floating rate debt has been hedged with interest rate swaps that fix the base interest rate through to the end of the regulatory period (excluding its working capital facilities). It is assumed that over the Guidance Period the majority of Senior Debt expense is hedged.

SUBORDINATED DEBT AND PREFERRED PARTNERSHIP CAPITAL

The Asset Companies have indicated a desire to retain additional cash at the operating companies in order to fund future growth capital expenditure commitments. This is expected to reduce quarterly distributions to Spark Infrastructure. It is assumed that retained amounts will be reinvested as new subordinated debt or preferred partnership capital.

Distributions to the ETSA Utilities partners are expected to be in accordance with their proportionate interest in ETSA Utilities.

INCOME TAX

A financial year ending 31 December is adopted for taxation purposes and a tax rate of 30% is applicable.

Tax payable has been calculated on the assumptions that:

- CHEDHA, which holds 100% of both CitiPower and Powercor, is a tax consolidation group;
- No liability arises from the ATO audit of Powercor which is referred to in Section 10.3.4;
- ETSA is a reporting but not a tax paying entity. The partners pay tax on their share of the partnership's income and are entitled to their share of any partnership losses; and
- No liability arises from the ATO Audit of ETSA, which is described in Section 10.3.4.

SECTION 10 RISK FACTORS

10.1 INTRODUCTION

There are a number of risks and uncertainties in relation to Spark Infrastructure which Securityholders should consider. These include risks:

- specific to the Restructure itself. These are outlined in Section 10.2; and
- other risks of a more general nature which Spark Infrastructure considers are relevant more generally to the Restructure (for example, because they relate to the rationale for the Restructure and/or the future distributions from Spark Infrastructure and/or the distribution guidance from the Investor Information Booklet and reproduced in this Explanatory Memorandum). These include risks relating to Spark Infrastructure in particular (Section 10.3), risks relating to the Asset Companies (Section 10.4) and other general business and economic risks (Section 10.6).

Some of these risks can be mitigated by appropriate action, safeguards and procedures. However, many are outside Spark Infrastructure's control, cannot be mitigated and may affect the future performance of Spark Infrastructure. This list of risk factors may not be exhaustive and should be considered in conjunction with other information disclosed in this Explanatory Memorandum and the Investor Information Booklet and disclosed in Spark Infrastructure's announcements to the ASX available at asx.com.au. Additional risks and uncertainties may also become important factors that adversely affect the future performance and financial position of and distributions from Spark Infrastructure and the value of an investment in Spark Infrastructure.

Securityholders should consider carefully the risks associated with the Restructure and Securityholders with any doubt as to how they should vote in relation to the Restructure, having given due consideration to these risks and other information contained in this Explanatory Memorandum, should consult their stockbroker or other professional adviser. There can be no guarantee that the assumptions and forward-looking statements contained in this Explanatory Memorandum will be met, or that distributions will be paid or, if paid, be consistent with the distribution guidance provided or as to the price or liquidity of trading in Securities.

10.2 KEY RISKS SPECIFIC TO THE RESTRUCTURE

This section outlines key risks relating to the Restructure. Section 10.2.1 outlines risks in relation to the Restructure not proceeding. Section 10.2.2 and following outlines risks of the Restructure itself.

10.2.1 RISKS OF THE RESTRUCTURE NOT PROCEEDING

CONDITIONALITY OF RESTRUCTURE

The Restructure may not occur. The Restructure is subject to conditionality including the Entitlement Offer proceeding and various Securityholder, regulatory and court approvals. Failure to complete the Restructure will result in Securityholders holding an investment in an externally managed five stapled group without the contemplated reduction in the face value of Loan Notes.

IF THE RESTRUCTURE DOES NOT PROCEED - DEFERRAL RISK AND CONSEQUENTIAL POTENTIAL TAX LIABILITY

Should the Restructure not be completed, there is a risk that distributions able to be supported by Spark Infrastructure in future periods would be less than the interest accruing in favour of Securityholders under the Loan Notes. If the interest accruing on the Loan Notes exceeds the cash available to Spark Infrastructure to fund distributions to Securityholders, some or all of the interest accrued may need to be Deferred.

If interest is Deferred, Spark will remain liable to pay the interest. However, interest will accrue on the deferred and unpaid interest on a daily basis (and compound on a monthly basis) from the date such interest was due to (but excluding) the date of actual payment, in addition to interest accruing under the Loan Notes for subsequent interest periods. A distribution stopper would also apply and no dividends or capital distributions may be made to Securityholders in respect of the issued Units except to the extent required to prevent Spark RE from being taxed on the income of Spark Trust.

Under the Loan Note Trust Deed, any amount Deferred, any interest not paid on the preceding Reset Date and any other interest due and payable would need to be repaid in full on the next Reset Date unless there is more than \$5 million of Senior Debt outstanding at that time. While Deferral of interest and non payment on a Reset Date is not a default under the Loan Note Trust Deed, Deferral may have a number of additional negative consequences for Securityholders, including adverse impacts on the market price at which Securities trade and their liquidity, access to capital raisings (including under the DRP), Spark Infrastructure's balance sheet (via an increasing liability), the credit rating of Spark Infrastructure, its Senior Debt including refinancing and the cost of debt, and on Spark Infrastructure's reputation. Each of these potential negative consequences may adversely affect the financial performance, financial position and distributions from Spark Infrastructure, and potentially exacerbate the issue resulting in the need to further Defer interest in subsequent periods.

Further, depending on their individual circumstances, certain Securityholders may be liable to tax on the full amount of the interest accrued irrespective of the distribution actually received.

IF THE RESTRUCTURE DOES NOT PROCEED – INCREASED PRINCIPAL AND INTEREST OBLIGATION FOLLOWING COMPLETION OF THE ENTITLEMENT OFFER

Further if the Restructure does not proceed, the possibility of a Deferral occurring in the future has increased by the Entitlement Offer as it has increased the aggregate face value of the Loan Notes on issue and thereby Spark Infrastructure's interest obligation under them.

The Entitlement Offer has resulted in a higher aggregate face value of the Loan Notes on issue which has increased by more than the amount received under the Entitlement Offer. This is because as the Loan Notes issued under the Entitlement Offer were issued at face value of \$1.25 per Loan Note (in order to be fungible with the existing loan note component part of the Securities) and the offer price is less than \$1.25. As a consequence, the principal amount which Spark Infrastructure would have to pay on maturity and the future interest accruing under the Loan Notes will be based on this higher amount.

IF THE RESTRUCTURE DOES NOT PROCEED – NO SIMPLIFICATION BENEFITS

Furthermore, if the Restructure does not proceed, the benefits of the simplified ownership and capital structure as set out in Section 1.10 will not be obtained.

10.2.2 RISKS OF THE RESTRUCTURE PROCEEDING

IF THE RESTRUCTURE PROCEEDS - IMPACT ON FUTURE DISTRIBUTIONS

While the Restructure is designed to align Spark Infrastructure's Loan Note interest obligations more closely with the cashflows expected to be available from the Asset Companies, there can be no guarantee that interest payments on the Loan Notes will always be paid or, if paid, that they will be paid in full or consistent with any distribution guidance.

NO ASSURANCE OF LIQUIDITY OR TRADING PRICE

There can be no assurance that Securities will trade at any particular price or as to liquidity of trading or that any capital growth in the Asset Companies will translate into a higher price at which Securities trade, or growth in distributions.

It should also be noted that the historical Security price performance of Spark Infrastructure's Securities provides no guidance as to the future Security price performance.

IF THE RESTRUCTURE PROCEEDS - IMPACT OF TAX ON STAPLED ENTITIES

A significant part of Spark Infrastructure's capital structure has been contributed in the form of Loan Notes. Deductions for interest on the Loan Notes have been claimed by Spark Trust. Spark Infrastructure considers that the Restructure should not impact on Spark Trust's tax treatment of the Loan Notes. However, the quantum of interest deductions on the Loan Notes (and on the existing intra-group loans) will reduce significantly as a consequence of the Restructure. Accordingly, it is expected that Spark Infrastructure will begin paying tax on its income earlier than it would if the Restructure did not proceed.

Post Restructure, controlled foreign investments could cause all Spark Infrastructure entities to be subject to the thin capitalisation rules. If the level of debt funding of the Spark Infrastructure entities is in excess of the prescribed limits, this may result in the denial of interest deductions for those entities. This may result in those entities paying tax on their income earlier than they would if the Restructure did not proceed. At this stage, Spark Infrastructure has no controlled foreign investments.

Spark Trust is currently a "flow through" trust for tax purposes. Spark Infrastructure considers that Spark Trust should continue to be a flow through trust immediately following the Restructure as a consequence of a particular roll-over available under the CGT and public trading trust rules (Subdivision 124-Q of the Income Tax Assessment Act 1997 (Cth) and section 102NA of the Income Tax Assessment Act 1936 (Cth)). Spark Infrastructure is seeking a Class Ruling from the ATO to confirm the availability of the roll-over.

The ATO has issued a draft determination on the specific taxation provision dealing with the application of the public trading trust rules to trusts that become the holding entity of a formerly stapled group (section 102NA of the Income Tax Assessment Act 1936 (Cth)). If the ATO does not change its published position on the interpretation of that provision and there is no legislative amendment to clarify its application, there is a risk that future acquisitions by Spark Infrastructure could result in the ATO seeking to tax Spark Trust as a public trading trust. As a public trading trust, the income of Spark Trust would be taxable at the corporate tax rate (currently 30%), and distributions of income from Spark Trust would be in the form of franked or unfranked unit trust dividends. In the event that Spark Trust is at risk of becoming taxable as a public trading trust due to proposed investments, Spark Infrastructure will assess the implications to determine a course of action that is in the best interests of Securityholders.

Spark Holdings 2 had \$496 million of carry forward tax losses as at 31 December 2009. Utilisation of these losses is subject to satisfaction of certain loss utilisation tests. Spark Infrastructure considers that the Restructure and consequent reorganisation of its intra-group financing arrangements as described in Section 6.2 should not have any immediate impact on the ability of Spark Holdings 2 to utilise these losses. If, in the future, the loss utilisation tests are not satisfied, this may result in Spark Holdings 2 becoming tax payable at an earlier point in time than it otherwise would have. The payment of tax by Spark Holdings 2 should generate franking credits which may be passed on to Securityholders (via Spark Trust) in the form of franked dividends.

10.2.3 DISTRIBUTIONS AND INTEREST PAYMENTS ON SECURITIES

Spark Infrastructure's future distribution levels will be determined by Spark RE as responsible entity of Spark Trust, having regard to future operating results and financial position of the Asset Companies and of Spark Infrastructure.

Distributions on the Securities, and in particular interest payments relating to the Loan Notes, are not guaranteed. There can be no assurance that any distribution will be paid or, if paid, they will be paid at previous levels or consistent with any distribution guidance. Interest payments on the Loan Notes will be reduced under the Restructure.

Factors such as an increase in interest rates, inflation and inflationary expectations, the issue of further Securities, diminished financial results of the Asset Companies or decisions concerning the payment of distributions by their boards of directors (and other factors described in this Section 10) may have an adverse impact on the financial performance and position of Spark Infrastructure, which may reduce or prevent distributions and interest payments being made and/or give risk to Deferral (see above).

10.2.4 FUTURE ISSUES AND TRADING PRICE

Spark Infrastructure cannot predict what effect, if any, future issues of Securities, or the availability of Securities for future sale, will have on the market price of the Securities. Sales of substantial amounts of Securities in the public market could adversely affect the market price of the Securities and may make it more difficult to sell Securities at a time and price deemed appropriate by the relevant Securityholder. Any future issuance of Securities may also dilute the interests of the Securityholders.

The market price of Securities will depend on a range of factors, some beyond the ability of Spark Infrastructure to control (see Section 10.6). Similarly, such external factors could affect the price at which the Securities trade. There can be no assurance that any increase in Spark Infrastructure's equity investment in the Asset Companies' RAB will translate into higher trading prices for the Securities.

10.3 MORE GENERAL RISKS - KEY RISKS SPECIFIC TO SPARK INFRASTRUCTURE

10.3.1 ASSET COMPANIES' REVENUES AND DISTRIBUTIONS

DISTRIBUTIONS

Decisions made by the boards of directors that oversee the Asset Companies concerning distributions and other related matters, such as in relation to future capital expenditure requirements, investment needs and gearing levels, and updating of budgets and business plans, may cause a reduction in cash available for distribution to Spark Infrastructure and ultimately to Securityholders.

These decisions have to be made in accordance with the terms of the Asset Company Agreements where relevant. While the day-to-day management of each of the Asset Companies is vested in its board, as a shareholder in CHEDHA and partner in ETSA Utilities, Spark Infrastructure (through its subsidiaries) has certain limited rights (as disclosed previously, at the time of its IPO). These include that any change in the distribution policy applying to the Asset Companies, and any proposed action or decision to implement any material change to debt/equity ratios or amortisation profile of, or increases in the capital of the Asset Companies (where such action is likely to affect the cash distribution payable or projected to be payable by the Asset Companies, or to affect the maintenance of the credit rating of the relevant Asset Company group), must be determined by a resolution passed by persons holding at least 75% of shares or partnership interest (as applicable). However, outside of the specific limited rights of the shareholders or partners (as applicable), such decisions are made by the board of the relevant Asset Company, which Spark Infrastructure does not control. In particular, it is a matter for each Asset Company board to apply the distribution policy of the Asset Companies (as amended from time to time) in accordance with the Asset Company Agreements, which necessarily involves a matter of judgment and exercise of discretion for the boards as to the surplus cash which is available for distribution in accordance with the distribution policy. Similarly, it is a matter for the boards of the Asset Companies to approve the budget and business plan, which must be consistent with the distribution policy, for each Asset Company from time to time.

REVENUES

While more than 70% of the current aggregated revenues of the Asset Companies are from regulated activities, revenue forecasts for the Asset Companies provided to Spark Infrastructure are, to a large extent, based on demand forecast assumptions which may not be met.

A reduction in the revenue earned by the Asset Companies may reduce the ability of the Asset Companies to pay dividends or other distributions to Spark Infrastructure, which in turn could limit Spark Infrastructure's ability to make distributions to Securityholders. Key risks to the Asset Companies' revenue are variations in customer load, regulatory pricing and compliance, network disruptions and inflation. Each of these risks is summarised below.

VARIATIONS IN CUSTOMER LOAD

The volume of electricity distributed through the networks of each of the Asset Companies is subject to a range of variables, including economic conditions, population growth, general growth in electrical appliance sales, growth in new housing, Government policy, weather, alternative energy sources (such as gas), and the availability of adequate supplies of electricity. While the regulated distribution areas of each of the Asset Companies have exhibited economic growth and increases in population over recent years, there can be no assurance that further increases in electricity volumes (based on those or other factors) will continue in the future. In addition, unusually mild summers or warmer than normal winters can negatively affect the volume of electricity used.

REGULATORY PRICING AND COMPLIANCE

Regulated revenue represents between 65% and 80% of the revenues for each of the Asset Companies. Accordingly, the financial performance of Spark Infrastructure is significantly dependent on, and sensitive to, pricing reset decisions by the Regulator. Should a decision be made by the AER to decrease tariffs below what can be recovered by improved volume, operating efficiency or operating expenditure over the period for which the price is set, the earnings of Spark Infrastructure will be negatively affected. As it may not be possible to immediately pass on these costs through higher regulated prices, there is a degree of uncertainty associated with the Asset Companies' margins. A price reset may also impact negatively on the carrying value of the distribution network assets of each of the Asset Companies, which would be reassessed at the time of the pricing reset. The next scheduled price reset for ETSA Utilities is from 1 July 2015 and CitiPower and Powercor from 1 January 2011. See Section 5.4 in relation to the release of AER's final determination for CitiPower and Powercor. To the extent that the final determination is materially different from the Draft Determination, this may have a material effect on the distribution guidance provided for 2011 (noting Spark Infrastructure's preliminary analysis of the final determination in section 5.4).

Previously, the States were responsible for the regulation of their respective electricity supply industries. However, from January 2009, the electricity distribution tariffs became regulated by the AER leaving the States with the responsibility for licensing electricity industry participants and regulating distribution service standards, and also regulation of electricity safety. The Asset Companies must adhere to electricity distribution licence requirements, codes and guidelines established and updated by the relevant State bodies from time to time. Failure to comply with the licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of relevant licences by the regulator.

Similarly, ETSA Utilities, for historic reasons, holds its distribution network via a 200 year lease from a State entity. Under the lease ETSA Utilities has a number of lessee commitments including obligations to maintain the network and to hold relevant authorisations and restrictions on selling the network. Failure to comply with these requirements may lead to claims or, in extreme circumstances, suspension or cancellation of the lease by the State.

NETWORK DISRUPTIONS INCLUDING THROUGH TERRORISM AND SEVERE EVENTS

The distribution networks of the Asset Companies are exposed to supply interruptions. If a severe storm, fire, sabotage, terrorist attack or other unplanned event interrupts service, the loss of cash flow resulting from the interruption and the cost of recovery from network damage could be considerable and potentially cause poor customer perception and lead to claims and litigation. The Asset Companies might also be liable for property damage caused by failings in the quality of supply (a power surge or “overvoltage”, for example). Given the size of the Asset Companies’ network and the number of businesses who rely on it and are vulnerable to such malfunctions, such claims are potentially very sizeable. Moreover, some losses from such events would not be recoverable under the Asset Companies’ insurance policies.

Importantly, the poles and wires of the distribution networks of each of the Asset Companies are not insured and the current insurance policies of the Asset Companies do not provide coverage for damage to the network assets as a result of a terrorist attack. While the Australian Federal Government has established a fund that may provide some coverage to the Asset Companies’ in the event of terrorist attack, there can be no assurance that such funds would be available to cover any or all of the losses caused by a terrorist attack. Lastly, increases in the number or duration of supply interruptions could result in material increases in the costs associated with the operation of the distribution networks, which could have a material adverse effect on the business, the financial condition and results of operations of the Asset Companies, and in turn on the financial condition and the results of operations of Spark Infrastructure.

INFLATION

Implied inflation as measured by CPI is a factor in the tariff adjustment regime applicable to each of the Asset Companies and is locked into nominal price term contracts. Accordingly, revenues earned by each of the Asset Companies may be adversely affected by increases in the rate of inflation, which could limit the amount of distributions payable to Spark Infrastructure.

Unregulated revenue

In addition, the Asset Companies compete to win new unregulated business. The ability to continue to earn unregulated revenues is dependent on a number of factors including the ability to win competitive tender processes, the ability to deliver services profitably and operational capacity to undertake unregulated activities. This type of work is highly competitive and there is no guarantee that the Asset Companies will be able to continue to win work of this nature.

10.3.2 FINANCING

INTEREST RATES ON SENIOR DEBT

The Asset Companies and Spark Infrastructure are exposed to movements in interest rates where funds are borrowed at a floating interest rate and where fixed rate debt is being refinanced. The Asset Companies are significant users of debt, which increases the sensitivity of earnings to interest rate movements. While a prudent level of Senior Debt is intended to be hedged against interest rate movements, not all borrowings are hedged and future borrowings may not be hedged. Further, such hedges only provide certainty for a limited period, typically coinciding with regulatory reset periods, and there is no guarantee that future hedging activities will achieve the desired outcome.

HIGH DEBT LEVELS

Each of the Asset Companies has raised substantial levels of debt to fund operations. The terms of the debt for each of the Asset Companies generally require the Asset Companies to comply with certain operating and financial covenants. The ability of each of the Asset Companies to meet their respective debt service obligations and repay their outstanding debt will depend primarily on the cash produced by the network distribution businesses of each of the Asset Companies. Given the relatively high levels of debt, there is a risk that the Asset Companies will not generate sufficient cash to cover the outstanding debt service obligations, which may force the Asset Companies to default on their debt obligations, refinance a portion or all of their debt or obtain additional financing on terms that are not as favourable. Decisions about debt levels made by the boards that oversee the Asset Companies and which are not controlled by Spark Infrastructure, such as to reduce gearing levels from time to time, may impact the need for greater cash to be retained in the Asset Companies, which may reduce distributions to Spark Infrastructure and ultimately to Securityholders.

Decisions regarding the debt levels of the Asset Companies have to be made in accordance with the terms of the Asset Company Agreements, where relevant. Any proposed action or decision to implement any material change to debt/equity ratios or amortisation profile of, or increases in the capital of the Asset Companies (where such action is likely to affect the cash distribution payable or projected to be payable by the Asset Companies, or to affect the maintenance of the credit rating of the relevant Asset Company group), must be determined by a resolution passed by persons holding at least 75% of shares or partnership interest (as applicable). Other decisions regarding debt levels are a matter for the board of the relevant Asset

SENIOR DEBT LOCK-UP

The terms of the Senior Debt of the Asset Companies and Spark Infrastructure provide that in certain situations (i.e. where due payments of interest or principal have not been paid, specified interest cover ratios have not been met or where there is otherwise an event of default (or a potential event of default subsisting)), the Asset Companies may not pay subordinated debt interest or dividends to Spark Infrastructure. This will in turn significantly limit Spark Infrastructure's ability to pay distributions to Securityholders, despite funds being otherwise available (Senior Debt Lock-up). If Senior Debt Lock-up occurs, the ability of the Asset Companies to make distributions to Spark Infrastructure, and the ability of Spark Infrastructure to make distributions to Securityholders, may be diminished or even removed until the Senior Debt Lock-up is remedied.

CAPITAL EXPENDITURE DRAW DOWNS

There is a risk that due to unforeseen events, possible debt draw downs planned by the Asset Companies and intended to be used to fund capital expenditure items may not eventuate. If this occurs, future growth initiatives of the Asset Companies could be restricted, which could limit future revenues and cash flows and potentially limit cash flow available for distribution to Spark Infrastructure and the Securityholders.

REFINANCING

Senior Debt held by Spark Infrastructure and the Asset Companies will need to be refinanced at varying maturity dates. For ETSA Utilities and CHEDHA, there is a need to refinance loan facilities and notes of approximately \$580 million in 2010 and 2011, together with approximately \$240 million of undrawn bank facilities.

The terms under which Senior Debt is refinanced or an inability to refinance or extend may affect the financial performance of the Asset Companies and Spark Infrastructure and the ability to pay distributions to Securityholders. If acceptable terms cannot be agreed before or at maturity, dividends, distributions and interest payments by the Asset Companies to Spark Infrastructure may be diminished, delayed or ceased which could reduce the amount of cash available for distribution to Securityholders. Similarly, any refinancing or extension may be on more onerous terms (including higher margins) than current facilities.

CREDIT RATINGS

The credit rating of Spark Infrastructure may be downgraded as a result of a change in operating performance or capital structure, or a downgrade in the credit rating of any of the Asset Companies, which may result from a number of matters. Any deterioration in the credit rating of CKI or HKE, or entities holding interests in CKI or HKE, could also negatively affect the credit rating of the Asset Companies and Spark Infrastructure. A downgrade of the credit rating of Spark Infrastructure would increase the cost of debt, thereby adversely affecting the financial performance and value of Spark Infrastructure.

Certain decisions of the Asset Companies must take maintenance of their credit rating into account. The business plans of the Asset Companies must demonstrate maintenance of their rating, and the Asset Companies' distribution policy requires that consistency with maintaining the credit rating of the Asset Company is one of the factors relevant to determination of distributions to be made to the shareholders or partners (as applicable). Any proposed action or decision to implement any material change to debt/equity ratios or amortisation profile of, or increases in the capital of the Asset Companies (where such action is likely to affect the cash distribution payable or projected to be payable by the Asset Companies, or to affect the maintenance of the credit rating of the relevant Asset Company group), must be determined by a resolution passed by persons holding at least 75% of shares or partnership interest (as applicable).

10.3.3 TAXATION - GENERALLY

GENERAL

The distribution guidance contained within this Explanatory Memorandum is in part dependent upon the current applicable Australian tax laws and Spark Infrastructure's interpretation of these laws. If there is a change in tax regime or if the ATO has a different interpretation of the current laws other than that of Spark Infrastructure, the financial performance of Spark Infrastructure and the composition of its distributions may differ from the guidance provided.

10.3.4 ATO AUDIT

The ATO initiated a Large Business Audit of Powercor's financing arrangements in 2003. This matter is still ongoing and the ATO has issued position papers outlining their views to CHEDHA and Powercor. In particular, the ATO considers that all or part of the interest expenses incurred by Powercor on loans obtained from subsidiaries of each 50% shareholder group for the income years ended 31 December 2000 to 31 December 2005 are not properly deductible for income tax purposes, or are subject to disallowance under the general anti-avoidance rules.

CHEDHA and Powercor have obtained advice on these issues from their tax advisers. Discussions are still being held with the ATO regarding this matter, and no amended assessments have been issued to date by the ATO. No provision has been made in the half year accounts of CHEDHA for the period ended 30 June 2010 in relation to the potential income tax liability.

The ATO is also undertaking a strategic audit of ETSA Utilities. The main issue outstanding with the ATO relates to the income tax treatment of the rent instalments payable under the land lease. The ATO has issued position papers to ETSA Utilities maintaining its views that the rent instalments are not deductible for income tax purposes. ETSA Utilities is still in discussions with the ATO regarding this matter. ETSA Utilities has obtained advice from its tax advisers that supports its current tax treatment.

The ATO has recently initiated an audit of certain other matters relating to ETSA Utilities including ETSA Utilities' financing arrangements and the tax treatment of capitalised labour and overhead costs. This is still in the information gathering stage and ETSA Utilities is in the process of providing the information requested by the ATO. The ATO has not issued any position papers and/ or amended assessments to ETSA Utilities in relation to these matters.

10.3.5 LACK OF CONTROL OF ASSET COMPANIES

Both before and after completion of the Restructure, CKI and HKE will continue to collectively hold a 51% interest in each of the Asset Companies and subject to CKI's additional appointment right described below, have the right to appoint five directors to the boards of the directors that oversee the Asset Companies. Spark Infrastructure has the right to appoint four directors to the boards. There have been negotiations between the stakeholders in relation to the CEO's appointment as a director, as a result of which the CEO of the relevant Asset Company is on the board of CHEDHA but not on ETSA Utilities. For so long as CKI and HKE's aggregate interest in an Asset Company is at least 51% (but less than 60%), CKI has an additional right to appoint such directors as is necessary to ensure that the directors appointed by CKI and HKE account for more than one half of the total number of directors on the board. Where CKI and HKE have a majority position on the board of either of the Asset Companies, there can be no assurance that CKI and HKE will use their majority position on the boards for the benefit of Spark Infrastructure or the Securityholders.

The terms of the Asset Company Agreements, which govern the relationship of CKI, HKE and Spark Infrastructure in relation to the ownership and operation of CHEDHA and ETSA Utilities, require that certain decisions relating to significant corporate matters, including changes in the capital structure of ETSA Utilities or CHEDHA or any change in the distribution policy to the shareholders of CHEDHA or the ETSA Utilities partners, are subject to a special majority decision requiring the approval of holders of 75% of the shares of CHEDHA or requiring the approval of holders of 75% of the partnership interest of ETSA Utilities. There can be no assurances that these special majority provisions will afford adequate protection in all respects.

Spark Infrastructure has previously disclosed, at the time of its IPO, the extent of these matters in respect of which Spark Infrastructure, as a shareholder or partner (through its subsidiaries) has certain limited rights in respect of decision-making of the Asset Companies. Day-to-day management of each of the Asset Companies is otherwise vested in the relevant Asset Company's board, which Spark Infrastructure does not control. Matters which are generally decisions for the boards (subject to rights granted to shareholders or partners, as applicable, at law and the limited contractual rights referred to above), include for example the approval of the budget and business plan (including operating expenditure and capital expenditure estimates), the application of the distribution policy (see Section 10.3.1), gearing determinations (see Section 10.3.2) and the appointment of the chief executive officer.

The Asset Companies have indicated a desire to retain cash from operations to fund growth capital expenditure in the next regulatory period. The shareholders in the Asset Companies hold different views regarding the interpretation of the distribution policy under the Asset Company Agreements, in particular in relation to the definition of surplus cash and the ability of CHEDHA to defer interest under its subordinated loans.

Spark Infrastructure is of the view, based on its interpretation of the Asset Company Agreements, that the Asset Companies have an obligation to maximise surplus cash and distribute all surplus cash available from within the Asset Companies unless for some reason it would breach the Asset Companies' legal obligations to do so. Further, the ability for CHEDHA to defer interest under its subordinated loans is very limited and can only be exercised if CHEDHA cannot pay, for example, where it has not got the money to pay, or it would be unlawful to make payment.

The shareholders in the Asset Companies are discussing these matters in the lead up to the budgeting and planning approvals process. It is possible that this situation may lead to disputes between the shareholders in the Asset Companies or between Spark Infrastructure and the Asset Companies.

Further, as a result of Spark Infrastructure having only a 49% interest in each of the Asset Companies, its access to Asset Company information and management is governed by the terms of the Asset Company Agreements which provide it with more limited information than would be expected for a subsidiary or wholly owned investment.

10.3.6 REQUIRED SALE OF INTEREST DEFAULT AND CHANGE OF CONTROL (PRE-EMPTIVE RIGHTS)

In certain circumstances (described in more detail in the Investor Information Booklet) the subsidiary within the Spark Infrastructure group which owns the interest in the relevant Asset Company may be forced to offer that interest for sale (as may any other shareholder or partner, in the same circumstances). If these pre-emptive rights arise, the other shareholders may trigger a sale process for all of its shares and shareholder loans. The pre-emptive rights sale process must be conducted in accordance with the Asset Company Agreements (as disclosed previously, at the time of Spark Infrastructure's initial public offering).

10.3.7 RISK FACTORS RELATING TO EXTERNAL MANAGEMENT ARRANGEMENTS

The Manager has the ability to terminate the Management Agreement in certain circumstances, and accordingly there can be no assurance that the Manager will remain the manager of Spark Infrastructure. Further, neither Spark Infrastructure nor the Securityholders would be able to remove the Manager in the event the Manager underperforms or fails to perform requisite duties under the Management Agreement unless the Manager is in serious breach of a material provision of the Management Agreement. To the extent the Manager underperforms and is not removed, Spark Infrastructure's financial performance may be negatively affected. In the event the Manager's relationship with Spark Infrastructure is terminated, there can be no assurance that a suitable replacement manager may be found, however Internalisation of the management function would remain an alternative.

As Spark Infrastructure will remain externally managed, fees will remain payable to the Manager in accordance with the existing management agreement.

There is potential for performance fees to become payable in the future if the criteria for payment of the performance fees are satisfied. As at 30 June 2010, Spark Infrastructure's cumulative under-performance versus the benchmark index was a deficit of \$138.9 million. This under-performance is carried forward and taken into account in calculating the performance fee payable in future periods.

10.3.8 CONTRACTS

If third parties do not meet their obligations under material contracts, or there is a dispute concerning a material contract, and Spark Infrastructure or the relevant Asset Company is not financially compensated or cannot alleviate the effect by contracting with alternative parties, this may have a material adverse effect on Spark Infrastructure or the relevant Asset Company.

10.3.9 LITIGATION

Spark Infrastructure or an asset it invests in (including the Asset Companies) may be exposed to litigation arising from, for example, contractual or industrial disputes and environmental or occupational health and safety claims. Liability could be imposed as a consequence of any litigation and litigation could affect Spark Infrastructure or an asset adversely.

10.3.10 CONFLICTS OF INTEREST

There are potential conflicts of interest within Spark Infrastructure's management structure which arise as a result of the positions of CKI and HKE as interested in the Asset Companies as joint 51% owner of the Asset Companies on the one hand, and also interested as co-owner of the Manager of Spark Infrastructure (entitled among other things to nominate certain representatives to the Boards of the Stapled Entities) on the other. One way in which this conflict may manifest itself is that CKI and HKE may have differing views to Spark Infrastructure in relation to funding of capital expenditure and payment of distributions to shareholders and partners (as applicable) of the Asset Companies. Similarly, another way in which conflicts of interest may arise from those dual roles is in relation to the directors of Spark Infrastructure acting to exercise Spark's rights as (through its subsidiaries) shareholder or partner in the Asset Companies, in relation to which CKI and HKE are jointly the controlling shareholder and entitled to appoint the majority of the boards to those Asset Companies.

10.3.11 JOINT VENTURES

In addition to its interest in the Asset Companies, Spark Infrastructure may enter into other joint venture arrangements with respect to future acquisitions of interests in infrastructure assets. Owning the existing Asset Company interests or a future interest in an asset with joint venture partners imposes restrictions which do not exist where the asset is wholly owned, and therefore, there may be limitations on the ability of Spark Infrastructure to make independent decisions with respect to the relevant asset or the ability of Spark Infrastructure to sell an interest in the joint venture. Disagreements between joint venture partners with respect to the ongoing operations of an asset or the disposition of an asset may have an adverse effect on the financial performance and position results of operation of Spark Infrastructure.

10.4 MORE GENERAL RISKS - OPERATIONAL RISKS APPLICABLE TO THE ASSET COMPANIES

GENERAL

Management of the Asset Companies is not contracted to any external parties. Accordingly, the results of operations of the Asset Companies and Spark Infrastructure remain exposed to any unforeseen increases in operating expenses of the Asset Companies.

CAPITAL EXPENDITURE

Due to the nature of the distribution networks and the advancing age of network assets, each of the Asset Companies has significant capital expenditure requirements. While each of the Asset Companies has detailed asset management plans and has historically maintained capital expenditure budgets based upon targets established by the relevant state regulator, there is a risk that due to unforeseen events, capital expenditure required for the replacement of assets or proposed growth initiatives could exceed current or future capital expenditure budgets. Material increases in capital expenditure beyond budgeted amounts could adversely affect available operating cashflows of the Asset Companies, and have a negative impact on the level of distributions to Spark Infrastructure and ultimately to Securityholders. It is noted that capital expenditure requirements for the Asset Companies are anticipated to increase significantly in the next regulatory period, and that the Asset Companies have indicated their wish to retain a greater proportion of cash from operations to fund the expected rise in capital expenditure. See Section 5 for further detail regarding capital expenditure requirements of the Asset Companies.

OPERATING EXPENDITURE

The key factors influencing operating expenses for each of the Asset Companies are maintenance and support costs associated with the network and the costs incurred in providing non-distribution services to third parties. A key component of this expenditure is labour related expenses, including employees and contractors. In addition, operating expenses are also affected by materials and services largely relating to income generating work and the capitalisation of expenses incurred in the expansion and replacement of the distribution network. Unforeseen events may impact annual operating expenses with a resulting impact on operating profit.

OTHER

There are a range of other operational risks applicable to the Asset Companies, which are described in more detail in the Investor Information Booklet. These include risks relating to:

- Bushfire
- Electrical safety standards
- Native title
- Industrial action
- Defined benefit superannuation schemes
- Credit risk on electricity retailers
- Environmental matters
- Occupational health and safety
- Carbon regulation
- Loss of key personnel

10.5 MORE GENERAL RISKS - TAXATION RISKS APPLICABLE TO THE ASSET COMPANIES

CHEDHA SPECIFIC ISSUES

A significant part of CHEDHA's capital structure has been contributed in the form of subordinated shareholder loans. Deductions for interest on the shareholder loans have been claimed by CHEDHA, however the tax treatment of the shareholder loans is currently subject to review by the ATO (refer to Section 10.3.4). If some (or all) of the deductions claimed by CHEDHA are disallowed as a consequence of the review, this may result on CHEDHA becoming tax payable at an earlier point in time which may reduce the cash available to CHEDHA to fund distributions to Spark Infrastructure.

CHEDHA had \$890 million of carry forward tax losses as at 31 December 2009. The availability of these losses is subject to certain loss utilisation tests having been satisfied historically and on a go forwards basis. To the extent that these tests are not satisfied and some or all of these tax losses cease to be available to CHEDHA, this may result in CHEDHA becoming tax payable at an earlier point in time which may reduce the cash available to CHEDHA to fund distributions to Spark Infrastructure.

10.6 GENERAL RISK FACTORS

ECONOMIC AND FINANCIAL MARKET ENVIRONMENTS

The performance of Spark Infrastructure may be influenced by changes in various general economic factors including but not limited to changes in the level of economic activity and the resulting impact on market conditions, interest rates, inflation and inflationary expectations and consumer and business sentiment. Material adverse changes to these general economic factors may have an adverse impact on the financial performance and position of Spark Infrastructure.

Securityholders should also be aware that there are risks associated with any investment in securities markets. A number of external factors could affect the price at which the Securities trade on the ASX, their liquidity, and distributions which may be paid and more generally the performance of Spark Infrastructure. Amongst other things, these include movements on international and domestic stock markets, changes in the long term bond rate, volatility in the Australian and international financial markets, interest rates, inflation and inflationary expectations, actual and expected economic growth, overall economic and financial market conditions and Government taxation, regulation and other policy changes. It should be noted that there is no guarantee that the Securities will trade at a particular price or that there will at all times be sufficient buyers to allow their disposal at a price which the seller may have expected to achieve.

Market factors of the kind described above may affect the ability of Spark Infrastructure to raise capital funds by way of a further issue of capital, utilisation of the DRP, or to raise new debt and/or refinance existing debt on reasonable terms. There can be no assurance that any increase in Spark Infrastructure's equity investment in the Asset Companies' RAB will translate into higher trading prices for the Securities or growth in distributions.

SECTION 11 ADDITIONAL INFORMATION

11.1 OVERVIEW OF MATERIAL CONTRACTS REQUIRED TO GIVE EFFECT TO THE RESTRUCTURE

Summarised below are the material contracts which each Stapled Entity and other relevant parties have entered into to give effect to the Restructure.

11.1.1 RESTRUCTURE IMPLEMENTATION DEED

The Restructure Implementation Deed sets out the process for the Restructure so that:

- There is a partial repayment of the principal amount outstanding (face value) on the Loan Notes; and
- Spark Trust becomes the sole listed parent entity of Spark Infrastructure, and Spark Holdings 1, Spark Holdings 2 and Spark International become directly and wholly owned by Spark Trust.

Spark Holdings 1, Spark Holdings 2, Spark International and Spark RE as responsible entity of Spark Trust have entered into the Restructure Implementation Deed. A summary of the key terms are set out below:

Parties	Spark Holdings 1, Spark Holdings 2, Spark International and Spark RE as responsible entity of Spark Trust
Purpose	<p>The purpose of the Restructure Implementation Deed is to document the agreement between the parties to implement the Restructure so that:</p> <ul style="list-style-type: none"> • Spark RE repays \$795 million of the principal outstanding on the Loan Notes in exchange for the issue of additional Units; and • Spark Trust becomes the sole listed parent entity of Spark Infrastructure (with Units and Loan Notes stapled together) and Spark Holdings 1, Spark Holdings 2 and Spark International come to be directly wholly owned by Spark Trust.
Conditions precedent	The Schemes and the obligations of the parties to implement the Restructure are conditional on the satisfaction or waiver of a number of conditions precedent. For a summary of the applicable conditions precedent, please refer to Section 4.7.
Obligations to implement the Restructure	<p>Each of Spark Holdings 1, Spark Holdings 2, Spark International and Spark RE as responsible entity of Spark Trust must use their respective best endeavours to give effect to the Restructure and satisfaction of the conditions precedent (subject to compliance with their respective obligations, functions, powers and duties under the Restructure Implementation Deed, their respective constitutions, at law and under the Listing Rules and ASX Settlement Operating Rules). This includes:</p> <ul style="list-style-type: none"> • Applying for Court orders to convene the Scheme Meetings; • Convening meetings for the purposes of obtaining all Restructure Resolutions; • Taking all reasonable steps so that ASIC and ASX do not object to the Notices of Meetings and Explanatory Memorandum and accompanying materials in connection with the Restructure, and that these documents are despatched to Securityholders; • Lodging the constitutional amendments with the relevant regulators in Australia and the Bahamas (if required); • Applying for Court orders to approve the Schemes; • Lodging a copy of the Court orders with ASIC; • Taking all reasonable steps applicable to each party to meet any requirement of the Corporations Act, ASIC, ASX and the Court, relating directly or indirectly to the Restructure; and • Performing each Stapled Entity's obligations as described in Section 4.
Winding up alternative to Bahamas redemption	If before the Record Date it appears that conditions precedent relating to Spark International will not be satisfied or waived such that the Spark International constitution amendments will not become effective to permit the implementation of the redemption of the Spark International ordinary shares on or within a reasonable time after the Implementation Date, the directors of Spark International must unstaple the Spark International ordinary shares (and related CDIs) and will resolve to wind it up.

Termination rights	<p>The parties may terminate the deed by mutual agreement at any time prior to the Court approving the Schemes. This includes if a change of control proposal emerges which is superior to the Restructure or a development arises which has or is reasonably likely to have a materially adverse effect on Spark Infrastructure or the Securityholders or mean that the Restructure is no longer in the best interests of Securityholders (see Section 4.7).</p> <p>In addition, if the Schemes have not become Effective by 31 December 2010, any party may terminate this deed by notice to the other parties.</p>
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11.1.2 SPARK RE DEED POLL

Prior to the Second Court Hearing, Spark RE will enter into the Spark RE Deed Poll in favour of each scheme participant and Ineligible Overseas Securityholder in respect of the Spark Holdings 1 Member Scheme and the Spark Holdings 2 Member Scheme.

Parties	Spark RE as responsible entity of Spark Trust covenanting in favour of each scheme participant and Ineligible Overseas Securityholder.
Restructure obligations	Spark RE will covenant to accept all Spark Holdings 1 ordinary shares and Spark Holdings 2 ordinary shares from scheme participants, and issue new Units to them in consideration of the transfer of each scheme participant's Spark Holdings 1 ordinary shares and Spark Holdings 2 ordinary shares, respectively, and amend the Register to reflect the issue of new Units to them.
Conditions precedent and termination	Spark RE's obligations are subject to the Spark Holdings 1 Member Scheme and Spark Holdings 2 Member Scheme becoming Effective. The Spark RE automatically terminates if the Schemes have not become Effective on or before 31 December 2010 or if the Restructure Implementation Deed is terminated.
Other obligations	Spark RE will covenant to perform the steps attributed to it under, and otherwise to comply with, the Spark Holdings 1 Member Scheme and the Spark Holdings 2 Member Scheme as if named as a party to the Schemes and bound by the Schemes.

11.1.3 GOVERNANCE DEED

CKI and Deutsche Australia Limited (DAL) (the ultimate co-owners of the Spark RE and the Manager) and Spark RE as responsible entity of the Spark Trust have agreed in-principle with Spark Infrastructure, and subject to board approval, to enter into the Governance deed poll (Governance Deed) in respect of the governance arrangements of Spark Infrastructure which are to apply after the Restructure is implemented. A summary of the key agreed principles is set out below:

Parties	<p>CKI, DAL and Spark RE as responsible entity of Spark Trust</p> <p>The relevant clauses in the Governance Deed will be made by CKI and DAL in favour of Spark RE (as trustee of the Spark Trust), and by Spark RE as responsible entity of Spark Trust in favour of CKI, DAL and the Securityholders.</p>
Purpose	<p>After Spark Trust becomes the sole listed entity under the Restructure, many of Spark Infrastructure's existing governance requirements will no longer automatically apply, because they do not apply to listed trusts and Spark RE is a company indirectly owned by CKI and DAL. The purpose of the Governance Deed is to preserve and replicate as far as practicable Spark Infrastructure's existing best practice corporate governance arrangements for Spark RE and Spark Trust post-Restructure.</p>
Conditions Precedent	<p>The Governance Deed will be irrevocable, but the parties' substantive obligations under the Governance Deed will only arise upon the Schemes becoming Effective and Spark RE as responsible entity of the Spark Trust becoming the registered holder of all of the Spark Holdings 1 and Spark Holdings 2 ordinary shares.</p>

Replicating the current governance arrangements	<p>The following summarises the covenants to be made in respect of corporate governance. Generally, CKI and DAL will undertake to comply with the obligations in respect of the independent board, board rotation, and fees and remuneration in favour of Spark RE, and Spark RE will agree to conduct its affairs consistently with CKI and DAL's obligations. Spark RE (as trustee) will undertake to comply with the other arrangements described below.</p> <p>INDEPENDENT BOARD</p> <ul style="list-style-type: none"> • The board of the Spark RE will have a majority of independent directors, appointed and removed only in accordance with an ordinary resolution of Securityholders. There will be not less than three nor more than 10 directors in total. • The CKI and DAL board representatives would be excluded from any consideration or decision, in relation to the exercise of rights by the Stapled Entities under the Management Agreement, the Governance Deed and the Special Share Transfer Deed (referred to in Section 11.1.4). <p>BOARD ROTATION</p> <ul style="list-style-type: none"> • A director of the Spark RE (including a CKI or DAL board representative) must not hold office without re-election past the third annual general meeting (AGM) of Securityholders following the director's appointment or last election, or for more than three years, whichever is longer. There must be an election of the Spark RE directors at each AGM of Securityholders. <p>ANNUAL GENERAL MEETINGS OF SECURITYHOLDERS</p> <ul style="list-style-type: none"> • The Spark RE will hold an AGM of Securityholders (and if required a corresponding AGM of the Spark RE) at least once in each calendar year and within 5 months after the end of the financial year of Spark Infrastructure. Such meetings must be called and conducted as if it is an AGM of a public company (in addition to provisions which would otherwise apply). <p>ANNUAL REPORTS OF SPARK</p> <ul style="list-style-type: none"> • To the extent consistent with the Spark Trust's financial reporting requirements, the financial reports of Spark Trust must be prepared in accordance with Part 2M of the Corporations Act and the Listing Rules, as if they are financial reports of a company. <p>FEES AND REMUNERATION</p> <ul style="list-style-type: none"> • The Base Fee and Performance Fee arrangements under the Management Agreement (as defined in that document) and the responsible entity fees under the Spark Trust constitution remain unchanged. • The existing directors remuneration arrangements and requirements will continue to apply. <p>GENERAL</p> <ul style="list-style-type: none"> • Generally, Spark will be managed consistent with the principles of good governance as set out in the ASX Corporate Governance Principles and Recommendations. • The existing audit committee and compliance committee arrangements will continue to apply.
Termination and variation	<p>The Governance Deed will automatically terminate if approved by the Securityholders, if the independent directors consent, if Spark RE is removed or replaced as responsible entity of Spark Trust or if the Schemes are not approved by Securityholders or do not become effective before 31 January 2011.</p> <p>The Governance Deed also terminates, in respect of the relevant party, if either CKI or DAL ceases to own Spark RE, subject to the relevant party giving the Spark RE 60 days notice.</p> <p>The Governance Deed can only be varied if approved by the Securityholders or if Spark RE as responsible entity of Spark Trust reasonably considers that the amendments are in the best interest of Securityholders or will not adversely affect their rights.</p>

11.1.4 SPECIAL SHARE TRANSFER DEED

CKI and RREEF have agreed in-principle with Spark Infrastructure, subject to their board approval, for the Manager to transfer the special shares which entitle the Manager to appoint one less than half the maximum number of directors in each of Spark Holdings 1, Spark Holdings 2 and Spark International (Special Shares) to Spark RE (as trustee of the Spark Trust) for the consideration of \$1.00 per Special Share, on the Implementation Date.

If any one of Spark Holdings 1, Spark Holdings 2 and Spark International is re-listed as part of a stapled structure and the current external management arrangements continue at that time, Spark RE as responsible entity of the Spark Trust and the relevant company will, under this deed, agree to take all reasonable steps to put the Manager as nearly as practically possible back to its original position in relation to the appointment of directors, as it was immediately before the transfer of the special shares to Spark RE.

Spark RE (as trustee of Spark Trust) must not deal with the special shares without the prior consent of the Manager (not to be unreasonably withheld or delayed). This includes not doing anything that will prevent Spark RE (as trustee) or any of the relevant company to reinstate the Manager to its original position.

This agreement is subject to the same conditions as the Governance Deed. See Section 11.1.3 above.

11.1.5 FOREIGN SALE FACILITY AGREEMENT

Parties	Spark Holdings 1, Spark Holdings 2, Spark RE (as responsible entity of the Spark Trust) and Deutsche Bank AG (as Sale Agent)
Conditions precedent	The Sale Agent's obligations are conditional on the Court orders approving the Schemes coming into effect and the Spark Trust constitution amendments becoming effective.
Terms	<p>Each of Spark Holdings 1, Spark Holdings 2 and the Spark RE (as responsible entity of Spark Trust) appoints the Sale Agent to provide the sale facility services and procures Computershare to provide the registry services.</p> <p>Spark RE will covenant to perform the steps attributed to it under, and otherwise to comply with, the Spark Holdings 1 Member Scheme and the Spark Holdings 2 Member Scheme as if named as a party to the Schemes and bound by the Schemes.</p> <p>The Sale Agent must perform the sale facility services and Spark Infrastructure procures Computershare must perform the registry services in accordance with this agreement and in compliance with the applicable requirements.</p> <p>The parties will give certain customary warranties and indemnities under the agreement.</p> <p>The details of the Foreign Sale Facility are set out at Sections 4.8(b) and (c).</p>
Termination	<p>This agreement will automatically terminates if the Restructure Implementation Deed is terminated or if the condition precedent above is not satisfied on or before 31 December 2010. In addition, a party may terminate this agreement for breach of this agreement by another party or if a notifiable event (see below) happens to another party.</p> <p>A party must notify the other parties immediately of certain disposal or cessation of business or insolvency events.</p>

11.1.6 LOAN NOTE TRUST DEED

As announced through the ASX on 29 October 2010, Spark RE has made an amendment to the terms of issue of the Loan Notes, to give the holders of Loan Notes a limited direct right of enforcement against Spark RE, consistent with holders of Loan Notes being treated as creditors of Spark RE for the purposes of the Note Scheme under the Corporations Act. A copy of the amended Loan Note Trust Deed is available at asx.com.au.

11.2 CHESS - PARTICIPATION OF SECURITIES (THEN COMPRISING UNITS AND LOAN NOTES) POST THE RESTRUCTURE IN CHESS

Following the Restructure, the Securities (comprising Units and Loan Notes) will participate in CHESS operated by ASX Settlement and Transfer Corporation Pty Ltd (and will commence trading on a deferred settlement basis after the Effective Date). They must be held in uncertificated form (i.e. no security certificate will be issued) on the CHESS subregister under sponsorship of a sponsoring participant (usually a broker) or on the issuer-sponsored subregister.

Arrangements can be made at any subsequent time to convert your holding from the issuer-sponsored subregister to the CHESS subregister under sponsorship of a sponsoring participant or vice versa by contacting your sponsoring participant.

Each Stapled Entity is a “disclosing entity” under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including the preparation of annual reports and half yearly reports.

Each Stapled Entity is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets conducted by the ASX. In particular, each Stapled Entity has an obligation under the Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware of which a reasonable person would expect to have a material effect on the price or value of its securities. That information is available to the public from the ASX.

Some documents are required to be lodged with ASIC in relation to each Stapled Entity. These documents may be obtained from, or inspected at, an ASIC office.

Spark Infrastructure will provide a copy of the following documents, free of charge, to any Securityholder who requests it before the Implementation Date:

- the audited financial report of Spark Infrastructure and its controlled entities for the year ended 31 December 2009 (being the annual financial report most recently lodged with ASIC before this Explanatory Memorandum was lodged with ASIC);
- the reviewed half year financial report of Spark Infrastructure and its controlled entities for the six month period to 30 June 2010;
- the current Constitutions and Constitution Amendments;
- the Restructure Implementation Deed; and
- each announcement to the ASX made by Spark Infrastructure after lodgement with ASIC of the annual report referred to above and before the Meetings. The following is a list of all such announcements lodged since 23 April 2010 and before the date of this Explanatory Memorandum.

RECENT ASX ANNOUNCEMENTS

Date	Headline and particulars
2/11/2010	Change of Director's Interest Notice
2/11/2010	Change of Director's Interest Notice
2/11/2010	Change of Director's Interest Notice
29/10/2010	Amendment to Note Trust Deed – Terms of Issue
29/10/2010	Moody's revises Spark Infrastructure credit outlook
29/10/2010	AER final decision for CitiPower and Powercor
29/10/2010	Appendix 3B
27/10/2010	Retail Entitlement Offer Complete
21/10/2010	Change of Director's Interest Notice
21/10/2010	Change of Director's Interest Notice
12/10/2010	Form 603 Notice of initial Substantial Holder from SUN
12/10/2010	Form 605 Ceasing to be a Substantial Holder from SUN
11/10/2010	Appendix 3B
30/09/2010	Change in substantial holding
30/09/2010	Entitlement offer - Ineligible holders letter
24/09/2010	ASX Circular - Accelerated Non-renounceable Entitlement Offer
24/09/2010	Completion of Institutional Offer
22/09/2010	Appendix 3B
22/09/2010	Investor Information Booklet
22/09/2010	Cleansing Statement
22/09/2010	Strategic Review Outcome - ASX release and presentation
22/09/2010	Request for Trading Halt

22/09/2010	Trading Halt
13/09/2010	\$250m refinancing executed
23/08/2010	Spark HY 2010 analyst presentation
23/08/2010	Spark HY 2010 - Interim financials 23 August 2010
23/08/2010	Spark HY 2010 media release
23/07/2010	Spark HY 2010 results announcement date
15/07/2010	Change in substantial holding from 11C1G
15/07/2010	ETSA Utilities wins NBN contract
09/07/2010	Deloitte distribution and income tax guide
09/07/2010	Spark Infrastructure performance fee
29/06/2010	Spark agrees \$450m refinancing
04/06/2010	AER Draft Decision - CitiPower and Powercor
31/05/2010	Initial Director's Interest Notice
31/05/2010	Final Director's Interest Notice
28/05/2010	Amended Constitution for Spark Infrastructure International
28/05/2010	Amended Constitution for Spark Infrastructure 2
28/05/2010	Amended Constitution for Spark Infrastructure 1
28/05/2010	Results of Meeting
28/05/2010	Spark AGM 2010 - Chairman's address and presentation
24/05/2010	Ceasing to be a substantial holder
24/05/2010	Becoming a substantial holder
19/05/2010	Change of Director's Interest Notice
13/05/2010	Change in substantial holding
10/05/2010	Final Director's Interest Notice
06/05/2010	AER final decision for ETSA Utilities
06/05/2010	AER final decision on SA distribution determination for ETSA
23/04/2010	Spark 2009 Shareholder Review
23/04/2010	Spark 2009 Annual Report

11.4 ASX WAIVERS AND CONFIRMATIONS

In order to implement the Restructure, Spark Infrastructure has sought certain waivers and confirmations from the Listing Rules. ASX has granted Spark Infrastructure the following confirmations regarding Listing Rules 3.20.2, 6.12.3, 7.40 and 10.1, including that:

- Listing Rule 10.1 does not apply to the Restructure;
- ASX has no objections to the proposed amendments to the constitutions of Spark Trust, Spark Holdings 1, Spark Holdings 2, Spark International and the Note Trust Deed and the divestment of foreign holdings provisions are appropriate and equitable for the purposes of Listing Rule 6.12.3;
- The Securities (then comprising Units and Loan Notes in Spark Trust) will continue to be quoted, and Spark Trust will continue to be listed after the Restructure;
- Following the Restructure, the Securities will continue to be classified as equity securities and the main class of Spark Trust's securities for the purposes of the listing rules; and
- ASX will release Spark Holdings 1, Spark Holdings 2 and Spark International from all obligations and liabilities under the deed of undertaking dated 15 December 2005 in favour of ASX to disclose the right of ASX to remove an entity from the official list if the securities of that entity cease to be stapled in an offer document and every annual report.

11.5.1 RESTRUCTURE RELIEF

In order to allow Spark Infrastructure to implement the Restructure, ASIC has granted certain modifications of, and exemptions from, the application of the following sections of the Corporations Act:

- Section 601FC(1)(d), to exempt the Spark RE from the requirement to treat members equally in respect of the Foreign Sale Facility for the Restructure (see Section 4.8(c) for further details);
- Section 1019A, to exempt the Restructure from the cooling-off requirements imposed by that subsection;
- Paragraph 8201(b) and 8203(a) and (b) of Schedule 8 of the Corporations Regulations, to exempt Spark RE from the creditors scheme disclosure requirements to provide a statement of expected dividends that would be paid to scheme creditors if the Note Scheme were put into effect as proposed, a report on the affairs of Spark RE and a copy of all financial statements required to be lodged with ASIC by Spark RE; and
- Paragraph 8201(c) of Schedule 8 of the Corporations Regulations, to exempt Spark RE from the creditors scheme disclosure requirement to provide a list of scheme creditors and debts owed.

11.5.2 MODIFICATION OF ONGOING RELIEF

ASIC has granted Spark Infrastructure in-principle modification of the existing standard technical stapling reliefs which were granted to the Stapled Entities in respect of their ongoing responsibilities relating to the following provisions of the Corporations Act, so that the reliefs continue to apply to Spark RE as responsible entity of the Spark Trust and the Securities (then comprising Units and Loan Notes) after the Restructure:

- Section 601GAA(5) as notionally inserted into the Corporations Act by ASIC Class Order [CO 05/26] - relief relating to issue pricing of units under distribution reinvestment plan;
- Section 601GAA(9A) - relief relating to issue pricing of units at market price;
- Sections 601FC(1)(c) and 601FD(1)(c) - relief relating to duty to act in the best interests of members (to allow their interests as holders of interests in the Spark Trust and as holders of other financial product to be taken into account);
- Sections 708(13)(b) and 1012D(3)(b) - relief relating to obligation to give a prospectus or a prospectus disclosure statement for a distribution reinvestment plan; and
- Section 601FC(1)(d) - relief relating to "Excluded US Person".

11.6 MATERIAL CHANGES SINCE FULL YEAR 2009 AUDITED FINANCIAL STATEMENTS

The last annual audited financial statements presented to Securityholders in a general meeting and sent to Securityholders were the audited financial statements for the year ended 31 December 2009 as lodged with ASX on 26 February 2010. So far as is known by the Spark Infrastructure Directors, the only material changes to the financial position of Spark Infrastructure since 31 December 2009 are as set out in this Explanatory Memorandum. These include:

- an update to the financial position of Spark Infrastructure as set out in Spark half year 2010 Interim Financials as announced on 23 August 2010;
- an update for \$250 million refinancing completed as announced on 13 September 2010;
- an update for announcement of outcome of Strategic Review and repositioning proposal as announced on 22 September 2010;
- an update for completion of institutional component of Entitlement Offer as announced on 24 September 2010; and
- an update for completion of retail component of Entitlement Offer as announced on 27 October 2010.

At the date of this Explanatory Memorandum, the matters referred to above and the other matters disclosed in this Explanatory Memorandum constitute particulars of the changes in the financial position of Spark Infrastructure since 31 December 2009. In considering the overall financial position of Spark Infrastructure, Securityholders should have regard to the full range of financial information available concerning Spark Infrastructure, including its periodic reports, financial statements and announcements made to ASX. This includes the financial statements and results presentation for the half year ended 30 June 2010 as lodged with the ASX on 23 August 2010.

11.7 CONSENTS AND INTERESTS OF ADVISERS

11.7.1 LONERGAN EDWARDS & ASSOCIATES LIMITED

Lonergan Edwards & Associates Limited has given, and before the lodgement of this Explanatory Memorandum with ASIC, has not withdrawn, its consent to being named as Independent Expert in this Explanatory Memorandum and to the inclusion of its Independent Expert's Report in the form and context in which it appears in Annexure 6. The interests of Lonergan Edwards & Associates Limited are disclosed in the Independent Expert's Report. Lonergan Edwards & Associates Limited will be paid \$65,000 + GST in connection with the preparation of its Independent Expert's Report.

11.7.2 DELOITTE TOUCHE TOHMATSU

Deloitte Touche Tohmatsu has given, and before the lodgement of this Explanatory Memorandum with ASIC, has not withdrawn, its consent to being named as Investigating Accountant in this Explanatory Memorandum and to the inclusion of its Investigating Accountant's Report in the form and context in which it appears in Annexure 7. The interests of Deloitte Touche Tohmatsu are disclosed in the Investigating Accountant's Report. Deloitte Touche Tohmatsu will be paid \$110,000 + GST in connection with the preparation of its Investigating Accountant's Report.

11.7.3 OTHER PARTIES

The persons performing a function in a professional or advisory capacity in connection with the Schemes and the preparation of this Explanatory Memorandum on behalf of Spark Infrastructure are set out in Section 1.15. Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The following parties have given, and before the lodgement of this Explanatory Memorandum with ASIC, have not withdrawn, their consent to be named in this Explanatory Memorandum in the form and context in which they are named in Section 1.15:

- Mallesons Stephen Jaques as legal advisers to Spark Infrastructure;
- Ernst & Young as tax adviser to Spark Infrastructure;
- Deutsche Bank acted as financial adviser to Spark Infrastructure in relation to the Strategic Review;
- Each of Deutsche Bank and UBS AG, Australia Branch as joint lead managers to Spark Infrastructure for the Repositioning (and in particular as underwriters to the Entitlement Offer);
- Investec Bank (Australia) Limited as adviser to the IBC in relation to the Strategic Review;
- Deloitte Touche Tohmatsu as accounting adviser to Spark Infrastructure and on certain tax matters relevant to the Asset Companies; and
- Computershare Investor Services Pty Limited as the Registry.

Each party referred to in this Section 11.7:

- has not made any statement in, or accompanying, this Explanatory Memorandum, or any statement on which a statement in, or accompanying, this Explanatory Memorandum is based, other than the statements and references included in, or accompanying, this Explanatory Memorandum with the consent of that party (as set out in sections 11.7.1 and 11.7.2 above);
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum, other than with respect to the statements and references included in, or accompanying, this Explanatory Memorandum with the consent of that party (as set out in sections 11.7.1 and 11.7.2 above); and
- does not authorise the issue or despatch of this Explanatory Memorandum.

11.8 INTERESTS IN SECURITIES HELD BY SPARK INFRASTRUCTURE DIRECTORS

The following table shows the number of, and relevant interest in, Securities held by each Spark Infrastructure Director either personally or beneficially as at 1 November 2010.

DIRECTOR	NUMBER OF SPARK INFRASTRUCTURE SECURITIES HELD AS AT 1 NOVEMBER 2010
Mr Stephen Johns (Chairman)	424,285
Ms Cheryl Bart	160,714
Mr Dominic Chan	nil
Mr John Dorrian	175,407
Mr Andrew Fay	nil
Mr Andrew Hunter	nil
Ms Anne McDonald	40,000
Mr Don Morley	295,713
Dr Keith Turner	nil

Except as stated above, there are no marketable securities of Spark Infrastructure held by or on behalf of any Spark Infrastructure Director to which such persons are entitled as at the date of this Explanatory Memorandum. The Spark Infrastructure Directors intend to vote the Securities they own or control in favour of all of the Restructure Resolutions, except where they are not permitted to cast a vote (under the voting exclusions contained in the Notices of Meeting in Annexure 1).

11.9 PARTICULARS OF CERTAIN ARRANGEMENTS AND PAYMENTS AND OTHER BENEFITS TO DIRECTORS, SECRETARIES AND EXECUTIVE OFFICERS OF SPARK INFRASTRUCTURE AND EACH STAPLED ENTITY

No Spark Infrastructure Director has:

- any interest in the Schemes. Details of each Director's relevant interest in Securities are described in Section 11.8;
- any interest in any contract entered into by Spark Infrastructure (or any of its Stapled Entities);
- any interest as a creditor of Spark Infrastructure (or any of its Stapled Entities); or
- is party to any agreement or arrangement with another person in connection with or conditional on the outcome of the Schemes.

In addition, it is not proposed that any payment or other benefit will be made or given to any Directors, secretary or executive officer of Spark Infrastructure, or of any of its related bodies corporate, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Spark Infrastructure or any of its related bodies corporate in connection with the Schemes.

11.10 FEES PAID TO MEMBERS OF SPARK INFRASTRUCTURE'S DUE DILIGENCE COMMITTEE

As at 15 October 2010, each of Ms Anne McDonald and Mr Don Morley, independent directors of Spark Infrastructure, had been paid \$25,000 in connection with their role as members of Spark Infrastructure's due diligence committee (DDC) to reflect the significant volume of additional work undertaken by them in connection with the Strategic Review and the Repositioning and their attendance at DDC meetings. Further fees may be payable to them in connection with their role and responsibility as DDC members subsequent to that date. These fees are not contingent on the Restructure proceeding.

11.11 ADMINISTRATOR

It is not proposed that any person be appointed to manage or administer the Spark Holdings 1 Member Scheme, the Spark Holdings 2 Member Scheme or the Note Scheme.

11.12 PRIVACY AND PERSONAL INFORMATION

As a Securityholder, Spark Infrastructure and the Registry have already collected certain personal information from you. Spark Infrastructure will need to collect personal information in connection with the Meetings. The personal information may include the names, contact details and details of holdings of Securityholders, plus contact details of individuals appointed by Securityholders as proxies, corporate representatives or attorneys at the Meetings. The collection of some of this information is required or authorised by the Corporations Act.

The information may be disclosed to print and mail service providers, and to Spark Infrastructure and its advisers to the extent necessary to effect the Restructure. If the information outlined above is not collected, Spark Infrastructure may be hindered in, or prevented from, conducting the Meetings or implementing the Restructure. Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meetings should inform that individual of the matters outlined above. It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Register. The Register contains personal information about Securityholders.

Securityholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact Spark Infrastructure's company secretary if they wish to exercise those rights. You can request access to your personal information by telephoning or writing to Spark Infrastructure through the Registry as follows:

COMPUTERSHARE INVESTOR SERVICES PTY LIMITED

Level 4, 60 Carrington Street, Sydney NSW 2000

POSTAL ADDRESS:

GPO Box 7045 Sydney NSW 2000

Telephone (within Australia): 1300 608 629 (outside Australia): +61 3 9415 4068

11.13 SUPPLEMENTARY INFORMATION

Spark Infrastructure may issue a supplementary document to this Explanatory Memorandum if it becomes aware of any of the following between the date of this document and the date of the Meetings:

- a material statement in this Explanatory Memorandum is false or misleading (including by way of omission);
- a significant change affecting a matter included in this Explanatory Memorandum; or
- a significant new matter has arisen and it would have been required to be included in this Explanatory Memorandum if it had arisen before the date of this Explanatory Memorandum.

Depending on the nature of the timing of the changed circumstances and subject to obtaining any relevant approvals, Spark Infrastructure may circulate and publish any supplementary document by:

- placing an advertisement in a prominently placed newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Spark Infrastructure's website at sparkinfrastructure.com; or
- posting the supplementary document to all Securityholders.

11.14 NOTEHOLDERS RIGHT TO INSPECT REGISTER

Spark Infrastructure keeps a single register in respect of its Securities in accordance with the stapling provisions and the Corporations Act, maintained by its Registry at Level 3, 60 Carrington Street, Sydney, NSW. The register includes information about each Noteholder's name and address and the amount of the Loan Notes held. Under the Corporations Act, a Securityholder has a right to inspect this register without charge. If the register is kept on a computer, a hard copy of the register will be provided for inspection unless the Securityholder agrees with Spark Infrastructure that the Securityholder would access the information on the register by computer. Spark Infrastructure must give a Securityholder a copy of the register (or a part of the register) within 7 days if the Securityholder asks for the copy. ASIC may allow a longer period to comply with the request. If the register is kept on a computer and the Securityholder asks for the data on floppy disk, Spark Infrastructure must give the data to the Securityholder on floppy disk. The data must be readable but the floppy disk need not be formatted for the Securityholder's preferred operating system.

11.15 INTEREST OF SPARK RE

Other than Spark Trust, Spark RE is not trustee of any other trust and it does not carry on any business separate from that of trustee of Spark Trust. Noteholders may obtain a copy of the Loan Note Trust Deed, free of charge, prior to the date of the Meetings by contacting the Spark Infrastructure Securityholder Information Line on 1300 608 629 (within Australia) or +61 3 9415 4068 (outside Australia) if you have any questions.

11.16 OTHER MATERIAL INFORMATION

Except as disclosed or referred to in this Explanatory Memorandum, none of the directors of Spark Infrastructure or any related body corporate is aware of any other information that is:

- Material to the making of a decision in relation to the Restructure or a decision of a Securityholder on how to vote on the Restructure;
- Known to Spark Infrastructure; and
- Not previously disclosed to Securityholders.

11.17 GOVERNING LAW

This Explanatory Memorandum is governed by the law applicable in New South Wales, Australia.

Each Securityholder submits to the jurisdiction of the courts of New South Wales, Australia in respect of the Restructure.

SECTION 12 GLOSSARY

TERM	DEFINITION
\$ or A\$ or dollars	Australian dollars
ABN	Australian Business Number
AER	Australian Energy Regulator
AMI	Advanced Metering Infrastructure
ARSN	Australian Registered Scheme Number
Asset Companies	Spark Infrastructure's operating businesses, CHEDHA and ETSA Utilities
Asset Company Agreements	The agreements entitled "CHEDHA Holdings Shareholders Agreement", "ETSA Utilities Partner Share Dealing Agreement", "ETSA Utilities Partnership Amendment Agreement" and "OPCo Shareholders Amendment Agreement" which govern the relationship of Spark Infrastructure, CKI and Hongkong Electric Holdings Limited in relation to the ownership and operation of the Asset Companies
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by that entity known as the Australian Securities Exchange
ATO	Australian Taxation Office
Boards	The boards of directors of each Stapled Entity
CaMS	Construction and Maintenance Services
CDI	CHESS Depository Interest
CGT	Capital Gains Tax
CHEDHA	CHEDHA Holdings Pty Limited (ABN 37 116 940 820)
CitiPower	CitiPower Pty Limited servicing Melbourne's inner suburbs and central business district
CKI	Cheung Kong Infrastructure Holdings Limited
Constitution Amendment and Related Resolutions	The resolutions described in Section 4.11(D) to be put to Securityholders at Extraordinary General Meetings of each Stapled Entity
Constitution Amendments	The proposed amendments to the Constitutions in the form set out in Annexure 5, together with any amendments desirable or necessary to comply with applicable law, that will be tabled and signed for identification by the chairman at the Extraordinary General Meetings
Constitutions	The constituent documents of a Stapled Entity and the Loan Note Trust Deed
Corporations Act	Corporations Act 2001 (Cth)
Corporations Regulations	Corporations Regulations 2001 (Cth)
CP 134	ASIC consultation paper (CP 134) which outlines suggested disclosures that should be made in relation to infrastructure entities
Deferral and Defer	A deferral of interest payable to Securityholders under the Loan Notes
DRP	Spark Infrastructure's distribution reinvestment plan
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Effective	When used in relation to a Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to that Scheme.
Effective Date	The date on which the Schemes become Effective, which is intended to be 20 December 2010.

Enterprise Value	Market capitalisation plus net debt of Spark Infrastructure, calculated either standalone (excluding Spark Infrastructure's proportionate share of the Asset Companies' net debt) or look-through (including Spark Infrastructure's proportionate share of the Asset Companies' net debt)
Entitlement Offer	The Entitlement Offer described in the Investor Information Booklet
ETSA Utilities	ETSA Utilities based in South Australia
Explanatory Memorandum	This explanatory memorandum (including any supplement to it or replacement of it) prepared by Spark Infrastructure and despatched to Securityholders which contains:
Extraordinary General Meetings	Means the meetings convened by the Stapled Entities to consider the Constitutional Amendment and Related Resolutions
Foreign Sale Facility	Means the facility contemplated by the Schemes and the Spark Trust Constitution Amendments under which the Securities of the Ineligible Overseas Securityholders are transferred to the Sale Agent, additional Units are issued to the Sale Agent under the Schemes and (following consolidation of the Units and restapling to the Loan Notes) disposed of as stapled securities then comprising of Units and Loan Notes
Financial Information	Pro forma Historical Financial Information and distribution guidance
First Judicial Advice	Confirmation from the Court under section 63 of the Trustee Act 1925 (NSW) that Spark RE as the responsible entity of Spark Trust would be justified in convening the Extraordinary General Meeting of Spark Trust and proceeding on the basis that amending the Spark Trust Constitution as contemplated by the Supplemental Deeds would be within the powers conferred by the Spark Trust Constitution and section 601GC of the Corporations Act
Governance Deed	As described in Section 11.1.3
GST	Australian Goods and Services Tax (currently 10%)
Guidance Period	The period for which distribution guidance has been provided in the Investor Information Booklet and repeated in this Explanatory Memorandum
HKE	Hongkong Electric Holdings Limited
IBC	The independent board committees of Spark Infrastructure
Implementation Date	31 December 2010 or such other date as is determined in accordance with the Restructure Implementation Deed
Independent Directors	The independent directors of Spark Infrastructure, as detailed in Section 1.15
Independent Expert	Loneragan Edwards & Associates Limited, the independent expert who advised the IBC in relation to the proposed Repositioning and Strategic Review
Independent Expert's Report	The report prepared by the Independent Expert as described in Section 1.6, and annexed at Annexure 6
Ineligible Overseas Securityholder	Has the meaning set out in Section 4.8
Internalisation	Internalisation of the external management function of Spark Infrastructure
Investigating Accountant	Deloitte Touche Tohmatsu
Investment Company Act	The US Investment Company Act of 1940, as amended
Investor Information Booklet	The investor information booklet dated 22 September 2010
IPO	Initial public offering
IPO Document	The prospectus and product disclosure statement dated 18 November 2005 for Spark Infrastructure's IPO
Listing Rules	The official listing rules of ASX, as amended or replaced from time to time except to the extent of any waiver granted by ASX
Loan Note	The Loan Notes forming part of Spark the Securities which are issued by Spark RE in its capacity as responsible entity of Spark Trust

Loan Note Trust Deed	Deed executed by Spark RE and the Note Trustee setting out the terms of issue of the Loan Notes
Look-through Gearing	(Spark Infrastructure net debt plus Spark Infrastructure's proportionate share of the Asset Companies' net debt) divided by (book value of Spark Infrastructure equity including Loan Notes plus Spark Infrastructure net debt plus Spark Infrastructure's proportionate share of the Asset Companies' net debt)
Manager	Spark Infrastructure Management Limited (ABN 84 114 940 304)
Management Agreement	Agreement between the Manager and the Stapled Entities dated on or about 9 November 2005
Meetings	The Scheme Meetings and the Extraordinary General Meetings
Note Scheme	A Corporations Act scheme of arrangement to give effect to the partial repayment of principal on the Loan Notes, the form of which is contained in Annexure 2, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law
Note Scheme Meeting	The resolution to be passed by holders of Loan Notes to approve the Note Scheme
Note Scheme Resolution	A meeting of holders of the Loan Notes for the purposes of considering the Note Scheme
Note Trustee	Australian Executor Trustees Limited (ABN 84 007 869 794) as trustee of the trust established under the Loan Note Trust Deed for the benefit of the Loan Note holders
Powercor	Powercor Australia Limited based in Victoria, servicing western Victoria (including the western suburbs of Melbourne)
Prior Disclosure	The IPO Document, the Investor Information Booklet and other periodic and continuous disclosure announcements lodged with the ASX by Spark Infrastructure
Pro-forma Historical Balance Sheet	Pro-forma historical balance sheet for Spark Infrastructure as at 30 June 2010 as provided in this Explanatory Memorandum
Pro-forma Historical Cash Flow Statements	Pro-forma historical cash flow statements for Spark Infrastructure for the financial year ended 31 December 2009 and financial half year ended 30 June 2010 as provided in this Explanatory Memorandum
Pro-forma Historical Financial Information	The Pro-forma Historical Balance Sheet, Pro-forma Cash Flow Statements and Pro-forma Historical Income Statements
Pro-forma Historical Income Statements	Pro-forma historical income statements for Spark Infrastructure for the financial year ended 31 December 2009 and financial half year ended 30 June 2010 (extracted from the Historical Statement of Comprehensive Income for the financial year ended 31 December 2009 and financial half year ended 30 June 2010) as provided in this Explanatory Memorandum
RAB	Regulatory Asset Base. For ETSA Utilities, CitiPower and Powercor the RAB is published on the AER website aer.gov.au
Record Date	7:00 pm (Sydney time) on 29 December 2010
Register	The register of Spark Infrastructure which is maintained by the Registry
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Repositioning	The Entitlement Offer and the proposed Restructure
Restructure	The proposed restructure and simplification of Spark Infrastructure's ownership and security structure as described in Section 4 of this Explanatory Memorandum
Restructure Implementation Deed	The deed between Spark Holdings 1, Spark Holdings 2, Spark International and Spark RE as responsible entity for Spark Trust under which the parties agree to undertake the Restructure
Restructure Resolutions	The Spark Holdings 1 - Member Scheme Resolution, the Spark Holdings 2 - Member Scheme Resolution, the Note Scheme Resolution and the Constitution Amendment and Related Resolutions
RREEF	RREEF Infrastructure

Sale Agent	The entity appointed by Spark Infrastructure to act as the sale facility agent for the Foreign Sale Facility, being Deutsche Bank AG or any other person appointed by Spark Infrastructure to act as the sale facility agent prior to the Record Date.
Scheme Meetings	The Spark Holdings 1 Member Scheme Meeting, the Spark Holdings 2 Member Scheme Meeting and the Note Scheme Meeting
Schemes	The Spark Holdings 1 Member Scheme, the Spark Holdings 2 Member Scheme and the Note Scheme
Second Court Hearing	The hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Schemes
Second Judicial Advice	Confirmation from the Court under section 63 of the Trustee Act 1925 (NSW) as described in Section 4.12(d)
Securities Act	The US Securities Act of 1933, as amended
Security	The stapled securities in Spark Infrastructure as quoted under ticker SKI:ASX, currently listed on the ASX as a five stapled security as described in Section 4.11
Securityholder	Each person who is registered on the Register from time to time as a holder of Securities.
Senior Debt	Refer to Section 8.1
Senior Debt Lock-up	In relation to Spark Infrastructure, the occurrence of an event of default or potential event of default
Spark Holdings 1	Spark Infrastructure Holdings No. 1 Limited (ABN 14 116 940 786)
Spark Holdings 1 Member Scheme	A Corporations Act scheme of arrangement in relation to the exchange of ordinary shares in Spark Holdings 1 for Units as part of the Restructure, the form of which is contained in Annexure 3, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law
Spark Holdings 1 Member Scheme Meeting	A meeting of shareholders of Spark Holdings 1 for the purposes of considering the Spark Holdings 1 Member Scheme
Spark Holdings 1 Member Scheme Resolution	The resolution to be passed by Spark Holdings 1 shareholders to approve the Spark Holdings 1 Member Scheme
Spark Holdings 2	Spark Infrastructure Holdings No. 2 Limited (ABN 16 116 940 795)
Spark Holdings 2 Member Scheme	A Corporations Act scheme of arrangement in relation to the exchange of ordinary shares in Spark Holdings 2 for Units as part of the Restructure, the form of which is contained in Annexure 4, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law
Spark Holdings 2 Member Scheme Meeting	A meeting of shareholders of Spark Holdings 2 for the purposes of considering the Spark Holdings 2 Member Scheme
Spark Holdings 2 Member Scheme Resolution	The resolution to be passed by Spark Holdings 1 shareholders to approve the Spark Holdings 1 Member Scheme
Spark International	Spark Infrastructure Holdings International Limited (ARBN 117 034 492)
Spark Infrastructure	The Stapled Entities and any subsidiary of a Stapled Entity
Spark Infrastructure Entity	Any entity within the Spark Infrastructure group
Spark RE	Spark Infrastructure RE Limited (ABN 36 114 940 984) the responsible entity of Spark Trust
Spark RE Deed Poll	As described in Section 11.1.2
Spark Trust	Spark Infrastructure Trust (ARSN 116 870 725)
Special Share Transfer Deed	As described in Section 11.1.4
Standalone Gearing	(Spark Infrastructure gross debt) divided by (book value of Spark Infrastructure equity including Loan Notes plus Spark Infrastructure gross debt)

Stapled Entity	Each of Spark Infrastructure Trust (through Spark RE), Spark Holdings 1, Spark Holdings 2 and Spark International.
Stapling Provisions	The provisions relating to the stapling of the Securities contained in a schedule to the Constitutions, as the same may be amended or added to from time to time.
Strategic Review	The strategic review announced on 26 February 2010 by Spark Infrastructure whereby the Boards considered Spark Infrastructure's capital structure, ownership structure and future funding needs. The Strategic Review followed measures undertaken by the Boards in 2009, including a reduction in distributions and activation of a dividend reinvestment plan.
Supplemental Deeds	Deeds poll in the form tabled and signed for identification by the Chairman of the Extraordinary General Meeting for Spark Trust to give effect to the proposed amendments of the Spark Trust Constitution as set out in Parts A and B of Annexure 5
TOFA	Taxation of Financial Arrangements
Unit	A unit in Spark Trust
US Person	A person so defined in Regulation S under the U.S. Securities Act of 1933, as amended

ANNEXURE 1 – NOTICES OF MEETING

PART A - NOTICE OF NOTE SCHEME MEETING

Spark Infrastructure RE Limited ACN 114 940 984 as the responsible entity of the Spark Infrastructure Trust
ARSN 116 870 725.

Notice is given that by an order of the Supreme Court of New South Wales (Court) made on 3 November 2010 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (Corporations Act), a meeting of a class of creditors of Spark Infrastructure RE Limited being the holders of Loan Notes issued by the Spark Infrastructure RE Limited as responsible entity of the Spark Infrastructure Trust, will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia.

The Court has also directed that Stephen Johns act as Chairman of the meeting, or failing him, that Don Morley act as Chairman of the meeting, and has directed the Chairman to report the result of the meeting to the Court if the resolution is approved.

BUSINESS OF THE MEETING - NOTE SCHEME RESOLUTION

To consider and, if thought fit, pass a resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, pursuant to section 411(4) of the Corporations Act, the scheme of arrangement proposed to be made between Spark RE and each holder of Loan Notes, designated the "Note Scheme", as more particularly set out in the Explanatory Memorandum (of which this Notice of Note Scheme Meeting forms part), is agreed to, with or without modification as approved by the Court.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this notice of meeting.

Majority required

The Note Scheme Resolution must be approved by a resolution passed by a majority in number of holders of Loan Notes present and voting (either in person or by proxy) whose Loan Notes represent at least 75% of the total amount outstanding on the Loan Notes of the holders present and voting (either in person or by proxy).

COURT APPROVAL

If each Restructure Resolution (other than those relating to Spark International) is approved at the Meetings by the requisite majorities, the implementation of the Note Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court. Spark Infrastructure RE Limited intends to apply to the Court for orders to give effect to the Note Scheme if each Restructure Resolution (other than those relating to Spark International) is so approved.

By order of the board of Spark Infrastructure RE Limited as the responsible entity of the Spark Infrastructure Trust.



Stephen Johns

Chairman

Tuesday, 9 November 2010

PART B - NOTICE OF SPARK HOLDINGS 1 MEMBER SCHEME MEETING

Spark Infrastructure Holdings No. 1 Limited ACN 116 940 786.

Notice is given that by an order of the Supreme Court of New South Wales (Court) made on 3 November 2010 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (Corporations Act), a meeting of the holders of ordinary shares of Spark Infrastructure Holdings No. 1 Limited will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia.

The Court has also directed that Stephen Johns act as Chairman of the meeting, or failing him, that Don Morley act as Chairman of the meeting, and has directed the Chairman to report the result of the meeting to the Court if the resolution is approved.

BUSINESS OF THE MEETING - SPARK HOLDINGS 1 MEMBER SCHEME RESOLUTION

To consider and, if thought fit, pass a resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, pursuant to section 411(4) of the Corporations Act, the scheme of arrangement proposed to be made between Spark Holdings 1 and each holder of Spark Holdings 1 ordinary shares, designated the "Spark Holdings 1 Member Scheme" or the "Spark 1 Scheme", as more particularly set out in the Explanatory Memorandum (of which this Notice of Spark Holdings 1 Member Scheme Meeting forms part), is agreed to, with or without modification as approved by the Court.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this notice of meeting.

MAJORITY REQUIRED

The Spark Holdings 1 Member Scheme Resolution must be passed by at least 75% of the votes cast by Spark Holdings 1 ordinary shareholders on the resolution and by a majority in number of Spark Holdings 1 ordinary shareholders present and voting (either in person or by proxy). On a poll, a holder of ordinary shares of Spark Holdings 1 or their nominated proxy has one vote for each fully paid ordinary share that the shareholder has in Spark Holdings 1.

COURT APPROVAL

If each Restructure Resolution (other than those relating to Spark International) is approved at the Meetings by the requisite majorities, the implementation of the Spark Holdings 1 Member Scheme Resolution (with or without modification) will be subject, among other things, to the subsequent approval of the Court. Spark Infrastructure Holdings No. 1 Limited intends to apply to the Court for orders to give effect to the Spark Holdings 1 Member Scheme if each Restructure Resolution (other than those relating to Spark International) is so approved.

By order of the board of Spark Infrastructure Holdings No. 1 Limited.



Stephen Johns

Chairman

Tuesday, 9 November 2010

PART C - NOTICE OF SPARK HOLDINGS 2 MEMBER SCHEME MEETING

Spark Infrastructure Holdings No. 2 Limited ACN 116 940 795.

Notice is given that by an order of the Supreme Court of New South Wales (Court) made on 3 November 2010 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (Corporations Act), a meeting of the holders of ordinary shares of Spark Infrastructure Holdings No. 2 Limited will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia.

The Court has also directed that Stephen Johns act as Chairman of the meeting, or failing him, that Don Morley act as Chairman of the meeting, and has directed the Chairman to report the result of the meeting to the Court if the resolution is approved.

BUSINESS OF THE MEETING - SPARK HOLDINGS 2 MEMBER SCHEME RESOLUTION

To consider and, if thought fit, pass a resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, pursuant to section 411(4) of the Corporations Act, the scheme of arrangement proposed to be made between Spark Holdings 2 and each holder of Spark Holdings 2 ordinary shares, designated the "Spark Holdings 2 Member Scheme" or the "Spark 2 Scheme", as more particularly set out in the Explanatory Memorandum (of which this Notice of Spark Holdings 2 Member Scheme Meeting forms part), is agreed to, with or without modification as approved by the Court.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this notice of meeting.

MAJORITY REQUIRED

The Spark Holdings 2 Member Scheme Resolution must be passed by at least 75% of the votes cast by its ordinary shareholders on the resolution and by a majority in number of Spark Holdings 2 ordinary shareholders present and voting (either in person or by proxy). On a poll, a holder of ordinary shares of Spark Holdings 2 or their nominated proxy has one vote for each fully paid ordinary share that the shareholder has in Spark Holdings 2.

COURT APPROVAL

If each Restructure Resolution (other than those relating to Spark International) is approved at the Meetings by the requisite majorities, the implementation of the Spark Holdings 2 Member Scheme Resolution (with or without modification) will be subject, among other things, to the subsequent approval of the Court. Spark Infrastructure Holdings No. 2 Limited intends to apply to the Court for orders to give effect to the Spark Holdings 2 Member Scheme if each Restructure Resolution (other than those relating to Spark International) is so approved.

By order of the board of Spark Infrastructure Holdings No. 2 Limited.



Stephen Johns

Chairman

Tuesday, 9 November 2010

Spark Infrastructure RE Limited ACN 114 940 984 as the responsible entity of the Spark Infrastructure Trust ARSN 116 870 725.

Notice is hereby given that a meeting of holders of units in the Spark Infrastructure Trust will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia or, if later, immediately following the Scheme meetings.

BUSINESS OF THE MEETING – SPARK TRUST CONSTITUTION AMENDMENTS RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, the amendments to the constitution of Spark Trust set out in supplemental deeds in the form tabled and signed for identification by the Chairman at the meeting are approved and THAT Spark RE is authorised to execute and lodge with ASIC the supplemental deeds to give effect to the proposed amendments of the Spark Trust constitution.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this Notice of meeting.

MAJORITY REQUIRED

This resolution must be passed by at least 75% of the votes cast by unitholders entitled to vote on the resolution. On a poll, a unit holder or their nominated proxy has one vote for each dollar of the value of the total interests that the holder has in Spark Trust pursuant to sections 253C(2) and 253F of the Corporations Act.

JUDICIAL ADVICE

If each Restructure Resolution (other than those relating to Spark International) is approved at the Meetings by the requisite majorities, the implementation of the Spark Trust constitution amendments will be subject, among other things, to the subsequent confirmation by the Court, under section 63 of the Trustee Act 1925 (NSW) that, Spark Infrastructure RE Limited would be justified in acting upon the Spark Trust constitution amendment resolutions and in doing all things and taking all necessary steps to implement the proposal described in the Explanatory Memorandum. Spark Infrastructure RE Limited intends to apply to the Court for orders to give effect to the Spark Trust constitution amendment resolutions if each Restructure Resolution (other than those relating to Spark International) is so approved.

By order of the board of Spark Infrastructure RE Limited as the responsible entity of the Spark Infrastructure Trust.



Stephen Johns

Chairman

Tuesday, 9 November 2010

Spark Infrastructure RE Limited ACN 114 940 984 as the responsible entity of the Spark Infrastructure Trust ARSN 116 870 725.

Notice is given that a meeting of the holders of Loan Notes issued by Spark Infrastructure RE Limited as the responsible entity of the Spark Infrastructure Trust will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia or, if later, immediately following the Scheme meetings.

BUSINESS OF THE MEETING – LOAN NOTE TRUST DEED AMENDMENTS RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, the amendments to the Loan Note Trust Deed set out in supplemental deeds in the form tabled and signed for identification by the Chairman at the meeting are approved and THAT the Spark RE as responsible entity of the Spark Trust and Australian Executor Trustees Limited as the Note Trustee are authorised to execute the supplemental deeds to give effect to the proposed amendments of the Loan Note Trust Deed.

LOAN NOTE HOLDERS DIRECTION RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, Australian Executor Trustees Limited as the Note Trustee is directed to execute supplemental deeds to give effect to the proposed amendments of the Loan Note Trust Deed and to do all things necessary or desirable to give effect to or incidental to the Restructure, the resolutions and the amendments to the Loan Note Trust Deed.

EXPLANATORY NOTES

Part I (“Explanatory notes for each of the notices of meeting”) of this Annexure forms part of this Notice of meeting.

MAJORITY REQUIRED

This resolution must be passed by at least 75% of the votes cast by holders of Loan Notes entitled to vote on that resolution. On a poll, a holder of Loan Notes or their nominated proxy has one vote for each dollar (cents being ignored) of the face value of Loan Notes registered in the holder’s name.

NOTEHOLDERS BOUND

A resolution passed at a meeting duly convened and held in accordance with the Loan Note Trust Deed is binding on all holders of Loan Notes, whether present or not present and whether or not voting at the meeting, and each holder is bound to give effect to it accordingly.

The passing of the resolution is conclusive evidence that the circumstances of the resolution justify its passing.

By order of the board of Spark Infrastructure RE Limited as the responsible entity of the Spark Infrastructure Trust.



Stephen Johns

Chairman

Tuesday, 9 November 2010

Spark Infrastructure Holdings International Limited ARBN 117 034 492

Notice is given that a meeting of the holders of CHESS depositary interests issued in respect of ordinary shares issued by Spark Infrastructure Holdings International Limited will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia or, if later, immediately following the Scheme meetings.

Business of the meeting

SPARK INTERNATIONAL CONSTITUTION AMENDMENTS RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (including those relating to Spark International) being passed, the amendment, restatement and replacement in their entirety of the Memorandum and Articles of Association of Spark International by the Amended and Restated Memorandum and Articles of Association of Spark International tabled and signed for identification by the Chairman at the meeting are approved, all amendments contemplated thereby (including without limitation, the variation of rights attaching to the ordinary shares and the special share contemplated thereby) and the adoption of the Amended and Restated Memorandum and Articles of Association as the Memorandum and Articles of Association of Spark International are approved.

REDEMPTION RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (including those relating to Spark International) being passed, upon the filing of the Amended and Restated Memorandum and Articles of Association of Spark International with the Registrar of Companies in The Bahamas, the redemption by Spark International of its ordinary shares held by CHESS Depositary Nominees Pty Limited for nil consideration on the terms contained in the Amended and Restated Memorandum and Articles of Association of Spark International, and the corresponding cancellation of CHESS depositary interests issued by CHESS Depositary Nominees Pty Limited in respect of the ordinary shares are so redeemed, are approved, agreed and consented to for all purposes.

CDI HOLDERS DIRECTION RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (including those relating to Spark International) being passed, the CHESS Depositary Nominees Pty Limited as the sole holder of the ordinary shares of Spark International (either itself or through Spark International as its attorney) is authorised and directed to sign or approve all necessary or desirable resolutions and consents corresponding to the resolutions above and to do all things necessary or desirable to give effect to or incidental to the Restructure, the resolutions contained herein and the proposed amendment and restatement of the Memorandum and Articles of Association of Spark International.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this Notice of meeting.

MAJORITY REQUIRED

These resolutions must be passed by at least 75% of the votes cast by holders of CHESS depositary interests entitled to vote on the resolution. On a poll, a holder of CHESS depositary interests or their nominated proxy has one vote for each fully paid CHESS depositary interest that the holder has.

By order of the board of Spark Infrastructure Holdings International Limited.



Stephen Johns

Chairman

Tuesday, 9 November 2010

PART G - NOTICE OF SPARK HOLDINGS 1 GENERAL MEETING

Spark Infrastructure Holdings No. 1 Limited ACN 116 940 786

Notice is given that a meeting of the holders of ordinary shares of Spark Infrastructure Holdings No. 1 Limited will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia or, if later, immediately following the Scheme meetings.

BUSINESS OF THE MEETING - SPARK HOLDINGS 1 CONSTITUTION AMENDMENTS RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, the amendments to the constitution of Spark Holdings 1 set out in the amended and restated constitution tabled and signed for identification by the Chairman at the meeting are approved.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this Notice of meeting.

MAJORITY REQUIRED

This resolution must be passed by at least 75% of the votes cast by holders of ordinary shares of Spark Holdings 1 entitled to vote on the resolution. On a poll, a holder of ordinary shares of Spark Holdings 1 or their nominated proxy has one vote for each fully paid ordinary share that the shareholder has in Spark Holdings 1.

By order of the board of Spark Infrastructure Holdings No. 1 Limited.



Stephen Johns

Chairman

Tuesday, 9 November 2010

Spark Infrastructure Holdings No. 2 Limited ACN 116 940 795

Notice is given that a meeting of the holders of ordinary shares of Spark Infrastructure Holdings No. 2 Limited will be held at 3:00 pm (Sydney time) on 9 December 2010 (Thursday) at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney NSW Australia or, if later, immediately following the Scheme meetings.

BUSINESS OF THE MEETING - SPARK HOLDINGS 2 CONSTITUTION AMENDMENTS RESOLUTION

To consider and, if thought fit, pass a special resolution in the following terms:

THAT, subject to each other Restructure Resolution (other than those relating to Spark International) being passed, the amendments to the constitution of Spark Holdings 2 set out in the amended and restated constitution tabled and signed for identification by the Chairman at the meeting are approved.

EXPLANATORY NOTES

Part I ("Explanatory notes for each of the notices of meeting") of this Annexure forms part of this Notice of meeting.

MAJORITY REQUIRED

This resolution must be passed by at least 75% of the votes cast by holders of ordinary shares of Spark Holdings 2 entitled to vote on the resolution. On a poll, a holder of ordinary shares of Spark Holdings 2 or their nominated proxy has one vote for each fully paid ordinary share that the shareholder has in Spark Holdings 2.

By order of the board of Spark Infrastructure Holdings No. 2 Limited.



Stephen Johns

Chairman

Tuesday, 9 November 2010

EXPLANATORY MEMORANDUM

Each notice of meeting should be read in conjunction with the rest of the Explanatory Memorandum of which each notice forms a part. The Explanatory Memorandum contains an explanation of the resolutions (section 4.11) and further information about the Restructure including the Schemes (section 4 and Annexures 2 to 4) and summary description of the amendments to the constituent documents (section 4.11 and Annexure 5) to enable Securityholders to make an informed decision as to how to vote on the resolutions.

Unless otherwise defined in these notices of meeting, capitalised terms used in these notices of meeting have the same meaning as set out in Section 11 ("Glossary") of the Explanatory Memorandum.

CONDITIONALITY

The inter-conditionality of each Restructure Resolution in these notices of meeting is set out at section 4.11 of the Explanatory Memorandum.

ENTITLEMENT TO VOTE

All Securityholders on the Spark Infrastructure register at 7:00pm on Tuesday, 7 December 2010 are entitled to vote at the meetings subject to any voting exclusions described at section 4.11 of the Explanatory Memorandum. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the meetings.

The votes on each resolution will be taken by poll. On a poll, the votes that each Securityholder or their nominated proxy has are set out in the relevant notice of meeting.

JOINTLY HELD SECURITIES

If Securities are jointly held, only one of the joint Securityholders is entitled to vote. If more than one Securityholder votes in respect of jointly held Securities, only the vote of the Securityholder whose name appears first in the register will be counted.

VOTING EXCLUSIONS

In accordance with section 253E of the Corporations Act, Spark RE and associates of Spark RE will not vote their interest on the resolutions of unitholders of Spark Trust if they have an interest in the resolution or matter other than as a member of Spark Trust.

VOTING IN PERSON

If you wish to vote in person, you must attend the meetings. If you plan to attend the meetings, we ask that you arrive at the meeting venue at least 30 minutes prior to the time designated for the Meetings so that we may check your security holding against our register and note your attendance. The first meeting will start at 3:00 pm (Sydney time) on 9 December 2010 (Thursday).

If you attend the meetings, please bring your personalised proxy form with you. The bar code at the top of the form will help you to register. If you do not bring your form with you, you will still be able to attend the meetings but representatives from the Registry will need to verify your identity.

VOTING BY ATTORNEY

If you cannot attend the meetings, you may vote by appointing an attorney. Attorneys who plan to attend the meetings should bring with them the original, or a certified copy of, the power of attorney under which they have been authorised to attend and vote at the meetings.

VOTING BY CORPORATE REPRESENTATIVE

To vote at the meeting (other than by proxy or attorney), a corporation that is a Securityholder must appoint a person to act as its representative to attend the meetings on your behalf, the appointment must comply with the relevant legal requirements. The representative should bring to the meetings evidence of his or her appointment, including any authority under which it is signed.

VOTING BY PROXY

If you cannot attend the meetings and you are entitled to attend and vote at the meeting, you have a right to appoint a proxy to attend and vote on your behalf.

A proxy need not be a holder of Securities and may be an individual or a body corporate. A personalised proxy form is included with this Explanatory Memorandum.

If you are entitled to cast two or more votes in the meetings, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes. If you require a second proxy form, please contact the Registry using the contact details given below.

You may also complete the proxy form in favour of the Chairman of the meetings. If a proxy appointment is signed by, or validly authenticated by, the Securityholder but does not name the proxy or proxies in whose favour it is given, the Chairman of the meetings will act as a proxy.

If you appoint a proxy, you may still attend the meetings. However, your proxy's right to speak and vote are suspended while you are present. Accordingly, you will be asked to suspend your proxy if you register at the meetings.

HOW THE CHAIRMAN OF THE MEETINGS WILL VOTE UNDIRECTED PROXIES

The Chairman of the meetings will vote undirected proxies addressed to him in favour of all of the Restructure Resolutions. Spark Infrastructure encourages all Securityholders who submit proxies to direct their proxy how to vote on each resolution.

LODGING YOUR PROXY FORM

If you wish to appoint a proxy to attend and vote at the meetings on your behalf, please complete and sign the personalised proxy forms accompanying this Explanatory Memorandum in accordance with the instructions set out on the proxy forms. Please note that proxy forms must be received at least 48 hours prior to the commencement of the meetings.

THE PROXY FORMS SHOULD BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS ON THE PROXY FORMS.

You can lodge your completed proxy form by:

mailing it to the Registry using the reply paid envelope enclosed with this notice;

- mailing it to the Registry, Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001;
- lodging it online on the Registry's website at investorvote.com.au using the Control Number located on the front of your proxy form. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website;
- faxing it to the Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- hand delivering it to the Registry at Level 4, 60 Carrington Street, Sydney NSW 2000.

YOUR COMPLETED PROXY FORM (AND ANY NECESSARY SUPPORTING DOCUMENTATION) MUST BE RECEIVED BY THE REGISTRY, COMPUTERSHARE INVESTOR SERVICES PTY LIMITED, NO LATER THAN 3:00 PM (SYDNEY TIME) ON TUESDAY, 7 DECEMBER 2010.

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed (or a certified copy of the authority) must also be received by the Registry by 3:00 pm (Sydney time) on Tuesday, 7 December 2010 unless it has been previously provided to the Registry.

WEBCAST AND YOUR PRIVACY

Attendees at the meetings may be video recorded and the tapes may be used at the discretion of Spark Infrastructure for security purposes. A live audio webcast of the meetings will be available on the website at sparkinfrastructure.com.

Note Scheme

SCHEME OF ARRANGEMENT

pursuant to section 411 of the Corporations Act

between

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

and

Each holder of notes issued by Spark Infrastructure RE Limited with a Face Value of \$1.25 as at 7.00pm on the Record Date

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

Application Price means, in respect of each New Spark Unit issued under the Schemes, the application price calculated in accordance with the Stapling Provisions.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement Pty Limited (ABN 49 008 504 532).

ATO means the Australian Taxation Office.

Business Day means a business day within the meaning given to that term in the Listing Rules.

CDI has the meaning given in the ASX Settlement Operating Rules, where the Principal Financial Product (within the meaning of those Rules) is a Spark International Share.

Consolidated Spark Unit means a unit subsequent to the consolidation of the Spark Units (including the New Spark Units), such that the number of Spark Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at the relevant point in time.

Constituent Documents means the Spark 1 Constitution, Spark 2 Constitution, Spark International Constitution, Spark Trust Constitution and Note Trust Deed.

Constitution Amendments means the Spark 1 Constitution Amendments, Spark 2 Constitution Amendments, Spark International Constitution Amendments, Spark Trust Constitution Amendments and Note Trust Deed Amendments.

Corporations Act means the Corporations Act 2001 (Cwlth).

Court means a court of competent jurisdiction under the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to this Scheme but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which this Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement having the same effect.

End Date means 31 December 2010 or such other date as agreed between Spark 1, Spark 2, Spark International and Spark RE prior to that date.

Face Value has the meaning in the Note Trust Deed.

Implementation means the completion of all the Implementation Steps in accordance with clause 5.1 of the Restructure Implementation Deed.

Implementation Date means the date on which Implementation occurs, being a date no later than 31 December 2010 (or such other date as the parties to the Restructure Implementation Deed may agree).

Implementation Step means each of the steps set out in Schedule 1 of the Restructure Implementation Deed.

Ineligible Foreign Securityholder means a Spark Securityholder who the Spark RE determines will not be eligible to receive New Spark Units on the basis that:

- (a) it would be illegal under the laws of a jurisdiction to make an invitation or offer to the Spark Securityholder or for the Spark Securityholder to participate in the proposal; or
- (b) it would be unreasonable to make an invitation or offer to the Spark Securityholder or for the Spark Securityholder to participate in the proposal having regard to each of the following:
 - (i) the number of Spark Securityholders in the foreign jurisdiction;
 - (ii) the number and the value of the interests to be issued to the members in that jurisdiction; and
 - (iii) the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to making an invitation or offer, or participation in the proposal in that jurisdiction.

Listing Rules means the Listing Rules of ASX.

Manager means Spark Infrastructure Management Limited (ACN 114 940 304).

ANNEXURE 2 – NOTE SCHEME TERMS (CONTINUED)

New Spark Units means the Spark Units to be issued to the Scheme Participants under the Schemes.

Note Sale Facility Transfer Form means, for each Ineligible Foreign Securityholder, a duly completed and executed proper instrument of transfer of the Notes of that Ineligible Foreign Securityholder to the Sale Facility Agent for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Notes of Ineligible Foreign Securityholders.

Note Scheme or **Scheme** means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark RE and the Noteholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Note Scheme Meeting means the meeting of Noteholders convened by order of the Court in relation to the Note Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

Note Scheme Subscription Form means, for each Scheme Participant, a duly completed and executed proper instrument of subscription for the New Spark Units as Scheme Consideration under this Scheme, which may be a master subscription for all New Spark Units as Scheme Consideration under this Scheme.

Note Trust Deed means the deed dated 9 November 2005 between Spark RE and the Note Trustee.

Note Trust Deed Amendments means the amendments to the Note Trust Deed.

Note Trustee means Australian Executor Trustees Limited (ACN 007 869 794).

Noteholder means a holder of Notes, and **Noteholders** means all of them.

Notes means the unsecured subordinated resettable notes issued by Spark RE under the Note Trust Deed on the terms of issue set out in schedule 1 of the Note Trust Deed.

Record Date means the sixth Business Day following the Second Court Date.

Register means the register of Spark Securityholders kept by the Stapled Entities under clause 5 of the Stapling Provisions and the Corporations Act, which comprises the Spark 1 Share register, the Spark 2 Share register, the CDI register, the Spark Unit register and the Note register whether together as part of a register of stapled securities or separately as the context may require, and **Registry** means the person appointed to maintain the Register from time to time.

Registered Address means, in relation to a Spark Securityholder, the address shown in the Register.

Regulatory Authority includes:

- (a) ASX, ASIC and ATO;
- (b) a government or governmental, semi-governmental or judicial entity or authority;

- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Relevant Sale Facility Consideration means, in relation to each Ineligible Foreign Securityholder, an amount equal to the average price at which the Repositioned Stapled Securities are sold by the Sale Facility Agent in accordance with clause 6.1(a), multiplied by the corresponding number of Stapled Securities of that Ineligible Foreign Securityholder at 7.00pm on the Record Date, less any reasonable applicable brokerage, stamp duty and other selling costs, taxes and charges.

Repositioned Stapled Security means the stapled security consisting of:

- (a) a Consolidated Spark Unit; and
- (b) a Note.

Restaple has the meaning given to “Restapling” in the Constitution Amendments.

Restructure Implementation Deed means the deed so entitled dated 22 September 2010 between Spark 1, Spark 2, Spark International and Spark RE.

Sale Facility Agent means the entity appointed by Spark 1, Spark 2 and Spark RE to act as the sale facility agent under the Schemes and Spark Trust Constitution Amendments being Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162), or any other person appointed by Spark 1, Spark 2 and Spark RE to act as the sale facility agent prior to the Record Date.

Scheme Consideration means, in satisfaction and discharge of the obligation of the Spark RE arising under this Scheme to repay \$0.60 of the principal amount of each Scheme Note, the following number of New Spark Units to be issued by the Spark RE at the Application Price:

$$\text{Number of New Spark Units} = \$0.60 / \text{Application Price}$$

Scheme Note means a Note held by a Scheme Participant.

Scheme Participant means a person who is a Spark Securityholder at 7.00pm on the Record Date (other than an Ineligible Foreign Securityholder) and the Sale Facility Agent, and **Scheme Participants** means all of them.

Schemes mean the Spark 1 Scheme, Spark 2 Scheme and the Note Scheme.

Second Court Date means the day on which the Court makes orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme.

Second Court Hearing Date means the first day on which an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Spark 1 means Spark Infrastructure Holdings No.1 Limited (ABN 14 116 940 786).

ANNEXURE 2 – NOTE SCHEME TERMS (CONTINUED)

Spark 1 Constitution means the constitution of Spark 1 dated 8 November 2005.

Spark 1 Constitution Amendments means the amendments to the Spark 1 Constitution.

Spark 1 Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark 1 and Spark 1 Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Spark 1 Share means one fully paid ordinary share issued in the capital of Spark 1.

Spark 1 Shareholder means a person who is registered in the Register as the holder of Spark 1 Shares, and **Spark 1 Shareholders** means all of them.

Spark 2 means Spark Infrastructure Holdings No.2 Limited (ABN 14 116 940 786).

Spark 2 Constitution means the constitution of Spark 2 dated 8 November 2005.

Spark 2 Constitution Amendments means the amendments to the Spark 2 Constitution.

Spark 2 Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark 2 and Spark 2 Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Spark 2 Share means one fully paid ordinary share issued in the capital of Spark 2.

Spark 2 Shareholder means a person who is registered in the Register as the holder of Spark 2 Shares, and **Spark 2 Shareholders** means all of them.

Spark International means Spark Infrastructure Holdings International Limited (ARBN 117 034 492), a company incorporated in The Commonwealth of the Bahamas.

Spark International Constitution means the memorandum of association and articles of association of Spark International dated on or around 8 November 2005.

Spark International Constitution Amendments means the amendments to the Spark International Constitution.

Spark International Share means one fully paid ordinary share issued in the capital of Spark International.

Spark RE means Spark Infrastructure RE Limited (ABN 36 114 940 984) as responsible entity of the Spark Trust.

Spark Securityholder means a person who is registered in the Register as the holder of Stapled Securities who is also relevantly a Noteholder and a holder of other components of the Stapled Security, whether together as the holder of stapled securities or separately as the context may require, and **Spark Securityholders** means all of them.

Spark Trust means Spark Infrastructure Trust (ARSN 116 870 725).

Spark Trust Constitution means the constitution that established the Spark Trust dated 25 October 2005.

Spark Trust Constitution Amendments means the amendments to the Spark Trust Constitution.

Spark Unit means one fully paid ordinary unit in Spark Trust.

Stapled Entity means any of:

- (a) Spark 1;
- (b) Spark 2;
- (c) Spark International;
- (d) Spark Trust,

and Stapled Entities means all of them.

Stapled Security means the stapled security consisting of:

- (a) a Spark 1 Share;
- (b) a Spark 2 Share;
- (c) a CDI over a Spark International Share;
- (d) a Spark Unit; and
- (e) a Note.

Stapling Provisions have the meaning in the Constituent Documents.

Unstaple and **Unstapled** has the meaning given to “Unstapling” in the Stapling Provisions.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) **(variations or replacement)** a document (including this Scheme) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this Scheme;

- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (i) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (j) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (k) **(meaning not limited)** the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (l) **(time of day)** time is a reference to Sydney time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Preliminary matters

- (a) Spark RE is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares.
- (b) The Notes as part of the Stapled Securities are admitted to the official list of the ASX and officially quoted on the stock market conducted by ASX.
- (c) As at 17 December 2010, Spark RE had issued 1,326,734,264 Notes as part of the Stapled Securities.

- (d) As at 17 December 2010, the Spark RE and Note Trustee have executed a supplemental deed to the Note Trust Deed authorised by a special resolution of the Noteholders, giving effect to the Note Trust Deed Amendments to facilitate this Scheme.

2.2 Scheme implementation steps

If this Scheme becomes Effective, as consideration for the repayment of \$0.60 of the principal amount of each Scheme Note, Spark RE will provide the Scheme Consideration (subject to rounding) to each Scheme Participant in accordance with the terms of this Scheme.

2.3 Restructure Implementation Deed

- (a) Spark 1, Spark 2, Spark International and Spark RE have agreed by executing the Restructure Implementation Deed to implement the terms of this Scheme.
- (b) Under the Restructure Implementation Deed, the implementation of the Scheme will take place on the same date as the implementation of the other Schemes in the order described in the Restructure Implementation Deed.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on all the conditions precedent in clause 3.1 of the Restructure Implementation Deed having been satisfied or waived (other than the conditions precedent in paragraphs (b) to (c) of conditions precedent which cannot be waived) in accordance with the terms of the Restructure Implementation Deed.

3.2 Conditions precedent and operation of clauses 4 and 5

The satisfaction or (if permitted) waiver of each condition of clause 3.1 is a condition precedent to the operation of clauses 4 and 5.

3.3 Certificate

On the Second Court Hearing Date, Spark RE must provide to the Court a certificate confirming whether or not all conditions precedent to this Scheme (other than the condition precedent relating to Court approval) have been satisfied or waived as at 8.00am on that day.

3.4 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

4 Note Scheme

4.1 Lodgement of Court orders with ASIC

Spark RE must lodge with ASIC an office copy of the Court order approving this Scheme by 5.00pm on the first Business Day after the Second Court Date.

4.2 Transfer to Sale Facility Agent

- (a) All of the Notes held by Ineligible Foreign Securityholders, together with all rights and entitlements attaching to those Notes at the Implementation Date, will be transferred to the Sale Facility Agent on the Implementation Date without the need for any further action by any Ineligible Foreign Securityholder (other than acts performed by Spark RE as attorney and agent for the Ineligible Foreign Securityholders under clauses 4.3 and 9.1).
- (b) The Sale Facility Agent must accept, and Spark RE must procure that the Sale Facility Agent, accepts the transfer of Notes under clause 4.2(a) by immediately executing the Note Sale Facility Transfer Form as transferee and delivering it to Spark RE for registration.

4.3 Execution and registration of transfers

To give effect to the transfer of Notes under clause 4.2(a), on the Implementation Date Spark RE will take the following actions in the order set out in this clause 4.3:

- (a) as attorney and agent for the Ineligible Foreign Securityholders, execute the Note Sale Facility Transfer Form, which was previously duly completed and executed by the Sale Facility Agent, to transfer all Notes held by Ineligible Foreign Securityholders to the Sale Facility Agent; and
- (b) register the transfer of Notes and enter the name of the Sale Facility Agent in the Register in respect of all Notes transferred under clauses 4.2(a) and 4.3(a).

4.4 Ineligible Foreign Securityholders' agreement

The Ineligible Foreign Securityholders agree to the transfer of their Notes to the Sale Facility Agent in accordance with this Scheme.

4.5 Part repayment of Notes

Following the completion of the transfer under clause 4.2, on the Implementation Date (but at the same time):

- (a) on condition that the moneys repaid are applied to each Scheme Participant's subscription under clauses 4.5(b) and 5.1, Spark RE will repay to each Scheme Participant \$0.60 of the principal amount of each Scheme Note held by the Scheme Participant ("**Note Repayment Amount**") so that the Face Value of that Scheme Note is reduced to \$0.65 in accordance with clause 1.5 of the terms of issue set out in schedule 1 of the Note Trust Deed with effect on and from the Implementation Date;

- (b) each Scheme Participant will subscribe for, and Spark RE will issue, the number of New Spark Units for each Scheme Note at the Application Price comprising the Scheme Consideration (the total Application Price for that Scheme Participant being the “**Application Amount**”);
- (c) the Note Repayment Amount for each Scheme Participant becomes immediately due and payable;
- (d) the Application Amount for each Scheme Participant is immediately due and payable;
- (e) the Note Repayment Amount which is due for payment by the Spark RE to each Scheme Participant is set-off against the Application Amount which is due for payment by the Scheme Participant to the Spark RE; and
- (f) the set-off above is a full and final satisfaction and discharge of the obligation of Spark RE to pay the Note Repayment Amounts to the Scheme Participants and the obligation of the Scheme Participants to pay the Application Amounts to the Spark RE.

4.6 Status of Notes

Each Ineligible Foreign Securityholder warrants to Spark RE and to or for the benefit of the Sale Facility Agent that:

- (a) all their Notes (including any rights and entitlements attaching to those Notes) transferred to the Sale Facility Agent under this Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Notes (including any rights and entitlements attaching to those Notes) to the Sale Facility Agent under this Scheme.

5 Scheme Consideration

5.1 Subscribing for Scheme Consideration

- (a) Spark RE, as attorney and agent for each Scheme Participant, will apply for New Spark Units comprising the Scheme Consideration to be issued to that Scheme Participant as set out at clause 4.5(b).
- (b) To apply for the issue of New Spark Units under clause 5.1(a), Spark RE will on the Implementation Date and following the steps set out in clause 4.3 duly complete and execute the Note Scheme Subscription Form in respect of all the New Spark Units as the Scheme Consideration for the Scheme Participants.
- (c) The Scheme Participants accept the New Spark Units as Scheme Consideration subject to the Spark Trust Constitution and agree they remain bound by the Spark Trust Constitution.

5.2 Provision of New Spark Units as Scheme Consideration

- (a) On the Implementation Date, as consideration for the repayment of \$0.60 of the principal amount of each Scheme Note, the Spark RE must, subject to clause 5.3, issue the New Spark Units as Scheme Consideration to the Scheme Participants in accordance with clause 5.2(b).
- (b) Subject to clause 5.3, the obligation of Spark RE to issue the New Spark Units pursuant to clause 5.2(a) will be satisfied by Spark RE on the Implementation Date amending the Register to reflect the issue of New Spark Units to each Scheme Participant as Scheme Consideration which that Scheme Participant is entitled to receive under this Scheme.
- (c) The entitlement of the Ineligible Foreign Securityholder under this Scheme is satisfied by the Spark RE providing the Scheme Consideration to which the Ineligible Foreign Securityholder would have been entitled (were they not determined by the Spark RE to be Ineligible Foreign Securityholders) to the Sale Facility Agent and the Sale Facility Agent and the Spark RE complying with the sale facility provisions under clause 6.

5.3 Fractional Entitlements

If the number of Scheme Notes held by a Scheme Participant is such that the aggregate entitlement of that Scheme Participant to New Spark Units under this Scheme as Scheme Consideration is not a whole number, then the entitlement in each case must be rounded down to the nearest whole number.

5.4 New Spark Units to rank equally

- (a) New Spark Units issued to Scheme Participants will rank equally in all respects with all existing Spark Units, including participating fully for “Distributable Income” of the Spark Trust in respect of the “Distribution Period” (within the meaning of the Spark Trust Constitution) in which the New Spark Units are issued in accordance with clause 3.5(a)(i) of the Spark Trust Constitution.
- (b) On issue, each New Spark Unit issued to Scheme Participants will be fully paid and free from any Encumbrance.

5.5 After the issue of New Spark Units

Each of the Scheme Participants and Ineligible Foreign Securityholders agrees and acknowledges that, after the issue of New Spark Units under the Schemes:

- (a) the Spark Units will be consolidated such that the number of Spark Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at that time; and
- (b) the Consolidated Spark Units and the Notes will then be Restapled to form the Repositioned Stapled Securities.

6 Sale facility

6.1 Disposal of Repositioned Stapled Securities

The Sale Facility Agent must, and Spark RE must procure that the Sale Facility Agent must:

- (a) within 30 days after the Implementation Date, dispose of the Repositioned Stapled Securities it holds; and
- (b) remit the sale proceeds, after deducting fees and expenses payable to the Sale Facility Agent, to the Spark RE on the completion of each disposal of the Repositioned Stapled Securities in accordance with clause 6.1(a).

6.2 Distribution of Relevant Sale Facility Consideration

The Spark RE must promptly pay to each Ineligible Foreign Securityholder the Relevant Sale Facility Consideration, after the last of the proceeds of sale of all of the Repositioned Stapled Securities that the Sale Facility Agent holds are received from the Sale Facility Agent under clause 6.1(b).

6.3 Relevant Sale Facility Consideration

- (a) Each Ineligible Foreign Securityholder agrees that the payment of the Relevant Sale Facility Consideration is a full discharge of the obligations of the Sale Facility Agent and the Spark RE under this clause 6.
- (b) The total consideration received by an Ineligible Foreign Securityholder for their Spark 1 Shares, Spark 2 Shares, Spark Units and Notes held at 7.00pm on the Record Date must not exceed the Relevant Sale Facility Consideration, whether received under the Schemes or otherwise.
- (c) Each Ineligible Foreign Securityholder agrees that their entitlement to the Relevant Sale Facility Consideration is subject to compliance with applicable law (including on conduct of the sale facility and remittance of funds).

7 Dealings in Notes

7.1 Determination of identity

To establish the identity of the Scheme Participants (other than the Sale Facility Agent) and the Ineligible Foreign Securityholders, dealings in Notes (as part of the Stapled Securities) will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Notes (as part of the Stapled Securities) on or before 7.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the Register is kept.

7.2 Register

- (a) Spark RE must register any registrable transmission applications or transfers of the Notes (as part of the Stapled Securities) received in accordance with clause 7.1(b) on or before 7.00pm on the Record Date.
- (b) If the Note Scheme becomes Effective, a holder of Notes (as part of the Stapled Securities) (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Notes (as part of the Stapled Securities) or any interest in them after the Effective Date.
- (c) Spark RE will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Notes (as part of the Stapled Securities) received after 7.00pm on the Record Date (except a transfer to the Sale Facility Agent or Spark RE pursuant to this Scheme and any subsequent transfer by Spark RE or its successors in title).
- (d) For the purpose of determining entitlements to the Scheme Consideration, Spark RE will maintain the Register in accordance with the provisions of this clause 7.2 and, following the registration of the transfer of the Unstapled Notes from Ineligible Foreign Securityholders to the Sale Facility Agent and the entry of the name of the Sale Facility Agent in the Register referred to in clause 4.3(b), the Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) Any statements of holding in respect of Notes (as part of the Stapled Securities) will cease to have effect after 7.00pm on the Record Date as documents of title in respect of those Notes (other than statements of holding in favour of Spark RE and its successors in title). After 7.00pm on the Record Date, each entry current on the Register as at 7.00pm on the Record Date (other than entries in respect of Spark RE or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.3 Quotation of Notes

- (a) The Notes will only trade on the ASX as part of the Stapled Securities until the close of trading on the ASX on the Effective Date.
- (b) The Notes will continue to be quoted and will trade on the ASX as part of the Repositioned Stapled Securities after the Effective Date initially on a deferred settlement basis and then on a normal trading basis as agreed with ASX.

8 Liability of Spark RE**8.1 Capacity**

Spark RE is bound by this Scheme only in its capacity as responsible entity of the Spark Trust and in no other capacity. Subject to clause 8.3, Spark RE shall not be personally liable.

8.2 Limitation of Liability

Subject to this clause 8:

- (a) a liability arising under or in connection with this Note Scheme is limited and can be enforced against Spark RE only to the extent to which it can be satisfied out of property of the Spark Trust and for which Spark RE is actually indemnified for the liability. This limitation of Spark RE's liability extends to all liabilities and obligations of the Spark RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this Note Scheme, any other document in connection with it, or the Spark Trust;
- (b) the parties other than Spark RE may not sue Spark RE in any capacity other than as responsible entity and trustee for the Spark Trust, including seeking the appointment of a receiver, a liquidator, an administrator or similar person to the Spark RE or prove in any liquidation, administration or arrangement of or affecting the Spark RE (except in relation to property of the Spark Trust); and
- (c) Spark RE is not liable in contract, tort or otherwise to Spark Securityholders for any loss suffered in any way relating to the Spark Trust except to the extent that the Corporations Act imposes such liability.

8.3 Limitations do not apply

- (a) The limitation of liability provisions in this clause 8 shall not apply to any obligation or liability of Spark RE to the extent that it is not satisfied because, under this Note Scheme or any other document in connection with it, or by operation of law, there is a reduction in the extent of Spark RE's indemnification out of the assets of the Spark Trust, as a result of Spark RE's fraud, negligence or breach of trust.
- (b) It is also acknowledged that a breach of an obligation imposed on, or a representation or warranty given by, Spark RE under or in connection with this Note Scheme or any other document in connection with it will not be considered a breach of trust by Spark RE unless the Spark RE has acted with negligence, or without good faith, in relation to the breach.
- (c) No act or omission of Spark RE (including any related failure to satisfy its obligations under this Note Scheme) will be considered fraud, negligence or breach of trust of Spark RE for the purpose of clause 8.3(a) to the extent that the act or omission was caused or contributed to by any failure by any other person to fulfil its obligations relating to Spark RE or by any other act or omission of any such other person.

8.4 Application of clause

This clause 8 applies despite any other provisions of this Note Scheme or any principle of equity or law to the contrary.

9 General Note Scheme provisions**9.1 Power of attorney**

Upon this Scheme becoming Effective, each Scheme Participant and Ineligible Foreign Securityholder, without the need for any further act by any Scheme Participant or Ineligible Foreign Securityholder, irrevocably appoints Spark RE and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of executing any document necessary or expedient to give effect to this Scheme including the Note Sale Facility Transfer Form and the Note Scheme Subscription Form or doing any other act or thing necessary or desirable to give effect to this Scheme.

9.2 Variations, alterations and conditions

Spark RE may by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

9.3 Further action by Spark RE

Spark RE will execute all documents and do all things necessary or expedient to implement, and perform its obligations under, this Note Scheme.

9.4 Authority and acknowledgement

Each of the Scheme Participants and Ineligible Foreign Securityholder:

- (a) consents to Spark RE doing all things necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Note Scheme binds Spark RE and all Noteholders (including those who do not attend the Note Scheme Meeting or do not vote at that meeting or vote against the Note Scheme at that meeting).

9.5 Sale Facility Agent

Spark RE must procure that the Sale Facility Agent performs the steps attributed to it under, and otherwise to comply with, this Scheme including as Sale Facility Agent or Scheme Participant.

9.6 Stamp duty

Spark RE will pay all stamp duty payable in connection with this Scheme.

9.7 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Spark RE, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Spark RE's registered office or at the office of the registrar of the Notes.
- (b) The accidental omission to give notice of the Note Scheme Meeting or the non-receipt of such a notice by any Spark Securityholder shall not,

unless so ordered by the Court, invalidate the Note Scheme Meeting or the proceedings of that meeting.

9.8 No liability when acting in good faith

Neither Spark RE, nor any of its directors, officers or employees, will be liable for anything done or omitted to be done in the performance or implementation of this Scheme in good faith.

9.9 Governing law

This Scheme is governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of that place.

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS

Spark 1 Scheme

SCHEME OF ARRANGEMENT

pursuant to section 411 of the Corporations Act

between

Spark Infrastructure Holdings No.1 Limited (ABN 14 116 940 786)

and

Each person registered as a holder of fully paid ordinary shares in Spark Infrastructure Holdings No.1 Limited (ABN 14 116 940 786) as at 7.00pm on the Record Date

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

Application Price means, in respect of each New Spark Unit issued under the Schemes, the application price calculated in accordance with the Stapling Provisions.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement Pty Limited (ABN 49 008 504 532).

ATO means the Australian Taxation Office.

Business Day means a business day within the meaning given to that term in the Listing Rules.

CDI has the meaning given in the ASX Settlement Operating Rules, where the Principal Financial Product (within the meaning of those Rules) is a Spark International Share.

Consolidated Spark Unit means a unit subsequent to the consolidation of the Spark Units (including the New Spark Units), such that the number of Spark Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at the relevant point in time.

Constituent Documents means the Spark 1 Constitution, Spark 2 Constitution, Spark International Constitution, Spark Trust Constitution and Note Trust Deed.

Constitution Amendments means the Spark 1 Constitution Amendments, Spark 2 Constitution Amendments, Spark International Constitution Amendments, Spark Trust Constitution Amendments and Note Trust Deed Amendments.

Corporations Act means the Corporations Act 2001 (Cwlth).

Court means a court of competent jurisdiction under the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to this Scheme but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which this Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement having the same effect.

End Date means 31 December 2010 or such other date as agreed between Spark 1, Spark 2, Spark International and Spark RE prior to that date.

Implementation means the completion of all the Implementation Steps in accordance with clause 5.1 of the Restructure Implementation Deed.

Implementation Date means the date on which Implementation occurs, being a date no later than 31 December 2010 (or such other date as the parties to the Restructure Implementation Deed may agree).

Implementation Step means each of the steps set out in Schedule 1 of the Restructure Implementation Deed.

Ineligible Foreign Securityholder means a Spark Securityholder who the Spark RE determines will not be eligible to receive New Spark Units on the basis that:

- (a) it would be illegal under the laws of a jurisdiction to make an invitation or offer to the Spark Securityholder or for the Spark Securityholder to participate in the proposal; or
- (b) it would be unreasonable to make an invitation or offer to the Spark Securityholder or for the Spark Securityholder to participate in the proposal having regard to each of the following:
 - (i) the number of Spark Securityholders in the foreign jurisdiction;
 - (ii) the number and the value of the interests to be issued to the members in that jurisdiction; and
 - (iii) the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to making an invitation or offer, or participation in the proposal in that jurisdiction.

Listing Rules means the Listing Rules of ASX.

Manager means Spark Infrastructure Management Limited (ACN 114 940 304).

New Spark Units means the Spark Units to be issued to the Scheme Participants under the Schemes.

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

Note Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark RE and the Noteholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Note Trust Deed means the deed dated 9 November 2005 between Spark RE and the Note Trustee.

Note Trust Deed Amendments means the amendments to the Note Trust Deed.

Note Trustee means Australian Executor Trustees Limited (ACN 007 869 794).

Noteholder means a holder of Notes, and **Noteholders** means all of them.

Notes means the unsecured subordinated resettable notes issued by Spark RE under the Note Trust Deed on the terms of issue set out in schedule 1 of the Note Trust Deed.

Record Date means the sixth Business Day following the Second Court Date.

Register means the register of Spark Securityholders kept by the Stapled Entities under clause 5 of the Stapling Provisions and the Corporations Act, which comprises the Spark 1 Share register, the Spark 2 Share register, the CDI register, the Spark Unit register and the Note register whether together as part of a register of stapled securities or separately as the context may require, and **Registry** means the person appointed to maintain the Register from time to time.

Registered Address means, in relation to a Spark Securityholder, the address shown in the Register.

Regulatory Authority includes:

- (a) ASX, ASIC and ATO;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Relevant Sale Facility Consideration means, in relation to each Ineligible Foreign Securityholder, an amount equal to the average price at which the Repositioned Stapled Securities are sold by the Sale Facility Agent in accordance with clause 6.1(a), multiplied by the corresponding number of Stapled Securities of that Ineligible Foreign Securityholder at 7.00pm on the Record Date, less any reasonable applicable brokerage, stamp duty and other selling costs, taxes and charges.

Repositioned Stapled Security means the stapled security consisting of:

- (a) a Consolidated Spark Unit; and
- (b) a Note.

Restaple has the meaning given to “Restapling” in the Constitution Amendments.

Restructure Implementation Deed means the deed so entitled dated 22 September 2010 between Spark 1, Spark 2, Spark International and Spark RE.

Sale Facility Agent means the entity appointed by Spark 1, Spark 2 and Spark RE to act as the sale facility agent under the Schemes and Spark Trust Constitution Amendments being Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162), or any other person appointed by Spark 1, Spark 2 and Spark RE to act as the sale facility agent prior to the Record Date.

Scheme Consideration means, for each Spark 1 Scheme Share, one New Spark Unit to be issued at the Application Price.

Scheme Participant means a person who is a Spark Securityholder at 7.00pm on the Record Date (other than an Ineligible Foreign Securityholder) and the Sale Facility Agent, and **Scheme Participants** means all of them.

Schemes mean the Spark 1 Scheme, Spark 2 Scheme and the Note Scheme.

Second Court Date means the day on which the Court makes orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme.

Second Court Hearing Date means the first day on which an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Spark 1 means Spark Infrastructure Holdings No.1 Limited (ABN 14 116 940 786).

Spark 1 Constitution means the constitution of Spark 1 dated 8 November 2005.

Spark 1 Constitution Amendments means the amendments to the Spark 1 Constitution.

Spark 1 Sale Facility Transfer Form means, for each Ineligible Foreign Securityholder, a duly completed and executed proper instrument of transfer of the Spark 1 Shares of that Ineligible Foreign Securityholder to the Sale Facility Agent for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Spark 1 Shares of Ineligible Foreign Securityholders.

Spark 1 Scheme or **Scheme** means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark 1 and Spark 1 Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Spark 1 Scheme Meeting means the meeting of Spark 1 Shareholders convened by order of the Court in relation to the Spark 1 Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

Spark 1 Scheme Share means a Spark 1 Share held by a Scheme Participant.

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

Spark 1 Scheme Transfer Form means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Spark 1 Scheme Shares to the Spark RE for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Spark 1 Scheme Shares.

Spark 1 Scheme Subscription Form means, for each Scheme Participant, a duly completed and executed proper instrument of subscription for the New Spark Units as Scheme Consideration under this Scheme, which may be a master subscription for all New Spark Units as Scheme Consideration under this Scheme.

Spark 1 Share means one fully paid ordinary share issued in the capital of Spark 1.

Spark 1 Shareholder means a person who is registered in the Register as the holder of Spark 1 Shares, and **Spark 1 Shareholders** means all of them.

Spark 2 means Spark Infrastructure Holdings No.2 Limited (ABN 14 116 940 786).

Spark 2 Constitution means the constitution of Spark 2 dated 8 November 2005.

Spark 2 Constitution Amendments means the amendments to the Spark 2 Constitution.

Spark 2 Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark 2 and Spark 2 Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Spark 2 Share means one fully paid ordinary share issued in the capital of Spark 2.

Spark 2 Shareholder means a person who is registered in the Register as the holder of Spark 2 Shares, and **Spark 2 Shareholders** means all of them.

Spark International means Spark Infrastructure Holdings International Limited (ARBN 117 034 492), a company incorporated in The Commonwealth of the Bahamas.

Spark International Constitution means the memorandum of association and articles of association of Spark International dated on or around 8 November 2005.

Spark International Constitution Amendments means the amendments to the Spark International Constitution.

Spark International Share means one fully paid ordinary share issued in the capital of Spark International.

Spark RE means Spark Infrastructure RE Limited (ABN 36 114 940 984) as responsible entity of the Spark Trust.

Spark RE Deed Poll means the deed poll executed by Spark RE in favour of Scheme Participants and Ineligible Foreign Securityholders to perform acts attributed to it under this Scheme.

Spark Securityholder means a person who is registered in the Register as the holder of Stapled Securities who is also relevantly a Spark 1 Shareholder and a holder of other components of the Stapled Security, whether together as the holder of stapled securities or separately as the context may require, and **Spark Securityholders** means all of them.

Spark Trust means Spark Infrastructure Trust (ARSN 116 870 725).

Spark Trust Constitution means the constitution that established the Spark Trust dated 25 October 2005.

Spark Trust Constitution Amendments means the amendments to the Spark Trust Constitution.

Spark Unit means one fully paid ordinary unit in Spark Trust.

Stapled Entity means any of:

- (a) Spark 1;
- (b) Spark 2;
- (c) Spark International;
- (d) Spark Trust,

and **Stapled Entities** means all of them.

Stapled Security means the stapled security consisting of:

- (a) a Spark 1 Share;
- (b) a Spark 2 Share;
- (c) a CDI over a Spark International Share;
- (d) a Spark Unit; and
- (e) a Note.

Stapling Provisions have the meaning in the Constituent Documents.

Unstaple and **Unstapled** has the meaning given to “Unstapling” in the Stapling Provisions.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) **(variations or replacement)** a document (including this Scheme) includes any variation or replacement of it;

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this Scheme;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (i) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (j) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (k) **(meaning not limited)** the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (l) **(time of day)** time is a reference to Sydney time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Preliminary matters

- (a) Spark 1 is a public company incorporated in Australia and registered in Victoria and is a company limited by shares.
- (b) The Spark 1 Shares as part of the Stapled Securities are admitted to the official list of the ASX and officially quoted on the stock market conducted by ASX.

- (c) As at 17 December 2010, the issued securities of Spark 1 are:
 - (i) 1,326,734,264 Spark 1 Shares as part of the Stapled Securities; and
 - (ii) one special share held by the Manager.

2.2 Scheme implementation steps

If the Spark 1 Scheme becomes Effective:

- (a) in consideration of the transfer of each Spark 1 Scheme Share to Spark RE, Spark 1 will procure Spark RE to provide the Scheme Consideration to each Scheme Participant in accordance with the terms of this Scheme;
- (b) all Spark 1 Scheme Shares will be transferred to Spark RE on the Implementation Date; and
- (c) Spark 1 will enter the name of Spark RE in the Register in respect of all Spark 1 Scheme Shares transferred to Spark RE in accordance with the terms of this Scheme.

2.3 Restructure Implementation Deed and deed poll

- (a) Spark 1, Spark 2, Spark International and Spark RE have agreed by executing the Restructure Implementation Deed to implement the terms of this Spark 1 Scheme.
- (b) Under the Restructure Implementation Deed, the implementation of the Scheme will take place on the same date as the implementation of the other Schemes in the order described in the Restructure Implementation Deed.
- (c) Spark RE has executed the Spark RE Deed Poll by which it has covenanted to perform its obligations under this Spark 1 Scheme, including to provide the Scheme Consideration.

3 Conditions

3.1 Conditions precedent

The Spark 1 Scheme is conditional on all the conditions precedent in clause 3.1 of the Restructure Implementation Deed having been satisfied or waived (other than the conditions precedent in paragraphs (b) to (c) of conditions precedent which cannot be waived) in accordance with the terms of the Restructure Implementation Deed.

3.2 Conditions precedent and operation of clauses 4 and 5

The satisfaction or (if permitted) waiver of each condition of clause 3.1 is a condition precedent to the operation of clauses 4 and 5.

3.3 Certificate

On the Second Court Hearing Date, Spark 1 and Spark RE must provide to the Court a certificate confirming whether or not all conditions precedent to this

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

Spark 1 Scheme (other than the condition precedent relating to Court approval) have been satisfied or waived as at 8.00am on that day.

3.4 End Date

The Spark 1 Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

4 Spark 1 Scheme

4.1 Lodgement of Court orders with ASIC

Spark 1 must lodge with ASIC an office copy of the Court order approving the Spark 1 Scheme by 5.00pm on the first Business Day after the Second Court Date.

4.2 Transfer to Sale Facility Agent

- (a) All of the Spark 1 Shares held by Ineligible Foreign Securityholders, together with all rights and entitlements attaching to those Spark 1 Shares at the Implementation Date, will be transferred to the Sale Facility Agent on the Implementation Date without the need for any further action by any Ineligible Foreign Securityholder (other than acts performed by Spark 1 as attorney and agent for the Ineligible Foreign Securityholders under clauses 4.4 and 8.1).
- (b) The Sale Facility Agent must accept, and Spark 1 and Spark RE must procure that the Sale Facility Agent accepts, the transfer of Spark 1 Shares under clause 4.2(a) by immediately executing the Spark 1 Sale Facility Transfer Form as transferee and delivering it to Spark 1 for registration.

4.3 Transfer of Spark 1 Scheme Shares

Following the completion of the transfer under clause 4.2, on the Implementation Date, the Spark 1 Scheme Shares, together with all rights and entitlements attaching to the Spark 1 Scheme Shares as at the Implementation Date, will be transferred to Spark RE without the need for any further act by any Scheme Participant (other than acts performed by Spark 1 as attorney and agent for Scheme Participants under clauses 4.4 and 8.1).

4.4 Execution and registration of transfers

To give effect to the transfers of Spark 1 Shares under clauses 4.2(a) and 4.3, on the Implementation Date Spark 1 will take the following actions in the order set out in this clause 4.4:

- (a) as attorney and agent for the Ineligible Foreign Securityholders, execute the Spark 1 Sale Facility Transfer Form, which was previously duly completed and executed by the Sale Facility Agent, to transfer all Spark 1 Shares held by Ineligible Foreign Securityholders to the Sale Facility Agent;
- (b) register the transfer of Spark 1 Shares and enter the name of the Sale Facility Agent in the Register in respect of all Spark 1 Shares transferred under clauses 4.2(a) and 4.4(a);

- (c) as attorney and agent for the Scheme Participants, execute the Spark 1 Scheme Transfer Form, which was previously duly completed and executed by the Spark RE, to transfer all Spark 1 Scheme Shares to the Spark RE; and
- (d) register the transfer of Spark 1 Scheme Shares and enter the name of the Spark RE in the Register in respect of all Spark 1 Scheme Shares.

4.5 Title and rights in Spark 1 Shares

On and from the Implementation Date, Spark RE will be legally and beneficially entitled to the Spark 1 Scheme Shares transferred to it under the Spark 1 Scheme and registered in its name.

4.6 Ineligible Foreign Securityholders' agreement

The Ineligible Foreign Securityholders agree to the transfer of their Spark 1 Shares to the Sale Facility Agent in accordance with the Spark 1 Scheme.

4.7 Scheme Participants' agreement

Subject to clause 4.2, the Scheme Participants agree to the transfer of their Spark 1 Scheme Shares in accordance with the Spark 1 Scheme.

4.8 Status of Spark 1 Shares

Each Scheme Participant and each Ineligible Foreign Securityholder warrants to Spark 1 and to or for the benefit of Spark RE (and in the case of the Ineligible Foreign Securityholder to or for the benefit of the Sale Facility Agent) that:

- (a) all their Spark 1 Shares (including any rights and entitlements attaching to those shares) transferred to Spark RE or the Sale Facility Agent respectively under the Spark 1 Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Spark 1 Shares (including any rights and entitlements attaching to those shares) to Spark RE or the Sale Facility Agent respectively under the Spark 1 Scheme.

5 Scheme Consideration

5.1 Subscribing for Scheme Consideration

- (a) Spark 1, as attorney and agent for each Scheme Participant, will apply for New Spark Units comprising the Scheme Consideration to be issued to that Scheme Participant.
- (b) To apply for the issue of New Spark Units under clause 5.1(a), Spark 1 will on the Implementation Date and following the steps set out in clause 4.4 duly complete and execute the Spark 1 Scheme Subscription Form in respect of all the New Spark Units as the Scheme Consideration for the Scheme Participants.

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

- (c) The Scheme Participants accept the New Spark Units as Scheme Consideration subject to the Spark Trust Constitution and agree they remain bound by the Spark Trust Constitution.

5.2 Provision of New Spark Units as Scheme Consideration

- (a) On the Implementation Date, in consideration of the transfer to it of the Spark 1 Scheme Shares, the Spark RE must, and Spark 1 must procure Spark RE to, issue the New Spark Units as Scheme Consideration to the Scheme Participants in accordance with clause 5.2(b).
- (b) The obligation of Spark RE to issue the New Spark Units pursuant to clause 5.2(a) will be satisfied by Spark RE on the Implementation Date amending the Register to reflect the issue of New Spark Units to each Scheme Participant as Scheme Consideration which that Scheme Participant is entitled to receive under the Spark 1 Scheme.
- (c) The entitlement of the Ineligible Foreign Securityholder under this Scheme is satisfied by the Spark RE providing the Scheme Consideration to which the Ineligible Foreign Securityholder would have been entitled (were they not determined by the Spark RE to be Ineligible Foreign Securityholders) to the Sale Facility Agent and the Sale Facility Agent and the Spark RE complying with the sale facility provisions under clause 6.

5.3 New Spark Units to rank equally

- (a) New Spark Units issued to Scheme Participants will rank equally in all respects with all existing Spark Units, including participating fully for “Distributable Income” of the Spark Trust in respect of the “Distribution Period” (within the meaning of the Spark Trust Constitution) in which the New Spark Units are issued in accordance with clause 3.5(a)(i) of the Spark Trust Constitution.
- (b) On issue, each New Spark Unit issued to Scheme Participants will be fully paid and free from any Encumbrance.

5.4 After the issue of New Spark Units

Each of the Scheme Participants and Ineligible Foreign Securityholders agrees and acknowledges that, after the issue of New Spark Units under the Schemes:

- (a) the Spark Units will be consolidated such that the number of Spark Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at that time; and
- (b) the Consolidated Spark Units and the Notes will then be Restapled to form the Repositioned Stapled Securities.

6 Sale facility

6.1 Disposal of Repositioned Stapled Securities

The Sale Facility Agent must, and Spark 1 and Spark RE must procure that the Sale Facility Agent must:

- (a) within 30 days after the Implementation Date, dispose of the Repositioned Stapled Securities it holds; and
- (b) remit the sale proceeds, after deducting fees and expenses payable to the Sale Facility Agent, to the Spark RE on the completion of each disposal of the Repositioned Stapled Securities in accordance with clause 6.1(a).

6.2 Distribution of Relevant Sale Facility Consideration

The Spark RE must promptly pay, and Spark 1 must procure that the Spark RE promptly pays, to each Ineligible Foreign Securityholder the Relevant Sale Facility Consideration, after the last of the proceeds of sale of all of the Repositioned Stapled Securities that the Sale Facility Agent holds are received from the Sale Facility Agent under clause 6.1(b).

6.3 Relevant Sale Facility Consideration

- (a) Each Ineligible Foreign Securityholder agrees that the payment of the Relevant Sale Facility Consideration is a full discharge of the obligations of the Sale Facility Agent and the Spark RE under this clause 6.
- (b) The total consideration received by an Ineligible Foreign Securityholder for their Spark 1 Shares, Spark 2 Shares, Spark Units and Notes held at 7.00pm on the Record Date must not exceed the Relevant Sale Facility Consideration, whether received under the Schemes or otherwise.
- (c) Each Ineligible Foreign Securityholder agrees that their entitlement to the Relevant Sale Facility Consideration is subject to compliance with applicable law (including on conduct of the sale facility and remittance of funds).

7 Dealings in Spark 1 Shares

7.1 Determination of identity

To establish the identity of the Scheme Participants (other than the Sale Facility Agent) and the Ineligible Foreign Securityholders, dealings in Spark 1 Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as the holder of the relevant Spark 1 Shares on or before 7.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the Register is kept.

7.2 Register

- (a) Spark 1 must register any registrable transmission applications or transfers of the Spark 1 Shares received in accordance with clause 7.1(b) on or before 7.00pm on the Record Date.
- (b) If the Spark 1 Scheme becomes Effective, a holder of Spark 1 Shares (and any person claiming through that holder) must not dispose of or

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

purport or agree to dispose of any Spark 1 Shares or any interest in them after the Effective Date.

- (c) Spark 1 will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Spark 1 Shares received after 7.00pm on the Record Date (except a transfer to the Sale Facility Agent or Spark RE pursuant to this Scheme and any subsequent transfer by Spark RE or its successors in title).
- (d) For the purpose of determining entitlements to the Scheme Consideration, Spark 1 will maintain the Register in accordance with the provisions of this clause 7.2 and, following the registration of the transfer of the Spark 1 Shares from Ineligible Foreign Securityholders to the Sale Facility Agent and the entry of the name of the Sale Facility Agent in the Register referred to in clause 4.4(b), the Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) Any statements of holding in respect of Spark 1 Shares will cease to have effect after 7.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Spark RE and its successors in title). After 7.00pm on the Record Date, each entry current on the Register as at 7.00pm on the Record Date (other than entries in respect of Spark RE or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.
- (f) Spark 1 will ensure that details of:
 - (i) the names, Registered Addresses and holdings of Spark 1 Shares for each Scheme Participant (other than the Sale Facility Agent), as shown in the Register at 7.00pm on the Record Date; and
 - (ii) the names and Registered Addresses of every Ineligible Foreign Securityholder at 7.00pm on the Record Date,

are available to Spark RE in such form as Spark RE reasonably requires.

7.3 Quotation of Spark 1 Shares

- (a) The Spark 1 Shares will only trade on the ASX as part of the Stapled Securities until the close of trading on the ASX on the Effective Date.
- (b) After the Spark 1 Scheme has been fully implemented:
 - (i) the official quotation of Spark 1 Shares on ASX will be terminated; and
 - (ii) Spark 1 will be removed from the official list of the ASX.

8 General Spark 1 Scheme provisions

8.1 Power of attorney

Upon the Spark 1 Scheme becoming Effective, each Scheme Participant and Ineligible Foreign Securityholder, without the need for any further act by any Scheme Participant or Ineligible Foreign Securityholder, irrevocably appoints

Spark 1 and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of executing any document necessary or expedient to give effect to this Spark 1 Scheme including the Spark 1 Sale Facility Transfer Form, the Spark 1 Scheme Transfer Form and the Spark 1 Scheme Subscription Form or doing any other act or thing necessary or desirable to give effect to this Spark 1 Scheme.

8.2 Variations, alterations and conditions

Spark 1 may, with the consent of Spark RE (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to the Spark 1 Scheme which the Court thinks fit to impose.

8.3 Further action by Spark 1

Spark 1 will execute all documents and do all things necessary or expedient to implement, and perform its obligations under, this Spark 1 Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Participants and Ineligible Foreign Securityholder:

- (a) consents to Spark 1 doing all things necessary or expedient for or incidental to the implementation of this Spark 1 Scheme; and
- (b) acknowledges that this Spark 1 Scheme binds Spark 1 and all Spark 1 Shareholders (including those who do not attend the Spark 1 Scheme Meeting or do not vote at that meeting or vote against the Spark 1 Scheme at that meeting).

8.5 Sale Facility Agent

Spark 1 and Spark RE must procure that the Sale Facility Agent performs the steps attributed to it under, and otherwise to comply with, this Scheme including as Sale Facility Agent or Scheme Participant.

8.6 Stamp duty

Spark RE will pay all stamp duty payable in connection with the Spark 1 Scheme.

8.7 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Spark 1 Scheme is sent by post to Spark 1, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Spark 1's registered office or at the office of the registrar of Spark 1 Shares.
- (b) The accidental omission to give notice of the Spark 1 Scheme Meeting or the non-receipt of such a notice by any Spark Securityholder shall not, unless so ordered by the Court, invalidate the Spark 1 Scheme Meeting or the proceedings of that meeting.

ANNEXURE 3 – SPARK HOLDINGS 1 MEMBER SCHEME TERMS (CONTINUED)

8.8 No liability when acting in good faith

Neither Spark 1 nor the Spark RE, nor any director, officer or employee of either of those companies, will be liable for anything done or omitted to be done in the performance or implementation of this Scheme in good faith.

8.9 Governing law

This Spark 1 Scheme is governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of that place.

Spark 2 Scheme

SCHEME OF ARRANGEMENT

pursuant to section 411 of the Corporations Act

between

Spark Infrastructure Holdings No.2 Limited (ABN 16 116 940 795)

and

Each person registered as a holder of fully paid ordinary shares in Spark Infrastructure Holdings No.2 Limited (ABN 16 116 940 795) as at 7.00pm on the Record Date

1 Definitions and interpretation

1.1 Definitions

In this Scheme:

Application Price means, in respect of each New Spark Unit issued under the Schemes, the application price calculated in accordance with the Stapling Provisions.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement Pty Limited (ABN 49 008 504 532).

ATO means the Australian Taxation Office.

Business Day means a business day within the meaning given to that term in the Listing Rules.

CDI has the meaning given in the ASX Settlement Operating Rules, where the Principal Financial Product (within the meaning of those Rules) is a Spark International Share.

Consolidated Spark Unit means a unit subsequent to the consolidation of the Spark Units (including the New Spark Units), such that the number of Spark Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at the relevant point in time.

Constituent Documents means the Spark 1 Constitution, Spark 2 Constitution, Spark International Constitution, Spark Trust Constitution and Note Trust Deed.

Constitution Amendments means the Spark 1 Constitution Amendments, Spark 2 Constitution Amendments, Spark International Constitution Amendments, Spark Trust Constitution Amendments and Note Trust Deed Amendments.

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

Corporations Act means the Corporations Act 2001 (Cwlth).

Court means a court of competent jurisdiction under the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to this Scheme but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date on which this Scheme becomes Effective.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement having the same effect.

End Date means 31 December 2010 or such other date as agreed between Spark 1, Spark 2, Spark International and Spark RE prior to that date.

Implementation means the completion of all the Implementation Steps in accordance with clause 5.1 of the Restructure Implementation Deed.

Implementation Date means the date on which Implementation occurs, being a date no later than 31 December 2010 (or such other date as the parties to the Restructure Implementation Deed may agree).

Implementation Step means each of the steps set out in Schedule 1 of the Restructure Implementation Deed.

Ineligible Foreign Securityholder means a Spark Securityholder who the Spark RE determines will not be eligible to receive New Spark Units on the basis that:

- (a) it would be illegal under the laws of a jurisdiction to make an invitation or offer to the Spark Securityholder or for the Spark Securityholder to participate in the proposal; or
- (b) it would be unreasonable to make an invitation or offer to the Spark Securityholder or for the Spark Securityholder to participate in the proposal having regard to each of the following:
 - (i) the number of Spark Securityholders in the foreign jurisdiction;
 - (ii) the number and the value of the interests to be issued to the members in that jurisdiction; and
 - (iii) the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to making an invitation or offer, or participation in the proposal in that jurisdiction.

Listing Rules means the Listing Rules of ASX.

Manager means Spark Infrastructure Management Limited (ACN 114 940 304).

New Spark Units means the Spark Units to be issued to the Scheme Participants under the Schemes.

Note Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark RE and the Noteholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Note Trust Deed means the deed dated 9 November 2005 between Spark RE and the Note Trustee.

Note Trust Deed Amendments means the amendments to the Note Trust Deed.

Note Trustee means Australian Executor Trustees Limited (ACN 007 869 794).

Noteholder means a holder of Notes, and **Noteholders** means all of them.

Notes means the unsecured subordinated resettable notes issued by Spark RE under the Note Trust Deed on the terms of issue set out in schedule 1 of the Note Trust Deed.

Record Date means the sixth Business Day following the Second Court Date.

Register means the register of Spark Securityholders kept by the Stapled Entities under clause 5 of the Stapling Provisions and the Corporations Act, which comprises the Spark 1 Share register, the Spark 2 Share register, the CDI register, the Spark Unit register and the Note register whether together as part of a register of stapled securities or separately as the context may require, and **Registry** means the person appointed to maintain the Register from time to time.

Registered Address means, in relation to a Spark Securityholder, the address shown in the Register.

Regulatory Authority includes:

- (a) ASX, ASIC and ATO;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Relevant Sale Facility Consideration means, in relation to each Ineligible Foreign Securityholder, an amount equal to the average price at which the Repositioned Stapled Securities are sold by the Sale Facility Agent in accordance with clause 6.1(a), multiplied by the corresponding number of Stapled Securities of that Ineligible Foreign Securityholder at 7.00pm on the Record Date, less any reasonable applicable brokerage, stamp duty and other selling costs, taxes and charges.

Repositioned Stapled Security means the stapled security consisting of:

- (a) a Consolidated Spark Unit; and
 - (b) a Note.
-

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

Restaple has the meaning given to “Restapling” in the Constitution Amendments.

Restructure Implementation Deed means the deed so entitled dated 22 September 2010 between Spark 1, Spark 2, Spark International and Spark RE.

Sale Facility Agent means the entity appointed by Spark 1, Spark 2 and Spark RE to act as the sale facility agent under the Schemes and Spark Trust Constitution Amendments being Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162), or any other person appointed by Spark 1, Spark 2 and Spark RE to act as the sale facility agent prior to the Record Date.

Scheme Consideration means, for each Spark 2 Scheme Share, one New Spark Unit to be issued at the Application Price.

Scheme Participant means a person who is a Spark Securityholder at 7.00pm on the Record Date (other than an Ineligible Foreign Securityholder) and the Sale Facility Agent, and **Scheme Participants** means all of them.

Schemes mean the Spark 1 Scheme, Spark 2 Scheme and the Note Scheme.

Second Court Date means the day on which the Court makes orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme.

Second Court Hearing Date means the first day on which an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Spark 1 means Spark Infrastructure Holdings No.1 Limited (ABN 14 116 940 786).

Spark 1 Constitution means the constitution of Spark 1 dated 8 November 2005.

Spark 1 Constitution Amendments means the amendments to the Spark 1 Constitution.

Spark 1 Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark 1 and Spark 1 Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Spark 1 Share means one fully paid ordinary share issued in the capital of Spark 1.

Spark 1 Shareholder means a person who is registered in the Register as the holder of Spark 1 Shares, and **Spark 1 Shareholders** means all of them.

Spark 2 means Spark Infrastructure Holdings No.2 Limited (ABN 14 116 940 786).

Spark 2 Constitution means the constitution of Spark 2 dated 8 November 2005.

Spark 2 Constitution Amendments means the amendments to the Spark 2 Constitution.

Spark 2 Sale Facility Transfer Form means, for each Ineligible Foreign Securityholder, a duly completed and executed proper instrument of transfer of the Spark 2 Shares of that Ineligible Foreign Securityholder to the Sale Facility Agent for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Spark 2 Shares of Ineligible Foreign Securityholders.

Spark 2 Scheme or Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Spark 2 and Spark 2 Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Spark 2 Scheme Meeting means the meeting of Spark 2 Shareholders convened by order of the Court in relation to the Spark 2 Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

Spark 2 Scheme Share means a Spark 2 Share held by a Scheme Participant.

Spark 2 Scheme Transfer Form means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Spark 2 Scheme Shares to the Spark RE for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Spark 2 Scheme Shares.

Spark 2 Scheme Subscription Form means, for each Scheme Participant, a duly completed and executed proper instrument of subscription for the New Spark Units as Scheme Consideration under this Scheme, which may be a master subscription for all New Spark Units as Scheme Consideration under this Scheme.

Spark 2 Share means one fully paid ordinary share issued in the capital of Spark 2.

Spark 2 Shareholder means a person who is registered in the Register as the holder of Spark 2 Shares, and **Spark 2 Shareholders** means all of them.

Spark International means Spark Infrastructure Holdings International Limited (ARBN 117 034 492), a company incorporated in The Commonwealth of the Bahamas.

Spark International Constitution means the memorandum of association and articles of association of Spark International dated on or around 8 November 2005.

Spark International Constitution Amendments means the amendments to the Spark International Constitution.

Spark International Share means one fully paid ordinary share issued in the capital of Spark International.

Spark RE means Spark Infrastructure RE Limited (ABN 36 114 940 984) as responsible entity of the Spark Trust.

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

Spark RE Deed Poll means the deed poll executed by Spark RE in favour of Scheme Participants and Ineligible Foreign Securityholders to perform acts attributed to it under this Scheme.

Spark Securityholder means a person who is registered in the Register as the holder of Stapled Securities who is also relevantly a Spark 2 Shareholder and a holder of other components of the Stapled Security, whether together as the holder of stapled securities or separately as the context may require, and **Spark Securityholders** means all of them.

Spark Trust means Spark Infrastructure Trust (ARSN 116 870 725).

Spark Trust Constitution means the constitution that established the Spark Trust dated 25 October 2005.

Spark Trust Constitution Amendments means the amendments to the Spark Trust Constitution.

Spark Unit means one fully paid ordinary unit in Spark Trust.

Stapled Entity means any of:

- (a) Spark 1;
- (b) Spark 2;
- (c) Spark International;
- (d) Spark Trust,

and **Stapled Entities** means all of them.

Stapled Security means the stapled security consisting of:

- (a) a Spark 1 Share;
- (b) a Spark 2 Share;
- (c) a CDI over a Spark International Share;
- (d) a Spark Unit; and
- (e) a Note.

Stapling Provisions have the meaning in the Constituent Documents.

Unstaple and **Unstapled** has the meaning given to “Unstapling” in the Stapling Provisions.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) **(variations or replacement)** a document (including this Scheme) includes any variation or replacement of it;

- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this Scheme;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (i) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (j) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (k) **(meaning not limited)** the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (l) **(time of day)** time is a reference to Sydney time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Preliminary matters

- (a) Spark 2 is a public company incorporated in Australia and registered in Victoria and is a company limited by shares.
- (b) The Spark 2 Shares as part of the Stapled Securities are admitted to the official list of the ASX and officially quoted on the stock market conducted by ASX.

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

- (c) As at 17 December 2010, the issued securities of Spark 2 are:
 - (i) 1,326,734,264 Spark 2 Shares as part of the Stapled Securities; and
 - (ii) one special share held by the Manager.

2.2 Scheme implementation steps

If the Spark 2 Scheme becomes Effective:

- (a) in consideration of the transfer of each Spark 2 Scheme Share to Spark RE, Spark 2 will procure Spark RE to provide the Scheme Consideration to each Scheme Participant in accordance with the terms of this Scheme;
- (b) all Spark 2 Scheme Shares will be transferred to Spark RE on the Implementation Date; and
- (c) Spark 2 will enter the name of Spark RE in the Register in respect of all Spark 2 Scheme Shares transferred to Spark RE in accordance with the terms of this Scheme.

2.3 Restructure Implementation Deed and deed poll

- (a) Spark 1, Spark 2, Spark International and Spark RE have agreed by executing the Restructure Implementation Deed to implement the terms of this Spark 2 Scheme.
- (b) Under the Restructure Implementation Deed, the implementation of the Scheme will take place on the same date as the implementation of the other Schemes in the order described in the Restructure Implementation Deed.
- (c) Spark RE has executed the Spark RE Deed Poll by which it has covenanted to perform its obligations under this Spark 2 Scheme, including to provide the Scheme Consideration.

3 Conditions

3.1 Conditions precedent

The Spark 2 Scheme is conditional on all the conditions precedent in clause 3.1 of the Restructure Implementation Deed having been satisfied or waived (other than the conditions precedent in paragraphs (b) to (c) of conditions precedent which cannot be waived) in accordance with the terms of the Restructure Implementation Deed.

3.2 Conditions precedent and operation of clauses 4 and 5

The satisfaction or (if permitted) waiver of each condition of clause 3.1 is a condition precedent to the operation of clauses 4 and 5.

3.3 Certificate

On the Second Court Hearing Date, Spark 2 and Spark RE must provide to the Court a certificate confirming whether or not all conditions precedent to this

Spark 2 Scheme (other than the condition precedent relating to Court approval) have been satisfied or waived as at 8.00am on that day.

3.4 End Date

The Spark 2 Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

4 Spark 2 Scheme

4.1 Lodgement of Court orders with ASIC

Spark 2 must lodge with ASIC an office copy of the Court order approving the Spark 2 Scheme by 5.00pm on the first Business Day after the Second Court Date.

4.2 Transfer to Sale Facility Agent

- (a) All of the Spark 2 Shares held by Ineligible Foreign Securityholders, together with all rights and entitlements attaching to those Spark 2 Shares at the Implementation Date, will be transferred to the Sale Facility Agent on the Implementation Date without the need for any further action by any Ineligible Foreign Securityholder (other than acts performed by Spark 2 as attorney and agent for the Ineligible Foreign Securityholders under clauses 4.4 and 8.1).
- (b) The Sale Facility Agent must accept, and Spark 2 and Spark RE must procure that the Sale Facility Agent accepts, the transfer of Spark 2 Shares under clause 4.2(a) by immediately executing the Spark 2 Sale Facility Transfer Form as transferee and delivering it to Spark 2 for registration.

4.3 Transfer of Spark 2 Scheme Shares

Following the completion of the transfer under clause 4.2, on the Implementation Date, the Spark 2 Scheme Shares, together with all rights and entitlements attaching to the Spark 2 Scheme Shares as at the Implementation Date, will be transferred to Spark RE without the need for any further act by any Scheme Participant (other than acts performed by Spark 2 as attorney and agent for Scheme Participants under clauses 4.4 and 8.1).

4.4 Execution and registration of transfers

To give effect to the transfers of Spark 2 Shares under clauses 4.2(a) and 4.3, on the Implementation Date Spark 2 will take the following actions in the order set out in this clause 4.4:

- (a) as attorney and agent for the Ineligible Foreign Securityholders, execute the Spark 2 Sale Facility Transfer Form, which was previously duly completed and executed by the Sale Facility Agent, to transfer all Spark 2 Shares held by Ineligible Foreign Securityholders to the Sale Facility Agent;
- (b) register the transfer of Spark 2 Shares and enter the name of the Sale Facility Agent in the Register in respect of all Spark 2 Shares transferred under clauses 4.2(a) and 4.4(a);

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

- (c) as attorney and agent for the Scheme Participants, execute the Spark 2 Scheme Transfer Form, which was previously duly completed and executed by the Spark RE, to transfer all Spark 2 Scheme Shares to the Spark RE; and
- (d) register the transfer of Spark 2 Scheme Shares and enter the name of the Spark RE in the Register in respect of all Spark 2 Scheme Shares.

4.5 Title and rights in Spark 2 Shares

On and from the Implementation Date, Spark RE will be legally and beneficially entitled to the Spark 2 Scheme Shares transferred to it under the Spark 2 Scheme and registered in its name.

4.6 Ineligible Foreign Securityholders' agreement

The Ineligible Foreign Securityholders agree to the transfer of their Spark 2 Shares to the Sale Facility Agent in accordance with the Spark 2 Scheme.

4.7 Scheme Participants' agreement

Subject to clause 4.2, the Scheme Participants agree to the transfer of their Spark 2 Scheme Shares in accordance with the Spark 2 Scheme.

4.8 Status of Spark 2 Shares

Each Scheme Participant and each Ineligible Foreign Securityholder warrants to Spark 2 and to or for the benefit of Spark RE (and in the case of the Ineligible Foreign Securityholder to or for the benefit of the Sale Facility Agent) that:

- (a) all their Spark 2 Shares (including any rights and entitlements attaching to those shares) transferred to Spark RE or the Sale Facility Agent respectively under the Spark 2 Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Spark 2 Shares (including any rights and entitlements attaching to those shares) to Spark RE or the Sale Facility Agent respectively under the Spark 2 Scheme.

5 Scheme Consideration

5.1 Subscribing for Scheme Consideration

- (a) Spark 2, as attorney and agent for each Scheme Participant, will apply for New Spark Units comprising the Scheme Consideration to be issued to that Scheme Participant.
- (b) To apply for the issue of New Spark Units under clause 5.1(a), Spark 2 will on the Implementation Date and following the steps set out in clause 4.4 duly complete and execute the Spark 2 Scheme Subscription Form in respect of all the New Spark Units as the Scheme Consideration for the Scheme Participants.

- (c) The Scheme Participants accept the New Spark Units as Scheme Consideration subject to the Spark Trust Constitution and agree they remain bound by the Spark Trust Constitution.

5.2 Provision of New Spark Units as Scheme Consideration

- (a) On the Implementation Date, in consideration of the transfer to it of the Spark 2 Scheme Shares, the Spark RE must, and Spark 2 must procure Spark RE to, issue the New Spark Units as Scheme Consideration to the Scheme Participants in accordance with clause 5.2(b).
- (b) The obligation of Spark RE to issue the New Spark Units pursuant to clause 5.2(a) will be satisfied by Spark RE on the Implementation Date amending the Register to reflect the issue of New Spark Units to each Scheme Participant as Scheme Consideration which that Scheme Participant is entitled to receive under the Spark 2 Scheme.
- (c) The entitlement of the Ineligible Foreign Securityholder under this Scheme is satisfied by the Spark RE providing the Scheme Consideration to which the Ineligible Foreign Securityholder would have been entitled (were they not determined by the Spark RE to be Ineligible Foreign Securityholders) to the Sale Facility Agent and the Sale Facility Agent and the Spark RE complying with the sale facility provisions under clause 6.

5.3 New Spark Units to rank equally

- (a) New Spark Units issued to Scheme Participants will rank equally in all respects with all existing Spark Units, including participating fully for “Distributable Income” of the Spark Trust in respect of the “Distribution Period” (within the meaning of the Spark Trust Constitution) in which the New Spark Units are issued in accordance with clause 3.5(a)(i) of the Spark Trust Constitution.
- (b) On issue, each New Spark Unit issued to Scheme Participants will be fully paid and free from any Encumbrance.

5.4 After the issue of New Spark Units

Each of the Scheme Participants and Ineligible Foreign Securityholders agrees and acknowledges that, after the issue of New Spark Units under the Schemes:

- (a) the Spark Units will be consolidated such that the number of Spark Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at that time; and
- (b) the Consolidated Spark Units and the Notes will then be Restapled to form the Repositioned Stapled Securities.

6 Sale facility

6.1 Disposal of Repositioned Stapled Securities

The Sale Facility Agent must, and Spark 2 and Spark RE must procure that the Sale Facility Agent must:

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

- (a) within 30 days after the Implementation Date, dispose of the Repositioned Stapled Securities it holds; and
- (b) remit the sale proceeds, after deducting fees and expenses payable to the Sale Facility Agent, to the Spark RE on the completion of each disposal of the Repositioned Stapled Securities in accordance with clause 6.1(a).

6.2 Distribution of Relevant Sale Facility Consideration

The Spark RE must promptly pay, and Spark 2 must procure that the Spark RE promptly pays, to each Ineligible Foreign Securityholder the Relevant Sale Facility Consideration, after the last of the proceeds of sale of all of the Repositioned Stapled Securities that the Sale Facility Agent holds are received from the Sale Facility Agent under clause 6.1(b).

6.3 Relevant Sale Facility Consideration

- (a) Each Ineligible Foreign Securityholder agrees that the payment of the Relevant Sale Facility Consideration is a full discharge of the obligations of the Sale Facility Agent and the Spark RE under this clause 6.
- (b) The total consideration received by an Ineligible Foreign Securityholder for their Spark 1 Shares, Spark 2 Shares, Spark Units and Notes held at 7.00pm on the Record Date must not exceed the Relevant Sale Facility Consideration, whether received under the Schemes or otherwise.
- (c) Each Ineligible Foreign Securityholder agrees that their entitlement to the Relevant Sale Facility Consideration is subject to compliance with applicable law (including on conduct of the sale facility and remittance of funds).

7 Dealings in Spark 2 Shares

7.1 Determination of identity

To establish the identity of the Scheme Participants (other than the Sale Facility Agent) and the Ineligible Foreign Securityholders, dealings in Spark 2 Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as the holder of the relevant Spark 2 Shares on or before 7.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the Register is kept.

7.2 Register

- (a) Spark 2 must register any registrable transmission applications or transfers of the Spark 2 Shares received in accordance with clause 7.1(b) on or before 7.00pm on the Record Date.
- (b) If the Spark 2 Scheme becomes Effective, a holder of Spark 2 Shares (and any person claiming through that holder) must not dispose of or

purport or agree to dispose of any Spark 2 Shares or any interest in them after the Effective Date.

- (c) Spark 2 will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Spark 2 Shares received after 7.00pm on the Record Date (except a transfer to the Sale Facility Agent or Spark RE pursuant to this Scheme and any subsequent transfer by Spark RE or its successors in title).
- (d) For the purpose of determining entitlements to the Scheme Consideration, Spark 2 will maintain the Register in accordance with the provisions of this clause 7.2 and, following the registration of the transfer of the Spark 2 Shares from Ineligible Foreign Securityholders to the Sale Facility Agent and the entry of the name of the Sale Facility Agent in the Register referred to in clause 4.4(b), the Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) Any statements of holding in respect of Spark 2 Shares will cease to have effect after 7.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Spark RE and its successors in title). After 7.00pm on the Record Date, each entry current on the Register as at 7.00pm on the Record Date (other than entries in respect of Spark RE or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.
- (f) Spark 2 will ensure that details of:
 - (i) the names, Registered Addresses and holdings of Spark 2 Shares for each Scheme Participant (other than the Sale Facility Agent), as shown in the Register at 7.00pm on the Record Date; and
 - (ii) the names and Registered Addresses of every Ineligible Foreign Securityholder at 7.00pm on the Record Date,

are available to Spark RE in such form as Spark RE reasonably requires.

7.3 Quotation of Spark 2 Shares

- (a) The Spark 2 Shares will only trade on the ASX as part of the Stapled Securities until the close of trading on the ASX on the Effective Date.
- (b) After the Spark 2 Scheme has been fully implemented:
 - (i) the official quotation of Spark 2 Shares on ASX will be terminated; and
 - (ii) Spark 2 will be removed from the official list of the ASX.

8 General Spark 2 Scheme provisions

8.1 Power of attorney

Upon the Spark 2 Scheme becoming Effective, each Scheme Participant and Ineligible Foreign Securityholder, without the need for any further act by any Scheme Participant or Ineligible Foreign Securityholder, irrevocably appoints

ANNEXURE 4 – SPARK HOLDINGS 2 MEMBER SCHEME TERMS (CONTINUED)

Spark 2 and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of executing any document necessary or expedient to give effect to this Spark 2 Scheme including the Spark 2 Sale Facility Transfer Form, the Spark 2 Scheme Transfer Form and the Spark 2 Scheme Subscription Form or doing any other act or thing necessary or desirable to give effect to this Spark 2 Scheme.

8.2 Variations, alterations and conditions

Spark 2 may, with the consent of Spark RE (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to the Spark 2 Scheme which the Court thinks fit to impose.

8.3 Further action by Spark 2

Spark 2 will execute all documents and do all things necessary or expedient to implement, and perform its obligations under, this Spark 2 Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Participants and Ineligible Foreign Securityholder:

- (a) consents to Spark 2 doing all things necessary or expedient for or incidental to the implementation of this Spark 2 Scheme; and
- (b) acknowledges that this Spark 2 Scheme binds Spark 2 and all Spark 2 Shareholders (including those who do not attend the Spark 2 Scheme Meeting or do not vote at that meeting or vote against the Spark 2 Scheme at that meeting).

8.5 Sale Facility Agent

Spark 2 and Spark RE must procure that the Sale Facility Agent performs the steps attributed to it under, and otherwise to comply with, this Scheme including as Sale Facility Agent or Scheme Participant.

8.6 Stamp duty

Spark RE will pay all stamp duty payable in connection with the Spark 2 Scheme.

8.7 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Spark 2 Scheme is sent by post to Spark 2, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Spark 2's registered office or at the office of the registrar of Spark 2 Shares.
- (b) The accidental omission to give notice of the Spark 2 Scheme Meeting or the non-receipt of such a notice by any Spark Securityholder shall not, unless so ordered by the Court, invalidate the Spark 2 Scheme Meeting or the proceedings of that meeting.

8.8 No liability when acting in good faith

Neither Spark 2 nor the Spark RE, nor any director, officer or employee of either of those companies, will be liable for anything done or omitted to be done in the performance or implementation of this Scheme in good faith.

8.9 Governing law

This Spark 2 Scheme is governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of that place.

Annexure 5 - Constitution Amendments

This annexure describes and summarises the amendments to the following documents to be proposed to Securityholders for approval:

- (a) Part A - amendments to the Stapling Provisions of each of the constitution of Spark Infrastructure Trust, the Note Trust Deed between Spark Infrastructure RE Limited as responsible entity of the Spark Infrastructure Trust and Australian Executor Trustees Limited as Note Trustee (“Loan Note Trust Deed”), the memorandum and articles of association of Spark Infrastructure Holdings International Limited, the constitution of Spark Infrastructure Holdings No. 1 Limited and the constitution of Spark Infrastructure Holdings No. 2 Limited to facilitate the Restructure;
- (b) Part B - amendments to the Stapling Provisions of each of the constitution of Spark Infrastructure Trust and the Loan Note Trust Deed regarding the effect of the Stapling Provisions after the Restructure;
- (c) Part C - amendments to the Loan Note Trust Deed;
- (d) Part D - amendments to the memorandum and articles of association of Spark Infrastructure Holdings International Limited;
- (e) Part E - amendments to the constitution of Spark Infrastructure Holdings No. 1 Limited; and
- (f) Part F - amendments to the constitution of Spark Infrastructure Holdings No. 2 Limited.

In this Annexure, capitalised words defined in the relevant document have the meaning given to them in the relevant document, unless the contrary intention appears.

Assuming the Constitutional Amendment and Related Resolutions are passed, the following supplemental deeds will be entered into to give effect to the form of the proposed Constitutional Amendments to the constitution of Spark Infrastructure Trust and the Loan Note Trust Deed:

- (1) with effect from the Effective Date:
 - a supplemental deed incorporating the amendments set out in Part A for the constitution of Spark Infrastructure Trust; and
 - a supplemental deed incorporating the amendments set out in Parts A and C for the Loan Note Trust Deed;
- (2) with effect from the Implementation Date:
 - supplemental deeds incorporating the amendments set out in Part B for the constitution of Spark Infrastructure Trust and the Loan Note Trust Deed respectively.

The supplemental deeds for Spark Infrastructure Trust will be lodged with ASIC in accordance with the Corporations Act.

Part A - Amendments to the Stapling Provisions (to facilitate Restructure)

The Stapling Provisions are amended:

- (a) with effect from the Effective Date in the case of the constitution of Spark Infrastructure Trust and the Loan Note Trust Deed;
- (b) upon approval by the Securityholders in the case of the constitution of Spark Infrastructure Holdings No. 1 Limited and the constitution of Spark Infrastructure Holdings No. 2 Limited; and
- (c) with effect immediately upon the filing of the amendments with the Companies Registry of The Commonwealth of the Bahamas in the case of the articles of association of Spark Infrastructure Holdings International Limited,

by inserting new clauses 13, 14 and 15 to the Stapling Provisions as set out below and renumbering existing clause 13 as clause 16:

“13 Restructure generally

13.1 Power in connection with Restructure

Without limiting the Issuer’s powers under the Schemes and the Constituent Documents, with effect from the Effective Date, the Issuer has power to do all other additional things which the Issuer considers are necessary, desirable or incidental to give effect to the Restructure, including under the Restructure Implementation Deed.

13.2 Restructure as Stapling Matter

The Restructure is taken to be a Stapling Matter for the purposes of these Stapling Provisions.

13.3 Indemnity by RE

The RE acknowledges that the indemnity under clause 11.3 of the Note Trust Deed covers any liability or loss arising from, and any reasonable Costs incurred by the Note Trustee in connection with, any act, omission, matter or thing to give effect to the Restructure.

13.4 Implementation steps

The Issuer acknowledges that under the Restructure Implementation Deed, the implementation steps for the Restructure will take place at the times and in the order described in the Restructure Implementation Deed.

13.5 Definitions

Unless the context otherwise requires:

Application Price means, in respect of the new Units issued under the Schemes, the application price calculated in accordance with clause 14.1.

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

Consolidation means the consolidation of Units as set out in clause 14.2 and **Consolidated** has a corresponding meaning.

Costs has the meaning in the Note Trust Deed.

Court means a court of competent jurisdiction under the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) in relation to each of the Schemes but in any event at no time before an office copy of the orders of the Court is lodged with ASIC.

Effective Date means the date the Schemes become Effective.

HoldCo 1 Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between HoldCo 1 and the holders of its ordinary shares, substantially in the form annexed to the Notices of Meeting and Explanatory Memorandum dated 3 November 2010, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

HoldCo 2 Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between HoldCo 2 and the holders of its ordinary shares, substantially in the form annexed to the Notices of Meeting and Explanatory Memorandum dated 3 November 2010, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Implementation means the completion of all the Implementation Steps in accordance with clause 5.1 of the Restructure Implementation Deed.

Implementation Date means the date on which Implementation occurs, being a date no later than 31 December 2010 (or such other date as the parties to the Restructure Implementation Deed may agree).

Implementation Step means each of the steps set out in Schedule 1 of the Restructure Implementation Deed.

Ineligible Foreign Securityholder means an Investor who the RE determines will not be eligible to receive new Units under the Schemes on the basis that:

- (a) it would be illegal under the laws of a jurisdiction to make an invitation or offer to the Investor or for the Investor to participate in the proposal; or
- (b) it would be unreasonable to make an invitation or offer to the Investor or for the Investor to participate in the proposal having regard to each of the following:
 - (i) the number of Investors in the foreign jurisdiction;
 - (ii) the number and the value of the interests to be issued to the members in that jurisdiction; and

- (iii) the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to making an invitation or offer, or participation in the proposal in that jurisdiction.

Note Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between the RE and the holders of Notes, substantially in the form annexed to the Notices of Meeting and Explanatory Memorandum dated 3 November 2010, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act, or otherwise desirable or necessary to comply with applicable law.

Record Date means the sixth Business Day following the Second Court Date.

Relevant Sale Facility Consideration means, in relation to each Ineligible Foreign Securityholder, an amount equal to the average price at which the Repositioned Stapled Securities are sold by the Sale Facility Agent in accordance with clause 15.3(a)(i), multiplied by the corresponding number of Stapled Securities of that Ineligible Foreign Securityholder held at 7pm on the Record Date, less any reasonable applicable brokerage, stamp duty and other selling costs, taxes and charges.

Repositioned Stapled Security means the stapled security consisting of a Consolidated Unit and a Note.

Restapling and Restapled means the restapling of the Consolidated Units to the Notes.

Restructure means the proposed restructure of Spark Infrastructure Group as described in the Notices of Meeting and Explanatory Memorandum dated 3 November 2010.

Restructure Implementation Deed means the deed so entitled dated 22 September 2010 between HoldCo 1, HoldCo 2, HoldCo 3 and the RE as responsible entity of the Trust as amended.

Sale Facility Agent means the entity appointed by HoldCo 1, HoldCo 2 and RE (as responsible entity of the Trust) to act as the sale facility agent under clause 15 and the Schemes being Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162), or any other person appointed by HoldCo 1, HoldCo 2 and RE (as responsible entity of the Trust) to act as the sale facility agent prior to the Record Date.

Scheme mean any of the HoldCo 1 Scheme, HoldCo 2 Scheme and the Note Scheme and **Schemes** means all of them.

Scheme Consideration means, in respect of each Scheme, that number of Units as set out in the Scheme to be issued to Scheme Participants at the application price set out in clause 14.1.

Scheme Participant means an Investor at 7pm on the Record Date (other than an Ineligible Foreign Securityholder) and the Sale Facility Agent, and **Scheme Participants** means all of them.

Second Court Date means the day on which the Court makes orders pursuant to section 411(4)(b) of the Corporations Act approving the Schemes.

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

Unit Sale Facility Transfer Form means, for each Ineligible Foreign Securityholder, a duly completed and executed proper instrument of transfer for the Units to the RE for the purposes of section 1071B of the Corporations Act, which may be a master transfer form.

13.6 Unstapling and Restapling

- (a) Despite any other provision under the Constituent Documents and subject to clause 13.6(d), the Issuer may, upon the Schemes becoming Effective, determine that its Attached Securities are to be Unstapled from the Stapled Security for the purposes of the Restructure.
- (b) After the Unstapling:
 - (i) other than the Preserved Clauses (defined below), the Stapling Provisions will terminate and cease to be of any force or effect in respect of HoldCo 1, HoldCo 2 and HoldCo 3 upon the Issuer determining that its Attached Securities are to be Unstapled; and
 - (ii) the references to the relevant Unstapled Security will be removed from the Register.

In paragraph (b)(i), **Preserved Clauses** means the preamble to the Stapling Provisions, clauses 1.2, 1.3(a), 1.3(b), 1.3(c), 1.3(g), 1.3(i), 10, 12.4 and 13 and the relevant definitions referred to in them which will continue to apply to HoldCo 1, HoldCo 2 and HoldCo 3 (as though each of HoldCo 1, HoldCo 2 and HoldCo 3 continues to be an Issuer and each of the A Share, B Share and CDI over the Foreign Share (or the Foreign Share if no CDI is on issue) is or continues to be an Attached Security which is Stapled).

- (c) After Consolidation, the RE may determine that the Consolidated Units and the Notes will then be Restapled to form the Repositioned Stapled Securities for the purposes of the Restructure and references to “Stapled Securities” in the Stapling Provisions will, from Implementation Date, mean a reference to the Repositioned Stapled Securities.
- (d) Despite any other provision under the Constituent Documents if, in accordance with the order described in the Restructure Implementation Deed, on the day before the Record Date it is apparent that the conditions precedent to implementation of the redemption of Foreign Shares issued by HoldCo 3 will not be satisfied or waived so as to permit such redemption to occur on or within a reasonable time after the Implementation Date, HoldCo 3 may:
 - (i) Unstaple the CDIs over the Foreign Shares from the Stapled Securities on or before the Record Date but so that each Other Attached Security remains stapled and for clarity, clause 13.6(b) applies to HoldCo 3 after the Unstapling of the CDIs; and
 - (ii) cause resolutions of its directors to be passed commencing the voluntary winding up of HoldCo 3 as soon as practicable after the Unstapling of the CDIs over the Foreign Shares.
- (e) For the avoidance of doubt:

- (i) if clause 13.6(d) applies, clauses 13.6(a) to (c) continue to apply to the other relevant Issuers and the steps referred to in those clauses are to take place in the order described in the Restructure Implementation Deed; and
- (ii) except as provided in clause 15 and the Schemes and except for trading on a deferred settlement basis as part of the Repositioned Stapled Securities, no transfers of Attached Securities may occur in the period between the Unstapling and Restapling.

14 Issue and Consolidation of Units under the Restructure

14.1 Issue of Units under the Restructure

Despite any other provision under the Trust Constitution, the RE may:

- (a) issue Units under the HoldCo 1 Scheme to Scheme Participants at an Application Price calculated as the greater of \$0.001 per Unit or the amount determined by the RE in accordance with clauses 3.1(b) and 3.2 as being the Market Price of a Stapled Security on the Implementation Date less \$1.25 being the Application Price of the Note;
- (b) issue Units under the HoldCo 2 Scheme to Scheme Participants at an Application Price calculated as the greater of \$0.001 per Unit or the amount determined by the RE in accordance with clauses 3.1(b) and 3.2 as being the Market Price of a Stapled Security on the Implementation Date less \$1.25 being the Application Price of the Note; and
- (c) issue Units under the Note Scheme to Scheme Participants at an Application Price calculated as the greater of \$0.001 per Unit or the amount determined by the RE in accordance with clauses 3.1(b) and 3.2 as being the Market Price of a Stapled Security on the Implementation Date less \$1.25 being the Application Price of the Note.

14.2 Consolidation of Units under the Restructure

For clarity, the RE may after the issues of Units to the Scheme Participants under clauses 14.1(a), 14.1(b) and 14.1(c) are completed, consolidate the Units of each Scheme Participant in accordance with clause 3.12 of the Trust Constitution such that the number of Units that a Scheme Participant holds is the same as the number of Notes that the Scheme Participant holds at that time.

15 Sale Facility for Units held by Ineligible Foreign Securityholders in the Restructure

15.1 Transfer to Sale Facility Agent

- (a) All of the Units held by Ineligible Foreign Securityholders together with all rights and entitlements attaching to those Units at the Implementation Date will be transferred to the Sale Facility Agent on the Implementation Date without the need for any further act by any Ineligible Foreign Securityholders (other than acts performed by RE (or its directors or

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

officers) as attorney and agent for the Ineligible Foreign Securityholders under clause 15.1(c)(i) and 15.3(b)).

- (b) The Sale Facility Agent must accept, and the RE must procure that the Sale Facility Agent accepts, the transfer of Units under clause 15.1(a) by immediately executing the Unit Sale Facility Transfer Form as transferee and delivering it to the RE for registration.
- (c) In order to give effect to the transfer of Units under clause 15.1(a), on the Implementation Date, the RE will:
 - (i) as attorney and agent for the Ineligible Foreign Securityholders, execute the Unit Sale Facility Transfer Form, which was previously duly completed and executed by the Sale Facility Agent, to transfer all Units held by Ineligible Foreign Securityholders to the Sale Facility Agent; and
 - (ii) register the transfer of Units and enter the name of the Sale Facility Agent in the Register in respect of all Units transferred under clause 15.1(c)(i).

15.2 Acknowledgment by Ineligible Foreign Securityholders

- (a) Each Ineligible Foreign Securityholder acknowledges that the Scheme Consideration to which the Ineligible Foreign Securityholder would have been entitled (were they not determined by the RE to be an Ineligible Foreign Securityholder) under each of the Schemes will be:
 - (i) issued to the Sale Facility Agent as Scheme Participant; and
 - (ii) Consolidated and Restapled with the Notes into that number of Repositioned Stapled Securities to which the Ineligible Foreign Securityholder would have been entitled (were they not determined by the RE to be an Ineligible Foreign Securityholder).

15.3 Disposal of Repositioned Stapled Securities

- (a) The Sale Facility Agent must, and RE will procure the Sale Facility Agent to:
 - (i) within 30 days after the Implementation Date, dispose of the Repositioned Stapled Securities it holds; and
 - (ii) remit the sale proceeds, after deducting fees and expenses payable to the Sale Facility Agent, to the RE on the completion of each disposal of the Repositioned Stapled Securities.
- (b) RE must promptly pay to each Ineligible Foreign Securityholder the Relevant Sale Facility Consideration after the last of the proceeds of sale of all of the Repositioned Stapled Securities that the Sale Facility Agent holds are received from the Sale Facility Agent under clause 15.3(a)(ii).
- (c) Each Ineligible Foreign Securityholder agrees that the payment of the Relevant Sale Facility Consideration is a full discharge of the obligations of the Sale Facility Agent and the RE under this clause 15.

- (d) The total consideration received by an Ineligible Foreign Securityholder for their A Shares, B Shares, Units and Notes held at 7pm on the Record Date must not exceed the Relevant Sale Facility Consideration, whether received under the Schemes or otherwise.

15.4 Covenants by Ineligible Foreign Securityholders

Each Ineligible Foreign Securityholder:

- (a) agrees to the transfer of all of their Units to the Sale Facility Agent and the subsequent sale of the Repositioned Stapled Securities in accordance with this clause 15; and
- (b) without the need for any further act by any Ineligible Foreign Securityholder, irrevocably appoints the RE and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of executing any document necessary or expedient to give effect to the arrangements described in this clause 15 or doing any other act or thing necessary or desirable to give effect to this clause 15; and
- (c) agrees that their entitlement to the Relevant Sale Facility Consideration is subject to compliance with applicable law (including on conduct of the sale facility and remittance of funds).

15.5 Status of Units

Each Ineligible Foreign Securityholder warrants to the RE and to or for the benefit of the Sale Facility Agent that:

- (a) all their Units (including any rights and entitlements attaching to those Units) which are transferred to the Sale Facility Agent will, at the date they are transferred to the Sale Facility Agent, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Units (including any rights and entitlements attaching to those Units) to the Sale Facility Agent.

15.6 Determination of identity

To establish the identity of the Ineligible Foreign Securityholders, dealings in Units (as part of the Stapled Securities) will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Units (as part of the Stapled Securities) on or before 7.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the Register is kept.

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

15.7 Register

- (a) The RE must register any registrable transmission applications or transfers of the Units (as part of the Stapled Securities) received in accordance with clause 15.6(b) on or before 7.00pm on the Record Date.
- (b) If the Schemes become Effective, a holder of Units (as part of the Stapled Securities) (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Units (as part of the Stapled Securities) or any interest in them after the Effective Date.
- (c) The RE will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Units (as part of the Stapled Securities) received after 7.00pm on the Record Date (except a transfer to the Sale Facility Agent or the RE pursuant to this clause 15 and any subsequent transfer by the RE or its successors in title).
- (d) For the purpose of determining entitlements to the Scheme Consideration, the RE will maintain the Register in accordance with the provisions of this clause 15.7 and, following the registration of the transfer of the Unstapled Units from Ineligible Foreign Securityholders to the Sale Facility Agent and the entry of the name of the Sale Facility Agent in the Register referred to in clause 15.1(c), the Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) Any statements of holding in respect of Units (as part of the Stapled Securities) will cease to have effect after 7.00pm on the Record Date as documents of title in respect of those Units (other than statements of holding in favour of the RE and its successors in title). After 7.00pm on the Record Date, each entry current on the Register as at 7.00pm on the Record Date (other than entries in respect of the RE or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

15.8 Quotation of Units

- (a) The Units will only trade on the ASX as part of the Stapled Securities until the close of trading on the ASX on the Effective Date.
- (b) The Units will continue to be quoted and will trade on the ASX as part of the Repositioned Stapled Securities after the Effective Date initially on a deferred settlement basis and then on a normal trading basis as agreed with ASX.”

Part B - Amendments to the Stapling Provisions (after Restructure)

The Stapling Provisions of each of the constitution of Spark Infrastructure Trust and the Loan Note Trust Deed are amended, with effect from the Implementation Date, by:

- (a) Deleting clauses 1.4 and 1.5 in their entirety and replacing them with “[Deleted]”;
- (b) Amending clause 3.3(a) to remove the words “for each of the ten Trading Days from and including the third Trading Day after the Record Date for the Distribution Period” and replacing them with “for each of the ten Trading Days (or such other period of not less than five Trading Days as the RE may determine), ending on the third Trading Day prior to the date scheduled for the payment of that distribution (or such other date as the RE may determine)”;
- (c) Deleting clauses 11.3(b) and 11.4 in their entirety and replacing them with “[Deleted]”;
- (d) Deleting clauses 12.1(a), 12.1(b) and 12.1(c) in their entirety and replacing them with “[Deleted]”;
- (e) Deleting the following definitions from clause 13.1 (renumbered as clause 16.1):
 - (i) **A Share;**
 - (ii) **CDI;**
 - (iii) **Depositary;**
 - (iv) **Foreign Share;**
 - (v) **HoldCo 1;**
 - (vi) **HoldCo 2;**
 - (vii) **HoldCo 3;**
 - (viii) **HoldCo 1 Constitution;**
 - (ix) **HoldCo 2 Constitution;**
 - (x) **HoldCo 3 Constitution;**
 - (xi) **Instalment Co;**
 - (xii) **Instalment Receipt;**
 - (xiii) **Instalment Receipt Documents;**
 - (xiv) **Securities Administration Deed;** and
 - (xv) **Security Trustee.**
- (f) Amending the following definitions in clause 13.1 (renumbered as clause 16.1):

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

- (i) **Attached Security:** Deleting sub-paragraphs (b), (c) and (d) in their entirety and replacing them with “[Deleted]”;
- (ii) **Attached Securities:** Removing the words “, one A Share, one B Share and one Foreign Share, trading as a CDI” and inserting the word “and” after the word “Unit” in the fourth line of that definition;
- (iii) **Constituent Documents:** Removing the words “, the HoldCo 1 Constitution, the HoldCo 2 Constitution and the HoldCo 3 Constitution” and inserting the word “and” after the words “Trust Constitution” in the second line of that definition;
- (iv) **Issuer:** Deleting sub-paragraphs (b), (c) and (d) in their entirety and replacing them with “[Deleted]”;
- (v) **Other Attached Security:** Deleting sub-paragraphs (b), (c) and (d) in their entirety and replacing them with “[Deleted]”;
- (vi) **Other Issuer:** Deleting sub-paragraphs (b), (c) and (d) in their entirety and replacing them with “[Deleted]”; and
- (vii) **Stapled Entity:** Removing the words “HoldCo 1, HoldCo 2 and HoldCo 3” from the fourth line of that definition.

Part C - Amendments to the Loan Note Trust Deed

The Loan Note Trust Deed is amended with effect from the Effective Date as follows:

- (a) the Terms of Issue are amended by adding the following sentence at the end of the third paragraph at the beginning of that schedule:

“Capitalised terms used in these Terms of Issue which are not otherwise defined in these Terms of Issue or Schedule 4 have the meaning given to them in the Stapling Provisions, unless the contrary intention appears.”;
- (b) clause 1.2 of the Terms of Issue is amended by adding the following paragraph at the end of the clause:

“Upon the Schemes becoming Effective, after \$0.60 of the principal amount of each of the Notes issued by the RE is repaid in accordance with clause 1.5 of the Terms of Issue, the principal amount specified at paragraph (a) is thereby reduced to \$0.65 on and from the Implementation Date, and each of the Notes to be issued by RE thereafter will have a principal amount of \$0.65.”;
- (c) clause 1.5 of the Terms of Issue is amended by adding the following paragraph at the end of the clause:

“Notwithstanding clause 4.2 of the Note Trust Deed and clauses 7.3 and 7.4 of these Terms of Issue, in relation to the Restructure, the principal amount repaid by the RE will be set-off against the Application Price of the new Units issued under the Note Scheme. ”;
- (d) clause 2.1 of the Terms of Issue is amended by adding the following paragraph at the end of the clause:

“Upon the Schemes becoming Effective, after \$0.60 of the principal amount of each of the Notes issued by the RE is repaid in accordance with clause 1.5 of the Terms of Issue and the principal amount is thereby reduced to \$0.65 on and from the Implementation Date, for clarity, for the purposes of the formula above, the Face Value applicable from (and including) the Implementation Date is \$0.65.”
- (e) clause 4.2(b) of the Terms of Issue is amended by deleting the words “clause 4.3” and substituting “clause 5”.

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

Part D - Amendments to the Memorandum and Articles of Association of Spark Infrastructure Holdings International Limited

The Articles of Association of Spark Infrastructure Holdings International Limited are amended as follows with effect immediately upon the filing of the amendments with the Companies Registry of The Commonwealth of the Bahamas:

- (a) article 2.6(d) is deleted and replaced by “(d) be redeemable by the Company on the terms set out at article 2.6A.”;
- (b) the following article 2.6A is added immediately after article 2.6:

“2.6A Redemption of Ordinary Shares

All the Ordinary Shares are redeemable by the Company as follows:

- (a) the Ordinary Shares may be redeemed by the Company for nil consideration;
- (b) the Directors may elect to redeem the Ordinary Shares by giving written notice to each holder (or their agent or attorney) in accordance with article 2.6A(c) (“**Redemption Notice**”), provided that the Directors determine that immediately after the redemption:
 - (i) the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
 - (ii) the realisable value of the assets of the Company will not be less than the sum of its total liabilities, other than deferred taxes, as shown in the books of account;
- (c) the Redemption Notice must state:
 - (i) the date on which the redemption is to occur, which can be the same date as the Redemption Notice (“**Redemption Date**”);
 - (ii) the number of Ordinary Shares being redeemed; and
 - (iii) the consideration under article 2.6A(a) for which the Ordinary Shares are redeemed (“**Redemption Consideration**”);
- (d) on the Redemption Date, the Ordinary Shares specified in the relevant Redemption Notice will be redeemed by the Company for the Redemption Consideration without any payment of cash; and
- (e) upon the Redemption Date when the Ordinary Shares are redeemed, all rights conferred upon or restrictions imposed by the Ordinary Shares so redeemed (including rights to dividends whether accrued on or before the Redemption Date or otherwise) will no longer have effect (except the right to receive the

Redemption Consideration, if any) and the name of the holder of such Ordinary Shares shall be removed from the Register of members with respect thereof and such Ordinary Shares shall be cancelled and restored to the status of treasury shares.”;

- (c) article 2.10(a) is amended by deleting the words “Special Voting Share” and substituting “Special Share”;
- (d) article 2.10(h) is amended by deleting the words “any other person appointed to act as a manager in relation to the assets of the Company.” and substituting “any other person appointed to act as a manager in relation to the assets of the Company, or a replacement trustee or responsible entity of the Trust or another trust which holds all (but not some only) of the Ordinary Shares of the Company.”;
- (e) article 2.10(i) is amended by adding immediately after the word “Unstapled” the words “(other than temporarily for the purposes of the Restructure)”;
- (f) article 2.10(j) is amended by adding the word “or” at the end of paragraph (i) and deleting the words “acting or proposing to act as a manager in relation to the assets of the Company under the Management Agreement or an agreement that replaces the Management Agreement.” and substituting the following:
 - “acting or proposing to act as:
 - (iii) a manager in relation to the assets of the Company under the Management Agreement or an agreement that replaces the Management Agreement; or
 - (iv) a trustee or responsible entity of the Trust or another trust which holds all (but not some only) the Ordinary Shares of the Company.”.

Paragraph 9 of the Memorandum of Association of Spark Infrastructure Holdings International Limited is amended with effect immediately upon the filing of such amendments with the Companies Registry of the Commonwealth of The Bahamas by adding the words "and for the avoidance of any doubt the relevant provisions of the Articles of Association setting out such designations, powers, preferences, rights, qualifications, limitations and restrictions including without limitation, the provisions of Articles 1, 2.1(a), 2.1(b), 2.2, 2.6, 2.6A, 2.10, 6.10-6.14, 21, 22 and 23 are expressly incorporated herein by reference”.

ANNEXURE 5 – CONSTITUTION AMENDMENTS (CONTINUED)

Part E - Amendments to Spark 1 Constitution

The constitution of Spark Infrastructure Holdings No. 1 Limited is amended upon approval by the Securityholders as follows:

- (a) article 2.10(a) is amended by deleting the words “Special Voting Share” and substituting “Special Share”;
- (b) article 2.10(h) is amended by deleting the words “any other person appointed to act as a manager in relation to the assets of the Company.” and substituting “any other person appointed to act as a manager in relation to the assets of the Company, or a replacement trustee or responsible entity of the Trust or another trust which holds all (but not some only) of the Ordinary Shares of the Company.”;
- (c) article 2.10(i) is amended by adding immediately after the word “Unstapled” the words “(other than temporarily for the purposes of the Restructure)”; and
- (d) article 2.10(j) is amended by adding the word “or” at the end of paragraph (i) and deleting the words “acting or proposing to act as a manager in relation to the assets of the Company under the Management Agreement or an agreement that replaces the Management Agreement.” and substituting the following:
 - “acting or proposing to act as:
 - (iii) a manager in relation to the assets of the Company under the Management Agreement or an agreement that replaces the Management Agreement; or
 - (iv) a trustee or responsible entity of the Trust or another trust which holds all (but not some only) the Ordinary Shares of the Company.”.

Part F - Amendments to Spark 2 Constitution

The constitution of Spark Infrastructure Holdings No. 2 Limited is amended upon approval by the Securityholders as follows:

- (a) article 2.10(a) is amended by deleting the words “Special Voting Share” and substituting “Special Share”;
 - (b) article 2.10(h) is amended by deleting the words “any other person appointed to act as a manager in relation to the assets of the Company.” and substituting “any other person appointed to act as a manager in relation to the assets of the Company, or a replacement trustee or responsible entity of the Trust or another trust which holds all (but not some only) of the Ordinary Shares of the Company.”;
 - (c) article 2.10(i) is amended by adding immediately after the word “Unstapled” the words “(other than temporarily for the purposes of the Restructure)”;
 - (d) article 2.10(j) is amended by adding the word “or” at the end of paragraph (i) and deleting the words “acting or proposing to act as a manager in relation to the assets of the Company under the Management Agreement or an agreement that replaces the Management Agreement.” and substituting the following:
 - “acting or proposing to act as:
 - (iii) a manager in relation to the assets of the Company under the Management Agreement or an agreement that replaces the Management Agreement; or
 - (iv) a trustee or responsible entity of the Trust or another trust which holds all (but not some only) the Ordinary Shares of the Company.”
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The Directors
Spark Infrastructure Holdings No.1 Limited
Spark Infrastructure Holdings No.2 Limited
Spark Infrastructure Holdings International Limited
Speak Infrastructure RE Limited
as responsible entity of Spark Infrastructure Trust
Level 6
255 George Street
Sydney NSW 2000

3 November 2010

Subject: Proposed restructure of stapled securities

Dear Directors

Introduction

- 1 On 26 February 2010 Spark Infrastructure Group (Spark Infrastructure) announced that it would undertake a Strategic Review to consider its capital structure, ownership structure and future funding needs.
- 2 Specifically, the operating companies Powercor Australia, CitiPower and ETSA Utilities (the Asset Companies) in which Spark Infrastructure has invested, have indicated a desire to retain a greater proportion of cash from operations to fund future growth capital expenditure¹. This may limit the cash available for distribution by the Asset Companies and therefore may affect the level of cash distributions Spark Infrastructure is able to pay to its securityholders.
- 3 Arising from the Strategic Review, on 22 September 2010 Spark Infrastructure announced:
 - (a) a 2 for 7 Entitlement Offer of new stapled securities to raise approximately \$295 million at a price of \$1.00 per security (the Entitlement Offer); and

¹ Following recent regulatory decisions the operating companies have approved and proposed capital expenditure programs over the five year period to FY15 aggregating around \$3.5 billion.

- (b) a proposal to simplify the existing stapled security structure (the Restructure), involving:
- (i) a partial repayment of the principal amount outstanding on the loan notes issued by the Spark Infrastructure Trust (SIT) by \$0.60 per security, with the amount repaid to be applied to the issue of additional units in SIT². As a result the loan notes will have a face value of \$0.65 per loan note and will pay a correspondingly lower interest entitlement per security³; and
 - (ii) the simplification of the existing Spark Infrastructure Australian Securities Exchange (ASX) listed security from five stapled securities with four issuers to an ASX listed dual stapled security with SIT as the sole listed issuer.
- 4 Resolutions to effect the Restructure are to be put to Spark Infrastructure securityholders in a series of inter-dependent general meetings and scheme meetings for securityholder approval. With the exception of the Spark Infrastructure Holdings International Limited (SIHI) resolution, the resolutions at these meetings are inter-conditional. It should be noted that the Entitlement Offer will be completed prior to these securityholder meetings and is not conditional on the Restructure⁴.

Scope

- 5 There is no requirement under the *Corporations Act (Cth) 2001* (Corporations Act) for an Independent Expert's Report (IER) to be obtained in relation to the Restructure. However, Spark Infrastructure's independent directors have requested Lonergan Edwards & Associates Limited (LEA) to provide an IER setting out whether, in our opinion, the Restructure is in the best interests of Spark Infrastructure securityholders and the reasons for that opinion.
- 6 This report has been prepared by LEA for the benefit of Spark Infrastructure securityholders to assist them in considering the resolutions to approve the Restructure. Our report will accompany the Explanatory Memorandum for the Restructure to be sent to Spark Infrastructure securityholders. The sole purpose of our report is to determine whether, in our opinion, the Restructure is in the best interests of Spark Infrastructure securityholders⁵.
- 7 The ultimate decision whether to approve the Restructure should be based on each Spark Infrastructure securityholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Restructure or matters dealt with in this report, securityholders should seek independent professional advice.

² Effectively, that portion of the loan note principal repaid will be converted from debt to equity in SIT.

³ The interest rate on the loan notes (which was due to reset on 30 November 2010 if Spark Infrastructure elected to do so) will be left unchanged at 10.85% per annum for the next five years.

⁴ While the Entitlement Offer is not conditional on the Restructure, the Restructure is conditional on the Entitlement Offer (being one of the condition precedents under the Restructure Implementation Deed).

⁵ It should be noted that the Entitlement Offer does not form part of the Restructure.

ANNEXURE 6 – INDEPENDENT EXPERT'S REPORT (CONTINUED)

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Summary of opinion

- 8 As the Restructure has no impact on either:
- (a) the value of Spark Infrastructure's investments in the Asset Companies; or
 - (b) the level of net debt in Spark Infrastructure
- in our opinion, the Restructure has no impact on the underlying value of the stapled securities in Spark Infrastructure.
- 9 Further, the Restructure has no impact on:
- (a) the proportional interest of securityholders in the assets of Spark Infrastructure post completion of the Entitlement Offer;
 - (b) the number of stapled securities held;
 - (c) existing ownership interests (post completion of the Entitlement Offer)⁶; or
 - (d) the total distribution likely to be paid to stapled securityholders.
- 10 Given the above, we have considered whether the advantages of the Restructure outweigh the disadvantages of the Restructure from the perspective of Spark Infrastructure stapled securityholders taken as a whole.
- 11 For the reasons set out in this report, in our opinion, the Restructure is in the best interests of Spark Infrastructure securityholders (taken as a whole) because the advantages outweigh the disadvantages. We have formed this view principally because if the Restructure is implemented:
- (a) there will be a more appropriate alignment between Spark Infrastructure's distribution profile (and inherent loan note interest obligations) and its share of the underlying cash flows expected to be distributed to Spark Infrastructure by the Asset Companies
 - (b) Spark Infrastructure's ownership and stapled security structure will be simplified, which is likely to facilitate the ability to raise capital (if required) and may improve investment demand for Spark Infrastructure stapled securities as a result of creating a simplified and more transparent ownership structure that may have greater appeal to a broader range of investors
 - (c) the risk that Spark Infrastructure is required to defer interest in respect of the loan notes in future periods (and the consequential risk of adverse commercial, financial and tax impacts for securityholders) is significantly reduced
 - (d) Spark Infrastructure's financial reporting will be easier for investors to understand.
- 12 Disadvantages of the Restructure are outlined in paragraphs 56 to 60 and are summarised below:
- (a) the reduction in the face value of the loan notes will reduce Spark Infrastructure's interest obligation to securityholders. However, the Restructure is not expected to have

⁶ Certain overseas securityholders will have their complete holdings of stapled securities sold (refer paragraph 54).

- any impact on the total distribution paid on the stapled securities as the Restructure does not have any impact on the level of free cash flow generated by the Asset Companies
- (b) due to lower interest deductions on the loan notes Spark Infrastructure will begin paying tax on its income earlier than if the Restructure did not proceed. However, we note that due to the existence of significant available tax losses Spark Infrastructure does not expect to pay tax in the short to medium term
 - (c) while Spark Infrastructure has no foreign controlled investments at the date of this report, an acquisition of a foreign controlled entity in future could cause all Spark Infrastructure entities to be subject to the thin capitalisation rules
 - (d) there is a risk that further acquisitions by Spark Infrastructure could result in the Australian Taxation Office (ATO) seeking to tax the Spark Infrastructure Trust (SIT) as a public trading trust⁷
 - (e) due to overseas securities regulations some overseas Spark Infrastructure securityholders will have their complete holding of securities sold through a nominee sale process if the Restructure proceeds⁸.
- 13 It should also be noted that future distributions per Spark Infrastructure security are likely to be lower than distributions paid to date. However, this is not due to the Restructure⁹ but is due to reductions in the free cash flows likely to be available for distribution as a result of significant capital expenditure requirements (refer paragraphs 40 to 42).

Basis of assessment

- 14 In preparing our report we have given due consideration to the Regulatory Guides issued by Australian Securities & Investments Commission (ASIC) including, in particular, Regulatory Guide 111 – *Content of expert reports* (RG 111) and Regulatory Guide 112 – *Independence of Experts* (RG 112).
- 15 There is no legal definition of the expression “in the best interests”. However, RG 111 indicates that a proposal may be “in the best interests of members” if the advantages of the proposal for securityholders outweigh the disadvantages.
- 16 In LEA’s opinion, the most appropriate basis upon which to evaluate the Restructure is therefore to assess its overall impact on the securityholders of Spark Infrastructure and to form a judgement as to whether the expected benefits to Spark Infrastructure securityholders outweigh the disadvantages and risks that might result.
- 17 Consequently we have considered:
- (a) the impact of the Restructure on the funding flexibility of Spark Infrastructure, including its ability to retain cash flow to fund its share of the proposed future growth

⁷ We understand that in the event that SIT may become taxable as a public trading trust due to new investments, Spark Infrastructure will assess the implications to determine a course of action that is in the best interests of securityholders.

⁸ Based on the latest composition of the Spark Infrastructure securityholder register less than 1% of securityholders will be affected.

⁹ The Restructure does not impact the level of free cash flow generated by the Asset Companies and therefore does not impact the free cash flow available for distribution to Spark Infrastructure securityholders.

ANNEXURE 6 – INDEPENDENT EXPERT'S REPORT (CONTINUED)

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- capital expenditure programs of the Asset Companies (and the implications for Spark Infrastructure in this regard if the Restructure is not approved)
- (b) the impact the Restructure is likely to have on the level of Spark Infrastructure distributions (per security)
 - (c) the impact the Restructure is likely to have on the composition of those distributions, including differences between the level of cash distributions received by securityholders and the level of taxable income attributable to securityholders
 - (d) whether there are any adverse upfront tax consequences for Spark Infrastructure securityholders as a result of the Restructure (depending on whether the investor holds Spark Infrastructure securities on income or capital account or as a non-resident)
 - (e) the advantages associated with having a simpler structure, including:
 - (i) more easily understandable financial statements for investors
 - (ii) potential to broaden the investor base due to simplification
 - (f) the impact (if any) the Restructure will have on:
 - (i) earnings per security
 - (ii) net assets and net tangible assets per security
 - (iii) management fees payable
 - (g) the impact of the Restructure on the ownership interests of Spark Infrastructure
 - (h) the level of one-off transaction costs incurred
 - (i) other advantages and disadvantages.

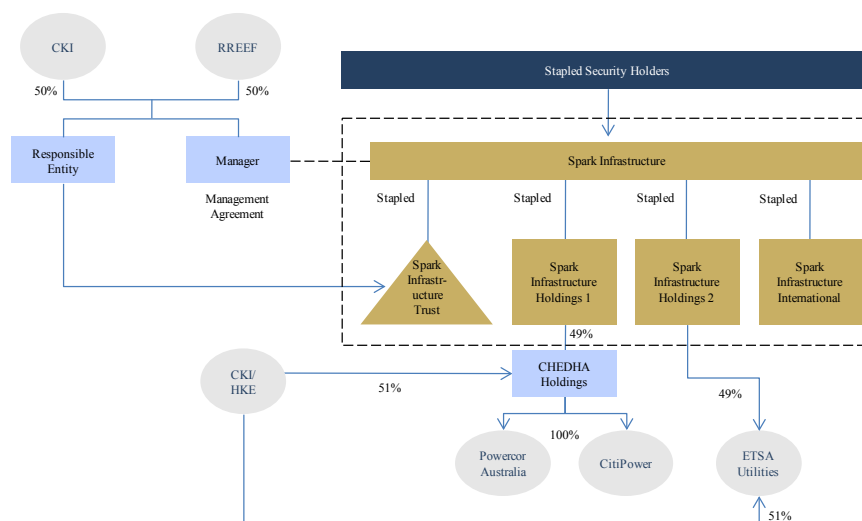
The Restructure

Existing structure

- 18 Spark Infrastructure is a stapled security listed on the ASX which comprises the following four entities:
- (a) Spark Infrastructure Trust, a registered management investment scheme (SIT)
 - (b) Spark Infrastructure Holdings No.1 Limited (SIH 1)
 - (c) Spark Infrastructure Holdings No.2 Limited (SIH 2)
 - (d) Spark Infrastructure Holdings International Limited (SIHI).

- 19 A summary of the corporate and investment structure of Spark Infrastructure is set out below:

Spark Infrastructure – corporate and ownership structure



Source: Spark Infrastructure

- 20 SIH 1 and SIH 2 hold (indirectly) 49% interests in CHEDHA Holdings and ETSA Utilities respectively. CHEDHA Holdings holds a 100% interest in CitiPower and Powercor Australia. SIH 2 holds its interest in ETSA Utilities via a partnership. SIHI is a Bahamas incorporated company which is intended to hold non-Australian investments in the future, but is currently dormant and has no assets.
- 21 Each stapled security in Spark Infrastructure comprises one unit in SIT, one loan note issued by the responsible entity as trustee of SIT, an ordinary share in each of SIH 1 and SIH 2 and one CDI over one share in SIHI. These securities are stapled together and are unable to be separately traded, transferred or sold.
- 22 The original monies invested by securityholders on the initial public offering (IPO) of Spark Infrastructure in 2005 comprised mainly subscriptions for loan notes issued by SIT¹⁰. Interest on the loan notes comprises the main component of annual distributions to Spark Infrastructure securityholders¹¹.
- 23 The monies raised on the IPO were on-lent by SIT within the existing Spark Infrastructure structure and provide funding for the operations of the Asset Companies. Additional funding has been obtained from:
- (a) external debt facilities drawn down to \$425 million (provided to a wholly owned subsidiary of SIH 1), which were recently re-financed

¹⁰ The loan note component comprised \$1.25 of the total of \$1.80 subscribed per stapled security.

¹¹ A summary of distributions to date is set out in Appendix C.

ANNEXURE 6 – INDEPENDENT EXPERT'S REPORT (CONTINUED)

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- (b) a distribution re-investment plan (DRP), which to date has only been activated for September 2009 at which time capital of \$28.3 million was raised.

Loan notes

- 24 The loan notes forming part of the stapled securities are unsecured notes for the purposes of section 283BH of the Corporations Act. They are subordinated to all secured and unsecured creditors of SIT for all amounts, including the senior debt raised by Spark Infrastructure and the management fees payable. The loan notes are a debt product with a 100 year non-amortising term, which will be required to be redeemed at maturity.
- 25 Interest on the principal outstanding on the loan notes accrues daily and is cumulative. Under the terms of the loan note deed, the interest rate payable is:
- (a) for the period to 30 November 2010 (the first reset date), 10.85% per annum; and
- (b) in the event that Spark Infrastructure decides to reset at 30 November 2010¹², a market based rate calculated as the lower of:
- (i) the rate based on average swap reference rates at the relevant time as quoted on Reuters; and
- (ii) the rate based on the average bid rate for Australian bank bills of exchange at the relevant time as quoted on Reuters plus a credit margin of 4.00% per annum.
- 26 Interest is calculated on the face value of the loan notes. The face value is currently \$1.25 per loan note, and will be reduced if the loan notes are repaid in part in accordance with the note trust deed.
- 27 Based on the existing stapled securities on issue (prior to the Entitlement Offer) the annual interest expense on the loan notes is \$138 million, calculated as follows:

Number of stapled securities on issue	1.03 billion
Face value of loan note debt ⁽¹⁾	\$1.29 billion
Current interest rate (to November 2010)	10.85% p.a.
Annual loan note interest ⁽²⁾	\$138 million

Note:

- 1 Based on face value of \$1.25 per loan note.
2 Equivalent to 13.56 cents per security.

- 28 Interest is generally payable semi-annually in arrears, on 15 March in respect of the six month period ending on 31 December in the previous calendar year, and 15 September in respect of the six month period ending on 30 June earlier that calendar year.

¹² Associated with the announcement of the Entitlement Offer and the Restructure, Spark Infrastructure has determined not to reset the interest rate on the loan notes at 30 November 2010.

- 29 The ability to pay interest on the loan notes depends on a range of factors, including the availability of distributed cash flow from the Asset Companies. The responsible entity may defer payment of interest on the loan notes at any time, subject to certain requirements under the loan note trust deed. In the event that interest on the loan notes is deferred, the liability will be carried forward until such time as Spark Infrastructure decides to pay the deferred interest.
- 30 The loan notes are repayable on redemption or on the winding up of SIT. The responsible entity has the right to repay in part some of the principal amount of all (but not some) of the loan notes. If a loan note is repaid in part, the face value will be reduced by an amount equal to the amount of principal repaid.
- 31 The responsible entity may use the reset process provided for in the note trust deed to change, from the relevant reset date:
- (a) the interest rate, provided it may not be set lower than the applicable base rate (see paragraph 25(b) above)
 - (b) the method of calculating the interest rate
 - (c) the timing of interest payment dates
 - (d) the timing of the next reset date.

Proposed structure

- 32 As stated earlier, the Restructure involves:
- (a) a partial repayment of the principal amount outstanding on the loan notes issued by the SIT by \$0.60 per security, with the amount repaid to be applied to the issue of additional units in SIT¹³. As a result the loan notes will have a face value of \$0.65 per loan note and will pay a correspondingly lower interest entitlement per security¹⁴; and
 - (b) the simplification of the existing Spark Infrastructure ASX listed security from five stapled securities with four issuers to an ASX listed dual stapled security with SIT as the sole listed issuer.
- 33 The key steps proposed by Spark Infrastructure to effect the Restructure are as follows:
- (a) the Spark Infrastructure group temporarily destaples its securities
 - (b) the shares in SIHI are redeemed and the related CDI's cancelled¹⁵. Simultaneously SIHI issues new shares to SIT
 - (c) the principal of the loan notes is partially repaid with the amount applied to additional units in SIT
 - (d) SIT acquires all the shares in SIH 1 and SIH 2 for additional units in SIT.

¹³ Effectively, that portion of the loan note principal repaid will be converted from debt to equity in SIT.

¹⁴ The interest rate on the loan notes (which was due to reset on 30 November 2010 if Spark Infrastructure elected to do so) will be left unchanged at 10.85% per annum for the next five years.

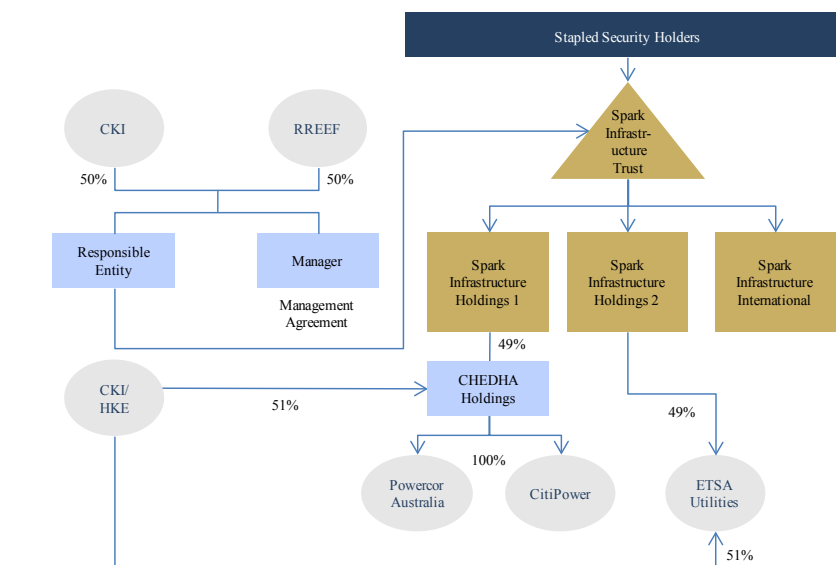
¹⁵ If the redemption of SIHI does not proceed, as an alternative SIHI will be wound up.

ANNEXURE 6 – INDEPENDENT EXPERT’S REPORT (CONTINUED)

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- 34 The additional units in SIT issued to securityholders in consideration for both the acquisition of their respective shares in SIH1 and SIH2 and the partial repayment of principal on the loan notes will be subject to a unit consolidation, such that Spark Infrastructure securityholders will hold the same number of units in SIT as the number of stapled securities held prior to that time.
- 35 On conclusion of the above Spark Infrastructure will restaple the SIT loan notes and units. Subsequent to the Restructure, Spark Infrastructure securityholders will therefore hold a stapled security which consists of SIT loan notes and SIT units.
- 36 A summary of the corporate and investment structure of Spark Infrastructure subsequent to the Restructure is set out below:

Spark Infrastructure – proposed corporate and ownership structure



Source: Spark Infrastructure

- 37 In connection with the Restructure it should also be noted that:
- a condition precedent of the Restructure includes completion of the 2 for 7 Entitlement Offer of new stapled securities to raise approximately \$295 million¹⁶
 - the Restructure does not involve a change in control of Spark Infrastructure
 - Spark Infrastructure will remain externally managed (based on the terms of the existing management agreement)

¹⁶ The Entitlement Offer is expected to be completed prior to the securityholder meetings and is not conditional on the Restructure.

- (d) the Restructure will not have any impact on:
 - (i) the proportional interest of eligible securityholders in the assets of Spark Infrastructure (or the underlying value thereof) post completion of the Entitlement Offer
 - (ii) the number of stapled securities held by eligible securityholders
 - (iii) existing ownership interests¹⁷ (post completion of the Entitlement Offer)¹⁸.

Taxation

- 38 Spark Infrastructure has obtained independent tax advice in relation to the Restructure and is seeking a Class Ruling from the ATO to confirm certain tax matters relating to the Restructure for Spark Infrastructure securityholders.
- 39 In summary the key tax considerations from the perspective of Spark Infrastructure securityholders are:
 - (a) rollover relief should be available (subject to certain conditions) such that any capital gain/loss in respect of the restructure should be disregarded¹⁹
 - (b) the Restructure should not change the taxation treatment of distributions from SIT to securityholders (as compared to the current structure)
 - (c) the repayment of loan note principal by SIT should not be taxable to securityholders
 - (d) securityholders tax cost base for Spark Infrastructure stapled securities will not be affected by the Restructure²⁰
 - (e) cash distributions received by securityholders should match their taxable loan note interest income in any given period (refer below).

Implications of not approving the Restructure

- 40 As stated above, the Asset Companies have indicated a desire to retain a greater proportion of the cash generated from operations to fund future growth capital expenditure. In particular:
 - (a) the final regulatory decision by the Australian Energy Regulator (AER) regarding ETSA's electricity distribution business for the period from 1 July 2010 to 30 June 2015 approved a capital expenditure program on ETSA's network of \$1.768 billion²¹ over five years. This is more than double that spent by ETSA over the 2005-2010 regulatory period

¹⁷ Certain overseas securityholders will have their complete holdings of stapled securities sold (refer paragraph 54).

¹⁸ It should be noted that Spark Infrastructure securityholders who do not take up their full entitlements to new securities in the Entitlement Offer will have their ownership interest in Spark Infrastructure diluted relative to their securityholding prior to the Entitlement Offer.

¹⁹ It is therefore of paramount importance that Australian resident securityholders who hold their Spark interest on capital account elect rollover relief in their tax return.

²⁰ Subject to the receipt of an ATO Class Ruling.

²¹ In nominal dollar terms.

ANNEXURE 6 – INDEPENDENT EXPERT'S REPORT (CONTINUED)

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- (b) the draft regulatory decision²² by AER regarding CitiPower and Powercor's electricity distribution businesses for the period 1 January 2011 to 31 December 2015 approved a capital expenditure program of \$1.765 billion²³ over five years. In contrast, total capital expenditure²⁴ was approximately \$1.3 billion over the five years to 30 June 2010.
- 41 To assist in meeting these growth capital expenditure funding requirements the Asset Companies wish to retain a greater share of operating cash flow. Accordingly, Spark Infrastructure is likely to have to reduce distributions to security holders. As noted above, interest on the loan notes has comprised the main component of annual distributions. Relevantly, the terms of the loan notes state that in the event that any interest on the loan notes is deferred, Spark Infrastructure remains liable to pay the interest and it is carried forward until such time as it is paid.
- 42 Given the size of the interest obligation on the loan notes (currently around \$138 million per annum²⁵) and the projected free cash flow (after capital expenditure and external debt repayments) expected to be distributed by the Asset Companies, Spark Infrastructure management have indicated that, absent the Restructure, there is a heightened risk that some deferral of loan note interest may need to occur in the regulatory period to FY15.
- 43 Reflecting the accounting treatment adopted, the cumulative impact of a deferral of loan note interest over the regulatory period is likely to give rise to a significant liability on the Spark Infrastructure balance sheet, which the group will not have the underlying cash flow generation ability to discharge. The reporting of such a financial position is likely to be perceived negatively by the market and could negatively impact on the ability of Spark Infrastructure to refinance its debt obligations (including the cost thereof) and to raise new capital.
- 44 In contrast, under the Restructure the annual interest obligation under the loan notes will be reduced and will reflect a more commercial alignment with the underlying cash flows expected to be distributed by the Asset Companies.
- 45 The Restructure as regards the loan note component of the stapled securities effectively reflects a capital structure which is:
- (a) appropriate for the recently approved regulatory period to FY15
 - (b) consistent with a capital structure likely to have been adopted had an IPO of Spark Infrastructure been planned / proposed in 2010.

²² AER's final regulatory decision is expected by 30 October 2010.

²³ In nominal dollar terms.

²⁴ Net of asset realisations.

²⁵ Paragraph 22 of our report.

Ability to raise additional capital

- 46 We note that Spark Infrastructure's current stapled security structure (whereby the majority of capital monies raised represents loan notes issued by SIT) gives rise to an increase in the loan note principal (and therefore the loan note interest obligation) whenever Spark Infrastructure raises additional capital from securityholders²⁶.
- 47 Given that Spark Infrastructure has identified future growth capital funding requirements of the Asset Companies and anticipates a mismatch between its loan note interest obligations to securityholders and the cash flows expected to be available from the Asset Companies in future periods, this is not a desirable situation.
- 48 However, if the Restructure is approved, Spark Infrastructure securityholders will hold SIT loan notes with a reduced face value and a reduced interest entitlement. Accordingly, the inherent disadvantage associated with an increase in loan note principal (and attaching loan note interest obligation) on the occasion of capital raisings by Spark Infrastructure will diminish.
- 49 In addition, as noted above the current face value of the loan note component of the stapled securities is \$1.25 per security. Prima facie therefore, the ability of Spark Infrastructure to raise new capital in the absence of the Restructure is implicitly constrained where the ASX listed market price of Spark Infrastructure securities is below \$1.25 per security (as is currently the case)²⁷. We note in the last six months the VWAP of Spark Infrastructure securities has been below \$1.25 per security, as follows:

	VWAP \$ per security
3 months to 25 August 2010 ⁽¹⁾	1.18
6 months to 25 August 2010 ⁽¹⁾	1.20

Note:

- 1 Effective 26 August 2010 Spark Infrastructure securities traded ex the entitlement to the interim distribution of 6.72 cents per security for FY10.

- 50 In contrast, a reduction in the face value of the loan notes to \$0.65 per note significantly increases the capital raising flexibility of the group.
- 51 Further, in our opinion, a more simplified structure (such as the one proposed) is likely to make it easier for Spark Infrastructure to raise additional capital.

²⁶ For example this inherent disadvantage will arise in relation to the Entitlement Offer.

²⁷ An issue of Spark Infrastructure stapled securities at a price below \$1.25 per security would effectively represent the issue of loan notes at a discount to face value. However, Spark Infrastructure would remain liable for interest on the face value of the loan notes issued.

ANNEXURE 6 – INDEPENDENT EXPERT'S REPORT (CONTINUED)

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Taxation implications

- 52 As noted above, in the absence of the Restructure, Spark Infrastructure management have indicated that there is a heightened risk that some deferral of loan note interest may need to occur in the regulatory period to FY15. Those investors in Spark Infrastructure who are required to lodge tax returns on an accrual basis may therefore have to declare taxable income from Spark Infrastructure in excess of the cash distribution received. Such an outcome is clearly undesirable for Spark Infrastructure securityholders.
- 53 In contrast, if the Restructure is implemented the loan note principal (and hence Spark Infrastructure's loan note interest obligation) will reduce and the repaid amount will be converted into a higher equity contribution on units (the distribution on which will be discretionary depending on available free cash flow and other factors, subject to the extent of any mandatory trust income distributions). The size of this loan note principal reduction has been determined by Spark Infrastructure management and their advisers at a level which they expect will enable Spark Infrastructure to pay future interest obligations in cash²⁸.
- 54 Accordingly, if the Restructure is implemented, the situation where certain investors may have to pay tax on income not received is unlikely to occur.

Other advantages

- 55 The Restructure has a number of other benefits, including:
- (a) the creation of a more flexible group structure for the purpose of achieving stated business objectives, including improving the ability to raise further capital if required
 - (b) the potential for improved investment demand for Spark Infrastructure securities as a result of creating a simplified and more transparent ownership structure that may have greater appeal to a broader range of investors
 - (c) simplified financial reporting, compliance and regulatory obligations for Spark Infrastructure, which should allow for some head office cost savings to be achieved due to reduced administrative complexity.

Disadvantages

- 56 The reduction in the face value of the loan notes will reduce Spark Infrastructure's interest obligation to securityholders. However, the Restructure is not expected to have any impact on the total distribution paid on the stapled securities. This is because the Restructure does not have any impact on the level of free cash flow generated by the Asset Companies, and therefore does not impact the free cash flow available for distribution to Spark Infrastructure securityholders.
- 57 As noted above, a significant part of Spark Infrastructure's capital structure has been contributed in the form of loan notes. Deductions for interest on the loan notes have been claimed by Spark Infrastructure. Management consider that the restructure should not impact on Spark Infrastructure's tax treatment of the loan notes. However, the quantum of interest deductions on the loan notes will reduce significantly as a consequence of the restructure. Accordingly, it is expected that Spark Infrastructure will begin paying tax on its income earlier than it would if the restructure did not proceed. We note however that due to the

²⁸ Distributions to securityholders above this level can be paid on units as future cash flows allow.

existence of significant available tax losses Spark Infrastructure does not expect to pay tax in the short to medium term.

- 58 At present Spark Infrastructure has no foreign controlled investments. However, post the Restructure, an acquisition of a foreign controlled entity could cause all Spark Infrastructure entities to be subject to the thin capitalisation rules. If the level of debt funding of the Spark Infrastructure entities is in excess of the prescribed limits, this may result in the denial of interest deductions for those entities. This may result in those entities paying tax on their income earlier than they would if the Restructure did not proceed.
- 59 The ATO has issued a draft determination on the specific taxation provision dealing with the application of the public trading trust rules to trusts that become the holding entity of a formerly stapled group. If the ATO does not change its published position on the interpretation of that provision and there is no legislative amendment to clarify its application, there is a risk that further acquisitions by Spark Infrastructure could result in the ATO seeking to tax SIT as a public trading trust. We understand that in the event that SIT may become taxable as a public trading trust due to new investments, Spark Infrastructure will assess the implications to determine a course of action that is in the best interests of securityholders.
- 60 Due to overseas securities regulations some overseas Spark Infrastructure securityholders will have their complete holding of securities sold through a nominee sale process. Based on the latest composition of the Spark Infrastructure securityholder register less than 1% of securityholders will be affected.
- 61 We note that whilst future distributions to securityholders are likely to be lower than distributions to date, this situation is likely to arise irrespective of whether the Restructure is implemented. As stated in the Explanatory Memorandum, Spark Infrastructure intends to pay distributions fully supported by operating cash flows (at both the Spark Infrastructure level and on a look-through proportionate basis) after allowing for the cost of maintaining the Asset Companies' electricity networks and taking into account future capital expenditure requirements.

Transaction costs

- 62 The Responsible Entity of Spark Infrastructure has estimated that one-off costs of approximately \$10 million will be incurred in connection with the Entitlement Offer and the Restructure. The large majority of these costs are underwriting fees associated with the Entitlement Offer, but also include the cost associated with convening the relevant securityholder meetings, seeking the consent of the Court, adviser fees and financial, legal, accounting and other costs.
- 63 By the date of the securityholder meetings to consider and vote on the Restructure it is estimated that the significant majority of these costs will have been incurred. Accordingly, only a small proportion of total costs will be saved if the Restructure is not approved.

ANNEXURE 6 – INDEPENDENT EXPERT’S REPORT (CONTINUED)

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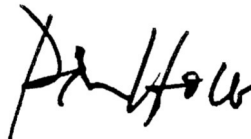
Conclusion

- 64 Given the above analysis we consider the Restructure is in the best interests of Spark Infrastructure securityholders (taken as a whole) because the advantages outweigh the disadvantages. We have formed this view principally because if the Restructure is implemented:
- (a) there will be a more appropriate alignment between Spark Infrastructure’s distribution profile (and inherent loan note interest obligations) and its share of the underlying cash flows expected to be distributed to Spark Infrastructure by the Asset Companies
 - (b) Spark Infrastructure’s ownership and stapled security structure will be simplified, which is likely to facilitate the ability to raise capital (if required) and may improve investment demand for Spark Infrastructure stapled securities as a result of creating a simplified and more transparent ownership structure that may have greater appeal to a broader range of investors
 - (c) the risk that Spark Infrastructure is required to defer interest in respect of the loan notes in future periods (and the consequential risk of adverse commercial, financial and tax impacts for securityholders) is significantly reduced
 - (d) Spark Infrastructure’s financial reporting will be easier for investors to understand.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Spark Infrastructure securityholders in connection with the Restructure.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$65,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

ANNEXURE 6 – INDEPENDENT EXPERT’S REPORT (CONTINUED)

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& ASSOCIATES LIMITED

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm’s profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 independent expert's reports to shareholders.
- 2 This report was prepared by Mr Edwards and Mr Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 16 years and 25 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the independent directors of Spark Infrastructure to accompany the Explanatory Memorandum to be sent to Spark Infrastructure securityholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Restructure is in the best interests of Spark Infrastructure securityholders .

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Restructure. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with Spark Infrastructure prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Spark Infrastructure agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Spark Infrastructure which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Spark Infrastructure Explanatory Memorandum.

ANNEXURE 6 – INDEPENDENT EXPERT'S REPORT (CONTINUED)



Appendix C

Summary of distributions

FY05 to FY10						
Reporting year	Tax year	Interim (I) Final (F)	Date paid	Interest on loan note cents per unit	Tax deferred amount cents per unit	Total distribution cents per unit
FY05	FY06	F	Mar 06	0.38	0.01	0.39
FY06	FY07	I	Sep 06	6.77	0.34	7.11
		F	Mar 07	6.85	1.26	8.11
				13.62	1.60	15.22
FY07	FY08	I	Sep 07	6.74	1.79	8.53
		F	Mar 08	6.85	2.68	9.53
				13.59	4.47	18.06
FY08	FY09	I	Sep 08	6.77	2.48	9.25
		F	Mar 09	6.85	2.41	9.26
				13.62	4.89	18.51
FY09	FY10	I	Sep 09	6.72	-	6.72
		F	Mar 10	6.84	-	6.84
				13.56	-	13.56
FY10	FY11	I	Sep 10	6.72	-	6.72

Note:

- 1 All distributions paid by Spark Infrastructure Trust.
- 2 Tax deferred capital distributions arise as a result of the repayment of loan principal to Spark Infrastructure Trust. Such distributions reduce the capital base for investors.
- 3 Loan note interest:

Face value	\$1.25
Interest rate	10.85%
Annual interest	\$0.1356

Appendix D

Glossary

Term	Meaning
AER	Australian Energy Regulator
ASIC	Australian Securities & Investments Commission
Asset Companies	Powercor Australia, CitiPower and ETSA Utilities
ASX	Australian Securities Exchange
Corporations Act	<i>Corporations Act (Cth) 2001</i>
DRP	Distribution re-investment plan
Entitlement Offer	Entitlement Offer of new stapled securities to raise approximately \$295 million at a price of \$1.00 per security
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
IPO	Initial public offering
LEA	LonerGAN Edwards & Associates Limited
Restructure	Proposed restructure and simplification of Spark Infrastructure's ownership and security structure as described in the Explanatory Memorandum
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
RG 112	Regulatory Guide 112 – <i>Independence of Experts</i>
SIH 1	Spark Infrastructure Holdings No.1 Limited
SIH 2	Spark Infrastructure Holdings No.2 Limited
SIHI	Spark Infrastructure Holdings International Limited
SIT	Spark Infrastructure Trust
Spark Infrastructure	Spark Infrastructure Group

ANNEXURE 7 – INVESTIGATING ACCOUNTANT'S REPORT



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The Directors
Spark Infrastructure RE Limited
as responsible entity of Spark Infrastructure Trust
Spark Infrastructure Holdings No. 1 Limited
Spark Infrastructure Holdings No. 2 Limited
Spark Infrastructure Holdings International Limited
Level 6, 255 George Street
Sydney NSW 2000

3 November 2010

Dear Directors

Investigating Accountants' Report on Pro-forma Historical Financial Information

Introduction

Spark Infrastructure RE Limited (as responsible entity of Spark Infrastructure Trust), Spark Infrastructure Holdings No.1 Limited, Spark Infrastructure Holdings No.2 Limited and Spark Infrastructure Holdings International Limited (Spark) intend to invite Securityholders to vote in relation to the proposed Restructure of Spark as set out in an Explanatory Memorandum (the Explanatory Memorandum).

Deloitte Touche Tohmatsu (Deloitte) has been engaged by the Directors of Spark to prepare this Investigating Accountants' Report (Report) for inclusion in the Explanatory Memorandum.

Unless otherwise stated, terms used in this Report have the same meaning as defined in the Glossary of the Explanatory Memorandum.

Pro-forma Historical Financial Information

Deloitte has been requested to prepare this Report on the following pro-forma historical financial information as set out in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum:

- the pro-forma historical balance sheet of Spark as at 30 June 2010
- the pro-forma historical income statements of Spark for the financial year ended 31 December 2009 and the financial half year ended 30 June 2010 and
- the pro-forma historical cash flow statements of Spark for the financial year ended 31 December 2009 and the financial half year ended 30 June 2010

(together the Pro-forma Historical Financial Information).

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The pro-forma historical income statements and pro-forma historical cash flow statements set out in Sections 7.2 and 7.3 of the Explanatory Memorandum have been derived from the audited financial statements for the year ended 31 December 2009 and the reviewed interim financial statements for the half year ended 30 June 2010. The pro-forma historical balance sheet set out in Section 7.4 of the Explanatory Memorandum has been derived from the reviewed interim financial statements for the half year ended 30 June 2010.

The financial statements of Spark for the year ended 31 December 2009 were audited by Deloitte. The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial information is free from material misstatement. The audit opinions issued to the Securityholders of Spark relating to the financial statements for the year ended 31 December 2009 were unqualified.

The interim financial reports for Spark for the half year ended 30 June 2010 were reviewed by Deloitte. The review was conducted in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. The review conclusions issued to the Securityholders of Spark relating to the financial reports for the half year ended 30 June 2010 were unqualified.

The Directors of Spark are responsible for the preparation and presentation of the Pro-forma Historical Financial Information, including the determination of the pro-forma adjustments as detailed in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum.

The Pro-forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual and half year financial reports prepared in accordance with the Corporations Act.

Scope

Review of the Pro-forma Historical Financial Information

We have reviewed the Pro-forma Historical Financial Information in order to report whether anything has come to our attention which causes us to believe that the Pro-forma Historical Financial Information, as set out in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum, is not presented fairly in accordance with the basis of preparation as disclosed in Section 7.1 of the Explanatory Memorandum and on the basis of the pro-forma adjustments as detailed in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum.

Our review has been conducted in accordance with Australian Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- Analytical procedures on the Pro-forma Historical Financial Information;
- A review of workpapers, accounting records and other documents relating to the Pro-forma Historical Financial Information including those dealing with the extraction of the historical income statement and cash flow statement from the audited Spark financial statements for the financial year ended 31 December 2009 and the extraction of the historical income statement, historical balance sheet and historical cash flow statement from the reviewed Spark financial report for the financial half year ended 30 June 2010;
- A review of the pro-forma adjustments and transactions described in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum; and

Deloitte.

- Enquiries of the management of Spark.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro-forma Historical Financial Information of Spark.

Review Statement

Review Statement on the Pro-forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro-forma Historical Financial Information, as set out in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum, is not presented fairly and in accordance with the basis of preparation as disclosed in Section 7.1 of the Explanatory Memorandum and on the basis of the pro-forma adjustments as detailed in Sections 7.2, 7.3 and 7.4 of the Explanatory Memorandum.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 30 June 2010, other than matters dealt with in this Report, would require comment on, or adjustments to, the information contained in this Report, or would cause such information to be misleading or deceptive.

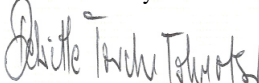
Independence and Disclosure of Interest

Deloitte does not have any interest in the outcome of the Restructure other than the preparation of this Report, for which normal professional fees will be received. Deloitte is the auditor of Spark.

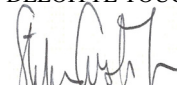
Consent

Deloitte has consented to the inclusion of this Investigating Accountants' Report in the Explanatory Memorandum and references to it or information in it in the form and context in which it is so included, but has not authorised the issue of the Explanatory Memorandum. Accordingly, Deloitte makes no representation regarding, and takes no responsibility for, any other documents or other material in, or omissions from, the Explanatory Memorandum.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Stephen Gustafson

Partner

Chartered Accountants

ANNEXURE 8 – JURISDICTIONAL DISCLAIMERS AND WARNINGS

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful.

FRANCE

This Explanatory Memorandum is not being distributed in France in the context of a public offering of financial securities (offre au public de titres financiers) within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (“AMF”).

This Explanatory Memorandum, and any other offering material relating to the new Units, have not been, and will not be, submitted to the AMF for approval and, accordingly, may not be distributed, directly or indirectly, to the public in France.

The new Units have not been, and may not be, offered, sold or distributed, directly or indirectly, to the public in France. The new Units have only been, and may only be, offered, sold or distributed in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, and/or (ii) persons providing the investment service of portfolio management on behalf of third parties (personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers), each term as defined in and in accordance with Articles L. 411-2-II, D. 411-1 to D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code and any implementing regulations.

The subsequent direct or indirect retransfer of the new Units to the public in France may only be made in compliance with Articles L. 411-1, L. 411-2, L.412-1 and L. 621-8 through L. 621-8-3 of the French Monetary and Financial Code.

Persons into whose possession this document, or any other material or information relating to the new Units, should come are required to inform themselves about and to observe any such restrictions.

GERMANY

The new Units issued in connection with the Schemes will exclusively be issued to the existing security holders on a pro rata basis in proportion to their existing security holdings and the rights to receive the new Units cannot be traded on any stock exchange. Therefore, this document does not constitute an offer of the new Units to the public in Germany. It has not been submitted to or approved by the German Federal Financial Supervisory Authority (BaFin) and no prospectus has been or will be published in Germany. You are not permitted to disseminate this or any other document relating to the new Units to any other person or to make an offer of the new Units to the public.

NETHERLANDS

The information in this document has been prepared on the basis that all offers of new Units in connection with the Schemes will be made pursuant to an exemption under the Directive 2003/71/EC (“Prospectus Directive”), as implemented in the Netherlands from the requirement to produce a prospectus for offers of securities.

An offer to the public of new Units has not been made, and may not be made, in the Netherlands except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Netherlands:

- (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity that has two or more of: (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000;
- (c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of Spark and any underwriter for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of new Units shall result in a requirement for the publication by Spark of a prospectus pursuant to Article 3 of the Prospectus Directive.

NORWAY

The Restructure is not intended to be an offer of securities to beneficial holders of securities in Norway, and this document (i) does not constitute any solicitation for any offer to purchase or subscribe any securities, and (ii) is not an offer or invitation to sell or issue securities for sale in Norway. This document and any other materials in connection with the Restructure have not been produced in accordance with the prospectus requirements laid down in the Norwegian Securities Trading Act 2007, as amended. This document and any other materials in connection with the Restructure relating to Norway have not been approved or disapproved by, or registered with, the Oslo Stock Exchange, the Norwegian FSA, the Norwegian Registry of Business Enterprises or any other Norwegian authority or market place.

SINGAPORE

This document has not been registered as a prospectus with the Monetary Authority of Singapore. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the new Units may not be

ANNEXURE 8 – JURISDICTIONAL DISCLAIMERS AND WARNINGS (CONTINUED)

circulated or distributed, nor may the new Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to “institutional investors” (as defined in the Securities and Futures Act, Chapter 289 (the “SFA”)), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an “institutional investor” (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the new Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

UNITED ARAB EMIRATES

Neither this document nor the new Units issued in connection with the Schemes have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates, nor has Spark received authorization or licensing from the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates to market or sell the new Units within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the new Units, including the receipt of applications and/or the allotment or redemption of such shares, may be rendered within the United Arab Emirates by Spark.

No offer or invitation to subscribe for new Units is valid or permitted in the Dubai International Financial Centre.

UNITED KINGDOM

Neither the information in this document, any accompanying letter nor any other document relating to the Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the new Units. Accordingly, the new Units may not be offered or sold in the United Kingdom by means of this document, any accompanying letter nor any other document, except in circumstances which do not require the publication of a prospectus pursuant to s. 86(1) FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of s.21 FSMA) received in connection with the issue or sale of the new Units has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which s.21(1) FSMA does not apply to Spark. In the United Kingdom, this document is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 54 of the FSMA (Financial Promotion) Order 2005 (“FPO”) and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as “Relevant Persons”).

The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

NEW ZEALAND

- (a) This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008.
- (b) This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made.
- (c) There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.
- (d) The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.
- (e) Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.
- (f) The taxation treatment of Australian securities is not the same as for New Zealand securities.
- (g) If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

- (h) The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- (i) If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.
- (j) If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.
- (k) The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

HONG KONG

Any security issued pursuant to the Schemes must not be offered for sale to the public in Hong Kong within six months of allotment.

This document is not a prospectus within the meaning of the Companies Ordinance (Cap 32) ("CO") nor is it an advertisement, invitation or document subject to section 103(1) of the Securities and Futures Ordinance (Cap 571) ("SFO").

None of the new Units, this document or the contents have been authorised by the Hong Kong Securities and Futures Commission and no invitation, advertisement or other document, whether in Hong Kong or elsewhere, has been or will be issued, which is directed at, or the contents of which are likely to be accessed or read by the public in Hong Kong within the meaning of the SFO.

This document will be given to designated recipients only and may not be provided, assigned or transferred, to any other person. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Restructure. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

IRELAND

New Units issued in connection with the Schemes may not be offered or sold in Ireland by any person:

- (a) In any way which would constitute an offer for sale to the public within the meaning of section 9 of the Unit Trusts Act, 1990, without the prior approval of the Irish Financial Services Regulatory Authority; or
- (b) In any way which would require the publication of a prospectus under the Investment Funds, Companies and Miscellaneous Provisions Act, 2005, as amended, and any regulations adopted pursuant thereto; or
- (c) In Ireland except in all circumstances that will result in compliance with all applicable laws and regulations in Ireland.

UNITED STATES OF AMERICA

The New Units have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. In addition, none of the Stapled Entities have been, or will be, registered under the Investment Company Act. Accordingly, the New Units may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except in each case to persons that are reasonably believed to be "qualified institutional buyers" (as defined in Section 144A of the Securities Act) and also "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act), in transactions exempt from, or not subject to, the registration requirements of the Securities Act and exempt from the registration requirements of the Investment Company Act pursuant to Section 3(c)(7) thereof. In addition, Spark Infrastructure intends to rely on an exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) of the Securities Act in connection with the implementation of the Schemes and the issue of the New Units pursuant to those Schemes. Approval of the Schemes by the Court is a criteria for the Section 3(a)(10) exemption.

Outside the United States, the New Units may only be offered and sold to persons that are not U.S. Persons and are not acting for the account or benefit of U.S. Persons in "offshore transactions" (as defined in Regulation S) in compliance with Regulation S and laws of the jurisdiction in which such securities are offered and sold.

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Andrew Fay

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