



Tuesday, 22 February 2010

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

Dear Sir / Madam

**FULL YEAR RESULTS FOR YEAR ENDED 31 DECEMBER 2010**

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4E for the year ended 31 December 2010. A media release, results presentation and 2011 Fact Book are also attached.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Alex Finley", with a large, stylized flourish at the end.

**Alexandra Finley**  
**Company Secretary**



**Spark Infrastructure**  
**Annual report for the financial year ended 31 December 2010**

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

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

## Table of Contents

Directors' Report.....	2
Auditor's Independence Declaration .....	15
Directors' Declaration.....	16
Statement of Comprehensive Income.....	17
Statement of Financial Position .....	19
Statement of Changes in Equity .....	21
Statement of Cash Flows .....	22
Notes to the Financial Statements.....	23
Independent Auditor's Report.....	48

## Directors' Report

The Directors of Spark Infrastructure RE Limited ("Spark RE" or "Company") as responsible entity of Spark Infrastructure Trust ("Trust") provide this financial report for the year ended 31 December 2010 ("Financial Year").

In order to comply with the requirements of the Corporations Act 2001, the Directors report as follows:

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

Mr Stephen Johns (Chairman)  
Ms Cheryl Bart, AO  
Mr Dominic Chan (appointed 28 May 2010)  
Mr John Dorrian  
Mr Andrew Fay (appointed 31 March 2010)  
Mr Andrew Hunter  
Ms Anne McDonald  
Mr Don Morley  
Dr Keith Turner

Retired/resigned during 2010:

Mr Hing Lam Kam (retired 28 May 2010)  
Mr Timothy Keith (resigned 15 March 2010)

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

### ***Mr Stephen Johns BEc, FCA***

#### ***Chairman and independent director (since November 2005)***

Mr Johns had a long executive career with Westfield where he held a number of positions including that of Finance Director from 1985 to 2002. He was appointed an executive Director of Westfield Holdings Limited and Westfield Trust in 1985 and Westfield America Trust upon its listing in 1996. He became a non-executive Director of the three Westfield boards in October 2003. He is currently a non-executive Director of the Westfield Group, which resulted from the merger of the three listed entities in July 2004.

Mr Johns was a non-executive Director of Brambles Industries Limited and Brambles Industries plc from August 2004 to December 2006, at which time he became a non-executive Director of Brambles Limited, the new holding company of the Brambles Group following a corporate reorganisation which became effective in December 2006.

Mr Johns was appointed to the Board of Leighton Holdings Limited on 21 December 2009.

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

Listed Entity	Period directorship held
Brambles Limited	August 2006 to current
Westfield Group:	
• Westfield Holdings Limited	November 1985 to current
• Westfield America Trust (Director of responsible entity, Westfield America Management Limited)	February 1996 to current
• Westfield Trust (Director of responsible entity, Westfield Management Limited)	November 1985 to current
Leighton Holdings Limited	21 December 2009 to current

**Ms Cheryl Bart AO, BCom, LLB, FAICD**

**Independent director (since November 2005)**

Ms Bart is a lawyer and has been a non-executive Director on the board of ETSA Utilities ("ETSA") since 1995.

She has significant utilities industry experience and is Chairman of the Audit Committee of ETSA and a member of its Risk and Compliance Committee.

Ms Bart is a director on the Board of the Australian Broadcasting Corporation, appointed on 3 June 2010. Ms Bart is also Chairman of ANZ Trustees Limited, the Environment Protection Authority (EPA), South Australian Film Corporation, the Adelaide Film Festival and the Alcohol Education and Rehabilitation Foundation.

Her other current directorship positions include the William Buckland Foundation and Global Properties Limited.

Her previous directorships include the Economic Development Board (SA), Sydney Ports Corporation, the Australian Sports Foundation, Soccer Australia, the Information Economy Advisory Board and Defence Industries Advisory Board (DIAB).

Ms Bart is a member of the Audit and Risk Management Committee ("ARMC").

Ms Bart was awarded the Order of Australia in the Australia Day Honours in January 2009.

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

Listed Entity	Period directorship held
• Audio Pixels Holdings Limited (formerly Global Properties Limited)	2004 to current
• ANZ Trustees Limited	2006 to current

**Mr Dominic Loi Shun Chan FCPA, FCCA**

**CKI board appointee and non-executive director (since 28 May 2010)**

Mr Chan was previously an alternate Director for Mr Kam on the Spark Infrastructure Group Boards from December 2008 until 28 May 2010.

Mr Chan is currently an executive director and Chief Financial Officer of Cheung Kong Infrastructure ("CKI") and has over 25 years experience in the accounting and financial management.

In Australia, Mr Chan is a Director of Envestra Limited. He is an Alternate Director of CHEDHA Holdings Pty Limited ("CHEDHA") the holding company of Citipower and Powercor Australia ("Powercor"), CitiPower, Powercor and ETSA.

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

Listed Entity	Period directorship held
• Envestra Limited	2005 to current

**Mr John D Dorrian BA, FCA**

**RREEF Infrastructure board appointee and non-executive director (since August 2007)**

Mr Dorrian is a Managing Director of Deutsche Bank AG, Head of RREEF Alternative Investments Australia and Head of RREEF Infrastructure Investments, Asia Pacific. RREEF is the alternative investment management division of Deutsche Asset Management, a member of the Deutsche Bank Group.

He is an Executive Director of Deutsche Asset Management (Australia) Limited and a non-executive director of a number of Australian companies, including Australia Pacific Airports Corporation Limited, CHEDHA, CitiPower, Powercor and ETSA. He is also a director of DWS Global Agricultural Land and Opportunities Fund Limited.

Mr Dorrian is a member of the ARMC.

Mr Dorrian has not held any directorships of other Australian listed entities within the last three years.

**Mr Andrew Fay BAgEc (Hons)**

**ASIA RREEF board appointee and non-executive director (appointed 31 March 2010)**

Mr Fay is Chairman of Deutsche Asset Management (Australia) Ltd (DeAM) and associated companies. He consults to the Dexus Property Group Ltd in the area of capital markets and advises Microbiogen Pty Ltd, a private company which operates in the renewable energy industry, on corporate development.

Until January 2008 he was Head of DeAM following a 20 year career in the financial services sector. He joined DeAM in 1994 as part of the Australian Equities team and in the ensuing years held a number of positions including head of Australian Equities, Chief Investment Officer for Australia, Chief Investment Officer for Asia Pacific and in April 2005 was promoted to the position of Head of the Australian business.

From November 2006 to November 2007 he was an Alternate Director for the Spark Infrastructure Group and was also an Alternate Director for the Dexus Property Group from 2006 until 2009. For a period of four years until 2002 he was a member of the Investment and Financial Services Association (IFSA) Investment Committee. IFSA is an industry body which represents companies operating in the Australian Funds Management industry.

Prior to joining Deutsche, Mr Fay spent six years at AMP Global Investors working in the areas of Fixed Income, Economics and Australian Equities.

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

Listed Entity	Period directorship held
• Dexus Property Group Ltd (Alternate Director)	2006 to 2009

**Mr Andrew Hunter MA, MBA, MICAS, CPA**

**CKI board appointee and non-executive director (since December 2006)**

Mr Hunter is currently a Deputy Managing Director of CKI. In addition, he serves as Chief Financial Officer of Cheung Kong (Holdings) Limited and is an Executive Director of Power Assets Holdings Limited.

Mr Hunter has more than 26 years experience in accounting and financial management and holds a range of directorships in CKI-related companies.

He is a Director of CHEDHA, CitiPower, Powercor and ETSA.

Mr Hunter is a member of the ARMC.

Mr Hunter has not held any directorships of other Australian listed entities within the last three years.

**Ms Anne McDonald BEc, FCA**

**Independent director (since January 2009)**

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

Ms McDonald is a non-executive Director of listed entities, including the GPT Group and Speciality Fashion Group Limited. She is also a non-executive Director of Westpac Bank's Life and General Insurance businesses. Ms McDonald was a director of the St Vincent's Healthcare Group retiring on 1 October 2010.

Ms McDonald is a Director of CHEDHA, CitiPower and Powercor. In addition, she is Chairman of the Audit Committee of CHEDHA and a member of its Risk and Compliance Committee.

Ms McDonald is a member of the ARMC and the Compliance Committee, and was the Chair of the Due Diligence Committee during 2010.

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

Listed Entity	Period directorship held
• GPT Group	2006 to current
• Speciality Fashion Group Limited	2007 to current

**Mr Don Morley BSc, MBA, Hon. FAustIMM**

**Independent director (since November 2005)**

Mr Morley is the Chairman of Alumina Limited (since 2002) and an independent Director of Iluka Resources Limited (since 2002).

He was previously Director of Finance at WMC Limited with over 30 years of service.

Mr Morley is the Chairman of the ARMC (and was a member of the Due Diligence Committee during 2010).

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

Listed Entity	Period directorship held
• Alumina Limited	2002 to current
• Iluka Resources Limited	2002 to current

**Dr Keith Turner BE (Hons) ME, PhD Elec Eng**

**Independent director (since March 2009)**

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

He is currently the Deputy Chairman of Auckland International Airport and is Chairman of Waitaki Wind Limited. Dr Turner is a Director of Fisher & Paykel Appliances Limited, Pacific Simulators 2010 Limited and Solar City Limited.

Dr Turner was appointed as a Director of ETSA, CHEDHA, CitiPower and Powercor on 17 November 2009.

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

Listed Entity	Period directorship held
• Auckland International Airport Limited	2004 to current

**Company Secretary**

**Ms Alexandra Finley Dip Law, MLM**

Ms Finley is an experienced corporate governance professional with over 15 years legal and commercial experience gained in private practice and in-house. Prior to joining Spark Infrastructure, she spent almost 10 years with National Australia Bank/MLC in various senior legal and commercial roles, most recently as Company Secretary of the MLC Group of Companies.

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

**Repositioning**

On 22 September 2010 Spark Infrastructure announced a repositioning of Spark Infrastructure, comprising an Entitlement Offer to raise approximately \$295 million and a subsequent restructure of the Stapled Group.

On 11 October 2010, Spark Infrastructure completed the institutional component of its entitlement offer which raised approximately \$177 million from the issue of 177 million stapled securities (including Loan Notes). On 26 October 2010 Spark Infrastructure completed the retail component of the Entitlement Offer, raising approximately \$118 million from the issue of 118 million stapled securities (including Loan Notes). The raising was completed at an issue price of \$1.00 per new security, the value for which was allocated entirely to Loan Notes.

Subsequently, the Restructure was approved by Securityholders on 9 December 2010 and became effective on 31 December 2010. As a result of the Restructure, the parent entity of Spark Infrastructure became Spark Infrastructure Trust (previously deemed to be Spark Infrastructure Holdings No. 1 Limited ("SIH No. 1")). SIH No. 1, Spark Infrastructure Holdings No. 2 Limited ("SIH No.2") and Spark Infrastructure Holdings International Limited ("SIHI") are now subsidiaries of Spark Infrastructure Trust. Also as a result of the Restructure, the principal value of each Loan Note issued by Spark Infrastructure Trust was reduced from \$1.25 to \$0.65 per unit, with the difference in value being transferred to equity.

## Principal Activities

The principal activity of Spark Infrastructure during the Financial Year was investment in electricity distribution businesses in Victoria and South Australia. There has been no change in the principal activity during the Financial Year.

## Stapled Securities

Spark Infrastructure Group is a stapled structure, wherein:

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

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

## Review of Operations

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

	Financial Year Ended 31 December			Change Compared to Underlying 2009	
	Actual 2010 \$'000	Underlying 2010 \$'000	Underlying 2009 \$'000	\$'000	%
Interest Income from Associates	82,229	82,229	83,530	(1,301)	(1.6)
Share of Equity Accounted Profits	201,864	203,456	180,205	23,251	12.9
	284,093	285,685	263,735	21,950	8.3
Other Income	4,958	4,958	2,292	2,666	116.3
<b>Total Income</b>	<b>289,051</b>	<b>290,643</b>	266,027	24,616	9.3
Management Fees	(8,281)	(8,281)	(7,905)	(376)	(4.8)
Interest Expense – Other	(27,108)	(27,108)	(29,265)	2,157	7.4
General and Administrative Expenses	(15,236)	(15,236)	(4,819)	(10,417)	(216.2)
Profit before Loan Note Interest	238,426	240,018	224,038	15,980	7.1
Loan Note Interest ("LNI")	(160,110)	(160,110)	(138,364)	(21,746)	(15.7)
Profit after Loan Note Interest	78,316	79,908	85,674	(5,766)	(6.7)
Income Tax Benefit/(Expense)	2,631	(1,458)	(4,239)	2,781	65.6
<b>Profit Attributable to Securityholders</b>	<b>80,947</b>	<b>78,450</b>	81,435	(2,985)	(3.7)
Profit per security before LNI (cents)	21.81¢	21.95¢	22.08¢	(0.13)¢	(0.6)
<b>Operating Cash Flow including Investing Activities</b>	<b>134,651</b>	<b>134,651</b>	196,923	(62,272)	(31.6)
Total distributions for the year (cents)	13.54¢	13.54¢	13.56¢	(0.02)¢	(0.1)
Total distributions for the year (\$'000)	160,093	160,093	138,364	21,729	15.7
<b>Net Capital Expenditure – Asset Companies (100%)</b>	<b>673,600</b>	<b>673,600</b>	467,700	205,900	44.0

## Underlying Results

The underlying income and profit summary reports the operating results of Spark Infrastructure after excluding certain non-cash and non-operating items which do not relate to the respective year's underlying performance. Underlying adjustments made are consistent between periods. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the year. The following adjustments have been made to the reported results for 2010 in order to calculate the underlying results (2009 figures have been provided for comparative purposes):



	Impact on Share of Equity Accounted Profit		Impact on Net Profit after Tax Attributable to Securityholders	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Underlying Adjustments</b>				
'Mark-to-Market' gain/(loss) on value of financial instruments in the Asset Companies which do not qualify for hedge accounting	(1,592)	17,326	(1,592)	17,311
Income tax benefit on items recognised directly in equity in SIH No. 2	-	-	4,089	23,802
	(1,592)	17,326	2,497	41,113

### Underlying Profit

The Underlying Profit before Loan Note Interest and Performance Fee for the year ended 31 December 2010 ("Current Year") increased by 7.1% from \$224.038 million to \$240.018 million compared to the previous year. The improved performance was a result of higher profits from Asset Companies and lower interest costs on senior debt, partially offset by higher project related costs associated with the strategic review conducted in 2010 and subsequent restructure of the business.

### Performance of the Asset Companies

The underlying share of equity accounted profit grew by 12.9% from \$180.205 million to \$203.456 million in the Current Year.

In ETSA, earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 5.8% from \$624.409 million to \$660.616 million. The increase in EBITDA was a result of increased regulated revenues partially offset by reduced non-prescribed revenues and higher operating costs. Prescribed or regulated revenue increased by 10.5% from \$538.467 million to \$595.020 million. This increase was principally due to higher tariffs ("Duos"), which moved up in line with the new regulatory reset from 1 July. The total volume delivered decreased by 1.1% from 11,447 GWh to 11,320 GWh in the Current Year.

Non-prescribed revenue, which includes customer contributions, semi-regulated meter reading and the provision of construction and maintenance services to third parties, declined by 2.3% from \$313.361 million to \$306.070 million. Customer contributions (including gifted assets) decreased by 5.1% from \$168.471 million to \$159.809 million reflecting the completion of major works for the Port Stanvac desalination project, while other non-prescribed revenues increased marginally by 0.9% from \$144.890 million to \$146.261 million, largely due to a moderate increase in construction and maintenance activity during the year.

Cash operating expenses increased by 5.7% from \$227.419 million to \$240.474 million. This was due to increased costs including vegetation management related items and guaranteed service level costs resulting from severe storm activity during 2010 and an increase in labour costs, partly offset by increased capitalisation of costs to capital projects.

In CHEDHA, EBITDA increased by 7.9% from \$635.497 million to \$685.522 million, reflecting increases in Advanced Metering Infrastructure revenues and relatively flat total operating costs.

During the current year, distribution revenue decreased by 0.1% from \$641.894 million to \$641.003 million, despite the total volume delivered increasing by 1.5% from 16,642 GWh to 16,888 GWh. Metering related revenue increased by 76.2% from \$60.407 million in the prior year to \$106.464 million in the current year, reflecting the expanding rollout of Advanced Metering Infrastructure (i.e. smart meters). Distribution revenue declined while volume increased due to an unfavourable change in mix and rate. Volumes increased in the domestic and large low voltage segments, offset by falls in the small commercial segment.

The non-prescribed revenue, which includes customer contributions, semi-regulated activities and other unregulated revenue such as the provision of network services to third parties, grew by 1.6% from \$207.878 million to \$211.107 million. Customer contribution revenue declined by 5.6% from \$91.889 million to \$86.739 million. Other non-prescribed revenue increased by 7.2% from \$115.989 million to \$124.368 million.

Operating expenditure decreased by 0.6% from \$274.682 million to \$273.052 million largely due to cost increases related to operations of the regulated business being offset by higher levels of capitalisation of costs to capital projects.

Across the Asset Companies, depreciation and amortisation grew by 2.7% from \$348.589 million to \$357.906 million, reflecting the increase in the depreciable asset base. The total net interest expense (i.e. including the impact from mark to market movements in interest rate hedges and subordinated debt interest) was higher than the prior year by 9.3%, increasing from \$535.900 million to \$585.607 million due to high debt levels and margins. Income tax expense (which is a non-cash item) increased by 53.9% from \$33.112 million to \$50.945 million primarily due to higher pre-tax profits in CHEDHA.

## Corporate Expenses

The corporate expenses of Spark Infrastructure include a base management fee, interest on senior debt and other general and administrative expenses.

The base management fee is calculated quarterly based on the enterprise value of Spark Infrastructure calculated with reference to the level of drawn corporate debt, the number of stapled securities on issue and the volume weighted average price ("VWAP") of stapled securities for the last 15 trading days of the quarter. The average VWAP calculated for the current year was \$1.15 (per security) compared to \$1.14 for the prior year. Following the rights issue completed in October 2010, more stapled securities were on issue for the last quarter of 2010; however this was largely offset by a lower level of drawn debt in the last quarter (\$125.000 million) versus the prior quarter (\$425.000 million).

No performance fee was payable in the current year (2009: Nil). The Performance Fee is an incentive fee payable for market outperformance and is not related to the operational performance of the Asset Companies. The outperformance is measured each half year by the movement in the Spark Infrastructure Accumulation Index ("Index") relative to the benchmark index, which is the S&P/ASX 200 Industrials Accumulation Index. The fee represents 20% of the outperformance.

During the half year ended 30 June 2010, Spark Infrastructure's accumulation index underperformed the benchmark index by 4.2% reflecting a deficit for the first half of \$56.700 million. In the second half the Index underperformed the benchmark index by 0.7% reflecting a deficit of \$9.508 million. After taking into account the brought forward deficit at 1 January 2010 of \$82.203 million this resulted in a carried forward deficit at 31 December 2010 of \$148.411 million.

General and administration expenses increased in the current year from \$4.819 million to \$15.236 million. This included an amount of \$9.879 million in respect of costs expensed in relation to the Strategic Review and subsequent Repositioning undertaken during 2010.

## Cashflow

Spark Infrastructure's cashflow from operating and investing activities was \$134.651 million which was \$62.272 million lower than the prior year of \$196.923 million. This equates to an operating cashflow per security of 12.31 cents per security ("cps"), a decrease of 7.10 cps on the prior year of 19.41 cps. Distributions from the Asset Companies for the Current Year were \$175.804 million which were \$59.216 million lower than the prior year. Spark Infrastructure's proportionate share of Asset Companies operating cashflow after maintenance capital expenditure was approximately \$220.400 million. The cash retained by the Asset Companies is being utilised to fund growth capital expenditure and reduce gearing.

Spark Infrastructure paid cash distributions during the Financial Year of \$139.927 million (2009: \$161.183 million) to Securityholders. The cash distribution paid during the year represents the payment of the final distribution from 2009 and the interim distribution for the Current Year.

The 2010 distribution is fully covered by current and retained operating and investing cashflows of the business. On a full year accruals basis, the distribution in relation to 2010 amounts to \$160.093 million (13.54 cps) (2009: \$138.364 million (13.56 cps)). The increase in the quantum of distributions for 2010 reflects the increased number of securities (294.823 million) on issue following the Entitlement Offer, which was undertaken in October 2010.

The distribution reinvestment plan did not operate in 2010.

Retained operating and investing cash is available for use in the business, including for equity contributions to the Asset Companies for the funding of capital expenditure.

## Debt, Gearing and Hedging

During the year, Spark Infrastructure repaid a \$200.000 million debt facility and refinanced the remainder of its facilities. Subsequently, \$250.000 million in facilities were syndicated, comprising a \$165.000 million 3-year revolving facility (of which \$140.000 million was initially drawn) and a \$85.000 million 4-year term loan. Spark 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.

\$100.000 million of the revolving facility was subsequently paid down during December 2010, leaving a total of \$125.000 million drawn debt facilities as at 31 December 2010. Undrawn facilities of \$125.000 million are available at 31 December 2010. The 3-year facility will mature in September 2013 and the 4-year facility in September 2014.

Spark Infrastructure's standalone net gearing ratio was 1.6% after taking into account cash on hand at 31 December 2010 of \$89.275 million.

Spark Infrastructure's look-through net gearing, including its proportionate share of net debt of CHEDHA and ETSA, was 54.7% as at 31 December 2010 (2009: 60.7%).

As at 31 December 2010, Spark had interest rate swaps of \$100.000 million terminating in June 2011 and had entered into \$85.000 million of forward start interest rate swaps effective from June 2011 and expiring in September 2015. As at 31 December 2010, Spark's standalone hedge ratio was 80.0% on a gross basis (2009: 100%). On a proportionate basis, 99.4% of net debt has been currently hedged (2009: 93.7%). This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure and its Asset Companies.

## Equity and Reserves

Total Equity including Loan Notes attributable to Securityholders increased by \$402.071 million during the Current Year to \$2.235 billion at 31 December 2010 largely as a result of the Entitlement Offer completed in October 2010. Furthermore, net profit of \$80.947 million increased retained profits during the year. Other movements also included: favourable mark-to-market movements in the value of interest rate derivatives in Spark Infrastructure and its Asset Companies which act as hedges on interest payable on borrowings; and from actuarial losses on defined benefit superannuation plans of the Asset Companies. The mark-to-market movements and actuarial losses are non-cash impacts and result from the application of Australian Accounting Standards.

## Capital Expenditure

CHEDHA and ETSA continue to invest in the expansion of their networks, improving asset performance and reliability, and for replacement of existing assets. CHEDHA is also investing capital in the rollout of the Advanced Metering Infrastructure (smart meters). During the Current Year, \$673.600 million (Spark share: \$330.064 million) was invested in capital expenditure on a net basis, i.e. after deducting customer contributions, an increase of 44.0% compared to \$467.700 million (Spark share: \$229.173 million) in the prior year. Capital expenditure is added to the Regulated Asset Base ("RAB") of the Asset Companies, which generates increased revenue in future periods.

## Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets at year end to determine whether any impairment has arisen, and are satisfied that no impairment existed at 31 December 2010. The discounted cash flow analysis undertaken as part of this review has been updated to include the latest agreed Corporate Plans for Spark's Asset Companies, which reflect the impact of the final Australian Energy Regulator ("AER") determinations issued during 2010 for the 5-year regulatory periods that commenced on 1 July 2010 for ETSA, and on 1 January 2011 for CitiPower and Powercor ("CHEDHA").

## Future Growth

The Asset Companies are entering an exciting period of growth. The AER has approved capital expenditure over the next five years that will drive increased growth in the RAB's 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 the AER's assumptions will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' RAB's, in which Securityholders are expected to benefit via their investment in Spark Infrastructure.

Spark Infrastructure's Strategic Review undertaken during 2010 has positioned Spark Infrastructure to take advantage of these growth opportunities. The \$295.000 million Entitlement Offer completed in October 2010 strengthened Spark Infrastructure's balance sheet and increase its financial flexibility to fund the growth capital expenditure requirements of the Asset Companies.

Following final determinations from the AER during 2010, new 5 year regulatory periods have recently commenced for ETSA, CitiPower and Powercor. During the new 5 year regulatory periods, which extend to mid-2015 for ETSA and to the end of 2015 for CHEDHA, the Asset Companies in total have net capital expenditure allowances from the AER of \$3.735 billion (real 2010 dollars) (Spark share: \$1.830 billion), equivalent to \$747.000 million (real 2010 dollars) per annum (Spark share: \$366.000 million). In addition, the Advanced Metering Infrastructure ("AMI") rollout programme in CHEDHA is expected to require a capital investment of approximately \$630.000 million (Spark share: \$308.700 million) from 2009 to 2013, with approximately half of the capital expenditure outlay to occur in 2012-13.

These levels of regulated capital expenditure allowances finalised during 2010 represent increases of 85% and 48% for ETSA and CHEDHA respectively in real 2010 terms. As a result of these allowances and the other regulatory parameters contained in the AER final determinations, ETSA's regulated revenue will increase from approximately \$2.500 billion (nominal) for the prior regulatory period to approximately \$3.600 billion (nominal) (45% increase) for the new period (mid-2010 to mid-2015), whilst CHEDHA distribution revenues will increase from approximately \$3.100 billion (nominal) to \$3.700 billion in the new period (to the end of 2015), an increase of 20%. In addition, CHEDHA earned in excess of \$100.000 million revenue from AMI activities in 2010. The AMI assets will be added into the RAB's for CitiPower and Powercor in the future.

The Asset Companies continue to pursue non-prescribed business activities by providing highly skilled construction, maintenance and asset management services to customers in a range of industries and sectors including mining, electricity transmission and government, including defence and water projects. Whilst the non-prescribed business does not have the inbuilt protections of the regulated business, activity and margins were resilient in 2010.

## Capital Management, Distributions and Distribution Reinvestment Plan ("DRP")

Spark Infrastructure is shifting from a yield focussed security to an investment offering distribution yield and capital growth indirectly through 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% share of the Asset Companies relevant operating cashflows. Operating cashflows are calculated after deducting an allowance for maintaining the Asset Companies' RAB's. 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.

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 distributions to securityholders in the future will comprise interest on the Loan Notes. Following the Restructure, the Loan Note interest obligation per Security per annum will be approximately 7.0 cents. This has more closely aligned Spark Infrastructure's Loan Note interest obligations with cashflows expected to be available from the Asset Companies going forward, taking into account the significant increase in capital expenditure opportunities for the Asset Companies.

An interim cash distribution of 6.72 cps was paid on 15 September 2010 and was fully comprised of interest on the Loan Notes.

The Board has declared a final cash distribution of 6.82 cps for the six months ended 31 December 2010, payable on 15 March 2011, which consists entirely of interest on Loan Notes for the period.

Previously, the distribution guidance for the final distribution for 2010 was around 5.60cps based on a revised method for calculating Spark Infrastructure's Loan Note interest obligations<sup>1</sup>. As a consequence of an independent review of the method of calculation, the Directors have decided to maintain the original method of calculation of Loan Note interest<sup>1</sup>. This will result in a payment of 6.82cps for the six months to 31 December 2010, but will not have an impact on the level of distributions anticipated for future periods.

Securityholders approved a reduction in the face value of Loan Notes from \$1.25 to \$0.65 per Loan Note at an Extraordinary General Meeting held on 9 December 2010. This took effect from the Implementation Date of the Restructure on 31 December 2010. The interest rate is unchanged at 10.85%.

The partial reduction of the face value on the Loan Notes by \$0.60 was applied to the issue of additional Units to Securityholders. Effectively, that portion of the Loan Note face value has been converted effective 31 December 2010 from subordinated debt to equity in Spark Trust.

Distributions paid to Securityholders during the year were:

	Final 2009 distribution paid 15 March 2010		Interim 2010 distribution paid 15 September 2010		Total Distribution Paid
	Cents per security	\$'000	Cents per security	\$'000	
Interest on Loan Notes	6.84	70,583	6.72	69,344	139,927
<b>Total</b>	<b>6.84</b>	<b>70,583</b>	<b>6.72</b>	<b>69,344</b>	<b>139,927</b>

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

	2010		2009	
	Cents per security	\$'000	Cents per security	\$'000
Interim distribution paid	6.72	69,344	6.72	67,781
Final distribution proposed	6.82	90,749	6.84	70,583
<b>Total</b>	<b>13.54</b>	<b>160,093</b>	<b>13.56</b>	<b>138,364</b>

All distributions were unfranked and made by Spark Infrastructure Trust.

Spark Infrastructure has a DRP to enable Securityholders to reinvest their distributions into Securities. The DRP was inactive during 2010 while Spark Infrastructure undertook its Strategic Review. The Directors regularly assess the operation of the DRP and confirm that the DRP will not be re-activated for the March 2011 distribution.

The Directors have increased their distribution guidance for 2011 to 9.25 cps, up from 9.11 cps.

<sup>1</sup> Previous distribution guidance was based on an interpretation of the Loan Note Trust Deed using a calculation period from 15 September 2010 to 14 March 2011, with interest on the revised Loan Note face value of \$0.65 applying from mid-December 2010. This would have resulted in a lower interest calculation for the distribution payable on 15 March 2011. We have now confirmed that Loan Note interest is payable for the periods from 1 January to 30 June, and from 1 July to 31 December, which corresponds to the interest payment periods used by Spark Infrastructure since listing on the ASX in 2005. Distributions continue to be payable on 15 March and 15 September each year.

## Outlook

The Asset Companies are entering an exciting period of growth. The AER has approved capital expenditure over the next five years that will drive increased growth in the RABs 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 the AER's assumptions will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' RABs.

Given the commencement of the new regulatory periods for ETSA Utilities, CitiPower and Powercor, the Asset Companies are at a point in the regulatory cycle which offers the greatest degree of certainty

The Directors look forward to the future with confidence, and subject to business conditions, believe that Spark will have the ability to grow distributions over the new five year regulatory period.

Except for the possible activation of the DRP in the future, the Directors do not expect to raise further new equity capital to fund future organic growth in the Asset Companies over the new five year regulatory period.

## Information Applicable to Registered Schemes

The fees paid to Spark Infrastructure RE Limited ("Spark RE"), the responsible entity of Spark Trust, and its associates (including Directors) are disclosed in Note 21 to the financial statements.

Spark RE does not hold any Stapled Securities. The number of Stapled Securities at the beginning and end of the Financial Year is disclosed in Note 13 to the financial statements.

## Significant Changes in State of Affairs

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

## Subsequent Events

The Directors of Spark RE are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 31 December 2010.

## Future Developments

Disclosure of information regarding likely developments in the operations of Spark Infrastructure not otherwise disclosed elsewhere in this report is likely to result in unreasonable prejudice. Accordingly, such information has not been disclosed in this report.

## Environmental Regulations

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

## Non-Audit Services

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

The Directors are satisfied that the non-audit services provided by the auditor are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are of the opinion that the services as disclosed in Note 16 to the Financial Statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Management Committee, for the following reasons:

## Non-Audit Services (continued)

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

## Indemnification of Officers and Auditors

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

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

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

## Options over Securities

No options have been granted over the unissued Units of the Trust or Stapled Securities of Spark Infrastructure.

## Directors' Meetings

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

During the Financial Year, 13 Board meetings, 5 Audit and Risk Management Committee ("ARMC") meetings and 4 Compliance Committee meetings of the Company were held. References to meetings "Held" means the number of meetings a Director was eligible to attend. Further, 13 Due Diligence Committee ("DDC") and 14 Independent Board Committee ("IBC") meetings were held in relation to the Restructure process and Entitlement Offer. The Board also established a sub-committee to renew and approve its refinancing activities.

Directors	Board of Directors		Board Sub-Committee		Audit and Risk Management Committee		Compliance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Stephen Johns	13	13	-	-	-	-	-	-
Ms Cheryl Bart, AO	13	13	-	-	5	4	-	-
Mr Dominic Chan	8	7	-	-	-	-	-	-
Mr John Dorrian	13	13	-	-	5	5	-	-
Mr Andrew Fay <sup>a</sup>	12	12	-	-	-	-	-	-
Mr Andrew Hunter	13	7	-	-	5	1	-	-
Mr Hing Lam Kam <sup>b</sup>	5	0	-	-	-	-	-	-
Mr Timothy Keith <sup>c</sup>	1	1	-	-	-	-	-	-
Ms Anne McDonald	13	13	2	2	5	5	4	4
Mr Don Morley	13	12	2	2	5	5	-	-
Dr Keith Turner	13	11	-	-	-	-	-	-
Mr Dominic Chan <sup>d</sup> (as alternate Director)	5	3	-	-	-	-	-	-

<sup>a</sup>Appointed on 31 March 2010.

<sup>b</sup>Retired 28 May 2010.

<sup>c</sup>Resigned 15 March 2010.

<sup>d</sup>Alternate Director for Mr Kam until 28 May 2010. Appointed as a Director on 28 May 2010.

### Directors' Meetings (continued)

Directors	Due Diligence Committee		Independent Board Committee	
	Held	Attended	Held	Attended
Mr Stephen Johns	-	-	14	14
Ms Cheryl Bart, AO	-	-	14	11
Ms Anne McDonald	13	13	14	14
Mr Don Morley	13	13	14	14
Dr Keith Turner	-	-	14	9

### Directors' Stapled Security Holdings

The following table sets out each Director's relevant interest in the Stapled Securities of Spark Infrastructure as at the date of this report:

Directors	Opening Balance (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance (No.)
Mr Stephen Johns	355,000	69,285	424,285
Ms Cheryl Bart, AO	125,000	35,714	160,714
Mr John Dorrian	136,428	38,979	175,407
Mr Dominic Chan	-	-	-
Mr Andrew Fay	-	50,000	50,000
Mr Andrew Hunter	-	-	-
Ms Anne McDonald	-	40,000	40,000
Mr Don Morley	225,000	70,713	295,713
Dr Keith Turner	-	-	-

### Performance of Spark Infrastructure

The following table provides details of Spark Infrastructure's performance for the last five years:

	Financial Year Ended 31 December				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Underlying Profit before Loan Note Interest	240,018	224,038	190,355	179,554	144,380
Operating Cashflow including Investing Activities	134,651 <sup>a</sup>	196,923	181,877	180,422	117,034
Underlying Profit after tax attributable to Securityholders	78,450	81,435	34,320	36,889	3,488
Security Price <sup>b</sup> (\$)	1.13	1.38	1.30	1.98	1.73
Distribution per security (cents)	13.54	13.56	18.51	18.06	15.61

<sup>a</sup> Operating and investing cashflows have declined in the financial year as a result of the retention of cash by the Asset Companies to fund capital expenditure and reduce gearing.

<sup>b</sup> Security price is based on the last trading day of each year.

### Auditor's Independence Declaration

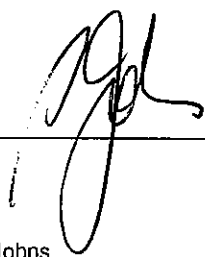
The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

### Rounding of Amounts

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

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

On behalf of the Directors:

A handwritten signature in black ink, appearing to be 'S Johns', written over a horizontal line.

S Johns  
Chairman

A handwritten signature in black ink, appearing to be 'D Morley', written over a horizontal line.

D Morley  
Director

Sydney  
21 February 2011



The Board of Directors  
Spark Infrastructure RE Limited  
as responsible entity for Spark Infrastructure Trust  
255 George Street  
Sydney, NSW 2000

21 February 2011

Dear Directors


### Spark Infrastructure Trust

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

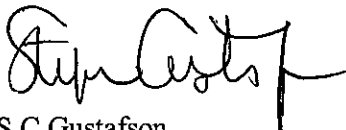
As lead audit partner for the audit of the financial statements of Spark Infrastructure Trust for the financial year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



S C Gustafson  
Partner  
Chartered Accountants

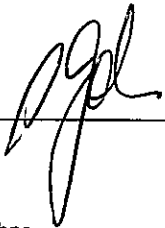
## Directors' Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust and the Consolidated Entity;
- (c) the Directors have been given the declarations required by section 295A of the Corporations Act 2001; and
- (d) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

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

On behalf of the Directors:



S Johns  
Chairman



D Morley  
Director

Sydney  
21 February 2011

**Statement of Comprehensive Income  
for the Financial Year Ended 31 December 2010**

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
Income from associates:			
- share of equity profits	7 (c)	201,864	197,531
- interest income	3 (a)	82,229	83,530
Other income – interest		4,958	2,292
		<b>289,051</b>	<b>283,353</b>
Management fees	21 (b)	(8,281)	(7,905)
Interest expense – other	3 (b)	(27,108)	(29,265)
General and administrative expenses	3 (c)	(15,236)	(4,819)
<b>Profit before Income Tax and Loan Notes Interest</b>		<b>238,426</b>	<b>241,364</b>
Interest expense - Loan Notes		(160,110)	(138,364)
<b>Profit before Income Tax attributable to Securityholders</b>		<b>78,316</b>	<b>103,000</b>
Income tax benefit	4	2,631	19,548
<b>Net Profit attributable to Securityholders</b>		<b>80,947</b>	<b>122,548</b>
<b>Other comprehensive income:</b>			
Cash flow hedges – gains on interest rate swaps		3,479	13,638
Share of associates' other comprehensive income:			
- gain on hedges		60,525	60,169
- actuarial (loss)/ gain on defined benefit plans		(10,254)	50,909
Income tax related to components of other comprehensive income		(16,125)	(37,415)
Other comprehensive income for the Financial Year		37,625	87,301
<b>Total comprehensive income for the Financial Year</b>		<b>118,572</b>	<b>209,849</b>

**Statement of Comprehensive Income (continued)**  
**for the Financial Year Ended 31 December 2010**

	<u>Notes</u>	<b>CONSOLIDATED</b>	
		<u>2010</u> \$'000	<u>2009</u> \$'000
<b>Net profit /(loss) attributable to Securityholders:</b>			
- equity holders of the parent entity <sup>(a)</sup>		3,401	9,935
- non-controlling interest in other Spark Infrastructure Stapled Entities		<u>77,546</u>	<u>112,613</u>
		<u><b>80,947</b></u>	<u><b>122,548</b></u>
<b>Total comprehensive income attributable to Securityholders:</b>			
- equity holders of the parent entity <sup>(a)</sup>		28,085	31,763
- non-controlling interest in other Spark Infrastructure Stapled Entities		<u>9,540</u>	<u>55,538</u>
		<u><b>118,572</b></u>	<u><b>209,849</b></u>
<b>Basic and diluted earnings per security (cents)</b>	17	<u><b>7.40¢</b></u>	<u><b>12.08¢</b></u>

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

Note (a): The parent entity changed from Spark Infrastructure Holdings No 1. Limited to Spark Infrastructure Trust on 31 December 2010.

Notes to the financial statements are included on pages 23 – 47.

**Statement of Financial Position**  
**as at 31 December 2010**

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	24 (a)	89,275	114,349
Receivables from associates	5	29,011	11,466
Other current assets	6	632	744
<b>Total Current Assets</b>		<b>118,918</b>	<b>126,559</b>
<b>Non-Current Assets</b>			
Investments in associates:			
- Investments accounted for using the equity method	7 (d)	1,612,188	1,470,848
- Loans to associates	8	745,601	745,927
<b>Total Non-Current Assets</b>		<b>2,357,789</b>	<b>2,216,775</b>
<b>Total Assets</b>		<b>2,476,707</b>	<b>2,343,334</b>
<b>Current Liabilities</b>			
Payables	9	8,610	4,321
Loan Note interest payable to Securityholders		90,647	70,465
Interest bearing liabilities	11	-	225,000
Other financial liabilities	12	79	2,906
<b>Total Current Liabilities</b>		<b>99,336</b>	<b>302,692</b>
<b>Non-Current Liabilities</b>			
Loan Notes attributable to Securityholders	10	836,766	1,256,792
Interest bearing liabilities	11	121,815	200,000
Deferred tax liabilities	4	20,082	6,588
Other financial liabilities	12	401	1,052
<b>Total Non-Current Liabilities</b>		<b>979,064</b>	<b>1,464,432</b>
<b>Total Liabilities</b>		<b>1,078,400</b>	<b>1,767,124</b>
<b>Net Assets</b>		<b>1,398,307</b>	<b>576,210</b>

**Statement of Financial Position (continued)**  
**as at 31 December 2010**

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
<b>Equity</b>			
Equity attributable to Parent Entity			
- Issued capital	13	1,133,333	182,983
- Reserves	14	36,203	(11,161)
- Retained earnings	15	228,771	32,500
		<u>1,398,307</u>	<u>204,322</u>
Equity attributable to non-controlling interests			
- Issued capital	13	-	246,825
- Reserves	14	-	2,561
- Retained earnings	15	-	122,502
		<u>-</u>	<u>371,888</u>
<b>Total Equity</b>		<u><b>1,398,307</b></u>	<u><b>576,210</b></u>
<b>Total Equity attributable to Securityholders is as follows:</b>			
- Issued capital		1,398,307	204,322
- Non-controlling interests in other Spark Infrastructure Stapled Entities		<u>-</u>	<u>371,888</u>
<b>Total Equity</b>		<u><b>1,398,307</b></u>	<u><b>576,210</b></u>
<b>Loan Notes attributable to Securityholders</b>		<u><b>836,766</b></u>	<u><b>1,256,792</b></u>
<b>Total Equity and Loan Notes</b>		<u><b>2,235,073</b></u>	<u><b>1,833,002</b></u>

Notes to the financial statements are included on pages 23– 47.

**Statement of Changes in Equity**  
**for the Financial Year Ended 31 December 2010**

<b>CONSOLIDATED</b>	<b>Issued Capital</b>	<b>Hedging Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January 2009	454,116	(70,868)	7,421	390,669
Transfer of income tax benefit on cashflow hedges not previously recognised	-	10,603	(10,603)	-
Net profit for the financial year	-	-	122,548	122,548
Cashflow hedges – gain on interest rate swaps	-	13,638	-	13,638
Share of associates' other comprehensive income:				
- gain on hedges	-	60,169	-	60,169
- actuarial gain on defined benefits plan	-	-	50,909	50,909
Related tax	-	(22,142)	(15,273)	(37,415)
Total comprehensive income for the financial year	-	51,665	158,184	209,849
Capital distributions	(24,308)	-	-	(24,308)
Balance at 31 December 2009	429,808	(8,600)	155,002	576,210
<b>Balance at 1 January 2010</b>	<b>429,808</b>	<b>(8,600)</b>	<b>155,002</b>	<b>576,210</b>
Net profit for the financial year	-	-	80,947	80,947
Cashflow hedges – gain on interest rate swaps	-	3,479	-	3,479
Share of associates' other comprehensive income:				
- gain on hedges	-	60,525	-	60,525
- actuarial loss on defined benefits plan	-	-	(10,254)	(10,254)
Related tax	-	(19,201)	3,076	(16,125)
Total comprehensive income for the financial year	-	44,803	73,769	118,572
Transactions resulting from restructure of Loan Notes and associated issue costs to Equity:				
- Transfer of Loan Notes principal to equity	724,325	-	-	724,325
- Transfer of associated Issue costs to equity	(20,800)	-	-	(20,800)
	703,525	-	-	703,525
Balance at 31 December 2010	1,133,333	36,203	228,771	1,398,307

Notes to the financial statements are included on pages 23 – 47.

**Statement of Cash Flows  
for the Financial Year Ended 31 December 2010**

	Notes	CONSOLIDATED	
		2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>			
Distribution from associates – preferred partnership capital		69,635	69,635
Dividend received – associates		41,160	33,183
Interest received – associates		64,683	85,431
Interest received – other		4,752	2,416
Interest paid – other		(26,667)	(27,387)
Management fees		(8,297)	(7,678)
Other		(10,941)	(5,448)
<b>Net Cash Inflow Related to Operating Activities</b>	24 (c)	<b>134,325</b>	<b>150,152</b>
<b>Cash Flows from Investing Activities</b>			
Repayment of borrowings by associates		326	46,771
<b>Net Cash Inflow Related to Investing Activities</b>		<b>326</b>	<b>46,771</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of securities		294,823	25,266
Payment of Issue Costs		(10,371)	-
Repayment of external borrowings		(525,000)	-
Proceeds from external borrowings		225,000	-
Payments of external borrowing costs		(4,250)	-
Distributions to Securityholders:			
- Loan Note interest		(139,927)	(136,875)
- Capital distributions		-	(24,308)
<b>Net Cash (Outflow)/Inflow Related to Financing Activities</b>		<b>(159,725)</b>	<b>(135,917)</b>
<b>Net (decrease)/increase in Cash and Cash Equivalents for the Financial Year</b>		<b>(25,074)</b>	<b>61,006</b>
Cash and cash equivalents at beginning of the Financial Year		114,349	53,343
<b>Cash and Cash Equivalents at end of the Financial Year</b>	24 (a)	<b>89,275</b>	<b>114,349</b>

Notes to the financial statements are included on pages 23 – 47.



## Notes to the Financial Statements for the Financial Year Ended 31 December 2010

### 1. Summary of Accounting Policies

#### Basis of Preparation and Statement of Compliance

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

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

On 31 December 2010, the Restructure was completed which resulted in a simplification of the corporate structure from a five stapled structure to a single holding company structure with a dual stapled security. Prior to this date, the consolidated financial statements of Spark Infrastructure consisted of Spark Infrastructure Holdings No.1 Limited and the entities it controlled, Spark Infrastructure Holdings No.2 Limited, Spark Infrastructure Holdings International Limited and Spark Infrastructure Trust. Following the Restructure, the consolidated financial statements of Spark Infrastructure consist of Spark Infrastructure Trust and its controlled entities.

Information in respect of the parent entity in this financial report relates to Spark Infrastructure Trust. The financial information for the parent entity, disclosed in note 26 has been prepared on the same basis as the financial statements for the consolidated entity.

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

Accounting standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Trust and the Group comply with International Financial Reporting Standards ('IFRS').

The financial report was authorised for issue by the Directors of Spark Infrastructure RE limited ("Spark RE") on 21 February 2011.

#### Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current financial year and are of relevance in these financial statements:

AASB 3 (as revised in 2008) "*Business Combinations*" - effective for annual reporting periods beginning on or after 1 July 2009. There are no financial or disclosure implications for the Group.

*AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*

The amendments to AASB 7 expand the disclosures required in respect of fair value measurement and liquidity risk.

#### Standards and Interpretations in issue not yet adopted

Certain standards, amendments and interpretations that are on issue but not yet effective have not been applied in the preparation of this report. The principle standard and amendment of relevance is:

*AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project*

The amendments to AASB 2009-5 specify amendments resulting from the IASB's annual improvement project to various Australian Accounting Standards and Interpretations.

*AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 Financial Instruments and its associated amending standards specify new recognition and measurement requirements for financial assets within the scope of AASB 139. Broadly, the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the entity qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income.

Spark Infrastructure does not expect that any adjustments will be necessary as a result of applying these revised accounting Standards and Interpretations.

## 1. Summary of Accounting Policies (continued)

### Significant Accounting Policies

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

#### (a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its controlled entities as at 31 December 2010. Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

#### (b) Acquisition of Assets

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

#### (c) Borrowings

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

#### (d) Borrowing Costs

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

#### (e) Cash and Cash Equivalents

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

#### (f) Creditors and Accruals

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

#### (g) Derivative Financial Instruments

Spark Infrastructure enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details are disclosed in Note 25.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in the profit and loss unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Spark Infrastructure designates certain derivatives as hedges of the fair value of recognised assets, liabilities or firm commitments ("fair value hedges"), or hedges of highly probable forecast transactions ("cash flow hedges").

The fair value of hedging derivatives is classified as a non-current asset/liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset/liability if the remaining maturity is less than 12 months.

#### *Hedge Accounting*

At the inception of the hedge relationship, Spark Infrastructure documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Spark Infrastructure documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 25 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 14.

#### *Fair Value Hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss from that date.

#### *Cash Flow Hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in the hedging reserve recorded in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

## 1. Summary of Accounting Policies (continued)

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

### (h) Financial Instruments

#### *Debt and Equity Instruments*

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

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

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

#### *Interest, Dividends and Distributions*

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

### (i) Goods and Services Tax

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

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

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

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

### (j) Impairment of Tangible and Intangible Assets

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

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

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

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

### (k) Income Tax

#### *Current Tax*

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

## 1. Summary of Accounting Policies (continued)

### **Deferred Tax**

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Spark Infrastructure expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

### **Current and Deferred Tax**

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

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

### **Tax Consolidation Legislation**

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

### **Taxation of financial arrangements**

The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 (TOFA legislation) will be applicable to the tax consolidated groups for tax years beginning 1 January 2011. The TOFA legislation is not expected to have a material effect on the tax expense of the tax consolidated groups. The Restructure was implemented on 31 December 2010, and as such does not fall under the TOFA regime. No election was made to bring pre-commencement financial arrangements into the TOFA regime.

## **(l) Investments in Associates**

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

Under the equity method, investments in the associates are carried in the Statement of Financial Position at cost plus post-acquisition changes in share of net assets of the associates. After application of the equity method, Spark Infrastructure determines whether it is necessary to recognise any impairment loss with respect to its net investment in associates.

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

## **(m) Loans and Receivables**

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

1. Summary of Accounting Policies (continued)

(n) Revenue Recognition

*Dividend and Interest Revenue*

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

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

(o) Investments in Subsidiaries

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

(p) Critical Accounting Estimates and Judgements

The preparation of this report required the use of certain critical accounting estimates and exercises judgement in the process of applying the accounting policies. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectation of future events. The Directors believe the estimates and judgements are reasonable. Actual results in the future may differ from those reported.

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

• **Accounting for Acquisitions**

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

• **Impairment of Assets**

At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment in accordance with Note 1(j). Each Asset Company, being ETSA and CHEDHA, are regarded as separate cash generating units for the purposes of such testing. If any indicators are established, a discounted cashflow analysis is undertaken.

Substantial changes to external market conditions over the past two years and the regulatory reset processes finalised during 2010 had the potential to impact asset values and Spark Infrastructure regards these as potential indicators of impairment. Accordingly, impairment testing was undertaken to confirm that the carrying value of assets do not exceed their respective recoverable values. The following key parameters were used in testing for impairment:

- Cashflow projections, based on financial forecasts approved by management containing assumptions about business conditions, growth in RAB and future regulatory returns, over a period of 10 years with an appropriate terminal value based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities;
- Growth rates for volume of electricity delivered are based on observed historical values and studies undertaken by independent experts; and
- Appropriate discount rates specific to the individual assets.

Cashflow projections for a 10 year period are deemed appropriate as electricity distribution assets are long life assets.

The AER issued a final electricity distribution determination in relation to ETSA on 6 May 2010 and in relation to CHEDHA's two businesses (CitiPower and Powercor) on 29 October 2010. The impact of the final determinations for all distribution businesses have been considered in the impairment testing.

• **Deferred Tax Assets**

Deferred Tax Assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the foreseeable future. As at 31 December 2010, an amount of \$30.117 million (2009: \$79.066 million) has not been recognised on the basis that the above recognition criteria was not met.

(q) Rounding of Amounts

As Spark Infrastructure is an entity of the kind referred to in ASIC Class Order 98/0100, relevant amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

## 2. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Two segments are reported, CHEDHA – which represents the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor) and ETSA – which represents the 49% interest in the electricity distribution business in South Australia.

	CHEDHA		ETSA Utilities		Corporate		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Segment Cashflows</b>								
Net cashflows	65,009	132,202	110,795	102,818	(19,238)	(13,126)	156,566	221,894
Net Interest paid							(21,915)	(24,971)
<b>Total Operating and Investing cashflows</b>							<b>134,651</b>	<b>196,923</b>

	CHEDHA		ETSA Utilities		Corporate		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Segment Revenue</b>								
Share of equity accounted profits	33,425	29,322	168,439	168,209	-	-	201,864	197,531
Interest income - associates	82,229	83,530	-	-	-	-	82,229	83,530
Segment revenue	115,654	112,852	168,439	168,209	-	-	284,093	281,061
Interest revenue							4,958	2,292
<b>Total Revenue</b>							<b>289,051</b>	<b>283,353</b>
<b>Segment Results</b>								
Segment contribution	115,654	112,852	168,439	168,209	(23,517)	(12,724)	260,576	268,337
Net Interest expense							(22,150)	(26,973)
Profit for the period before Loan Note Interest and Income Tax							238,426	241,364
Interest on Loan Notes							(160,110)	(138,364)
Income tax benefit/(expense)							2,631	19,548
<b>Net profit</b>							<b>80,947</b>	<b>122,548</b>

**2. Segment Information (continued)**

	CHEDHA		ETSA Utilities		Corporate		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Segment Assets</b>								
Investment accounted using equity method	322,502	252,434	1,289,686	1,218,414	-	-	1,612,188	1,470,848
Loan to Associates	745,601	745,927	-	-	-	-	745,601	745,927
Receivables from Associates	29,011	11,466	-	-	-	-	29,011	11,466
Other	-	-	-	-	632	744	632	744
<b>Total Segment Assets</b>	<b>1,097,114</b>	<b>1,009,827</b>	<b>1,289,686</b>	<b>1,218,414</b>	<b>632</b>	<b>744</b>	<b>2,387,432</b>	<b>2,228,985</b>
<b>Unallocated Assets</b>								
Cash and cash equivalents							89,275	114,349
<b>Total Assets</b>							<b>2,476,707</b>	<b>2,343,334</b>

	CHEDHA		ETSA Utilities		Corporate		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Segment Liabilities</b>								
Liabilities	-	-	-	-	8,188	3,043	8,188	3,043
<b>Unallocated Liabilities</b>								
Loan Notes							836,766	1,256,792
Bank facilities							121,815	425,000
Other liabilities							91,549	75,701
Deferred tax liabilities							20,082	6,588
<b>Total Liabilities</b>							<b>1,078,400</b>	<b>1,767,124</b>

		<b>CONSOLIDATED</b>	
		<b>2010</b>	2009
		<b>\$'000</b>	<b>\$'000</b>
<b>3. Profit for the Financial Year</b>			
<b>(a) Income</b>			
Income from associates:			
– Share of equity accounted profits	201,864		197,531
– Interest income	82,229		83,530
	<b>284,093</b>		<b>281,061</b>
<b>(b) Expenses</b>			
Interest expense – other:			
– Interest and other associated costs on senior debt	27,108		29,265
<b>(c) General and Administrative Expenses</b>			
Directors' fees – short term benefits	1,105		1,032
Directors' fees – post employment benefits	56		43
Repositioning Costs	9,879		-
Other expenses	4,196		3,744
	<b>15,236</b>		<b>4,819</b>
<b>4. Income Taxes</b>			
<b>(a) Income Tax Recognised in Profit or Loss</b>			
Tax benefit comprises:			
Current tax benefit	8,570		4,542
Deferred tax (expense)/benefit relating to temporary differences	(5,939)		15,006
Current tax benefit	2,631		19,548
Attributable to:			
Continuing operations	2,631		19,548

The accounting profit for the year can be reconciled to income tax benefit as follows:

Profit from continuing operations	78,316	103,000
Income tax expense calculated at 30%	(23,495)	(30,900)
Tax effect on operating results of the Trust (Note 1(k))	(1,365)	2,219
Offsets from unused tax losses brought to account	35,305	48,229
Tax losses not yet brought to account	(7,814)	-
Income tax benefit	2,631	19,548

The tax rate of 30% used above is the current Australian corporate tax rate. There has been no change in the corporate tax rate during the Financial Year.

**(b) Income Tax Recognised Directly in Equity**

The following deferred tax expense was recognised directly in equity during the financial year:

– Revaluations of financial instruments treated as cash flow hedges	(1,043)	(4,091)
– Share of associates' reserves recognised directly in equity	(15,082)	(33,323)
	<b>(16,125)</b>	<b>(37,414)</b>



**4. Income Taxes (continued)**

		<b>CONSOLIDATED</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(c) Deferred Tax Balances</b>			
Deferred tax assets comprise:			
Tax losses – revenue		131,521	87,646
Temporary differences:			
- Cash flow hedges (movement)		144	1,187
- Security issue costs		318	895
		131,983	89,728
Deferred tax liabilities comprise:			
Temporary differences:			
- investment in associates		(152,065)	(96,316)
Net deferred tax liability recognised in the financial statements		(20,082)	(6,588)
<b>(d) Unrecognised Deferred Tax Balances</b>			
The following deferred tax assets have not been brought to account as assets:			
Tax losses – revenue		30,117	79,066

**Tax Consolidation**

*Relevance of Tax Consolidation to Spark Infrastructure*

SIH No.1 and SIH No.2 and their wholly owned Australian resident entities have each formed a tax consolidated group and therefore each group is taxed as a single entity. The head entity within each tax consolidated group is SIH No. 1 and SIH No.2 respectively. The members of the tax consolidated groups are identified in Note 23.

**Nature of Tax Funding Arrangements and Tax Sharing Agreements**

Entities within each tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with their respective head entities. Under the terms of the funding agreement, SIH No.1 and SIH No.2 and each of the entities in the relevant tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the agreement is considered remote at this time.

**CHEDHA Holdings Pty Ltd (“CHEDHA”)**

In December 2010 the Australian Taxation Office (“ATO”) advised that their Large Business Audit in relation to the financing structure/arrangements of the CKI/HEI Electricity Distribution Holdings (Australia) Pty Limited consolidated group (a subsidiary of CHEDHA), has been completed and that certain tax adjustments are required, which are material. The Large Business Audit related to the tax years 31 December 2000 to 31 December 2005 inclusive, which were prior to Spark Infrastructure’s acquisition of its 49% interest in CHEDHA.

No determinations or assessments have been issued by the ATO. CHEDHA has sought legal advice. CHEDHA disagrees with the ATO’s position and based on all available information is of the opinion that no adjustments are required, and will vigorously defend its position.

**CONSOLIDATED**

**5. Receivables from Associates**

CHEDHA

2010 \$'000	2009 \$'000
<b>29,011</b>	<b>11,466</b>

Receivables from Associates relates to interest receivable on loans. These receivables are expected to be settled in full within the next 12 months.

**6. Other Current Assets**

GST recoverable

Prepayments

Other receivables

-	281
<b>263</b>	296
<b>369</b>	167
<b>632</b>	<b>744</b>

**7. Investments Accounted for Using the Equity Method**

**(a) Investments in Associates**

Name of Entity	Principal Activity	Ownership Interest (%)		Country of Incorporation/ Formation
		2010	2009	
CHEDHA	Ownership of electricity distribution networks in Victoria	49	49	Australia
ETSA Utilities Partnership	Ownership of an electricity distribution network in South Australia	49	49	Australia

**7. Investments Accounted for Using the Equity Method (continued)**

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
<b>(b) Share of Assets and Liabilities of Associates</b>		
Current assets	236,393	491,327
Non-current assets	5,079,600	4,774,188
Total assets	5,315,993	5,265,515
Current liabilities	555,484	700,847
Non-current liabilities	3,615,477	3,566,688
Total liabilities	4,170,961	4,267,535
Net assets before ETSA Utilities Preferred Partnership Capital	1,145,032	997,980
ETSA Utilities Preferred Partnership Capital	622,300	622,300
Net assets applicable to Spark Infrastructure	1,767,332	1,620,280
<b>(c) Share of Revenue and Expenses of Associates</b>		
Revenue – distribution	605,651	578,377
Revenue – semi-regulated, metering and unregulated	305,322	285,006
Operating revenue	910,973	863,383
Revenue – transmission	212,557	166,344
	1,123,530	1,029,727
Expenses	(926,506)	(845,774)
Profit before income tax	197,286	183,953
Income tax expense	(24,963)	(16,225)
Net profit accounted for using the equity accounting method	172,061	167,728
Additional share of profits from preferred partnership capital <sup>a</sup>	35,514	35,514
	207,575	203,242
Additional depreciation/ amortisation charge <sup>b</sup>	(5,711)	(5,711)
	201,864	197,531
<b>(d) Movement in Carrying Amounts</b>		
Carrying amount at beginning of the Financial Year	1,470,848	1,265,057
Share of profits after income tax	201,864	197,531
Preferred partnership distribution received	(69,635)	(69,635)
Dividend received – associates	(41,160)	(33,183)
Share of associates' income recognised directly in equity	50,271	111,078
Carrying amount at end of the Financial Year	1,612,188	1,470,848
<b>(e) Commitments for Expenditure and Contingent Liabilities</b>		

<sup>a</sup> Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in ETSA Utilities.

<sup>b</sup> Relates to depreciation and amortisation of the fair value on uplift of assets on acquisition.

Spark Infrastructure's share of commitments for expenditure and contingent liabilities are provided in Note 19 and Note 20 respectively.

**CONSOLIDATED**

	2010 \$'000	2009 \$'000
<b>8. Loans to Associates – interest bearing</b>		
Loan to Associates – interest bearing	<b>745,601</b>	<b>745,927</b>
100 year loan to CHEDHA at a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower.		
<b>9. Payables</b>		
GST payable	1,380	-
Payables to related parties	2,008	2,229
Other payables	5,222	2,092
	<b>8,610</b>	<b>4,321</b>
<b>10. Loan Notes Attributable to Securityholders</b>		
Balance at beginning of the Financial Year	1,256,792	1,231,515
Issue of Loan Notes under Entitlement Offer <sup>a</sup>	294,823	-
Issue costs associated with Loan Notes	(11,363)	-
Issue of Loan Notes under the DRP	-	25,266
Write back of deferred discount <sup>b</sup>	39	11
Reallocation of discount on securities issued under the DRP	1,807	-
Repayment of Loan Notes <sup>c</sup>	(724,325)	-
Reallocation of issue costs <sup>d</sup>	18,993	-
Balance at end of the Financial Year	<b>836,766</b>	<b>1,256,792</b>
<sup>a</sup> Approximately \$295.000 million was raised from the Entitlement Offer, the value for which was allocated entirely to Loan Notes.		
<sup>b</sup> The deferred discount represents the difference between the Loan Notes face value of \$1.25 and the price of securities issued under the DRP in September 2009 of \$1.0862. The deferred discount is written back over the remaining term of the Loan Notes. Following implementation of the Restructure a proportion of the discount on the DRP in Sept 2009 has been reallocated to equity.		
<sup>c</sup> The Restructure comprised a partial repayment of the Loan Notes with the amount repaid applied to the issue of additional Units to Securityholders. The partial repayment results in a reduction in the face value outstanding on the Loan Notes from \$1.25 to \$0.65 and each Loan Note carries a correspondingly reduced interest entitlement from the date of the Restructure.		
<sup>d</sup> A proportion of Loan Note issue costs arising from both the Entitlement Offer and the original Loan Notes issued at the Initial Public Offering ("IPO") have been reallocated to equity following implementation of the Restructure on 31 December 2010.		
<b>11. Interest Bearing Liabilities</b>		
Syndicated bank loan at amortised cost (Current)	-	225,000
Syndicated bank loan at amortised cost (Non-Current)	125,000	200,000
Unamortised costs	(3,185)	-
	<b>121,815</b>	<b>200,000</b>
Spark entered into 3-year revolving facilities of \$165.000 million (\$40.000 million drawn as at 31 December 2010) and a 4-year term loan of \$85.000 million on 10 September 2010. These facilities mature on 10 September 2013 and 10 September 2014 respectively. The loans are unsecured.		
<b>12. Other Financial Liabilities</b>		
Fair value of interest rate swaps (Current)	79	2,906
Fair value of interest rate swaps (Non-Current)	401	1,052

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>13. Issued Capital</b>		
Balance at beginning of the Financial Year	429,808	454,116
Capital distribution	-	(24,308)
Issue of securities under Entitlement Offer – refer Note 10 <sup>a</sup>	-	-
Reclassification from Loan Notes (net of costs) <sup>a</sup>	703,525	-
Balance at end of the Financial Year	<u>1,133,333</u>	<u>429,808</u>
Disclosed in the financial statements as:		
Attributable to the Parent Entity	1,133,333	182,983
Attributable to Non-controlling interests in other Spark Infrastructure Stapled Entities	-	246,825
	<u>1,133,333</u>	<u>429,808</u>

<sup>a</sup> The Restructure comprised a partial repayment of the Loan Notes which resulted in a reduction in the Face Value outstanding on the Loan Notes with the amount repaid applied to the issue of additional Units to Securityholders. The reclassification from Loan Notes is net of allocation costs assigned to equity. The units carry one vote per unit and the right to distributions. Each stapled security comprises a Unit and a Loan Note issued by Spark Trust. Under the terms of the Loan Note Trust Deed, the application price for a stapled security is first allocated to the principal amount of a Loan Note.

	<b>No.'000</b>	<b>No.'000</b>
<b>Fully Paid Stapled Securities</b>		
Balance at beginning of the Financial Year	1,031,911	1,008,651
Issue of Stapled Securities under Entitlement Offer <sup>b</sup>	294,823	-
Issue of Stapled Securities under the DRP	-	23,260
Issue of Stapled Securities and subsequent consolidation under the Restructure	-	-
Balance at end of Financial Year	<u>1,326,734</u>	<u>1,031,911</u>

<sup>b</sup> All proceeds of the Entitlement Offer were ascribed to the stapled Loan Notes – refer Note 10<sup>a</sup>

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>14. Reserves</b>		
<b>Cash Flow Hedging Reserve</b>		
Balance at beginning of the Financial Year	(8,600)	(70,868)
Transfer of income tax benefit on cashflow hedges not previously recognised	-	10,603
Gain recognised:		
Interest rate swaps <sup>a</sup>	3,479	13,638
Deferred tax expense	(1,044)	(4,091)
	<u>2,435</u>	<u>9,547</u>
Share of associates' gains on hedges <sup>a</sup>	60,525	60,169
Deferred tax expense	(18,157)	(18,051)
Balance at end of the Financial Year	<u>36,203</u>	<u>(8,600)</u>
Attributable to Securityholders as:		
Equity holders of the Parent Entity	36,203	(11,161)
Non-controlling interests in other Stapled Entities	-	2,561
	<u>36,203</u>	<u>(8,600)</u>

<sup>a</sup> The hedging reserve represents hedging gains and losses recognised on the effective portion of the cashflow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedge transaction impacts the profit or loss.

**CONSOLIDATED**

**15. Retained Earnings**

	2010 \$'000	2009 \$'000
Balance at beginning of the Financial Year	155,002	7,421
Transfer of income tax benefit on cashflow hedges not previously recognised	-	(10,603)
Net profit after tax for the Financial Year	80,947	122,548
Share of associates' actuarial (loss)/ gain recognised directly in retained earnings <sup>a</sup>	(10,254)	50,909
Related tax	3,076	(15,273)
Balance at end of the Financial Year	<u>228,771</u>	<u>155,002</u>
Disclosed in the financial statements as:		
Attributable to the Parent Entity	228,771	32,500
Attributable to Non-controlling Interests	-	122,502
	<u>228,771</u>	<u>155,002</u>

<sup>a</sup> Actuarial gains or losses on defined benefit superannuation plans operated by CHEDHA and ETSA Utilities (the Associates) are recognised directly in Retained Earnings.

**CONSOLIDATED**

**16. Remuneration of External Auditor**

	2010 \$	2009 \$
Audit and review of financial report	261,513	218,660
Tax advice	92,452	69,719
Other services:		
- Other accounting services	25,500	31,000
- Repositioning related services <sup>a</sup>	1,066,164	-
	<u>1,445,629</u>	<u>319,379</u>

<sup>a</sup> Services were provided as part of the Strategic Review, Restructuring and Equity raising.

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

**CONSOLIDATED**

**17. Earnings per Security ("EPS")<sup>a</sup>**

	2010 \$'000	2009 \$'000
Profit before income tax and Loan Note interest	238,426	241,364
Weighted average number of securities ('000) <sup>b</sup>	1,093,436	1,014,531
Basic earnings per security before income tax and Loan Note interest (cents)	<u>21.81¢</u>	<u>23.79¢</u>
Earnings used to calculate EPS	80,947	122,548
Basic earnings per security based on net profit attributable to Securityholders (cents)	<u>7.40¢</u>	<u>12.08¢</u>

<sup>a</sup> Basic EPS is the same as diluted EPS.

<sup>b</sup> The weighted average number of securities reflects quotation on the ASX of new stapled securities issued as a result of the Entitlement Offer on 11 October 2010 (177,327,900) and 29 October 2010 (117,494,964).

	2010		2009	
	Cents per Security	Total \$'000	Cents per Security	Total \$'000
<b>18. Distribution Paid and Payable</b>				
<b>Distribution Paid:</b>				
Interim distribution in respect of year ended 31 December 2010 paid on 15 September 2010 (2009: 15 September 2009):				
Interest on Loan Notes	6.72	69,344	6.72	67,781
	<b>6.72</b>	<b>69,344</b>	<b>6.72</b>	<b>67,781</b>
<b>Distribution Payable:</b>				
Final distribution in respect of the year ended 31 December 2010 payable on 15 March 2011 (2009: 15 March 2010):				
Interest on Loan Notes	6.82	90,749	6.84	70,583
	<b>6.82</b>	<b>90,749</b>	<b>6.84</b>	<b>70,583</b>
Total paid and payable	<b>13.54</b>	<b>160,093</b>	<b>13.56</b>	<b>138,364</b>

The distributions are unfranked and are made by the Trust.

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
<b>19. Commitments for Expenditure</b>		
<b>(a) Capital Expenditure commitments</b>		
Share of associates' capital expenditure commitments		
- Not longer than 1 year	38,593	27,479
- Longer than 1 year and not longer than 5 years	56,386	90,020
	<b>94,979</b>	<b>117,499</b>
<b>(b) Other Expenditure Commitments</b>		
Share of associates' other expenditure commitments		
- Not longer than 1 year	2,771	2,500
- Longer than 1 year and not longer than 5 years	10,617	10,042
- Longer than 5 years	13,347	15,425
	<b>26,735</b>	<b>27,967</b>

There are no capital expenditure or other expenditure commitments in Spark Infrastructure.

**20. Contingent Liabilities and Contingent Assets**

**Contingent Liabilities**

Share of associates' contingent liabilities	10,681	13,794
	<b>10,681</b>	<b>13,794</b>

The contingent liabilities relate to guarantees provided to various parties by CHEDHA and ETSA Utilities. There are no contingent liabilities or contingent assets in the Spark Infrastructure Group.

**21. Related Party Disclosures**

**(a) Directors**

The persons listed below were Directors of the Company during the year:

Mr Stephen Johns (Chairman)  
 Ms Cheryl Bart, AO  
 Mr Dominic Chan (appointed 28 May 2010)  
 Mr John Dorrian  
 Mr Andrew Fay (appointed 31 March 2010)  
 Mr Andrew Hunter  
 Mr Hing Lam Kam (retired 28 May 2010)  
 Mr Timothy Keith (resigned 15 March 2010)  
 Ms Anne McDonald  
 Mr Don Morley  
 Dr Keith Turner

**Remuneration**

The aggregate remuneration paid to Directors of Spark Infrastructure is set out below:

	CONSOLIDATED	
	2010	2009
	\$	\$
Directors' fees – short term benefits	1,104,892	1,032,203
Directors' fees – post employment benefits <sup>a</sup>	55,724	43,002
	1,160,616	1,075,205

<sup>a</sup> Post employment benefits relate to Superannuation Guarantee Contributions.

The remuneration paid to Directors during 2010 and prior years is shared equally by the three operating companies being SIH No. 1, SIH No. 2 and the Trust. The Trust's share of the remuneration was \$386,872 for the Financial Year (2009: \$358,402).

During the period Mr Morley and Ms McDonald received fees totalling \$35,000 each as members of the Due Diligence Committee involved in the Entitlement Offer and Restructure. These fees were recommended by the Independent Board Committee, which comprised all 5 Independent Directors and were approved by the full Board (with Mr Morley and Ms McDonald abstaining from voting).

In addition to the directors' fees set out under Remuneration of Directors, Ms Cheryl Bart, Ms Anne McDonald and Dr Keith Turner were entitled to directors' fees as representatives of Spark Infrastructure on the ETSA Utilities and CHEDHA Boards (the Asset Company Boards) as set out below. These fees were paid by the Asset Companies.

During the period Ms Bart was entitled to Director's fees totalling \$100,000 as a director on the ETSA boards comprised as follows.

- Non-executive Director – annual fee of \$75,000
- Chair of Audit Committee – additional annual fee of \$15,000
- Member of Risk Management & Compliance Committee – annual fee of \$10,000

During the period Ms McDonald was entitled to Director's fees totalling \$100,000 as a director on the CHEDHA boards comprised as follows.

- Non-executive Director – annual fee of \$75,000
- Member of Audit Committee – annual fee of \$10,000
- Chair of Audit Committee – additional annual fee of \$5,000
- Member of Risk Management & Compliance Committee – annual fee of \$10,000

During the period Dr Keith Turner was entitled to annual Director's fees of \$150,000 as a director on the ETSA Utilities and CHEDHA boards comprised as follows.

- Non-executive Director of the CHEDHA board – annual fee of \$75,000
- Non-executive Director of the ETSA board – annual fee of \$75,000



**Remuneration (continued)**

The fees and payments to Directors reflect the demands and responsibilities as Directors.

The Directors' fees are reviewed annually by the Board and are subject to an aggregate fees pool limit of \$2,000,000 per annum (inclusive of superannuation). Any increase to this limit will be submitted to the Securityholders at an annual general meeting for approval. The Directors do not receive securities, options or any performance related incentives. The Alternate Directors are not paid any fees.

Details of remuneration (including superannuation) of each Director paid or accrued in respect of the Financial Year are set out below:

Directors		Short term Employment Benefits Directors' Fees \$	Post-Employment Benefits Superannuation \$	Total \$
<b>Chairman</b>				
Mr Stephen Johns	2010	210,170	14,830	225,000
	2009	210,897	14,103	225,000
<b>Non-executive Directors</b>				
Ms Cheryl Bart, AO <sup>b</sup>	2010	100,917	9,083	110,000
	2009	100,917	9,083	110,000
Mr Dominic Chan <sup>ar</sup>	2010	59,066	-	59,066
	2009	-	-	-
Mr John Dorrian <sup>ae</sup>	2010	110,000	-	110,000
	2009	110,000	-	110,000
Mr Andrew Fay <sup>d</sup>	2010	69,059	6,215	75,274
	2009	-	-	-
Mr Andrew Hunter <sup>ae</sup>	2010	110,000	-	110,000
	2009	110,000	-	110,000
Mr Hing Lam Kam <sup>ag</sup>	2010	40,934	-	40,934
	2009	100,000	-	100,000
Mr Timothy Keith <sup>ad</sup>	2010	20,342	-	20,342
	2009	100,000	-	100,000
Ms Anne McDonald <sup>ceh</sup>	2010	142,202	12,798	155,000
	2009	110,092	9,908	120,000
Mr Don Morley <sup>eh</sup>	2010	142,202	12,798	155,000
	2009	110,092	9,908	120,000
Dr Keith Turner	2010	100,000	-	100,000
	2009	80,205	-	80,205
<b>Total</b>	<b>2010</b>	<b>1,104,892</b>	<b>55,724</b>	<b>1,160,616</b>
	<b>2009</b>	<b>1,032,203</b>	<b>43,002</b>	<b>1,075,205</b>

<sup>a</sup> The Directors' fees for Mr Kam, Mr Hunter and MR Chan were paid to CKI, while the fees for Mr Keith and Mr Dorrian were paid to RREEF Infrastructure.

<sup>b</sup> Mr Fay was appointed on 31 March 2010.

<sup>c</sup> Ms McDonald was also a member of the Compliance Committee (a sub-committee of the Board) during 2010.

<sup>d</sup> Mr Keith resigned on 15 March 2010.

<sup>e</sup> Ms Bart, Mr Dorrian, Mr Hunter, Ms McDonald and Mr Morley are also members of the Audit and Risk Committee.

<sup>f</sup> Alternate Director for Mr Kam until 28 May 2010. Appointed as Director on 28 May 2010.

<sup>g</sup> Mr Kam retired on 28 May 2010.

<sup>h</sup> Ms McDonald and Mr Morley were paid \$35,000 each for Due Diligence responsibilities during 2010.

**Board and Committee Remuneration Policy**

The remuneration of Spark Infrastructure's Directors is benchmarked to the remuneration of directors of comparable enterprises periodically using an independent external consulting firm. A broad cross section of parameters is used by the external firms in determining comparable entities, including:

- Market capitalisation;
- Revenue; and
- Total assets.

The Directors' remuneration also takes into consideration the following matters:

- Fee levels for all non-executive Directors to be positioned between the median and the 75<sup>th</sup> percentile of the general market comprising comparable board roles in listed companies within the range of half to twice the market capitalisation, revenue and total assets of Spark Infrastructure;
- The Chairman's fee to be in the range of 2.0 and 2.5 times that of non-executive Directors;
- The Chairman of board committees (other than the Chairman of the Board) shall be eligible to receive a committee chair fee in addition to the base non-executive Director fee;

**Board and Committee Remuneration Policy (continued)**

- Members of board committees shall be eligible to receive a committee membership fee in addition to the base non-executive Director fee, set at half the fee of the committee chair (excluding the Compliance Committee which has an external chair); and
- In setting the fees applicable to committee chairs and committee members, the Board is to consider the relative workloads of committees.

The Directors and Board Committee members are paid a fixed remuneration as disclosed above. None of the remuneration is linked to the financial performance of Spark Infrastructure or its security price.

The annual remuneration, including post-employment benefits payable to Directors, is as follows:

Role	\$
Chairman	225,000
Non-Executive Director	100,000
Additional fee for enhanced responsibility:	
- Chairman of ARMC	20,000
- ARMC member	10,000
- Chairman of Compliance Committee (External specialist appointment and not a Spark Infrastructure Director)	35,000
- Compliance Committee Member (External specialist appointment and not a Spark Infrastructure Director)	30,000
- Compliance Committee Member (Independent Director on the Board)	10,000

The table includes remuneration paid to external specialist members of the Compliance Committee who are appointed to provide specialist knowledge and expertise and to meet the independence requirements for the Committee under the Corporations Act.

**Remuneration of Executives**

Spark Infrastructure does not have any employees. Spark Infrastructure Management Limited ("the Manager"), as the manager of Spark Infrastructure, makes employees (including senior executives) available under the Management Agreement. Spark Infrastructure is not liable for expenses referable to the executives. Accordingly, executive remuneration details are not provided in this report. The Manager is paid management fees as detailed in Note 21(b).

**21. Related Party Disclosures (continued)**

**(a) Directors (continued)**

**Security Holdings**

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

Directors	Opening Balance 1 January 2010 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2010 (No.)
Mr Stephen Johns	355,000	69,285	424,285
Ms Cheryl Bart, AO	125,000	35,714	160,714
Mr John Dorrian	136,428	38,979	175,407
Mr Dominic Chan <sup>c</sup>	-	-	-
Mr Andrew Fay <sup>d</sup>	-	50,000	50,000
Mr Andrew Hunter	-	-	-
Mr Hing Lam Kam <sup>a</sup>	-	-	-
Mr Timothy Keith <sup>b</sup>	-	-	-
Ms Anne McDonald	-	40,000	40,000
Mr Don Morley	225,000	70,713	295,713
Dr Keith Turner	-	-	-

<sup>a</sup>Retired 28 May 2010.

<sup>b</sup>Resigned 15 March 2010.

<sup>c</sup>Alternate Director for Mr Kam until 28 May 2010. Appointed as Director on 28 May 2010.

<sup>d</sup>Appointed 31 March 2010.

The relevant interest of each Director of Spark Infrastructure in respect of the previous financial year was as follows:

Directors	Opening Balance 1 January 2009 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2009 (No.)
Mr Stephen Johns	355,000	-	355,000
Ms Cheryl Bart, AO	125,000	-	125,000
Mr John Dorrian	136,428	-	136,428
Mr Dominic Chan <sup>c</sup>	-	-	-
Mr Andrew Hunter	-	-	-
Mr Hing Lam Kam	-	-	-
Mr Timothy Keith	-	-	-
Ms Anne McDonald <sup>a</sup>	-	-	-
Mr Don Morley	225,000	-	225,000
Dr Keith Turner <sup>b</sup>	-	-	-

<sup>a</sup>Appointed 1 January 2009.

<sup>b</sup>Appointed 13 March 2009.

<sup>c</sup>Alternate Director for Mr Kam.

**(b) Manager**

Spark Infrastructure has entered into a Management Agreement with the Manager to provide management services, as set out in the agreement. The services provided include development of financial and investment strategy, preparation of investment proposals for approval by the Board, development of proposals for debt and equity raising and management of day to day operations. The term of the Management Agreement is 25 years and is terminable by Spark Infrastructure or the Manager under certain circumstances.

The Manager is entitled to a base fee and a performance fee. The base fee is calculated at 0.5% of the enterprise value of Spark Infrastructure up to \$2.443 billion plus 1.0% of any amount over \$2.443 billion.

During the Financial Year, an amount of \$8.281 million (2009: \$7.905 million) was payable to the Manager in base fees.

**Performance Fee**

No performance fee was payable in the current year (2009: nil). The Performance Fee is an incentive fee payable for market outperformance and is not related to the operational performance of the Asset Companies. The outperformance is measured each half year by the movement in the Spark Accumulation Index relative to the benchmark index, which is the S&P/ASX 200 Industrials Accumulation Index. The fee represents 20% of the outperformance.

During the half year ended 30 June 2010, Spark Infrastructure's Accumulation Index underperformed the benchmark index by 4.2%, reflecting a deficit for the period of \$56.700 million. Accordingly no Performance Fee was payable at 30 June 2010.

**21. Related Party Disclosures (continued)**

**(b) Manager (continued)**

**Performance Fee (continued)**

During the half year ended 31 December 2010, Spark Infrastructure's Accumulation Index underperformed the benchmark index by 0.7%, reflecting a deficit of \$9.508 million for the half year period. After taking into account the brought forward deficit at 31 December 2009 of \$82.203 million and the movement in the two half year periods, the carried forward deficit at 31 December 2010 was \$148.411 million.

The Manager is jointly owned by CKI and RREEF.

**(c) Responsible Entity**

The responsible entity of Spark Trust is Spark RE. During the Financial Year, an amount of \$100,000 (2009: \$100,000) was paid to Spark RE for acting as trustee.

**(d) Key Management Personnel ("KMP")**

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The Directors meet the definition of KMP. Since the authority and responsibility for directing and controlling activities has not been delegated to the Manager, there are no other KMP in Spark Infrastructure. The Trust and its subsidiaries have no employees.

**(e) Other Related Parties**

The other related parties include:

- associates;
- subsidiaries; and
- entities within Spark Infrastructure.

**Associates**

The details of ownership interests in associates are provided in Note 7. The details of amounts owing at the end of the Financial Year are provided in Note 9. The details of interest receivable and loans provided to associates are detailed in Notes 5 and 8 respectively. Details of interest income on these loans are detailed in Note 3(a).

**Subsidiaries**

The details of ownership interest in subsidiaries are provided in Note 23. The terms of the tax sharing and tax funding agreements entered into by SIH No. 1 and SIH No. 2 with their subsidiaries are provided in Note 4.

**Entities within Spark Infrastructure**

There are loans receivable by the Trust from other entities within Spark Infrastructure, being Spark Infrastructure (Victoria) Pty Limited and Spark Infrastructure (SA) Pty Limited.

**22. Subsequent Events**

There were no events, other than those described in this report, that have arisen since the end of the Financial Year that have significantly affected or may significantly affect the operations of Spark Infrastructure.

**23. Controlled Entities**

Entity	Country of Incorporation	2010 Equity Holdings (%)	2009 Equity Holdings (%)
Controlled entities of Spark Infrastructure Trust:			
- Spark Infrastructure Holdings No. 1 Limited (SIH No.1) <sup>a</sup>	Australia	100	-
- Spark Infrastructure Holdings No. 2 Limited (SIH No. 2) <sup>a</sup>	Australia	100	-
- Spark Infrastructure Holdings International Limited (SIHI)	Bahamas	100	-
Controlled entity of SIH No. 1 <sup>a</sup> :			
- Spark Infrastructure (Victoria) Pty Limited <sup>b</sup>	Australia	100	100
Controlled entities of SIH No. 2 <sup>a</sup>			
- Spark Infrastructure (South Australia) Pty Limited <sup>c</sup>	Australia	100	100
- Spark Infrastructure SA (No 1) Pty Limited <sup>c</sup>	Australia	100	100
- Spark Infrastructure SA (No 2) Pty Limited <sup>c</sup>	Australia	100	100
- Spark Infrastructure SA (No 3) Pty Limited <sup>c</sup>	Australia	100	100

<sup>a</sup> Head entity of a tax consolidated group.

<sup>b</sup> An entity within a tax consolidated group with SIH No. 1 as the head entity.

<sup>c</sup> An entity within a tax consolidated group with SIH No. 2 as the head entity.

As at 31 December 2010, SIH No. 1, SIH No. 2 and SIHI became wholly owned subsidiaries of Spark Trust pursuant to the Restructure. There has been no other change in controlled entities during the Financial Year.

**CONSOLIDATED**

**24. Notes to the Statement of Cash Flows**

**(a) Reconciliation of Cash and Cash Equivalents**

For the purposes of the Statement of Cashflows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the Financial Year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of Financial Position as follows:

	2010 \$'000	2009 \$'000
Cash on hand and at bank	5,888	4,161
Cash at call	83,387	110,188
<b>Cash and Cash Equivalents</b>	<b>89,275</b>	<b>114,349</b>

**(b) Financing Facilities**

Syndicated unsecured bank loan facilities:

- Amount used	125,000	425,000
- Amount unused	125,000	-
	<b>250,000</b>	<b>425,000</b>

Unsecured working capital facilities:

- Amount used	-	-
- Amount unused	-	100,000
	<b>-</b>	<b>100,000</b>

The separate bilateral working capital facilities were cancelled as part of the refinancing of Spark Infrastructure's bank facilities completed during 2010. Committed undrawn facilities are available to Spark Infrastructure via the 3-year revolving facility entered into in September 2010.

**(c) Reconciliation of Profit for the Financial Year to Net Cash inflows related to Operating Activities:**

Net profit after tax	80,947	122,548
Loan Note interest expense	160,110	138,364
Non-cash interest expense	266	1,377
Non-cash amortisation expense	40	11
Decrease in tax balances	(2,145)	(19,548)
Share of profits of associates (less dividends/distribution)	(91,068)	(94,713)
Changes in net assets and liabilities:		
(Increase)/decrease in current receivables	(16,054)	1,941
Increase in current payables	2,229	172
<b>Net cash inflow related to operating activities</b>	<b>134,325</b>	<b>150,152</b>

**25. Financial Instruments**

**(a) Financial Risk Management Objectives**

Spark Infrastructure's treasury function manages the financial risks and co-ordinates access to financial markets.

Spark Infrastructure does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Spark Infrastructure's treasury policy, approved by the Board, which has written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis.

Spark Infrastructure's activities expose it primarily to the financial risks of changes in interest rates. Spark Infrastructure enters into interest rate swaps to manage its exposure to interest rate movements, including interest rate swaps, forward interest rate contracts and interest rate options. Spark Infrastructure has no exposure to foreign currency.

**(b) Capital Risk Management**

The capital structure of Spark Infrastructure comprises debt, Loan Notes attributable to the Securityholders and equity. As the Loan Notes are a long term instrument and subordinated, they are regarded as part of equity capital for these purposes. On this basis the total equity capital of Spark Infrastructure as at 31 December 2010 was \$2,235.073 million (2009: \$1,833.002 million) comprising \$836.766 million (2009: \$1,256.792 million) in Loan Notes and \$1,398.307 million (2009: \$576.210 million) in equity attributable to the Securityholders.

Spark Infrastructure manages its capital through the use of a combination of debt and equity to ensure that it will be able to operate as a going concern, and provide appropriate returns to Securityholders.

The debt covenants under the senior debt facility require, inter alia, that the gearing at Spark Infrastructure does not exceed 30% and on a consolidated basis (including its proportionate share of debt of the Asset Companies) the gearing does not exceed 75% at any time. During the Financial Year, Spark Infrastructure complied with all of its debt covenants.

Spark Infrastructure holds a 49% interest in CHEDHA and ETSA Utilities and as such, does not control these businesses and is not in a position to determine their distribution policy. Further, the revenue of the Asset Companies is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

**(c) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

**(d) Categories of Financial Instruments**

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
<b>Financial assets</b>		
Cash & Cash Equivalents	89,275	114,349
Receivables from Associates	29,011	11,466
Loans to Associates	745,601	745,927
<b>Financial liabilities</b>		
Payables	8,610	4,321
Loan Note interest payable	90,647	70,465
Derivative instruments in designated hedge accounting relationships	480	3,958
Loans at amortised cost	121,815	425,000
Loan Notes at amortised cost	836,766	1,256,792

**(e) Financial Market Risk**

The principal financial market risk that Spark Infrastructure is exposed to is interest rate risk. Note 25(f) below discusses the strategy adopted to manage this risk. Spark Infrastructure does not have any other financial market risk.

Further, the revenue of the Asset Companies is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

**25. Financial Instruments (continued)**

**(f) Interest Rate Risk Management**

Spark Infrastructure is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed principally through the use of interest rate swap contracts.

**Interest Rate Swap Contracts**

Under interest rate swap contracts, Spark Infrastructure agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable Spark Infrastructure to mitigate the risk of changing interest rates on debt held. The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the end of the Financial Year.

As Spark Infrastructure's interest bearing liabilities are either at a fixed rate of interest or are currently significantly hedged to a fixed rate of interest, any movement in interest rates in the Financial Year would have had a minimal impact on the net profit attributable to Spark Infrastructure.

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

**Interest Rate Sensitivity Analysis**

	CONSOLIDATED			
	Net Profit (\$'000)		Other Comprehensive Income (\$'000)	
	2010	2009	2010	2009
<b>100 bps increase in interest rate</b>				
Variable Rate	1,250	8,500	-	-
Derivatives in hedging relationships	(1,000)	(8,500)	5,579	10,230
<b>Total</b>	<b>250</b>	<b>-</b>	<b>5,579</b>	<b>10,230</b>

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding Floating for Fixed Contracts	Average Contracted Fixed Interest rate		Notional Principal Amount		Fair Value Amount	
	2010 (%)	2009 (%)	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Less than 1 year	5.30	6.00	100,000 <sup>1</sup>	225,000	(79)
1 to 3 years	-	5.30	-	200,000	-	(1,052)
4 to 5 years	5.98	-	85,000 <sup>1</sup>	-	(401)	-
			<b>185,000</b>	425,000	<b>(480)</b>	<b>(3,958)</b>

<sup>1</sup>\$100 million of swaps expire in June 2011. There are also \$85 million of forward start interest rate swaps which commence from June 2011.

All interest rate swap contracts on behalf of Spark Infrastructure have been entered into by Spark Infrastructure (Victoria) Pty Limited, a subsidiary of SIH No. 1, which is the borrower of all unsecured facilities of the Group.

The interest rate swap contracts, exchanging floating rate interest amounts for fixed rate interest amounts, are designated and effective as cash flow hedges. The floating rate on the interest rate swaps is the Bank Bill Swap Bid Rate ("BBSY"), which is used as the basis of pricing financial instruments in Australia. Spark Infrastructure settles the difference between fixed and floating interest rates on a net basis.

**(g) Credit Risk Management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Spark Infrastructure. Spark Infrastructure's credit risk arises from cash held on deposit. Spark Infrastructure has adopted a policy of only dealing with creditworthy counterparties and establishing and maintaining limits, as a means of mitigating the risk of financial loss from defaults. Spark Infrastructure's exposure and the credit ratings of its counterparties are continuously monitored and the transactions are spread amongst approved counterparties to minimise risk to any single counterparty.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

**(h) Liquidity Risk Management**

Spark Infrastructure manages liquidity by maintaining adequate cash reserves and banking facilities and continuously monitoring forecast and actual cash flows. Details of undrawn facilities are provided in Note 24.

25. **Financial Instruments (continued)**

(h) **Liquidity Risk Management (continued)**

*Liquidity and Interest Risk Tables*

The following tables detail Spark Infrastructure's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cashflows of financial liabilities based on the earliest date on which Spark Infrastructure can be required to make payment. The tables include undiscounted amounts for both interest and principal cashflows.

Consolidated 2010	Weighted average effective interest rate	Less than 1 month	1-3 Months	3 months to 1 Year	2-5 Years	5+ Years	Total
	% pa	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables Interest bearing liabilities <sup>a</sup>	-	-	8,610	-	-	-	8,610
Loan Notes attributable to Securityholders <sup>b</sup>	7.31	-	422	8,717	156,347	-	165,486
	10.85	-	90,647	46,436	371,486	9,176,592	9,685,161
<b>Total</b>		-	99,679	55,153	527,833	9,176,592	9,859,257

Consolidated 2009	Weighted average effective interest rate	Less than 1 month	1-3 Months	3 months to 1 Year	2-5 Years	5+ Years	Total
	% pa	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables Interest bearing liabilities <sup>a</sup>	-	-	4,321	-	-	-	4,321
Loan Notes attributable to Securityholders <sup>b</sup>	6.46	-	1,278	251,159	337,188	-	589,625
	10.85	-	70,583	69,344	559,709	14,023,263	14,722,900
<b>Total</b>		-	76,182	320,503	896,897	14,023,263	15,316,846

<sup>a</sup> Effective interest rate reflects hedged rate.

<sup>b</sup> The Loan Notes have a term of 100 years, maturing in 2105. The Restructure comprised a partial repayment of the Loan Notes which resulted in a reduction in the principal amount outstanding on the Loan Notes of \$0.60, from \$1.25 to \$0.65 per Loan Note.

The interest on Loan Notes was fixed at 10.85% per annum on a notional principal balance of \$1.25 per Loan Note for an initial 5 year period ending 30 November 2010. No change was made at that date to either the interest rate or the 5 year reset period. For future reset periods, any change (if made) to the interest rate is based on the relevant swap rate plus a margin of 4%. In the above tables, the Loan Note interest rate of 10.85% has been assumed for the remaining 90 years of the Loan Notes post 30 November 2015 (the next reset date), however the actual rate for each reset period will be subject to finalisation at future points in time.

The amounts disclosed in the tables above reflect undiscounted amounts for interest for the remaining 94 years of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 2009 was \$1.25 per Loan Note, whereas the amount as at 2010 is \$0.65 per Loan Note, following the implementation of the Restructure. The Responsible Entity may defer interest payments, by notice to the Note Trustee and Noteholders. Interest continues to accrue on any outstanding amount. All outstanding interest must be paid on the next reset date, except to the extent that monies are owing by a Stapled Entity to any bank, financial institution or other entity providing financial accommodation (secured or unsecured) for over \$5.000 million. Deferral of interest payments, and non payment on a reset date in the circumstances described above, does not constitute a default.

(i) **Fair Value of Financial Instruments**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative instruments, included in hedging assets and liabilities, are calculated using market values. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.



**25. Financial Instruments (continued)**

**(j) Fair Value of Financial Instruments (continued)**

The only financial instruments measured subsequent to initial recognition at fair values are the derivative instruments in designated hedge accounting relationships. The fair value measurements are derived from observable inputs other than quoted prices. These are deemed to be level 2 fair value measurements in accordance with AASB 139.

**26. Parent entity financial information**

**(a) Summary financial information**

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

<b>Financial Position</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	197,702	183,018
Non-current assets	1,917,387	1,288,070
<b>Total assets</b>	<b>2,115,089</b>	<b>1,471,088</b>
Current liabilities	90,709	70,865
Non-current liabilities	865,819	1,256,792
<b>Total liabilities</b>	<b>956,528</b>	<b>1,327,657</b>
<b>Net Assets</b>	<b>1,158,561</b>	<b>143,431</b>
<b>Equity</b>		
Issued capital	1,133,332	113,653
Retained earnings	25,229	29,778
<b>Total equity</b>	<b>1,158,561</b>	<b>143,431</b>
<b>Financial Performance</b>		
Net loss for the year	(4,550)	7,397
Other comprehensive income	-	-
<b>Total comprehensive loss for the Financial Year</b>	<b>(4,550)</b>	<b>7,397</b>

**(b) Guarantees entered into by the Parent Entity**

The Parent Entity has not provided any financial guarantees in respect of bank guarantees and loans of subsidiaries or any unsecured guarantees at 31 December 2010 (2009: nil).

**(c) Contingent liabilities of the parent entity**

The Parent Entity did not have any contingent liabilities as at 31 December 2010 (2009: nil).

**(d) Contractual commitments for the acquisition of property, plant and equipment by the parent entity**

As at 31 December 2010, the Parent Entity had no contractual commitments (2009: nil).

**27. Additional Information**

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

Level 6, 255 George Street  
Sydney NSW 2000  
Australia

## Independent Auditor's Report to the members of Spark Infrastructure Trust

We have audited the accompanying financial report of Spark Infrastructure Trust (the "Trust"), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 47.

### *Directors' Responsibility for the Financial Report*

The directors of the trustee company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

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

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

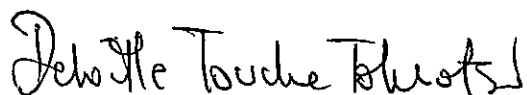
## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

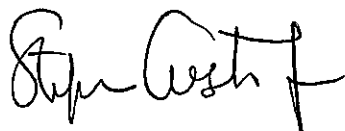
## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Spark Infrastructure Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust and consolidated entity's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



S C Gustafson  
Partner  
Chartered Accountants  
Sydney, 21 February 2011

# Spark Infrastructure

## Appendix 4E

### Results for Announcement to the Market for the Financial Year ended 31 December 2010

#### 1. Company Details

Name of entity:
SPARK INFRASTRUCTURE comprises Spark Infrastructure Trust ("Spark Trust") and its controlled entities.

#### 2. Details of the reporting year

Current Year: 1 January 2010 – 31 December 2010
Previous Year: 1 January 2009 – 31 December 2009

#### 3. Results for Announcement to the Market

Commentary on the operations and results for the year is provided in the Directors' Report.

	Percentage Change	2010 AS'000
<b>Income and Profit Summary</b>		
Total Income from Investments in Associates	Up 1.1%	284,093
Total Income	Up 2.0%	289,051
Profit before Loan Note Interest and Income Tax	Down 1.2%	238,426
Net Profit Attributable to the Stapled Security Holders	Down 33.9%	80,947
Earnings per Stapled Security before Loan Note Interest and Income Tax		<b>21.81¢</b>
Earnings per Stapled Security		<b>7.40¢</b>
<b>Underlying Income and Profit Summary</b>		
Underlying Income from Investments in Associates	Up 8.3%	285,685
Underlying Total Income	Up 9.3%	290,643
Underlying Profit before Performance Fee, Loan Note Interest and Income Tax	Up 7.1%	240,018
Underlying Net Profit Attributable to the Stapled Security Holders	Down 3.7%	78,450
Operating Cash Flow including Investing Activities	Down 31.6%	134,651

# Spark Infrastructure

## Appendix 4E

### Results for Announcement to the Market for the Financial Year ended 31 December 2010

#### Note on the Net Profit for the Current Year

The underlying income and profit summary reports the operating results of Spark Infrastructure after excluding certain non-cash and non-operating items which do not relate to the respective year's underlying performance. Underlying adjustments made are consistent between periods. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the year. The following adjustments have been made to the reported results for 2010 in order to calculate the underlying results (2009 figures have been provided for comparative purposes).

Underlying Adjustments:	Impact on Share of Equity Accounted Profit		Impact on Net Profit after Tax Attributable to Securityholders	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
'Mark to Market' (loss)/gain on value of financial instruments in the Asset Companies which do not qualify for hedge accounting.	(1,592)	17,326	(1,592)	17,311
Income tax benefit/(expense) on items recognised directly in equity in Spark No. 2 Group.	-	-	4,089	23,802
	(1,592)	17,326	2,497	41,113

#### 4. Net Tangible Assets per Security

	2010 \$'000	2009 \$'000
Net Assets	1,398,307	576,210
Loan Notes attributable to Security Holders	836,766	1,256,792
Net Assets and Loan Notes attributable to Security Holders	2,235,073	1,833,002
No. of Securities ('000)	1,326,734	1,031,911
Net Tangible Assets per Security (\$)	\$1.68	\$1.78

# Spark Infrastructure

## Appendix 4E

### Results for Announcement to the Market for the Financial Year ended 31 December 2010

#### 5. Details of Associates

Associate	Ownership Interest		Contribution to Net Profit/(Loss)	
	2010 (%)	2009 (%)	2010 \$'000	2009 \$'000
Equity accounted income:				
CHEDHA Holdings Ltd	49%	49%	33,425	29,322
ETSA Utilities Partnership	49%	49%	168,439	168,209
<b>Sub-total</b>			<b>201,864</b>	<b>197,531</b>
Interest income:				
CHEDHA Holdings Ltd			82,229	83,530
<b>Total</b>			<b>284,093</b>	<b>281,061</b>

#### 6. Entities Gained/Lost Control during the Period

Pursuant to the Restructure, Spark Infrastructure Holdings No 1. Limited, Spark Infrastructure Holdings No. 2 Limited and Spark Infrastructure Holdings International Limited were destapled and delisted from the ASX on 31 December 2010.

The Parent Entity of the Group is now Spark Infrastructure Trust (previously it had been deemed for reporting purposes that Spark Infrastructure No. 1 was the Parent Entity).

Financial statements are now only lodged with the ASX for the Group (with Spark Infrastructure Trust as the Parent Entity), and no longer for the delisted entities.

#### 7. Distributions

	2010 \$'000	2009 \$'000
<b>(Cents per Security – “cps”)</b>		
<b>Paid:</b>		
Interim distribution in respect of year ended 31 December 2010 paid on 15 September 2010 (2009: 15 September 2009)		
- Interest on Loan Notes	69,344	67,781
<b>Total (2010: 6.72cps; 2009: 6.72 cps)</b>	<b>69,344</b>	<b>67,781</b>
<b>Payable:</b>		
Final distribution in respect of year ended 31 December 2010 payable on 15 March 2011 (2009: 15 March 2010)		
- Interest on Loan Notes	90,749	70,583
<b>Total (2010: 6.82 cps; 2009: 6.84 cps)</b>	<b>90,749</b>	<b>70,583</b>
<b>Total paid and payable (2010: 13.54 cps; 2009: 13.56 cps)</b>	<b>160,093</b>	<b>138,364</b>

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 8 March 2011.

**Results for Announcement to the Market  
for the Financial Year ended 31 December 2010**

**8. Details of Distribution Reinvestment Plan**

The DRP will not be re-activated for the March 2011 distribution.

**9. Foreign Entities**

Not Applicable

**Compliance Statement**

**Information on Audit or Review**

(a) The Annual Report is based on accounts to which one of the following applies.

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.

(b) Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

- N/A -

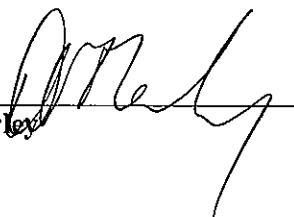
(c) Description of dispute or qualification if the accounts have been audited or subjected to review.

- N/A -

(d) The entity has a formally constituted audit committee.

Signed on behalf of the Board:

  
\_\_\_\_\_  
**Stephen Johns**  
Chairman  
21 February 2011

  
\_\_\_\_\_  
**Don Morley**  
Director