spark infrastructure

ANNUAL REPORT 2020

INFRASTRUCTURE FOR THE FUTURE

Spark Infrastructure's 2020 Annual Report describes how we have created value over the year through our investments in essential energy infrastructure.

As a long-term investor, we aim to generate sustainable returns for Securityholders while delivering positive outcomes for our customers, our people, and the communities where we operate.

CONTENTS

Our 2020 Annual Report describes our performance according to key stakeholder outcomes. It includes our Directors' Report and Financial Report.

AGM DETAILS

Annual General Meeting
11:30am, Thursday, 27 May 2021
Further details about the AGM can be found on Spark's website at https://www.sparkinfrastructure.com/investor-centre/annual-general-meeting

2020 REPORTING SUITE

2020 Annual Report

2020 Corporate Governance Statement

2020 Sustainability Data Report

2020 Results Investor Presentation

AT A GLANCE

$3.6bn
MARKET CAPITALISATION S&P/ASX 100[1]

$6.7bn
REGULATED AND CONTRACTED ASSET BASE (PROPORTIONAL)

CIRCA
5,400
EMPLOYEES ACROSS SPARK INFRASTRUCTURE AND ITS NETWORKS

$18.7bn
TOTAL ELECTRICITY NETWORK AND GENERATION ASSETS[2]

SUPPLYING
5.0m+
HOMES AND BUSINESSES

HIGHLIGHTS

$862m
^2.4%
UNDERLYING LOOK-THROUGH EBITDA[3]

$6.4bn
^3.3%
REGULATED ASSET BASE[3]

$294m
^13.4%
CONTRACTED ASSET BASE[4]

13.5cps
FY2020 DISTRIBUTION

$231m
^13.3%
GROWTH CAPITAL EXPENDITURE[7]

12.4%
-1.1%
FFO TO NET DEBT[5]

12.5cps
+ ~25% franking
FY2021 DISTRIBUTION GUIDANCE[6]

1 As at 19 February 2021. Balance sheet and other information as at 31 December 2020.
2 Spark Infrastructure has proportional interests in $18.7bn of total electricity network and contracted generation assets.
3 On an aggregated proportional basis to Spark Infrastructure.
4 Includes Bomen Solar Farm and TransGrid contracted asset base on a proportional basis to Spark Infrastructure.
5 Funds From Operations (FFO)/ Net debt on a look-through basis.
6 Subject to business conditions.
7 Represents increase in regulated and contracted asset base, and Bomen Solar Farm acquisition and construction costs.

DISTRIBUTION

49%

SPARK INFRASTRUCTURE OWNERSHIP

$11.03bn

REGULATED ASSET BASE

TRANSMISSION

15%

SPARK INFRASTRUCTURE OWNERSHIP

$7.52bn

REGULATED AND CONTRACTED ASSET BASE

RENEWABLES

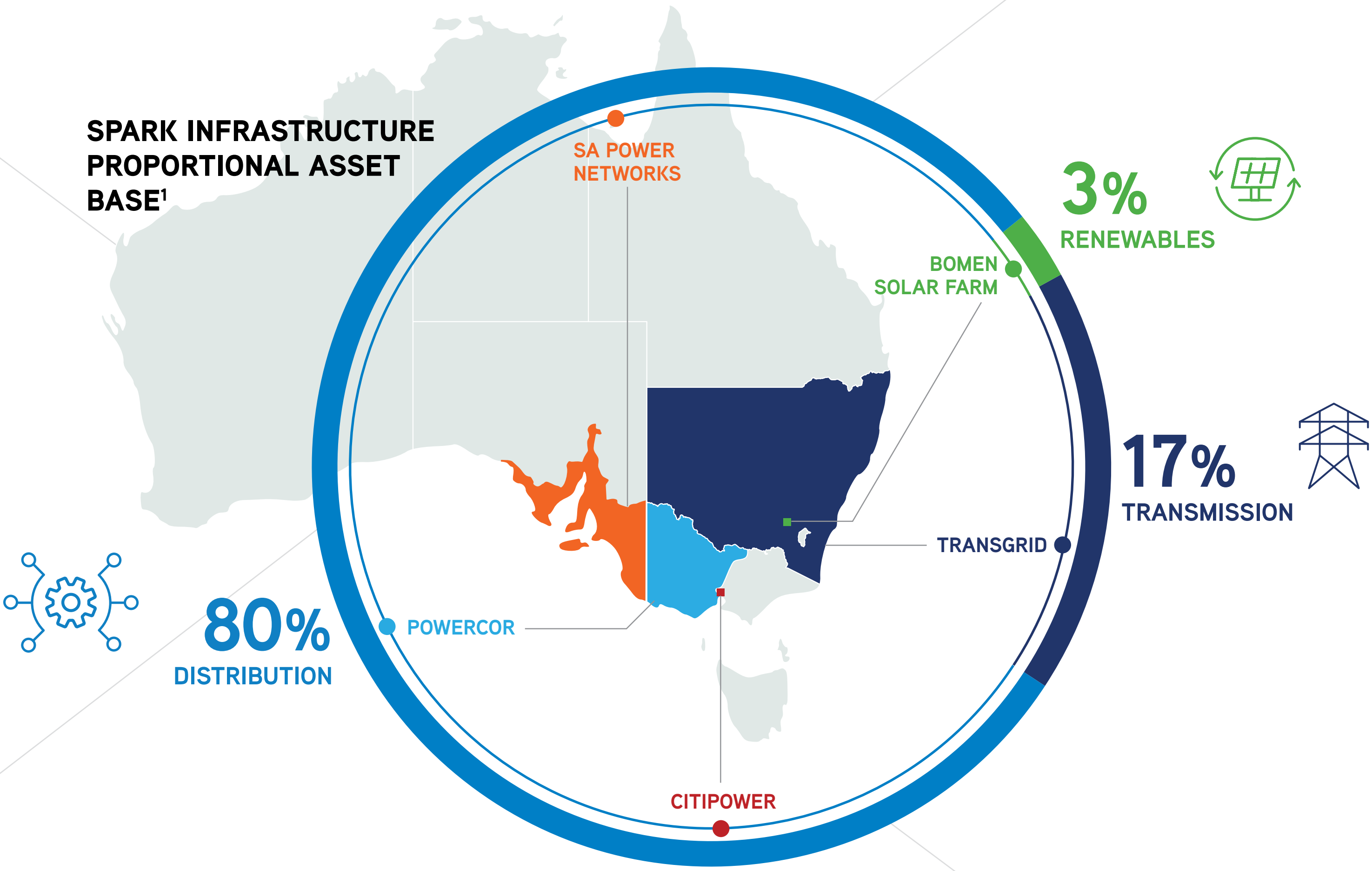
100%

SPARK INFRASTRUCTURE OWNERSHIP

$0.17bn

CONTRACTED ASSET BASE

SPARK INFRASTRUCTURE PROPORTIONAL ASSET BASE[1]



1 Pro forma.

SA POWER NETWORKS VICTORIA POWER NETWORKS

SA Power Networks (49% owned by Spark Infrastructure) is the sole operator of South Australia's electricity distribution network, supplying over 896,000 residential and commercial customers in all regions and the major population centres.

CitiPower (49% owned by Spark Infrastructure) and **Powercor** (49% owned by Spark Infrastructure), together known as **Victoria Power Networks**, operate the distribution networks that supply electricity to over 330,000 customers in Melbourne's central business district (CBD) and over 840,000 customers in central and western Victoria.

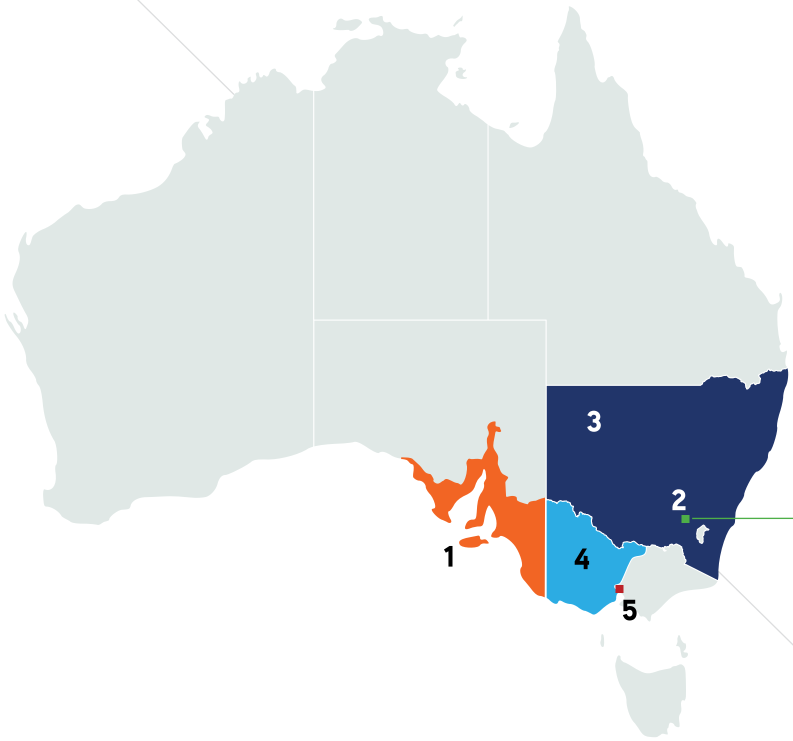
TRANSGRID

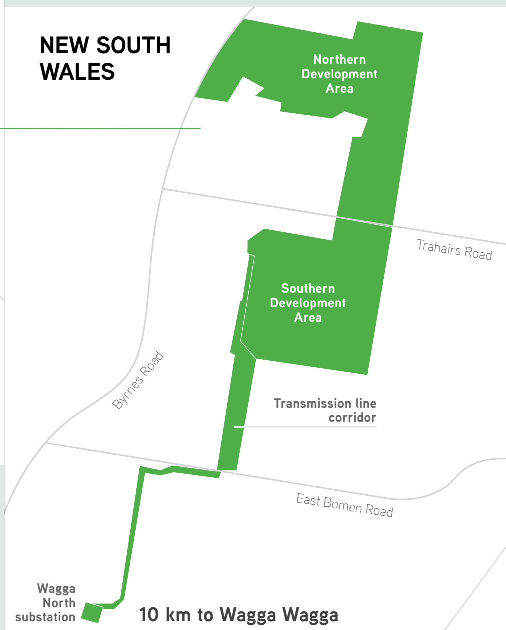
TransGrid (15% owned by Spark Infrastructure) is the operator of the largest (by energy volume) high-voltage electricity transmission network in the National Electricity Market (NEM). TransGrid delivered 35% of the operational energy across the NEM to over 3 million homes in 2020.

BOMEN SOLAR FARM

Bomen Solar Farm (100% owned by Spark Infrastructure) is now fully operational and has been delivering clean solar energy to customers since June 2020. Located near Wagga Wagga, New South Wales (NSW), it comprises approximately 310,000 bifacial solar panels with the capacity to produce enough clean energy to power 36,000 homes annually.

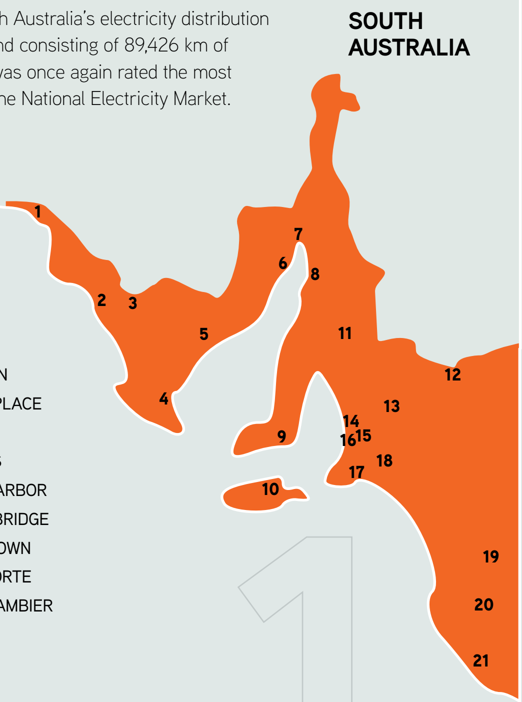
AUSTRALIA'S TOP PERFORMING REGULATED ELECTRICITY NETWORKS





1. SA POWER NETWORKS

SA Power Networks operates South Australia's electricity distribution network covering 178,200 sq km and consisting of 89,426 km of power lines. SA Power Networks was once again rated the most productive distribution network in the National Electricity Market.



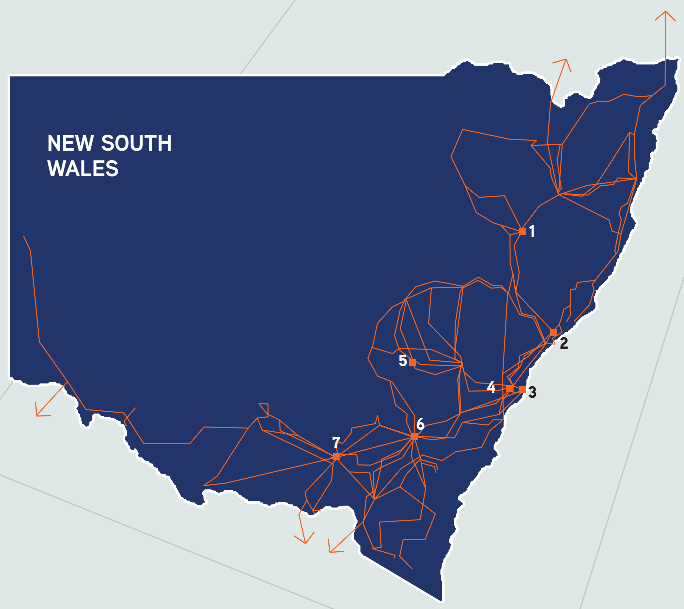
1 CEDUNA
2 STREAKY BAY
3 WUDINNA
4 PORT LINCOLN
5 CLEVE
6 WHYALLA
7 PORT AUGUSTA
8 PORT PIRIE
9 YORKTOWN
10 KINGSCOTE
11 CLARE
12 BARMERA
13 ANGASTON
14 STATION PLACE
15 KESWICK
16 ST MARYS
17 VICTOR HARBOR
18 MURRAY BRIDGE
19 BORDERTOWN
20 NARACOORTE
21 MOUNT GAMBIER

2. BOMEN SOLAR FARM

Bomen Solar Farm is now fully operational and has been delivering clean solar energy to customers since June 2020. The bifacial solar panels in use at Bomen Solar Farm deliver higher efficiencies, and lower levelised costs of electricity compared to conventional panels.

3. TRANSGRID

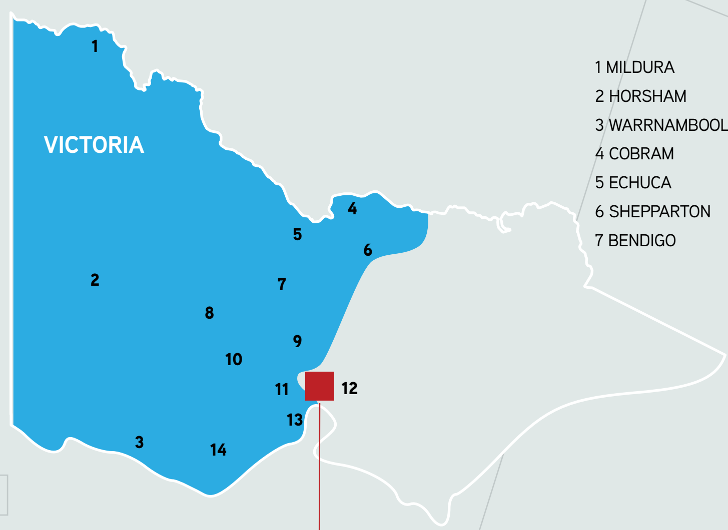
TransGrid is the operator of the high voltage electricity transmission network connecting generators, distributors and major end users in NSW and the Australian Capital Territory across over 13,000 km of transmission lines. TransGrid is critical to the development of the NEM, supporting the least cost transition to a low emissions, renewable future. TransGrid was rated the 3rd most productive transmission network in the National Electricity Market.



1 TAMWORTH
2 NEWCASTLE
3 SYDNEY
4 WESTERN SYDNEY
5 ORANGE
6 YASS
7 WAGGA WAGGA

4. POWERCOR

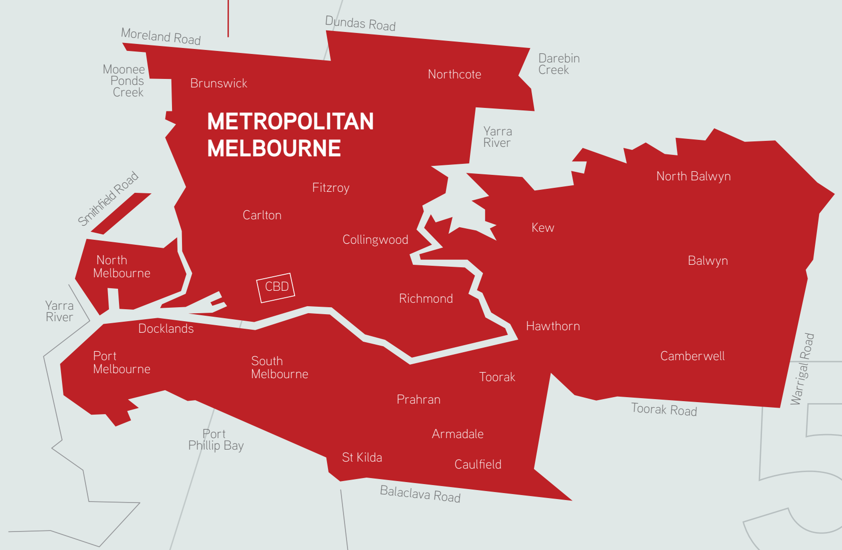
Powercor operates Victoria's largest electricity distribution network with more than half a million poles and 89,921 km of power lines. CitiPower and Powercor together are known as Victoria Power Networks. Powercor was rated the 3rd most productive distribution network in the National Electricity Market.



1 MILDURA
2 HORSHAM
3 WARRNAMBOOL
4 COBRAM
5 ECHUCA
6 SHEPPARTON
7 BENDIGO
8 MARYBOROUGH
9 KYNETON
10 BALLARAT
11 ARDEER
12 MELBOURNE
13 GEELONG
14 COLAC

5. CITIPOWER

CitiPower operates a 157 sq km distribution network in Melbourne's CBD and inner suburbs with over 7,693 km of power lines. CitiPower and Powercor together are known as Victoria Power Networks. CitiPower was rated the 2nd most productive distribution network in the National Electricity Market.



CREATING VALUE IN AUSTRALIA'S ENERGY FUTURE

A year that began with catastrophic bushfires across Australia's east coast evolved into an unprecedented health and economic crisis caused by the COVID-19 pandemic. In response we renewed our focus on what matters most – protecting the health and safety of our people and continuing to provide the essential services that our customers need.

The experience of 2020 highlighted the importance of investing in essential infrastructure that meets the energy needs of millions of Australians. Against this backdrop the Board and management teams articulated our purpose – to build a sustainable energy future – that will guide us as we respond to the challenges of tomorrow. Our purpose is supported by our vision – clean, reliable and affordable energy for every Australian – that aligns our strategic direction with the aspirations of our customers.

CONTINUED DELIVERY OF OUR STRATEGY

Our purpose and vision inform how we invest for the long term in essential energy infrastructure. Through our strategy of Value Enhance, Value Build and Value Acquire, we are able to manage our portfolio to optimise current performance and support its future growth. We have interests in $18.7 billion of networks servicing more than 5.0 million customers in Victoria, South Australia, New South Wales and the Australian Capital Territory, and across the National Electricity Market (NEM).

Our network investments achieved strong performances in 2020 notwithstanding the challenging operating environment. The robust cash flows from our networks deliver solid yields to our security holders and enable us to enhance value through productive investment in network performance and growth. Our confidence in these networks is underpinned by their continued ratings as the most productive networks in the NEM.

STRONG PERFORMANCE IN 2020

Reflecting our position as an investor in essential services, our performance has been minimally impacted by the COVID-19 pandemic. Underlying look-through EBITDA increased by 2.4% to $862.4 million, although underlying standalone operating cash flows decreased by 10.8% to $252.8 million resulting primarily from increased tax payments. Distributions to securityholders were 13.5 cents per security, in line with guidance provided at the start of the year.

The bushfires of early 2020 caused tragic losses across many Australian communities. While they also damaged parts of our networks the material impact on the businesses was negligible. This outcome is testament to the courage and dedication of many people across our networks, and the wide range of emergency services, families and support agencies that provide a source of strength for us and others in times of crisis.

The bushfires and COVID-19 pandemic confirmed that environmental and social risks can have a material financial impact on our economy. In recent years we have continued to develop our approach to managing environmental and social issues, underpinned by strong corporate governance. This year, the Board endorsed Spark's top ten ESG metrics. Our approach to ESG is a regular point of engagement with our networks and underpins how we deliver long-term sustainable growth.

SUPPORTING THE SUSTAINABLE ENERGY TRANSITION

This year saw the completion of Bomen Solar Farm, which provides a template for how we can continue to build value through Spark Infrastructure's portfolio of investments and capabilities. Following the success of Bomen Solar Farm, we are aiming to target over $1 billion of investment in renewables by 2025, which is equivalent to a new Bomen Solar Farm each year for the next four years.

Our investment in renewables puts our purpose into action, and demonstrates how we capitalise on growth opportunities presented by the transition of Australia's electricity market to low carbon energy sources. The Australian Energy Market Operator (AEMO) has flagged that substantial increases in renewable generation and storage capacity will be required in the coming decades to offset the retirement of coal-fired generation. This capacity will come from solar investments like Bomen Solar Farm, as well as other potential renewable growth pathways for us such as wind power and battery storage.

Australia's energy networks will need to expand and transform to accommodate the transitioning energy landscape. AEMO released its 2020 Integrated System Plan in July, which provides a roadmap to guide the market through the complexities of this transition. All of Spark's investment businesses will play an important role, as signalled by the growing pipeline of regulated and contracted capital expenditure opportunities supported by the Plan.

"Our confidence in our networks is underpinned by their continued ratings as the most productive networks in the National Electricity Market."

One of these opportunities is TransGrid's Project EnergyConnect, a proposed 900 km interconnector running between Wagga Wagga in New South Wales, Robertson in South Australia and Red Cliffs in Victoria. While the project is progressing through regulatory approvals, TransGrid is working to ensure that regulation supports the financial viability of new investment and network expansion. As a long-term investor in these networks, we actively engage with governments, regulators and industry groups on setting the frameworks that provide the certainty and confidence required to invest in a sustainable energy future. Investments such as Project EnergyConnect are expected to drive benefits to customers and substantial regulated asset base growth in the longer term, contributing to our success as a long-term investor in the performance and growth of these networks.

ASSET BASE GROWTH WITH SUSTAINABLE YIELD

Delivering our purpose to build a sustainable energy future requires supporting the continued performance of our regulated asset base while taking advantage of opportunities from the ongoing energy transition. Although capital expenditure continues to increase to support portfolio growth, our portfolio maintains strong defensive qualities. We expect that regulated assets will continue to exceed 85% of total assets.

The SA Power Networks and Victoria Power Networks regulatory determinations will deliver revenue certainty for the next five years. The SA Power Networks final determination from June 2020 is in line with expectations and features improved capital and operating expenditure outcomes from the draft determination. The Victoria Power Networks final determinations are expected in April 2021, and final revenue figures will depend on risk-free rate updates and inflation adjustments.

The Board has previously communicated that the lower returns under the new five-year regulatory determinations would put downward pressure on distributions. Distribution guidance for 2021 is 12.5 cents per security, subject to business conditions. The figure of 12.5 cents per security reflects the rebasing of distributions in line with the five-year regulatory resets for Victoria Power Networks and SA Power Networks. Spark maintains a unique track record of consistency in paying attractive distributions and is aiming to increase distributions by CPI over the five-year regulatory period.

Last year, I mentioned that growth opportunities are driving a shift in focus to 'growth plus yield'. Despite the challenges of 2020, Spark has successfully progressed this shift in focus. Our essential network infrastructure businesses continue to deliver strong operational cash flows that will support sustainable distributions and provide the capital for growth. The successful delivery of Bomen Solar Farm has demonstrated our capacity to capture opportunities in renewables, and the ongoing transition of our existing networks provides a solid pipeline of projects to grow our asset base.

$18.7bn

OF NETWORK INTERESTS

OVER

5.0m

CUSTOMERS SERVICED ACROSS AUSTRALIA

BOARD COMPOSITION AND GOVERNANCE

Board succession and renewal is a continual focus to ensure the Board of Spark Infrastructure has the requisite mix of skills, diversity, capabilities and experience to support Management to manage the business and execute our strategy.

This requires careful long-term planning and we continue to review and assess the Board composition with a view to new appointments to address our diversity objectives.

I would like to thank my fellow Directors, the Management and the staff of Spark Infrastructure and our investment companies for their commitment and hard work across what has been a very challenging but rewarding and successful year.

Dr Doug McTaggart
Chair

INVESTING IN ESSENTIAL ENERGY INFRASTRUCTURE FOR THE FUTURE

First and foremost, I would like to recognise the dedication of the people across Spark Infrastructure and our investment businesses, as they worked to sustain our essential service operations through the challenges of 2020. They led our recovery from the catastrophic bushfire season at the start of the year, and have continued to show resilience in the face of the ongoing COVID-19 pandemic.

Our purpose as a long-term investor in essential energy infrastructure is to build a sustainable energy future. Our values of safety first, acting with integrity, thinking innovatively, and working as a team, guide us in the delivery of our vision for clean, reliable and affordable energy for every Australian.

Our people underpinned the strong performance outcomes that we experienced in 2020, and positioned us to capitalise on the continued transition to a sustainable energy future. Reflecting the essential nature of our infrastructure, our businesses have been minimally impacted by the COVID-19 pandemic, and impacts on consumers were lessened through the Network Relief Package implemented during the year.

FINANCIAL PERFORMANCE AND OPERATIONAL HIGHLIGHTS

Spark Infrastructure's strategy of Value Enhance, Value Build and Value Acquire directs how we optimise the performance of our existing businesses while investing in infrastructure for the future. Successful execution of our strategy facilitated the growth of our proportional regulated and contracted asset base to $6.7 billion, up 3.7% from last year. Our underlying look-through EBITDA for the year was $862.4 million, an increase of 2.4% from $841.8 million in 2019.

Distributions to Spark Infrastructure from its investment businesses were $301 million in 2020, a decrease of 3.7% from 2019. This result reflects the anticipated reduction in revenues from SA Power Networks' new regulatory determination, and retention of operating cash to support the increase in growth capital expenditure by TransGrid.

Distributions payable to Securityholders in relation to the 2020 year were 13.5 cents per security, which is in line with the guidance provided at the start of the year. Our distributions were fully supported by net operating cash flows from the business.

Spark Infrastructure has now transitioned to being a tax paying entity. This means that, for the first time, Spark Infrastructure will provide franking credits with 2.1c of franking credits attaching to the final 2020 distribution payable in March 2021. This represents $36.4 million of underlying tax that we have paid.

VICTORIA POWER NETWORKS

Victoria Power Networks performed strongly in 2020. Its regulated asset base grew by 4.7% to $6,635 million. EBITDA of $903 million was up $54 million or 6.4% on 2019, assisted by prescribed revenue increases and strong performance from wholly-owned Beon Energy Solutions. Distributions to Spark Infrastructure in 2020 were up 7.5% to $171.5 million.

Victoria Power Networks' appeal to the Full Federal Court regarding the tax treatment of gifted assets was successful, and Spark Infrastructure expects to receive a tax refund of around $45 million (including interest) as a result of this decision. Furthermore, the Australian Energy Regulator (AER) changed its approach to forecasting expected inflation, which will improve the likelihood that returns to equity investors in network businesses will be closer to the allowed regulatory return. This change in methodology will come into effect for the business' upcoming regulatory period commencing 1 July 2021.

SA POWER NETWORKS

SA Power Networks performed well in 2020, with its regulated asset base up by 1.3% to $4,395 million. EBITDA decreased by 3.3% to $668 million, and distributions to Spark Infrastructure totalled $106.6 million, which was 8.3% lower than in 2019. The distribution reduction reflected the known transition into the business' new regulatory determination with lower regulatory revenues from 1 July 2020.

Over the year, we participated in the development of SA Power Networks' new 2025 Strategic Plan. South Australia is at the forefront of being reliant on renewable energy generation globally. The new plan puts Spark Infrastructure's purpose into action by showing how SA Power Networks will lead the State's transformation of energy services for a sustainable future. The plan guides investment in transitioning to clean energy sources, refreshing ageing assets, and adapting to the physical impacts of climate change.

TRANSGRID

TransGrid continued to grow its asset base significantly in 2020 and improved its standing to be the third most productive transmission network in the country according to the AER's benchmarking studies. Its regulated asset base grew by 3.2% to $6,697 million and contracted asset base grew by 28.8% to $820 million. Distributions to Spark Infrastructure in 2020 were $22.9 million, down 37.8% compared with 2019. The decrease was primarily due to TransGrid retaining a portion of surplus operating cash to assist in funding growth

> “Reflecting the essential nature of our infrastructure, our businesses have been minimally impacted by the COVID-19 pandemic.”

UNDERLYING LOOK-THROUGH EBITDA

$862.4m
^2.4%

in its regulated and contracted asset bases. This growth strengthens TransGrid’s positioning as a key player in Australia’s energy transition, and will support sustainable yields over the long term.

During the year, TransGrid completed connection assets enabling the equivalent of 1,690 MW of new renewable generation projects in New South Wales (NSW) and Victoria, and continued to work with the NSW Government to progress the first coordinated renewable energy zone in the National Electricity Market (NEM).

The NSW Electricity Infrastructure Roadmap was released in November 2020. The roadmap flags additional renewable energy investment opportunities where TransGrid can support the State’s ambition to build an energy superpower.

BOMEN SOLAR FARM

Bomen Solar Farm, which is 100% owned by Spark Infrastructure, was completed on schedule and under budget, a testament to the dedication of project teams through the challenges of 2020. The solar farm has been exporting generation since June 2020 for Power Purchase Agreement counterparties Westpac and Flow Power.

The delivery of Bomen Solar Farm demonstrated the strong synergies between Spark Infrastructure’s investment businesses. Construction was led by Beon Energy Solutions, a wholly-owned subsidiary of Victoria Power Networks, and TransGrid connected the solar farm to its transmission network. The success of Bomen Solar Farm exemplifies how we can use our integrated business model to build a diversified renewables portfolio at Spark Infrastructure.

SUPPORTING THE SUSTAINABLE ENERGY TRANSITION

The Australian Energy Market Operator 2020 Integrated System Plan sets a growth agenda with substantial opportunities for our network businesses. One of the first actionable projects in the Plan is TransGrid’s Project EnergyConnect, a $1.9 billion capital expenditure project that will deliver a range of benefits for consumers including lower electricity prices, improved energy security and job creation for regional communities. The project is forecast to reduce the total average annual residential electricity bill in NSW by up to $64 and an average of $100 in South Australia per annum, in addition to supporting lower carbon emissions by enabling the continued expansion of renewable generation across the NEM. Project EnergyConnect is proceeding through the regulatory approvals process and we will continue to support TransGrid to bring these benefits to fruition.

In addition to growing our current asset base, we are uniquely positioned to invest in renewables opportunities that are complementary to our existing portfolio businesses. We are evaluating further opportunities for Bomen Solar Farm, including storage, that arise from the Wagga Wagga Special Activation Precinct. Other areas we are exploring include wind, solar and storage projects across the NEM. Across all these renewables prospects, we will seek to leverage Spark Infrastructure’s position by working with our investment businesses to bring the projects to life.

OUTLOOK

This past year concluded prior regulatory periods for Victoria Power Networks and SA Power Networks, and we have now entered new regulatory periods that provide revenue certainty for the next five years. The new regulatory determinations are consistent with general trends toward lower regulatory returns and low inflation conditions, and will be managed amid the increased pace of the energy sector’s transition to clean energy sources.

As a long-term investor in essential energy infrastructure, we are well positioned to sustain the strength of our existing network businesses while also catalysing the energy network transition.

To close, I wish to restate my appreciation for the efforts of the people at Spark Infrastructure and across our investment businesses. Their ongoing dedication provides the basis for our continued success.

Rick Francis
Managing Director

HOW WE CREATE VALUE

Spark Infrastructure creates value through efficient performance of its businesses, and through strategic investment in Australia's transition to low-carbon energy sources.

Our capacity to create value is underpinned by our employees, our customers, and the communities where we operate. Delivering positive outcomes for these stakeholders helps us sustain our performance in the long term.

ESSENTIAL ENERGY INFRASTRUCTURE

WHAT WE DO

We invest for the long term in essential energy infrastructure

PURPOSE

To build a sustainable energy future

VISION

Clean, reliable and affordable energy for every Australian

Value Enhance

Value Build

Value Acquire

OUR STRATEGY

Manage our portfolio of businesses for performance and organic growth through efficient investment

Develop, build, own and operate energy infrastructure

Grow through disciplined acquisitions

VALUES

Safety first

Acting with integrity

Thinking innovatively

Working as a team

OUTCOMES

Securityholders

Delivering long-term sustainable value through yield plus growth

Customers and community

Delivering safe, reliable and affordable energy services through well managed operations and efficient investment

Our people, health and safety

Providing safe and rewarding workplaces for our people

Innovation and technology

Delivering a sustainable energy future capturing opportunities from innovation and technology

Environment

Protecting the environment in which we operate, and investing in the transition to a low carbon emissions future

KEY ISSUES

Environment
- Climate Change
- Resource Management
- Environmental Protection

Social
- Health, Safety and Wellbeing
- People
- Customers and Community

Governance
- Financial Management
- Corporate Governance
- Risk Management

Measuring our performance in ten priority ESG areas helps us deliver real benefits to our stakeholders. We also actively support the advancement of the UN Sustainable Development Goals in which we believe Spark Infrastructure can make the biggest impact.

PRIORITY INDICATORS AND METRICS[1]

Environment

Renewable energy generated (from Bomen Solar Farm)	**105 GWh** renewable energy generated by Bomen Solar Farm (since June 2020)
Renewable energy transported across our networks	**33%[2]** renewable energy transported/supported by assets (2019: 28%)
Emissions reduction metric	**85,160 tonnes** of CO_2e displaced through renewable generation (2019: 21 tonnes)
Environmental incidents	**2[3]** reportable environmental incidents (2019: 2)

Social

Community engagement and investment	**$1.4 million[4]** invested in community programs and engagement (2019: $1.7 million)
Diversity	**21%** women to men ratio employed across all levels (2019: 20%)
Gender pay ratio	**1%[5]** gender pay gap
Health and safety	**2.3 LTIFR[6]** for employees and contractors (2019: 2.1)

Governance

No fraud or material breach or non-compliance with Board policies	**12.5 cps** FY2021 distribution guidance, subject to business conditions
No antitrust or corruption	**0 legal actions or Board policy breaches** (includes anti-competition, anti-trust, fraud, monopoly, or material Spark Infrastructure policy breaches) (2019: 0)

Spark Infrastructure's process for identifying key issues, priority indicators, and value creation outcomes is explained in further detail in the 2020 Sustainability Data Report.

EVIDENCE OF PROGRESS

36,000
homes per annum could be powered by the renewable energy produced by Bomen Solar Farm. (page 21)

$1 billion
aim to invest in renewables by 2025. (page 21)

>100 MW
solar capacity completed at Bomen Solar Farm, on time and under budget. (page 21)

Our investment businesses manage environmental risks in accordance with Environmental Management Systems certified to ISO 14001. Information on environmental incidents in 2020 is provided in our Sustainability Data Report.

$1 million
over 10 years will be invested in youth support programs and environmental projects following the completion of Bomen Solar Farm, making it the largest community fund for a solar project in Australia to date. (page 26)

Apprenticeship programs across our networks attracted increased number of **female and Indigenous** apprentices. (page 30)

Ms Anne Brennan joined the Spark Infrastructure Board, helping enhance gender diversity at the Board level. (page 42)

380%
increase in hazard reporting at TransGrid following launch of its Contractor Safety Management System. (page 31)

Spark Infrastructure's confidence in its distributions is underpinned by robust operational cash flows from its investment businesses, our strong balance sheet, low refinance risks, and investment grade credit ratings.

Spark Infrastructure maintains strong corporate governance and comprehensive risk management frameworks designed to promote ethical behaviour and minimise the likelihood of wrongdoing. (pages 40-41)

OUTCOMES

Innovation and technology

- Investing in the low carbon transition
- Capturing opportunities from innovation and technology

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Environment

- Addressing our operational impact to ensure clean, reliable and affordable energy for every Australian
- Transparently disclosing and addressing environmental incidents as part of managing our climate risk

13 CLIMATE ACTION

Customers and community

- Investing for the long-term in sustainable energy infrastructure and the communities where we operate

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our people, health and safety

- Providing the right workplace
- Promoting women in leadership
- Championing health and safety

Securityholders

- Managing our portfolio for performance and growth through efficient investment for reliable returns
- Embedding responsible business practices and acting with integrity to protect shareholder interests

1 Unless otherwise stated, Spark Infrastructure metrics disclosed on pages 2-39 include the performance of investment companies, aggregated on an equity basis to generate a Spark Infrastructure (proportionate) total.
2 Based on the weighted average annual energy consumption x the State-based renewable energy generation (including residential solar).
3 Incidents attributed to SA Power Networks –relating to transformer oil spills that exceed state based regulatory thresholds requiring notification.
4 Excludes $550,000 of committed funding in 2020 via the Bomen Solar Farm Community Partnership program (in partnership with Westpac Banking Group) that will be sequentially spent from 2021.
5 Based on average female:male pay difference on comparable pay grades (excludes Executives).
6 Lost time injury frequency rate.

CREATING VALUE FOR SECURITYHOLDERS

Spark Infrastructure creates value for **Securityholders** through strong distributions from high performing infrastructure investments, and through capitalising on strategic growth opportunities.

KEY METRICS

$6.7bn
REGULATED AND CONTRACTED ASSET BASE (PROPORTIONAL)

$3.6bn
MARKET CAPITALISATION S&P/ASX 100 (^2.7%)[1]

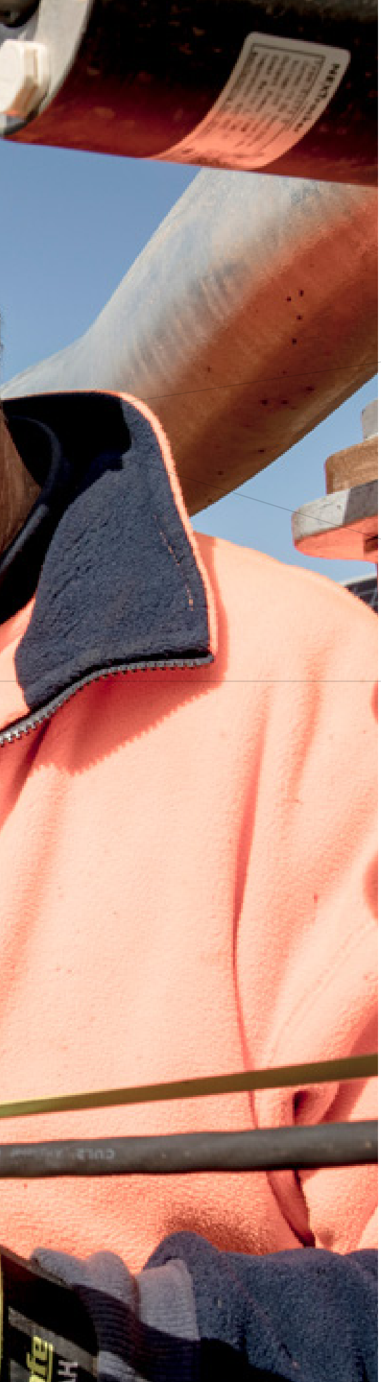
$18.7bn
TOTAL ELECTRICITY NETWORK ASSETS (^3.9%)[2]

$862m
UNDERLYING LOOK-THROUGH EBITDA (^2.4%)[3]

12.4%
FFO TO NET DEBT (-1.1%)[4]

13.5cps
FY2020 DISTRIBUTIONS (+2.1 cps FRANKING)

1 As at 19 February 2021. Balance sheet and other information as at 31 December 2020.
2 Spark Infrastructure has proportional interests in $18.7bn of total electricity network and contracted generation assets.
3 On an aggregated proportional basis to Spark Infrastructure.
4 Funds From Operations (FFO)/ Net debt on a look-through basis.



"Our continued strong performance is testament to the essential nature of our network investments."

In a year defined by the Australian bushfire crisis and the COVID-19 pandemic, our solid financial outcomes were underpinned by the sustained performance of our essential networks businesses. Financial highlights include:

- **Underlying look-through EBITDA increased by 2.4% to $862 million**
- **Underlying standalone net operating cash flow decreased by 10.8% to $252.8 million, reflecting first full year of tax payments and retention of operational cash flow by TransGrid to fund increase in RAB growth**
- **Regulated asset base grew by 3.3% to $6.4 billion**
- **Contracted asset base grew by 13.4% to $294 million**
- **Met distribution guidance for the year, delivering 13.5cps to Securityholders**
- **Growth capital expenditure increased by 13.3% to $231 million**
- **Approximately $45 million tax and interest refund expected to be received following Full Federal Court judgement on tax treatment of gifted assets**
- **Maintained strong balance sheet and investment-grade credit ratings across the Group**
- **Bomen Solar Farm commenced commercial operations in late June 2020 on time and under budget**

We are a long-term investor in essential energy infrastructure, with the overarching purpose of building a sustainable energy future. Our strategy of Value Enhance, Value Build and Value Acquire directs how we create value by optimising the performance of our existing businesses while investing in strategic growth opportunities.

Value Enhance

Manage our portfolio for performance and organic growth through efficient investment

Investing in our core businesses (per regulatory determinations), new renewable connections, and emerging opportunities in grid-scale storage and micro-grids.

Value Build

Develop, build, own and operate energy infrastructure

Developing adjacent opportunities in solar, wind, battery storage and other renewables infrastructure.

Value Acquire

Grow through disciplined acquisitions

Including potential for targeted acquisitions of assets with organic growth potential, such as gas and water networks.

CREATING VALUE FOR SECURITYHOLDERS

Strong performance drives sustained yields

Our aim is to deliver long-term sustainable value creation through capital growth and returns to Securityholders through our balanced portfolio of high quality, long-life infrastructure businesses. Regulated returns from our investment businesses underpin our revenues. We create additional value by supporting efficient performance of the networks, capturing higher margin unregulated returns, and by optimising our capital structure.

Robust cash flows from our investment businesses (SA Power Networks, Victoria Power Networks and TransGrid) contributed $301 million of distributions to Spark Infrastructure in 2020, a decrease of 3.7% from 2019. This result is largely attributable to increases in targeted capital expenditure by Victoria Power Networks and TransGrid, which will ultimately help sustain asset performance and distributions in the long term. Cash flows were minimally impacted by the COVID-19 pandemic, which is a testament to the essential nature of these networks and their collective focus on supporting employee health and safety.

Our regulated investment businesses provide cash flow certainty during their five-year regulatory periods. SA Power Networks and Victoria Power Networks entered new regulatory periods from 1 July 2020 and 1 July 2021 respectively. Although returns for both networks will be subject to lower Rate of Return outcomes from the Australian Energy Regulator (AER), the five-year periods provide revenue certainty through to 2025 (for SA Power Networks) and 2026 (for Victoria Power Networks).

Value Enhance

Value Build

Investing for sustained performance

One way that Spark Infrastructure enhances value is through investing in our existing networks so that they can sustain their performance as markets and technologies change. In the coming years, all of our existing network businesses will have a role to play in delivering the capacity enhancements and infrastructure investments specified in the Australian Energy Market Operator's (AEMO) 2020 Integrated System Plan (ISP). Looking beyond the immediate pipeline of ISP projects (page 22), substantial investment will also be required in our businesses to make them smarter and more adaptable to new technologies. These investments will increase the value of our regulated asset base over time, helping deliver long-term sustainable value through yield plus growth.

The successful delivery of Bomen Solar Farm demonstrates how we can deploy our expertise and work with our network businesses to build a diversified renewables portfolio. We are evaluating further opportunities around the farm itself, particularly arising from the Wagga Wagga Special Activation Precinct. Other greenfield development opportunities may arise in the National Electricity Market (NEM) for wind power, solar power and battery storage projects. All of these opportunities are aligned with our purpose and vision, and will be essential for transforming the NEM to meet Australia's future energy demands.

While we look to grow our investment in renewables, our regulated asset base will continue to exceed 85% of total assets.

SOLAR

>15GW

forecast installed capacity between 2022-2042 in the NEM[1]

WIND

>16GW

forecast installed capacity between 2022-2042 in the NEM[1]

STORAGE

~13GW

forecast installed capacity between 2022-2042 in the NEM[1]

1 Based on AEMO's 2020 ISP Central Scenario (DP1).

SA POWER NETWORKS

SA Power Networks is the sole operator of South Australia's electricity distribution network, providing electricity to homes and businesses across South Australia through its network of poles and wires.

SA Power Networks achieved EBITDA of $668 million, which is 3.3% lower than 2019. Although regulated revenue was slightly higher than 2019, declining activity across embedded generation, council-funded lighting projects, and asset relocation resulted in decreases to other forms of revenue. Enerven increased its margin by 18.9%, based on continued work for existing clients and new projects involving commercial solar and battery solutions (see page 20).

In November 2020, SA Power Networks approved its 2021–2025 Strategic Plan, which defines its new vision of "Leading the transformation of energy services for a sustainable future."

The plan directly responds to challenges and opportunities arising from:

- Reduced revenues from economic factors and regulatory changes,
- The continued uptake of rooftop solar photovoltaics, residential batteries and electric vehicles,
- The need to commence a significant refresh of its ageing asset base to manage safety and reliability risks, and
- The increasing impacts of climate change on assets and operations.

$668m (↓3.3%)
EBITDA

$4,395m (↑1.3%)
REGULATED ASSET BASE

89,426km
NETWORK LINES

2,795MW
PEAK DEMAND

VICTORIA POWER NETWORKS

CitiPower and Powercor (collectively known as Victoria Power Networks) are Victoria's largest electricity suppliers, delivering electricity to over 1.1 million residential households and commercial customers across Victoria.

The CitiPower and Powercor distribution networks are the most reliable in Victoria and stretch from central Melbourne, west to the borders of South Australia, and north to New South Wales.

Over the year, Victoria Power Networks achieved 6.4% growth in EBITDA, supported by efficient cost control, increased revenue from new connections projects, and the performance of Beon (see page 20). Capital expenditure contributed to an increase in Victoria Power Networks' regulated asset base, which grew by 4.7% to $6,635 million. Net capital expenditure increased by 15.3% over 2019, and supported essential projects like zone substation replacements and the Rapid Earth Fault Current Limiter (REFCL) program (see page 31).

Victoria Power Networks attracted additional investment over the year, a testament to its scale and established record of strong performance. The networks raised HKD744 million (A$131 million) of five-year fixed rate notes in September 2020, which assisted to fund capital works over the remainder of 2020.

$903m (↑6.4%)
EBITDA

$6,635m (↑4.7%)
REGULATED ASSET BASE

NETWORK LINES:
POWERCOR
89,921km
CITIPOWER
7,693km

PEAK DEMAND:
POWERCOR
2,201MW
CITIPOWER
1,237MW

TRANSGRID

TransGrid is the operator of the largest (by energy volume) high-voltage energy transmission network in the NEM, connecting New South Wales to Queensland and Victoria.

The network consists of 114 bulk supply substations and over 13,000 km of high voltage transmission lines, underground cables and interconnectors.

Through targeted capital expenditure, TransGrid expanded its regulated asset base by 3.2%, and grew its contracted asset base by 28.8% over the year. The business increased infrastructure connection revenue by nearly 60% to $80.9 million. Connections revenue is expected to continue to grow with a number of new connections projects underway (see page 20).

TransGrid's strong performance and competitive advantage has enabled it to attract substantial investment over the year. In November 2020, Australia's Clean Energy Finance Corporation (CEFC) announced that it would commit $125 million for TransGrid Services to design, construct, operate and maintain a new 330kV switching station and associated transmission lines to connect the Snowy 2.0 pumped hydro project to the grid. The CEFC announcement followed TransGrid's inaugural issuance of $600 million under its Australian Medium Term Note program in September 2020, which further diversifies its debt portfolio.

$669m (↓1.7%)
EBITDA

$6,697m (↑3.2%)
REGULATED ASSET BASE

13,203km
NETWORK LINES

$820m (↑28.8%)
CONTRACTED ASSET BASE

12,546MW
PEAK DEMAND

CREATING VALUE FOR SECURITYHOLDERS

$231m

GROWTH CAPITAL EXPENDITURE IN 2020

Capitalising on growth opportunities

Spark Infrastructure creates value through efficient investment in growth opportunities that enhance the capacity of networks today, and that build the essential energy infrastructure of tomorrow. Guided by our purpose to build a sustainable energy future, we capitalise on opportunities associated with the transition of Australia's energy networks toward renewable energy sources.

We invest in growth through the targeted expansion of our regulated asset base, the performance of unregulated businesses within our portfolio, and development of new renewable energy infrastructure. Our 2020 growth capital expenditure was $231 million, an increase of 13.3% from 2019. We will continue to invest in the growth of our portfolio into the future, to deliver the organic growth of our asset base that will support long-term sustainable yields.

UNREGULATED BUSINESSES DELIVERING GROWTH

Our investment businesses are increasingly delivering more value-added services to the grid as energy generation, technology and customer preferences evolve.

Our strategy enables us to capitalise on these trends in our distribution and transmission networks, renewables and adjacent sectors, investing in infrastructure for the future. Over the year, Beon (part of Victoria Power Networks), Enerven (part of SA Power Networks) and TransGrid Services grew their unregulated businesses by capturing opportunities from the energy transition, helping to bolster total financial returns.

Value Enhance

Beon

Beon Energy Solutions, owned by Victoria Power Networks, continued to grow its business leading the deployment of large-scale renewable energy projects. In addition to the construction of Bomen Solar Farm (as EPC contractor), over the year Beon was selected to construct the 110 MW Sebastopol Solar Farm in New South Wales. A total of 222,000 solar panels will be installed at Sebastopol, which will generate enough clean energy to supply more than 40,000 Australian households when complete. Beon is responsible for the engineering, construction, operations and maintenance of Sebastopol solar farm, which will facilitate the avoidance of nearly 77,600 tonnes of CO_2 emissions annually.

Enerven

Enerven, SA Power Networks' unregulated business, is assisting SA Water to deliver its Zero Cost Energy Future project. The project is an ambitious program of work that seeks to offset the cost of energy sourced from the grid with the energy they generate and export to the market, achieving a zero-net outcome. Enerven is assisting by installing 244 GWh of solar generation and 33 MWh of storage across several SA Water sites around both metropolitan and regional South Australia. By reducing operational expenses such as electricity, SA Water can keep water service charges low for its customers.

TransGrid Services

In addition to its role as the operator of the largest transmission network in the NEM, TransGrid Services has established itself as an expert partner for those who want to establish new connections to the grid. Over the year, new transmission connections facilitated by TransGrid Services supported 1,690 MW of new renewable generation projects in NSW and Victoria. TransGrid Services completed the connection of Spark Infrastructure's Bomen Solar Farm (see page 21), connecting 100 MW of renewable capacity to the network at its Wagga North substation. Other large connections include the Limondale No.2 Solar Farm (29 MW) at Balranald, the Goonumbla Solar Farm (70 MW) at Parkes, and the Biala extension to the Gullen Range Wind Farm (which adds 106 MW to the existing solar and wind farm generation).

BOMEN SOLAR FARM

Bomen Solar Farm achieved commercial operations in late June 2020, demonstrating our capacity to deliver the renewable generation that Australia's energy market needs. The solar farm comprises approximately 310,000 bifacial solar panels and produces enough clean solar energy to power 36,000 homes per year.

Completed on time and under budget, Bomen Solar Farm is now fully operational and supplying clean energy to Westpac and Flow Power under multi-year Power Purchasing Agreements (PPAs). The project demonstrated the strong synergies between Spark Infrastructure's investment businesses. Construction was led by Beon Energy Solutions, a wholly-owned subsidiary of Victoria Power Networks, and TransGrid Services connected the solar farm to its transmission network.

Bomen Solar Farm achieved $7.0 million revenue in its first six months of operation, and generated 105 GWh of clean energy benefiting PPA counterparties Westpac and Flow Power. Strong pricing in the Large-scale Generation Certificate (LGC) market resulted in $0.7 million of revenue during the period through the sale of merchant LGCs.

Our demonstrated capabilities, combined with long-term contract arrangements such as PPAs which provide revenue certainty, provide a model for viably expanding our renewables portfolio into the future. AEMO has signaled that retired coal-fired energy generation will need to be replaced with more than twice the volume of renewable generation capacity. To help meet these market requirements, we plan to build on the success of Bomen Solar Farm with a 1.5 GW pipeline of renewable energy opportunities.

Value Build

CAPACITY

~120.5MW (DC)

~100MW (AC)

EXPECTED REVENUE

~$13.5m p.a.

FOR THE FIRST FIVE YEARS[1]

PPAS

~95%

CONTRACTED FOR THE FIRST FIVE YEARS

~82%

CONTRACTED FOR THE FIRST TEN YEARS

1 Average annual revenue considering PPA agreements, loss factors and plant output on P50 forecast.

CREATING VALUE FOR SECURITYHOLDERS

Outlook

Over the year, we successfully progressed our objective to create value through strong yields plus capital growth.

Spark Infrastructure concluded 2020 with greater certainty on a number of key matters. New five-year regulatory decisions for both SA Power Networks and Victoria Power Networks will be in force from 2021 providing regulatory revenue certainty through to 2025. The successful tax appeal in October 2020 in relation to gifted assets not being assessable for income tax means that this long-standing matter is now settled. Spark Infrastructure expects to receive a tax refund (including interest) of approximately $45 million.

Our strategy remains unchanged, being Value Enhance, Value Build and Value Acquire. We remain committed to growing our contracted renewables business and have built an exciting pipeline of high quality development opportunities. As always, we remain cautious and disciplined in the evaluation of these opportunities given the uncertainty and volatility that currently exists in these markets.

With greater certainty, the Board has now provided distribution guidance for 2021 of 12.5cps, subject to business conditions. In addition, for the first time it is expected that the distribution will carry franking credits of around 3cps.

Within this context and subject to the Australian Energy Market Operator (AEMO) 2020 Integrated System Plan (ISP) major projects proceeding, Spark Infrastructure is expecting to deliver regulated and contracted asset base (RCAB) growth over the next five years approaching 4% per annum compound annual growth rate (CAGR). While growth in the SA Power Networks and Victoria Power Networks will be funded from operational cash flows and debt as they have been previously, we expect that any equity commitments to support TransGrid major projects or Spark Infrastructure Value Build growth can be met by continued operation of the Distribution Reinvestment Plan (DRP), so that the DRP will be used to manage equity for growth ensuring sufficient cash exists at the corporate level to fund distributions to Securityholders.

Strong, stable cash flows from our investment businesses will continue to support distributions to Securityholders and provide the capital required to grow our asset base organically into the future.

Value Enhance

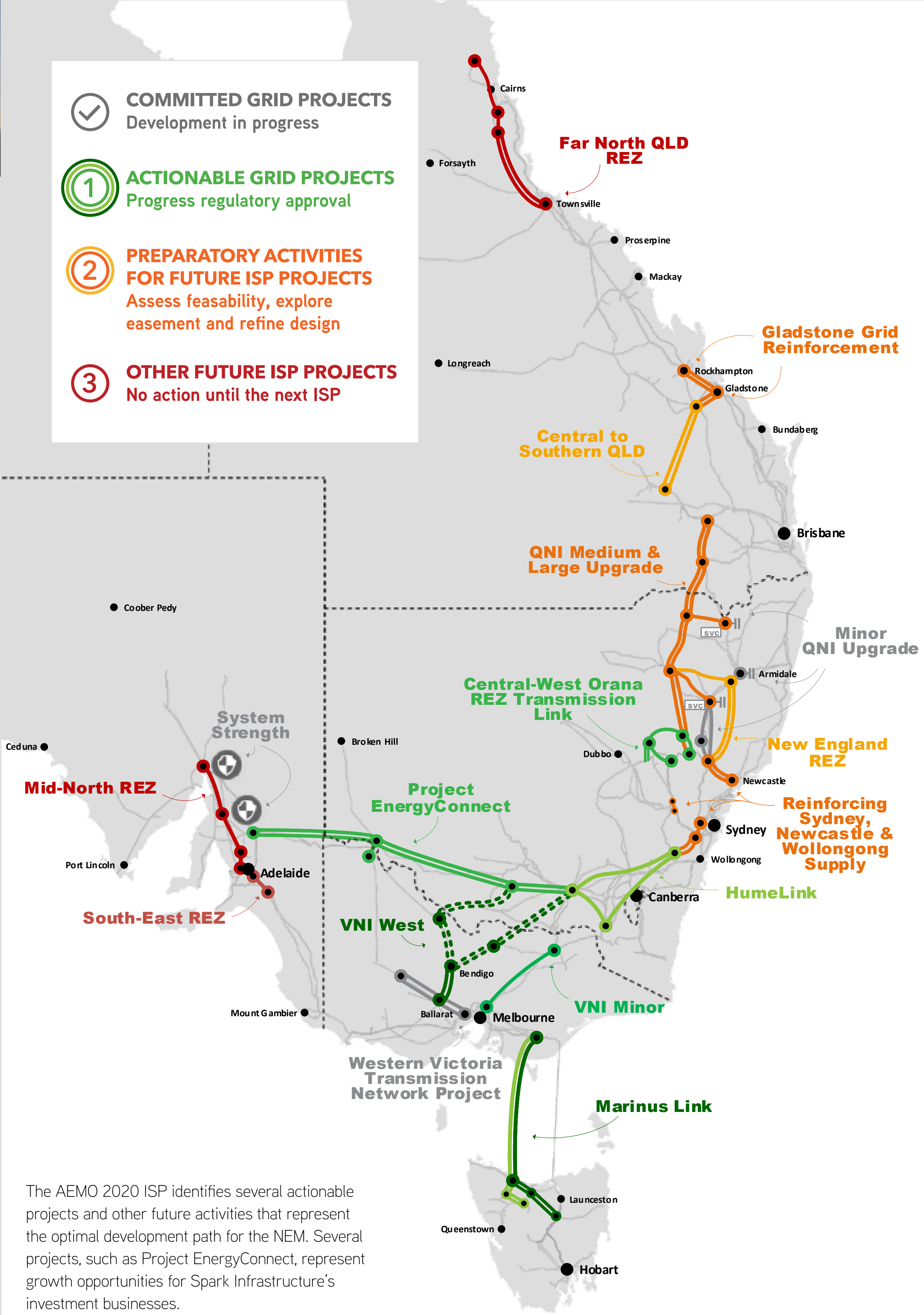
The scale of Australia's energy transition

The Australian Energy Market Operator (AEMO) 2020 Integrated System Plan (ISP) identifies investment choices that optimise network performance and consumer benefits as Australia experiences what is acknowledged to be the world's fastest energy transition. According to the ISP, the transition is characterised by the doubling (or even tripling) of distributed energy generation capacity by 2040. It is also defined by the need for over 26 GW of new grid-scale renewables to replace the 63% of Australia's coal-fired generation that is likely to be retired by 2040.

While all of Spark Infrastructure's investment businesses will take part in Australia's transition, TransGrid's role will be central to realising the benefits of the ISP. Project EnergyConnect is a proposed upgrade nominated by the ISP that will enhance TransGrid's transmission network by connecting Wagga Wagga (New South Wales), Robertson (South Australia) and Red Cliffs (Victoria). It has been declared State-significant infrastructure by the NSW Government and is listed as an "Actionable" project in the AEMO 2020 ISP.

The ISP identifies around 18 transmission projects, including 10 in New South Wales, representing direct opportunities for TransGrid worth approximately $13 billion. In addition to Project EnergyConnect, these opportunities include:

- HumeLink – a 500 kV transmission upgrade to reinforce the New South Wales southern shared network and increase transfer capacity between the Snowy Mountains hydroelectric scheme and the region's demand centres, and
- Central-West Orana Renewable Energy Zone (REZ) Transmission Link – network augmentations to support the development of the Central-West Orana REZ (see page 39 for additional discussion of TransGrid's focus on REZs).



The AEMO 2020 ISP identifies several actionable projects and other future activities that represent the optimal development path for the NEM. Several projects, such as Project EnergyConnect, represent growth opportunities for Spark Infrastructure's investment businesses.

Source: AEMO.

PARTNERING WITH CUSTOMERS AND COMMUNITY

Our capacity to create value is dependent on **customer** satisfaction and strong relationships with the **communities** where we operate.

KEY METRICS

5.0m+

HOMES AND BUSINESSES SUPPLIED ACROSS OUR NETWORKS

$1.4m

SPARK INFRASTRUCTURE COMMUNITY INVESTMENT (2019: $1.7m)[1]

>99.97%

RELIABILITY ACROSS ALL NETWORK BUSINESSES

1 Excludes $550,000 of committed funding in 2020 via the Bomen Solar Farm Community Partnership program (in partnership with Westpac Banking Group) that will be sequentially spent from 2021.

“All of our investment businesses were ranked among the top three most productive distribution or transmission networks in Australia.”

Our vision of clean, reliable and affordable energy for every Australian is aligned with the needs and aspirations of our customers.

From Australia’s largest businesses to millions of households across the country, our customers depend on a reliable and affordable source of energy every day. Our investment in Australia’s transition to clean energy sources also responds to our customers, who are increasingly concerned about climate impacts and taking it upon themselves to reduce their emissions footprint.

Maintaining the productivity and reliability of our networks is a key priority for Spark Infrastructure. In November 2020, all of our investment businesses were ranked among the top three most productive distribution or transmission networks in the NEM by the AER.

Network reliability was more important than ever in 2020, given the bushfire crisis and ongoing COVID-19 pandemic. We were able to maintain continuity of supply throughout the year, and impacts on customers were lessened through the Network Relief Package announced by Energy Networks Australia.

Our businesses engage with customers regularly, on issues such as satisfaction, safety and solar power. We also keep our customers and their local communities in mind when investing in the growth and transformation of our networks.

We look to enhance community impact further through engagement campaigns and investing in programs that support community causes. Contributing to local communities helps us build strong connections and establish ourselves as trusted partners.

A highlight of our $1.4 million community contribution in 2020 is our fund that was set up with Westpac following the completion of Bomen Solar Farm (described further on page 26).

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Spark Infrastructure’s investment in essential infrastructure known for its reliability and productivity contributes to the global target to “develop quality, reliable, sustainable and resilient infrastructure...to support economic development and human well-being, with a focus on affordable and equitable access for all” (UN Sustainable Development Goals, **Target 9.1**).

PARTNERING WITH CUSTOMERS AND COMMUNITY

Essential for customers and communities across Australia

Throughout the year, Spark Infrastructure and its investment businesses maintained network reliability, engaged communities about the importance of electricity networks, and contributed to grassroots initiatives.

TransGrid's Community Partnerships Program

TransGrid designed the Community Partnerships Program to benefit communities in areas where its assets are located or under development. Through the program, TransGrid provides non-profit groups with funding to help deliver initiatives that will have a tangible and lasting impact on local communities.

During 2020, TransGrid invested over $270,000 across 28 non-profit initiatives. Within this investment, the business awarded a major sponsorship of $50,000 to the Ethnic Community Services Cooperative (ECSC). The ECSC is a non-profit organisation that provides multicultural services and support to meet the needs of culturally and linguistically diverse people. TransGrid's funding was put toward a community bus initiative that helps those in need access vital services in Sydney's Inner West.

Victoria Power Networks Canteen Grants

The CitiPower and Cricket Victoria Canteen Grants Program is a $250,000 five-year grant program that commenced in 2019. CitiPower has confirmed that in 2021, grants valued at $68,700 will be shared between 18 cricket clubs to improve electrical safety within club facilities. The grants are a welcome contribution to the clubs, given difficulties experienced fundraising through the COVID-19 pandemic.

Community impact at Bomen Solar Farm

Much of our infrastructure is located outside of Australia's urban centres, which means that we can positively impact regional Australia through our investment. The construction of Bomen Solar Farm just outside of Wagga Wagga, NSW provided around 200 jobs with a focus on local employment and supporting local businesses.

In partnership with PPA counterparty Westpac, we established a fund to invest $1 million over ten years into the local communities of Wagga Wagga. Key initiatives include $500,000 for Mt Austin High School to support girls to remain in school and help graduates find employment or further education. An additional $350,000 will provide for revegetation and tree planting programs (see page 37).

SA POWER NETWORKS

SA Power Networks was once again rated the most productive distribution network in the NEM.

The business works continuously to maintain network reliability, responding to outages and ensuring community safety from electric shock and bushfires. The average customer pays about $12 per week for these services. In real terms, customers pay a comparable amount to what they did in 1999, due to the efficiency of the business. This means SA Power Networks' share of the residential bill has fallen from 50% in 1999 to about 31.6% in 2020.

Promoting public safety

In addition to its work on the ground, SA Power Networks conducts community education and engagement programs designed to support public awareness about electricity infrastructure. Through research completed in early 2020, the business discovered there was mixed understanding of safe clearances from powerlines and confusion regarding what to do in specific circumstances, including in traffic accidents and when receiving shocks in the home. In response, SA Power Networks has developed an electrical safety campaign focused on providing simple and clear guidance to help people stay safe. Centred on the idea that "you will be shocked by what you don't know", the campaign uses a range of media channels to communicate with target audiences and will continue in 2021.

896,589
CUSTOMERS

99.97%
NETWORK AVAILABILITY

VICTORIA POWER NETWORKS

The AER has rated Citipower and Powercor as the second- and third-most productive distribution networks in the NEM.

Distribution costs for CitiPower and Powercor comprise just 23% of a customer bill, compared to almost 50% in other Australian states. Network reliability for Powercor has also improved by almost 40% since 1995.

Minimising customer downtime

Maintaining electricity networks often requires power to be turned off across parts of the network to ensure the safety of maintenance crews. During a major upgrade to the network in the Cohuna region in April 2020, Powercor worked hard to minimise the impact on customers. The network used generators to supply the town centres of Cohuna, Leitchville and Gunbower, and transferred loads from some customers to other parts of the Powercor network to maintain supply.

CITIPOWER

331,912
CUSTOMERS

99.99%
NETWORK AVAILABILITY

POWERCOR

843,525
CUSTOMERS

99.97%
NETWORK AVAILABILITY

TRANSGRID

TransGrid was rated the third most productive transmission network in the NEM, improving its rating following consistent focus on productivity improvements.

TransGrid delivered 35% of the operational energy across the NEM to over 3 million homes in 2020.

The Energy Charter

TransGrid is a founding signatory of The Energy Charter, a CEO-led collaboration to progress the culture and solutions needed to deliver a more affordable, reliable and sustainable energy system for all Australians. The Energy Charter commits businesses to publicly disclosing each year how they are improving outcomes for customers and delivering against the Energy Charter Principles.

In September 2020 TransGrid submitted its second Energy Charter disclosure, reporting on its performance against the Energy Charter principles for the 2020 financial year and outlining areas of focus for 2021 including improved processes for engagement with local communities.

3.0+m
HOMES AND BUSINESSES SUPPORTED

99.99998%
NETWORK AVAILABILITY

SUPPORTING OUR PEOPLE

Delivering our purpose depends on the engagement, capabilities, health and safety of **our people** at Spark Infrastructure and across our businesses.

KEY METRICS

OVER
5,400
EMPLOYEES AT SPARK INFRASTRUCTURE AND ITS NETWORKS

21%
WOMEN TO MEN RATIO EMPLOYED ACROSS ALL LEVELS (2019: 20%)

2.3
SPARK INFRASTRUCTURE LTIFR (2019: 2.1)

1%
GENDER PAY GAP[1]

0
WORK-RELATED FATALITIES (2019: 0)

1 Based on average female:male pay difference on comparable pay grades (excludes Executives).

“Our foremost priority throughout the COVID-19 pandemic has been supporting the health, safety and wellbeing of people at Spark Infrastructure and across our networks.”

At Spark Infrastructure, and across our businesses, we focus on building engaged workforces, enhancing the capabilities of our people, and ensuring healthy and safe work environments.

The COVID-19 pandemic reaffirmed the importance of health and safety across our businesses. Throughout the year, we followed public health protocols to ensure the safety of our employees while maintaining essential services to customers. Our businesses maintained continuous communication with their customers about COVID-19 impacts, and established a range of wellness and mental health initiatives designed to support employees across Australia throughout the pandemic.

Our lost time injury frequency rate (LTIFR) of 2.3 during 2020 was generally in line with performance in 2019. We remain focused on reducing the risk of personal injury across our operations and businesses by promoting a safety-first culture and maintaining robust risk management procedures.

The safety-first culture across our portfolio ensures that our people are confident to come to work and support the energy needs of Australians every day. Employees are trained to identify and report hazards, actively manage their own safety, and look after the safety of others. Our businesses track serious consequence-based injury, as well as other incidents that are capable or causing or have caused serious or fatal harm.

All incidents, injuries and near misses must be reported in accordance with incident management procedures to ensure appropriate action can be taken to prevent reoccurrence and ensure a safe and healthy work environment.

Spark Infrastructure and our investment businesses regularly seek feedback from employees on health and safety. Employee engagement surveys encourage honest contributions from our people on health, safety, career development, and many other workforce themes. The surveys are used to shape workforce initiatives focused on continually improving operations and people management.

Workforce diversity and career development are also important components of employee engagement. Spark Infrastructure and our investment businesses invest in the development of our people and are dedicated to fostering diversity at all levels of each organisation, including our respective boards. We facilitate flexible working so our workplaces accommodate a diversity of work-life balance requirements. When our employees have the capabilities they need to thrive, and when they feel supported and welcomed no matter who they are, they gain greater fulfilment and are more motivated to deliver on our purpose.

SUPPORTING OUR PEOPLE

Prioritising health, safety and diversity across our portfolio

Throughout the year, Spark Infrastructure and its investment businesses championed health and safety and worked to promote the value of diversity across their operations.

Continuing the reconciliation journey at TransGrid

TransGrid aspires to a society where education and employment opportunities for Aboriginal and Torres Strait Islander peoples are of the same high standard as those enjoyed by many other Australians. In February 2020, TransGrid launched its Innovate Reconciliation Action Plan (RAP), which builds on the success of its Reflect RAP.

A key initiative under the new RAP has been the publication of TransGrid's Aboriginal and Torres Strait Islander Engagement and Participation Policy, which affirms the business's commitment to Aboriginal and Torres Strait Islander peoples and communities during the development, delivery, maintenance and operation of its projects and assets. Other initiatives include providing Indigenous internships through CareerTrackers and developing a culture learning strategy and training plan for the next two years.

A growing number of employees are involved in TransGrid's Diversity Council and supporting its journey towards reconciliation. 2% of TransGrid employees identify as First Nations, an increase from 1% in 2018.

TransGrid's focus on Indigenous inclusion is just one part of its diversity and inclusion effort, which included activities supporting gender equality and LGBTIQ+ inclusion, as well as policy initiatives such as expanding flexible working arrangements.

Diversity in SA Power Networks' apprenticeship program

SA Power Networks strives to create a workplace that reflects the gender diversity of the broader community, where both women and men feel empowered to achieve their full potential. One area of focus is the apprenticeship program, where the business is encouraging applications from people of all backgrounds, including female, mature age, and Aboriginal and Torres Strait Islander job seekers.

Spark Infrastructure supports SA Power Networks' focus on building diversity in its workforce, and is pleased to see that its 2020 apprentice intake comprises:

- 60% of electrical apprentices are female,
- 19% of powerline apprentices are female, and
- 40% of electrical apprentices identify as Aboriginal or First Nations People.

SA Power Networks' apprenticeship program was recognised as a finalist in the Australian Apprenticeship Employer Awards category of the 2020 Australian Training Awards.

TransGrid's Innovate RAP features an artwork commissioned from artist Casey Coolwell, whose work captures the essence of TransGrid, its relationship with the land and its commitment to Reconciliation. Casey Coolwell is a Quandamooka woman from North Stradbroke Island, Queensland.

CHAMPIONING HEALTH AND SAFETY ACROSS OUR NETWORKS

Spark Infrastructure ensures that its investment businesses constantly focus on the physical, mental and psychological wellbeing of their people.

Enhancing workplace practices at SA Power Networks

Safety has always been a cornerstone of SA Power Networks, and it is the first focus area in its 2021–2025 Strategic Plan, establishing its importance for the business into the future. SA Power Networks' goal for safety is 'no serious safety incidents or harm to ourselves or others', which is driven by its safety tagline of 'Work safe, home safe, every day'. The inclusion of 'others' extends SA Power Networks' focus to include community safety, which the business puts into action through engagement programs such as its electrical safety campaign (described on page 27).

A key focus in 2020 was enhancing safety when working on elevated work platforms.

Working at heights using elevated work platforms is essential for maintaining distribution networks and sustaining network performance. However, following several fatalities involving elevated work platforms in other businesses in South Australia, SA Power Networks established a program to enhance operator awareness. The program will define familiarisation criteria for critical control systems of elevated work platforms, and is developing new training in consultation with operators, leaders, training staff and SafeWork SA. Once complete, the program will enhance regulatory compliance, improve operator competency, and increase confidence in the use of elevated work platforms at SA Power Networks.

Upgrading infrastructure at Victoria Power Networks

CitiPower and Powercor proritise the health and safety of their people, and continuously strive to enhance the safety of electricity network infrastructure. A key focus in recent years has been protecting people and assets from bushfires and also minimising the risk of bushfires caused by electricity infrastructure.

Since 2018, Powercor has been installing leading-edge technology across its network as part of a Victorian Government program to reduce the likelihood of powerline-related bushfires. Known as Rapid Earth Fault Current Limiters (REFCLs), the technology works like a large safety switch on the network, reducing the risk of fires starting from powerline faults. Over the summer of 2019/20, Powercor had REFCL devices installed in 10 locations. The devices operated in heightened sensitivity settings on Total Fire Ban days, activating more than 100 times.

By the end of 2020, four locations in Victoria's south-west (Camperdown, Colac, Koroit, Terang) have been protected by a REFCL, and work has commenced to install a fifth device for the region at Hamilton. When all south-west devices are completed, a network of 5,573 km of high voltage powerlines will be protected, including 28 feeder lines covering 50,000 customers.

Building a safety culture at TransGrid

At TransGrid, the safety and welfare of its people and the broader community is the business' most important consideration. Over 2020, TransGrid continued to focus on injury prevention, health and safety risk management and mental health and wellbeing during the unprecedented COVID-19 crisis.

TransGrid also took action to enhance contractor health and safety over the year. The focus on contractors resulted from statistics showing that current contractors accounted for the majority of workers involved in safety incidents or near misses. TransGrid's new Contractor Safety Management System attempts to address this trend by introducing an industry leading, end-to-end contractor safety, training and prequalification platform. The system allows TransGrid to set standards and expectations during contractor onboarding and manage potential risks before they arise.

Through enhancing risk management and improving visibility of all workers' qualifications, skills and competencies, the system has had a positive impact on TransGrid's overall Health, Safety and Environment culture and performance. For example, in terms of lead indicator reporting, an increasing number of hazards were reported for consideration (750 in 2020, up from 197 in 2019 and 104 in 2018).

LEADING THROUGH

INNOVATION AND TECHNOLOGY

Investing in opportunities from **innovation and technology** helps deliver a sustainable energy future and supports the capacity of our infrastructure to create value in the long term.

KEY METRICS

105GWh

RENEWABLE ENERGY GENERATED AT BOMEN SOLAR FARM SINCE JUNE 2020

33%

RENEWABLE ENERGY TRANSPORTED/ SUPPORTED BY ASSETS (2019: 28%)[1]

1 Based on the weighted average annual energy consumption x the State-based renewable energy generation (including residential solar)

"Innovative technologies enable our businesses to deliver energy efficiently."

Building a sustainable energy future means supporting the innovation and technological advances required to transform our networks so they can decarbonise while continuing to meet demand.

Our networks are at the forefront of managing several issues related to Australia's energy transition, such as:

- Increased penetration of solar photovoltaics and batteries
- Increased distributed energy resources
- Increased utility-scale renewable energy (wind, solar and storage)
- Increased penetration of electric vehicles
- Increased interconnectivity for inter-regional transmission

Managing these issues requires our networks to shift from one-way electricity flows based on centralised fossil fuel energy sources, to two-way flows generated from distributed renewable energy sources. We help our businesses navigate the transition through investment, regulatory advocacy, strong oversight and comprehensive risk management.

While innovating for the future is important, we also continually look at ways to reduce costs, improve efficiency and improve our operations. Innovative technologies and the latest data analytics enable our businesses to deliver energy efficiently and at least cost to customers.

INNOVATION AT SPARK INFRASTRUCTURE'S BOMEN SOLAR FARM

During the year, Bomen Solar Farm (100% owned by Spark Infrastructure) achieved commercial operations in late June 2020 and became the first major project completed in Australia to install bifacial modular solar panels. These panels produce up to 20% more output, deliver higher efficiencies, and lower levelised costs of electricity compared to conventional panels. The bifacial solar panels achieve these gains by capturing direct sunlight on the face of the panel, while also picking up reflected sun from the ground received on the rear side of the panel. Additional information about Bomen Solar Farm is provided on page 21.

7 AFFORDABLE AND CLEAN ENERGY

Our commitment to investing in Australia's transition to clean energy sources contributes to the global target to "increase substantially the share of renewable energy in the global energy mix" (UN Sustainable Development Goals, **Target 7.2**).

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Spark Infrastructure's investment in the technological innovations required to advance Australia's energy network contributes to the global target to "upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes" (UN Sustainable Development Goals, **Target 9.4**).

LEADING THROUGH INNOVATION AND TECHNOLOGY

Advocating to support network evolution

As a long-term investor in Australia's energy networks, we take a lead role in advocating on behalf of our investment businesses and other network shareholders.

Together with our investment businesses, we advocate with governments, regulators and industry groups for the regulatory advances and policy certainty that will support confident investment in our essential services infrastructure. Policy certainty and investor confidence are crucial for backing the innovation required for sustained performance in the long term.

MODERNISING REQUIREMENTS TO ENHANCE RELIABILITY

SA Power Networks has pursued a program to upgrade low reliability feeders in the worst performing parts of its network. However, this program was not required under the National Electricity Rules and was originally rejected by the AER in its draft determination. Following further consultation with the Customer Consultative Panel, the program gained unanimous consensus and the upgrade was accepted in the AER's Final Determination based on the significant stakeholder support. These efforts from SA Power Networks provide just one example of how the business engages with regulators and other stakeholders to continuously enhance network reliability.

RULE CHANGES TO SUPPORT NETWORK EXPANSION

TransGrid is pursuing ISP major projects and is seeking to ensure that regulation supports the financial viability of new investment and network expansion. The business is working with government and regulators to facilitate investment outcomes and improve debt funding capacity while at the same time seeking to ensure no increase in cost to customers over the life of these projects. These changes would benefit future projects that will be required to meet Australia's energy demands into the future.

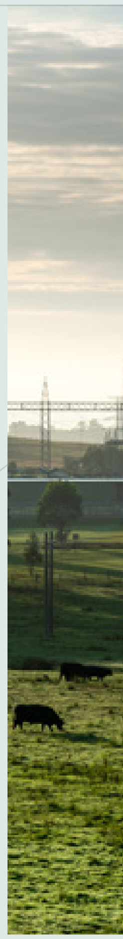
Drone-assisted power line stringing at TransGrid

Constructing and maintaining transmission infrastructure is essential for maintaining electricity network reliability for millions of Australians. Following a tragic fatality in March 2019 involving a helicopter incident while stringing new power lines, TransGrid set out to investigate and fund the development of an alternative method for power line stringing.

TransGrid partnered with Infravision to develop an unmanned aircraft (drone) power line stringing program. The program trialled a prototype connected hardware system using drones and networked smart winches. Critically, the system is easily deployed and designed for all types of terrain.

This industry-leading program will make working on the NSW transmission network safer for employees. It also provides the transmission workforce with drone hardware skills and software training that will improve efficiencies in transmission construction and maintenance activities.

Remote construction and maintenance of the network also benefits customers and stakeholders – unmanned drones improve network operations, resulting in less outages and cost savings of up to 40%. The innovation also has the potential to reduce environmental impacts and support the preservation of cultural heritage sites.



DELIVERING INNOVATION ACROSS OUR BUSINESSES

Throughout the year, Spark Infrastructure supported its investment businesses to deploy new technology and realise the benefits of innovation.

Virtual Power Plants at SA Power Networks

SA Power Networks continues to explore the benefits of Virtual Power Plants (VPPs), which aggregate individual household batteries under central control and operate as flexible and fast-acting generators. The business' Advanced VPP Grid Integration Trial, undertaken in conjunction with Tesla SA VPP, demonstrated how real-time integration between networks and VPPs can maximise the benefits for customers, VPP operators and networks in the National Electricity Market.

After initially reaching 1,000 customers in 2019, the SA Government in conjunction with Tesla is working to scale up the VPP, with the ultimate goal to reach 50,000 homes and 250 MW export capacity, making it by far the world's largest VPP.

The Australian Renewable Energy Agency (ARENA) awarded SA Power Networks and project partners with over $1 million in grant funding to develop the technical capability required to offer this innovative new service. The ground-breaking nature of the VPP integration project earned SA Power Networks the 2020 Industry Innovation Award from Energy Networks Australia, and the Best Use of Technology Award at the 2020 Digital Utility Awards.

In a world first, SA Power Networks is now making plans to extend this capability to all new solar PV systems through its "Flexible Exports" initiative, which recently secured over $2 million funding from ARENA. The funding will support a 12-month field trial involving about 600 customers in South Australia and Victoria that will refine the technology and test the viability of new 'flexible' connection arrangements for solar PV systems, so it can be offered as a standard service to all customers installing rooftop solar.

The new LiDAR Lab at Victoria Power Networks

Victoria Power Networks has established a new LiDAR processing lab to perform vegetation inspection, focused on identifying multi-circuit clearance breaches. Through automated modelling, the inspection needs to be accurate to within five centimetres, as such the models have been rigorously audited to provide assurance to the business and maintenance teams. The LiDAR Lab project will see all LiDAR services moved in-house by 2021 to improve quality, minimise risks, reduce work hours and reduce costs.

ACTING ON ENVIRONMENTAL RISKS AND OPPORTUNITIES

We preserve value by managing **environmental risks**, and sustain long-term value creation by investing in **opportunities** that reduce greenhouse gases and mitigate climate change.

KEY METRICS

85,160

TONNES OF CO_2-e DISPLACED THROUGH RENEWABLE GENERATION (2019: 21)

2

REPORTABLE ENVIRONMENTAL INCIDENTS (2019: 2)[1]

1 Incidents attributed to SA Power Networks – relating to transformer oil spills that exceed state-based regulatory thresholds requiring notification.

"We are dedicated to mitigating climate change through investing in Australia's energy transition, and to promoting infrastructure resilience to climate-related impacts."

Spark Infrastructure is dedicated to combatting climate change through its support for Australia's energy transition, and recognises the importance of environmental stewardship.

The unprecedented Australian bushfire season of early 2020 confirmed that climate change is already causing significant economic and social impacts. Mitigating climate change means increasing our use of renewable energy, which Spark Infrastructure is facilitating through the growth of its businesses and its own investment in renewables. We intend to build a diversified renewables portfolio, following successful use of our expertise and deployment of our investment businesses in the delivery of Bomen Solar Farm this year (see page 21).

We also recognise the challenge of adapting to climate change, given its potential to worsen environmental risks (such as storms and bushfires) in the near term regardless of our progress to decarbonise. Climate-related risks and opportunities are integrated within our risk identification, assessment and management processes. In particular, our businesses continuously assess the potential financial impacts related to extreme weather events.

We implement initiatives and systems to reduce our environmental risks through improved environmental management practices and the efficient use of natural resources. Our businesses maintain robust Environmental Management Systems (EMSs) in line with ISO 14001. Key focus areas within their EMSs include the management of hazardous substances, native vegetation and recycling waste.

There was a proportionate total of two reportable environmental incidents across the Spark Infrastructure portfolio. More information on these incidents is provided in the Spark Infrastructure 2020 Sustainability Data Report.

Enhancing the environment through our operations

Spark Infrastructure and our investment businesses also look for opportunities to enhance environmental outcomes. The Bomen Solar Farm community fund set up by Westpac and Spark Infrastructure (see page 26) has a focus on supporting the preservation of the endangered Superb and Swift parrots. The fund will support a revegetation program to enhance the habitat in the proximity of the Bomen precinct. The program is expected to be delivered over the winter months of 2021 and 2022, and would include planting around 40,000 to 50,000 plants.

Our investment in biodiversity at Bomen follows in the footsteps of our environmental stewardship over the construction stage of the solar farm. Part of the environmental management of the site involved selecting ground cover that specifically supported both sheep grazing and the local bee population.

13 CLIMATE ACTION

The focus on natural disaster and hazard mitigation across our portfolio contributes to the global target to "strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries" (UN Sustainable Development Goals, **Target 13.1**).

ACTING ON ENVIRONMENTAL RISKS AND OPPORTUNITIES

Focusing on climate change and supporting environmental stewardship

We use our position as a long-term investor to ensure our networks enable the uptake of renewables and facilitate climate change mitigation. Our networks also embed environmental stewardship across their operations, from supporting conservation activities to showcasing green buildings.

Preserving the Australian landscape at TransGrid

Protection of the environment is important for business success and is a key consideration in everything TransGrid does.

In 2020, TransGrid continued its partnership with the Royal Botanic Gardens & Domain Trust; a partnership that it has maintained for more than a decade. This partnership gives TransGrid the opportunity to make a positive environmental impact over the longer term, including via its continued sponsorship of the Seed Processing Room at the Australian Botanic Garden Mount Annan.

Ongoing funding from TransGrid helps the Royal Botanic Gardens & Domain Trust to collect and store native plant seeds in a protected environment so that scientists can use them for research, reference and conservation purposes in future. Storing these seeds at the Australian PlantBank serves to extend the longevity of many native species, which would otherwise be at risk of extinction. TransGrid's support has enabled Trust scientists to work towards the global target of conserving and seedbanking at least 75% of NSW threatened species.

Showcasing environmental sustainability at SA Power Networks' new depot

SA Power Networks decided that its new depot at Angaston in the Barossa Valley was a great opportunity to showcase its commitment to sustainability. The building's aspect, design and materials are intended to minimise heating and cooling requirements and provide a beneficial work environment through large eave overhangs, high narrow windows on the western side, sustainably forested spotted gum timber panelling, and abundant natural light. Other features include:

- 94 kW of solar panels, which on sunny days is enough to power the entire depot;
- an electric vehicle charging station;
- 50,000 litre capacity rainwater tanks, enabling rainwater to be used for flushing toilets and the truck washdown bay;
- permeable pavement in the light vehicle carpark to allow water ingress to aid the River Redgum trees at the front of the depot; and
- a large water retention basin to capture and filter 100% of the site's stormwater run-off.

FORGING AHEAD WITH RENEWABLES ACROSS OUR BUSINESSES

Over the year, Spark Infrastructure's investment businesses focused on removing hurdles to customer adoption of solar power and facilitated the growth of utility-scale renewable energy.

Unlocking renewable opportunities at TransGrid

TransGrid is currently working with the NSW Government to deliver Australia's first ever coordinated renewable energy zone (REZ), a 3,000 MW pilot in the Central-West Orana (CWO) region. The project is a key part of the NSW Government's Electricity Strategy, and supports the implementation of AEMO's ISP (see page 22). The CWO REZ will require around $4.5 billion in private sector investment once fully developed and is expected to support 450 construction jobs in the local region.

In June 2020, TransGrid also began assessing an innovative commercial model to develop transmission infrastructure that unlocks new renewable energy investment in the New England area of NSW. The infrastructure will be directly funded by renewable energy participants in exchange for firm capacity to connect to the NSW grid. The New England Transmission Infrastructure (NETI) development will comprise a purpose-built 330 kV transmission line, which will enable up to 1,400 MW of new renewable energy generation capacity.

Facilitating the growth of rooftop solar at Victoria Power Networks

Victoria Power Networks has proposed to invest $93 million over five years in a Solar Enablement Program directed at facilitating customer connections of rooftop solar and ensuring customers are able to export energy to the grid. The program would also remove constraints for customers where the benefits outweigh the costs, and assist customers where costs exceed benefits.

The Solar Enablement Program is a direct response to the transition of Australia's energy networks, with rooftop solar installations set to increase dramatically in the coming years. The investment is required to accommodate the increase in renewables safely and reliably, while progressing efficiencies that reduce costs further. Powercor considers that the investment is expected to deliver a net benefit to all customers of $77 million over the five-year period, by replacing higher cost generation and achieving a reduction in carbon emissions.

Enhancing the economics of solar at SA Power Networks

South Australia has the highest per capita uptake of rooftop solar in Australia. The widespread availability of solar capacity means that, as a whole, the State has the potential to generate large amounts of electricity in the middle of the day when sunshine is at its peak. To help optimise the matching of electricity generation with demand, SA Power Networks has created an innovative tariff structure for residential customers.

The new tariff offers a lower network charge during the middle of the day when solar output is highest, which encourages residential customers to shift electricity use to those times. By raising demand for grid-supplied energy in the middle of the day, the tariff can help manage voltage issues and thermal overloads associated with low demand. The new tariff structure could also shift demand away from the evening peaks that put heavy strain on the networks.

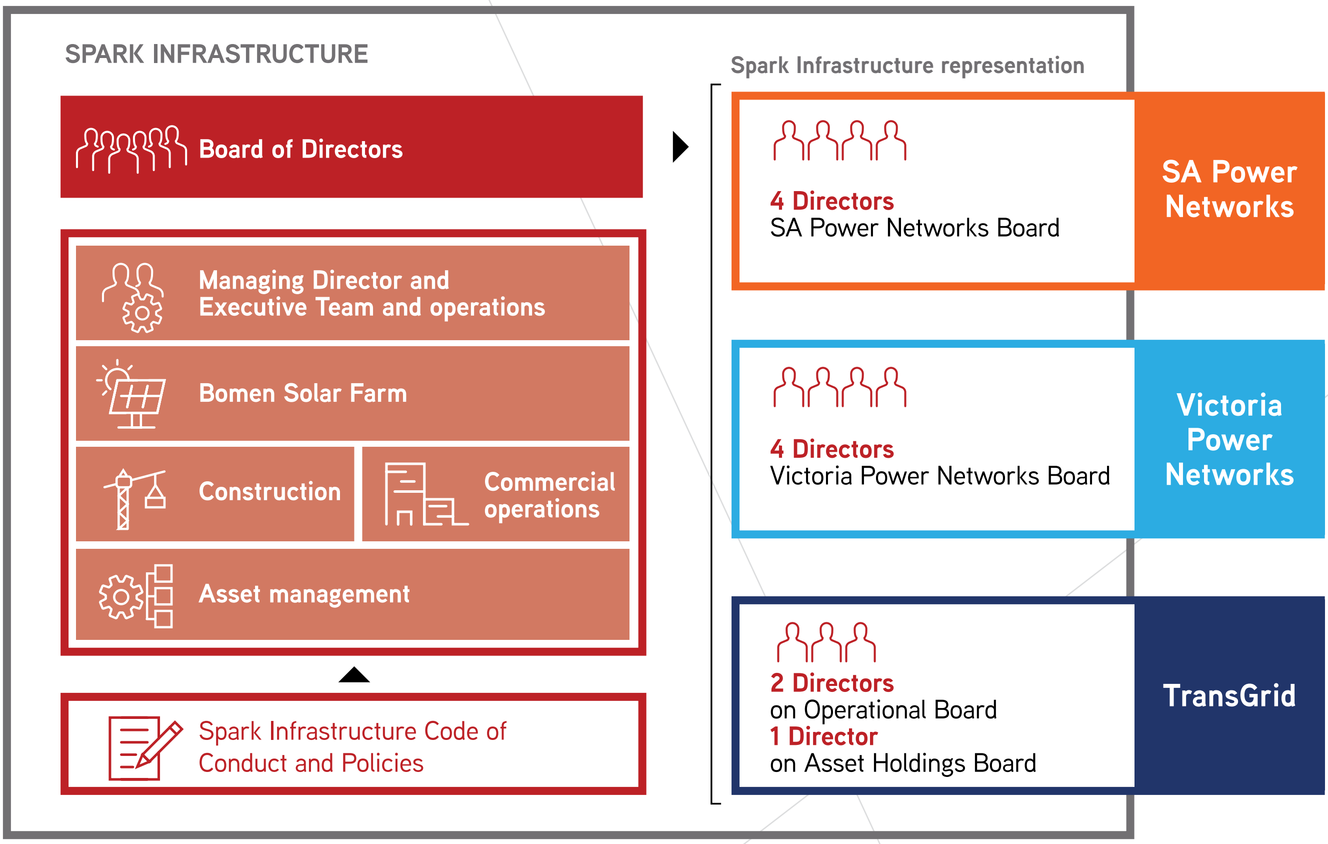
SUSTAINED PERFORMANCE THROUGH STRONG GOVERNANCE

Spark Infrastructure's corporate governance framework supports the delivery of our purpose through sound risk management and strategic oversight. Spark Infrastructure is represented across the boards of our investment businesses, enabling us to facilitate strategic alignment and coordination opportunities as we build a sustainable energy future.

Spark Infrastructure and its investment partners represent a diverse global investor base that seeks sustained yields and disciplined growth opportunities from our investment businesses. Our role on the boards is to actively engage with the businesses to drive continued performance and explore growth opportunities. Building on our Australian knowledge, we support our businesses in their efficient operations and investment decisions. We contribute our detailed understanding of Australian economic regulatory environment to advocate for investment outcomes for the benefit of network shareholders, customers, and the communities in which we operate. Through robust governance we work to minimise project risks and ensure compliant operations. The boards of our investment businesses comprise shareholder representatives as well as industry experts who bring deep experience and skills to enhance decision making. At the Spark Infrastructure Board we have expanded our domain knowledge with the addition of renewable experience as well as extensive industry and sector expertise.

Board succession and renewal is a continual focus to ensure the Board of Spark Infrastructure has the requisite mix of skills, diversity, capabilities and experience to support Management to manage the business and execute our strategy.

This requires careful long-term planning and we continue to review and assess the Board composition with a view to new appointments to address our diversity objectives.



MANAGING KEY RISKS AND UNLOCKING OPPORTUNITIES

HEALTH AND SAFETY

Spark Infrastructure and its investment businesses understand that healthy and safety risks can lead to financial losses and at worst, personal injury or death, if not managed appropriately. Our portfolio businesses maintain leading Work Health and Safety (WHS) frameworks, and key initiatives are described on pages 28-31.

INDUSTRY, REGULATION AND TAXATION

The investment returns from our businesses, which in turn support distributions to Securityholders, are determined by the economic regulatory environment in which they operate. Spark Infrastructure regularly engages with government and regulators to advocate for a regulatory framework that supports efficient investment. An effective regulatory framework is critical to meet the unprecedented changes that the industry is undergoing as we transition to a low carbon emissions future while also continuing to support the needs of consumers.

Taxation also impacts our business, and detailed disclosure on our approach to tax is included in the notes to the Financial Statements.

FINANCIAL MANAGEMENT

Spark Infrastructure recognises the importance of prudent financial risk management as a cornerstone of business success and investor confidence. Financial Risks are managed in accordance with our Treasury Policy which is approved by the Board. Detailed disclosure is set out in the Financial Risk Management section of the notes to the Financial Statements.

CLIMATE RISK

Through targeted investment in the transformation of Australia's energy networks toward clean energy sources, Spark Infrastructure addresses climate-related transition issues as defined by the Task Force on Climate-related Financial Disclosures.

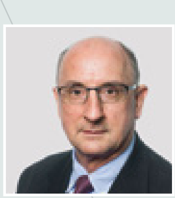
Spark Infrastructure and our investment businesses are also focused on minimising impacts from physical risks of climate change, including the increasing severity and intensity of extreme events such as bushfires and storms. Spark Infrastructure will look to disclose its approach to climate risk management in accordance with the TCFD recommendations over time.

TECHNOLOGY

Spark Infrastructure leverages its deep expertise in energy infrastructure to make sound investments in technology that will support Australia's energy network transformation. Examples of innovation and technology deployment across our portfolio are provided on pages 32-35.

Cybersecurity is also a key focus, given the increased dependency of energy networks on technology solutions and the operation of supervisory control and data acquisition (SCADA) systems by our networks.

BOARD OF DIRECTORS



Dr Doug McTaggart

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

Chair and Independent Director (since December 2015)

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

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

Dr McTaggart is a member of the Remuneration Committee and the Chair of the Nomination Committee.

Mr Richard (Rick) Francis

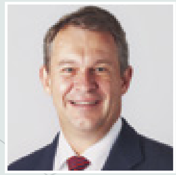
BCom, MBA, CA, GAICD

Managing Director and Chief Executive Officer (since May 2012)

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

Mr Francis has over 25 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure, he was employed by APA Group as Chief Financial Officer and by Origin Energy Limited in various roles. He is also a Chartered Accountant.

Mr Francis has been a director of SA Power Networks and Victoria Power Networks since 2009. He was appointed inaugural Chair of NSW Electricity Networks Operations (TransGrid) in December 2015 and has served as Deputy Chair since June 2016. Mr Francis did not hold any other Australian listed entity directorships within the last three years.



Mr Andrew Fay

BAgEc (Hons), AFin

Independent Director (since March 2010)

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

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

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

Mr Miles George

BEng, MBA, GAICD

Independent Director (since October 2019)

Mr George is a director of the Australian Conservation Foundation. Mr George has over 30 years' experience in project development, investment, financing and management in the renewable energy industry and the broader infrastructure sector. He led the Initial Public Offer and listing of Infigen Energy's business in 2005 and was Managing Director of Infigen Energy from 2009-2016. He was the Interim Chief Executive Officer of CleanCo Queensland until September 2019 and was recently an Advisory Board Member for CGN Capital Partners Infrastructure Fund III.

Mr George was Chair of the Clean Energy Council and is a recognised leader in the Australian renewable energy industry, having served as a Panel Member for both the Australian Energy Market Operator and the Australian Energy Market Commission.

Mr George did not hold any other Australian listed entity directorships within the last three years.

Mr George is a member of the Remuneration Committee, the Audit, Risk and Compliance Committee and the Nomination Committee.

Mr Greg Martin

BEc, LLB, FAIM, MAICD

Independent Director (since January 2017)

Mr Martin is Chair of Iluka Resources Limited and Deputy Chair of Western Power. Mr Martin was a member of the COAG Energy Council Energy Appointments Selection Panel and was previously a director of Santos Limited and Energy Developments Limited and the Australian Energy Market Operator Limited.

Mr Martin has 40 years' experience in the utilities, financial services, energy and energy related infrastructure sectors in Australia, New Zealand and internationally. Mr Martin was CEO and Managing Director of the Australian Gas Light Company for five years. Mr Martin then joined Challenger Financial Services Group as Chief Executive Infrastructure principally engaged in the management of predominantly European and North and South American infrastructure investments.

Mr Martin is Chair of the Remuneration Committee and a member of the Nomination Committee.

Ms Anne Brennan

BCom (Hons), FCA ANZ, FAICD

Non-Executive Director (since June 2020)

Ms Brennan is a director of Argo Investments Limited, Charter Hall Group and Tabcorp Holdings Limited. Ms Brennan is also a Director of NSW Treasury Corporation and Rabobank New Zealand Ltd. She was formerly a director of Nufarm Limited and Metcash Limited.

Ms Brennan has almost 40 years' experience in finance and is an experienced non-executive director and finance executive. As a finance executive, Anne has experience as a CFO of CSR Ltd and as finance director of Coates Hire Ltd. She was also a partner in the transactions business of KPMG, Anderson and EY.

Ms Brennan is the Chair of the Audit, Risk and Compliance Committee and a member of the Nomination Committee.

MANAGEMENT TEAM

Mr Gerard Dover

BSc (Hons), Banking & Finance, FCA (ICAEW), FCT, GAICD

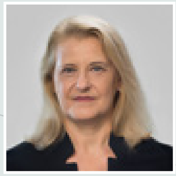
Chief Financial Officer

Mr Dover has extensive experience with private and listed companies. He is a highly commercial executive with an established track record in IPOs, equity and debt raisings, M&A, and performance improvement.

Mr Dover's areas of expertise include power infrastructure and renewable energy, financial and strategic planning, accounting and treasury, IT systems and risk management, with proven competencies in strategy, operations and valuations.

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

Mr Dover was appointed to the position of Chief Financial Officer in October 2019.



Ms Alexandra Finley

Dip Law, MLM, MGIA, MAICD

Chief Risk and Commercial Officer, General Counsel and Company Secretary

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

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

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

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

Ms Sally Mcmahon

BEc (Hons), GAICD

Head of Economic Regulation

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

Ms McMahon is the Chair of the WA Branch of the Women in Economics Network and a member of the Electricity Review Board Panel of Experts in Western Australia.

Ms McMahon is currently an alternate Director of NSW Electricity Networks Operations (TransGrid) and its Regulatory Committee.

Ms McMahon commenced working with Spark Infrastructure in 2016.

Mr Anthony Marriner

BCom, PGDA, CA (SA)

Head of Renewables

Mr Marriner has 20 years' experience in investment banking. For the past approximately 10 years he has had a specific focus on energy and utilities. This has entailed numerous transactions relating to regulated networks as well as renewables. He has held senior roles in South Africa and Australia, and has advised on a significant number of successful privatisations, acquisitions, divestments and mergers. He is also a Chartered Accountant (South Africa).

Mr Marriner commenced working with Spark Infrastructure in 2012.

ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

The Directors of Spark Infrastructure RE Limited[1] present this financial report on the consolidated entity for the year ended 31 December 2020.

The Principal Activity of Spark Infrastructure

During the reporting period, Spark Infrastructure continued to invest in essential services infrastructure businesses, primarily electricity distribution and transmission businesses, in Australia.

In April 2019 Spark Infrastructure acquired the Bomen Solar Farm project north of Wagga Wagga in NSW. Construction commenced in June 2019 with the farm reaching mechanical completion in late January 2020. Energisation was completed on 27 February 2020 with commissioning commencing shortly thereafter, enabling Bomen Solar Farm to commence commercial operations from late-June 2020.

The Nature of Securities in Spark Infrastructure

Spark Infrastructure is a stapled structure comprising two elements:

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

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

Spark Infrastructure's Board of Directors

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

Dr Douglas McTaggart, Chair

Mr Rick Francis, Managing Director and Chief Executive Officer

Mr Andrew Fay

Mr Miles George

Mr Greg Martin

Ms Anne Brennan (appointed 1 June 2020)

Retired during the year

Ms Karen Penrose (retired 27 May 2020)

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

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

Chair and Independent Director (since December 2015)

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

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

Dr McTaggart is a member of the Remuneration Committee and the Chair of the Nomination Committee.

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

Listed Entity	Period directorship held
Suncorp Group Limited	2012 to present

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

Managing Director and Chief Executive Officer (since May 2012)

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

Mr Francis has over 25 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure, he was employed by APA Group as Chief Financial Officer and by Origin Energy Limited in various roles. He is also a Chartered Accountant.

Mr Francis has been a director of SA Power Networks and Victoria Power Networks since 2009. He was appointed inaugural Chair of NSW Electricity Networks Operations (TransGrid) in December 2015 and has served as Deputy Chair since June 2016. Mr Francis did not hold any other Australian listed entity directorships within the last three years.

Mr Andrew Fay BAgEc (Hons), AFin

Independent Director (since March 2010)

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

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

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

Listed Entity	Period directorship held
Cromwell Property Group	2018 to 2020
Pendal Group Limited	2011 to present
Gateway Lifestyle Group	2015 to 2018

Mr Miles George BEng, MBA, GAICD

Independent Director (since October 2019)

Mr George is a director of the Australian Conservation Foundation.

Mr George has over 30 years' experience in project development, investment, financing and management in the renewable energy industry and the broader infrastructure sector. He led the Initial Public Offer and listing of Infigen Energy's business in 2005 and was Managing Director of Infigen Energy from 2009-2016. He was the Interim Chief Executive Officer of CleanCo Queensland until September 2019 and was recently an Advisory Board Member for CGN Capital Partners Infrastructure Fund III.

Mr George was Chair of the Clean Energy Council and is a recognised leader in the Australian renewable energy industry, having served as a Panel Member for both the Australian Energy Market Operator and the Australian Energy Market Commission.

Mr George did not hold any other Australian listed entity directorships within the last three years.

Mr George is a member of the Remuneration Committee, the Audit, Risk and Compliance Committee and the Nomination Committee.

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

Mr Greg Martin BEc, LLB, FAIM, MAICD

Independent Director (since January 2017)

Mr Martin is Chair of Iluka Resources Limited and Deputy Chair of Western Power. Mr Martin was a member of the COAG Energy Council Energy Appointments Selection Panel and was previously a director of Santos Limited, Energy Developments Limited and the Australian Energy Market Operator Limited.

Mr Martin has 40 years' experience in the utilities, financial services, energy and energy related infrastructure sectors in Australia, New Zealand and internationally. Mr Martin was CEO and Managing Director of the Australian Gas Light Company for five years. Mr Martin then joined Challenger Financial Services Group as Chief Executive Infrastructure principally engaged in the management of predominantly European and North and South American infrastructure investments.

Mr Martin is Chair of the Remuneration Committee and a member of the Nomination Committee.

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

Listed Entity	Period directorship held
Iluka Resources Limited	2013 to present
Coronado Global Resources Inc	2018 to 2019

Ms Anne Brennan BCom (Hons), FCA ANZ, FAICD

Independent Director (since June 2020)

Ms Brennan is a director of Argo Investments Limited, Charter Hall Group and Tabcorp Holdings Limited. Ms Brennan is also a Director of NSW Treasury Corporation and Rabobank New Zealand Ltd. She was formerly a director of Nufarm Limited and Metcash Limited.

Ms Brennan has almost 40 years' experience in finance and is an experienced non-executive director and finance executive. As a finance executive, Anne has experience as a CFO of CSR Ltd and as finance director of Coates Hire Ltd. She was also a partner in the transactions business of KPMG, Anderson and EY.

Ms Brennan is the Chair of the Audit, Risk and Compliance Committee and a member of the Nomination Committee.

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

Listed Entity	Period directorship held
Tabcorp Holdings Limited	2020 to present
Argo Investments Limited	2011 to present
Charter Hall Group	2010 to present
Nufarm Limited	2011 to 2020
Metcash Limited	2018 to 2019
Myer Holdings Limited	2009 to 2017

Spark Infrastructure's Executive Team

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

Mr Gerard Dover BSc (Hons), Banking & Finance, FCA (ICAEW), FCT, GAICD

Chief Financial Officer

Mr Dover has extensive experience with private and listed companies. He is a highly commercial executive with an established track record in IPOs, equity and debt raisings, M&A, and performance improvement.

Mr Dover's areas of expertise include power infrastructure and renewable energy, financial and strategic planning, accounting and treasury, IT systems and risk management, with proven competencies in strategy, operations and valuations.

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

Mr Dover was appointed to the position of Chief Financial Officer in October 2019.

Ms Alexandra Finley Dip Law, MLM, MAICD

Chief Risk and Commercial Officer, General Counsel and Company Secretary

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

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

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

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

Ms Sally McMahon BEc (Hons), GAICD

Head of Economic Regulation and Energy Policy

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

Ms McMahon is the Chair of the WA Branch of the Women in Economics Network and a member of the Electricity Review Board Panel of Experts in Western Australia.

Ms McMahon is currently an alternate Director of NSW Electricity Networks Operations (TransGrid) and its Regulatory Committee.

Ms McMahon commenced working with Spark Infrastructure in 2016.

Mr Anthony Marriner BCom, PGDA, CA(SA)

Head of Renewables

Mr Marriner has 20 years' experience in investment banking. For the past approximately 10 years he has had a specific focus on energy and utilities. This has entailed numerous transactions relating to regulated networks as well as renewables. He has held senior roles in South Africa and Australia, and has advised on a significant number of successful privatisations, acquisitions, divestments and mergers. He is also a Chartered Accountant (South Africa).

Mr Marriner commenced working with Spark Infrastructure in 2012.

Review of Operations – Spark Infrastructure

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

Standalone Operating Cash Flows	31 December 2020 $M	31 December 2019 $M	Change Compared to 2019 $M	%
Cash Distributions from Investment Portfolio Businesses				
– Victoria Power Networks[(1)]	**171.5**	159.5	12.0	7.5
– SA Power Networks	**106.6**	116.2	(9.6)	(8.3)
– TransGrid	**22.9**	36.8	(13.9)	(37.8)
Total Cash Distributions Received from Investment Portfolio Businesses	**301.0**	312.5	(11.5)	(3.7)
Net interest (paid)/received	**(1.8)**	1.2	(3.0)	N/M
Bomen Solar Farm margin	**4.7**	–	4.7	N/A
Corporate expenses	**(13.2)**	(13.3)	(0.1)	(0.8)
Underlying Net Standalone Operating Cash Flows – before tax paid	**290.7**	300.4	(9.7)	(3.2)
Less tax paid[(2)]	**(37.9)**	(16.9)	(21.0)	(124.3)
Underlying Net Standalone Operating Cash Flows – after tax paid	**252.8**	283.5	(30.7)	(10.8)
Underlying Adjustments:				
Project and transaction bid costs	**(5.6)**	(5.3)	(0.3)	5.7
Interest on historical tax	**(6.7)**	–	(6.7)	N/A
Other tax paid[(3)]	**(48.0)**	(21.8)	(26.2)	120.2
Net Operating Cash Flows	**192.5**	256.4	(63.9)	(24.9)

(1) 2019 includes repayment of shareholder loans.

(2) 2020 tax paid of $37.9 million represents tax liability in respect of the 31 December 2019 income tax year. 2019 tax paid of $16.9 million represents tax liability in respect of the 31 December 2018 income tax year.

(3) 2020 other tax paid of $48.0.m is comprised of:
– $34.4 million relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO)
– $13.6 million relating to instalments for the 31 December 2020 income tax year, with respect to the SIH No. 1 and SIH No. 2 Tax Consolidated Groups
2019 other tax paid of $21.8 million relates to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office.

Spark Infrastructure's cash flow from operating activities (referred to as standalone operating cash flow (OCF)) for 2020 was $192.5 million, a decrease of 24.9% on 2019. Spark Infrastructure is transitioning over time to being tax-paying. As this transition occurs tax paid between years will vary significantly. For better comparison period on period, underlying standalone OCF before tax payments (ongoing and historical back-tax) and excluding one-off items such as acquisition and project costs, was $290.7 million for the period, a decrease of $9.7 million or 3.2%.

Cash distributions received from investment portfolio businesses

Total distributions received from Victoria Power Networks were $171.5 million, up 7.5% and distributions received from SA Power Networks were $106.6 million, down $9.6 million or 8.3%, reflecting another good period of operations for both businesses. The distribution reduction from SA Power Networks was as anticipated and reflects the transition into its new regulatory determination with lower regulatory revenues from 1 July 2020. Total distributions received from TransGrid were $22.9 million, down $13.9 million or 37.8%. The decrease was primarily due to TransGrid retaining a portion of operating cash for capital expenditure growth.

Corporate expenses

Spark Infrastructure's recurring corporate expenses decreased by $0.1 million or 0.8% to $13.2 million during 2020 primarily due to a reduction in corporate travel costs and payroll tax.

Tax Paid

During 2020, Spark Infrastructure paid a total of $85.9 million income tax, this amount comprised of income tax in respect of a number of income years and in respect of both the SIH No. 1 and SIH No. 2 tax consolidated groups. Of this, $34.4 million is the outstanding balance (i.e. 50%) of the income tax liability attributable to the income tax years 31 December 2015 to 31 December 2018 inclusive. $33.7 million is attributable to the 31 December 2019 income tax year net of instalments made in 2019 of $4.2 million. The remaining $13.6 million relates to tax instalments in respect of 31 December 2020 income tax year.

Underlying tax paid in 2020 of $37.9 million represents the tax liability in respect of the 31 December 2019 income tax year. Tax paid of $16.9 million represents the tax liability in respect of the 31 December 2018 income tax year.

Prior to the decision of the Full Federal Court regarding Victoria Power Networks and the tax treatment of gifted assets and cash contributions, Spark Infrastructure had settled in full its outstanding liability with the Australian Taxation Office in respect of SIH No. 2 and its investment in the SA Power Networks Partnership. This settlement was on the basis that the Full Federal Court upheld the decision of the Federal Court for both gifted assets and cash contributions, and was done for capital management purposes.

OPERATING AND FINANCIAL REVIEW CONTINUED

Review of Operations – Spark Infrastructure continued

On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions and found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets. As a consequence, Spark Infrastructure now anticipates a partial refund in respect of prior year taxes paid. It is estimated that this refund will be in the order of $40 million with a refund of interest in respect of underpayment of prior year taxes also anticipated of $5.0 million.

Distributions to Securityholders

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

During the year Spark Infrastructure paid a final distribution for 2019 of $127.4 million to Securityholders in March 2020, representing 7.5 cents per security (cps), and paid an interim distribution to Securityholders of $120.5 million in September 2020 for the half year to 30 June 2020. This represented a distribution of 7.0 cps.

The Directors have declared a final distribution for 2020 of 6.5 cps bringing the full year distribution in respect of 2020 to 13.5 cps. This will be paid in March 2021. This is the first time Spark Infrastructure Trust distributions have attracted franking credits with the final 2020 distribution for the Trust carrying franking credits of 2.1 cps. The interim and final distributions are fully covered by operating cash flows, and are in line with distribution guidance previously provided.

Spark Infrastructure has a Distribution Reinvestment Plan (DRP) in operation. The Directors regularly assess the operation of the DRP and have determined that it will remain active for the final distribution payable in March 2021. The DRP will be used for general corporate purposes, including to part fund growth opportunities in TransGrid and Value Build opportunities (as appropriate). The DRP will not be underwritten and participating Securityholders will be issued Spark Infrastructure stapled securities at a discount of 2.0% to the price specified under the DRP rules.

Financial Performance - Spark Infrastructure

Underlying Profit before Loan Note Interest and Income Tax	31 December 2020 $M	31 December 2019 $M	Change Compared to 2019 $M	Change Compared to 2019 %
Profit before loan note interest and income tax	**280.3**	258.5	21.8	8.5
Addback Project and transaction bid costs[1]	**4.2**	6.0	(1.8)	(30.0)
Addback Interest and tax shortfall penalties[2]	**3.0**	-	3.0	N/A
Less unrealised gains from derivative instruments – Bomen Solar Farm related	**(35.7)**	(6.8)	(28.9)	N/A
Underlying Profit before Loan Note Interest and Income Tax[3]	**251.8**	257.7	(5.9)	(2.3)

(1) Includes project costs and Bomen Solar Farm transaction bid costs, incurred before commercial operations commenced.

(2) Interest charge of $6.7 million less expected refund of $5.0 million and tax shortfall penalties of $1.3 million on historical tax payments made – refer Australian Tax Office Matters below for more information.

(3) Numbers may not add due to rounding.

Financial Position - Spark Infrastructure

Total equity and Loan Notes book value decreased by $17.1 million during 2020 to $2,694.0 million.

Net profit after income tax increased retained earnings by $105.0 million, while Spark Infrastructure's share of the investment portfolio businesses mark-to-market movements on interest rate derivatives and actuarial losses on defined benefit superannuation plans decreased retained earnings and reserves by $74.7 million.

Capital distributions totalling $127.4 million were paid to Securityholders during the year offset by securities and loan notes issued under the March and September DRPs of $80.0 million.

Spark Infrastructure had available cash on hand at 31 December 2020 of $31.9 million, excluding $5.0 million in cash held to comply with its Australian Financial Services Licence. During February 2020, Spark Infrastructure executed $400.0 million of bilateral corporate debt facilities maturing in February 2023, replacing its previous $120.0 million bilateral facilities. The facilities are with banks from the prior facilities, namely the Commonwealth Bank of Australia, MUFG Bank, Ltd and Mizuho Bank Ltd, and now include Westpac Banking Corporation, Sumitomo Mitsui Banking Corporation and China Construction Bank Corporation. Spark Infrastructure pays an average margin of 95 basis points above the applicable bank bill swap rate on amounts drawn from these facilities. A total of $40.0 million of available facilities were drawn down as at 31 December 2020.

Spark Infrastructure targets investment grade credit ratings for each of the businesses in its portfolio and at the corporate level.

Spark Infrastructure requires that the assets in its portfolio are fully hedged against currency fluctuations on foreign currency borrowings. In terms of interest rate hedging, as at 31 December 2020, Victoria Power Networks, SA Power Networks and TransGrid had 94%, 89% and 84% of gross debt hedged respectively, with interest rate swaps with terms between one and ten years in place and some fixed rate debt. This substantially limits the impact of volatility in the movement of interest rates on the financial results of these businesses.

In addition to the above, the Group has interest rate hedge arrangements with Mizuho Bank Limited, MUFG and Commonwealth Bank to allow the Group to fix interest rates of 1.22% to 1.35% on the notional amount (up to $120 million combined) for three to ten years in relation to the debt facilities drawn in relation to the Bomen Solar Farm. The Group has chosen to apply cash flow hedge accounting to reduce the volatility in the statement of profit or loss in relation to these arrangements.

Review of Operations – Investment Portfolio Businesses

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

	31 December 2020 $M	31 December 2019 $M	Change Compared to 2019 $M	%
Proportional Results (Spark Infrastructure's Share)				
Distribution and Transmission Revenue	**1,022.8**	998.1	24.7	2.5
Other Revenue	**155.0**	168.2	(13.2)	(7.8)
Total Revenue	**1,177.8**	1,166.3	11.5	1.0
Operating Expenses	**(330.6)**	(326.4)	(4.2)	1.3
Beon Margin	**9.8**	5.5	4.3	78.2
Enerven Margin	**13.3**	11.2	2.1	18.8
EBITDA	**870.3**	856.6	13.7	1.6
Net Finance Expenses	**(181.4)**	(183.3)	1.9	(1.0)
EBTDA	**688.9**	673.3	15.6	2.3

Victoria Power Networks (100% basis)	31 December 2020 $M	31 December 2019 $M	Variance $M	%
Distribution Revenue(1)	**1,001.1**	956.9	44.2	4.6
Advanced Metering Infrastructure (AMI) Revenue	**81.4**	85.7	(4.3)	(5.0)
Semi-regulated Revenue	**62.4**	60.8	1.6	2.6
Other Unregulated Revenue	**42.0**	47.0	(5.0)	(10.6)
Total Revenue (excluding Beon Energy Solutions (Beon))	**1,186.9**	1,150.4	36.5	3.2
Operating Expenses (excluding Beon)	**(303.9)**	(312.8)	8.9	(2.8)
Beon Margin	**20.1**	11.3	8.8	77.9
EBITDA	**903.1**	848.9	54.2	6.4
Depreciation and Amortisation	**(325.0)**	(316.4)	(8.6)	2.7
Net Finance Expenses	**(165.6)**	(167.2)	1.6	(1.0)
Interest on Subordinated Debt	**(102.3)**	(104.5)	2.2	(2.1)
Tax Expense	**(97.0)**	(83.2)	(13.8)	16.6
Net Profit after Tax	**213.2**	177.6	35.6	20.0
Net Capital Expenditure	**585.2**	507.6	77.6	15.3
RAB	**6,635**	6,339	296	4.7
Net Debt/RAB (%)	**72.3%**	70.9%	N/A	+1.4%
FFO/Net Debt (%)	**13.8%**	15.2%	N/A	-1.4%

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

OPERATING AND FINANCIAL REVIEW
CONTINUED

Review of Operations – Investment Portfolio Businesses continued

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

During the year, there was a 3.2% increase in regulated, semi-regulated and unregulated revenue at Victoria Power Networks. 2020 was the final year of the current regulatory determinations for Citipower and Powercor. The businesses have both entered into new regulatory determinations from 1 January 2021.

Distribution Use of System (DUoS) revenue increased during 2020 by 4.6% to $1,001.1 million (2019: $956.9 million). The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors (the real increase in annual expected regulated revenue) and the year on year movement in incentive payments.

The X-factor applicable from 1 January 2020 for Powercor was -2.40% (2019: -3.02%) and for CitiPower was -1.88% (2019: -0.12%), which represent real increases in revenues before the CPI uplift of 1.59% (2019: 2.08%) for 2020. DUoS revenue increased by $37.1 million on 2019 as a result of the CPI-X adjustments.

Included within the CPI-X adjustment for Powercor was an amount for costs associated with the installation of Rapid Earth Fault Current Limiters (REFCLs) mandated by the Victorian State Government. REFCLs are a bushfire mitigation technology that work to prevent bushfires starting from fallen powerlines. Powercor is required to install REFCLs at 22 zone substations in Victoria's highest bushfire risk regions within Powercor's network by 1 May 2023. Powercor is well advanced in the delivery of this program, successfully completing Tranche One ahead of the 30 April 2019 target date and is on track to meet the Tranche Two deadline by 30 April 2021. From the start of the 2020/21 summer season, the business will have REFCLs operational at 14 zone substations, protecting over 13,000 km of network and making the Powercor communities safer.

DUoS revenue for 2020 also included $22.2 million of Service Target Performance Incentive Scheme (STPIS) recovery relating to the 2017 regulatory year. DUoS revenue for 2019 included $15.0 million of STPIS recovery relating to the 2017 regulatory year. The purpose of the STPIS is to provide incentives to electricity distributors to maintain and improve the existing supply reliability and customer service performance to customers. STPIS recovery represents outperformance of reliability and call centre targets as set by the regulator.

Revenue from AMI decreased by 5.0% to $81.4 million in 2020 reflective of the depreciating AMI RAB.

Victoria Power Networks' semi-regulated revenues increased 2.6% to $62.4 million, mainly due to an increase in new connections. The volume of new connections increased 2% compared to previous year driven largely by residential growth in the Powercor network.

Victoria Power Networks' unregulated revenue (excluding Beon) decreased by 10.6% to $42.0 million in the year. The decrease is primarily due to one-off proceeds from sale of properties in the previous year.

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

Operating expenses for Victoria Power Networks decreased by 2.8% to $303.9 million in 2020. The movement year on year was impacted by a net $20.8 million positive (non-cash) revaluation adjustment to employee entitlements provisions as a result of a fall in bond rates in the previous year. Adjusting for this impact, operating expenses increased by $12.0 million or 4.0% as a result of higher lines maintenance, faults and insurance costs.

Beon Energy Solutions

The Beon Energy Solutions business continues to perform well, with unregulated revenue earned of $233.8 million in 2020 driven largely by a number of new solar farm projects (including the Bomen Solar Farm). The overall margin earned increased by $8.8 million to $20.1 million.

External financing expenses

Victoria Power Networks' net finance expenses decreased in 2020 by $1.6 million to $165.6 million. The decrease was primarily due to lower interest charges on refinanced debt partially offset by a $1.9 million loss on a non-cash credit valuation hedge adjustment recognised in 2020 (2019: $0.4 million gain).

Tax Expense

Victoria Power Networks' tax expense increased in 2020 by $13.8 million to $97.0 million. The increase was primarily due to an increase in profit before tax.

Capital expenditure

Continued investment in the augmentation and maintenance of the CitiPower and Powercor networks resulted in a 15.3% increase in net capital expenditure in 2020 to $585.6 million. COVID-19 has not impacted the delivery of the capital program in the year and the main drivers for the uplift in capital spend compared to the previous year relate to the continuation of the REFCL program, the pole replacement program and development of new depots.

SA Power Networks (100% basis)	31 December 2020 $M	31 December 2019 $M	Variance $M	%
Distribution Revenue[1]	**849.2**	848.8	0.4	-
Semi-regulated Revenue	**81.4**	97.3	(15.9)	(16.3)
Unregulated Revenue	**11.6**	14.0	(2.4)	(17.1)
Total Revenue	**942.2**	960.1	(17.9)	(1.9)
Operating Expenses	**(301.2)**	(292.2)	(9.0)	3.1
Enerven Margin	**27.1**	22.8	4.3	18.9
EBITDA	**668.1**	690.7	(22.6)	(3.3)
Depreciation and Amortisation	**(325.6)**	(306.5)	(19.1)	6.2
Net Finance Expenses	**(137.2)**	(138.7)	1.5	(1.1)
Interest on Subordinate Debt	**(72.7)**	(72.5)	(0.2)	0.3
Tax Expense[2]	**(3.5)**	(3.5)	-	-
Net Profit after Tax	**129.1**	169.5	(40.4)	(23.8)
Net Capital Expenditure	**368.7**	405.6	(36.9)	(9.1)
RAB[3]	**4,395**	4,340	55.0	1.3
Net Debt/RAB (%)	**73.9%**	74.5%	N/A	-0.6%
FFO/Net Debt (%)	**15.9%**	16.7%	N/A	-0.8%

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

(2) Tax expense relates to Enerven Energy Infrastructure Pty Ltd, a subsidiary company of SA Power Networks. SA Power Networks is itself a partnership and as such all of its taxable income is recognised at the Spark Infrastructure level as is the related tax expense.

(3) Including public lighting RAB.

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

During the year there was a 1.9% decrease in regulated, semi-regulated and unregulated revenue at SA Power Networks. SA Power Networks commenced its new five-year regulatory determination on 1 July 2020, hence 2020 represents the final six months of the previous determination and six months of its new determination. The new regulatory determination has lower revenues for the next five years with the regulatory rate of return based on a risk-free rate of 0.9%.

SA Power Networks increased its DUoS revenue by $0.4 million to $849.2 million in 2020. The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments.

The X-factor (the real increase in annual expected regulated revenue) applicable from 1 July 2019 was -0.85%, which represents a real increase in revenues before CPI of 1.78% (at 1 July 2019). DUoS revenue increased by $10.7 million as a result of the CPI-X adjustment. SA Power Networks was not required to apply an X-factor for 2020/21 because the AER set the 2020/21 expected revenue in its Final Determination. The expected revenue for 2020/21 is around 9.4% lower than the approved total annual revenue for 2019/20 in real terms, or 7.3 % lower in nominal terms.

DUoS revenue for 2020 also included $34.0 million of STPIS recovery relating to the 2018/19 and 2017/18 regulatory years. DUoS revenue for 2019 included $29.3 million of STPIS recovery relating to the 2017/18 and 2016/17 regulatory years.

Semi-regulated revenues were down by 16.3% on 2019 to $81.4 million. The decrease was largely due to a prior year $6.5 million public lighting provision write-back and current year provision of $5.0 million. Excluding this, semi-regulated revenues were down 4.8% as a result of declining activity across all areas of asset relocation, embedded generation and council funded replacement of public lighting.

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

SA Power Networks' operating expenses were $301.2 million, an increase of 3.1% from 2019. This increase was largely due to a revised corporate overhead capitalisation policy resulting in an increase in costs in 2020 offset by the impact on 2019 of provisions raised in relation to the November and December bushfire events in 2019 and reduced expenditure in connection with emergency response and lower labour costs.

Enerven

Unregulated revenue received by Enerven increased by 10.4% to $296.2 million (2019: $268.2 million) in 2020. The Enerven margin increased by $4.3 million driven largely by commercial solar installations, such as the SA Water solar initiative and ElectraNet construction projects. Enerven was engaged in deploying solar and battery capability to a significant number of SA Water sites under a framework contract of up to $300 million in revenue over 2019 and 2020. The increase was partially offset by a reduction in revenues from the NBN contract as the project was completed in 2019.

Depreciation and Amortisation

Depreciation and amortisation increased by 6.2% to $325.6 million largely due to the write-down of metering contestability software that will be replaced by a new billing system in 2021.

External financing costs

Net finance costs decreased by 1.1% during the year to $137.2 million principally as a result of lower interest on refinanced debt partially offset by a net $0.7 million movement (loss) in a non-cash credit valuation hedge accounting adjustment. The credit valuation hedge adjustment is a change to the market value of derivative instruments to account for counterparty credit risk.

Capital expenditure

Continued investment in the augmentation and maintenance of the South Australian network resulted in net capital expenditure of $368.7 million in 2020, a decrease of 9.1% on 2019. The reduction is mainly attributable to decreased network expenditure in line with the new regulatory determination and lower capitalised overheads.

OPERATING AND FINANCIAL REVIEW CONTINUED

Review of Operations – Investment Portfolio Businesses continued

TransGrid (100% basis)	31 December 2020 $M	31 December 2019 $M	Variance $M	Variance %
Transmission Revenue[(1)]	**773.6**	754.5	19.1	2.5
Unregulated Revenue	**124.2**	120.1	4.1	3.4
Other Revenue[(2)]	**(1.4)**	5.4	(6.8)	N/A
Total Revenue	**896.4**	880.0	16.4	1.9
Regulated Operating Expenses	**(165.1)**	(155.6)	(9.5)	6.1
Unregulated Operating Expenses	**(62.2)**	(43.4)	(18.8)	43.3
EBITDA	**669.1**	681.0	(11.9)	(1.7)
Depreciation and Amortisation	**(348.4)**	(354.2)	5.8	(1.6)
Net Finance Expenses	**(220.3)**	(222.2)	1.9	(0.9)
Interest on Shareholder Loans	**(62.0)**	(79.8)	17.8	(22.3)
Net Profit/(Loss)	**38.4**	24.8	13.6	54.8
Capital Expenditure	**708.2**	493.3	214.9	43.6
Regulated and Contracted Asset Base (RCAB)	**7,516.5**	7,126.0	390.5	5.5
Net Debt/RCAB[(3)(4)] (%)	**80.7%**	80.2%	n/a	+0.5%
FFO/Net Debt[(5)] (%)	**7.4%**	8.1%	n/a	-0.7%

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

(2) FY2020 amount includes ($1.7 million) negative revaluation of investment property.

(3) Regulated and contracted asset base. RCAB is based on 31 December 2020 estimate.

(4) Net Debt is calculated using gross debt less cash and adjusted for prescribed revenue over/(under) collection and includes TransGrid Services.

(5) Relates to TransGrid Obligor Group.

Regulated revenue

TransGrid's Transmission Use of System (TUoS) revenue increased by 2.5% in 2020 to $773.6 million. TransGrid is mid-way through its current five-year regulatory period which runs until 30 June 2023. The increase in TUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors, year on year movement in incentive payments and an adjustment relating to the revocation and substitution of TransGrid's revenue determination for the 2014-2018 regulatory period as advised by the AER.

- TransGrid's TUoS X-factor, which applied from 1 July 2019, was -0.97%, resulting in a real increase in revenues before CPI through to 30 June 2020. The X-factor applying from 1 July 2020 was -0.17%, a further real increase before CPI. The inflation rates applying from 1 July 2019 and 1 July 2020 were 1.80% and 1.80% respectively. TUoS revenue increased in 2020 by $18.2 million as a result of the CPI-X adjustments.
- TransGrid's TUoS revenue for 2020 also included $15.3 million of STPIS benefits relating to the 2018 and 2019 calendar years. In 2019, TUoS revenue included $16.1 million of STPIS benefits relating to the 2017 and 2018 calendar years.

Unregulated revenue

Unregulated revenue was $124.2 million, an increase of $4.1 million on 2019.

Unregulated revenue includes $106.2 million of infrastructure services revenue which was mainly derived from transmission connections and line modifications (and associated consulting services) as part of asset relocations and telecommunications growth in data services and co-location facilities. The increase was primarily a result of an increase in the number of completed new infrastructure connections in the current year.

Unregulated revenue also included $13.1 million (2019: $11.1 million) from telecommunications and $4.9 million (2019: $5.0 million) from property services, consistent with the prior year.

Operating expenses

Regulated operating expenses increased by 6.1% to $165.1 million, principally due to bushfire remediation costs of $12.8 million incurred as a result of damage sustained during the November and December 2019 bushfires. Excluding this amount regulated operating expenses decreased by 2.1% due to lower operational costs as a result of operating efficiencies gained.

Unregulated operating expenses and other costs were $62.2 million, an increase of $18.8 million, mainly due to an increase in new infrastructure connections, partially offset by a reduction in line modification projects. Additional project development costs were incurred to support the acceleration of TransGrid's rapidly expanding non-prescribed connections pipeline, which is delivering increased contracted revenue growth.

External financing expenses

TransGrid's net finance expenses for 2020 decreased by 0.9% to $220.3 million. The decrease is primarily due to lower short-term market interest rates, partially offset by the interest expense on increased debt utilisation on existing and new facilities.

Capital expenditure

Capital expenditure was $708.2 million, an increase of $214.9 million on 2019. Regulated capital expenditure increased by 96.7% to $501.0 million mainly due to investment in augmentation projects including Powering Sydney's Future, Stockdill Switching Station and ISP projects including Energy Connect, QNI Minor upgrade project and higher maintenance capital expenditure. Unregulated capital expenditure in 2020 of $207.2 million was due to a number of solar farm connections and additional telecommunications capital expenditure.

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

Bomen Solar Farm

On 17 April 2019, Spark Infrastructure acquired a 100% interest in the 120 $MW_{(DC)}$/100 $MW_{(AC)}$ Bomen Solar Farm project, located 10 km north-east of Wagga Wagga in NSW. Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor. Bomen Solar Farm connects into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. A further 0.5 $MW_{(DC)}$ was added through optimised design.

Construction of Bomen Solar Farm commenced in June 2019 and reached mechanical completion in late January 2020. Energisation was completed on 27 February 2020 and commissioning commenced in late February. Bomen Solar Farm has been able to export 100% of generation since late-June 2020, with all inverters live and operational, after which there were no further restrictions applied to the farm's output.

Power purchase agreements (PPAs)

Bomen Solar Farm produces electricity and Large-Scale Renewable Generation Certificates (LGCs). Bomen Solar Farm has long-term PPAs in place with high-quality counterparties providing stable and predictable cash flows for up to ten years. Under the PPA arrangements, the difference between the market and the contract price is settled on a net basis with the counterparty. Bomen Solar Farm has PPAs with Westpac for ten years and with Flow Power for a range of contract durations of five, seven and ten years. These provide a strong and stable revenue stream which is ~95% contracted for the first five years and ~82% contracted over the first ten years. Bomen Solar Farm is expected to generate average annual revenue of approximately $13.5 million for the first five years.

Bomen Solar Farm (100% basis)	Underlying 31 December 2020 $M
PPA Fixed Revenue	**6.2**
Merchant Electricity Revenue	**0.1**
Merchant LGC Revenue	**0.7**
Total Revenue	**7.0**
Operating Expenses	**(1.7)**
EBITDA	**5.3**

Bomen Solar Farm performed well during the first six months of operations from 1 July to 31 December 2020, generating total revenues of $7.0 million (excluding unrealised gains on PPA). The performance has been underpinned by the fixed revenues associated with the PPA agreements with Westpac and Flow Power. Bomen Solar Farm generated 105.1 GWh of renewable energy during the period, experienced minimal downtime and had no material curtailment or outages. Strong pricing in the LGC market supported the generation of $0.7 million during the period of operation in 2020 through the sale of merchant LGCs.

Increased rainfall experienced in the period has supported the regeneration of grass at Bomen Solar Farm post construction. Operating expenditure has been in line with expectations and has included additional vegetation management to address the increased growth in grass on site.

In January 2021 there was a fault to Bomen Solar Farm's 33 kV switchgear at the onsite substation. The fault resulted in Bomen Solar Farm going offline for 20 days. Restoration of the fault is complete and the farm recommenced generation on 31 January 2021. The solar farm is still in the Defect Liability Period under the EPC contract and it is therefore the EPC Contractor's responsibility to arrange for repair and restoration at their cost. The outage will also result in liquidated damages (subject to a cap) being paid by the O&M Contractor under the O&M Contract (in terms of the quarterly Availability Guarantee), which will partially offset the non-material loss of revenue estimated at approximately $1.0 million. The fault is still under investigation by the manufacturer.

Australian Tax Office Matters

As previously disclosed, Victoria Power Networks has had an ongoing dispute with the ATO in respect of the tax treatment of certain cash contributions and gifted assets made by customers to Victoria Power Networks as part of contractual arrangements with these customers.

The dispute culminated in a hearing in the Federal Court in early December 2018, with the decision of that court subsequently appealed to the Full Federal Court in August 2020. On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions and found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets.

In summary, the Full Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt. This decision was consistent with the Federal Court decision and confirmed the ATO's view; and
- For assets transferred to Victoria Power Networks from customers (i.e. gifted assets), the receipt of the gifted assets will not give rise to an amount of assessable income (after the offset of any rebate paid by Victoria Power Networks to the customer) to Victoria Power Networks. This decision reversed the decision of the Federal Court and confirms Victoria Power Networks' view of the tax treatment of such assets.

As there has been no further appeal by either party, the decision of the Full Federal Court is final in respect of the tax treatment of both cash contributions and gifted assets.

Due to the decision of the Full Federal Court outlined above and the similarities between the factual position of Victoria Power Networks and SA Power Networks it is believed that there is now a sufficient basis for the tax treatment to be finalised. This means the tax treatment of cash contributions remains unchanged from the prior year but the tax treatment of gifted assets is reversed.

OPERATING AND FINANCIAL REVIEW
CONTINUED

Australian Tax Office Matters continued

As such, a tax receivable has been recognised of $40.0 million by SIH No.2 as the head entity for the SIH No. 2 tax consolidated group for the periods up to and including the year ended 31 December 2020. This reflects the estimated refund that is anticipated that SIH No.2 will receive in respect of prior years for overpayment of tax as a consequence of including gifted assets in assessable income. It is also anticipated that SIH No. 2 will receive a refund of interest that was paid in respect of underpayment of tax in prior years due to gifted assets being originally judged to be assessable for tax purposes. An interest receivable balance of $5.0 million has been recognised in this regard. The ATO also issued shortfall penalty notices for $1.3 million in respect of the lodgement of prior year income tax returns and the basis upon which such returns were submitted. SIH No. 2 has objected to these penalty notices but no formal decision has been made in respect of these penalty amounts.

Victoria Power Networks became a taxpayer in respect of the 31 December 2019 year with tax paid of $30 million paid in June 2020. As a consequence of the litigation outcome Victoria Power Networks anticipates a refund of $23.0 million in respect of 31 December 2019. Victoria Power Networks expects to access the Government's COVID -19 economic recovery measures which include the temporary full expensing of capital expenditure for the 31 December 2020 to 31 December 2022 years. The anticipated overall impact is timing in nature, which gives rise to lower tax liabilities in the above income years.

As at 31 December 2020, the Spark Infrastructure Group has collectively paid $124.3 million of income tax, with a refund of $40 million as discussed above anticipated. The net amount of $84.3 million represents approximately 4.9 cents per security (cps) of franking credits of which 2.1 cps have been attached to the final distribution for 31 December 2020. The remaining 2.8 cps along with ongoing tax payments made by Spark Infrastructure and franking credits received by Victoria Power Networks are expected to result in partial franking of the distribution on an ongoing basis.

Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets to determine whether there is any indication that those assets have suffered an impairment loss. At 31 December 2020, Directors determined that no indicators of impairment existed for Spark Infrastructure's investments in Victoria Power Networks, SA Power Networks, TransGrid or Bomen Solar Farm and no impairment testing was undertaken.

Update on Energy and Regulatory Matters

Regulatory Determinations

On 5 June 2020, the Australian Energy Regulator (AER) released the final determination for SA Power Network's five-year regulatory period commencing on 1 July 2020. The AER's final determination was broadly in line with SA Power Network's revised proposal. The rate of return in the final decision reflects the prevailing low risk-free rate and inflation, together with the reduced equity risk premium as set out under the Rate of Return Instrument.

On 20 September, the AER released its draft determination for Victoria Power Networks (CitiPower and Powercor) for the regulatory period commencing 1 July 2021 (and transition period between 1 January 2021 and 30 June 2021). The draft decision reduced Victoria Power Network's revenue by 11% compared to the proposal driven mainly by reductions in the regulated return under the 2018 Rate of Return Instrument and reductions to expenditure allowances. Victoria Power Network's revised proposal provided on 3 December 2020 provided further information to support expenditure and a 2.5% increase in revenue from the draft decision. A final decision is due in April 2021.

These processes will provide revenue certainty for SA Power Networks and Victoria Power Networks until 30 June 2025 and 30 June 2026 respectively. The AER formally commenced TransGrid's revenue process for the regulatory period commencing on 1 July 2023 in November 2020 by consulting on changes to the Framework and Approach. Once finalised in July 2021, the Framework and Approach sets out service classification and incentive schemes to guide TransGrid's proposal due in January 2022.

Contingent Project Applications (CPAs)

TransGrid received approval of the CPA for the NSW-QLD Interconnector (QNI-minor) in April 2020 following approval that the regulatory investment test for transmission (RIT-T) was satisfied in March 2020. The AER's decision supports capital cost of $218 million and an increase in TransGrid's revenue in the current regulatory period of $28.2 million.

TransGrid lodged its CPA for the $45 million Victoria-NSW Interconnector (VNI) project in November 2020. The AER is assessing the CPA concurrently with the RIT-T with a decision expected in the first quarter of 2021. If approved, TransGrid's revenue will be increased by $9.4 million in the current regulatory period.

TransGrid provided updated information to the AER in September 2020 to support the $1.9 billion Project EnergyConnect. The AER released it's preliminary view in December 2020 that the capital costs should be 10% lower and that it was unable to make a final decision until TransGrid's Board commits to undertake the project and the Australian Energy Market Commissions (AEMC) review of the financeability rule change proposal lodged by TransGrid in October 2020 is complete.

TransGrid lodged a rule change proposal with the AEMC in October 2020 to remove the requirement to index the asset base of major ISP projects for inflation. The changed rule would bring forward the recovery of revenue to be more in line with the expected financing costs of the project. The AEMC released its draft determination in early February that the rule change is not warranted. A final determination is expected in April 2021. TransGrid remains in discussion with the AEMC and AER and has not yet made any decision to proceed or not with the project.

Powercor has continued its program to roll out REFCLs in Victoria with the AER approving the CPA for Powercor's third tranche of REFCLs in January 2020.

(1) Small retailers exclude AGL Energy, Energy Australia, ERM Power, Lumo Energy, Momentum Energy, Origin Energy, Red Energy, Simply Energy, Stanwell Corporate and all of their affiliates.

Energy and regulatory policy

Response to the COVID-19 pandemic

Our businesses provided support for electricity customers in hardship due to COVID-19 as part of the Network Relief Package announced by Energy Networks Australia (ENA). This package provided for network charges to residential customers of small retailers[(1)] and business customers to be waived, and network charges to residential customers of large retailers to be deferred for the period 1 April to 30 June 2020. The package also ensured there would be no disconnections without customer agreement before 31 July 2020, waived disconnection and reconnection fees for small business customers that have ceased operation, and minimised frequency and duration of planned outages.

Support has continued under the new rule (Deferral of Network Charges) that enables some retailers to defer the payment of network charges for small customers in hardship for six months for the period 6 August 2020 to 6 February 2021. This rule intends to support retailers that may be in hardship due to customers in hardship during the COVID-19 economic crisis not paying bills. Where distribution network charges are deferred, transmission network charges can also be deferred. Retailers will be required to pay 3% interest on deferred charges which will not be included in revenue for the purposes of revenue adjustments. This rule does not apply in Victoria.

The Victorian distributors (including CitiPower and Powercor) have adopted a similar scheme to allow certain retailers to defer the payment of network charges incurred between August 2020 and January 2021, for a subset of customers, for a period of six months. It will apply to bills issued in the period 1 September 2020 to 28 February 2021. The modified network tariff relief package will not require retailers to pay 3% per annum interest to distributors on deferred charges.

The Group continues to monitor developments in the COVID-19 pandemic. Impact on the Group's financial results, cash flows and financial position will continue to be monitored and has had an immaterial impact of $2.3 million of forgone revenue on the businesses 31 December 2020 results. The extent and longer-term impacts of COVID-19 cannot yet be determined and may impact future financial results.

Rate of Return Instrument (RORI) and inflation

The RORI that establishes the regulated rate of return is reviewed every four years and the AER has commenced the review for the 2022 RORI. The early process has included a series of papers providing updated data and preliminary views on the estimation approach in advance of the active phase due to commence in May 2021.

The AER finalised its review of the regulatory treatment of inflation in December 2020. While the RORI remains the governing instrument for the efficient cost of capital, the AER's treatment of inflation can affect the opportunity for a business to receive revenue commensurate with the efficient cost of capital. The AER has revised its method for forecasting expected inflation to match the term of the regulatory period and lengthened the time for reverting to the mid-point of the RBA's target range (2.5%) and the RBA short-term forecasts. This change is most likely to reduce the difference between market expectations of inflation and the AER's forecast and improve the likelihood that returns to equity investors in network businesses will be closer to the allowed regulated return. This change in methodology is to be adopted for Victoria Power Networks' regulatory period commencing 1 July 2021.

AEMO Integrated System Plan (ISP)

The final rules to make the ISP actionable came into effect on 1 July 2020. These rules streamline regulatory processes for projects identified in the ISP whilst retaining a cost benefit assessment and preventing misalignment between the ISP and the RIT-T. By formalising the role, process, and function of the ISP, the specific rules to apply to 'Actionable' ISP projects will improve the certainty and timing of investment in transmission augmentation.

AEMO released its final 2020 ISP in July 2020. The ISP is a whole-of-system plan to maximise net market benefits and deliver low-cost, secure and reliable energy through its transition to a range of plausible energy futures. It includes approximately $20 billion in investment in interconnectors and supporting renewable energy zones (REZs) and is expected to deliver $11 billion in net market benefits. The plan is based on findings that distributed generation capacity is expected to double or even triple and over 26 GW of new grid-scale renewables is needed. The critical role of investment in transmission interconnectors and support for REZs was confirmed.

The ISP identified more than $7 billion investment in Actionable ISP Projects in NSW (expected to be delivered by TransGrid) before the end of 2028. This includes VNI Minor, Project EnergyConnect, HumeLink and Central-West Orana REZ transmission link and VNI West (subject to conditions). Preparatory works are required for Future ISP projects that will support the New England and North-West NSW REZs and supply to Sydney/Newcastle/Wollongong. AEMO recognised that there have been some significant changes in the cost of transmission and generation projects including an increase in the estimated cost of Project EnergyConnect.

Support for the investment outlined in the ISP is also provided in the NSW Government's Transmission Infrastructure Strategy released in November 2018 and Electricity Strategy released in November 2019. These strategies aim to encourage interconnection and regional development of REZs, including a plan to deliver the Central-West Orana, New England and South-West REZs, and reduce barriers to investment. This includes seeking registers of interest and providing funding. Increased transmission (and specifically Project EnergyConnect) is also part of the SA Government's long-term electricity strategy.

Post 2025 National Electricity Market and Renewable energy zones

The Energy Security Board (ESB) released a Directions paper in January 2020 that summarised the progress and positions on various elements of the work undertaken during 2020 as part of its review of the post 2025 national electricity market (NEM) design. This included supporting a package of rule changes and further work on developing markets for essential services (including system strength, fast frequency response and operating reserves), integrating distributed energy resources, implementing local marginal pricing and financial transmission rights, and establishing two-sided markets.

The ESB is developing rule changes to support a REZ framework in advance of Grid Access reforms. The proposed rule changes will incorporate REZs in the ISP, provide for the role of a jurisdictional planner to develop a detailed and staged development plan for priority REZs, and co-ordinate and develop a framework to support staged development of REZs and identify required transmission infrastructure and the location of connection hubs within a REZ. The framework is expected to cover regulated investment and include a REZ-specific access regime that provide generators with firm capacity rights. Recommendations are to be provided to NEM Ministers in April 2021.

The development of REZs is being further progressed in parallel by state governments through a series of reforms including underwriting support and assurance for transmission connections and new generators, and state-based regulatory requirements for investment tests, access, cost recovery and pricing. The state-based arrangements are most notably outlined in the NSW Infrastructure Roadmap and captured in legislation established in both NSW and Victoria.

OPERATING AND FINANCIAL REVIEW
CONTINUED

Outlook

New five-year regulatory decisions for both SA Power Networks and Victoria Power Networks will be in force from 2021. These new regulatory decisions put downward pressure on revenues for those businesses, largely due to sustained low interest rates affecting regulatory returns and the low inflationary environment. In response, we expect both businesses to closely review all operating and capital expenditure plans, with a view to minimising any non-essential or discretionary expenditure.

Our strategy remains unchanged, being Value Enhance, Value Build and Value Acquire. We remain committed to growing our contracted renewables business and have built an exciting pipeline of high quality development opportunities. As always, we remain cautious and disciplined in the evaluation of these opportunities given the uncertainty and volatility that currently exists in these markets.

With renewed regulatory revenue certainty and resolution of the tax appeal in 2020, the Board has now provided distribution guidance for 2021 of 12.5 cps, subject to business conditions. In addition, it is expected that the distribution will carry franking credits of around 3 cps. The distribution is intended to be spread equally between the first half and second half of the year. We expect cash distributions to Securityholders will be sustained from net operating cash flows across the five-year period.

Distribution guidance for 2021 has been rebased on the new five-year regulatory decisions and the expected tax refund following the successful tax appeal in 2020. Looking forward, we intend to target growth in distributions at or around CPI through the new regulatory period to 2025, subject to business conditions. In addition, franking credits are expected to average around 25% of the distribution over that period.

Within this context and subject to the AEMO 2020 ISP major projects proceeding, Spark Infrastructure is expecting to deliver RCAB growth over the next five years approaching 4% per annum CAGR. While growth in SA Power Networks and Victoria Power Networks will be funded from operational cash flows and debt as they have been previously, we expect that any equity commitments to support TransGrid major projects or Spark Infrastructure Value Build growth can be met by continued operation of the DRP, i.e. the DRP will be used to manage equity for growth ensuring sufficient cash exists at the corporate level to fund distributions to Securityholders.

REMUNERATION REPORT

Dear Securityholders,

On behalf of the Board we are pleased to present our 2020 Remuneration Report for which we will seek your approval at our Annual General Meeting in May 2021. The Report covers the remuneration arrangements for our Executives and Non-Executive Directors for the year ended 31 December 2020 (FY2020).

Group performance in 2020

The Group has performed solidly throughout 2020 despite the challenges posed by the major bushfires at the start of the year followed by the COVID-19 pandemic. The resilience of our high quality electricity network businesses has been evident with underlying look-through EBITDA of $862.4 million driven by growth in regulated and unregulated businesses and through continued cost control. This enabled the Directors to confirm a distribution of 13.5 cents per security (cps) for FY2020, maintaining previous guidance notwithstanding the impacts of COVID-19. We have also been able to provide distribution guidance for FY2021 of 12.5 cps against a backdrop of market uncertainty thereby serving our objective of providing long-term sustainable value through distributions plus growth.

The Board takes a disciplined approach to assessment of performance and determination of remuneration outcomes. The Board believes that the outcomes as set out in this report balance the accomplishments of management and our investment businesses against the challenges of a year significantly impacted by the global pandemic and the progress achieved against our three-part Value strategy and objectives.

In 2020 our investment businesses continued to be the most efficient networks in the National Electricity Market while the businesses supported customers through the Network Relief Package. Our distribution businesses have concluded their five-year regulatory periods with new regulatory revenue certainty now extending out to 2025, and the Bomen Solar Farm was completed on time and significantly under budget and is now fully operational. We also have a strong pipeline of growth opportunities supported by AEMO's 2020 ISP and we have a capital management strategy to support an exciting pipeline of renewable opportunities.

Changes to remuneration in 2020 and 2021

During 2019 the Board undertook a review of the short term incentive (STI). The review considered alignment with the Group strategy, feedback from investors, and current and emerging market practice. As a result of the review the following changes were made to the STI for 2020:

- The Performance Gateway for the financial component of the STI was changed to look-through EBITDA, set at a minimum threshold relative to the 2020 Budget;
- A Values/Behaviour Modifier was added to the non-financial component of the STI; and
- Our financial performance measures were subject to minor updates, with the introduction of metrics for asset base annual growth and for construction and performance of the Bomen Solar Farm against budget, replacing TransGrid Unregulated Revenue Growth.

The Managing Director's fixed remuneration was increased by 2% from 1 January 2020. Board fees were similarly increased by 2% while Board Committee fees were unchanged.

We consider the structure of the Remuneration Framework to be fair, balanced and an appropriate fit for the operations of Spark Infrastructure and its investment portfolio.

The Remuneration Framework provides:

- *Value creation for Securityholders* by delivering a combination of increasing capital growth and sustainable distributions, focusing on effective cost management through the financial measures of our incentive plans; and
- *A link to our business objectives* by rewarding for delivering the strategy, delivering operational efficiency, enhancing organisational performance, and encouraging the disciplined pursuit of long-term renewable assets and acquisitions.

There are no major changes planned for the Remuneration Framework in 2021. Recognising the challenging environment in which we are operating, except for changes in roles and responsibilities, the Board has determined that there will be no increases in fixed remuneration for all staff including the Managing Director and no changes to Board and Committee fees for 2021.

Whilst there are no major changes planned for 2021, we will continue to engage with investors through 2021 to ensure the current remuneration framework meets Securityholder expectations.

FY2020 remuneration outcomes

The following remuneration results were achieved during the year:

- **STI:** For the Managing Director 78.7% of the maximum STI opportunity was awarded, or $705,983. Half of this incentive is to be paid in cash and the remaining 50% deferred into Rights over 12 and 24 months.
  - For the financial component of the STI (representing 60% of the total STI opportunity) the look-through EBITDA Performance Gateway was met and the Managing Director achieved 77.9% of the maximum.
  - For the non-financial component of the STI (representing 40% of the total STI opportunity) the Managing Director achieved 80.0% of the maximum and there was no adjustment in relation to the Values/Behaviour Modifier.
- **LTI:** 77.9% of the 2017 LTI grant vested. The remaining 22.1% of the award lapsed. The 2017 LTI comprised three metrics; the performance of each is set out below.
  - Risk adjusted TSR (50% of the total award) performance was ranked at the 64.7th percentile of the peer group (the S&P/ASX 200) resulting in a 70% vesting outcome for that performance measure.
  - Look-through Operating Cash Flow (25% of the award) of $1,074.6 million resulted in a 100% vesting outcome for that performance measure.
  - Standalone Operating Cash Flow (25% of the award) of $847.1 million resulted in a 71.7% vesting outcome for that performance measure.

The Board is satisfied that FY2020 remuneration outcomes reflect Group performance and has determined that it will not apply either upward or downward discretion to the outcomes.

Outcome of Federal Court appeal and impact on FY2019 STI outcomes

Last year, due to the ongoing Full Federal Court tax appeal, the Board deferred assessment of the distribution guidance Performance Gateway for the financial component of the 2019 STI for the Managing Director until the outcome of the appeal was known. Accordingly, the financial component of the 2019 STI for the Managing Director (being $408,208) was not paid and reported as a contingent STI in the 2019 Remuneration Report.

In light of the successful appeal outcome the Board reviewed whether the financial component of the 2019 STI should be paid. To make this decision the Board assessed the distribution guidance Performance Gateway by considering the distribution the Board could have declared with respect to the 2019 financial year with the knowledge that gifted assets were not assessable for income tax purposes. Noting the cumulative refund of tax expected to be received and that standalone cash flows after tax for 2019 (adjusted for the successful appeal outcome) would have been approximately 16.7 cents per security, the Board considered that the distribution guidance Performance Gateway would have been met and the financial component of the 2019 STI would have been paid.

Accordingly, the Board determined to pay the financial component of the 2019 STI with 50% paid in cash and 50% deferred into Rights in line with the original award timing.

We hope you find this Remuneration Report informative and we look forward to receiving your support at the AGM.

D McTaggart
Chair
Spark Infrastructure

G Martin
Chair
Remuneration Committee

Sydney
23 February 2021

REMUNERATION REPORT

for the year ended 31 December 2020

CONTENTS

The Directors of Spark Infrastructure RE Limited present this Remuneration Report (Report) for the consolidated entity for the year ended 31 December 2020, prepared in accordance with section 300A of the Corporations Act 2001 (Act). The Report provides information on the remuneration arrangements for Key Management Personnel (KMP), including Executive KMP (Executives) and Non-Executive Directors (NEDs) for 2020.

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

The Report covers the following:

1. Summary of KMP Remuneration Arrangements and Defined Terms
2. Remuneration at a Glance
3. Remuneration Governance
4. Remuneration Philosophy and Link to Business Strategy
5. Remuneration Structure
6. Employment Contract Key Terms
7. 2020 Organisational and Financial Performance
8. 2020 Remuneration Outcomes
9. Non-Executive Director Fees
10. Statutory Remuneration Disclosures (Audited)

1. SUMMARY OF KMP REMUNERATION ARRANGEMENTS AND DEFINED TERMS

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

This section highlights defined terms used throughout this Report as well as key elements of KMP remuneration for 2020.

1.1 Key Management Personnel

This Report covers Spark Infrastructure's KMP, comprised of Executives and NEDs. For the year ended 31 December 2020, the KMP were:

KMP	POSITION	TERM IN POSITION
EXECUTIVES		
Mr Rick Francis	Managing Director and Chief Executive Officer	Full Year
Mr Gerard Dover	Chief Financial Officer	Full Year
NON-EXECUTIVE DIRECTORS		
Dr Douglas McTaggart	Independent Non-Executive Director and Board Chair Chair of the Nomination Committee Member of the Remuneration Committee	Full Year
Ms Anne Brennan	Independent Non-Executive Director Chair of the Audit, Risk and Compliance Committee Member of the Nomination Committee	Part Year commencing 1 June 2020
Mr Andrew Fay	Independent Non-Executive Director Member of the Audit, Risk and Compliance Committee Member of the Nomination Committee	Full Year
Mr Miles George	Independent Non-Executive Director Member of the Audit, Risk and Compliance Committee Member of the Remuneration Committee Member of the Nomination Committee	Full Year
Mr Greg Martin	Independent Non-Executive Director Chair of the Remuneration Committee Member of the Nomination Committee	Full Year
Ms Karen Penrose	Independent Non-Executive Director Chair of the Audit, Risk and Compliance Committee	Part Year ceasing 27 May 2020

1. SUMMARY OF KMP REMUNERATION ARRANGEMENTS AND DEFINED TERMS CONTINUED

1.2 Defined Terms

DEFINED TERMS USED IN THIS REPORT	
CFO	The Chief Financial Officer.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
Executives	Executives are the direct reports to the MD (not including Executive assistants). The Board has determined that of the Executives, only the MD and CFO are KMPs.
Fixed Remuneration	Fixed Remuneration is the fixed annual remuneration component of Total Remuneration. Fixed Remuneration includes cash, superannuation and any other allowances which are provided to the Executive.
KMP	Key Management Personnel, being those people who have authority and responsibility for planning, directing and controlling the major activities of Spark Infrastructure, directly or indirectly, including any Director (whether Non-Executive or otherwise) of Spark Infrastructure.
KPIs	Key performance indicators set by the Board for the Executives.
LTI	The Long Term Incentive Plan.
MD	The Managing Director and Chief Executive Officer.
NEDs	Non-Executive Directors.
OCF	Net operating cash flow.
RCAB	Regulated and Contracted Asset Base.
Rights	The right to acquire a Security, subject to performance and/or vesting conditions.
Risk Adjusted TSR	Risk adjusted TSR is the return on a Security in excess of what would be expected taking into consideration the relative level of risk in each peer company.
Securities	The securities traded on the ASX under the ticker "SKI" (comprising one unit in Spark Infrastructure Trust stapled to one Loan Note issued by Spark Infrastructure RE Limited (ACN 114 940 984) in its capacity as responsible entity for Spark Infrastructure Trust).
Spark Infrastructure	Spark Infrastructure. In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".
STI	The Short Term Incentive Plan.
Total Remuneration	Total Remuneration comprises Fixed Remuneration plus STI and LTI.
TSR	Total Securityholder Return is the total return from a security to an investor. It combines security price appreciation or diminution plus distributions reinvested to show the total return to an investor.

2. REMUNERATION AT A GLANCE

The table below summarises the key aspects of the Group's Remuneration Framework.

SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
KEY CHANGES TO REMUNERATION IN 2020	
During 2019, the Board undertook a review of the STI. The review considered alignment with the Group strategy, feedback from investors, and current and emerging market practice. As a result of the review, the following changes were made to the STI in 2020: **1. STI Performance Gateway metric changed to look-through EBITDA** Prior to 2020, Spark Infrastructure needed to achieve the Group's distribution guidance in order for the financial component of the STI to be awarded. Given changes to our approach of issuing distribution guidance for the following financial year, the Board decided to revise the Performance Gateway metric to look-through EBITDA. This metric was selected as it provides a reliable and consistent view of Group performance, provides a good approximation of cash flow, and is more consistent with the Group's focus on yield and growth. **2. Introduction of a values/behaviour modifier for the non-financial component of the STI** A formal behavioural "modifier" has been introduced to the non-financial component of the STI. Once the non-financial component of the STI has been measured and assessed, the Board has the discretion to adjust an Executive's non-financial STI outcome either upwards or downwards (including to zero) based on an assessment of their individual behaviours against Spark Infrastructure's values. **3. Revised financial performance measures for STI** The Group has also adopted revised financial performance measures for the STI, factoring in the new look-through EBITDA Performance Gateway as well as feedback received from Securityholders. Key changes to FY2020 performance measures are: • Introduction of an RCAB annual growth metric reflecting the increased opportunity for growth in the immediate future; • Introduction of the performance assessment of Bomen Solar Farm against budget. This includes assessing capex of the original build as well as ongoing earnings before tax; and • TransGrid Unregulated Revenue Growth has been removed as a financial measure for the STI. The above new measures replaced TransGrid Unregulated Revenue Growth with this measure now captured in the asset growth financial measure for the STI.	Section 5.4
LINK BETWEEN SPARK INFRASTRUCTURE'S 2020 PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES	
When reviewing FY2020 remuneration outcomes against organisational performance the Board took into account the impact of the COVID-19 pandemic, as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on executive variable pay for FY2020. With limited direct effect of COVID-19 on Spark Infrastructure's business the Board determined exercising upward or downward discretion on incentive outcomes was not required. An Executive's STI award is assessed against financial metrics (subject to the Performance Gateway being met) including total distributions from asset companies, total Asset Company EBITDA, RCAB annual growth, Bomen Solar Farm – EBITDA and capex, Spark Infrastructure's controllable costs, and a combination of business performance and organisational performance non-financial metrics, taking into consideration whether it is appropriate to apply the values/behaviour modifier with respect to the non-financial metrics. **During the year 2020** • The look-through EBITDA Performance Gateway was met and 77.9% of the maximum for the financial component of the STI was achieved (representing 60% of the total opportunity for the MD); 80.0% of the maximum for the non-financial component of the STI for the MD was achieved (representing 40% of the MD's total opportunity). There was no adjustment in relation to the values/behaviour modifier. • Accordingly, an STI of $705,983 was earned by the MD, representing 78.7% of the maximum STI opportunity. Half of this proportion is to be paid in cash, and the remaining 50% deferred into Rights over 12 and 24 months (25% of the award each).	Sections 7 and 8
2020 EXECUTIVE REMUNERATION MIX	
Executive remuneration comprises fixed remuneration and variable (i.e. 'at-risk') remuneration, which includes STI and LTI. The maximum proportion of fixed and variable remuneration for each Executive is outlined below.	Section 5.1

Executive	Fixed remuneration	Variable remuneration
MD	38%	62%
CFO	43%	57%

SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
FIXED REMUNERATION	
Fixed remuneration is determined by the Board taking into consideration Spark Infrastructure's market comparator group, composed of ASX-listed entities of a similar size and operational scope. There was a 2% increase to the MD's fixed remuneration on 1 January 2020.	Section 5.3

2. REMUNERATION AT A GLANCE CONTINUED

SPARK INFRASTRUCTURE APPROACH	FURTHER INFORMATION
SHORT TERM INCENTIVE PLAN (STI)	
Maximum STI opportunities in 2020 expressed as a percentage of Fixed Remuneration were as follows: MD: 100% CFO: 80% In the normal course, 50% of any STI earned is paid in cash following the end of the STI performance period. The remaining 50% of STI is deferred into Rights to strengthen the alignment of Executives to the delivery of value to our Securityholders. The Rights vest as follows, subject to continued service through to the end of the relevant vesting period: • **Half vests 12 months** after the end of the STI performance period; and • **Half vests 24 months** after the end of the STI performance period. STI performance measures include both financial and non-financial KPIs. Achievement of these KPIs can be influenced by Executives in exercising oversight of Spark Infrastructure's investments and driving performance through efficiency, regulatory outcomes and growth in the unregulated businesses. The relative weighting between financial and non-financial KPIs may differ among Executives depending on their relative influence in each area of focus. For the MD and CFO financial KPIs comprise 60% of their total STI with 40% attributable to non-financial KPIs. In order for the financial component of the STI to be awarded, a Performance Gateway applies such that Spark Infrastructure must achieve its look-through EBITDA for the relevant year. The Performance Gateway does not apply to the non-financial KPI component of the STI. A formal behavioural, values-based modifier applies to the non-financial component for the STI such that the Board has the discretion to adjust an Executive's non-financial STI outcome based on an assessment of their individual behaviours against Spark Infrastructure's values. The values/behaviour modifier does not apply to the financial component of the STI.	Section 5.4
LONG TERM INCENTIVE PLAN (LTI)	
Maximum LTI opportunities in 2020 expressed as a percentage of Fixed Remuneration were as follows: MD: 65% CFO: 50% LTI awards are granted in the form of Rights to acquire Securities, subject to achievement of performance measures over the performance and vesting period. Executives ordinarily receive one Security for each Right that vests, together with a distribution equivalent payment for each Security allocated on vesting (equal to the distributions the Executive would have been entitled to receive had they held the Securities during the vesting period). The Board believes a mix of external (i.e. risk adjusted TSR) and internal (i.e. standalone and look-through OCF) measures for the LTI provides the right focus for Executives on delivering long-term Securityholder value. All grants are assessed against the following performance measures: • **Tranche 1 (50% of LTI award):** Spark Infrastructure's risk adjusted TSR (assessed against the constituent entities in the S&P/ASX 200 index) measured over a four-year period; • **Tranche 2 (25% of LTI award):** Standalone OCF measured over a three-year period, plus require a further one-year service period; and • **Tranche 3 (25% of LTI award):** Look-through OCF measured over a three-year period, plus a further one-year service period. Vesting occurs at the end of four years, to the extent the relevant performance and service conditions are met. Approval for the issue of Performance Rights to the MD was obtained under ASX Listing Rule 10.14.	Section 5.5
NON-EXECUTIVE DIRECTOR (NED) FEES	
With the exception of the Board Chair, NEDs receive a base fee and additional fees for chairing or participating in Board committees. The Board Chair's fee is inclusive of committee membership. From 1 January 2020, the Board determined a 2% increase for Board fees while Committee fees remained unchanged.	Section 9
MINIMUM SECURITYHOLDING REQUIREMENT	
NEDs and Executives are required to hold a minimum number of Securities equivalent to: • MD: 100% of Fixed Remuneration; • CFO: 50% of Fixed Remuneration; and • NEDs: Equivalent of one year's Director base fees. Securities for this purpose includes Securities and Rights (earned but not yet vested) under the Deferred STI Plan but not unvested Rights delivered under the LTI Plan which are subject to performance and service conditions. NEDs and Executives are required to meet the minimum Securityholding requirement within a three-year period from appointment. The MD, CFO and all NEDs meet the minimum Securityholder requirement.	Sections 8.4 and 10.6

3. REMUNERATION GOVERNANCE

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

The RemCo works closely with the Board and the Audit, Risk and Compliance Committee (ARC) to ensure executive remuneration outcomes and that outcomes are achieved in a manner that demonstrates our values and behaviours.

The ARC:

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

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

BOARD

Overall accountability for Executive and NED remuneration.

AUDIT RISK AND COMPLIANCE COMMITTEE

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

REMUNERATION COMMITTEE

EXECUTIVE REMUNERATION

Review and recommend to the Board changes to remuneration of Executives.

Review and recommend to the Board STI and LTI performance targets, and STI and LTI payments to Executives.

NED REMUNERATION

Review and recommend to the Board the remuneration arrangements for the Chairman and the NEDs.

EXECUTIVE REMUNERATION PRINCIPLES

Align with Securityholders: tie a significant proportion of total remuneration packages to Security price performance and Securityholder outcomes.

Sound measurement: establish triggers for the award of at-risk pay of a suitably long timeframe, to enable appropriate measurement of success and alignment with the interests of investors.

Accountability: Create performance targets that are within the control or operational influence of management, taking into consideration the minority ownership interests comprising core portfolio assets.

Prudent growth: not incentivise growth for growth's sake.

Transparency: ensure that structures and measures are transparent and coherent and easily understood by investors.

The composition of the RemCo is set out on page 59. Further information on the RemCo's role, responsibilities and membership is available at www.sparkinfrastructure.com/about/corporate-governance/governance-documents.

3.1 Use of Remuneration Advisors

The RemCo appointed Ernst & Young (EY) as its external remuneration advisor during 2020. The RemCo has established protocols to ensure that advice provided by advisors is free from undue influence from the members of the KMP to whom the advice relates. During 2020 EY provided the RemCo with general remuneration advice and market practice information.

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

4. REMUNERATION PHILOSOPHY AND LINK TO BUSINESS STRATEGY

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

STRATEGIC DRIVERS

Executive remuneration is linked to Strategic Outcomes. Our objective is to manage our portfolio of businesses for performance and to achieve organic growth through efficient investment. This is supported by our Value Enhance, Value Build and Value Acquire strategy. Our Strategy is executed in accordance with our Values and produces Outcomes aligned to our purpose and vision.

VALUES

Safety first – Acting with integrity – Thinking innovatively – Working as a team

Securityholders
Delivering long-term sustainable value through yield plus growth

Customers and community
Delivering safe, reliable and affordable energy services through well managed operations and efficient investment

Our people, health and safety
Providing safe and rewarding workplaces for our people

Innovation and technology
Delivering a sustainable energy future capturing opportunities from innovation and technology

Environment
Protecting the environment in which we operate, and investing in the transition to a low carbon emission future

Spark Infrastructure's actual performance and Securityholder outcomes

STI financial KPIs – 60%

STI non-financial KPIs – 40%

LTI external and internal performance measures

SHORT TERM INCENTIVES

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

Performance Gateway
Look-through EBITDA

17%	Total distributions from asset companies
22%	Total Asset Company EBITDA
10%	RCAB annual growth
6%	Bomen Solar Farm – EBITDA and capex
5%	Spark Infrastructure controllable costs

Values/Behaviour Modifier

- Business Performance
- Organisational Performance

LONG TERM INCENTIVES

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

Look-through OCF (25%)
3-year performance period followed by 1-year service period

Standalone OCF (25%)
3-year performance period followed by 1-year service period

Risk-adjusted TSR (50%)
4-year performance period

Variable remuneration outcomes for Executives

5. REMUNERATION STRUCTURE

5.1 Remuneration Mix

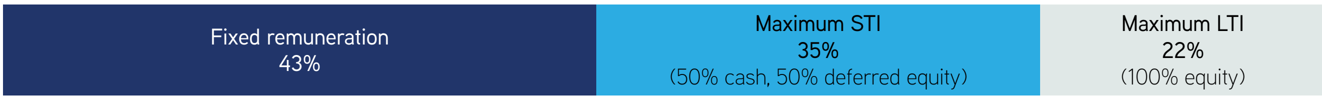
Executives' remuneration and mix of remuneration are appropriate to each Executive's position, responsibilities and performance, in a way that aligns with our business strategy.

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

Spark Infrastructure's remuneration policy has a strong performance focus, with a large proportion of Executives' remuneration contingent on maximising Securityholder value. The charts below set out the remuneration structure and maximum remuneration mix for the MD and CFO in 2020. Refer to section 5.4 and section 5.5 for detail on the structure of the STI and LTI.

MD

CFO



5.2 Potential Maximum At-Risk Remuneration for Executives in 2020

Presented below are the maximum STI and LTI opportunities for 2020 expressed as a percentage of Fixed Remuneration. The opportunities are determined with reference to market norms and the Executive's relative influence on Spark Infrastructure's performance. The minimum STI and LTI opportunities are nil.

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

5.3 The MD's Remuneration Package for 2020

Details of the MD's 2020 remuneration package are set out in the table below.

	FIXED 2020 (INCL. SUPERANNUATION) $	2020 STI MAXIMUM OPPORTUNITY $	2020 STI MAXIMUM OPPORTUNITY $	2020 LTI MAXIMUM OPPORTUNITY $	2020 LTI MAXIMUM OPPORTUNITY $	TOTAL REMUNERATION MAXIMUM OPPORTUNITY $
Rick Francis	896,600	100%	896,600	65%	582,790	2,375,990

The Board has determined there will be no increase or change in the MD's remuneration package for 2021.

5. REMUNERATION STRUCTURE CONTINUED

5.4 Short Term Incentives

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

Purpose	The STI plan is operated to: • Focus Executives, through challenging performance measures, on the achievement of results in areas that are expected to impact the performance of Spark Infrastructure in the short term; • Create sustained annual performance over a longer term period through STI deferral; • Assist in the attraction, reward and retention of high quality employees; • Constrain the potential for unacceptable risk taking; • Ensure that a significant portion of remuneration is "at risk" with a mix of financial and non-financial performance measures; and • Strengthen the link between Executive remuneration and long-term Securityholder returns through STI deferral.
Performance Gateway	In order for the financial component of the STI to be awarded, Spark Infrastructure must achieve its look-through EBITDA threshold for the year. The Performance Gateway was changed from a distribution metric to a look-through EBITDA metric in 2020. For more information please see Section 2. The Performance Gateway does not apply to the non-financial component of the STI.
Performance measures	An Executive's STI award is assessed based on financial KPIs (subject to the Performance Gateway) and non-financial KPIs over a 12-month performance period. Non-financial KPIs are subject to a separate values/behaviours modifier (see below). Non-Financial KPIs may be weighted differently among participants depending on their relative influence in the area. The weighting of financial and non-financial KPIs for each Executive in 2020 was as follows:

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

In 2020 Spark Infrastructure Financial KPIs and Non-Financial KPIs were:

Financial KPIs: definition and rationale – representing 60% of potential STI outcome for the MD and CFO

- **Total distributions from asset companies (17%)** – Spark Infrastructure's objective is to deliver sustainable levels of distributions to Securityholders over time, based on distributions received from its investments.
- **Total Asset Company EBITDA (22%)** – Asset Company earnings demonstrate growth and operational excellence and performance of the underlying businesses, which produces distribution sustainability and growth.
- **RCAB annual growth (10%)** – Recognises the importance of efficient investment in the growth of the asset bases of the businesses.
- **Bomen Solar Farm – EBITDA and capex (6%)** – Rewards efficient construction cost of new renewable generation projects and their ongoing performance post-completion versus budgets and business plans.
- **Total Spark Infrastructure controllable costs (5%)** – Disciplined management of Spark Infrastructure's controllable costs are an area of continual focus to deliver value for Securityholders.

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

PERFORMANCE LEVEL	% OF MAXIMUM STI AWARDED BASED ON EACH OF SPARK INFRASTRUCTURE'S FINANCIAL KPIs
Below threshold	0%
Threshold	50%
Target	70%
Stretch target	100%

Non-financial KPIs: definition and rationale – representing 40% of potential STI outcome for the MD and CFO

GROUP BUSINESS PERFORMANCE – totalling 50% weighting

Group Strategy/Projects – Measures focused on assessment and delivery of key opportunities and projects, building portfolio of Value Build opportunities and internal valuations and assessment	30%
Operations – Measures focused on operational efficiency, safety and reliability of investment portfolio businesses (Value Enhance): outperformance by core businesses, growth in RCAB, completion of Bomen Solar Farm, consolidating value of TransGrid, positive tax appeal outcome, capital management strategy	15%
Optimising regulatory outcomes – strong regulatory advocacy with positive outcomes	5%

CORPORATE ORGANISATIONAL PERFORMANCE – totalling 50% weighting

Corporate Strategy – Measures focused on progressing corporate strategic vision and plan (Value Build and Value Acquire) and resetting strategic narrative for new five-year regulatory periods, growth and tax-paying from 2020/21	10%
People and process improvement – Measures focused on high performance culture, robust risk management, enhancing our people capability	10%
Stakeholder management – Measures focused on step up in investor relations and messaging, engagement with co-securityholders/ investment partners and positive outcomes	15%
Sustainability – Measures focused on improvement in Environment, Social and Governance (ESG) outcomes	5%

KPIs are measured using a sliding scale with 'Target' meaning an outcome of at least 70% of weighting was achieved. The maximum achievement for non-financial KPIs is 100% of opportunity.

Non-Financial KPIs and targets for Executives (other than the MD) are set and assessed by the MD and are reviewed by the RemCo. The MD's performance is assessed and approved by the Board. The Board's assessment and review is conducted on both a quantitative and qualitative level. The Board believes this method is the most efficient and results in the most accurate outcomes.

For a summary of overall 2020 organisational and financial performance, refer to section 7.

Values/behaviour modifier

For 2020, a formal behavioural, values-based modifier in the assessment of the non-financial KPI's was introduced.

Once the achievement of the non-financial STI performance metrics has been assessed the Board has the discretion to adjust the level of each Executive's outcome upwards or downwards (including to zero), based on an assessment of their individual behaviours against Spark Infrastructure's values of safety first, acting with integrity, thinking innovatively and working as a team. In assessing whether the Executive demonstrates such behaviours the Board considers a number of factors of the Executive's performance and conduct, including leadership performance, people management, commitment to diversity and inclusiveness, risk and reputation matters, and decision making that supports and upholds Spark Infrastructure's values. The Board will also take into consideration behaviour consistent with the Code of Conduct including:

- Acting with the highest standards of integrity, fairness, due care and diligence in fulfilling our duties;
- Making decisions in accordance with the spirit and letter of the law; and
- Conducting business honestly and ethically, with best skills and judgement, and for the benefit of Securityholders, employees and other stakeholders and the Group.

The modifier does not apply to the financial component of the STI.

Performance and deferral period

Performance is measured at the end of Spark Infrastructure's financial year.

For Executives, 50% of any STI award is paid in cash in March following the year of assessment. The remaining 50% of the STI is delivered in the form of Rights and vests (subject to continuous service) as follows:

- Half vests 12 months after the end of the performance period; and
- Half vests 24 months after the end of the performance period (deferral periods).

Rights are granted at no cost to the Executive. Upon vesting, rights are automatically exercised and no amount is payable by the Executive on exercise. One Security is ordinarily received for every Right that vests. A dividend equivalent payment is also made upon vesting, equal to the distributions the Executive would have been entitled to receive had they held the physical Securities during the deferral period. Under the terms of the Equity Incentive Plan Rules, the Board retains discretion to settle these amounts in cash.

Spark Infrastructure uses a face value methodology for allocating Rights to each Executive, being the volume weighted average price (VWAP) of Securities traded in the 30 trading days up to and including 31 December. The relevant VWAP for determination of the grant of Rights attributable to the FY2020 performance year is $2.12.

5. REMUNERATION STRUCTURE CONTINUED

5.5 Long Term Incentives

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

Purpose	The LTI is operated to: • Align Executive reward with the long-term interests of Spark Infrastructure and its Securityholders, ensuring creation of sustainable Securityholder returns; • Focus on performance hurdles that measure performance in terms of risk management as well as returns; and • Ensure that a significant portion of remuneration is "at risk".
Performance measures	Grants made in 2020 were subject to three independent performance measures: • Risk Adjusted TSR (50% of LTI award) • Standalone OCF (25% of LTI award) • Look-through OCF (25% of LTI award)
Risk adjusted relative TSR	Risk adjusted TSR is the return on a Security in excess of what would be expected taking into consideration the relative level of risk in each peer company. The relationship between risk and return is well understood; that is, if risk is high, then there is an expectation of higher returns, and vice versa. Traditional TSR does not consider the riskiness of an investment in a particular company. For example, two companies could have the same securityholder return, but one may be a much riskier investment than the other. While TSR is a common method of assessing long-term performance, in our view, executives who deliver the same level of return at a lower risk should be rewarded accordingly. We understand investors in Spark Infrastructure generally seek stable returns and lower than average risk. To reflect this, we identified two key factors which influence returns: systemic risk (e.g. economic and political) and non-systemic risk (e.g. management skills and judgement). By adjusting for systemic risk in our calculation of TSR, the variability in adjusted returns is more strongly related to management performance. Risk adjusted TSR is selected as the LTI measure as it provides Spark Infrastructure with a measure of how we are performing in comparison to the market. Where an absolute TSR measure is used, Executives could be rewarded by a rising market even if Spark Infrastructure performs relatively poorly. Ranking companies by their risk-adjusted return, over a specific period, provides a comparison that more closely reflects how investment decisions are actually made. That is, when making an investment decision, an investor will have a requirement for a company return that is informed by the perceived risk associated with the company. The Board views the constituents of the S&P/ASX 200 index to be the most appropriate comparator group as this group should represent the competing investment preferences of our investors. **Calculation of risk adjusted TSR and vesting schedule** The excess return of Spark Infrastructure (above what would be expected taking into consideration the relative level of risk in each peer company's security) is compared to the excess returns of S&P/ASX 200 index companies over the four-year performance period, to determine Spark Infrastructure's percentile ranking. The degree to which the risk adjusted TSR component of the LTI opportunity (i.e. 50%) vests is determined by reference to the following scale:

TSR PERCENTILE RANKING	% OF RISK ADJUSTED TSR COMPNENT OF LTI AWARD THAT VESTS
Below the 51st percentile	0%
At the 51st percentile	30%
Between the 51st percentile and the 75th percentile	Pro-rata vesting between 30% and 100%
At or above the 75th percentile	100%

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

The risk adjusted TSR calculation is undertaken independently of management and is externally reviewed on an annual basis. The Board has disclosed the methodology used to calculate the risk adjusted TSR applicable to assess the LTI on Spark Infrastructure's website at www.sparkinfrastructure.com/about/corporate-governance/governance-documents. This methodology was chosen because it allows for an objectively measurable assessment of Spark Infrastructure's performance.

<table>
<tr><td>Standalone OCF and Look-through OCF</td><td>
Standalone Operating Cash Flow (OCF) and Look-through OCF were selected as performance measures for the LTI as they:

Can be influenced by Executives by actively managing the cost, performance, capital expenditure and debt strategy of our investments;
Clearly demonstrate the performance of Spark Infrastructure; and
Reflect Spark Infrastructure's ability to influence the investment companies to ensure distributions are received and are available to be paid to Spark Infrastructure investors.

The OCF measures increase transparency and reduce any potential for artificial growth in distributions to Securityholders by more clearly linking the operational performance of the investment portfolio to the performance of Spark Infrastructure. The decision to use both look-through and standalone cash flow measures seeks to emphasise this balance.
Use of a look-through cash flow measure recognises the importance of protecting Securityholder interests through the appropriate extraction of cash from the investment portfolio. Use of a standalone cash flow measure recognises the application of management's particular skills in the management of minority interests and represents a significant part of the value added by Spark Infrastructure.
Calculation of OCF and vesting schedule
OCF is the cash flow from operating activities of the businesses comprising Spark Infrastructure's investment portfolio. OCF is set each year in accordance with Spark Infrastructure's budget and business plan and reflects the underlying five-year business plans of the investment portfolio businesses. OCF is measured on a standalone and a look-through basis. Standalone OCF is calculated as the distributions from the portfolio businesses, OCF from controlled businesses e.g. Bomen Solar Farm, less corporate expenses and represents the cash flow available for distribution to Securityholders. Look-through OCF includes the proportional net cash flows from business operations of the underlying investment portfolio. This methodology was chosen because it allows for an objectively measurable assessment of Spark Infrastructure's performance.
The degree to which the OCF component of the LTI opportunity vests (i.e. 50%) is determined by reference to OCF performance over the three-year performance period and continued service until the end of the four-year vesting period. A three-year performance period was selected as it allows smoothing of outcomes over the testing period in order to reduce volatility between and across regulatory periods.
OCF performance is measured by reference to the following scale:
<table>
<tr><th>THREE-YEAR AGGREGATED OCF TARGET</th><th>% OF OCF COMPONENT OF LTI AWARD THAT VESTS</th></tr>
<tr><td>Below 97.5% of target</td><td>0%</td></tr>
<tr><td>Between 97.5% of target and 105% of target</td><td>Pro-rata vesting between 25% and 100%</td></tr>
</table>
Testing of the OCF part of the LTI awards will occur shortly after the end of the three-year performance period. To the extent any LTI awards are not eligible for vesting based on performance, they will immediately lapse.
The OCF part of the LTI awards that become eligible for vesting (based on performance) will vest subject to continued service over an additional one-year service period.
There is no retesting of LTI awards.
</td></tr>
<tr><td>LTI grant based on "face value" methodology</td><td>Spark Infrastructure uses a face value methodology for allocating Rights to each Executive, being the VWAP of stapled securities traded in the 30 trading days up to and including 31 December. The VWAP for assessment of the 2021 Grant of LTI Awards is $2.12.</td></tr>
<tr><td>Delivery of LTI awards</td><td>LTI awards are delivered in the form of Rights, which are granted at no cost to the Executive. Executives ordinarily receive one Security for every Right that vests, together with a distribution equivalent payment for each Security allocated on vesting. This distribution equivalent payment will be equal to the distributions the Executive would have been entitled to receive had they held the Securities during the vesting period. Rights are automatically exercised on vesting and no amount is payable by the Executive on exercise. Under the Terms of the Equity Incentive Plan Rules, the Board retains discretion to settle these amounts in cash.</td></tr>
</table>

5. REMUNERATION STRUCTURE CONTINUED

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

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

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

6. EMPLOYMENT CONTRACT KEY TERMS

Each Executive, including the MD, has a formal employment agreement. These employment agreements are of a continuing nature and have no fixed term of service. There were no changes to the employment agreements for Executives in 2020.

The key terms of the employment agreements are summarised below:

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

7. 2020 ORGANISATIONAL AND FINANCIAL PERFORMANCE

7.1 Spark Infrastructure Financial Performance

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

Standalone and look-through operating cash flows are also key components of the LTI Plan weighted at 25% each and measured over a three-year performance period.

	FIVE-YEAR FINANCIAL PERFORMANCE				
	2020	2019	2018	2017	2016
Profit after tax attributable to Securityholders ($'000)	105,003	79,138	92,285[1]	88,641	81,083
Profit before Loan Note Interest and tax expense ($'000)	280,311	258,470	270,516[1]	265,804	225,816
Closing Security price at year end ($)	2.11	2.09	2.21	2.51	2.38[2]
Distribution per Security (cents)	13.50	15.00	16.00	15.25	14.50
Operating costs ($'000) – excluding project costs	14,343	14,075	14,193	12,607	11,352
Underlying standalone Operating Cash Flow (cps)	14.7	16.7	17.3	15.9	18.2
Underlying look-through Operating Cash flow (cps)	18.6	22.5	19.1	21.4	22.1
Net Debt/Regulatory and Contracted Asset Base (RCAB) (%)	72.4	71.9	74.2	74.2	74.7

(1) Excluding asset Impairment in 2018.

(2) The opening security price at the beginning of 2016 was $1.92.

7.2 Impact of Federal Court appeal

Last year, due to the ongoing Full Federal Court tax appeal, the Board deferred assessment of the distribution guidance Performance Gateway for the financial component of the 2019 STI for the MD until the outcome of the appeal was known. Accordingly, the financial component of the 2019 STI for the MD (being $408,208) was not paid and reported as a contingent STI in the 2019 Remuneration Report.

In light of the successful appeal outcome the Board reviewed whether the financial component of the 2019 STI should be paid. To make this decision the Board assessed the distribution guidance Performance Gateway by considering the distribution the Board could have declared with respect to the 2019 financial year with the knowledge that gifted assets were not assessable for income tax purposes. Noting the cumulative refund of tax expected to be received and that standalone cash flows after tax for 2019 (adjusted for the successful appeal outcome) would have been approximately 16.7 cents per security, the Board considered that the distribution guidance Performance Gateway would have been met, and the financial component of the 2019 STI would have been paid.

Accordingly, the Board determined to pay the financial component of the 2019 STI with 50% paid in cash and 50% deferred into Rights in line with the original award timing.

7.3 Impact of COVID-19 on Spark Infrastructure's business

The Group has performed strongly despite the challenges posed by the COVID-19 pandemic. Some of the actions undertaken to support the broader community during the pandemic include the following.

- Support for customers affected by COVID-19 through Energy Networks Australia Network Relief Package announced at the beginning of April 2020.
- The Network Relief Package waives network charges for residential customers of small retailers and small business customers and defers payment of network charges for residential customers of large retailers for the period from 1 April 2020 to 30 June 2020.
- In August, the AEMC made a preferred rule to enable some retailers to defer the payment of network charges for customers subject to payment plans, hardship arrangements or deferred debt arrangements for the period from August 2020 to February 2021 for up to six months.
- Victorian businesses voluntarily extended a modified Network Relief Package consistent with the AEMC rule to 31 January 2021.

8. 2020 REMUNERATION OUTCOMES

The sections below set out the outcomes for our Executives in 2020. When reviewing FY2020 remuneration outcomes against company performance the Board took into account the impact of the COVID-19 pandemic as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on executive variable pay for FY2020. Because of the relatively limited effect of COVID-19 on Spark Infrastructure's business the Board determined not to exercise upward or downward discretion on incentive outcomes.

8.1 STI Awards Reflect Spark Infrastructure Performance

Spark Infrastructure's financial performance directly influences the STI received by Executives in a number of ways.

1. Spark Infrastructure's STI has key STI financial performance measures which demonstrate alignment and delivery of Spark Infrastructure's strategy and reflect the performance of Spark Infrastructure and its investment portfolio: total distributions from asset companies, asset company EBITDA, RCAB annual growth, Bomen Solar Farm – EBITDA and capex and total Spark Infrastructure controllable costs.
2. The financial component of the STI plan relies on the Performance Gateway being achieved for that year. For 2020 the Performance Gateway was set at a minimum threshold relative to the 2020 Budget.

Spark Infrastructure delivered a solid financial performance in 2020 with a number of significant achievements against performance measures:

Financial Performance

Performance Gateway

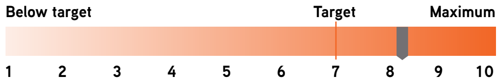
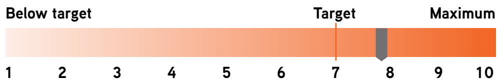
Achievement of look-through EBITDA Performance Gateway is required for payment of the financial component of the STI	Performance Gateway met

2020 Financial Performance Results

FINANCIAL KPI's	LEVEL OF ACHIEVEMENT
Total distributions from asset companies (Total investment portfolio distributions down 3.7% to $301.0 million)	81.5%
Total Asset Company EBITDA financial measures (Aggregated proportional EBITDA increased by 1.6% to $870.3 million)	78.9%
RCAB annual growth (RCAB annual growth of 3.7% to $6,533 million)	73.2%
Bomen Solar Farm – EBITDA and capex (EBITDA of $5.3 million and capex $174.0 million)	78.0%
Total Spark Infrastructure controllable costs	69.6%
TOTAL FINANCIAL KPIs	77.9%

The specific level of achievement is assessed against the budget at the beginning of the year.

2020 Non-Financial Performance Results

KPI measure and target	Weight	Performance and Outcome	Scale
Group Business Performance	50%	Outcome – 41% out of maximum 50%	
Group Strategy/Projects	30%	• Developed renewables opportunity pipeline • Disciplined assessment of Value Acquire projects – non-participation in Wren House sale of TransGrid stake • Internal valuation assessment	
Operations	15%	• Completion of Bomen Solar Farm on time and under budget • RCAB growth to $6.7 billion • Additional distributions from Victoria Power Networks and SA Power Networks • Significant progress on Project EnergyConnect (PEC) • Successful tax appeal on Gifted Assets • Capital management actions	
Regulatory	5%	• Successful change in regulatory inflation method positive impact for Victoria Power Networks • Key influencer in regulatory and energy sector	
Corporate Organisational Performance	50%	Outcome – 39% out of maximum 50%	
Corporate Strategy	20%	• Three-year strategic vision • Strategic growth and yield narrative • Distribution plan and capital management strategy	
People and Process improvement	10%	• Successful operation through COVID-19 focused on health and wellbeing of people • Enhanced renewables capability	
Stakeholder management	15%	• Enhanced IR effort and outcomes – positive feedback from roadshows • Positive engagement with co-securityholders - PEC, SA Power Networks strategic review, capital management plans	
Sustainability	5%	• Established ESG narrative • Improved performance outcomes on ESG metrics	

KPIs are measured using a sliding scale with 'Target' meaning an outcome of at least 70% of weighting was achieved. The maximum achievement for non-financial KPIs is 100% of opportunity.

Outcomes reflect Group performance and are aligned to the MD's achievement for the year.

Values/behavioural modifier

The Board considered the MD's individual behaviour against Spark Infrastructure's values of safety first, acting with integrity, thinking innovatively and working as a team. In assessing whether the MD demonstrated such behaviours, the Board considered the MD's performance and conduct, including leadership performance, people management, commitment to diversity and inclusiveness, risk and reputation matters, and decision making that supports and upholds Spark Infrastructure's values.

Values/Behaviour performance and conduct satisfactory as evidenced by: • **Solid performance and outcomes during COVID-19 with strong leadership across the business** • **Strong culture of teamwork and collaboration, supporting diversity, and good risk management**	Adjustment not required

The Board assessed the performance of the MD with an overall achievement of 80.0% against non-financial KPIs.

The following table shows the actual STI outcomes for each executive for 2020. The STI outcome below reflects a combination of the financial performance achieved and assessment of achievement against personal KPIs producing a blended percentage outcome. For further detail regarding the STI and the weighting of financial and non-financial KPIs for individual Executives, refer to section 5.4.

EXECUTIVE	STI MAXIMUM OPPORTUNITY % OF FIXED REMUNERATION	ACTUAL STI (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)	ACTUAL STI $	ACHIEVEMENT OF FINANCIAL KPIs	ACHIEVEMENT OF PERSONAL KPIs
Rick Francis	100%	78.7%	21.3%	705,983	77.9%	80.0%
Gerard Dover	80%	80.7%	19.3%	371,404	77.9%	85.0%

8. 2020 REMUNERATION OUTCOMES CONTINUED

8.2 LTI Performance Testing at 31 December 2020

The LTI Award granted to KMP at 1 January 2017 (FY2017) had a performance period of four years i.e. ended 31 December 2020. The FY2017 LTI Award had three measures, being:

Tranche 1 (50% of LTI award): Relative performance measured on risk adjusted TSR basis (Jensen's Alpha approach) against all entities in the S&P/ASX 200 index at grant date.	The risk adjusted TSR result for the four-year period ended 31 December 2020 resulted in Spark Infrastructure ranking at the 64.7th percentile against the S&P/ASX 200 index. Accordingly, 70.0% of Tranche 1 of the FY2017 LTI Award vested (and the remaining 30% forfeited) at 31 December 2020. The calculation of risk adjusted TSR and of the relative performance against the S&P/ASX 200 index was produced by an external expert, independent of Management.
Tranche 2 (25% of LTI award): Standalone OCF measured over a three-year period (the test period), plus require a further one-year service period.	Standalone Operating Cash Flow for the three-year period ended 31 December 2019 was $847.1 million, resulting in 71.7% vesting outcome for that performance measure.
Tranche 3 (25% of LTI award): Look-through OCF measured over a three-year period (the test period), plus a further one-year service period.	Look-through Operating Cash Flow for the three-year period ended 31 December 2019 was $1,074.6 million, resulting in 100% vesting outcome for that performance measure.

The vesting schedules for the respective tranches are set out in section 5.5.

The blended vesting outcome for the FY2017 LTI Award was 77.9%. The LTI Award will be settled with Spark Infrastructure Securities acquired on-market in March 2021.

8.3 Actual Remuneration Received by Executive KMP in 2020

The following table shows details of the actual remuneration received by Executives in 2020 and 2019. The amounts in the table differ from the Executive statutory remuneration set out in section 10.1. Actual remuneration received is provided in addition to the statutory reporting of remuneration expense to increase transparency about what the Executives actually received during the year.

		SHORT TERM BENEFITS			POST-EMPLOYMENT	LONG TERM BENEFITS	TOTAL $
EXECUTIVES		BASE SALARY $	STI[1] $	NON-MONETARY $	SUPERANNUATION $	VESTED LTI[2] $	
Rick Francis	2020	871,600	578,408[4]	–	25,000	368,666	**1,843,674**
	2019	854,000	604,212	–	25,000	509,293	**1,992,505**
Gerard Dover	2020	553,652	–	–	21,348	–	**575,000**
	2019[3]	119,323	–	–	5,251	–	**124,574**

(1) The STI received in 2020 represents cash amounts earned in relation to the individual's performance from FY2019 (not deferred) and from amounts previously deferred into Rights from both FY2017 and FY2018 (both under the Deferred STI Plan) that have now vested, including distribution equivalent amounts earned. The STI received in 2019 represents cash amounts earned in relation to the individual's performance from FY2018 (not deferred) and from amounts previously deferred into Rights from FY2016 and FY2017 (both under the Deferred STI Plan) that have now vested, including distribution equivalent amounts earned.

(2) LTI received in 2020 relates to the vested 2016 LTI Tranche and was cash settled. (2019: In relation to vested 2015 LTI Tranche and cash settled).

(3) Gerard Dover commenced as CFO on 8 October 2019 and the period reported on is from that date.

(4) Includes financial component of the deferred 2019 STI determined to be paid by the Board with 50% paid in cash ($204,104) in 2020, and 50% deferred into Rights for 12 months (25%) and 24 months (25%) to vest in future years.

8.4 Executive Minimum Securityholding Policy

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

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

Both the MD and CFO have met the requirements of the Executive Minimum Securityholding Policy.

For the statutory table of equity instruments held by Executives refer to section 10.5.

9. NON-EXECUTIVE DIRECTOR FEES

9.1 Approach to Non-Executive Director Fees

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

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

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

9.2 Schedule of Fees

The fees for NEDs during 2020 are set out in the table below.

ROLE	2020 FEE(1) $	2019 FEE $
Board Chair(2)	309,060	303,000
Non-Executive Director Base	132,600	130,000
Audit, Risk and Compliance Committee (ARC) Chair	39,800	39,800
Audit, Risk and Compliance Committee member	19,900	19,900
Remuneration Committee (RemCo) Chair	34,200	34,200
Remuneration Committee member	17,100	17,100

(1) There was a 2% increase for Board fees for 2020 while Committee fees remained unchanged

(2) The Board Chair fee is inclusive of all fees for committee memberships or attendance.

All Non-Executive Directors are members of the Nomination Committee. There are no additional fees for membership of the Nomination Committee.

Except for the payment of statutory superannuation entitlements, NEDs do not receive any other post-employment benefits. The fees above include any statutory superannuation entitlements. The aggregate fee limit for NEDs approved by Securityholders is $2 million per annum and is unchanged from 2015. There will be no change to the aggregate fee limit for 2021.

9.3 Statutory Remuneration of NEDs

The annual fees paid to NEDs (inclusive of statutory superannuation) for 2020 and 2019 were:

		SHORT TERM BENEFITS			TOTAL	POST-EMPLOYMENT
		DIRECTOR FEES $	ARC FEES $	REMCO FEES $	(INCLUSIVE OF SUPERANNUATION) $	SUPERANNUATION CONTRIBUTION(1) $
Current Non-Executive Directors						
Douglas McTaggart	2020	309,060	–	–	**309,060**	15,925
	2019	303,000	–	–	**303,000**	20,767
Anne Brennan(2)	2020	77,350	23,217	–	**100,567**	8,725
	2019	–	–	–	**–**	–
Andrew Fay	2020	132,600	19,900	–	**152,500**	13,231
	2019	130,000	19,900	–	**149,900**	13,005
Miles George(3)	2020	132,600	17,610	15,367	**165,577**	14,365
	2019	28,938	–	–	**28,938**	2,511
Greg Martin	2020	132,600	–	34,200	**166,800**	3,618
	2019	130,000	–	22,359	**152,359**	13,218
Karen Penrose(4)	2020	56,209	16,871	–	**73,080**	7,479
	2019	130,000	39,800	–	**169,800**	14,732
TOTAL	2020	840,419	75,355	51,810	**967,584**	63,342
	2019	721,938	59,700	22,359	**803,997**	64,233

(1) Contributions to personal superannuation on behalf of NEDs are deducted from their overall fee entitlements.

(2) Anne Brennan commenced as a Director on 1 June 2020 and the period reported on is from that date.

(3) Miles George commenced as a Director on 11 October 2019 and the period reported on for 2019 is from that date to 31 December 2019. In 2020, Miles George was appointed to the Remco on 7 February 2020 and to the ARC on 12 February 2020.

(4) Karen Penrose retired as a Director with effect 27 May 2020 and the period reported on is from 1 January 2020 until that date.

9. NON-EXECUTIVE DIRECTOR FEES CONTINUED

9.4 NED Fees from Other Entities

In prior years, where deemed appropriate, Spark Infrastructure had nominated NEDs for appointment as Directors of the boards of investment portfolio companies. In such cases, those NEDs were entitled to receive fees in that capacity from those portfolio companies. Those fees are determined and paid for by the investment portfolio company, not by Spark Infrastructure. Those roles are now fulfilled by independent director appointments who are not NEDs. The following Spark Infrastructure NEDs were Directors on boards and committees of investment portfolio companies during 2020.

SA Power Networks

SA POWER NETWORKS BOARD AND COMMITTEE MEMBER	TOTAL BOARD AND COMMITTEE FEES RECEIVED FOR 2020 $
Andrew Fay[1]	**36,668**

(1) Andrew Fay retired as a director of SA Power Networks with effect from 30 April 2020. Fees received for 2020 were on a pro-rata basis.

Note that the Spark Infrastructure MD and CFO were both Directors on the Boards of Victoria Power Networks and SA Power Networks in 2020. All board and committee fees received for their services were paid to Spark Infrastructure. No separate board or committee fees are paid by TransGrid. Spark Infrastructure receives a shareholder allowance from TransGrid which covers the costs of Directors.

10. STATUTORY REMUNERATION DISCLOSURES (AUDITED)

10.1 Executive Statutory Remuneration (for the Years Ended 31 December 2020 and 31 December 2019)

The following table shows the statutory remuneration required to be disclosed for Executives in 2020 and 2019. These disclosures are calculated in accordance with Accounting Standards and will therefore differ from the information presented in the 2020 actual remuneration received table in Section 8.3 as the remuneration in the form of equity (Deferred STI and LTI) in this section is based on the amount expensed by the company over the vesting period, rather than the amount delivered or received by the Executive in the relevant year.

		SHORT TERM BENEFITS			POST-EMPLOYMENT	BENEFIT BASED ON SECURITIES		TOTAL	
KMP		CASH SALARY $	STI CASH $	NON-MONETARY BENEFITS $	SUPER-ANNUATION) $	DEFERRED STI - RIGHTS[1] $	LTI[2] $	$	CONTINGENT STI PAYMENT
Rick Francis	2020	871,600	557,095[5]	–	25,000	419,040[5]	273,661	**2,146,396**	–
	2019	854,000	130,092	–	25,000	225,390	410,289	**1,644,771**	408,208[5]
Gerard Dover[4]	2020	553,652	185,702	–	21,348	77,376	58,653	**896,731**	–
	2019	119,323	–	–	5,251	–	–	**124,574**	–
Nicholas Schiffer[3]	2020	–	–	–	–	–	–	**–**	–
	2019	402,790	–	–	13,766	(95,178)	(94,844)	**226,534**	–
TOTAL	2020	1,425,252	742,797	–	46,349	496,415	332,315	**3,043,128**	–
	2019	1,376,113	130,092	–	44,017	130,212	315,445	**1,995,879**	408,208

(1) Represents the fair value of the component of the STI that is deferred in Rights – refer note 10.2.

(2) Represents the fair value of the LTI recognised in the year – refer note 10.3.

(3) Nicholas Schiffer resigned and ceased to be CFO on 30 August 2019. The period reported on is from 1 January 2019 until 30 August 2019. Upon leaving, all of Mr Schiffer's outstanding Rights under the Deferred STI Plan and LTI Plan lapsed. A one-off ex-gratia cash payment of $100,000 was made to Mr Schiffer in March 2020 representing his service and contribution during 2019.

(4) Gerard Dover commenced as CFO on 8 October 2019 and the period reported on is from that date.

(5) In 2019, due to the ongoing Full Federal Court tax appeal, the Board deferred assessment of the distribution guidance Performance Gateway for the financial component of the 2019 STI until the outcome of the appeal was known. Accordingly, the financial component of the 2019 STI for the MD (being $408,208) was not paid and reported as a contingent STI in the 2019 Remuneration Report.

In 2020, in light of the successful appeal outcome, the Board has now determined that the contingent STI be paid. Accordingly, 50% ($204,104) was paid in cash and is reported in STI cash for 2020. The remaining 50% ($204,104) has been deferred into Deferred STI rights in 2020.

10.2 Deferred STI at 31 December 2020

Shown below are the number of outstanding Rights received under the Deferred STI arrangements for 2018, 2019 and 2020, the year in which the Rights may vest, and the expense recognised.

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

The deferred STI awards that vested as at 31 December 2020 will be settled with Spark Infrastructure Securities acquired on-market in March 2021.

KMP	GRANT DATE	FINANCIAL YEAR DEFERRED STI RELATES TO	RIGHTS GRANTED NO.	OPENING VWAP AT GRANT DATE $	FAIR VALUE $	DEFERRED STI EXPENSE IN 2020 $	VESTING DATE
Rick Francis	1 January 2019	2018	61,906	2.31	143,003	47,668	31 December 2020
	1 January 2020	2019	78,820	2.12	167,098	134,575	31 December 2020
	1 January 2020	2019	78,820	2.12	167,098	89,717	31 December 2021
	1 January 2021	2020	83,253	2.12	176,496	88,248	31 December 2021
	1 January 2021	2020	83,253	2.12	176,496	58,832	31 December 2022
TOTAL			**386,052**		**830,191**	**419,040**	
Gerard Dover	1 January 2021	2020	43,798	2.12	92,851	46,426	31 December 2021
	1 January 2021	2020	43,798	2.12	92,851	30,950	31 December 2022
TOTAL			**87,596**		**185,702**	**77,376**	
TOTAL			**473,648**		**1,015,893**	**496,416**	

10. STATUTORY REMUNERATION DISCLOSURES (AUDITED) CONTINUED

10.3 LTI at 31 December 2020

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

Accounting standards require the estimated valuation of the grants recognised over the performance period. The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant, amortised in accordance with the accounting standard requirements. Refer to prior year Remuneration Reports and section 5.5 for detail regarding LTI, including the relevant performance measures and other vesting conditions.

A liability is measured at the fair value of the Rights at the grant date. The fair value determined at the grant date is expensed on a straight-line basis in the profit or loss over the vesting period, there is no subsequent re-measurement of fair value until the date of settlement for the TSR measure (Tranche 1). For the Standalone OCF (Tranche 2) and Look-through OCF (Tranche 3) measures the fair value is re-measured after the three-year period has lapsed based on the expected vesting outcome.

KMP	GRANT DATE	TRANCHE	NUMBER OF RIGHTS GRANTED NO.	FAIR VALUE AT GRANT DATE $/CPS	FAIR VALUE AT GRANT DATE $	REVISED FAIR VALUE	LTI EXPENSE IN 2020 $	VESTING DATE
Rick Francis	1 January 2017[1]	Tranche 1	117,489	1.82	213,830	213,830	53,457	31 December 2020
		Tranche 2 and Tranche 3	117,489	2.39	280,799	241,206	30,607	31 December 2020
	1 January 2018[1]	Tranche 1	103,769	1.43	148,390	148,390	37,097	31 December 2021
		Tranche 2 and Tranche 3	103,769	2.51	260,460	72,929	(75,533)	31 December 2021
	1 January 2019[1]	Tranche 1	123,669	1.32	163,243	163,243	40,811	31 December 2022
		Tranche 2 and Tranche 3	123,669	2.21	273,308	273,308	68,327	31 December 2022
	1 January 2020[1]	Tranche 1	137,451	1.37	188,308	188,308	47,077	31 December 2023
		Tranche 2 and Tranche 3	137,451	2.09	287,273	287,273	71,818	31 December 2023
TOTAL			**964,756**		**1,815,611**	**1,588,487**	**273,661**	
Gerard Dover	1 January 2020[1]	Tranche 1	67,807	1.37	92,896	92,896	23,224	31 December 2023
	1 January 2020[1]	Tranche 2 and Tranche 3	67,807	2.09	141,717	141,717	35,429	31 December 2023
TOTAL			**135,614**		**234,613**	**234,613**	**58,653**	
TOTAL			**1,100,370**				**332,314**	

(1) The LTI awards from 2017 and onwards are subject to the following performance measures:

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

10.4 Movements in Rights during 2020

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

	OPENING BALANCE 1 JANUARY 2020 NO.	GRANTED AS REMUNERATION NO.	VALUE OF RIGHTS GRANTED[1] $	VESTED NO.	VALUE OF RIGHTS VESTED/ EXERCISED $	LAPSED NO.	NET OTHER MOVEMENTS NO.	CLOSING BALANCE 31 DECEMBER 2020 NO.
Rick Francis	813,123	537,682	724,649	323,892	686,225	51,813	–	975,100
Gerard Dover	–	223,208	311,988	–	–	–	–	223,208

(1) The fair value of LTI Rights granted to Executives on 1 January 2020 is set out in table 10.3 and the fair value of STI Rights is set out in table 10.2.

(2) Rights that lapsed were as a result of the assessment of the testing of the FY2017 LTI Award. See section 8.2 for further details.

10.5 Equity Instrument Disclosures Relating to Executives

The table below details the Spark Infrastructure stapled securities in which Executives held relevant interests during 2020:

	OPENING BALANCE 1 JANUARY 2020 NO.	NET MOVEMENT ACQUIRED/ (DISPOSED) NO.	CLOSING BALANCE 31 DECEMBER 2020 REMUNERATION NO.
Rick Francis	460,689	222,478[1]	683,167
Gerard Dover	121,251	–	121,251

(1) Securities acquired relate to Rights which vested on 31 December 2019 and via participation in the DRP during the year.

The calculation of Securities under the Executive Minimum Securityholding Policy includes interests in vested and unvested Rights under the Deferred STI Plan.

10.6 Equity Instrument Disclosures Relating to Non-Executive Directors

The relevant interest of each NED for 2020 is as follows:

	OPENING BALANCE 1 JANUARY 2020 NO.	NET MOVEMENT ACQUIRED/ (DISPOSED) NO.	CLOSING BALANCE 31 DECEMBER 2020 REMUNERATION NO.
Douglas McTaggart	186,345	70,325	256,670
Anne Brennan	–	50,000	50,000
Andrew Fay	238,590	–	238,590
Miles George	100,000	100,000	200,000
Greg Martin	100,000	–	100,000
Karen Penrose[1]	57,249	–	–

(1) Karen Penrose retired on 27 May 2020.

Spark Infrastructure has a minimum Securityholding policy under which NEDs must hold the equivalent of one year's base fees (assessed from the date of appointment to the Board) to be acquired within a period of three years. The Securityholding requirement will apply throughout tenure of directorship. All NEDs have met the requirements of the NED Minimum Securityholding Policy.

STATUTORY DECLARATIONS

Attendance at Directors' Meetings

The following table sets out the number of Directors' meetings held during 2020 and the number of meetings attended by each Director which they were eligible to attend (that is, in the case of Directors, while they were appointed and provided they were not disqualified from attending because of observation of processes to guard against any perceived conflict of interest).

During 2020, 15 Board meetings, five Audit, Risk and Compliance Committee (ARC) meetings, two Remuneration Committee (RemCo) meetings, two Nomination Committee (NomCo) meetings, one Insurance Sub-Committee meeting and two Due Diligence Sub-Committee meetings of the company were held. References to meetings "Held" means the number of meetings a Director was eligible to attend.

	Board of Directors		Audit, Risk and Compliance Committee		Remuneration Committee		Nomination Committee		Insurance Sub-Committee		Due Diligence Sub-Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dr Douglas McTaggart	15	15	–	–	2	2	2	2	–	–	–	–
Mr Rick Francis	15	15	–	–	–	–	–	–	1	1	–	–
Mr Andrew Fay	15	15	5	5	–	–	2	2	1	1	2	2
Mr Greg Martin	15	15	–	–	2	2	2	2	–	–	2	2
Ms Anne Brennan	6	6	3	3	–	–	2	2	–	–	–	–
Ms Karen Penrose	9	9	2	2	–	–	1	1	–	–	–	–
Mr Miles George	15	15	5	5	2	2	2	2	–	–	2	2

By agreement with the committee chairs, there is a standing invitation for all Directors to attend committee meetings. During 2020, Directors took up these invitations and attended a number of committee meetings.

Indemnification of Officers and Auditors

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

During 2020, the Trust paid a premium in respect of a contract of insurance indemnifying the Directors against a liability incurred as a Director to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The entities have not otherwise, during or since the end of 2020, indemnified or agreed to indemnify an officer or auditor of the Trust or of any related body corporate against a liability incurred as an officer or auditor, except to the extent permitted by law.

Non-Audit Services

Details of amounts paid or payable to the external auditor for non-audit services provided during 2020 are outlined in Note 15 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 15 to the financial statements do not compromise the external auditor's independence, based on advice received from the ARC, for the following reasons:

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

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 82.

Environmental Regulations

Spark Infrastructure reports on Environmental Regulations for its associates, subsidiaries and entities within Spark Infrastructure.

Spark Infrastructure, by virtue of its ownership of Bomen Solar Farm, Victoria Power Networks, SA Power Networks and TransGrid are each subject to various environmental regulations. The Directors are not aware of any material breaches of those regulations.

Significant Changes in State of Affairs

Except as otherwise disclosed, there was no significant change in the state of affairs of Spark Infrastructure during 2020.

Information Applicable to Registered Schemes

Spark RE is the responsible entity of the Trust. Spark RE does not hold any stapled securities. The number of stapled securities at the beginning and end of 2020 is disclosed in Note 12 to the financial statements.

Options over Stapled Securities

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

Events Occurring after Reporting Date

The Directors of Spark Infrastructure are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 31 December 2020 up to the date of this report.

Rounding of Amounts

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

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

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
23 February 2021

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
ABN 74 490 121 060
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

23 February 2021

The Board of Directors
Spark Infrastructure RE Limited
as responsible entity for Spark Infrastructure Trust
Level 29, 225 George Street
SYDNEY NSW 2000

Dear Board Members

Auditor's Independence Declaration to Spark Infrastructure Trust

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

As lead audit partner for the audit of the financial report of Spark Infrastructure Trust for the year ended 31 December 2020, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Fortescue
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 consolidated 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 as at 31 December 2020 and performance of the Trust and the Consolidated Entity;

(c) the Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

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

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
23 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2020

	Notes	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Income from associates:			
– Share of equity accounted profits	8(c)(ii)	**205,705**	207,760
– Interest income	4(a)	**59,425**	63,182
		265,130	270,942
Revenue from sale of electricity and Large-Scale Renewable Generation Certificates (LGCs)	3(a)	**7,045**	–
Other income – interest		**700**	1,543
		272,875	272,485
Interest expense (including borrowing costs)	4(b)	**(3,862)**	(748)
General and administrative expenses	4(c)	**(14,343)**	(14,075)
Operating costs – Bomen Solar Farm related	3(a)	**(4,539)**	(1,141)
Project and transaction bid costs		**(4,181)**	(4,827)
Tax shortfall penalties	5(f)	**(1,302)**	–
Unrealised gains from derivative instruments – Bomen Solar Farm related	3(a)	**35,663**	6,776
Profit before Income Tax and Loan Note Interest		**280,311**	258,470
Loan Note interest		**(120,459)**	(119,180)
Profit before Income Tax		**159,852**	139,290
Income tax expense	5(a)	**(54,849)**	(60,152)
Net Profit after Income Tax Attributable to Securityholders		**105,003**	79,138
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss:			
– Share of associates' actuarial loss on defined benefit plans	14	**(7,689)**	(26,304)
Items that may be reclassified subsequently to profit or loss:			
– Share of associates' losses on hedges	13	**(85,719)**	(145,324)
– Cash flow hedge reserve	13	**(4,137)**	1,200
Income tax benefit related to components of other comprehensive income	13, 14	**22,856**	41,922
Other comprehensive loss for the Financial Year		**(74,689)**	(128,506)
Total Comprehensive Income/(Loss) for the Financial Year Attributable to Securityholders		**30,314**	(49,368)
Earnings per Security			
Weighted average number of stapled securities (No.'000)	16	**1,721,992**	1,687,085
Profit before income tax and Loan Note interest ($'000)		**280,311**	258,470
Basic earnings per security before income tax and Loan Note interest (cents)	16	**16.28¢**	15.32¢
Earnings used to calculate earnings per security ($'000)		**105,003**	79,138
Basic earnings per security based on net profit after income tax attributable to Securityholders (cents)	16	**6.10¢**	4.69¢

(Diluted earnings per security are the same as basic earnings per security).
Notes to the financial statements are included on pages 88-118.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Current Assets			
Cash and cash equivalents	23(a)	**36,898**	31,400
Receivables from associates	6	**6,835**	7,339
GST receivable		**697**	8,839
Tax and interest refund receivable	5(f)	**45,000**	–
Other current assets		**3,679**	1,829
Total Current Assets		**93,109**	49,407
Non-Current Assets			
Property, plant and equipment	7	**172,599**	159,789
Derivative financial instruments – Power Purchase Agreements (PPA)	24(d)	**43,839**	8,176
Derivative financial instruments – Interest rate swaps	24(d)	**–**	1,714
Investments in associates:			
– Investments accounted for using the equity method	8(d)	**2,043,921**	2,165,891
– Loans to associates	9	**460,598**	460,598
– Loan notes to associates	10	**237,444**	237,444
Total Non-Current Assets		**2,958,401**	3,033,612
Total Assets		**3,051,510**	3,083,019
Current Liabilities			
Current tax liability		**39,384**	68,830
Payables		**5,697**	7,767
Interest bearing liabilities	23(c)	**38,991**	39,567
Loan Note interest payable to Securityholders		**61,701**	60,309
Total Current Liabilities		**145,773**	176,473
Non-Current Liabilities			
Payables		**648**	1,310
Derivative financial instruments – Interest rate swaps	24(d)	**4,196**	–
Loan Notes attributable to Securityholders	11	**1,097,956**	1,072,674
Deferred tax liabilities	5(c)	**206,906**	194,154
Total Non-Current Liabilities		**1,309,706**	1,268,138
Total Liabilities		**1,455,479**	1,444,611
Net Assets		**1,596,031**	1,638,408
Equity			
Equity attributable to Parent Entity:			
– Issued capital	12	**732,887**	805,884
– Reserves	13	**(247,674)**	(178,980)
– Retained earnings	14	**1,110,818**	1,011,504
Total Equity		**1,596,031**	1,638,408
Total Equity attributable to Securityholders is as follows:			
Total Equity		**1,596,031**	1,638,408
Loan Notes attributable to Securityholders		**1,097,956**	1,072,674
Total Equity and Loan Notes		**2,693,987**	2,711,082

Notes to the financial statements are included on pages 88-118.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2020

2019	Notes	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2019		923,270	(69,613)	952,170	1,805,827
Net profit after income tax for the year		–	–	79,138	79,138
Other comprehensive loss for the year, net of income tax	13, 14	–	(108,702)	(19,804)	(128,506)
Total comprehensive loss for the year		–	(108,702)	59,334	(49,368)
Movement of share-based payments	13	–	(665)	–	(665)
Capital distributions	12	(142,130)	–	–	(142,130)
Contributions of equity (net of issue costs)(1)	12	24,744	–	–	24,744
Balance at 31 December 2019		805,884	(178,980)	1,011,504	1,638,408

2020	Notes	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2020		**805,884**	**(178,980)**	**1,011,504**	**1,638,408**
Net profit after income tax for the year		**–**	**–**	**105,003**	**105,003**
Other comprehensive loss for the year, net of income tax	13, 14	**–**	**(69,000)**	**(5,689)**	**(74,689)**
Total comprehensive (loss)/income for the year		**–**	**(69,000)**	**99,314**	**30,314**
Movement of share-based payments	13	**–**	**306**	**–**	**306**
Capital distributions	12	**(127,365)**	**–**	**–**	**(127,365)**
Contributions of equity (net of issue costs)(1)	12	**54,368**	**–**	**–**	**54,368**
Balance at 31 December 2020		**732,887**	**(247,674)**	**1,110,818**	**1,596,031**

(1) Excludes loan notes issued – see Note 12.

Notes to the financial statements are included on pages 88-118.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 December 2020

	Notes	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Cash Flows from Operating Activities			
Distributions from associates – preferred partnership capital	2	**69,826**	69,635
Distributions from associates – other	2	**171,212**	135,832
Interest received from associates	2	**59,929**	64,213
Interest received – other		**704**	1,641
Interest paid – other		**(9,244)**	(399)
Other expenses		**(13,243)**	(13,273)
Operating cash flows – Bomen Solar Farm related		**4,726**	(1,215)
Project and transaction bid costs		**(5,561)**	(4,110)
Tax paid	2	**(85,852)**	(38,730)
Net Cash Inflow Related to Operating Activities	23(d)	**192,497**	213,594
Cash Flows from Investing Activities			
Repayment of borrowings by associate	2	**–**	42,774
Acquisition of subsidiary – Bomen Solar Farm		**–**	(1,400)
Purchase of property, plant and equipment – Bomen Solar Farm(1)		**(9,754)**	(155,042)
Purchase of Land – Bomen Solar Farm		**–**	(7,772)
Purchase of property, plant and equipment		**(5)**	(32)
Equity investment in NSW Electricity Networks Operations		**(6,770)**	(9,111)
Net Cash Outflow Related to Investing Activities		**(16,529)**	(130,583)
Cash Flows from Financing Activities			
Payment of debt refinancing costs		**(1,439)**	(200)
Payment of issue costs		**(341)**	(170)
Payment of lease liability		**(725)**	(693)
Proceeds from external borrowings		**140,000**	40,000
Repayment of external borrowings		**(140,000)**	–
Distributions to Securityholders:			
– Loan Note interest		**(120,569)**	(118,582)
– Capital distributions(2)		**(47,396)**	(106,310)
Net Cash Outflow Related to Financing Activities		**(170,470)**	(185,955)
Net Increase/(Decrease) in Cash and Cash Equivalents for the Year		**5,498**	(102,944)
Cash and Cash Equivalents at beginning of the Year		**31,400**	134,344
Cash and Cash Equivalents at end of the Year(3)	23(a)	**36,898**	31,400

(1) Includes $18.9 million of purchases of property, plant & equipment (PPE) related to Bomen Solar Farm in 2020, offset by a ($9.1) million refund of GST paid on PPE in prior year.

(2) Net of Dividend Reinvestment Plan (DRP) proceeds of $80.0 million in FY2020 (2019: $35.8 million)

(3) Includes $5,000,000 of cash which is required to be held by Spark Infrastructure RE Limited (Spark RE) at all times for Australian Financial Services Licence (AFSL) purposes (31 December 2019: $5,000,000).

Notes to the financial statements are included on pages 88-118.

NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2020

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

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

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

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

Information in respect of the Parent Entity in this financial report relates to the Trust. The financial information for the Parent Entity, disclosed in Note 25, has been prepared on the same basis as the financial statements for the Group.

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

The financial report was authorised for issue by the Directors of Spark Infrastructure RE Limited ("Spark RE" or the "Company") on 23 February 2021.

New and Revised Standards and Interpretations

Standards and Interpretations Affecting Amounts Reported in the Year Ended 31 December 2020 ("Current Year" or "Financial Year")

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

Adoption of New and Revised Standards

New and Revised Standard	Requirements
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The application of Conceptual Framework is limited to: – For profit entities that have public accountability – Other for-profit entities that voluntarily elect to apply the Conceptual Framework The Directors note that the adoption of this amendment does not have a material impact on the full year financial report of the Group.
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	AASB 2018-6 amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether the transaction should be accounted for as a business combination or as an asset acquisition. The Directors note that the adoption of this amendment does not have a material impact on the full year financial report of the Group.
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. The Directors note that the adoption of this amendment does not have a material impact on the full year financial report of the Group.

Standards and Interpretations in Issue Not Yet Adopted

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

Standard/Interpretation	Effective for the Annual Reporting Period Beginning on	Expected to be Initially Applied in the Financial Year Ending
AASB 17 *Insurance Contracts*	1 January 2021	31 December 2021
AASB 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.		
The Directors anticipate that it will not have a material impact on the financial report of the Group in the year of initial application.		

Significant Accounting Policies

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

(a) Basis of Preparation and Statement of Compliance

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

Although Spark Infrastructure has a net current deficiency of $52.7 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $360 million, refer to Note 23(b)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, this Financial Report has been prepared on a going concern basis.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its controlled entities as at 31 December 2020. Control is achieved where the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Where control of an entity is obtained during the financial period, its results are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of control. All intra-group transactions, balances, income and expenses within the Group are eliminated in full on consolidation.

(c) Changes in accounting policy

The accounting policies to all periods presented in these financial statements are consistently applied.

(d) Leases

As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(e) 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.

(f) 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.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(g) Borrowing Costs

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

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

(h) Cash and Cash Equivalents

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

(i) 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.

(j) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings: 40 years
- Plant and equipment: 3-30 years
- Fixtures and fittings: 5-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Financial Instruments

Recognition and initial measurement

Spark Infrastructure initially recognises financial instruments on the date on which they are originated. A financial asset or financial liability is measured initially at fair value. For an item not at Fair Value Through Profit or Loss (FVTPL) transaction costs are also included that are directly attributable to its acquisition or issue. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and Subsequent Measurement

Financial Assets

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

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

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

Subsequent measurement of financial assets:

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see below for derivatives designated as hedging instruments.
- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Spark Infrastructure classifies its Loan Notes to Securityholders, as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. See below for financial liabilities designated as hedging instruments.

De-recognition

Financial Assets

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

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

Financial Liabilities

Spark Infrastructure derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

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

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

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments, such as loan and loan notes to associates, on which credit risk has not increased significantly since their initial recognition.

12 month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

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

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

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its energy price risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. The Group has elected to use cash flow hedge accounting to reduce the volatility in the statement of profit or loss in relation to the interest rate swaps. Certain derivatives such as Power Purchase Agreements (PPAs) do not qualify for hedge accounting and are required to be accounted for at fair value through the profit or loss.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and the effective portion of the hedge is deferred to Other Comprehensive Income in the cash flow hedge reserve while the ineffective portion is recognised in the income statement.

When the Group discontinues hedge accounting for a cash flow hedge:

- If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve until the future cash flows occur.
- If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item (unless the accumulative change in fair value is negative), determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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

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

Interest, Dividends and Distributions

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

(l) Goods and Services Tax

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(m) Employee Benefits

Wages, Salaries, Annual Leave and Other Employee Benefits

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

Long Service Leave

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

Equity-Settled Long-Term and Deferred Incentives

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

(n) Income Tax

Current Tax

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

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in these consolidated financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates except where Spark Infrastructure is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Current and Deferred Tax for the Year

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

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

Tax Consolidation Legislation

Tax consolidated groups have been formed within Spark Infrastructure, whereby wholly-owned Australian resident entities have combined together to form a tax consolidated group that will be taxed under Australian taxation law as if it was a single entity. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of members of a tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the head entity in the relevant tax consolidated group. Further details are provided in Note 5.

Taxation of Financial Arrangements

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

(o) Investments in Associates

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

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

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

(p) Loans and Receivables

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

(q) Revenue Recognition

Sale of electricity

The Group derives revenue from sale of electricity generated by its solar farm. Revenue is recognised over time as electricity is supplied. The transaction price is the spot price per unit of electricity delivered.

Sale of Large-Scale Renewable Generation Certificates (LGCs)

The Group has PPAs to sell LGCs generated by its solar farm. Revenue is recognised at fair value when LGCs are created, with equivalent asset value also being recognised.

Distribution and Interest Revenue

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

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

(r) Investments in Subsidiaries

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

(s) Contributions from Customers for Capital Works

Non-refundable contributions of cash or assets received from customers towards the cost of extending or modifying the network are recognised as revenue and an asset respectively once control is gained of the cash contribution or asset and the customer is connected to the network of either Victoria Power Networks or SA Power Networks.

Customer contributions of cash and customer contributions of assets are measured at fair value at the date either Victoria Power Networks or SA Power Networks gains control of the cash contribution or asset. Fair value is based on the regulatory return expected to be derived from the Regulator.

(t) Critical Accounting Estimates and Judgements

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

Spark Infrastructure equity accounts the results of its associates (see Note 1(o)) and within these results there are several accounting estimates and judgements. These estimates and judgements will have a direct impact on the results reported by Spark Infrastructure as it recognises its share of profits or losses and post-acquisition movements in equity, which adjust the carrying amount of the investments in the associates. The key accounting estimates and judgements used in the preparation of this report are as follows:

- Impairment of Assets

  At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment. Each associate, being Victoria Power Networks, SA Power Networks and TransGrid ("investment portfolio"), as well as Bomen Solar Farm, is regarded as a separate cash generating unit (CGU) for the purposes of such testing. If any indicators are identified, the recoverable amounts are determined as the higher of fair value less costs to sell and value in use.

  If such indicators were determined to exist, fair value less costs to sell calculations are used to assess Spark Infrastructure's investment portfolio and to confirm that their carrying values did not exceed their respective recoverable amounts.

  The following key assumptions are used in the assessment of fair value less costs to sell:

- Fair value less costs to sell assessments based on discounted cash flow projections over a period of ten years;
- Cash flow projections based on financial forecasts approved by management containing assumptions about business conditions, growth in RAB and future regulatory return;
- Appropriate discount rates specific to each CGU; and
- Appropriate terminal values based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities.

  Cash flow projections for a ten-year period are deemed appropriate as the investment portfolio assets operate within regulated industries that reset every five years, and have electricity transmission or distribution assets that are long life assets.

  Sensitivity analysis would be undertaken regarding the impact of possible changes in key assumptions.

  Fair value less costs to sell is measured using inputs that are unobservable in the market and are therefore deemed to be Level 3 fair value measurements in accordance with AASB 13 *Fair Value Measurement*.

- Fair Value of Customer Contributions and Gifted Assets at Victoria Power Networks and SA Power Networks

  With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from depreciated replacement cost to estimating the net present value of the future cash flows expected to be derived from the RAB as a result of the specific extension or modification to the network, as described in Note 1(s). This change better reflects the value for customer contributions and gifted assets included in the RAB, on which future regulatory returns are derived.

- Significant Influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust

  Note 8 describes that NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust are associates of Spark Infrastructure although Spark Infrastructure only has a 15.01% ownership interest. Spark Infrastructure has significant influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust by virtue of its right under the Shareholders Agreement to appoint one Director for every 10% shareholding. In addition, Spark Infrastructure has a special right to appoint a second Director while its ownership remains at or above 15.01%. This right is particular to Spark Infrastructure.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Critical Accounting Estimates and Judgements continued

- Deferred Tax Arising on the Investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust

  Deferred tax arising on the initial investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust is considered to relate to temporary differences that give rise to no accounting or taxable profit. As such, deferred tax is not recognised under the initial recognition exemption. Furthermore, subsequent changes to the unrecognised deferred tax are not recorded.

- Deferred Tax Assets

  Deferred tax assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the foreseeable future. As at 31 December 2020 (2019: nil), there are no amounts unrecognised on the basis that the above criteria was not met.

(u) Fair Value Measurement of Financial Instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's ARC. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(v) Measurement of Fair Value

Further information about the assumptions made in measuring fair values is included in Note 24(d) Financial Instruments.

(w) Functional and Presentation Currency

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

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency.

2. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Four segments are reported:

- Victoria Power Networks – the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor);
- SA Power Networks – the 49% interest in the electricity distribution business in South Australia;
- TransGrid – the 15.01% interest in the electricity transmission business in New South Wales (i.e. NSW Electricity Networks Assets Holdings Trust (NSW Electricity Networks Assets) and NSW Electricity Networks Operations Holdings Trust (NSW Electricity Networks Operations)); and
- Bomen Group – the 100% interest in the Bomen Solar Farm HoldCo Pty Ltd and Bomen Solar Farm Hold Trust (and its 100% owned subsidiaries Bomen Solar Farm Pty Ltd, Bomen SF Trust and Bomen SF FinCo Pty Ltd). The Bomen Solar Farm commenced commercial operations from late-June 2020.

The segments noted also fairly represent the Group's geographical segments determined by location within Australia as they have the same economic characteristics.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Cash Flows										
Distributions from associates – preferred partnership capital	**–**	–	**69,826**	69,635	**–**	–	**–**	–	**69,826**	69,635
Distributions from associates – other	**121,388**	65,086	**36,750**	46,550	**13,074**	24,196	**–**	–	**171,212**	135,832
Interest received from associates	**50,112**	51,636	**–**	–	**9,817**	12,577	**–**	–	**59,929**	64,213
Repayment of borrowings by associates[1]	**–**	42,774	**–**	–	**–**	–	**–**	–	**–**	42,774
Net operating cash flows – Bomen Solar Farm related	**–**	–	**–**	–	**–**	–	**4,726**	(1,215)	**4,726**	(1,215)
Total Segment Cash Flows	**171,500**	159,496	**106,576**	116,185	**22,891**	36,773	**4,726**	(1,215)	**305,693**	311,239
Net interest (paid)/received									**(8,540)**	1,242
Corporate expenses									**(13,243)**	(13,273)
Project and transaction bid costs									**(5,561)**	(4,110)
Tax paid[2]									**(85,852)**	(38,730)
Net Operating Cash Flows[1]									**192,497**	256,368

(1) Victoria Power Networks distributions include both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes.

(2) 2020 tax paid of $85.9 million is comprised of:

- $34.4 million relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO);
- $33.7 million relating to the 31 December 2019 income tax year; and
- $17.8 million relating to the 31 December 2020 income tax year, and with respect to the SIH No. 1 and 2 Tax Consolidated Group

2019 Tax paid of $34.4 million relates to 50% settlement of FY15, 16, 17 & 18 in respect of the outstanding tax relating to gifted assets and cash contributions. The remaining $4.3 million relates to tax paid relating to income tax instalments for the FY19 income tax year.

2. SEGMENT INFORMATION CONTINUED

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Revenue										
Share of equity accounted profits	**101,601**	84,910	**100,289**	120,127	**3,815**	2,723	**–**	–	**205,705**	207,760
Interest income	**50,112**	51,204	**–**	–	**9,313**	11,978	**1**	–	**59,426**	63,182
Revenue from sale of electricity and LGCs	**–**	–	**–**	–	**–**	–	**7,045**	–	**7,045**	–
Unrealised gains from derivative instruments	**–**	–	**–**	–	**–**	–	**35,663**	6,776	**35,663**	6,776
Segment revenue	**151,713**	136,114	**100,289**	120,127	**13,128**	14,701	**42,709**	6,776	**307,839**	277,718
Interest revenue	**–**	–	**–**	–	**–**	–	**–**	–	**700**	1,543
Total Revenue									**308,539**	279,261
Segment operating costs	**–**	–	**–**	–	**–**	–	**(1,770)**	(1,141)	**(1,770)**	(1,141)
Segment depreciation	**–**	–	**–**	–	**–**	–	**(2,769)**	–	**(2,769)**	–
Segment contribution	**151,713**	136,114	**100,289**	120,127	**13,128**	14,701	**38,170**	5,635	**303,300**	276,577
Net interest (expense)/income									**(3,163)**	794
Corporate costs									**(15,645)**	(14,075)
Project and transaction bid costs									**(4,181)**	(4,827)
Profit for the year before income tax and Loan Note interest									**280,311**	258,470
Interest on Loan Notes									**(120,459)**	(119,180)
Income tax expense									**(54,849)**	(60,152)
Net Profit attributable to Securityholders									**105,003**	79,138

Segment assets and liabilities are measured in the same way as in the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Liabilities are allocated based on the operations of the segment.

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Assets										
Investments accounted for using the equity method	**431,085**	493,116	**1,240,615**	1,280,842	**372,221**	391,933	**–**	–	**2,043,921**	2,165,891
Loans to associates	**460,598**	460,598	**–**	–	**–**	–	**–**	–	**460,598**	460,598
Loan notes to associates	**–**	–	**–**	–	**237,444**	237,444	**–**	–	**237,444**	237,444
Receivables from associates	**4,655**	4,655	**–**	–	**2,180**	2,684	**–**	–	**6,835**	7,339
Derivative Instruments – PPA	**–**	–	**–**	–	**–**	–	**43,839**	8,176	**43,839**	8,176
Property, plant and equipment – Bomen Solar Farm related	**–**	–	**–**	–	**–**	–	**171,262**	157,577	**171,262**	157,577
Other assets	**–**	–	**–**	–	**–**	–	**1,678**	–	**1,678**	–
GST receivable	**–**	–	**–**	–	**–**	–	**697**	8,839	**697**	8,839
Total Segment Assets	**896,338**	958,369	**1,240,615**	1,280,842	**611,845**	632,061	**217,476**	174,592	**2,966,274**	3,045,864
Cash and cash equivalents									**36,898**	31,400
Derivative instruments – interest rate swaps									**–**	1,714
Tax and interest refund receivable									**45,000**	–
Other current assets									**2,001**	1,829
Property, plant and equipment									**1,337**	2,212
Total Assets									**3,051,510**	3,083,019

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Liabilities										
Payables	**–**	–	**–**	–	**–**	–	**783**	3,425	**783**	3,425
Total Segment Liabilities	**–**	–	**–**	–	**–**	–	**783**	3,425	**783**	3,425
Unallocated Liabilities										
Loan Notes attributable to Securityholders									**1,097,956**	1,072,674
Interest bearing liabilities									**38,991**	39,567
Other liabilities									**67,263**	65,961
Derivative instruments – interest rate swaps									**4,196**	–
Tax payable									**39,384**	68,830
Deferred tax liabilities									**206,906**	194,154
Total Liabilities									**1,455,479**	1,444,611

3. BOMEN SOLAR FARM

(a) Bomen Solar Farm Operating Results

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
PPA fixed revenue	**6,217**	–
Merchant electricity revenue	**146**	–
Merchant LGC revenue	**682**	–
Total Revenue from sale of electricity and LGCs	**7,045**	–
Interest revenue	**1**	–
Unrealised gain on PPA	**35,663**	6,776
Total Revenue	**42,709**	6,776
Operating costs	**(1,770)**	(1,141)
Depreciation	**(2,769)**	–
Tax expense	**(10,525)**	(1,691)
Net Profit after Tax	**27,645**	3,944

(b) Related party transactions

Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor and operations and maintenance (O&M) contractor. For the year ended 31 December 2020 Spark Infrastructure had incurred costs of $17.6 million (2019: $90.7 million) related to EPC which are capitalised as property, plant and equipment and $0.4 million related O&M since September 2020 which are expensed through the profit or loss statement.

Bomen Solar Farm has connected into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 31 December 2020 Spark Infrastructure had incurred costs of $0.3 million (2019: $nil) related to TransGrid.

4. PROFIT FOR THE FINANCIAL YEAR

		Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
(a)	**Income from Associates**		
	Equity Accounted Profits:		
	Victoria Power Networks Pty Ltd	**101,601**	84,910
	SA Power Networks Partnership	**100,289**	120,127
	NSW Electricity Networks Assets[1]	**(551)**	(3,592)
	NSW Electricity Networks Operations[1]	**4,366**	6,315
		205,705	207,760
	Interest Income – Associates:		
	Victoria Power Networks Pty Ltd	**50,112**	51,204
	NSW Electricity Networks Operations	**9,313**	11,978
		59,425	63,182
		265,130	270,942
(b)	**Interest expense – other:**		
	Interest costs and other associated costs of senior debt	**3,862**	748
(c)	**General and Administrative Expenses**		
	Staff costs – salaries and short-term benefits	**4,120**	3,990
	Staff costs – post-employment benefits	**236**	216
	Staff costs – incentives (short-term and long-term)	**2,379**	1,548
	Total staff costs	**6,735**	5,754
	Directors' fees – short-term benefits	**904**	891
	Directors' fees – post-employment benefits	**63**	79
	Depreciation	**881**	876
	Other expenses	**5,760**	6,475
		14,343	14,075

(1) Together referred to as TransGrid.

5. INCOME TAXES

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Amounts recognised in profit or loss		
Current tax		
Current tax expense in respect of the Current Year	**(58,980)**	(49,805)
Adjustments recognised in relation to current tax in prior years[1]	**40,000**	–
	(18,980)	(49,805)
Deferred tax		
Deferred tax benefit/(expense) recognised in the Current Year	**4,131**	(10,347)
Adjustments recognised in relation to deferred tax in prior years[1]	**(40,000)**	–
	(35,869)	(10,347)
Total income tax expense relating to continuing operations	**(54,849)**	(60,152)

(1) Estimated amendments to the treatment of customer contributions and gifted assets reported in Spark Infrastructure Holdings No.2 Pty Ltd's income tax returns.
(2) Refer Note 5(f) for more information.

		Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
(a)	**Income Tax Recognised in the Statement of Profit or Loss and Other Comprehensive Income**		
	Profit before tax for continuing operations	**159,852**	139,290
	Income tax (expense) calculated at 30% (2019: 30%)	**(47,956)**	(41,787)
	Deduct:		
	Effect of expenses that are not deductible in determining taxable (loss)/profit	**(587)**	(830)
	Effect of prior year adjustments in associates' tax bases	**5,137**	(8,547)
	Tax effect on operating results of the Trusts	**(11,443)**	(8,988)
	Total Current Year income tax expense	**(54,849)**	(60,152)
	The tax rate of 30% used above is the current Australian corporate tax rate. There was no change in the corporate tax rate during the current year.		
(b)	**Income Tax Recognised Directly in Equity**		
	Share of associates' reserves	**22,856**	41,922
	Income tax expense	**22,856**	41,922
(c)	**Deferred Tax Balances**		
	Temporary Differences		
	Timing differences – other	**913**	212
	Investment in associates	**(207,819)**	(194,366)
		(206,906)	(194,154)
	Unused tax losses		
	Tax losses	**–**	–
	Net tax liabilities	**(206,906)**	(194,154)

5. INCOME TAXES CONTINUED

(d) Tax Consolidation

Spark Infrastructure Holdings No.1 Pty Ltd (SIH No. 1), Spark Infrastructure Holdings No.2 Pty Ltd (SIH No. 2), and Spark Infrastructure Holdings No.3 Pty Ltd (SIH No. 3) and their wholly-owned entities have each formed a tax consolidated group and therefore each group is taxed as a single entity. The head entity within each tax consolidated group is SIH No. 1, SIH No. 2 and SIH No. 3 respectively. The members of the tax consolidated groups are identified in Note 22.

(e) Nature of Tax Funding Arrangements and Tax Sharing Agreements

Entities within each tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with their respective head entities. Under the terms of the funding agreement, SIH No. 1, SIH No. 2, and SIH No. 3 and each of the entities in the relevant tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

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

(f) Australian Tax Office (ATO) Matters

As previously disclosed, Victoria Power Networks has had an ongoing dispute with the ATO in respect of the tax treatment of certain cash contributions and gifted assets made by customers to Victoria Power Networks as part of contractual arrangements with these customers.

The dispute culminated in a hearing in the Federal Court in early December 2018, with the decision of that court subsequently appealed to the Full Federal Court on August 2020. On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions and found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets.

In summary, the Full Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt. This decision was consistent with the Federal Court decision and confirmed the ATO's view; and
- For assets transferred to Victoria Power Networks from customers (i.e. gifted assets), the receipt of the gifted assets will not give rise to an amount of assessable income (after the offset of any rebate paid by Victoria Power Networks to the customer) to Victoria Power Networks. This decision reversed the decision of the Federal Court and confirms Victoria Power Networks' view of the tax treatment of such assets.

As there has been no further appeal by either party, the decision of the Full Federal Court is final in respect of the tax treatment of both cash contributions and gifted assets.

Due to the decision of the Full Federal Court outlined above and the similarities between the factual position of Victoria Power Networks and SA Power Networks it is believed that there is now a sufficient basis for the tax treatment to be finalised. This means the tax treatment of cash contributions remains unchanged from the prior year but the tax treatment of gifted assets is reversed.

As such, a tax receivable has been recognised of $40.0 million by SIH No. 2 as the head entity for the SIH No. 2 tax consolidated group for the periods up to and including the year ended 31 December 2020. This reflects the estimated tax refund that is anticipated that SIH No. 2 will receive in respect of prior years for overpayment of tax as a consequence of including gifted assets in assessable income. It is also anticipated that SIH No. 2 will receive a refund of interest that was paid in respect of underpayment of tax in prior years due to gifted assets being originally judged to be assessable for tax purposes. An interest receivable balance of $5.0 million has been recognised in this regard. The ATO also issued shortfall penalty notices for $1.3 million in respect of the lodgement of prior year income tax returns and the basis upon which such returns were submitted. SIH No. 2 has objected to these penalty notices but no formal decision has been made in respect of these penalty amounts.

Victoria Power Networks became a taxpayer in respect of the 31 December 2019 year with tax paid of $30 million paid in June 2020. As a consequence of the litigation outcome Victoria Power Networks anticipates a refund of $23 million in respect of 31 December 2019. Victoria Power Networks expects to access the Government's COVID-19 economic recovery measures which include the temporary full expensing of capital expenditure for the 31 December 2020 to 31 December 2022 years. The anticipated overall impact is timing in nature, which gives rise to lower tax liabilities in the above income years.

As at 31 December 2020, the Spark Infrastructure Group has collectively paid $124.3 million of income tax, with a refund of $40.0 million as discussed above anticipated. The net amount of $84.3 million represents approximately 4.9 cents per security (cps) of franking credits of which 2.1 cents per security have been attached to the final distribution for 31 December 2020. The remaining 2.8 cents per security along with ongoing tax payments made by Spark Infrastructure and franking credits received by Victoria Power Networks are expected to result in partial franking of the distribution on an ongoing basis.

6. RECEIVABLES FROM ASSOCIATES – CURRENT

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Victoria Power Networks	**4,655**	4,655
NSW Electricity Networks Operations	**2,180**	2,684
	6,835	7,339

Receivables from associates relates to interest receivable on loans to Victoria Power Networks and loan notes to NSW Electricity Networks Operations per Notes 9 and 10. These receivables are expected to be settled in full within the next 12 months.

7. PROPERTY, PLANT AND EQUIPMENT

See accounting policy in Note 1(j).

Reconciliation of carrying amount

Non-Current	Freehold Land $'000	Furniture, Fittings & Equipment $'000	Right of Use Asset $'000	Property, Plant & Equipment $'000	Total $'000
Opening net book value at 1 January 2019	–	591	–	–	591
Additions	7,771	32	2,466	149,806	160,075
Depreciation charge	–	(172)	(705)	–	(877)
Closing net book value at 31 December 2019	7,771	451	1,761	149,806	159,789
Cost	7,771	845	2,466	149,806	160,888
Accumulated Depreciation	–	(394)	(705)	–	(1,099)
Net book value at 31 December 2019	7,771	451	1,761	149,806	159,789
Opening net book value at 1 January 2020	**7,771**	**451**	**1,761**	**149,806**	**159,789**
Additions	-	5	–	16,455	**16,460**
Depreciation charge	–	(176)	(705)	(2,769)	**(3,650)**
Closing net book value at 31 December 2020	**7,771**	**280**	**1,056**	**163,492**	**172,599**
Cost	7,771	850	2,466	166,261	**177,348**
Accumulated Depreciation	–	(570)	(1,410)	(2,769)	**(4,749)**
Net book value at 31 December 2020	**7,771**	**280**	**1,056**	**163,492**	**172,599**

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in Associates

Name of Entity	Principal Activity	Ownership Interest (%) 2020	Ownership Interest (%) 2019	Country of Incorporation/ Formation[1]
Victoria Power Networks Pty Ltd	Ownership of electricity distribution networks in Victoria	**49.00**	49.00	Australia
SA Power Networks	Ownership of an electricity distribution network in South Australia	**49.00**	49.00	Australia
NSW Electricity Networks Assets Holdings Trust[2]	Ownership of electricity transmission assets in New South Wales	**15.01**	15.01	Australia
NSW Electricity Networks Operations Holdings Trust[2]	Ownership of an electricity transmission business in New South Wales	**15.01**	15.01	Australia

(1) The principal place of business is the same as the country of incorporation.
(2) Together referred to as TransGrid.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations
	31 Dec 2020 $'000	31 Dec 2020 $'000	31 Dec 2020 $'000	31 Dec 2020 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000
Current assets	**481,859**	**297,962**	**126,115**	**349,076**	413,803	308,876	101,092	230,298
Non-current assets	**8,399,889**	**6,800,288**	**7,700,104**	**4,097,163**	8,273,351	6,810,000	7,394,809	3,956,272
Total assets	**8,881,748**	**7,098,250**	**7,826,219**	**4,446,239**	8,687,154	7,118,876	7,495,901	4,186,570
Current liabilities	**1,950,487**	**376,073**	**477,070**	**344,773**	1,569,489	391,176	132,015	288,955
Non-current liabilities	**5,590,282**	**4,590,776**	**6,105,752**	**2,867,239**	5,650,381	4,511,059	5,963,753	2,708,255
Total liabilities	**7,540,769**	**4,966,849**	**6,582,822**	**3,212,012**	7,219,870	4,902,235	6,095,768	2,997,210
Net assets	**1,340,979**	**2,131,401**	**1,243,397**	**1,234,227**	1,467,284	2,216,641	1,400,133	1,189,360

(c) (i) Summarised Financial Performance of Associates

	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations
	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000	Year Ended 31 Dec 2019 $'000	Year Ended 31 Dec 2019 $'000	Year Ended 31 Dec 2019 $'000
Regulated revenue (including advanced metering)	**1,062,601**	**849,234**	**–**	**751,066**	1,047,854	848,853	–	709,634
Revenue – semi-regulated and unregulated	**336,099**	**389,163**	**557,087**	**152,870**	347,589	379,407	555,760	149,252
Operating revenue	**1,398,700**	**1,238,397**	**557,087**	**903,936**	1,395,443	1,228,260	555,760	858,886
Revenue – transmission (pass-through)	**341,122**	**255,163**	**–**	**–**	287,788	239,561	–	–
	1,739,822	**1,493,560**	**557,087**	**903,936**	1,683,231	1,467,821	555,760	858,886
Expenses	**(1,108,550)**	**(1,106,019)**	**(560,760)**	**(897,388)**	(1,129,550)	(1,055,260)	(579,694)	(861,693)
Expenses – transmission (pass-through)	**(341,122)**	**(255,163)**	**–**	**–**	(287,788)	(239,561)	–	–
Profit/(loss) before income tax	**290,150**	**132,378**	**(3,673)**	**6,548**	265,893	173,000	(23,934)	(2,807)
Income tax expense	**(91,025)**	**(3,528)**	**–**	**–**	(83,161)	(3,471)	–	–
Net profit/(loss)	**199,125**	**128,850**	**(3,673)**	**6,548**	182,732	169,529	(23,934)	(2,807)
Other comprehensive income:								
(Loss)/gain on hedges	**(71,547)**	**(70,328)**	**(107,963)**	**36**	(136,039)	(145,740)	(181,440)	(108)
Actuarial (loss)/gain on defined benefit plans	**(14,664)**	**1,063**	**–**	**(6,815)**	(10,980)	(36,525)	–	(30,899)
Income tax benefit related to components of other comprehensive income	**25,863**	**–**	**–**	**–**	44,106	–	–	–
Other comprehensive loss for the Financial Year	**(60,348)**	**(69,265)**	**(107,963)**	**(6,779)**	(102,913)	(182,265)	(181,440)	(31,007)
Total comprehensive income/(loss) for the Financial Year	**138,778**	**59,585**	**(111,636)**	**(231)**	79,819	(12,736)	(205,374)	(33,814)

(c) (ii) Summarised Financial Performance of Associates

Reconciliation of the above summarised financial performance (on a 100% basis) to the net profit/(loss) attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks (on a 49% basis) and NSW Electricity Networks Assets and NSW Electricity Networks Operations (on a 15.01% basis), recognised in the financial report:

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Victoria Power Networks net profit	**97,571**	89,539
SA Power Networks net profit	**63,137**	83,069
Additional share of profits from preferred partnership capital[1]	**35,611**	35,514
NSW Electricity Networks Assets net loss	**(551)**	(3,592)
NSW Electricity Networks Operations net profit/(loss)	**982**	(421)
	196,750	204,109
Adjustment in respect of regulated revenue cap[2]	**10,259**	4,941
Additional adjustments to share of equity profits[3]	**(1,304)**	(1,290)
	205,705	207,760

(1) Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in SA Power Networks, which ensures that Spark Infrastructure shares in 49% of the overall results of operations from SA Power Networks.

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

(3) Additional adjustments made to share of equity profits include:
- Depreciation/amortisation of fair value uplift of assets on acquisition; and
- Customer contribution and gifted asset depreciation.

(d) Movement in Carrying Amounts

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Carrying amount at beginning of the Current Year	**2,165,891**	2,326,112
Share of profits after income tax	**205,705**	207,760
Preferred partnership distribution received – SA Power Networks	**(69,826)**	(69,635)
Distributions received – SA Power Networks	**(36,750)**	(46,550)
Distributions received – Victoria Power Networks	**(121,388)**	(65,085)
Distributions received – NSW Electricity Networks Assets	**(6,770)**	(19,325)
Distributions received – NSW Electricity Networks Operations	**(6,304)**	(4,871)
Capital contribution – NSW Electricity Networks Operations	**6,770**	9,111
Share of associates' comprehensive loss recognised directly in equity	**(93,407)**	(171,626)
Carrying amount at end of the Current Year	**2,043,921**	2,165,891

(e) Contingent Liabilities

Spark Infrastructure's share of contingent liabilities is provided in Note 18.

9. LOANS TO ASSOCIATES – INTEREST BEARING

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Victoria Power Networks	**460,598**	460,598

Loan notes advanced to NSW Electricity Networks Operations at the applicable bank bill interest rate plus a margin of 3.50% per annum. The loan notes are redeemable at the discretion of the issuer, with a maximum maturity in December 2025.

10. LOAN NOTES TO ASSOCIATES – INTEREST BEARING

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
NSW Electricity Networks Operations	**237,444**	237,444

100-year loan to Victoria Power Networks at a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower. No amount was repaid by the borrower to Spark Infrastructure during 2020 (2019: $42.8 million).

11. LOAN NOTES ATTRIBUTABLE TO SECURITYHOLDERS

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at beginning of the Financial Year	**1,072,674**	1,061,764
Issue of Loan Notes under Distribution Reinvestment Plan	**25,477**	10,945
Issue costs associated with Loan Notes	**(215)**	(55)
Write-back of deferred discount[1]	**20**	20
Balance at end of the Financial Year	**1,097,956**	1,072,674

(1) The deferred discount represents the difference between the Loan Notes face value of $1.25 and the price of securities issued under the Distribution Reinvestment Plan in September 2009 of $1.0862. The deferred discount is written back over the remaining term of the Loan Notes.

12. ISSUED CAPITAL

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at beginning of the Financial Year	**805,884**	923,270
Issue of new securities under Distribution Reinvestment Plan	**54,492**	24,877
Issue costs	**(124)**	(133)
Capital distributions[1]	**(127,365)**	(142,130)
Balance at end of the Financial Year	**732,887**	805,884

(1) Capital distributions of 3.50 cps on 15 September 2020 (4.00 cps on 13 September 2019) and 3.95 cps on 13 March 2020 (4.45 cps on 15 March 2019) were paid to Securityholders during the year – refer Note 17.

Fully Paid Stapled Securities	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at the beginning of the Financial Year	**1,698,849**	1,682,011
Issue of new securities under Distribution Reinvestment Plan	**39,196**	16,838
Balance at the end of the Financial Year	**1,738,045**	1,698,849

13. RESERVES

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Cash Flow Hedging Reserve		
Balance at beginning of the Financial Year	**(178,980)**	(69,613)
Cash flow hedge reserve – effective portion of changes in fair value[1]	**(4,137)**	1,200
Share of associates' losses on hedges[1]	**(85,719)**	(145,324)
Related tax benefit	**20,856**	35,422
Recognition of share-based payments	**306**	(665)
Balance at end of the Financial Year	**(247,674)**	(178,980)

(1) The Cash Flow Hedging Reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

14. RETAINED EARNINGS

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at beginning of the Financial Year	**1,011,504**	952,170
Net profit after tax for the Financial Year	**105,003**	79,138
Share of associates' actuarial loss recognised directly in retained earnings [1]	**(7,689)**	(26,304)
Related tax benefit	**2,000**	6,500
Balance at end of the Financial Year	**1,110,818**	1,011,504

(1) Actuarial gains or losses on defined benefit superannuation plans operated by the investment portfolio assets are recognised directly in retained earnings.

15. REMUNERATION OF EXTERNAL AUDITOR

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Audit and review of the financial reports	**360,000**	312,500
General tax advice	**149,000**	75,000
Other accounting services	**27,000**	32,000
Project related tax advice and assurance services	**–**	–
	536,000	419,500

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

16. EARNINGS PER SECURITY (EPS)

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Profit before income tax, Loan Note interest	**280,311**	258,470
Weighted average number of securities (No.'000)	**1,721,992**	1,687,085
Basic EPS before income tax, Loan Note interest (cents)	**16.28¢**	15.32¢
Earnings used to calculate EPS	**105,003**	79,138
Basic EPS based on net profit attributable to Securityholders (cents)	**6.10¢**	4.69¢

Basic EPS is the same as diluted EPS.

17. DISTRIBUTION PAID AND PAYABLE

	2020		2019	
	Cents per Security	Total $'000	Cents per Security	Total $'000
Distribution Paid:				
Interim distribution in respect of year ended 31 December 2020 paid on 15 September 2020 (2019: Interim 2019 distribution paid on 13 September 2019):				
Interest on Loan Notes	**3.50**	**60,260**	3.50	58,870
Capital Distribution	**3.50**	**60,260**	4.00	67,280
	7.00	**120,520**	7.50	126,150
Distribution Payable/Proposed:				
Final distribution in respect of the year ended 31 December 2020 payable on 15 March 2021 (2019: 13 March 2020):				
Interest on Loan Notes	**3.55**	**61,701**	3.55	60,309
Trust Distribution (Capital and Income)[1]	**2.95**	**51,272**	3.95	67,105
	6.50	**112,973**	7.50	127,414
Total paid and payable	**13.50**	**233,493**	15.00	253,564

(1) The final distribution paid on 13 March 2020 was entirely capital in nature, while the final distribution payable on 15 March 2021 comprises capital and income with components to be provided in due course.

The final distribution in respect of the year ended 31 December 2020 payable on 15 March 2021 will have 2.1cps of franking attached; the other distributions above were unfranked.

18. CONTINGENT LIABILITIES

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Share of associates' contingent liabilities[1]	**89,957**	64,520

(1) The contingent liabilities relate to a number of guarantees provided to various parties by the investment portfolio assets.

19. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

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

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Salary and fees	**2,329,493**	2,266,980
Superannuation expense	**109,691**	122,605
Short term incentive expense	**1,239,212**	260,304
Long term incentive expense	**332,315**	315,445
Total expense	**4,010,710**	2,965,334

20. RELATED PARTY DISCLOSURES

(a) Directors

The relevant interest of each Director in Spark Infrastructure shares for the Current Year is as follows:

2020	Opening Balance 1 January 2020 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2020 (No.)
Dr Douglas McTaggart	**186,345**	**70,325**	**256,670**
Mr Rick Francis	**460,689**	**222,478**	**683,167**
Mr Andrew Fay	**238,590**	**–**	**238,590**
Mr Greg Martin	**100,000**	**–**	**100,000**
Mr Miles George	**100,000**	**100,000**	**200,000**
Ms Anne Brennan[1]	**–**	**50,000**	**50,000**
Ms Karen Penrose[2]	**57,249**	**–**	**–**

(1) Ms Brennan was appointed to the Board on 1 June 2020.
(2) Ms Penrose retired from the Board on 27 May 2020.

The relevant interest of each Director of Spark Infrastructure in respect of 2019 was as follows:

2019	Opening Balance 1 January 2019 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2019 (No.)
Dr Douglas McTaggart	180,000	6,345	186,345
Mr Rick Francis	251,798	208,891	460,689
Mr Andrew Fay	238,590	–	238,590
Ms Karen Penrose	55,300	1,949	57,249
Mr Greg Martin	100,000	–	100,000
Mr Miles George[1]	–	100,000	100,000
Ms Anne McDonald[2]	71,000	–	–

(1) Mr George was appointed to the Board on 11 October 2019.
(2) Ms McDonald retired from the Board on 30 November 2019.

(b) Group Executives

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

2020	Opening Balance 1 January 2020 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2020 (No.)
Mr Rick Francis	**460,689**	**222,478**	**683,167**
Mr Gerard Dover	**121,251**	**–**	**121,251**

2019	Opening Balance 1 January 2019 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2019 (No.)
Mr Rick Francis	251,798	208,891	460,689
Mr Gerard Dover[1]	–	121,251	121,251

(1) Mr Dover was appointed as CFO on 8 October 2019.

20. RELATED PARTY DISCLOSURES CONTINUED

(c) Responsible Entity

The responsible entity of the Trust is Spark Infrastructure RE Limited.

(d) KMP

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The Directors and certain employees that meet the definition of KMP are disclosed above along with their remuneration in Note 19. Security holding details are disclosed in Note 20(a) and Note 20(b).

(e) Other Related Parties

Other related parties include associates, subsidiaries, and entities within Spark Infrastructure.

Associates

In our view, there should be a disclosure of transactions that are not eliminated in applying equity accounting. The details of ownership interests in associates are provided in Note 8. The details of interest receivable and loans provided to associates are detailed in Notes 6, 9 and 10. Details of interest income on these loans are detailed in Note 4(a). Details of bank guarantee between Bomen Solar Farm Pty Ltd as trustee of Bomen Trust and TransGrid are detailed in Note 24(j). Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor and operations and maintenance (O&M) contractor. For the year ended 31 December 2020 Spark Infrastructure had incurred costs of $17.6 million (2019: $90.7 million) related to EPC which are capitalised as property, plant and equipment and $0.4 million related O&M since September 2020 which are expensed through the profit or loss statement.

Bomen Solar Farm has connected into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 31 December 2020 Spark Infrastructure had incurred costs of $0.3 million (2019: $nil) related to TransGrid services.

Subsidiaries

The details of ownership interest in subsidiaries are provided in Note 22. The terms of the tax sharing and tax funding agreements entered into by SIH No. 1, SIH No. 2 and SIH No. 3 with their subsidiaries are provided in Note 5.

Entities within Spark Infrastructure

There are loans receivable by the Trust from other entities within Spark Infrastructure, being Spark Infrastructure (Victoria) Pty Limited, Spark Infrastructure (SA) Pty Limited, SIH No. 3 and Spark Infrastructure Electricity Operations Trust.

21. 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.

22. CONTROLLED ENTITIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Entity	Country of Incorporation	2020 Equity Holdings (%)	2019 Equity Holdings (%)
Controlled entities of Spark Infrastructure Trust:			
– Spark Infrastructure Holdings No. 1 Pty Limited[1]	Australia	**100**	100
– Spark Infrastructure Holdings No. 2 Pty Limited[1]	Australia	**100**	100
– Spark Infrastructure Holdings No. 3 Pty Limited[1]	Australia	**100**	100
– Spark Infrastructure Electricity Assets Trust	Australia	**100**	100
Controlled entity of SIH No. 1[1]:			
– Spark Infrastructure (Victoria) Pty Limited[2]	Australia	**100**	100
– Spark Infrastructure Holdings No. 6 Pty Limited[2]	Australia	**100**	100
– Bomen SF HoldCo Pty Limited[2]	Australia	**100**	100
– Bomen Solar Farm Pty Limited[2]	Australia	**100**	100
– Bomen SF Hold Trust[2]	Australia	**100**	100
– Bomen SF Trust[2]	Australia	**100**	100
– Bomen SF FinCo Pty Limited[2]	Australia	**100**	100
Spark Renewables 1 Pty Ltd[2]	Australia	**100**	–
Spark Renewables 1 Trust[2]	Australia	**100**	–
Controlled entities of SIH No. 2[1]:			
– Spark Infrastructure (South Australia) Pty Limited[3]	Australia	**100**	100
– Spark Infrastructure SA (No1) Pty Limited[3]	Australia	**100**	100
– Spark Infrastructure SA (No2) Pty Limited[3]	Australia	**100**	100
– Spark Infrastructure SA (No3) Pty Limited[3]	Australia	**100**	100
Controlled entities of SIH No. 3[1]:			
– Spark Infrastructure Holdings No. 4 Pty Limited ("SIH No. 4")[4]	Australia	**100**	100
– Spark Infrastructure Holdings No. 5 Pty Limited ("SIH No. 5")[4]	Australia	**100**	100
– Spark Infrastructure RE Ltd[4]	Australia	**100**	100
– Spark Infrastructure Electricity Assets Pty Ltd[4]	Australia	**100**	100
– Spark Infrastructure Electricity Operations Trust	Australia	**100**	100
– Spark Infrastructure Electricity Operations Pty Ltd[4]	Australia	**100**	100

(1) Head entity of a tax consolidated group.
(2) An entity within a tax consolidated group with SIH No. 1 as the head entity.
(3) An entity within a tax consolidated group with SIH No. 2 as the head entity.
(4) An entity within a tax consolidated group with SIH No. 3 as the head entity.

23. NOTES TO THE STATEMENT OF CASH FLOWS

	31 Dec 2020 $'000	31 Dec 2019 $'000
(a) Reconciliation of Cash and Cash Equivalents		
Cash on hand and at bank	**31,898**	26,400
Cash at bank held for Australian Financial Services Licensing purposes	**5,000**	5,000
Cash and Cash Equivalents	**36,898**	31,400
For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments.		
(b) Committed Financing Facilities		
Syndicated unsecured bank loan facilities:		
– Amount used	**40,000**	40,000
– Amount unused	**360,000**	80,000
	400,000	120,000

Committed Finance Facility maturities are:

- February 2023: $110,000,000 3-year revolving facility with Mizuho Bank, Ltd
- February 2023: $70,000,000 3-year revolving facility with Mitsubishi UFG Financial Group, Inc
- February 2023: $70,000,000 3-year revolving facility with Sumitomo Mitsui Banking Corporation
- February 2023: $70,000,000 3-year revolving facility with Westpac Banking Corporation
- February 2023: $40,000,000 3-year revolving facility with Commonwealth Bank of Australia
- February 2023: $40,000,000 3-year revolving facility with China Construction Bank Corporation

	31 Dec 2020 $'000	31 Dec 2019 $'000
(c) Interest Bearing Liabilities		
Drawn debt	**40,000**	40,000
Capitalised refinancing costs	**(1,009)**	(433)
Total interest bearing liabilities	**38,991**	39,567

	31 Dec 2020 $'000	31 Dec 2019 $'000
(d) Reconciliation of Profit for the Financial Year to Net Cash Inflows		
Related to Operating Activities		
Net profit after tax	105,003	79,138
Add back/(subtract):		
Loan Note interest expense	120,459	119,180
Non-cash interest expense	(4,693)	448
Non-cash depreciation expense	3,650	876
Share of equity accounted profits and losses of associates net of distributions received	35,333	(2,293)
Gain on derivative contracts (less distribution/costs)	(35,663)	(6,776)
Changes in net assets and liabilities:		
Decrease in current receivables	(1,346)	1,278
Increase in current payables	757	754
Movement in current and deferred tax balances	(31,003)	20,989
Net cash inflow related to operating activities	192,497	213,594

24. FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

(a) Financial Risk Management Objectives

Spark Infrastructure's treasury function manages the financial risks and co-ordinates access to financial markets. Spark Infrastructure does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Spark Infrastructure's treasury policy, approved by the Board, which has written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by management and Spark Infrastructure's internal auditors on a regular basis. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit, Risk and Compliance Committee (Committee), which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Spark Infrastructure identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Capital Risk Management

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

The capital structure of Spark Infrastructure comprises net debt (borrowings offset by cash and cash equivalents), 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 2020 was $2,694.0 million (2019: $2,711.1 million) comprising $1,098.0 million (2019: $1,072.7 million) in Loan Notes and $1,596.0 million (2019: $1,638.4 million) in equity attributable to the Securityholders.

The debt covenants under the bank debt facilities require, inter alia, that the gearing at Spark Infrastructure does not exceed 30% on a standalone basis and on a consolidated basis (including its proportionate share of debt of the investment portfolio assets) and that the gearing does not exceed 75% at any time. During the Current Year Spark Infrastructure complied with all of its debt covenants.

Spark Infrastructure holds less than a 50% interest in the investment portfolio assets and while it has significant influence, does not control these businesses and is not in a position to determine their distribution policy alone. The Distribution Policies are set out in Shareholder Agreements between Spark Infrastructure and its fellow shareholders. Any change in the Distribution Policies requires a special majority resolution of the shareholders. Further, the revenue of the investment portfolio assets is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

(c) Significant Accounting Policies

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

(d) Accounting Clarifications and Fair Value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

24. FINANCIAL INSTRUMENTS CONTINUED

	Carrying amount							Fair value			
($'000)	Fair value – hedging instruments	Mandatorily at FVTPL – others	FVOCI – debt instruments	FVOCI – equity instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020											
Financial assets measured at fair value											
Interest rate swaps	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange swaps	–	–	–	–	–	–	–	–	–	–	–
Power purchase agreements	–	**43,839**	–	–	–	–	**43,839**	–	–	**43,839**	**43,839**
Financial assets at amortised cost											
Cash and cash equivalents	–	–	–	–	**36,898**	–	**36,898**	–	–	–	–
Receivables from associates	–	–	–	–	**6,835**	–	**6,835**	–	–	–	–
Other receivables	–	–	–	–	**1,828**	–	**1,828**	–	–	–	–
Loans to associates	–	–	–	–	**460,598**		**460,598**	–	–	–	–
Loan notes to associates	–	–	–	–	**237,444**		**237,444**	–	–	–	–
	–	**43,839**	–	–	**743,603**	–	**787,442**	–	–	**43,839**	**43,839**
31 December 2019											
Financial assets measured at fair value											
Interest rate swaps	1,714	–	–	–	–	–	1,714	–	1,714	–	1,714
Foreign exchange swaps	–	–	–	–	–	–	–	–	–	–	–
Power purchase agreements	–	8,176	–	–	–	–	8,176	–	–	8,176	8,176
Financial assets at amortised cost											
Cash and cash equivalents	–	–	–	–	31,400	–	31,400	–	–	–	–
Receivables from associates	–	–	–	–	7,339	–	7,339	–	–	–	–
Other receivables	–	–	–	–	9,806	–	9,806	–	–	–	–
Loans to associates	–	–	–	–	460,598	–	460,598	–	–	–	–
Loan notes to associates	–	–	–	–	237,444	–	237,444	–	–	–	–
	1,714	8,176	–	–	746,587	–	756,477	–	1,714	8,176	9,890

($'000)	Carrying amount							Fair value			
	Fair value – hedging instruments	Mandatorily at FVTPL – others	FVOCI – debt instruments	FVOCI – equity instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020											
Financial liabilities measured at fair value											
Interest rate swaps	**4,196**	**–**	**–**	**–**	**–**	**–**	**4,196**	**–**	**4,196**	**–**	**4,196**
Financial liabilities not measured at fair value											**–**
Trade payables[1]	**–**	**–**	**–**	**–**	**–**	**5,627**	**5,627**	**–**	**–**	**–**	**–**
Loan note interest payable	**–**	**–**	**–**	**–**	**–**	**61,701**	**61,701**	**–**	**–**	**–**	**–**
Loan notes	**–**	**–**	**–**	**–**	**–**	**1,097,956**	**1,097,956**	**–**	**–**	**–**	**–**
Other loans	**–**	**–**	**–**	**–**	**–**	**38,991**	**38,991**	**–**	**–**	**–**	**–**
	4,196	**–**	**–**	**–**	**–**	**1,204,275**	**1,208,471**		**4,196**	**–**	**4,196**
31 December 2019											
Financial liabilities measured at fair value											
Interest rate swaps	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities not measured at fair value											
Trade payables[1]	–	–	–	–	–	8,344	8,344	–	–	–	–
Loan note interest payable	–	–	–	–	–	60,309	60,309	–	–	–	–
Loan notes	–	–	–	–	–	1,072,674	1,072,674	–	–	–	–
Other loans	–	–	–	–	–	39,567	39,567	–	–	–	–
	–	–	–	–	–	1,180,894	1,180,894	–	–	–	–

(1) Other payables that are not financial liabilities (accrued expenses) are not included.

24. FINANCIAL INSTRUMENTS CONTINUED

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values at 31 December 2020 for financial instruments measured at fair value in the statement of financial position, as well as the significant observable inputs used.

Financial instruments measured at fair value

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Level
Power Purchase Agreements	*PPA pricing*: The fair value has used directly market observable inputs where available to inform our valuation analysis. This will include data typically used by market participants in actual transactions in the market. Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.	CPI escalation of forward curves beyond observable quoted pricing period, electricity generation volumes applied for purposes of determining contractual PPA volumes and dispatch-weighted electricity forward prices.	A decrease in CPI adjustment or dispatch-weighted forward electricity price results in a higher fair value of the instrument. An increase in electricity generation volume results in a higher fair value of the instrument.	Level 3
Interest rate swaps	*Swap models*: The fair value is calculated as the present value of the estimated future cash flows. Future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable	Not applicable	Level 2

(ii) Level 3 fair values

The following table presents the changes in Level 3 items for the period ended 31 December 2020:

	Power Purchase Agreement $'000
Opening balance 1 January 2020	8,176
Acquisitions/(disposals)	–
Unrealised gains recognised in profit and loss	35,663
Unrealised gains/(losses) recognised in other comprehensive income	–
Closing balance 31 December 2020	43,839

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10% is ($8,338) million and lower by 10% is $8,338 million (profit after tax increase/(decrease)). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

(e) Financial Market Risk

Market risk is the risk that changes in market prices e.g. energy price and interest rates, will affect Spark Infrastructure's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Spark Infrastructure uses derivatives to manage market risks. All such transactions are carried out within the guidelines set in the treasury policy. Notes 24(f) and 24(g) below discuss the strategy adopted to manage the energy price risk and interest rate risk.

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

(f) Interest Rate Risk

Spark Infrastructure's main interest rate risk arises from long-term borrowings with variable rates, which expose Spark Infrastructure to cash flow interest rate risk. Generally, Spark Infrastructure enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. During 2020 and 2019, Spark Infrastructure's borrowings at variable rate were denominated in Australian dollars.

(f) Interest Rate Risk continued

Spark Infrastructure's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

- Fair value sensitivity analysis for fixed-rate instruments

  Spark Infrastructure does not account for any fixed-rate financial assets or financial liabilities at FVTPL, and it does not designate interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change of 50 basis points in interest rates would have increased or decreased equity by $4,634/$4,839 after tax (2019: $3,368/$3,506). This analysis assumes that all other variables remain constant.

- Cash flow sensitivity analysis for variable-rate instruments

  A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity, net of tax	
31 December 2020 ($'000)	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow sensitivity (net)	106	(106)	4,634	(4,839)

(g) Cash Flow Hedges

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

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

Swaps currently in place fully hedged the variable loan principal outstanding. The fixed interest rates of the swaps range between 1.220% and 1.345% and the current variable rates of the loans is set at 1M bank bill rate which at the end of the reporting period was 0.06% (2019: 0.87%). The hedge ratio is 1.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates;
- When the interest rate swap cover exceeds the floating rate facility drawdown resulting in over hedged position; and
- Differences in repricing dates between the swaps and the borrowings.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

($'000)	Nominal amount	Carrying amount (liability)	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss
Interest rate risk							
Interest rate swaps	100,000	(4,196)	Interest rate swap	(4,137)	–	–	–

Energy derivatives – Power Purchase Agreements

The Group has entered into power purchase agreement (PPA) derivative instruments for economic hedging purposes under the Board-approved risk management policies. However the PPAs do not satisfy the hedging item criteria, therefore the Group cannot apply hedge accounting under AASB 9 *Financial Instruments*. Therefore changes in the fair value of the PPA are recognised immediately in profit or loss as part of gain/(loss) on fair value of financial instruments. These derivatives are required to be categorised as held for trading and are classified in the Consolidated Statement of Financial Position as PPA.

It is Spark Infrastructure's policy to actively manage the energy price exposure arising from both forecast energy supply and customer energy load. Spark Infrastructure's risk management policy for energy price risk is to hedge forecast future positions for up to ten years. Exposures to fluctuations in the wholesale market energy prices are managed through the use of various types of hedge contracts including derivative financial instruments.

The following table details the fair value of PPA derivatives outstanding at the end of the reporting period:

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Energy Derivatives – economic hedge	**43,839**	8,176

24. FINANCIAL INSTRUMENTS CONTINUED

The following table details the sensitivity to a 10% increase or decrease in the energy contract market forward prices and volumes. A sensitivity of 10% has been used as this is considered reasonably possible, based on historical data relating to the level of volatility in market prices.

At the end of the reporting period, if the forward prices or volumes had been 10% higher or lower and all other variables were held constant, Spark Infrastructure's profit after tax and other comprehensive income would have been affected as follows:

	Impact on post tax profit		Impact on other components of equity	
	31 Dec 2020 $'000	31 Dec 2019 $'000	31 Dec 2020 $'000	31 Dec 2019 $'000
Energy forward price +10%	**(8,338)**	(12,090)	**–**	–
Energy forward price -10%	**8,338**	12,090	**–**	–
Volume +10%	**4,397**	145	**–**	–
Volume -10%	**(4,398)**	(999)	**–**	–

Hedging reserves

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Cost of hedging reserve ($'000)	Spot component of currency forwards ($'000)	Interest rate swaps ($'000)	Total hedge reserve ($'000)
Closing balance 31 December 2018	–	–	–	–
Add: Change in fair value of hedging instrument recognised in OCI	–	–	1,714	1,714
Add: Costs of hedging deferred and recognised in OCI	–	–	–	–
Less: Reclassified to the cost of inventory – not included in OCI	–	–	–	–
Less: Reclassified from OCI to profit or loss	–	–	–	–
Less: Deferred tax	–	–	(514)	(514)
Closing balance 31 December 2019	–	–	1,200	1,200
Add: Change in fair value of hedging instrument recognised in OCI	–	–	(5,910)	(5,910)
Add: Costs of hedging deferred and recognised in OCI	–	–	–	–
Less: Reclassified to the cost of inventory – not included in OCI	–	–	–	–
Less: Reclassified from OCI to profit or loss	–	–	–	–
Less: Deferred tax	–	–	1,773	1,773
Closing balance 31 December 2020	**–**	**–**	**(2,937)**	**(2,937)**

(h) Credit Risk Management

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

The carrying amounts of financial assets represent the maximum credit exposure.

(i) Cash and cash equivalents

Spark infrastructure held cash and cash equivalents of $36.9 million at 31 December 2020 (2019: $31.4 million). The cash and cash equivalents are held with banks, which are rated Aa3, based on Moody's ratings.

(ii) Derivatives

The Group manages its exposure to credit risk using credit risk management policies. Derivative counterparties are limited to high creditworthy financial institutions with approved financial institutions that have a credit rating of at least A from Standard & Poor's and within credit limits assigned to each financial institution and other organisations in the energy industry. Spark Infrastructure also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

At the end of the reporting period, there was a significant concentration of credit risk with certain counterparties in relation to energy derivatives undertaken in accordance with Spark Infrastructure's hedging and risk management activities. The carrying amount of the financial assets recognised in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk.

(i) Guarantees and commitments

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 31 December 2020, the Company has issued a guarantee to certain banks in respect of credit facilities granted to the subsidiaries.

In addition, Bomen Solar Farm Pty Ltd as trustee of the Bomen Trust has provided a bank guarantee of $3.0 million to TransGrid on demand under the Project contract and of $2.5 million to Westpac under the PPA.

(j) Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Spark Infrastructure manages liquidity by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, and by continuously monitoring forecast and actual cash flows. Details of undrawn facilities are provided in Note 23 (b).

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 cash flows 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 cash flows.

2020	Weighted average effective interest rate	Less than 1 month $'000	1–3 Months $'000	3 months to 1 Year $'000	1–5 Years $'000	5+ Years $'000	Total $'000
Payables	–	**1,129**	**2,153**	**2,415**	**581**	**67**	**6,345**
Other Loans	–	**-**	**38,991**	**–**	**–**	**–**	**38,991**
Interest on drawn debt	–	**121**	**231**	**1,114**	**1,295**	**–**	**2,761**
Commitment fee on interest bearing liabilities	–	**74**	**140**	**444**	**3,036**	**–**	**3,694**
Loan Notes attributable to Securityholders[(a)]	**10.85**	**–**	**61,701**	**60,832**	**490,129**	**10,932,300**	**11,544,962**
Interest rate swaps	–	**121**	**201**	**2,990**	**2,831**	**1,716**	**7,859**
Total		**1,445**	**103,417**	**67,795**	**497,872**	**10,934,083**	**11,604,612**

2019	Weighted average effective interest rate %pa	Less than 1 month $'000	1–3 Months $'000	3 months to 1 Year $'000	1–5 Years $'000	5+ Years $'000	Total $'000
Payables	–	1,641	1,765	4,361	1,244	67	9,078
Other Loans	–	–	39,567	–	–	–	39,567
Interest on drawn debt	–	35	65	237	–	–	337
Commitment fee on interest bearing liabilities	–	24	64	585	1,706	–	2,379
Loan Notes attributable to Securityholders[(a)]	10.85	–	60,309	59,460	479,075	10,805,527	11,404,371
Interest rate swaps	–	31	65	347	675	(2,525)	(1,407)
Total		1,731	101,835	64,990	482,700	10,803,069	11,454,325

(a) The Loan Notes mature in 2105.

24. FINANCIAL INSTRUMENTS CONTINUED

As disclosed in Note 24(b), Spark Infrastructure has a secured bank loan that contains loan covenants. A future breach of covenant may require Spark Infrastructure to repay the loan earlier than indicated in the above table. Under the facility agreement, covenants are monitored on a regular basis by the Group and regularly reported to management to ensure compliance with the agreement.

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 five-year period ending 30 November 2010. The Restructure in 2010 comprised a partial repayment of the Loan Notes which resulted in a reduction in the principal amount outstanding on the Loan Notes of $0.60, from $1.25 to $0.65 per Loan Note. No change was made at that date or the reset date on 30 November 2020 to either the interest rate or the 5-year reset period. For future reset periods, any change (if made) to the interest rate must be at least the relevant swap rate plus a margin of 4%. In the above tables, the Loan Note interest rate of 10.85% has been assumed for the remaining term of the Loan Notes post 30 November 2025 (the next reset date); however the actual rate for each reset period will be subject to finalisation at future points in time.

The amounts for Loan Notes disclosed reflect undiscounted amounts for interest for the remaining term of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 31 December 2020 was $0.65 per Loan Note (2019: $0.65). The Responsible Entity may defer interest payments, by notice to the Note Trustee and Noteholders. Interest continues to accrue on any outstanding amount. All outstanding interest must be paid on the next reset date, except to the extent that monies are owing by the Group to any bank, financial institution or other entity providing financial accommodation (drawn or undrawn, or secured or unsecured) for over $5,000,000. Deferral of interest payments, and non-payment on a reset date in the circumstances described above, does not constitute a default.

25. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

Financial Position	31 Dec 2020 $'000	31 Dec 2019 $'000
Current assets	**13,290**	15,876
Non-current assets	**1,922,575**	1,995,500
Total Assets	**1,935,865**	2,011,376
Current liabilities	**61,748**	60,320
Non-current liabilities	**1,068,281**	1,120,307
Total liabilities	**1,130,029**	1,180,627
Net Assets	**805,836**	830,749
Equity		
Issued capital	**733,011**	805,884
Retained earnings	**72,825**	24,865
Total Equity	**805,836**	830,749

Financial Performance	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Net profit/(loss) for the year	**47,960**	(27,658)
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the Financial Year	**47,960**	(27,658)

(b) Guarantees entered into by the Parent Entity

The Parent Entity has provided financial guarantees in respect of Financing Facilities, refer Note 24(j).

(c) Contingent liabilities of the Parent Entity

The Parent Entity has no contingent liabilities.

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

As at 31 December 2020, the Parent Entity had no contractual commitments (2019: nil).

26. ADDITIONAL INFORMATION

Spark Infrastructure RE Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office of business of the Company and The Group is as follows:

Level 29, 225 George Street
Sydney NSW 2000
Australia

Deloitte Touche Tohmatsu
ABN 74 490 121 060
225 George Street
Sydney, NSW,2000
Australia
Phone: +61 2 9322 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Spark Infrastructure Trust (the "Trust") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (*including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of Spark Infrastructure RE Limited (the 'Responsible Entity'), would be in the same terms if given to the Directors of the Responsible Entity as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS REPORT

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverable amount of Investments accounted for using the equity method As at 31 December 2020, the Group's Consolidated Statement of Financial Position includes 'Investments accounted for using the equity method' amounting to $2,044 million, comprising investments in Victoria Power Networks, SA Power Networks (SAPN) and TransGrid as disclosed in Note 8 'Investments accounted for using the equity method'. Management have performed an assessment as to whether indicators of impairment exist for the investments as at 31 December 2020. No indicators were identified as a result of this assessment and no further impairment procedures were performed by management.	In conjunction with Deloitte valuation specialists, our procedures included but were not limited to: • critically evaluating management's assessment of indicators of impairment for each investment at 31 December 2020 including: o understanding management's process in performing the assessment; o comparing the carrying value of the investment to the net assets of the investment; o obtaining the most recent Board approved forecasts for each investment reflecting the latest Australian Energy Regulator ("AER") determination; o considering any impact of current economic and industry factors to the investment's carrying value; o evaluating the current year financial performance of each investment against budget; and o considering whether an impairment loss in SAPN recognised in prior periods requires reversal. • assessing the adequacy of disclosures in the Notes to the financial statements.

Other Information

The Directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information which will be included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

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When we read the other information if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for

INDEPENDENT AUDITORS REPORT CONTINUED

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the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Spark Infrastructure Trust and its subsidiaries included in pages 57 to 79 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Spark Infrastructure Trust and its subsidiaries, for the year ended 31 December 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Fortescue

Partner

Chartered Accountants

Sydney, 23 February 2021

ADDITIONAL INFORMATION

KEY RISKS

The identification and management of risk is fundamental to achieving Spark Infrastructure's objective to create long-term, sustainable value. Key risk elements are set out more fully in the Directors' Report, the Annual Report and the 'Risk Management and Sustainability' section of the Corporate Governance Statement.

We manage key risks through our risk management framework by:

- integrating risk management into business activities and processes
- managing risks in a structured and systematic manner
- understanding the level of risk we are prepared to take consistent with our strategy and Risk Appetite Statement
- ensuring the effectiveness of controls
- ensuring appropriate levels of insurance
- ensuring appropriate risk management governance is in place

Set out below are the key risk areas that could have a material impact on Spark Infrastructure.

Health and Safety

Spark Infrastructure and its investment businesses face risks relating to the health and safety of our workforce. The health, safety and wellbeing of our workforce is our top priority. Refer to the 'Supporting our People' section of the Annual Report and the Sustainability Data Report.

Climate Change

Spark Infrastructure is committed to managing its climate change risks and will look to adopt the Task Force on Climate-related Financial Disclosures (TCFD) over time. With our investment businesses, we consider potential physical climate risks that may impact business operations. Refer also to the 'Acting on Environmental Risks and Opportunities' section of the Annual Report and the Sustainability Data Report.

Industry and Regulation

The industry is subject to significant change and uncertainty due to multiple regulatory reviews by the various regulatory bodies. The regulated businesses operate on five-year regulatory periods under which regulated revenue and allowances are reset by the AER every five years. Regulated revenue is impacted by low interest rates and the low inflationary environment. Regulatory determinations provide regulatory revenue certainty for the next five-year regulatory periods. Detailed disclosure is set out in the Directors' Report and the Annual Report.

Taxation

Taxation is a key risk for Spark Infrastructure and its investment businesses. Detailed disclosure is set out in the Directors' Report, the notes to the Financial Statements and in the Tax Disclosure Statement on the Spark Infrastructure website at https://www.sparkinfrastructure.com/investor-centre/tax-information.

Information Technology

The role of technology and associated risks including cyber security issues are regularly considered by Spark Infrastructure and its investment businesses and form part of our approach to risk management. Further information is set out in the 'Leading Through Innovation and Technology' section of the Annual Report.

Financial Management

Spark Infrastructure exercises prudent financial risk management for itself and across its investment businesses. Financial Risks are managed in accordance with our Treasury Policy which is approved by the Board. Detailed disclosure is set out in the Financial Risk Management Section of the notes to the Financial Statements.

Bushfires

The risk of bushfires is managed by our investment businesses as an integral part of how they maintain safe and reliable networks. Details are set out in the Annual Report and the Sustainability Data Report.

ADDITIONAL ASX DISCLOSURES

ASX requires certain disclosures to be made in the annual report, which are set out below.

STAPLING

As a part of the usual conditions of listing a stapled structure ASX reserves the right to remove the Spark Infrastructure Trust (the Stapled Entity) from the official list if:

- Any of the securities cease to be "stapled" to the corresponding securities of the Stapled Entity; or
- Any security is issued by the Stapled Entity which is not stapled to corresponding securities of the Stapled Entity.

DIVESTMENT OF SECURITIES

Certain provisions in the Constitution of Spark Infrastructure Trust and Note Trust Deed (the Stapled Entity Constitutions) permit the divestment of securities in limited circumstances. These are summarised below.

Designated Foreign Holders

In certain circumstances Spark Infrastructure may divest a foreign holder of their Stapled Securities. This may occur where Spark Infrastructure wishes to issue or transfer a further security which is to be stapled to the already existing Stapled Securities ("New Attached Security"), but the issue of the New Attached Security to certain foreign holders would be unreasonable in Spark Infrastructure's opinion. In that case, rather than issue New Attached Securities to those foreign holders, Spark Infrastructure may instead divest those foreign holders of their existing Stapled Securities. Spark Infrastructure may cause New Attached Securities to be stapled provided certain conditions are satisfied including:

- The new attached security is (or will be) officially quoted;
- The asx has indicated that it will approve the stapling of the new attached security to the stapled securities;
- The stapled entity (excluding the issuer of the new attached security) has agreed to the stapling of the new attached security to the stapled security and that the stapling of the new attached security is in the best interest of holders as a whole and is consistent with the then investment objectives of spark infrastructure;
- The constituent documents for the new attached security have provisions giving effect to the stapling;
- The issuer of the new attached security has agreed to enter into the accession deed;
- Where the new attached security is partly-paid, or approval from holders is required to the transaction, approval of the holders has been obtained; and
- The number of new attached securities issued is identical to the number of stapled securities on issue.

The issue/transfer of a New Attached Security to a foreign holder may require compliance with legal and regulatory requirements in the foreign jurisdiction. Subject to applicable ASIC relief, the provisions in the Stapled Entity Constitutions relating to the stapling of securities provide that Spark Infrastructure will have the ability to determine that a Foreign Investor (a holder whose address in the register is in a place other than Australia) is a Designated Foreign Holder and divest that Designated Foreign Holder of their Stapled Securities where Spark Infrastructure determines that it is unreasonable to issue or transfer New Attached Securities to such holders, having regard to the following criteria:

- The number of Foreign Investors in the foreign place;
- The number and the value of New Attached Securities that may be issued or transferred to the Foreign Investors in the foreign place; and
- The cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to the issue or transfer of the New Attached Securities in the foreign place.

Where Designated Foreign Holders are divested of their Stapled Securities they will receive the proceeds of sale of those Stapled Securities (net of transaction costs including without limitation any applicable brokerage, stamp duty and other taxes or charges) as soon as practicable after the sale.

Stapled Securities are issued on terms under which each investor who is or becomes a Designated Foreign Holder agrees to the above terms and irrevocably appoints each Stapled Entity as that holder's agent and attorney to do all acts and things and execute all documents which Spark Infrastructure considers necessary, desirable or reasonably incidental to effect the above actions.

Excluded US Persons

The Stapled Securities have not been, and will not be, registered under the US Securities Act and none of the Stapled Entities have been, or will be, registered under the US Investment Company Act. Accordingly, the securities may not be offered, sold or resold in the United States or to (or for the account or benefit of) US Persons except in accordance with an available exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, the US Investment Company Act and applicable United States state securities laws.[1]

In order to at all times qualify for the exemptions, the provisions of the Stapled Entity Constitutions dealing with stapling of securities provide that where a holder is an Excluded US Person:

- The Stapled Entity may refuse to register a transfer of Stapled Securities to that Excluded US Person; or
- The Excluded US Person may be requested to sell their Stapled Securities and if they fail to do so within 30 Business Days, to be divested of their Stapled Securities and to receive the proceeds of sale (net of transaction costs including without limitation any applicable brokerage, stamp duty and other taxes or charges) as soon as practicable after the sale.

In addition, the provisions in the Stapled Entity Constitutions relating to the stapling of securities provide that a holder may be required to complete a statutory declaration in relation to whether they (or any person on whose account or benefit it holds Stapled Securities) are an Excluded US Person. Any holder who does not comply with such a request can be treated as an Excluded US Person.

Stapled Securities are issued on terms under which each holder who is or becomes an Excluded US Person agrees to the above terms and irrevocably appoints the Stapled Entity as that holder's agent and attorney to do all acts and things and execute all documents which Spark Infrastructure considers necessary, desirable or reasonably incidental to effect the above actions.

(1) Stapled Securities are not permitted to be held by or for the account or benefit of any US person (as defined in Rule 902 of Regulation S under the US Securities Act, as amended) who is not both a qualified institutional buyer (QIB) (as defined in Rule 144A of the US Securities Act) and also a qualified purchaser (QP) (as defined in Section 2(a)(51) of the US Investment Company Act, as amended and the rules and regulations of the Securities and Exchange Commission promulgated thereunder). The Stapled Entity may determine that an investor is an Excluded US Person, if it considers the investor is a US person that is not both a QIB and a QP, or holds or will hold Stapled Securities for the account or benefit of any US person who is not both a QIB and a QP.

SECURITYHOLDER INFORMATION

TOP 20 HOLDERS

Fully paid Stapled Securities as at 25 January 2021

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	674,580,400	38.813%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	167,947,180	9.663%
3	CITICORP NOMINEES PTY LIMITED <DOMESTIC HIN A/C>	158,296,997	9.108%
4	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	83,656,124	4.813%
5	NATIONAL NOMINEES LIMITED	50,623,386	2.913%
6	BNP PARIBAS NOMS PTY LTD <DRP>	26,982,104	1.552%
7	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	17,844,480	1.027%
8	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	7,181,669	0.413%
9	ARGO INVESTMENTS LIMITED	7,101,109	0.409%
10	PRUDENTIAL NOMINEES PTY LTD	6,600,000	0.380%
11	NATIONAL EXCHANGE PTY LTD	6,600,000	0.380%
12	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	6,583,616	0.379%
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	5,315,477	0.306%
14	BNP PARIBAS NOMS (NZ) LTD <DRP>	5,072,571	0.292%
15	3RD WAVE INVESTORS PTY LTD	5,000,000	0.288%
16	JOHN E GILL TRADING PTY LTD	4,642,257	0.267%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,742,535	0.215%
18	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	3,621,543	0.208%
19	AMP LIFE LIMITED	3,225,807	0.186%
20	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	2,862,551	0.165%
Total Securities of Top 20 Holdings		1,247,479,806	71.775%
Total Securities		**1,738,044,591**	

SUBSTANTIAL HOLDERS

As at 25 January 2021

Name of holder	% of units
Lazard	13.12%
Franklin Resources	7.51%
Magellan Asset Mgt	6.03%
Maple-Brown Abbot	5.01%

RANGE OF UNITS SNAPSHOT

As at 25 January 2021

Holdings	Ranges Holders	Total Units	%
1–1,000	2,537	1,324,903	0.08
1,001–5,000	9,469	30,182,089	1.74
5,001–10,000	7,995	61,795,877	3.56
10,001–100,000	12,394	304,089,016	17.50
100,001–9,999,999,999	392	1,340,652,706	77.14
TOTAL	**32,787**	**1,738,044,591**	**100.00**

UNMARKETABLE PARCELS (UMP)

As at 25 January 2021

Total Securities	UMP Securities	UMP Holders	UMP %
1,738,044,591	17,142	454	0.00099

GLOSSARY OF TERMS

Term	Definition
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ADMS	Advanced Distribution Management System
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ARENA	Australian Renewable Energy Agency
ASX	Australian Securities Exchange
Beon	Beon Energy Solutions, a subsidiary of Victoria Power Network for unregulated operations
CAB	Contracted Asset Base, being the value of assets resulting from TransGrid providing connection and other contracted services and Bomen Solar Farm
CEFC	Clean Energy Finance Corporation
cps	Cents per security
CWO	Central-West Orana
DER	Distributed Energy Resources
DPS	Distributions per security
DRP	Dividend Reinvestment Plan
DSO	Distributed System Operator
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMS	Environmental Management Systems
EPA	Environment Protection Authority
EPS	Earnings per security
ESB	Energy Security Board
GW	Gigawatts
HSE	Health, Safety and Environment
ISP	Integrated System Plan
kW	Kilowatts
LGBTIQ+	Lesbian Gay Bisexual Transgender Intersex Queer
LGC	Large-scale Generation Certificate
LiDAR	Light Detection and Ranging Measurement
Look-through OCF	Look-through operating cash flow, being an estimate of Spark Infrastructure's proportion of the operating cash flow of the investment businesses available for distribution to Securityholders
LTIFR	Lost Time Injury Frequency Rate
MW	Megawatts (AC) unless otherwise stated
NEM	National Electricity Market
NETI	New England Transmission Infrastructure
NSG	Network Shareholders Group
NSW	New South Wales
PPA	Power Purchasing Agreement
RAB	Regulated Asset Base, being the value of the assets used to provide prescribed distribution/transmission services
RAP	Reconciliation Action Plan
RCAB	Regulated and Contracted Asset Base added together
REFCL	Rapid Earth Fault Current Limiter
RERT	Reliability and Emergency Reserve Trader
REZ	Renewable Energy Zone
RIT-D	Regulatory Investment Test – Distribution
RIT-T	Regulatory Investment Test – Transmission
RORI	Rate of Return Instrument
SA	South Australia
SCADA	Supervisory Control and Data Aquisition
Solar PV	Photovoltaic cells used in solar generation
Spark Trust	Spark Infrastructure Trust
Standalone OCF	Standalone operating cash flow, being Spark Infrastructure's cash flows from operating activities, including repayment of shareholder loans from the investment businesses
STPIS	Service Target Performance Incentive Scheme
TCFD	Task Force on Climate-related Financial Disclosures
TRIFR	Total Recordable Injury Frequency Rate
TWh	Terawatt hours
VPP	Virtual Power Plant
WHS	Work Health and Safety

CONTACT INFORMATION

REGISTERED OFFICE

Spark Infrastructure

Level 29, 225 George Street
Sydney NSW 2000

T: +61 2 9086 3600
F: +61 2 9086 3666

E: info@sparkinfrastructure.com
W: www.sparkinfrastructure.com

ENQUIRIES AND INFORMATION

Security Registry

Boardroom Pty Limited
ABN 14 003 209 836

GPO Box 3993
Sydney NSW 2001

T: 1300 737 760 (within Australia) or
T: + 61 2 9290 9600 (outside Australia)
F: + 61 2 9279 0664

E: enquiries@boardroomlimited.com.au
W: www.boardroomlimited.com.au

Investor Relations

Neil Donaldson

E: IR@sparkinfrastructure.com

Company Secretary

Alexandra Finley

Auditor

Deloitte Touche Tohmatsu

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

This report is not an offer or invitation for subscription or purchase of or a recommendation to purchase securities or financial product.

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FIVE-YEAR SUMMARY OF PERFORMANCE

		2020	2019	2018	2017	2016
SPARK INFRASTRUCTURE KEY METRICS						
Distribution per Security	cents	**13.5**	15.0	16.0	15.25	14.5
Standalone Operating Cash Flow(1)	$ million	**192.5**	256.4	290.2	267.5	305.6
Look-through Operating Cash Flow	$ million	**320.3**	379.3	327.8	420.7	371.5
Distributions Received from Associates	$ million	**301.0**	312.5	305.1	284.4	308.3
SPARK INFRASTRUCTURE INCOME STATEMENT						
Total Income	$ million	**272.9**	272.5	288.0	285.0	243.9
Profit before Income tax and Loan Note Interest	$ million	**280.3**	258.5	0.5	265.8	225.8
Profit after Tax Attributable to Securityholders	$ million	**105.0**	79.1	(96.7)	88.6	81.1
SPARK INFRASTRUCTURE BALANCE SHEET						
Total Assets	$ million	**3,051.5**	3,083.0	3,212.3	3,515.7	3,524.6
Total Liabilities	$ million	**1,455.5**	1,444.6	1,406.5	1,438.9	1,387.3
Total Equity	$ million	**1,596.0**	1,638.4	1,805.8	2,076.8	2,137.3
VICTORIA POWER NETWORKS KEY METRICS						
Total Revenue	$ million	**1,400.6**	1,395.0	1,287.3	1,212.7	1,297.0
EBITDA	$ million	**882.9**	854.1	831.6	780.4	900.9
Net Capital Expenditure	$ million	**585.2**	507.6	495.7	463.9	406.6
RAB(2)	$ million	**6,635**	6,339	6,109	5,897	5,734
Net Debt to RAB	%	**72.3**	70.9	71.5	71.0	72.4
No. of Customers	'000	**1,175**	1,165	1,140	1,125	1,108
SA POWER NETWORKS KEY METRICS						
Total Revenue	$ million	**1,238.4**	1,228.3	1,106.5	1,047.3	1,066.4
EBITDA	$ million	**668.1**	690.7	665.0	644.2	639.8
Net Capital Expenditure	$ million	**368.7**	405.6	424.9	391.6	285.7
RAB(2)	$ million	**4,395**	4,340	4,207	4,052	3,953
Net Debt to RAB	%	**73.9**	74.5	75.0	73.1	71.4
No. of Customers	'000	**897**	887	877	865	856
TRANSGRID KEY METRICS(3)						
Total Revenue	$ million	**873.9**	835.1	892.6	845.1	888.9
EBITDA	$ million	**646.7**	636.1	665.1	650.7	685.4
Capital Expenditure	$ million	**708.2**	493.3	271.3	331.5	206.4
RCAB(2)	$ million	**7,517**	7,126	6,823	6,697.0	6,533.0
Net Debt to RCAB	%	**80.7%**	80.2%	80.7%	81.5%	85.0%

(1) Includes repayment of shareholder loans.

(2) RAB and RCAB values are estimates.

(3) 2016 results for TransGrid are based on special purpose financial statements for the period 12 November 2015 to 30 June 2016 and unaudited financial information for the period 1 July 2016 to 31 December 2016.

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