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Annual Report 2013

SPARK INFRASTRUCTURE

Annual report for the financial year ended 31 December 2013

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

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

CORPORATE GOVERNANCE STATEMENT

BACKGROUND

Spark Infrastructure comprises a single listed Trust (of which Spark Infrastructure RE Limited is the Responsible Entity).

Spark Infrastructure securities consist of a unit in the trust stapled to a loan note, which trade on the ASX effectively as one security.

While Spark Infrastructure is a listed trust, a Governance Deed is in place within the Group that applies certain governance arrangements consistent with those of a public listed company and adapted as appropriate to a self-managed ASX listed fund. The Board of Spark Infrastructure RE Limited operates as the Board of the listed entity and the management team operates across the Group.

CORPORATE GOVERNANCE

The Board is responsible for Spark Infrastructure's corporate governance, including its policies and charters.

Spark Infrastructure's corporate governance policies are available on the Spark Infrastructure website at www.sparkinfrastructure.com and are regularly reviewed by the Board. The key elements of Spark Infrastructure's governance framework are set out below. Spark Infrastructure has set out its governance framework with reference to the revised ASX Corporate Governance Principles and Recommendations (Guidelines).

THE ROLE OF THE BOARD AND MANAGEMENT

Spark Infrastructure has adopted a Board Charter which sets out the functions and responsibilities of the Board. The role of the Board is to seek to optimise Spark Infrastructure's performance and increase Securityholder wealth. In doing so, its responsibilities include monitoring financial performance and prudent capital management, overseeing the activities of Spark Infrastructure and its policies and practices, overseeing the operation of Spark Infrastructure's system of internal controls and risk management, monitoring the performance of the Managing Director, and reporting to Securityholders.

The Board has delegated responsibility for the conduct of the business of Spark Infrastructure to the Managing Director, but remains responsible for overseeing the performance of management and also retains some non-delegable responsibilities. The responsibilities retained by the Board include:

- appointment of the Chairman;
- appointment and removal of the Managing Director; and
- appointment of directors to fill a vacancy or as an additional director.

The Board has established delegated limits of authority, which define the matters that are delegated to management and those which require Board approval. The policies and delegated limits of authority are regularly reviewed.

COMPOSITION OF THE BOARD

The current composition of the Board is set out below:

- Rick Francis – Managing Director
- Brian Scullin – Chairman and independent non executive director
- Cheryl Bart – Independent non executive director
- Anne McDonald – Independent non executive director
- Keith Turner – Independent non executive director
- Andrew Fay – Independent non executive director

The Board Charter requires that the Board comprise a majority of independent directors. The role of the Chairman is not combined with the Managing Director and may not be so under the Board Charter.

CORPORATE GOVERNANCE STATEMENT (CONT.)

The directors bring a broad range of expertise, skills and experience from diverse backgrounds including those appropriate to the activities of Spark Infrastructure. The composition of the Board provides an appropriate balance of skills and experience with the additional rigour and assurance provided by a majority of independent directors. Each Director brings skills relevant to the successful conduct of the Spark Infrastructure business including effective oversight of the Asset Companies in which Spark Infrastructure invests. These include, on a combined basis, experience in infrastructure, financial analysis and reporting skills, knowledge of the asset companies, experience in corporate activity such as mergers, acquisitions and structuring of transactions, experience in corporate governance and disclosure matters, and experience in financial services and licence obligations.

The qualifications, experience and special responsibilities of directors, together with their appointment dates, are set out in the Directors' Report at pages 8–11.

INDEPENDENCE OF DIRECTORS

Spark Infrastructure has adopted the definition of independence set out in the Guidelines. Spark Infrastructure believes that all of its non executive directors are independent and act independently in the best interests of Spark Infrastructure. Each director regularly notifies and discloses to the Board their interests including any matter relating to their independence. Directors' security holdings are set out in the Directors' Report at page 22. The Board operates independently of management and the directors meet independently of management from time to time, as deemed appropriate. The non executive directors are identified above and full details including their term as a director are set out in the Directors' Report at pages 8–11. Details of related party transactions are set out in Note 24 to the Financial Statements.

APPOINTMENT AND RE-ELECTION OF BOARD MEMBERS

The Board of Spark Infrastructure has established a Remuneration and Nomination Committee to assist it with the appointment and re-election of Board members. More information on the Remuneration and Nomination Committee is set out below.

In addition, Spark Infrastructure has a Governance Deed which provides for Securityholders to elect the directors to the Board. Where the requirement to appoint a director arises or a vacancy exists, the Remuneration and Nomination Committee identifies candidates with the appropriate skills, expertise and experience to fulfil the role and makes recommendations to the Board. The Committee may use external consultants to assist it. The nominated candidate is then appointed by the Board but must stand for election by Securityholders at the next annual general meeting.

The process for re-election of a director is in accordance with company's constitution and Governance Deed which includes a process of rotation requiring that, at each annual general meeting, any director holding office for three years or more or, if no director is due to stand for re-election, the longest serving director, must retire and stand for re-election. Directors appointed during the year must also retire and stand for election. The Board assesses the performance of each director due to stand for re-election before each annual general meeting and decides whether to recommend to Securityholders that they vote in favour of the re-election of each director.

Spark Infrastructure has letters of appointment with its directors that set out the key terms and conditions of appointment. The letter of appointment states that, with the approval of the Chairman, Directors may seek independent professional advice at the expense of Spark Infrastructure, on any matter connected with the discharge of a director's responsibilities as a member of the Board.

Further details of the nomination and appointment process are set out in Spark Infrastructure's Board Charter and the Remuneration and Nomination Committee Charter which are available on the Spark Infrastructure website.

BOARD MEETINGS

The number of board and committee meetings and directors' attendance at each meeting is set out in the Directors' Report at page 21. Directors are expected to devote appropriate time in preparing for each meeting and to attend and participate at scheduled Board and committee meetings. Directors are also invited to attend site visits of the Asset Companies. The Board may also hold meetings of directors at the location of its investments to provide directors with access to management of the Asset Companies.

PERFORMANCE OF THE BOARD, COMMITTEES AND INDIVIDUAL DIRECTORS

Under the Board Charter, the Board is required to review its own performance, the performance of individual directors, and the performance of Board committees at least annually.

In accordance with the Charter, the Board conducts an annual evaluation of the performance and effectiveness of the Board as a whole and each of its committees. Performance of each committee is discussed at first instance by the Committee with the results reported to and reviewed by the Board as part of its overall Board performance assessment. Evaluation results are submitted confidentially to the Company Secretary or external consultant (as appropriate) and the aggregate results are reported to the Chairman for review and discussion with the Board. The Chairman separately discusses individual performance with each director from time to time. A Board and committee evaluation process has taken place for the relevant year in accordance with the process outlined in this statement.

Further details regarding the performance assessment process are available on the Spark Infrastructure website.

INDUCTION AND CONTINUING EDUCATION

The Board, together with management, provides an orientation program for new directors, including discussions with management and the provision of relevant material. Management present to the Board from time to time to afford directors the opportunity to understand specific issues and their impact on the business. Directors also independently maintain their own knowledge and specific skills. Directors have unfettered access to management. The Company Secretary of Spark Infrastructure provides support and advice to the Board and is responsible for the corporate governance framework on a day to day basis. The Company Secretary has a direct reporting line to the Chairman of the Board.

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Spark Infrastructure is committed to high standards of ethics and conduct on the part of its directors and employees. Spark Infrastructure has established a Code of Conduct that applies to directors, employees and contractors. The Code clearly outlines the responsibilities of people working for the Group and includes matters such as, people and safety, environment and the community. The Code provides clear direction as to how to report a concern and outlines the consequences of breaching the Code. The Code of Conduct can be found on the Spark Infrastructure website.

CONFLICTS OF INTEREST AND TRADING POLICY

Spark Infrastructure's Code of Conduct requires directors and employees to avoid conflicts of interest and where a conflict arises to ensure it is appropriately disclosed. Directors are expected to avoid any matter that conflicts with an interest of Spark Infrastructure. Directors are required to disclose their material personal interests relating to Spark Infrastructure including any matter that may conflict with their duties as a director of the Board. This is an ongoing obligation. Directors comply with the provisions of the *Corporations Act 2001* (Cth) regarding matters of material personal interest. In addition, directors and employees are subject to the *Corporations Act 2001* (Cth) restrictions on dealing in securities if they are in possession of inside information. Spark has also adopted a Trading Policy which applies to directors and employees of Spark Infrastructure. Directors and employees are prohibited from trading in Spark Infrastructure securities during prescribed blackout periods prior to release of the Spark Infrastructure half year and full year results announcements. In addition, key management personnel, including directors, and other relevant persons are required to notify their intention to trade in securities prior to trading at other times outside the blackout periods. Spark Infrastructure's Trading Policy is available on Spark Infrastructure's website.

RELATED PARTY TRANSACTIONS

Spark Infrastructure may have related party transactions in any year. Full details of Related Party Disclosures are set out in Note 24 to the Financial Statements.

CORPORATE GOVERNANCE STATEMENT (CONT.)

BOARD AND COMMITTEE OPERATIONS

To assist it to carry out its responsibilities the Board has established an Audit, Risk and Compliance Committee and a Remuneration and Nomination Committee.

The Board has adopted charters setting out the requirements regarding membership of each committee, responsibilities and other administrative matters. Further details regarding each of these committees are set out below.

AUDIT, RISK AND COMPLIANCE COMMITTEE

In accordance with the Guidelines, Spark Infrastructure's Audit, Risk and Compliance Committee comprises three independent director members, and is chaired by an independent director who is not the Chairman of the Board. There are no executive members of the Committee.

The current members of the Audit, Risk and Compliance Committee are Anne McDonald (Chair), Cheryl Bart, and Andrew Fay. The skills and experience of Audit, Risk and Compliance Committee members are set out in the Directors' Report, including their financial background and proficiency. The directors' attendance at the Audit, Risk and Compliance Committee meetings is disclosed on page 21 of the Directors' Report.

The Audit, Risk and Compliance Committee's role is to assist the Board in discharging its responsibilities and duties in relation to the specific matters set out in its Charter, which includes responsibility for:

- the oversight of management in the preparation of the financial statements and financial disclosures;
- recommending the selection, evaluation and remuneration of the external auditor to the full Board, together with assessment of the external auditor's independence;
- ensuring that the audit partner rotates every five years (or up to a further two years extension approved by the Board) in accordance with the External Auditor procedures approved by the Board; and
- assessing the performance of the internal audit function and its independence from management.

The Committee meets with the external auditor without management present at least twice a year to allow an opportunity to discuss any matters that the Committee or the external auditor believes should be discussed privately. In addition, the Committee meets at least annually with the internal auditor independently of management to discuss any matters that the Committee or internal auditor feel require discussion.

Whilst the Board is responsible for overseeing the processes in place to manage risk, it has delegated the detailed performance of this function to the Audit, Risk and Compliance Committee. The Committee and the Board have both approved Spark Infrastructure's Risk Management Policy. Further details in relation to risk management are set out in Note 28 to the Financial Statements.

The Audit, Risk and Compliance Committee Charter, the External Audit Procedure, and a summary of Spark Infrastructure's Risk Management Policy, are available on the Spark Infrastructure website.

REMUNERATION AND NOMINATION COMMITTEE

In accordance with the Guidelines, the Remuneration and Nomination Committee Charter provides that the Committee must consist only of non-executive directors with a minimum of three members, the majority being independent directors and an independent director as Chair. The role and responsibilities of the Remuneration and Nomination Committee are summarised on page 26 in the Remuneration Report, and a copy of the Remuneration and Nomination Committee Charter is available on the Spark Infrastructure website.

The current members of the Remuneration and Nomination Committee are Brian Scullin (Chair), Anne McDonald, and Keith Turner. Details regarding the skills and experience of the Committee, as well as the directors' attendance at meetings of the Committee, are set out on page 21 of the Directors' Report.

CONTINUOUS DISCLOSURE

Spark Infrastructure seeks to ensure that Securityholders and the financial markets generally are informed of all major developments that impact its business. The Board has established a Disclosure Policy which is available on the Spark Infrastructure website. Spark Infrastructure's Disclosure Policy together with supporting procedures are designed to ensure compliance with the ASX listing rule 3.1 and other related laws and regulations, compliance with Corporations Act requirements for financial reporting and Securityholder meetings, and for prompt and transparent communications in all respects, especially with regard to financial results.

COMMUNICATING WITH SECURITYHOLDERS

Spark Infrastructure aims to communicate openly, honestly and on a timely basis with its Securityholders. Spark Infrastructure has developed a Communication Policy. Spark Infrastructure's website also contains information designed to assist Securityholders to understand Spark Infrastructure and keep abreast of latest developments. All ASX announcements are posted on the Spark Infrastructure website, as are web-casts of briefings to analysts and annual general meetings. Spark Infrastructure's Communication Policy is available on Spark Infrastructure's website. Securityholders have the option to receive communications from, and send communications to, Spark Infrastructure and its security registry electronically.

Through its investor relations program, Spark Infrastructure aims to allow investors to gain a greater understanding of its business, governance, financial performance and prospects. Spark Infrastructure seeks to provide opportunities for investors to express their views on matters of concern or interest. Those ideas are distilled and communicated to the Board where appropriate.

In particular, Spark Infrastructure conducts an annual general meeting (AGM) each year, usually in May, in accordance with the Governance Deed. Spark Infrastructure encourages Securityholders to attend the AGM to hear from directors and management and to consider resolutions that are put forward for their consideration. Spark Infrastructure's AGM is also an opportunity for Securityholders to ask questions of Spark Infrastructure's external auditor, who attends each AGM.

REMUNERATION OF DIRECTORS

The Remuneration and Nomination Committee supports and advises the Board on remuneration and remuneration related matters as set out in its Charter, which can be found on the Spark Infrastructure website. The maximum aggregate fees payable to directors is $2,000,000 per annum. Any increase to this limit must be approved by Securityholders at a general meeting.

Spark does not have an equity compensation scheme in place for its independent non executive directors and there are no retirement benefit schemes in existence (other than statutory superannuation). The directors' fees are reviewed from time to time by the Board and the directors seek external advice to ensure the fees remain appropriately benchmarked. Fees and payments to directors reflect the demands and responsibilities of directors.

The remuneration of each director and the Board remuneration policy are set out in the Remuneration Report.

PERFORMANCE AND REMUNERATION OF SENIOR EXECUTIVES

The Board undertakes an annual assessment of senior executive performance with the assistance of the Managing Director and the Remuneration and Nomination Committee. Senior executives are assessed against group and individual performance targets. The overall performance of Spark Infrastructure, the senior executive's function and the individual performance of the executive are considered in assessing performance.

The Board separately reviews the performance of the Managing Director at least annually. The Chairman conducts a one on one interview with the Managing Director assessing performance against agreed key performance indicators. The Board then considers the results and the performance of the Managing Director as a whole, and discusses the outcome of the review with the Managing Director.

The senior executive and Managing Director evaluation process has taken place in respect of FY2013 in accordance with the process outlined above.

CORPORATE GOVERNANCE STATEMENT (CONT.)

Details regarding the remuneration framework of Spark Infrastructure, including an explanation of how senior executives' remuneration is tied to Spark Infrastructure's performance, are set out in the Remuneration Report. In 2013, the Board approved the implementation of a Clawback Policy which will apply to remuneration granted under the Short Term and Long Term Incentive Plans in 2014. The Policy allows the Board to clawback remuneration granted under the Short Term and Long Term Incentive Plans if subsequent events show that a reduction is appropriate, for example, in the event of fraud or dishonesty by the particular executive.

Consistent with the requirements of the Corporations Act and the Securities Trading Policy, senior executives are prohibited from entering into hedging arrangements or other transactions in financial products that operate to limit the economic risk associated with their entitlements under the Group's remuneration schemes.

DIVERSITY

Spark Infrastructure believes that a diverse Board and management team allows it to be more innovative, flexible and to better respond to the needs of our Securityholders and all stakeholders. Diversity generally including gender diversity continues to be a key priority for Spark Infrastructure and is evident in the high representation of women across the organisation. As at 31 December 2013, 40% of independent directors on the Board are women and women are well represented at the senior executive level, with women comprising 25% of Senior Management including the General Counsel and Company Secretary. Across the whole of the organisation, 40% of employees are women.

Spark Infrastructure is committed to ensuring the composition of its Board is appropriate. The Board Charter requires that the Board is comprised of directors with a broad range of skills, experience and diversity including gender diversity. The Board has a Diversity Policy which can be found on the Spark Infrastructure website. The Diversity Policy requires the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and Spark Infrastructures progress towards achieving them.

Spark Infrastructure has established a set of measurable objectives a summary of which is set out below together with performance against those objectives.

- Implement a Diversity framework taking into consideration the size and structure of Spark Infrastructure and incorporating the diversity objectives of the asset companies in which Spark Infrastructure holds a 49% interest ("Asset Companies").

  Spark Infrastructure has implemented a Diversity framework and details of female representation in the workforce and summaries of diversity initiatives can be found on the Spark Infrastructure website.

- Support the Asset Companies in their development of diversity policies

  The Asset Companies produce diversity reports annually which outline diversity objectives and achievement against those objectives. Summaries can be found on the Spark Infrastructure website.

- Clarify responsibility and accountability for diversity objectives at a Board, senior management level.

  The Managing Director is responsible for all matters relating to staff including diversity objectives within Spark Infrastructure. The CEOs of the Asset Companies are responsible for diversity objectives within the Asset Companies. The Board delegates to the Remuneration and Nomination Committee in respect of the review of performance against diversity objectives. The Board is responsible for the recommendation of directors to securityholders for voting at the AGM.

- Subject to the identification of suitable candidates with appropriate skills, Spark Infrastructure aims to have at least 20% representation of senior management who are women.

  As at 31 December 2013, Spark Infrastructure has 25% of senior management who are women and the senior management team has a female General Counsel and Company Secretary.

- Subject to the identification of suitable candidates with appropriate skills, Spark Infrastructure aims to have at least 20% representation of independent directors who are women.

  As at 31 December 2013, 40% of independent directors on the Spark Infrastructure Board are female.

- Ensure that policies and procedures and Spark's culture reflect the Group's position on diversity.

  Spark has an equal opportunity recruitment policy and its human resources policies support flexible work practices.

The Board reviews its Diversity Policy and these objectives at least annually.

RISK MANAGEMENT

The Board recognises that effective management of risk is essential to good corporate governance. Equally, the Board appreciates that, in order to maximise shareholder value, maintaining a sensible risk appetite for pursuing investment and business development opportunities is necessary and appropriate. Implementing a risk management framework that balances these concerns is a priority for the Board.

The Board has delegated responsibility to the Audit, Risk and Compliance Committee for the oversight of the Group's risk profile and risk management within the risk appetite set by the Board. Further details on the Audit, Risk and Compliance Committee are set out above and a summary of Spark Infrastructure's Risk Management Policy is available on Spark Infrastructure's website.

Spark Infrastructure maintains a "Risk Matrix" which documents the following:

- description of risks impacting the business;
- assessment of the likelihood that the risks will arise;
- assessment of the impact on or consequence to the business if the risk arises;
- assessment of controls in place to manage the identified risk;
- overall evaluation of the assessed risks; and
- identification of potential "unacceptable" risks and agreed treatment.

The Risk Matrix is reviewed at least annually and updated when necessary.

Spark has regard to economic, environmental and social sustainability risks, primarily through its oversight of the activities of its Asset Companies in which it invests. Details on the operation of the Asset Companies can be found on the Spark Infrastructure website at www.sparkinfrastructure.com and in the annual reports of SA Power Networks, CitiPower and Powercor which can be accessed via the Spark Infrastructure website.

The Audit, Risk and Compliance Committee has access to management and the internal and external auditors to ensure that the Committee is able to effectively assess the overall adequacy and effectiveness of Spark Infrastructure's legal, regulatory and ethical compliance programs.

Pursuant to Recommendation 7.2 of the Guidelines, the Board requires management to design and implement a risk management and internal control system to manage the company's material business risks and to report to it on whether those risks are being managed effectively. During the reporting period, management has reported to the Board on the effectiveness of Spark Infrastructure's management of its material business risks.

Pursuant to Recommendation 7.3 of the Guidelines, the Board has received the declarations under section 295A of the *Corporations Act 2001* (Cth) and assurances from the Managing Director and Chief Financial Officer that those declarations are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

MEETING THE GUIDELINES

Spark Infrastructure has complied with the Guidelines to the extent outlined in this statement. Where specific exceptions are noted, an explanation for non compliance has been provided.

DIRECTORS' REPORT

The Directors of Spark Infrastructure RE Limited ("Spark RE" or the "Company") as responsible entity of Spark Infrastructure Trust (the "Parent Entity" or the "Trust") provide this financial report for the year ended 31 December 2013 ("Financial Year" or "Current Year") of the Trust and its Consolidated Entities ("Spark Infrastructure" or the "Group"). In order to comply with the requirements of the *Corporations Act 2001*, the Directors report as follows:

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

Mr Brian Scullin (Chair)
Mr Rick Francis (Managing Director and Chief Executive Officer)
Ms Cheryl Bart, *AO*
Mr Andrew Fay
Ms Anne McDonald
Dr Keith Turner

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

Mr Brian Scullin BEc, FCA

Independent Director (appointed May 2011) and Chair (from September 2011)

Mr Scullin was the Independent Non-Executive Chair of BT Investment Management and retired from this position on 6 December 2013, having been appointed to the Board of BT Investment Management and as Chair in September 2007. Mr Scullin has previously served as a Non-Executive Director of Dexus Property Group and State Super Financial Services. Mr Scullin served as a Non-Executive Director and RREEF nominee of Spark Infrastructure from 1 November 2005 to 24 August 2007. During this time he was the Chair of the Compliance Committee and a member of the Audit and Risk Management Committee.

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

Mr Scullin has held many industry positions including Vice Chair of the Financial Services Council (then known as IFSA), a part-time member of the Federal Government's Financial Reporting Council and a panel member for the Financial Industry Complaints Service. In December 2013 Mr Scullin was appointed as President of the Board of the Retirement Benefits Fund of Tasmania (and its associated companies), as a nominee of the Minister, for a term of 3 years.

Mr Scullin is Chair of the Remuneration and Nomination Committee ("RemCo").

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

Listed Entity	Period directorship held
• BT Investment Management Limited	2007 to 2013
• Dexus Property Group	2005 to 2011

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

Managing Director and Chief Executive Officer (appointed May 2012)

Rick Francis commenced as Managing Director and Chief Executive Officer (MD and CEO) of Spark Infrastructure in May 2012 after being appointed to the role in January 2012. He originally joined Spark Infrastructure in February 2009 as the Chief Financial Officer and served in that role for three and a half years prior to his appointment as MD and CEO.

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

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

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

Ms Cheryl Bart AO, BCom, LLB, FAICD

Independent Director (since November 2005)

Ms Bart is a lawyer and has been a Non-Executive Director on the board of SA Power Networks since 1995. She has significant utilities industry experience and is Chair of the Audit Committee of SA Power Networks and a member of its Risk and Compliance Committee. Ms Bart is a Director on the Board of the Australian Broadcasting Corporation, appointed in June 2010. Ms Bart was appointed as a Director of the Australian Himalayan Foundation in December 2012 and to the Board of the Football Federation of Australia in November 2013. Most recently Ms Bart was appointed as a director of SG Fleet Group Limited, which plans to list on the ASX in March 2014. Ms Bart has previously been the Chair of ANZ Trustees Limited, the Foundation for Alcohol Research and Education, the South Australian Film Corporation, the Adelaide Film Festival, and the South Australian Environmental Protection Authority. Her other current directorship positions include Audio Pixels Holdings Limited.

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

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

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

Listed Entity	Period directorship held
• Audio Pixels Holdings Limited	2004 to present

Mr Andrew Fay BAgEc (Hons), AFin

Independent Director (since March 2010)

Mr Fay is a Director of BT Investment Management Limited and is Chair of Deutsche Managed Investments Limited. Mr Fay was appointed to the Board of J O Hambro Capital Management Holdings Limited, a UK company which is wholly owned by BT Investment Management, on 6 February 2014. Mr Fay consults to the Dexus Property Group Ltd in the area of capital markets and advises Microbiogen Pty Ltd, a private company which operates in the renewable energy industry, on corporate development.

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

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

Mr Fay was appointed as a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor on 1 June 2011, and a Non-Executive Director of SA Power Networks on 22 June 2011. He is also a member of the Remuneration Committees of the businesses.

Mr Fay is a member of the ARC.

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

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

Ms Anne McDonald BEc, FCA

Independent Director (since January 2009)

Ms McDonald is a Non-Executive Director of listed entities, including the GPT Group and Speciality Fashion Group Limited. She is also a Non-Executive Director of Westpac Bank's Life and General Insurance businesses and was appointed to the Board of Sydney Water Corporation with effect from August 2013 for a term of 3 years.

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

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

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

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

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

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

Independent Director (since March 2009)

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

He is currently the Deputy Chair of Auckland International Airport and is a Director of Chorus NZ Limited. Dr Turner is Chair of Fisher & Paykel Appliances Limited. Dr Turner was previously a director of Solar City Limited, until 31 December 2013.

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

Dr Turner is a member of RemCo.

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

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

COMPANY SECRETARY

Ms Alexandra Finley Dip Law, MLM

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

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

PRINCIPAL ACTIVITIES

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

STAPLED SECURITIES

Spark Infrastructure is a stapled structure, wherein:

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

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

REVIEW OF OPERATIONS

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

	FINANCIAL YEAR ENDED 31 DECEMBER			CHANGE COMPARED TO UNDERLYING 2012	
	ACTUAL 2013 $'000	UNDERLYING 2013 $'000	UNDERLYING 2012 $'000	$'000	%
Interest Income from Associates	**80,898**	**80,898**	81,119	(221)	(0.3)
Share of Equity Accounted Profits	**229,136**	**229,136**	216,857	12,279	5.7
	310,034	**310,034**	297,976	12,058	4.0
Other Income – Interest	**1,017**	**1,017**	1,779	(762)	(42.8)
Total Income	311,051	311,051	299,755	11,296	3.8
Interest Expense – Other	**(8,374)**	**(8,374)**	(11,850)	3,476	29.3
General and Administrative Expenses	**(8,195)**	**(8,195)**	(10,855)	2,660	24.5
Profit before Loan Note Interest ("LNI")	**294,482**	**294,482**	277,050	17,432	6.3
Loan Note Interest	**(93,535)**	**(93,535)**	(93,800)	265	0.3
Profit after LNI	**200,947**	**200,947**	183,250	17,697	9.7
Income Tax Expense	**(72,512)**	**(56,204)**	(9,399)	(46,805)	nm
Profit Attributable to Securityholders	128,435	144,743	173,851	(29,108)	(16.7)
Profit before LNI per Security (cents)	**22.20c**	**22.20c**	20.88c	1.32c	6.3
Operating Cash Flow	189,278	189,278	178,379	10,899	6.1
Total distributions for the year (cents)	**11.00c**	**11.00c**	10.50c	0.50c	4.8
Total distributions for the year ($'000)	**145,940**	**145,940**	139,307	6,633	4.8
Net Capital Expenditure – Asset Companies (100%)	882,900	882,900	864,700	18,200	2.1

UNDERLYING RESULTS

The underlying income and profit summary reports the operating results of Spark Infrastructure after excluding certain non-cash and non-operating items which do not relate to the respective year's underlying performance ("Underlying Adjustments"). The Underlying Adjustments have been presented in accordance with the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 230 *"Disclosing non-IFRS financial information"* issued in December 2011. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the year. The following adjustment has been made to the reported results for 2013 in order to calculate the underlying results (2012 figures have been provided for comparative purposes):

	IMPACT ON SHARE OF EQUITY ACCOUNTED PROFIT		IMPACT ON NET PROFIT AFTER TAX ATTRIBUTABLE TO SECURITYHOLDERS	
UNDERLYING ADJUSTMENTS	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Underlying Result	**239,136**	216,857	**144,743**	173,851
Income tax expense on ATO settlement regarding rent instalments	**–**	–	**(16,308)**	–
Total Adjustments	**–**	–	**(16,308)**	–
Statutory Result	**239,136**	216,857	**128,435**	173,851

UNDERLYING PROFIT

The Underlying Profit before Loan Note Interest for the Current Year increased by 6.3% compared to the previous year to $294.482 million. The improved performance was a result of higher equity accounted share of profits from the Asset Companies; lower interest expenses after refinancing the corporate bank facilities and cancelling the remaining interest rate swaps during the Financial Year, and lower operating expenses, mainly due to costs associated with the unsuccessful bid for the Sydney Desalination Plant ("SDP") during the Prior Year.

PERFORMANCE OF THE ASSET COMPANIES (100% BASIS)

SA POWER NETWORKS (100% BASIS)	31 DECEMBER 2013 $'000	31 DECEMBER 2012 $'000	VARIANCE $'000	VARIANCE %
Distribution Revenue	**854,437**	826,100	28,337	3.4
Customer Contributions and Gifted Assets	**110,302**	114,365	(4,063)	(3.6)
Other Revenue	**167,998**	168,732	(734)	(0.4)
Total Revenue	**1,132,737**	1,109,197	23,540	2.1
Operating Costs	**(312,278)**	(301,519)	(10,759)	3.6
EBITDA	**820,459**	807,678	12,781	1.6
EBITDA (excl Customer Contributions & Gifted Assets)	**710,157**	693,313	16,844	2.4

In SA Power Networks, earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 1.6% to $820.459 million. EBITDA excluding customer contributions and gifted assets revenue increased by 2.4% to $710.157 million and prescribed or regulated revenue increased by 3.4% to $854.437 million. This increase was principally due to higher tariffs (Distribution Use of System or "DUoS"), which increased following the start of the new regulatory year on 1 July 2012 and again on 1 July 2013. The total volume delivered decreased by 1.9% from 11,016 GWh to 10,803 GWh in the Current Year, which is down on the regulatory volume allowances. SA Power Networks has recognised $21.700 million of Service Target Performance Incentive Scheme ("STPIS") revenue in relation to the 2011/12 regulatory year, recovery of which commenced on 1 July 2013. $5.900 million was recognised in the Current Year, whilst $15.800 million was recognised in the Prior Year. No STPIS benefit or penalty has been recognised with respect to the 2012/13 or current regulatory year.

Non-prescribed revenue, which includes customer contributions, semi-regulated meter reading, and the provision of construction and maintenance services to third parties, decreased by 1.7% to $278.300 million. Customer contributions (including gifted assets), which is either non-cash or the recovery of capital expenditure, decreased by 3.6% to $110.302 million. Other unregulated revenues decreased by 0.4% to $167.998 million, reflecting a decrease in services provided to ElectraNet largely offset by an increase in telecommunications revenues due to the National Broadband Network rollout compared to the Prior Year.

During July 2013, SA Power Networks signed an initial three year contract with the National Broadband Network Company ("NBN Co") as a Tier 1 supplier for design and construction of overhead and underground cabling portions of the distribution network for the continuing roll-out of the National Broadband Network ("NBN") in South Australia. The construction of these network assets will result in the connection of around 300,000 South Australians to the NBN. Preparation activities commenced in the second half of 2013 with construction and roll-out to commence in earnest from 2014.

SA Power Network's operating expenses increased by 3.6% in the Current Year to $312.278 million, reflecting cost increases in the operation of the regulated business, partially offset by a decrease in vegetation management costs reflecting the timing of activity.

VICTORIA POWER NETWORKS (100% BASIS)	31 DECEMBER 2013 $'000	31 DECEMBER 2012 $'000	VARIANCE $'000	VARIANCE %
Distribution Revenue	**767,390**	681,751	85,639	12.6
AMI Revenue	**137,978**	122,700	15,278	12.5
Customer Contributions and Gifted Assets	**66,196**	61,873	4,323	7.0
Other Revenue	**182,902**	138,637	44,265	31.9
Total Revenue	**1,154,466**	1,004,961	149,505	14.9
Operating Costs	**(395,425)**	(337,124)	(58,301)	17.3
EBITDA	**759,041**	667,837	91,204	13.7
EBITDA (excl Customer Contributions & Gifted Assets)	**692,845**	605,964	86,881	14.3

In Victoria Power Networks, EBITDA increased by 13.7% to $759.041 million, reflecting higher regulated DUoS and Advanced Metering Infrastructure ("AMI" smart meter) revenues, higher customer contributions, and higher other revenues, partially offset by higher operating costs. EBITDA excluding customer contributions and gifted assets revenue increased by 14.3% to $692.845 million.

During the Current Year, DUoS revenue increased by 12.6% to $767.390 million. Total volume delivered decreased by 1.7% from 16,829 GWh to 16,537 GWh in the Current Year, which is down on the regulatory volume allowances. Powercor volumes decreased by 1.7% from 10,744 GWh to 10,556 GWh, largely due to volume reductions in the domestic and high voltage segments. CitiPower volumes decreased by 1.7% from 6,085 GWh to 5,981 GWh, reflecting volume decreases in the small commercial and domestic segments partially offset by increases in the large low voltage segment. Overall, volumes are down on the regulatory volume allowances. On average, tariffs increased by 9–10% for both Powercor and CitiPower businesses from 1 January 2013 in accordance with the regulatory determinations, including the catch up recovery of previous regulatory appeals which will continue over the remaining 2 years of the current regulatory determination. AMI related revenue increased by 12.5% to $137.978 million in the Current Year, reflecting the continued rollout of smart meters and the increasing size of its regulated asset base.

Non-prescribed revenue, which includes customer contributions, semi-regulated activities and other unregulated revenue such as the provision of network services to third parties, increased by 24.2% from $200.510 million to $249.098 million. Customer contributions and gifted assets revenue increased by 7.0% to $66.196 million. Other non-prescribed revenue increased by 31.9% to $182.902 million largely due to higher than planned activity for the provision of network services to third parties, particularly with respect to Endeavour Energy and TransGrid in New South Wales and the Elaine Terminal Station project, for Meridian Energy Australia, in Victoria.

Victoria Power Network's operating expenses increased by 17.3% to $395.425 million reflecting expenses associated with the increased activity around the provision of network services to third parties, and cost increases in the operation of the regulated businesses.

Aggregated Asset Company depreciation and amortisation grew by 8.1% from $413.806 million to $450.083 million, reflecting the increase in the depreciable asset base, including AMI. Net interest expense (excluding subordinated debt) was $448.349 million, 5.2% higher than the Prior Year, reflecting additional external debt to part finance the ongoing capital investment in the Regulated Asset Base ("RAB"), as well as the pricing impact of refinancing maturing facilities. Interest on subordinated (shareholder) debt decreased by 0.3% from $238.226 million to $237.575 million, reflecting the effect of the leap year in the Prior Year. Income tax expense (which is a non-cash item) increased by 131.8% from $15.828 million to $36.689 million primarily due to higher pre-tax profits in Victoria Power Networks.

CAPITAL EXPENDITURE AND REGULATORY ASSET BASE ("RAB")

Victoria Power Networks and SA Power Networks continue to invest in the expansion and renewal of their networks, improving asset performance and reliability. During the Current Year, total capital expenditure of $882.900 million (Spark Infrastructure share: $432.621 million) was invested on a net basis, i.e. after deducting customer contributions, an increase of 2.1% from $864.700 million (Spark Infrastructure share: $423.703 million) in the Prior Year. Capital expenditure is added to the RAB of the Asset Companies, which generates increased regulated revenue into future periods.

The roll out of the AMI programme by CitiPower and Powercor is practically complete, with AMI related capital expenditure of $125.700 million invested during the Current Year (2012: $177.900 million). The AMI programme has been delivered on-time and on-budget, which is a significant achievement.

The estimated RAB for Victoria Power Networks as at 31 December 2013 was $4.932 billion (100% basis), an increase of $359.6 million or 7.9% over 31 December 2012. The estimated RAB for SA Power Networks as at 31 December 2013 was $3.686 billion, an increase of $176.6 million or 5.0% over 31 December 2012. Spark Infrastructure's aggregate 49% share of the Asset Companies' RAB balances was $4.223 billion, an increase of $262.8 million or 6.6% over 31 December 2012.

CORPORATE EXPENSES, LOAN NOTE INTEREST AND TAX EXPENSE

General, administrative and employee expenses decreased in the Current Year to $8.195 million from $10.855 million. Corporate expenses in 2012 included expenses relating to the bid for the SDP of $4.614 million, offset by a benefit of $1.280 million resulting from the reversal of a prior year over accrual. Excluding these items, corporate costs have increased $0.674 million from $7.521 million in the Prior Year.

Interest expense and borrowing costs decreased in the Current Year from $11.850 million to $8.374 million. During the Current Year all syndicated bank facilities were refinanced, and subsequently all drawn bank debt was paid down, thereby reducing interest costs. This reduction was partially offset by costs incurred to cancel related interest rate swaps of $3.904 million (2012: $2.353 million), and the expensing of unamortised borrowing costs attached to the old syndicated facilities of $0.952 million. Excluding these two items, interest expense for the Current Year was $3.518 million.

Loan Note interest payable to Securityholders decreased by $0.265 million to $93.535 million for the Current Year, reflecting the impact of an additional day's interest due to the leap year in 2012.

As all previously unrecognised tax losses in the Spark Infrastructure Holdings No.2 Pty Limited tax consolidated group have been recognised, the prima-facie income tax expense can no longer be offset for accounting purposes. Accordingly, the Spark Infrastructure Profit or Loss and Other Comprehensive Income Statement now records an income tax expense for accounting purposes, which is non-cash. Further information regarding the income tax expense is provided in Note 4 to the Financial Statements.

ATO TAX MATTERS

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

During the Current Year, Victoria Power Networks paid an amount of $27.622 million to the ATO under part-payment arrangements in relation to amended assessments for the years ended 31 December 2007 to 31 December 2010. Spark Infrastructure is comfortable with how Victoria Power Networks is managing these tax matters and notes that Victoria Power Networks are continuing to actively engage with the ATO in order to progress these matters.

On 13 January 2014 a Deed of Settlement was entered into with the ATO concerning the denial of deductions for rent instalments paid by SA Power Networks. The terms of the settlement provide that there will be no adjustment to the rent instalment deductions claimed by SA Power Networks in prior income tax years up to the 2012 tax year, and no deductions will be claimed in future income tax years. As a result of the settlement, Spark Infrastructure has recorded a one-off, non-cash income tax expense item of $16.308 million in the Current Year, reflecting the impact of this settlement on Spark Infrastructure's deferred tax balances.

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

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

DEBT, GEARING AND HEDGING

At 31 December 2013 there are no drawn debt facilities, with undrawn facilities of $150.000 million available. On 13 March 2013, Spark Infrastructure executed $150.000 million of new bank debt facilities with the National Australia Bank ("NAB") and Westpac Banking Corporation ("Westpac") for the refinancing of all pre-existing drawn and undrawn bank debt facilities at the Spark Infrastructure level. The facilities comprise two $75.000 million 2–year revolving facilities, maturing on 13 March 2015. Spark Infrastructure pays an average margin of 152.5 basis points above the applicable bank bill swap rate on the facilities. Subsequently Spark Infrastructure paid down $55.000 million of drawn bank debt. At the same time $55.000 million of interest rate swaps (which originally extended out to September 2015) were cancelled.

Spark Infrastructure has available cash on hand at 31 December 2013 of $28.035 million. Spark Infrastructure's look-through net gearing, including its proportionate share of net debt of Victoria Power Networks and SA Power Networks, was 57.1% as at 31 December 2013 (2012: 57.9%).

Net debt to RAB at the Asset Company level was 78.5%, down from the Prior Year. SA Power Network's net debt to RAB was 76.2%, down from 78.6% as at 31 December 2012 while Victoria Power Network's net debt to RAB was 80.3%, down from 80.5% as at 31 December 2012. Achieving 75% net debt to RAB gearing at the aggregate Asset Company level by 2015 remains an objective.

In line with the cancellation of interest rate swaps during the Current Year there is no longer any hedging at the Spark Infrastructure level (2012: 100.0%). On a proportionate basis, 100.2% of gross debt (including Asset Company gross debt) was hedged as at 31 December 2013 (2012: 98.0%). This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure and the Asset Companies.

CASHFLOW

During the Current Year, Spark Infrastructure received $203.231 million in distributions from the Asset Companies, up 2.0% from $199.264 million in the Prior Year.

Distributions received from SA Power Networks were $122.555 million, up $4.219 million or 3.6% on the Prior Year. Shareholder interest received from Victoria Power Networks was $80.676 million, down $0.252 million due to the impact of the leap year in the Prior Year. Cash inflows from interest received were $1.087 million for the Current Year, $0.670 million lower than the Prior Year reflecting reduced levels of surplus funds on deposit, and lower deposit rates available.

Cash outflows for interest paid on senior debt were $7.145 million for the Current Year, 33.7% lower than the Prior Year. During the Current Year swap cancellation payments of $3.904 million were made compared to $2.353 million in the Prior Year. The lower levels of interest paid on senior debt largely reflects the lower levels of drawn senior debt at the Spark Infrastructure level throughout the Current Year. Spark Infrastructure's cashflow from operating activities for the Current Year was $189.278 million, which was 6.1% higher than the Prior Year.

The refinancing of bank debt facilities in March 2013, incurred associated borrowing costs of $0.571 million. During the Current Year $55.000 million of drawn bank debt was repaid.

Spark Infrastructure paid a final distribution for the year ended 31 December 2012 of $69.654 million to Securityholders on 15 March 2013, representing 5.25 cps. An interim cash distribution of $72.970 million representing 5.50 cps was paid on 13 September 2013 in relation to the six months ended 30 June 2013.

EQUITY AND RESERVES

Total Equity including Loan Notes attributable to Securityholders increased by $159.483 million during the Current Year to $2.470 billion at 31 December 2013. Net profit increased retained profits by $128.435 million, while other movements net of tax included: favourable mark-to-market movements in the value of interest rate derivatives in the Asset Companies of $34.544 million (which act as hedges on interest payable on borrowings) and removal of the Spark Infrastructure hedge reserve of $3.051 million following the cancellation of interest rate swaps during the Current Year; actuarial gains on defined benefit superannuation plans of the Asset Companies of $42.522 million; partially offset by capital distributions paid during the Current Year to Spark Infrastructure Securityholders of $49.089 million. The mark-to-market movements and actuarial gains are non-cash impacts and result from the application of Australian Accounting standards. These movements are volatile and can significantly vary from year to year.

IMPAIRMENT TESTING

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets to determine whether any impairment has arisen, and are satisfied that no impairment existed at 31 December 2013. The discounted cash flow analysis undertaken as part of this review takes into account the current agreed Corporate Plans for the Asset Companies.

REGULATORY UPDATE

Regulatory Appeals

On 31 July 2013, the Australian Energy Regulator ("AER") published its approval of SA Power Networks' revised cost pass through application for vegetation management costs. The AER acknowledged the increase in SA Power Networks' vegetation management costs as a result of the breaking of the 'millennium drought' and has determined a pass through amount of $39.800 million (nominal), to be recovered through an increase in 2013/14 and 2014/15 tariffs.

AER 'Better Regulation' Program

The AER has now concluded its 'Better Regulation' reform program which has been underway since the Australian Energy Market Commission ("AEMC") published changes to the National Electricity Rules ("NER") in November 2011. A key element of the changes to the NER is that the AEMC has granted the AER additional discretion in the setting of regulatory guidelines, and in particular in the calculation of the rate of return.

In November 2013, the AER published Final Guidelines in relation to Expenditure Assessments, Expenditure Incentives, Shared Assets, Efficiency Benefits Sharing, Consumer Engagement and Confidentiality. In December 2013 the AER published the Final Rate of Return Guideline. None of the published guidelines, with the exception of the Rate of Return Guideline, is expected to have a material impact on either SA Power Networks or CitiPower and Powercor. Following is a summary of the Rate of Return Guideline and its potential effects.

Final Rate of Return Guideline

The AER has accepted the need for a more qualitative and conceptual assessment which will require the application of judgment. However, its proposals remain mechanistic in character, with a continued reliance on the traditional Sharpe-Lintner CAPM ("SL-CAPM") as the 'foundation model' to derive the Weighted Average Cost of Capital ("WACC"), with a wider set of models and information sources to be used to validate inputs and outputs, using ranges and point estimates. As a consequence, the AER has failed to break the nexus between equity returns and the risk free rate, which means that returns will continue to be linked to the prevailing level of bond rates at the time of each respective regulatory reset.

The table below illustrates the changes from the current regime contained in the Final Guideline.

	CURRENT REGULATORY PERIOD (2010–15)	NEXT REGULATORY PERIOD (2015–20)
Risk Free rate (proxy)	10 year Commonwealth bond rate	10 year Commonwealth bond rate
Market Risk Premium ("MRP")	6.5%	6.5% subject to review at time of the relevant regulatory reset (indicative range 5.0% to 7.5%)
Debt costs	20 day average around time of reset	10 year trailing average
Beta	0.8	0.7
Gamma	0.25	0.5
Funding assumption	60% debt/40% equity	60% debt/40% equity
Benchmark credit rating	BBB+	BBB+

While the Final Guideline represented an improvement on the Draft Guideline released in August 2013, it still fell short of the parameter levels proposed to the AER by Spark Infrastructure and its peers in the sector. On the positive side, the current indicative setting of the MRP at 6.5% will serve to partially compensate for the current level of bond rates which is currently lower than it was at the time of previous relevant regulatory resets. In addition the use of a 10 year trailing average for the calculation of debt costs better reflects the longevity of the underlying assets than the 7 year average proposed in the Draft Guideline.

The reduction of the equity beta to 0.7, from 0.8, the proposed change in gamma from 0.25 to 0.5, and the maintenance of the BBB+ credit rating assumption were disappointing outcomes. As a result of the measures contained in the AER's Final Rate of Return Guideline, Spark Infrastructure and the Asset Companies will now review their planned levels of future investment in their next five year regulatory periods.

Importantly, Spark Infrastructure notes that the Limited Merits Review system, which provides an independent appeal mechanism for Network Service Providers to challenge AER decisions, continues to provide adequate scope for future appeals. SA Power Networks and CitiPower and Powercor, in which Spark Infrastructure holds a 49% interest, will have an opportunity to assess their position in this regard at the time of their next regulatory resets. . In particular, the Asset Companies intend to challenge the current level of gamma as proposed by the AER while other contentious matters will also be assessed as part of the reset process for the next regulatory periods.

Framework and Approach papers

In September 2013 the AER issued its decision to replace the Framework and Approach paper for SA Power Networks for the regulatory period of 2015–2020. This is a key document which sets out the foundational considerations in relation to revenue recovery and various incentive mechanisms for the Asset Companies.

The AER commenced its formal consultation on the development of the framework and approach by issuing a discussion paper in December 2013. In accordance with the Rules, the AER intends to publish replacement framework and approach papers by 30 April 2014. The AER's decision follows SA Power Networks submission of its election letter to the AER on 30 July 2013 wherein it requested that the AER re-open its current revenue recovery arrangements (ie price cap methodology) as part of its regulatory reset process. SA Power Networks has stated to the AER its desire to operate under a revenue cap arrangement for revenue recovery in the regulatory period commencing 1 July 2015. Such an arrangement would make it indifferent to future fluctuations in electricity sales volumes.

It is expected that CitiPower and Powercor will follow a similar path with an election letter due from the businesses to the AER by 31 January 2014 and a replacement Framework and Approach Paper due from the AER by 31 October 2014.

Regulatory resets for 2015/16–20

The Asset Companies' next five year regulatory periods will take effect on 1 July 2015 in the case of SA Power Networks, and on 1 January 2016 in the case of CitiPower and Powercor. Work on the development of the Asset Companies' respective regulatory submissions is underway and with the Asset Companies continuing their collaborative approach to their preparations. The Asset Company submissions will address the full range of elements required by the AER including proposed capital expenditure, operating expenditure, incentive mechanisms and rate of return parameters.

SA Power Networks submission is due to the AER by 31 October 2014, with a Draft Determination expected from the AER on 30 April 2015. CitiPower and Powercor will submit their regulatory submission by 30 April 2015 with a Draft Determination expected from the AER on 31 October 2015.

GROWTH IN REGULATORY ASSET BASES

The Asset Companies are in the midst of a period of strong growth. The AER has approved capital expenditure for the current 5–year regulatory periods that will drive increased growth in the RABs of the Asset Companies. Corresponding increases in Asset Company revenues have also been approved by the AER. Funding of this capital expenditure in line with the AER's assumptions will lead to long term growth in the Asset Companies' RABs, in which Securityholders are expected to benefit via their investment in Spark Infrastructure.

During the current five year regulatory periods, which extend to 30 June 2015 for SA Power Networks and 31 December 2015 for Victoria Power Networks, the Asset Companies in total have net capital expenditure allowances from the AER of $3.729 billion (real 2010 dollars) (Spark Infrastructure share: $1.830 billion), equivalent to $747.000 million (real 2010 dollars) per annum (Spark Infrastructure share: $366.030 million). In addition, the AMI rollout programme in Victoria Power Networks which amounts to a capital investment of approximately $630.000 million (Spark Infrastructure share: $308.700 million) from 2009 to 2013, has completed by 31 December 2013. Overall, based on the regulatory determinations, the combined RABs of the Asset Companies are expected to grow by an average of 7%–8% per annum in accordance with the 2010 regulatory decisions after factoring in expected out-performance against regulatory allowances. Assuming that this net growth in RAB is funded with 60% debt (in accordance with the AER's regulatory assumptions), Spark Infrastructure's equity investment in the Asset Companies' RABs would grow by approximately 12%–14% per annum over the same period. Over the three years since December 2010, the aggregate compound annual growth rate in RAB has been 8.6%.

DISTRIBUTIONS AND CAPITAL MANAGEMENT

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

Spark Infrastructure only pays out distributions which are fully supported by operating cashflows. Operating cashflows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis, i.e. including Spark Infrastructure's 49% share of the Asset Companies relevant operating cashflows. Operating cashflows are reviewed after deducting an allowance for maintaining the Asset Companies' RABs. Distribution coverage from operating cashflows is assessed annually, while also taking into account the relevant 5–year regulatory period under which the Asset Companies are operating.

Distributions paid to Securityholders comprise interest income on the Loan Notes and can also include a return of capital on Units and income distributions from the Trust. A final cash distribution of 5.25 cents per security ("cps") was paid on 15 March 2013 in relation to 2012 and comprised 3.55 cps of interest on the Loan Notes and 1.70 cps of capital distributions.

An interim cash distribution of 5.50 cps for the Current Year was paid on 13 September 2013 and was comprised of 3.50 cps interest on Loan Notes and 2.00 cps return of capital.

All distributions were unfranked and made by the Trust.

The Board has declared a final cash distribution of 5.50 cps for the Current Year, payable on 14 March 2014, which consists of 3.55 cps interest on Loan Notes for the period and 1.95 cps return of capital. The full year 2013 distribution of 11.00 cps represents an increase of 4.8% on 2012, and a standalone payout ratio of 77.1% for the Current Year. The distribution is unfranked and will be made by Spark Infrastructure Trust.

Distributions paid to Securityholders during the year were:

	FINAL 2012 DISTRIBUTION PAID 15 MARCH 2013		INTERIM 2013 DISTRIBUTION PAID 13 SEPTEMBER 2013		TOTAL DISTRIBUTIONS PAID IN 2013	
	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000
Interest on Loan Notes	3.55	47,099	3.50	46,436	7.05	93,535
Capital distribution	1.70	22,555	2.00	26,534	3.70	49,089
Total	5.25	69,654	5.50	72,970	10.75	142,624

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

	2013		2012	
	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000
Interim distribution paid	**5.50**	**72,970**	5.25	69,653
Final distribution proposed	**5.50**	**72,970**	5.25	69,654
Total	**11.00**	**145,940**	10.50	139,307

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

OUTLOOK

Each Asset Company is in the midst of a period of strong growth through the delivery of AER approved capital expenditure over the five years to 2015. Funding of this capital expenditure in line with the AER's assumptions will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' RABs.

Subject to business conditions, the Directors have provided distribution guidance of 11.5 cps for 2014, representing growth of 4.5% on 2013, and have reaffirmed their previous guidance that Spark Infrastructure will have the ability to grow distributions per security at between 3–5% per annum for 2015. Such future distributions will be fully covered by operating cashflows, and are not dependent on the operation of the DRP. Spark Infrastructure will continue to target a payout ratio of approximately 80% of standalone operating cashflows for distributions across the remainder of the current regulatory periods to 2015.

SPARK INFRASTRUCTURE'S INVESTMENT MANDATE

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

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

EVENTS OCCURRING AFTER REPORTING DATE

The Directors of Spark Infrastructure are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 31 December 2013 up to the date of this report.

INFORMATION APPLICABLE TO REGISTERED SCHEMES

Spark Infrastructure RE Limited ("Spark RE"), is the responsible entity of the Trust. Spark RE does not hold any Stapled Securities. The number of Stapled Securities at the beginning and end of the Current Year is disclosed in Note 14 to the consolidated financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

ENVIRONMENTAL REGULATIONS

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

NON-AUDIT SERVICES

Details of amounts paid or payable to the external auditor for non-audit services provided during the Current Year are outlined in Note 17 to the consolidated financial statements.

The Directors are satisfied that the non-audit services provided by the auditor are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are of the opinion that the services as disclosed in Note 17 to the consolidated financial statements do not compromise the external auditor's independence, based on advice received from the ARC, for the following reasons:

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

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

OPTIONS OVER SECURITIES

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

DIRECTORS' MEETINGS

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

During the Current Year, nine Board meetings, five ARC meetings, two RemCo meetings and two Sub-committee ("SC") meetings of the Company were held. References to meetings "Held" means the number of meetings a Director was eligible to attend.

	BOARD OF DIRECTORS		ARC		REMCO		SC	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Mr Brian Scullin	9	9	–	–	2	2	2	2
Mr Rick Francis	9	9	–	–	–	–	2	2
Ms Cheryl Bart, *AO*	9	9	5	4	–	–	–	–
Mr Andrew Fay	9	9	5	5	–	–	–	–
Ms Anne McDonald	9	9	5	5	2	2	–	–
Dr Keith Turner	9	9	–	–	2	2	–	–

DIRECTORS' STAPLED SECURITY HOLDINGS

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

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

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

2012	OPENING BALANCE 1 JANUARY 2012 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2012 (NO.)
Mr Brian Scullin	–	–	–
Mr Rick Francis[a]	10,000	–	10,000
Ms Cheryl Bart, *AO*	160,714	–	160,714
Mr Andrew Fay	150,000	–	150,000
Ms Anne McDonald	40,000	–	40,000
Dr Keith Turner	50,000	–	50,000
Retired during 2012:			
Ms Laura Reed[b]	63,785	–	–

(a) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was CFO and did not sit on the Board of Directors or its committees. Mr Francis' Securityholding prior to becoming a Director was 10,000.

(b) Ms Reed retired as CEO on 31 May 2012.

GROUP EXECUTIVE SECURITY HOLDINGS

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

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

2012	OPENING BALANCE 1 JANUARY 2012 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2012 (NO.)
Mr Rick Francis[a]	10,000	–	10,000
Mr Greg Botham[b]	–	–	–
Ms Alexandra Finley	–	–	–
Ms Laura Reed[c]	63,785	–	–

(a) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO.

(b) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a member of the Group Executive.

(c) Ms Reed retired as CEO on 31 May 2012.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

ROUNDING OF AMOUNTS

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

REMUNERATION REPORT – AUDITED

The remuneration report provides information about the remuneration arrangements for Key Management Personnel ("KMP"), which includes Non-Executive Directors and Group Executives, for the year ended 31 December 2013. Reference to Group Executives in this report means KMPs who are not Non-Executive Directors.

The report covers the following matters:

1. Explanation of key terms;
2. Key Management Personnel;
3. Remuneration policy and principles;
4. Relationship between remuneration policy and Spark Infrastructure's performance;
5. The role of the Remuneration and Nomination Committee;
6. Description of Non-Executive Director remuneration;
7. Description of Group Executive remuneration;
8. Details of KMP remuneration; and
9. Key terms of employment contracts.

1. EXPLANATION OF KEY TERMS

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

Key Management Personnel (KMP)	Those people who have authority and responsibility for planning, directing and controlling the major activities of Spark Infrastructure, directly or indirectly, including any Director (whether Executive or otherwise) of Spark Infrastructure and any Group Executive.
Group Executive	The Managing Director and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the General Counsel and Company Secretary.
Base Salary	Base Salary is the fixed annual remuneration component of Total Remuneration. Base Salary includes cash, superannuation and novated leases but excludes Non-Monetary items (section 7.2).
Non-Monetary Items	Non-Monetary items include life and income protection insurances, parking allowances and any other incidental benefits.
Short-term Incentive (STI)	STI is the short-term incentive component of Total Remuneration. STI comprises a cash payment that is only received if specified annual performance targets are achieved (section 7.3).
Long-term Incentive (LTI)	LTI is the long-term incentive component of Total Remuneration. LTI is a cash settled incentive based on achievement of Spark Infrastructure's relative Total Securityholder Return performance versus certain peer groups of companies, with a three year vesting period subject to specified vesting conditions (section 7.4).
Total Remuneration	Total Remuneration comprises Base Salary plus Non-Monetary items plus STI plus LTI (section 8).
Total Securityholder Return (TSR)	Total Securityholder Return is the total return from a security to an investor. It combines security price appreciation plus distributions paid to show the total return to an investor.

2. KEY MANAGEMENT PERSONNEL

The KMP, at the date of this report, are as follows:

Non-Executive Directors	
Mr Brian Scullin	Chair of Board and Chair of Remuneration and Nomination Committee ("RemCo")
Ms Cheryl Bart, *AO*	Member of Audit, Risk and Compliance Committee ("ARC")
Mr Andrew Fay	Member of Audit, Risk and Compliance Committee
Ms Anne McDonald	Chair of Audit, Risk and Compliance Committee, Member of Remuneration and Nomination Committee
Dr Keith Turner	Member of Remuneration and Nomination Committee
Group Executives	
Mr Rick Francis	Managing Director and Chief Executive Officer ("CEO")
Mr Greg Botham	Chief Financial Officer
Ms Alexandra Finley	General Counsel and Company Secretary

The named persons held their current positions for the whole of the financial year and since the end of the financial year.

3. REMUNERATION POLICY AND PRINCIPLES

3.1 Non-Executive Director remuneration policy

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

3.2 Group Executive remuneration policy

Spark Infrastructure's Group Executive remuneration policy objectives are to:

- Ensure Spark Infrastructure's remuneration structures are equitable and aligned with the long-term interests of Spark Infrastructure and its Securityholders;
- Attract and retain skilled Group Executives;
- Structure short and long term incentives that are challenging and linked to the creation of sustainable Securityholder returns;
- Ensure any termination benefits are justified and appropriate; and
- Comply with applicable legal requirements and appropriate standards of governance.

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

The link between remuneration and performance is provided by:

- Requiring a significant portion of Group Executive remuneration to vary with short-term and long-term performance;
- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on strategic business objectives that create Securityholder value.

Spark Infrastructure measures performance on the following key corporate measures:

- Financial and compliance based measures including investment management, capital management, cost control, maintenance of controls and compliance environments, and internal business processes and quality; and
- Non-financial and strategic measures such as stakeholder and investor relations, strategy, special projects and people management and culture.

Remuneration for all Group Executives varies with performance on these key measures.

5. THE ROLE OF THE REMUNERATION AND NOMINATION COMMITTEE ("REMCO")

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

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

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

- Mr Brian Scullin (Committee Chair);
- Ms Anne McDonald; and
- Dr Keith Turner.

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

During the current year, the RemCo used PriceWaterhouse Coopers ("PwC") as its advisor on the operation of the LTI Plan (section 8.4).

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

6. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

Fees for Non-Executive Directors are fixed and are not linked to the financial performance of Spark Infrastructure. The Board believes this is necessary for Non-Executive Directors to maintain their independence.

The basis of fees are reviewed when new Directors are appointed to the Board, when the structure of the Board changes, or at least every three years utilising external market data or the advice of an independent consulting firm. Fee levels for all Non-Executive Directors are positioned having regard to the 75th percentile of the general market and against comparable board fees across various ASX peer groups (e.g. ASX 100, 200 and 300 groupings), and taking into account company size, market capitalisation and number of meetings.

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

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

Not having been adjusted since 2009, in December 2012 the basis of Non-Executive Director fees was reviewed by the Board using external market data and was amended for the 2013 year onwards. For the 2013 Financial Year the Board Chair received a base fee of $250,000 (2012: $225,000) per annum inclusive of superannuation, and the other Non-Executive Directors each received a base fee of $115,000 (2012: $100,000) per annum inclusive of superannuation. Additional fees were paid for committee duties: $35,000 (2012: $20,000) for the ARC chair and $17,500 (2012: $10,000) for each member, and $30,000 (2012: $20,000) for the RemCo chair and $15,000 (2012: $10,000) for each member. The increase in the ARC committee fees also recognises that the previous Compliance Committee's (now disbanded) role and responsibilities have been assumed by the ARC. Except for the payment of statutory superannuation entitlements (where applicable), Non-Executive Directors do not receive any other post-employment benefits.

7. DESCRIPTION OF GROUP EXECUTIVE REMUNERATION

7.1 Group Executive remuneration structure

Executive remuneration has a fixed component and an 'at risk' component that varies with performance. The 'at risk' component ensures that a proportion of pay varies with performance. Performance is assessed annually for periods covering one year (STI) and three years (LTI). If maximum Total Remuneration is achieved, the proportions attributable to each component will be as shown in the following table.

FROM 1 JANUARY 2014	BASE SALARY ($)[1]	STI OPPORTUNITY (% OF BASE SALARY)	LTI OPPORTUNITY (% OF BASE SALARY)[2]	TOTAL PERFORMANCE BASED PAY (% OF BASE SALARY)
Mr Rick Francis	700,000	60%	60%	120%
Mr Greg Botham	400,000	50%	50%	100%
Ms Alexandra Finley	283,000	40%	40%	80%

(1) Base salary excludes any non-cash monetary benefits (e.g. car parking) which are not taken into account in determining STI and LTI 'at risk' opportunities.

(2) Notional reference Securities to which the relative LTI TSR performance requirement applies vest pro-rata on a straight line basis between the 51st percentile (50% vesting of the LTI opportunity) and 100th percentile (vesting capped at 150% of the LTI opportunity).

7.2 Fixed remuneration

Fixed remuneration is the sum of salary and the direct cost of providing employee benefits, including superannuation, life and income protection insurances, motor vehicles, car parking and fringe benefits tax. The level of remuneration set reflects the market value of the individual role and the employee's skills and experience. Remuneration is benchmarked against a range of industry peer groups of Australian listed entities with similar market capitalisations and is targeted at median levels, where considered appropriate. While market levels of remuneration are monitored on a regular basis, there is no contractual requirement or expectation that any adjustments will be made to fixed remuneration.

7.3 Short-term incentive ("STI") opportunity

7.3.1 STI overview

The STI plan provides for an annual payment that varies with annual performance. The plan is designed to align STI outcomes with financial results and individual performance focusing on achievement of specific corporate measures over the year. The key corporate measures are disclosed in section 4. The weightings applied between the various measures will vary between individual and will vary each year in response to such matters as business plans for the year, special projects and regulatory cycles and activity.

An individual's potential STI opportunity is expressed as a percentage of Base Salary and is capped at the levels disclosed above in section 7.1 At the discretion of the Board the potential STI opportunity may exceed the capped levels of Base Salary. However, any variation and the reasons for it would be disclosed within the remuneration report. The STI payment is made in cash after the end of the financial year having regard to the results for the year. No part of the STI is deferred. The Board has approved a Clawback Policy that allows the clawback of 'at risk' remuneration such as STI payments or awards granted under the LTI plan if subsequent events show that a reduction is appropriate, for example, in the event of fraud or dishonesty by the particular executive or where a material misstatement in the financial statements of a Group entity is required due to misrepresentation or negligence.

7.4 Long-term incentive ("LTI") opportunity

7.4.1 LTI overview

Group Executives and other senior executives participate in an LTI plan. The plan is designed to focus performance and reward on long term drivers of Securityholder value. It is a cash-based 'phantom' security plan that provides for a reward that varies with Spark Infrastructure's performance over a three year period. Notional reference securities are granted that match the value of Spark Infrastructure's security price. These are not actual Spark Infrastructure securities and do not carry any voting entitlements, but a number of notional securities with a value equivalent to the LTI target opportunity.

As with an individual's potential STI opportunity, the potential LTI opportunity initially awarded is expressed as a percentage of Base Salary and is capped at the levels disclosed above. At the discretion of the Board the potential LTI opportunity initially awarded may exceed the capped levels of Base Salary. However, any variation and the reasons for it would be disclosed within the remuneration report.

The LTI payment is made in cash at the end of the vesting period (usually three years) if certain conditions have been met. Cash equivalent distributions on the notional securities are tracked throughout the vesting period. Upon vesting, the cash equivalent distributions, corresponding to the number of securities that vested, are also paid to participants as a one-off cash payment. No cash equivalent distributions are paid prior to vesting, nor on any notional securities that do not ultimately vest. Directors note that these distributions are proportional to operating cashflow, which reinforces the focus on performance and alignment with the interests of Securityholders provided by this form of remuneration.

The awarding of the potential LTI opportunity to Group Executives usually occurs with effect from 1 January each year. The performance period for the 2012 and 2013 LTI allocations commenced on 1 January 2012 and 1 January 2013 respectively and will conclude on 31 December 2014 and 31 December 2015 respectively. The start date of the 2011 LTI performance period (which was the first year of operation of the LTI plan) was 1 June 2011, which aligned with the start of self-management of Spark Infrastructure following Internalisation. The 2011 LTI performance period ran for a period of two years and seven months, reflecting this initial part year period, concluding on 31 December 2013. Payments in relation to the 2011 LTI allocation, which have now vested, will be made in February 2014.

The treatment of unvested LTI notional securities on termination of employment will vary based on assessment by the Board. This additional requirement is to enhance Spark Infrastructure risk management by:

- Encouraging retention;
- Allowing discovery of any factors that could contribute to financial restatement that may result in forfeiture of reward;
- Allowing for a review of Group Executive behaviours to ensure they have complied with Spark Infrastructure's ethical and risk management guidelines and standards of business conduct; and
- Maintaining Securityholder alignment for a longer period.

The LTI plan rules are available on the Spark Infrastructure website at www.sparkinfrastructure.com.

7.4.2 Performance requirements and measurement

The relative performance requirement is based on Total Securityholder Return (TSR). Relative TSR was separately assessed against two peer groups between 1 June 2011 and 14 December 2011, being:

- Companies in the S&P ASX 200 index (50% weighting); and
- Spark Infrastructure's comparator group of key peers in the gas, electricity and multi-utilities sector, being APA Group, DUET Group, Envestra, Hastings Diversified Utilities Fund and SP Ausnet (50% weighting).

Corporate actions that saw Hastings Diversified Utilities Fund leave the ASX prompted a review of the LTI performance requirements and resulted in an alteration to the comparator peer group against which relative TSR is assessed.

From 14 December 2011 relative TSR has been assessed against the following peer groups:

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

TSR is calculated as the difference in notional reference security price over the performance period, plus the value of notional reference securities earned from reinvesting distributions received over this period, expressed as a percentage of the notional reference security price at the beginning of the performance period.

TSR = (Security price (closing) – Security price (starting) + distributions) / Security price (starting)

For both the S&P ASX 200 index group and the S&P ASX Infrastructure index group, notional reference securities to which the relative TSR performance requirement applies vest pro-rata on a straight line basis between the 51st percentile (50% vesting) and 100th percentile (vesting capped at 150%). No amount would vest if performance was below the 51st percentile relative to either the S&P ASX 200 index group or the S&P Infrastructure index group. No changes were made in the Current Year to the vesting percentiles applied to either the S&P ASX 200 index group or the S&P ASX Infrastructure index group.

Each reference security is valued at a market based 'starting security price', being the 30 trading days' volume weighted average market price ("VWAP") of a Spark Infrastructure stapled security immediately prior to the start of the performance period. The 'closing security price' for TSR purposes will be the VWAP of Spark Infrastructure's securities in the 30 trading days' period prior to the end of the performance period.

As a consequence of further consolidation within the S&P ASX Infrastructure index group and noting continued sector volatility, the Board has resolved to undertake a comprehensive review of Spark Infrastructure's remuneration arrangements (including the LTI component) during 2014.

8. DETAILS OF KMP REMUNERATION

8.1 Remuneration of KMP earned in relation to the year

IN RELATION TO 2013	SHORT-TERM EMPLOYEE AND DIRECTOR BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	SALARY AND FEES ($)	STI PAID OR PAYABLE ($)	NON-MONETARY ($)	SUPER-ANNUATION[2] ($)	LTI EXPENSE[3] ($)	TOTAL ($)
Non-Executive Directors						
Mr Brian Scullin	262,878	–	–	17,122	–	280,000
Ms Cheryl Bart, *AO*[1]	121,421	–	–	11,079	–	132,500
Mr Andrew Fay[1]	121,421	–	–	11,079	–	132,500
Ms Anne McDonald[1]	151,203	–	–	13,797	–	165,000
Dr Keith Turner[1]	130,000	–	–	–	–	130,000
Group Executives						
Mr Rick Francis	605,000	350,000	22,844	25,000	(19,539)	983,305
Mr Greg Botham	332,878	170,000	18,026	17,122	(7,574)	530,452
Ms Alexandra Finley	254,878	100,000	20,341	17,122	(6,418)	385,923
	1,979,679	**620,000**	**61,211**	**112,321**	**(33,531)**	**2,739,680**

(1) In addition to the fees paid by Spark Infrastructure, Ms Cheryl Bart, Ms Anne McDonald, Dr Keith Turner and Mr Andrew Fay were entitled to Directors' fees as representatives of Spark Infrastructure on the Boards of SA Power Networks and Victoria Power Networks (the Asset Company Boards) as set out below. These fees were paid by the Asset Companies.

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

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

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

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

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

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

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

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

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

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

(3) The weighted average Spark TSR was outperformed by its peer groups (S&P ASX 200 index and S&P ASX Infrastructure index) during the year. Accordingly, the cumulative achievement of the requisite performance hurdles for vesting has reduced and the fair value attributed to reference securities has been re-measured downwards resulting in a write back of LTI expense at year end.

IN RELATION TO 2012	SHORT-TERM EMPLOYEE AND DIRECTOR BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	SALARY AND FEES ($)	STI PAID OR PAYABLE ($)	NON-MONETARY ($)	SUPER-ANNUATION[6] ($)	LTI EXPENSE ($)	TOTAL ($)
Non-Executive Directors						
Mr Brian Scullin	228,877	–	–	16,123	–	245,000
Ms Cheryl Bart, *AO*[1]	100,917	–	–	9,083	–	110,000
Mr Andrew Fay[1][2]	103,287	–	–	9,295	–	112,582
Ms Anne McDonald[1][2]	121,635	–	–	10,947	–	132,582
Dr Keith Turner[1]	110,000	–	–	–	–	110,000
Group Executives						
Mr Rick Francis[3]	498,750	275,000	12,467	25,000	208,593	1,019,810
Mr Greg Botham[4]	153,784	77,800	6,234	9,550	39,973	287,341
Ms Alexandra Finley	245,127	89,000	12,467	16,123	85,166	447,883
Ms Laura Reed[5]	262,590	150,000	–	23,243	–	435,833
	1,824,967	591,800	31,168	119,364	333,732	2,901,031

(1) In addition to the fees paid by Spark Infrastructure, Ms Cheryl Bart, Ms Anne McDonald, Dr Keith Turner and Mr Andrew Fay were entitled to Directors' fees as representatives of Spark Infrastructure on the Boards of SA Power Networks and Victoria Power Networks (the Asset Company Boards) as set out below. These fees were paid by the Asset Companies.

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

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

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

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

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

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

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

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

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

(2) Mr Fay and Ms McDonald received fees of $2,582 (inclusive of superannuation) as members of the Spark Infrastructure Due Diligence Committee during 2012.

(3) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO. Mr Francis did not receive any additional remuneration in his role as an Executive Director.

(4) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a KMP. The amounts included for Mr Botham represent payments made or payable relating to the period during which he was a KMP.

(5) Ms Reed retired as CEO on 31 May 2012. Ms Reed did not receive any additional remuneration in her role as an Executive Director.

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

8.2 Actual remuneration received by Group Executives in the year

The format and content of the remuneration report are reviewed each year with a view to presenting information consistently, concisely and in a form that complies with the *Corporations Act 2001*. Spark Infrastructure has continued to provide voluntary disclosure of actual remuneration received by the Group Executive. Actual remuneration is provided in addition to the statutory reporting of remuneration (refer section 8.1) to increase transparency about what the Group Executive actually received during the year.

The STI paid in each year represents the amounts earned in relation to the individual's performance for the preceding year.

These tables do not include any LTI allocations. For the 2012 and 2013 Financial Years they are still subject to performance and service conditions and are still 'at risk' of forfeiture. The 2011 Financial Year LTI allocation vested on 31 December 2013 and will be paid in February 2014.

RECEIVED IN 2013	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	SALARY ($)	STI PAID ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	LTI PAID ($)	TOTAL ($)
Mr Rick Francis	**605,000**	**275,000**	**22,844**	**25,000**	**–**	**927,844**
Mr Greg Botham	**332,878**	**77,800**	**18,026**	**17,122**	**–**	**445,826**
Ms Alexandra Finley	**254,878**	**89,000**	**20,341**	**17,122**	**–**	**381,341**
	1,192,756	**441,800**	**61,211**	**59,244**	**–**	**1,755,011**

RECEIVED IN 2012	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	SALARY ($)	STI PAID ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	LTI PAID ($)	TOTAL ($)
Mr Rick Francis(1)	498,750	115,000	12,467	25,000	–	651,217
Mr Greg Botham(2)	153,784	–	6,234	9,550	–	169,568
Ms Alexandra Finley	245,127	50,000	12,467	16,123	–	323,717
Ms Laura Reed(3)	262,590	410,400	–	23,243	–	696,233
	1,160,251	575,400	31,168	73,916	–	1,840,735

(1) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO.

(2) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a KMP. The amounts included for Mr Botham represent payments made to him after he became a KMP.

(3) Ms Reed retired as CEO on 31 May 2012.

8.3 Performance related remuneration

8.3.1 The following tables show the STIs that were earned during the year due to achievement of individual and corporate performance measures.

IN RELATION TO 2013	STI EARNED ($)	STI FORFEITED ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)
Mr Rick Francis	350,000	28,000	92.6%	7.4%
Mr Greg Botham	170,000	5,000	97.1%	2.9%
Ms Alexandra Finley	100,000	8,800	91.9%	8.1%

IN RELATION TO 2012	STI EARNED ($)	STI FORFEITED ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)
Mr Rick Francis[1]	275,000	20,708	93.0%	7.0%
Mr Greg Botham[2]	77,800	3,837	95.3%	4.7%
Ms Alexandra Finley	89,000	15,500	85.2%	14.8%
Ms Laura Reed[3]	150,000	12,500	92.3%	7.7%

(1) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO. Total STI earned during the year has been calculated on a pro rata basis incorporating this change.

(2) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a KMP. Total STI earned during the year has been calculated on a pro rata basis reflecting the period he was a KMP.

(3) Ms Reed retired as CEO on 31 May 2012. Total STI earned during the year reflected her service for the five months to 31 May 2012.

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

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

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

2012	DATE OF AWARD	NOTIONAL REFERENCE SECURITIES (NO.)	OPENING VWAP	NOTIONAL TSR ACHIEVE-MENT (%)	CLOSING VWAP	AMOUNT PAYABLE/ FAIR VALUE ($)	LTI EXPENSE ($)	ACTUAL/EXPECTED VESTING DATE
Mr Rick Francis	1 June 2011	103,298	1.20	109%	1.65	131,038	97,702	31 December 2013
	1 January 2012	225,732	1.31	75%	1.65	110,891	110,891	31 December 2014
							208,593	
Mr Greg Botham	1 June 2011	29,167	1.20	109%	1.65	36,999	16,092	31 December 2013
	1 January 2012	83,333	1.31	75%	1.65	40,938	23,881	31 December 2014
							39,973	
Ms Alexandra Finley	1 June 2011	48,611	1.20	109%	1.65	61,665	45,978	31 December 2013
	1 January 2012	79,771	1.31	75%	1.65	39,188	39,188	31 December 2014
							85,166	

8.4 Remuneration consultants

During 2013, PwC were appointed by the RemCo to review the impact of changes to the composition of the S&P ASX Infrastructure index comparator peer group due to continuing industry consolidation in the sector and to provide recommendations on any change to the LTI and vesting schedules applicable for the relevant periods. An amount of $36,344 (2012: $26,400) was paid to PwC for its recommendations. PwC reported directly to the RemCo, and the Board was satisfied that the recommendations provided were independent and free from influence from the Group Executive.

9. KEY TERMS OF EMPLOYMENT CONTRACTS

9.1 Group Executive contracts

The following table sets out the notice periods and termination payments payable under the individual Group Executive contracts in force as at 1 January 2014.

GROUP EXECUTIVE	CONTRACT PERIOD	TERMINATION NOTICE PERIOD – BY SPARK INFRASTRUCTURE	TERMINATION NOTICE PERIOD – BY GROUP EXECUTIVE	TERMINATION PAYMENT – WITHOUT CAUSE (REFER SECTION 9.2)
Mr Rick Francis	Permanent	6 months	6 months	12 months Base Salary
Mr Greg Botham	Permanent	3 months	3 months	6 months Base Salary
Ms Alexandra Finley	Permanent	3 months	3 months	6 months Base Salary

9.2 Group Executive termination provisions

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

Termination for cause

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

Termination other than for cause

Where Spark Infrastructure terminates the Group Executive's employment (other than for cause) the Group Executive will receive a termination payment as set out in section 9.1 above.

In addition, the Group Executive will remain eligible for a STI payment for the part year of completed service in an amount determined by the Board save that any such payment must be pro-rated and must not be less than 50% of the maximum STI for the pro-rated period worked.

Spark Infrastructure may also make a payment in lieu of all or part of the notice period calculated on the Group Executive's Base Salary plus payment in lieu of annual STI referable to the notice period, save that any STI payment must not be less than 50% of the maximum STI for the notice period. The Group Executive will also receive payment of accrued statutory entitlements.

In addition to the termination payments above, where considered appropriate, the Board is also entitled to make further ex-gratia payments to Group Executives on termination. The payment of any additional amount is at the sole and absolute discretion of the Board.

Long term incentives on termination

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

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

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

The table below shows the performance of Spark Infrastructure against key financial indicators over the last five years.

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Underlying Profit before Loan Note Interest	**294,482**	277,050	269,229	240,018	224,038
Operating Cashflow	**189,278**	178,379	188,956	134,651	196,923
Underlying Profit after tax attributable to Securityholders	**144,743**	173,851	167,068	78,450	81,435
Security Price ($)	**1.62**	1.67	1.38	1.13	1.38
Distribution per security (cents)	**11.00**	10.50	10.00	13.54	13.56

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

On behalf of the Directors:

B Scullin
Chairman

R Francis
Managing Director

Sydney
21 February 2014

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Spark Infrastructure Trust
Level 25, 259 George St
SYDNEY NSW 2000

21 February 2014

Dear Board Members

Spark Infrastructure Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Spark Infrastructure Trust.

As lead audit partner for the audit of the financial statements of Spark Infrastructure Trust for the financial year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock

BJ Pollock
Partner
Chartered Accountants

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DIRECTORS' DECLARATION

The Directors declare that:

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

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

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

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

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

On behalf of the Directors:

B Scullin
Chairman

R Francis
Managing Director

Sydney
21 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2013

	NOTES	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Income from associates:			
– Share of equity profits	7 (c)	**229,136**	216,857
– Interest income	3 (a)	**80,898**	81,119
Other income – interest		**1,017**	1,779
		311,051	299,755
Interest expense – other	3 (b)	**(8,374)**	(11,850)
General and administrative expenses	3 (c)	**(8,195)**	(10,855)
Profit before Income Tax and Loan Notes Interest		**294,482**	277,050
Interest expense – Loan Notes		**(93,535)**	(93,800)
Profit before Income Tax attributable to Securityholders		**200,947**	183,250
Income tax expense	4 (a)	**(72,512)**	(9,399)
Net Profit attributable to Securityholders		**128,435**	173,851
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges – gain on interest rate swaps	15	**4,359**	1,306
Share of associates' other comprehensive income:			
– Gain/(loss) on hedges	15	**49,348**	(52,985)
– Actuarial gain on defined benefit plans	16	**60,745**	67,810
Income tax expense related to components of other comprehensive income		**(34,335)**	(4,839)
Other comprehensive income for the Financial Year		**80,117**	11,292
Total Comprehensive Income for the Financial Year attributable to Securityholders		**208,552**	185,143
Earnings per Security			
Weighted average number of stapled securities (No'000)	18	**1,326,734**	1,326,734
Profit before income tax and Loan Note interest ($'000)		**294,482**	277,050
Basic earnings per security before income tax and Loan Note interest (cents)	18	**22.20¢**	20.88¢
Earnings used to calculate earnings per security ($'000)		**128,435**	173,851
Basic earnings per security based on net profit attributable to Securityholders (cents)	18	**9.68¢**	13.10¢

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

Notes to the financial statements are included on pages 42 – 83.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	NOTES	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Current Assets			
Cash and cash equivalents	27(a)	**33,035**	41,966
Receivables from associates	5	**11,646**	11,424
Other current assets	6	**783**	597
Total Current Assets		**45,464**	53,987
Non-Current Assets			
Property, plant and equipment	9	**233**	269
Investments in associates:			
– Investments accounted for using the equity method	7(d)	**1,855,458**	1,638,784
– Loans to associates	8	**745,601**	745,601
Total Non-Current Assets		**2,601,292**	2,384,654
Total Assets		**2,646,756**	2,438,641
Current Liabilities			
Payables	10	**2,378**	1,864
Loan Note interest payable to Securityholders		**47,099**	47,099
Other financial liabilities	13	**–**	1,626
Total Current Liabilities		**49,477**	50,589
Non-Current Liabilities			
Payables	10	**452**	774
Loan Notes attributable to Securityholders	11	**836,827**	836,807
Interest bearing liabilities	12	**–**	54,048
Deferred tax liabilities	4(c)	**127,081**	20,234
Other financial liabilities	13	**–**	2,733
Total Non-Current Liabilities		**964,360**	914,596
Total Liabilities		**1,013,837**	965,185
Net Assets		**1,632,919**	1,473,456
Equity			
Equity attributable to Parent Entity			
– Issued capital	14	**1,022,153**	1,071,242
– Reserves	15	**(46,916)**	(84,511)
– Retained earnings	16	**657,682**	486,725
Total Equity		**1,632,919**	1,473,456
Total Equity attributable to Securityholders is as follows:			
Total Equity		**1,632,919**	1,473,456
Loan Notes attributable to Securityholders		**836,827**	836,807
Total Equity and Loan Notes		**2,469,746**	2,310,263

Notes to the financial statements are included on pages 42 – 83.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2013

	NOTES	ISSUED CAPITAL $'000	HEDGING RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
2012					
Balance at 1 January 2012		1,116,749	(48,336)	265,407	1,333,820
Net profit for the financial year		–	–	173,851	173,851
Other comprehensive (loss)/income for the year, net of income tax	15,16	–	(36,175)	47,467	11,292
Total comprehensive (loss)/income for the financial year			(36,175)	221,318	185,143
Capital distributions	14	(45,507)	–	–	(45,507)
Balance at 31 December 2012		1,071,242	(84,511)	486,725	1,473,456
2013					
Balance at 1 January 2013		**1,071,242**	**(84,511)**	**486,725**	**1,473,456**
Net profit for the financial year		**–**	**–**	**128,435**	**128,435**
Other comprehensive income for the year, net of income tax	**15,16**	**–**	**37,595**	**42,522**	**80,117**
Total comprehensive income for the financial year			**37,595**	**170,957**	**208,552**
Capital distributions	**14**	**(49,089)**	**–**	**–**	**(49,089)**
Balance at 31 December 2013		**1,022,153**	**(46,916)**	**657,682**	**1,632,919**

Notes to the financial statements are included on pages 42 – 83.

CONSOLIDATED STATEMENT OF CASHFLOWS

for the Financial Year Ended 31 December 2013

	NOTES	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Cash Flows from Operating Activities			
Distribution from associates – preferred partnership capital		**69,635**	69,826
Dividends received – associates		**52,920**	48,510
Interest received – associates		**80,676**	80,928
Interest received – other		**1,087**	1,757
Interest paid – other		**(7,145)**	(10,779)
Other expenses		**(7,895)**	(11,863)
Net Cash Inflow Related to Operating Activities	27 (c)	**189,278**	178,379
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		**(14)**	(7)
Net Cash Outflow Related to Investing Activities		**(14)**	(7)
Cash Flows from Financing Activities			
Drawdown of new external borrowings		**55,000**	–
Repayment of external borrowings		**(110,000)**	(30,000)
Payments of external borrowing costs		**(571)**	–
Distributions to Securityholders:			
– Loan Note interest		**(93,535)**	(93,800)
– Capital distributions		**(49,089)**	(45,507)
Net Cash Outflow Related to Financing Activities		**(198,195)**	(169,307)
Net (Decrease)/Increase in Cash and Cash Equivalents for the Financial Year		**(8,931)**	9,065
Cash and cash equivalents at beginning of the Financial Year		**41,966**	32,901
Cash and Cash Equivalents at end of the Financial Year	27 (a)	**33,035**	41,966

Notes to the financial statements are included on pages 42 – 83.

NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2013

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

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

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

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

Information in respect of the Parent Entity in this financial report relates to the Trust. The financial information for the Parent Entity, disclosed in Note 29 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 21 February 2014.

New and revised standards and interpretations

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

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

Adoption of new and revised Standards

NEW AND REVISED STANDARD	REQUIREMENTS AND IMPACT ASSESSMENT
AASB 10 Consolidated Financial Statements	AASB 10 *Consolidated Financial Statements*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 *Consolidated and Separate Financial Statements* and INT-112 *Consolidation – Special Purpose Entities*. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The application of the requirements of the Standard has not had a material effect on the Group's financial information as all potential investees are currently presented in the consolidated financial statements.
AASB 11 Joint Arrangements	AASB 11 *Joint Arrangements*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* replaces AASB 131 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The application of the requirements of the Standard has not had a material effect on the Group's financial information as it does not participate in any joint arrangements.
AASB 12 Disclosure of Interests in Other Entities	AASB 12 *Disclosure of Interests in Other Entities*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The application of the requirements of the Standard has resulted in more extensive disclosure regarding SA Power Networks and Victoria Power Networks within the consolidated financial statements (see Note 7 – Investments Accounted for Using the Equity Method).

NEW AND REVISED STANDARD	REQUIREMENTS AND IMPACT ASSESSMENT
AASB 127 Separate Financial Statements (2011)	AASB 127 *Separate Financial Statements* (2011), AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* amends AASB 127 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from AASB 127 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in AASB 10 *Consolidated Financial Statements*. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with AASB 9 *Financial Instruments*. The application of the requirements of the Standard has not had a material effect on the Group's financial information as the requirements of the revised Standard are currently being adhered to.
AASB 128 Investments in Associates and Joint Ventures (2011)	AASB 128 *Investments in Associates* and related AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The application of the requirements of the Standard has not had a material effect on the Group's financial information as the requirements of the revised Standard are currently being adhered to.
AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	AASB 13 *Fair Value Measurement* and related AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The AASB defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value. AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified. The application of the requirements of the Standard has not had a material effect on the Group's financial information as the requirements of the revised standard are currently being adhered to.
AASB 119 Employee Benefits (2011)	AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (2011) amends AASB 119 *Employee Benefits* with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes. The amendments include but are not limited to the classification of short term employee benefits as employee benefits that are expected to be settled wholly before twelve months after the end of annual reporting period. The application of the requirements has not had a material effect on the Group's financial information as the requirements of the amended Standard are currently being adhered to.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	These amendments arise from the issuance of the IASB *Standard Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) in June 2011. The amendments requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments), and requires tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The application of the requirements of the Standard has not had a material effect on the Group's financial information as the requirements of the amended Standard are currently being adhered to.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards (continued)

NEW AND REVISED STANDARD	REQUIREMENTS AND IMPACT ASSESSMENT
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)	The amendments to AASB 7 *Financial Instruments: Disclosures* to require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The application of the requirements of the Standard has not had a material effect on the Group's financial information as it has not entered into arrangements of this type.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	This amends a number of pronouncements as a result of the 2009–2011 annual improvements cycle. Key amendments include: AASB 1- repeated application of AASB 1; AASB 101- clarification of the requirements for comparative information; AASB 132- tax effect of the distribution to holder of equity instruments; AASB 134- interim reports and segment information for total assets and liabilities. The application of the requirement has not had a material effect on the Group's financial information.
AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	Amends the mandatory effective date of AASB 9 Financial Instruments so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. Modifies the relief from restating prior periods by amending AASB 7 Financial Instruments: Disclosures to require additional disclosures on transition from AASB 139 Financial Instruments: Recognition and Measurement to AASB 9 in some circumstances. The application of the requirement has not had a material effect on the Group's financial information as it has not yet adopted AASB 9 Financial Instruments.
AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments	The transition guidance amendments to AASB 10 *Consolidated Financial Statements* and related Standards and interpretations clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The application of the requirement has not had a material effect on the Group's financial information as the requirements of the amended Standard are currently being adhered to.

(b) Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial report, the following Standards and Interpretations listed below were in issue but not yet effective.

STANDARD/INTERPRETATION	EFFECTIVE FOR THE ANNUAL REPORTING PERIOD BEGINNING ON	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 'Financial Instruments', AASB 2009 'Amendments to Australian Accounting Standards arising from AASB 9-11, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2017	31 December 2017
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 January 2014	31 December 2014
AASB 2012-3 'Amendments to Australian Accounting Standards Disclosure – offsetting Financial Assets and Liabilities (Amendments to AASB 132)'	1 January 2014	31 December 2014
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	31 December 2014
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	31 December 2014

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

Significant Accounting Policies

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

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its controlled entities as at 31 December 2013. 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.

(b) Acquisition of Assets

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

(c) Borrowings

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

(d) Borrowing Costs

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

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

(e) Cash and Cash Equivalents

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

(f) Creditors and Accruals

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

(g) Derivative Financial Instruments

Spark Infrastructure enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details are disclosed in Note 28.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(g) Derivative Financial Instruments (continued)

Hedge Accounting

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

Note 28 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 15.

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

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

(h) Financial Instruments

Debt and Equity Instruments

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

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

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

Interest, Dividends and Distributions

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

(i) Goods and Services Tax

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

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

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

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

(j) Impairment of Tangible and Intangible Assets

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

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

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

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

(k) Employee Benefits

Wages, Salaries, Annual Leave and Other Employee Benefits

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

Long Service Leave

The Group's net obligation for long service leave is measured as the present value of expected future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds that have maturity dates approximating to the terms of the Group's obligations.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Financial Year Ended 31 December 2013

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(l) Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

Current and Deferred Tax

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

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

Tax Consolidation Legislation

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

Taxation of financial arrangements

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

(m) Investments in Associates

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

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

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

(n) Leases

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Financial Year Ended 31 December 2013

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (continued)

(o) Loans and Receivables

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

(p) Property, Plant and Equipment

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

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

The estimated useful lives are as follows:

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

(q) Revenue Recognition

Dividend and Interest Revenue

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

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

(r) Investments in Subsidiaries

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

(s) Critical Accounting Estimates and Judgements

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

Spark Infrastructure equity accounts the results of the Asset Companies (See Note 1(m)) and within these results there are several accounting estimates and judgements. These estimates and judgements will have a direct impact on the results reported by Spark Infrastructure as it recognises its share of profits or losses and post-acquisition movements in equity, which adjust the carrying amount of the investments in the Asset Companies.

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

- *Accounting for Acquisitions*

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

- *Impairment of Assets*

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

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

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

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

- *Deferred Tax Assets*

Deferred tax assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the forseeable future. As at 31 December 2013 (2012: nil) the are no amounts unrecognised on the basis that the above criteria was not met.

- *Working Capital Deficiency*

These consolidated financial statements have been prepared on a going concern basis. Spark Infrastructure currently has a working capital deficiency of $4.013 million as at 31 December 2013 (2012: $3.398 million, surplus). Excluding the accrual for the loan note interest owing to Securityholders of $47.099 million, which is due for payment on 14 March 2014, Spark Infrastructure would have had a surplus working capital balance of $43.086 million. Further distributions are expected to be received from Spark Infrastructure's Asset Companies prior to this amount becoming payable.

Spark Infrastructure also has funding capacity from committed undrawn bank facilities of $150.000 million as at 31 December 2013.

(t) Rounding of Amounts

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

2. SEGMENT INFORMATION

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

The segments noted below also fairly represent the Group's geographical segments determined by location within Australia.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		CORPORATE		TOTAL	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Segment Cashflows								
Net cashflows	**80,676**	80,928	**122,555**	118,336	**(7,895)**	(11,863)	**195,336**	187,401
Net interest paid							**(6,058)**	(9,022)
Total Operating Cashflows							**189,278**	178,379

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		CORPORATE		TOTAL	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Segment Revenue								
Share of equity accounted profits	**16,341**	810	**212,795**	216,047	**–**	–	**229,136**	216,857
Interest income – associates	**80,898**	81,119	**–**	–	**–**	–	**80,898**	81,119
Segment revenue	**97,239**	81,929	**212,795**	216,047	**–**	–	**310,034**	297,976
Interest revenue							**1,017**	1,779
Total Revenue							**311,051**	299,755
Segment Results								
Segment contribution	**97,239**	81,929	**212,795**	216,047	**(8,195)**	(10,855)	**301,839**	287,121
Net interest expense							**(7,357)**	(10,071)
Profit for the year before Loan Note interest and income tax expense							**294,482**	277,050
Interest on Loan Notes							**(93,535)**	(93,800)
Income tax expense							**(72,512)**	(9,399)
Net Profit attributable to Securityholders							**128,435**	173,851

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		CORPORATE		TOTAL	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Segment Assets								
Investments accounted for using the equity method	**314,298**	254,240	**1,541,160**	1,384,544	**–**	–	**1,855,458**	1,638,784
Loans to associates	**745,601**	745,601	**–**	–	**–**	–	**745,601**	745,601
Receivables from associates	**11,646**	11,424	**–**	–	**–**	–	**11,646**	11,424
Other current assets	**–**	–	**–**	–	**783**	597	**783**	597
Property, plant & equipment	**–**	–	**–**	–	**233**	269	**233**	269
Total Segment Assets	**1,071,545**	1,011,265	**1,541,160**	1,384,544	**1,016**	866	**2,613,721**	2,396,675
Unallocated Assets								
Cash and cash equivalents							**33,035**	41,966
Total Assets							**2,646,756**	2,438,641

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		CORPORATE		TOTAL	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Segment Liabilities								
Other liabilities	–	–	–	–	2,574	2,435	2,574	2,435
Unallocated Liabilities								
Loan Notes attributable to Securityholders							836,827	836,807
Interest bearing liabilities							–	54,048
Other liabilities							47,355	51,661
Deferred tax liabilities							127,081	20,234
Total Liabilities							1,013,837	965,185

3. PROFIT FOR THE FINANCIAL YEAR

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
(a) Income		
Income from associates:		
– Share of equity accounted profits	229,136	216,857
– Interest income	80,898	81,119
	310,034	297,976
(b) Expenses		
Interest expense – other:		
– Interest costs and other associated costs on senior debt	4,470	9,497
– Swap cancellation fees	3,904	2,353
	8,374	11,850
(c) General and Administrative Expenses		
Staff costs – short term benefits	2,214	2,034
Staff costs – post employment benefits	126	93
Staff costs – incentives	739	1,140
Total staff costs	3,079	3,267
Directors' fees – short term benefits	787	665
Directors' fees – post employment benefits	53	45
Depreciation	50	49
Project bid costs	–	4,614
Reversal of surplus accrual	–	(1,280)
Other expenses	4,226	3,495
	8,195	10,855

4. INCOME TAXES

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Current tax		
Current tax expense in respect of the current year	(38,818)	(15,909)
Adjustments recognised in relation to current tax in prior years	(1,144)	495
	(39,962)	(15,414)
Deferred tax		
Deferred tax (expense)/benefit recognised in the year	(16,242)	6,015
Deferred tax asset reversal in relation to ATO rent instalment settlement	(16,308)	–
	(32,550)	6,015
Total income tax expense relating to continuing operations	(72,512)	(9,399)
(a) Income Tax Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Profit before tax for continuing operations	200,947	183,250
Income tax expense calculated at 30% (2012: 30%)	(60,284)	(54,975)
Add/(deduct):		
Effect of expenses that are not deductible in determining taxable profit	(1,943)	(9)
Effect of previously unrecognised tax losses brought to account during the year	–	18,364
Deferred tax asset reversal in relation to ATO rent instalment settlement	(16,308)	–
Effect of prior year adjustments in associates tax base	5,645	25,224
Adjustments recognised in relation to current tax in prior years	91	875
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(36)	(81)
Deductible interest expense in the Trust not previously recognised	323	1,203
Total current year income tax expense	(72,512)	(9,399)
The tax rate of 30% used above is the current Australian corporate tax rate. There has been no change in the corporate tax rate during the Current Year.		
(b) Income Tax Recognised Directly in Equity		
Revaluations of financial instruments treated as cash flow hedges	(1,308)	(392)
Share of associates' reserves	(33,027)	(4,447)
Income tax expense	(34,335)	(4,839)
(c) Deferred Tax Balances		
Temporary Differences		
Cash flow hedges	–	1,308
Timing differences – other	2,033	1,988
Investment in associates	(225,784)	(126,832)
	(223,751)	(123,536)
Unused tax losses		
Tax losses	96,670	103,302
	(127,081)	(20,234)
(d) Unrecognised Deferred Tax Balances		
Deductible unused tax losses for which no deferred tax assets have been recognised are attributable to the following:		
Tax losses – revenue in nature	–	–

4. INCOME TAXES (CONTINUED)

Tax Consolidation

Relevance of Tax Consolidation to Spark Infrastructure:

Spark Infrastructure Holdings No.1 Pty Ltd ("SIH No.1"), Spark Infrastructure Holdings No.2 Pty Ltd ("SIH No.2"), and Spark Infrastructure Holdings No.3 Pty Ltd ("SIH No.3") and their wholly owned entities have each formed a tax consolidated group and therefore each group is taxed as a single entity. The head entity within each tax consolidated group is SIH No. 1, SIH No.2 and SIH No.3 respectively. The members of the tax consolidated groups are identified in Note 26.

Nature of Tax Funding Arrangements and Tax Sharing Agreements

Entities within each tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with their respective head entities. Under the terms of the funding agreement, SIH No.1, SIH No.2, and SIH No.3 and each of the entities in the relevant tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

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

SA Power Networks Partnership

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

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

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

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

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

On 13 January 2014 a Deed of Settlement was entered into with the ATO on matter (a) concerning the denial of deductions for rent instalments paid by SA Power Networks. The terms of the settlement provide that there will be no adjustment to the rent instalment deductions claimed by SA Power Networks in prior income tax years up to the 2012 calendar year, and no deductions will be claimed in future income tax years. As a result of the settlement, Spark Infrastructure has recorded a one-off, non-cash income tax expense item of $16.308 million in its financial statements for the year ending 31 December 2013, reflecting the impact of this settlement on Spark Infrastructure's deferred tax balances.

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

Victoria Power Networks Pty Ltd

In December 2010, the ATO advised that its large business tax audit in relation to the financing structure/arrangements of the CKI/HEI Electricity Distribution Holdings (Australia) Pty Ltd ("CHEDHA") consolidated group had been completed. The ATO advised that certain material tax adjustments were required for the years ended 31 December 2002 to 2005 on the basis that Division 974 of the Income Tax Assessment Act 1997 ("Division 974") and/or Part IVA of the Income Tax Assessment Act 1936 ("Part IVA") applied.

No assessments have been issued to CHEDHA by the ATO, as the CHEDHA tax consolidated group is in a carry forward tax loss position in those years. The company has sought legal advice. The company disagrees with the ATO's position and will vigorously defend its position.

On 23 February 2012, Victoria Power Networks received notification from the ATO that it would be undertaking a large business comprehensive audit of the financing costs of the Victoria Power Networks tax consolidated group for years ended 31 December 2006 to 31 December 2010.

On 8 March 2012, the ATO notified Victoria Power Networks of a further specific tax audit relating to claims for labour costs associated with self-constructed depreciating assets for the years ended 31 December 2007 to 31 December 2010. Additionally, on 3 July 2012, the ATO notified Victoria Power Networks that it had expanded the scope of its current specific tax audit to include consideration of non-cash customer contributions and asset replacements.

On 7 February 2013, the ATO notified Victoria Power Networks that it intended to make material adjustments in relation to the years ended 31 December 2006 ("2006 year") and 31 December 2007 ("2007 year"). The adjustments reflect the following:

(a) a denial of deductions for interest paid by Victoria Power Networks on certain shareholder loans during the years ended 31 December 2006 and 31 December 2007 on the basis that Division 974 or (in the alternative) Part IVA applied;

(b) a denial of deductions for certain labour costs and motor vehicle running costs incurred in the year ended 31 December 2007;

(c) the recognition of assessable income for assets transferred by customers to entities within the Victoria Power Networks consolidated group in the year ended 31 December 2007;

(d) a denial of deductions for rebates paid to customers by entities within the Victoria Power Networks consolidated group in the year ended 31 December 2007; and

(e) a further consequential increase in the allowance of depreciation for the labour costs, motor vehicle running costs and transferred assets in the year ended 31 December 2007.

Subsequently, the ATO issued an Amended Assessment Notice for the 2007 year, consistent with the adjustments above. In aggregate these amendments totalled $296.000 million, of this $108.900 million related to tax deductions which can be claimed in the form of tax depreciation in future periods.

Victoria Power Networks has elected to utilise some carried forward losses to reduce the ATO's adjustments, resulting in a net taxable income for the 2007 year of $60.166 million and a tax payable balance of $18.050 million. Under a part payment arrangement with the ATO, Victoria Power Networks subsequently remitted $3.137 million in respect of the 2007 year on 12 April 2013, which has been recorded as a receivable.

On 26 April 2013, Victoria Power Networks lodged notices of objection with the ATO in relation to the amended tax assessment for the 2007 year.

The ATO has issued a Shortfall Penalty Assessment Notice for $0.145 million in respect of the 2007 year, reflecting a 25% administrative penalty on customer rebates; with no other administrative penalties for the 2007 year to be applied. Victoria Power Networks has not, as yet, remitted any payment to the ATO.

The ATO has also issued a Shortfall Interest Charge Notice for $7.041 million in respect of the 2007 year. Under a part payment arrangement with the ATO, Victoria Power Networks remitted $1.225m in respect of the 2007 year on 31 October 2013.

4. INCOME TAXES (CONTINUED)

(d) Unrecognised Deferred Tax Balances (continued)

Victoria Power Networks Pty Ltd (continued)

On 28 October 2013, Victoria Power Networks received an Amended Assessment Notice for the year ended 31 December 2008 ("2008 year"). Adjustments are consistent with the prior amended assessments and include a new item, the denial of deductions in respect of certain asset replacement projects. In aggregate the assessment totalled $255.824 million. Following the election to utilise available carry forward losses, the primary tax payable was $44.518 million. Under a part payment arrangement with the ATO, the payment remitted to the ATO by Victoria Power Networks was $22.259 million on 13 December 2013. This payment has been recorded as a receivable.

On 8 November 2013, Victoria Power Networks received Amended Assessment Notices for the years ended 31 December 2009 ("2009 year") and 31 December 2010 ("2010 year"). The adjustments are again consistent with the 2008 year Amended Assessment noted above, apart from the denial of any shareholder interest deductions, and amount to $82.211 million and $75.283 million respectively. Following the election to utilise available carry forward losses, the primary tax payable was $4.958 million and $19.787 million respectively. Under a part payment arrangement with the ATO, the payments remitted to the ATO by Victoria Power Networks for the 2009 year were $1.000 million on 13 December 2013 and $1.479 on 6 January 2014, and for the 2010 year $9.894 million on 6 January 2014. These payments are recorded as receivables.

On 20 December 2013, Victoria Power Networks lodged objections in relation to the Amended Assessments for the 2008 to 2010 years. The ATO has not yet formalised its view on any shortfall interest charges and penalties for these years.

Victoria Power Networks remains engaged in on-going discussions with the ATO. As a result, the ATO has not made adjustments at this time in respect of Victoria Power Networks' claims for interest deductions for the 2009 and 2010 years. Ultimately, if the ongoing discussions on that matter are not resolved favourably then Victoria Power Networks would expect further significant adjustments to be received for these years. After allowing for utilisation of available losses, the expected further tax payable to the ATO as a result of these adjustments, should they arise, would be approximately $72.151 million, in respect of which Victoria Power Networks will seek a part payment arrangement with the ATO whilst the matter is in dispute.

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

5. RECEIVABLES FROM ASSOCIATES – CURRENT

	31 DEC 2013 $'000	31 DEC 2012 $'000
Victoria Power Networks	**11,646**	11,424

Receivables from associates relates to interest receivable on loans held with Victoria Power Networks per Note 8. These receivables are expected to be settled in full within the next 12 months.

6. OTHER CURRENT ASSETS

	31 DEC 2012 $'000	31 DEC 2013 $'000
GST receivable	**27**	40
Prepayments	**301**	335
Other receivables	**105**	222
Unamortised borrowing costs[a]	**350**	–
	783	597

(a) Represents unamortised borrowing costs of borrowings incurred in respect of the March 2013 refinancing. The Prior Year comparative is shown in note 12.

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in Associates

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST (%) 2013	2012	COUNTRY OF INCORPORATION/ FORMATION
Victoria Power Networks Pty Ltd	Ownership of electricity distribution networks in Victoria	**49**	49	Australia
SA Power Networks	Ownership of an electricity distribution network in South Australia	**49**	49	Australia

	31 DEC 2013 $'000 VICTORIA POWER NETWORKS	31 DEC 2013 $'000 SA POWER NETWORKS	31 DEC 2012 $'000 VICTORIA POWER NETWORKS	31 DEC 2012 $'000 SA POWER NETWORKS
(b) Summarised Financial Position of Associates (100% basis)				
Current assets	**332,918**	**308,294**	316,295	396,314
Non-current assets	**6,881,962**	**5,552,635**	6,343,992	5,257,340
Total assets	**7,214,880**	**5,860,929**	6,660,287	5,653,654
Current liabilities	**928,473**	**505,144**	722,607	325,349
Non-current liabilities	**5,385,756**	**3,388,185**	5,169,590	3,681,990
Total liabilities	**6,314,229**	**3,893,329**	5,892,197	4,007,339
Net assets	900,651	**1,967,600**	768,090	1,646,315

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000	YEAR ENDED 31 DEC 2012 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	VICTORIA POWER NETWORKS	SA POWER NETWORKS
(c) Summarised Financial Performance of Associates (100% basis)				
Revenue – distribution and metering	**905,368**	**854,437**	804,451	826,100
Revenue – semi-regulated and unregulated	**182,902**	**167,998**	138,637	168,732
Customer contributions and gifted assets[a]	**66,196**	**110,302**	61,873	114,365
Operating revenue	**1,154,466**	**1,132,737**	1,004,961	1,109,197
Revenue – transmission (pass-through)	**275,337**	**270,804**	282,099	274,397
	1,429,803	**1,403,541**	1,287,060	1,383,594
Expenses	**(1,072,448)**	**(771,262)**	(975,223)	(741,528)
Expenses – transmission (pass-through)	**(275,337)**	**(270,804)**	(282,099)	(274,397)
Profit before income tax	**82,018**	**361,475**	29,738	367,669
Income tax (expense)/benefit	**(38,674)**	**1,985**	(18,062)	2,234
Net profit	**43,344**	**363,460**	11,676	369,903
Other comprehensive income:				
Gain/(loss) on hedges	**62,774**	**56,769**	(100,812)	(37,564)
Actuarial gain on defined benefit plans	**64,681**	**78,691**	44,468	107,260
Income tax expense related to components of other comprehensive income	**(38,238)**	**–**	(43,583)	–
Other comprehensive income for the Financial Year	**89,217**	**135,460**	(99,927)	69,696
Total comprehensive income for the Financial Year	**132,561**	**498,920**	(88,251)	439,599

(a) Customer contributions and gifted assets are booked as revenue in their entirety upfront by the Asset Companies in accordance with Australian accounting standards. Accounting for customer contributions and gifted assets under the accounting standards requires that the full amount be brought to account upfront as fixed assets and revenue by the Asset Companies, notwithstanding that the assets do not generate any regulatory returns in the future or any additional cash earnings. In turn, this leads to higher equity accounted income being reported by Spark Infrastructure and an increased carrying value of its investment in associates on initial recognition.

The increased carrying value of these assets in the Asset Companies will result in a higher depreciation expense over their expected economic life, which can range from 40 to 70 years, and correspondingly will lead to lower equity accounted profits being reported by Spark Infrastructure over the same time period. As a consequence of the timings of the above accounting treatment, an additional accounting adjustment (expense) may be required in the future should the assets future recoverable amount (as determined under the accounting standards) be determined to be less than its accounting carrying value due to this timing mis-match.

Reconciliation of the above summarised financial performance to the net profit attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks, recognised in the financial report:

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	**21,239**	5,721
SA Power Networks net profit applicable to Spark Infrastructure	**178,095**	181,252
Additional share of profits from preferred partnership capital[a]	**35,514**	35,611
	234,848	222,584
Additional depreciation/amortisation charge[b]	**(5,712)**	(5,727)
	229,136	216,857

(a) Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in SA Power Networks, which ensures that Spark Infrastructure shares in 49% of the results of operations from SA Power Networks.

(b) Relates to depreciation/amortisation of fair value on uplift of assets on acquisition.

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
(d) Movement in Carrying Amounts		
Carrying amount at beginning of the Financial Year	**1,638,784**	1,525,438
Share of profits after income tax	**229,136**	216,857
Preferred partnership distribution received	**(69,635)**	(69,826)
Dividends received – SA Power Networks	**(52,920)**	(48,510)
Share of associates' comprehensive income recognised directly in equity	**110,093**	14,825
Carrying amount at end of the Financial Year	**1,855,458**	1,638,784

(e) Commitments for Expenditure and Contingent Liabilities

Spark Infrastructure's share of commitments for expenditure and contingent liabilities are provided in Note 20 and Note 22 respectively.

8. LOANS TO ASSOCIATES – INTEREST BEARING

	31 DEC 2013 $'000	31 DEC 2012 $'000
Loan to Associates – interest bearing	**745,601**	745,601

100 year loan to Victoria Power Networks at a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower.

9. PROPERTY, PLANT AND EQUIPMENT

	31 DEC 2013 $'000	31 DEC 2012 $'000
Cost		
Balance at the beginning of the Financial Year	**342**	335
Additions	**14**	7
Balance at the end of the Financial Year	**356**	342
Accumulated Depreciation		
Balance at the beginning of the Financial Year	**73**	24
Depreciation charge	**50**	49
Balance at the end of the Financial Year	**123**	73
Carrying Amounts		
Net book value at the end of the Financial Year	**233**	269

10. PAYABLES

	31 DEC 2013 $'000	31 DEC 2012 $'000
Current Payables		
Lease incentive	**40**	40
Other payables	**2,338**	1,824
	2,378	1,864
Non-Current Payables		
Lease incentive	**102**	143
Other payables	**350**	631
	452	774

11. LOAN NOTES ATTRIBUTABLE TO SECURITYHOLDERS

	31 DEC 2013 $'000	31 DEC 2012 $'000
Balance at beginning of the Financial Year	**836,807**	836,786
Write back of deferred discount[a]	**20**	21
Balance at end of the Financial Year	**836,827**	836,807

(a) The deferred discount represents the difference between the Loan Notes face value of $1.25 and the price of securities issued under the Distribution Reinvestment Plan in September 2009 of $1.0862. The deferred discount is written back over the remaining term of the Loan Notes.

12. INTEREST BEARING LIABILITIES

	31 DEC 2013 $'000	31 DEC 2012 $'000
Syndicated bank loan at amortised cost (Non-Current)	–	55,000
Unamortised costs	–	(952)
	–	54,048

On 13 March 2013, Spark Infrastructure executed $150.000 million bank debt facilities with NAB and Westpac for the re-financing of the pre-existing 3–year revolving facility of $165.000 million and the 4–year term loan of $85.000 million. The facilities comprise two $75.000 million unsecured 2–year revolving facilities that will mature on 13 March 2015. Unamortised borrowing costs at 31 December 2013 of $0.350 million in respect of the new facilities are disclosed in Note 6. Unamortised borrowing costs attached to the old syndicated facilities of $0.952 million have been expensed in the Current Year. During the Current Year $55.000 million of the drawn revolving facilities was repaid.

13. OTHER FINANCIAL LIABILITIES

	31 DEC 2013 $'000	31 DEC 2012 $'000
Fair value of interest rate swaps (Current)	–	1,626
Fair value of interest rate swaps (Non-Current)	–	2,733
	–	4,359

Interest rate swaps were cancelled during the year in line with debt repayments made.

14. ISSUED CAPITAL

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Balance at beginning of the Financial Year	**1,071,242**	1,116,749
Capital distribution[a]	**(49,089)**	(45,507)
Balance at end of the Financial Year	**1,022,153**	1,071,242

(a) Capital distributions of 2.00 cents per security ("cps") on 13 September 2013 (1.73cps on 14 September 2012) and 1.70cps on 15 March 2013 (1.70cps on 15 March 2012) were paid to Securityholders during the year – refer Note 19.

FULLY PAID STAPLED SECURITIES	NO.'000	NO.'000
Balance at beginning and end of the Financial Year	1,326,734	1,326,734

15. RESERVES

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Cash Flow Hedging Reserve		
Balance at beginning of the Financial Year	**(84,511)**	(48,336)
Gain recognised:		
Interest rate swaps[a]	**4,359**	1,306
Deferred tax expense	**(1,308)**	(392)
	3,051	914
Share of associates' gains/(losses) on hedges[a]	**49,348**	(52,985)
Related tax (expense)/benefit	**(14,804)**	15,896
Balance at end of the Financial Year	**(46,916)**	(84,511)

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

16. RETAINED EARNINGS

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Balance at beginning of the Financial Year	**486,725**	265,407
Net profit after tax for the Financial Year	**128,435**	173,851
Share of associates' actuarial gain recognised directly in retained earnings[a]	**60,745**	67,810
Related tax expense	**(18,223)**	(20,343)
Balance at end of the Financial Year	**657,682**	486,725

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

17. REMUNERATION OF EXTERNAL AUDITOR

	YEAR ENDED 31 DEC 2013 $	YEAR ENDED 31 DEC 2012 $
Audit and review of the financial reports	**256,200**	244,650
Tax advice	**85,275**	128,000
Other accounting services	**18,900**	38,500
	360,375	411,150

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

18. EARNINGS PER SECURITY ("EPS")

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Profit before income tax and Loan Note interest	**294,482**	277,050
Weighted average number of securities ('000)	**1,326,734**	1,326,734
Basic earnings per security before income tax and Loan Note interest (cents)	**22.20¢**	20.88¢
Earnings used to calculate EPS	**128,435**	173,851
Basic earnings per security based on net profit attributable to Securityholders (cents)	**9.68¢**	13.10¢

Basic EPS is the same as diluted EPS.

19. DISTRIBUTION PAID AND PAYABLE

	2013		2012	
	CENTS PER SECURITY	TOTAL $'000	CENTS PER SECURITY	TOTAL $'000
Distribution Paid:				
Interim distribution in respect of year ended 31 December 2013 paid on 13 September 2013 (2012: 14 September 2012):				
Interest on Loan Notes	**3.50**	**46,436**	3.52	46,701
Capital Distribution	**2.00**	**26,534**	1.73	22,953
	5.50	**72,970**	5.25	69,654
Distribution Payable/Proposed:				
Final distribution in respect of the year ended 31 December 2013 payable on 14 March 2014 (2012: 15 March 2013):				
Interest on Loan Notes	**3.55**	**47,099**	3.55	47,099
Capital Distribution	**1.95**	**25,871**	1.70	22,555
	5.50	**72,970**	5.25	69,654
Total paid and payable	**11.00**	**145,940**	10.50	139,308

20. COMMITMENTS FOR EXPENDITURE

	31 DEC 2013 $'000	31 DEC 2012 $'000
(a) Capital Expenditure commitments		
Share of associates' capital expenditure commitments		
– Not longer than 1 year	**14,092**	22,728
– Longer than 1 year and not longer than 5 years	**729**	307
	14,821	23,035
(b) Other Expenditure Commitments		
Share of associates' other expenditure commitments		
– Not longer than 1 year	**4,126**	4,009
– Longer than 1 year and not longer than 5 years	**13,255**	13,132
– Longer than 5 years	**6,442**	8,404
	23,823	25,545

There are no capital expenditure or other expenditure commitments in Spark Infrastructure other than those shown in Note 21.

21. OPERATING LEASE ARRANGEMENTS

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
(a) Payments recognised as an expense		
– Minimum lease payments	499	471
	499	471
(b) Non-cancellable operating lease commitments		
– Not longer than 1 year	478	490
– Longer than 1 year and not longer than 5 years	1,137	1,585
– Longer than 5 years	–	–
	1,615	2,075
(c) Liabilities recognised in respect of non-cancellable operating leases		
Lease incentives (Note 10)		
– Current	41	41
– Non-current	102	143
	143	184

22. CONTINGENCIES

	31 DEC 2013 $'000	31 DEC 2012 $'000
Share of associates' contingent liabilities	20,495	10,879

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

23. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION

The KMP, at the date of this report, are as follows:

Non-Executive Directors	
Mr Brian Scullin	Chair of Board and Chair of Remuneration and Nomination Committee
Ms Cheryl Bart, *AO*	Member of Audit, Risk and Compliance Committee
Mr Andrew Fay	Member of Audit, Risk and Compliance Committee
Ms Anne McDonald	Chair of Audit, Risk and Compliance Committee, Member of Remuneration and Nomination Committee
Dr Keith Turner	Member of Remuneration and Nomination Committee
Group Executives	
Mr Rick Francis	Managing Director and Chief Executive Officer
Mr Greg Botham	Chief Financial Officer
Ms Alexandra Finley	General Counsel and Company Secretary

The named persons held their current positions for the whole of the financial year and since the end of the financial year.

23. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION (CONTINUED)

Remuneration

The aggregate remuneration paid to KMP is set out below:

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
Short term benefits[a]	**2,660,890**	2,447,935
Long term and post-employment benefits[b]	**78,790**	453,096
	2,739,680	2,901,031

(a) Includes STI accrued at 31 December paid in January.

(b) Long term and post-employment benefits relate to Superannuation Guarantee Contributions and LTI expense.

Remuneration policy and principles

Non-Executive Director remuneration policy

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

Group Executive remuneration policy

Spark Infrastructure's Group Executive remuneration policy objectives are to:

- Ensure Spark Infrastructure's remuneration structures are equitable and aligned with the long-term interests of Spark Infrastructure and its Securityholders;
- Attract and retain skilled Group Executives;
- Structure short and long term incentives that are challenging and linked to the creation of sustainable Securityholder returns;
- Ensure any termination benefits are justified and appropriate; and
- Comply with applicable legal requirements and appropriate standards of governance.

Relationship between remuneration policy and Spark Infrastructure's performance

The link between remuneration and performance is provided by:

- Requiring a significant portion of Group Executive remuneration to vary with short-term and long-term performance;
- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on strategic business objectives that create Securityholder value.

Spark Infrastructure measures performance on the following key corporate measures:

- Financial and compliance based measures including investment management, capital management, cost control, maintenance of controls and compliance environments, and internal business processes and quality; and
- Non-financial and strategic measures such as stakeholder and investor relations, strategy, special projects and people management and culture.

Remuneration for all Group Executives varies with performance on these key measures.

The role of the Remuneration and Nomination Committee ("RemCo")

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

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

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

- Mr Brian Scullin (Committee Chair);
- Ms Anne McDonald; and
- Dr Keith Turner.

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

During the current year, the RemCo used PriceWaterhouse Coopers ("PwC") as its advisor on the operation of the LTI Plan.

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

Description of Non-Executive Director remuneration

Fees for Non-Executive Directors are fixed and are not linked to the financial performance of Spark Infrastructure. The Board believes this is necessary for Non-Executive Directors to maintain their independence.

The basis of fees are reviewed when new Directors are appointed to the Board, when the structure of the Board changes, or at least every three years utilising external market data or the advice of an independent consulting firm. Fee levels for all Non-Executive Directors are positioned having regard to the 75th percentile of the general market and against comparable board fees across various ASX peer groups (e.g. ASX 100, 200 and 300 groupings), and taking into account company size, market capitalisation and number of meetings.

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

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

Not having been adjusted since 2009, in December 2012 the basis of Non-Executive Director fees was reviewed by the Board using external market data and was amended for the 2013 year onwards. For the 2013 Financial Year the Board Chair received a base fee of $250,000 (2012: $225,000) per annum inclusive of superannuation, and the other Non-Executive Directors each received a base fee of $115,000 (2012: $100,000) per annum inclusive of superannuation. Additional fees were paid for committee duties: $35,000 (2012: $20,000) for the ARC chair and $17,500 (2012: $10,000) for each member, and $30,000 (2012: $20,000) for the RemCo chair and $15,000 (2012: $10,000) for each member. The increase in the ARC committee fees also recognises that the previous Compliance Committee's (now disbanded) role and responsibilities have been assumed by the ARC. Except for the payment of statutory superannuation entitlements (where applicable), Non-Executive Directors do not receive any other post-employment benefits.

23. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION (CONTINUED)

Description of Group Executive remuneration

Group Executive remuneration structure

Executive remuneration has a fixed component and an 'at risk' component that varies with performance. The 'at risk' component ensures that a proportion of pay varies with performance. Performance is assessed annually for periods covering one year (STI) and three years (LTI). If maximum Total Remuneration is achieved, the proportions attributable to each component will be as shown in the following table.

FROM 1 JANUARY 2014	BASE SALARY ($)[1]	STI OPPORTUNITY (% OF BASE SALARY)	LTI OPPORTUNITY (% OF BASE SALARY)[2]	TOTAL PERFORMANCE BASED PAY (% OF BASE SALARY)
Mr Rick Francis	700,000	60%	60%	120%
Mr Greg Botham	400,000	50%	50%	100%
Ms Alexandra Finley	283,000	40%	40%	80%

(1) Base salary excludes any non-cash monetary benefits (e.g. car parking) which are not taken into account in determining STI and LTI 'at risk' opportunities.

(2) Notional reference Securities to which the relative LTI TSR performance requirement applies vest pro-rata on a straight line basis between the 51st percentile (50% vesting of the LTI opportunity) and 100th percentile (vesting capped at 150% of the LTI opportunity).

Fixed remuneration

Fixed remuneration is the sum of salary and the direct cost of providing employee benefits, including superannuation, life and income protection insurances, motor vehicles, car parking and fringe benefits tax. The level of remuneration set reflects the market value of the individual role and the employee's skills and experience. Remuneration is benchmarked against a range of industry peer groups of Australian listed entities with similar market capitalisations and is targeted at median levels, where considered appropriate. While market levels of remuneration are monitored on a regular basis, there is no contractual requirement or expectation that any adjustments will be made to fixed remuneration.

Short-term incentive ("STI") opportunity

STI overview

The STI plan provides for an annual payment that varies with annual performance. The plan is designed to align STI outcomes with financial results and individual performance focusing on achievement of specific corporate measures over the year. The weightings applied between the various measures will vary between individual and will vary each year in response to such matters as business plans for the year, special projects and regulatory cycles and activity.

An individual's potential STI opportunity is expressed as a percentage of Base Salary and is capped at the levels disclosed above in section.

At the discretion of the Board the potential STI opportunity may exceed the capped levels of Base Salary. However, any variation and the reasons for it would be disclosed within the remuneration report. The STI payment is made in cash after the end of the financial year having regard to the results for the year. No part of the STI is deferred. The Board has approved a Clawback Policy that allows the clawback of 'at risk' remuneration such as STI payments or awards granted under the LTI plan if subsequent events show that a reduction is appropriate, for example, in the event of fraud or dishonesty by the particular executive or where a material misstatement in the financial statements of a Group entity is required due to misrepresentation or negligence.

Long-term incentive ("LTI") opportunity

LTI overview

Group Executives and other senior executives participate in an LTI plan. The plan is designed to focus performance and reward on long term drivers of Securityholder value. It is a cash-based 'phantom' security plan that provides for a reward that varies with Spark Infrastructure's performance over a three year period. Notional reference securities are granted that match the value of Spark Infrastructure's security price. These are not actual Spark Infrastructure securities and do not carry any voting entitlements, but a number of notional securities with a value equivalent to the LTI target opportunity.

As with an individual's potential STI opportunity, the potential LTI opportunity initially awarded is expressed as a percentage of Base Salary and is capped at the levels disclosed above. At the discretion of the Board the potential LTI opportunity initially awarded may exceed the capped levels of Base Salary. However, any variation and the reasons for it would be disclosed within the remuneration report.

The LTI payment is made in cash at the end of the vesting period (usually three years) if certain conditions have been met. Cash equivalent distributions on the notional securities are tracked throughout the vesting period. Upon vesting, the cash equivalent distributions, corresponding to the number of securities that vested, are also paid to participants as a one-off cash payment. No cash equivalent distributions are paid prior to vesting, nor on any notional securities that do not ultimately vest. Directors note that these distributions are proportional to operating cashflow, which reinforces the focus on performance and alignment with the interests of Securityholders provided by this form of remuneration.

The awarding of the potential LTI opportunity to Group Executives usually occurs with effect from 1 January each year. The performance period for the 2012 and 2013 LTI allocations commenced on 1 January 2012 and 1 January 2013 respectively and will conclude on 31 December 2014 and 31 December 2015 respectively. The start date of the 2011 LTI performance period (which was the first year of operation of the LTI plan) was 1 June 2011, which aligned with the start of self-management of Spark Infrastructure following Internalisation. The 2011 LTI performance period ran for a period of two years and seven months, reflecting this initial part year period, concluding on 31 December 2013. Payments in relation to the 2011 LTI allocation, which have now vested, will be made in February 2014.

The treatment of unvested LTI notional securities on termination of employment will vary based on assessment by the Board. This additional requirement is to enhance Spark Infrastructure risk management by:

- Encouraging retention;
- Allowing discovery of any factors that could contribute to financial restatement that may result in forfeiture of reward;
- Allowing for a review of Group Executive behaviours to ensure they have complied with Spark Infrastructure's ethical and risk management guidelines and standards of business conduct; and
- Maintaining Securityholder alignment for a longer period.

The LTI plan rules are available on the Spark Infrastructure website at www.sparkinfrastructure.com.

Performance requirements and measurement

The relative performance requirement is based on Total Securityholder Return (TSR). Relative TSR was separately assessed against two peer groups between 1 June 2011 and 14 December 2011, being:

- Companies in the S&P ASX 200 index (50% weighting); and
- Spark Infrastructure's comparator group of key peers in the gas, electricity and multi-utilities sector, being APA Group, DUET Group, Envestra, Hastings Diversified Utilities Fund and SP Ausnet (50% weighting).

Corporate actions that saw Hastings Diversified Utilities Fund leave the ASX prompted a review of the LTI performance requirements and resulted in an alteration to the comparator peer group against which relative TSR is assessed.

From 14 December 2011 relative TSR has been assessed against the following peer groups:

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

TSR is calculated as the difference in notional reference security price over the performance period, plus the value of notional reference securities earned from reinvesting distributions received over this period, expressed as a percentage of the notional reference security price at the beginning of the performance period.

TSR = (Security price (closing) – Security price (starting) + distributions) / Security price (starting)

For both the S&P ASX 200 index group and the S&P ASX Infrastructure index group, notional reference securities to which the relative TSR performance requirement applies vest pro-rata on a straight line basis between the 51st percentile (50% vesting) and 100th percentile (vesting capped at 150%). No amount would vest if performance was below the 51st percentile relative to either the S&P ASX 200 index group or the S&P Infrastructure index group. No changes were made in the Current Year to the vesting percentiles applied to either the S&P ASX 200 index group or the S&P ASX Infrastructure index group.

23. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION (CONTINUED)

Description of Group Executive remuneration (continued)

Performance requirements and measurement (continued)

Each reference security is valued at a market based 'starting security price', being the 30 trading days' volume weighted average market price ("VWAP") of a Spark Infrastructure stapled security immediately prior to the start of the performance period. The 'closing security price' for TSR purposes will be the VWAP of Spark Infrastructure's securities in the 30 trading days' period prior to the end of the performance period.

As a consequence of further consolidation within the S&P ASX Infrastructure index group and noting continued sector volatility, the Board has resolved to undertake a comprehensive review of Spark Infrastructure's remuneration arrangements (including the LTI component) during 2014.

Details of KMP remuneration

Remuneration of KMP earned in relation to the year

	SHORT-TERM EMPLOYEE AND DIRECTOR BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
IN RELATION TO 2013	SALARY AND FEES ($)	STI PAID OR PAYABLE ($)	NON-MONETARY ($)	SUPER-ANNUATION[2] ($)	LTI EXPENSE[3] ($)	TOTAL ($)
Non-Executive Directors						
Mr Brian Scullin	262,878	–	–	17,122	–	280,000
Ms Cheryl Bart, *AO*[1]	121,421	–	–	11,079	–	132,500
Mr Andrew Fay[1]	121,421	–	–	11,079	–	132,500
Ms Anne McDonald[1]	151,203	–	–	13,797	–	165,000
Dr Keith Turner[1]	130,000	–	–	–	–	130,000
Group Executives						
Mr Rick Francis	605,000	350,000	22,844	25,000	(19,539)	983,305
Mr Greg Botham	332,878	170,000	18,026	17,122	(7,574)	530,452
Ms Alexandra Finley	254,878	100,000	20,341	17,122	(6,418)	385,923
	1,979,679	620,000	61,211	112,321	(33,531)	2,739,680

(1) In addition to the fees paid by Spark Infrastructure, Ms Cheryl Bart, Ms Anne McDonald, Dr Keith Turner and Mr Andrew Fay were entitled to Directors' fees as representatives of Spark Infrastructure on the Boards of SA Power Networks and Victoria Power Networks (the Asset Company Boards) as set out below. These fees were paid by the Asset Companies.

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

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

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

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

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

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

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

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

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

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

(3) The weighted average Spark TSR was outperformed by its peer groups (S&P ASX 200 index and S&P ASX Infrastructure index) during the year. Accordingly, the cumulative achievement of the requisite performance hurdles for vesting has reduced and the fair value attributed to reference securities has been re-measured downwards resulting in a write back of LTI expense at year end.

IN RELATION TO 2012	SHORT-TERM EMPLOYEE AND DIRECTOR BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
	SALARY AND FEES ($)	STI PAID OR PAYABLE ($)	NON-MONETARY ($)	SUPER-ANNUATION[6] ($)	LTI EXPENSE ($)	TOTAL ($)
Non-Executive Directors						
Mr Brian Scullin	228,877	–	–	16,123	–	245,000
Ms Cheryl Bart, *AO*[1]	100,917	–	–	9,083	–	110,000
Mr Andrew Fay[1][2]	103,287	–	–	9,295	–	112,582
Ms Anne McDonald[1][2]	121,635	–	–	10,947	–	132,582
Dr Keith Turner[1]	110,000	–	–	–	–	110,000
Group Executives						
Mr Rick Francis[3]	498,750	275,000	12,467	25,000	208,593	1,019,810
Mr Greg Botham[4]	153,784	77,800	6,234	9,550	39,973	287,341
Ms Alexandra Finley	245,127	89,000	12,467	16,123	85,166	447,883
Ms Laura Reed[5]	262,590	150,000	–	23,243	–	435,833
	1,824,967	591,800	31,168	119,364	333,732	2,901,031

(1) In addition to the fees paid by Spark Infrastructure, Ms Cheryl Bart, Ms Anne McDonald, Dr Keith Turner and Mr Andrew Fay were entitled to Directors' fees as representatives of Spark Infrastructure on the Boards of SA Power Networks and Victoria Power Networks (the Asset Company Boards) as set out below. These fees were paid by the Asset Companies.

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

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

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

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

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

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

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

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

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

(2) Mr Fay and Ms McDonald received fees of $2,582 (inclusive of superannuation) as members of the Spark Infrastructure Due Diligence Committee during 2012.

(3) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO. Mr Francis did not receive any additional remuneration in his role as an Executive Director.

(4) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a KMP. The amounts included for Mr Botham represent payments made or payable relating to the period during which he was a KMP.

(5) Ms Reed retired as CEO on 31 May 2012. Ms Reed did not receive any additional remuneration in her role as an Executive Director.

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

23. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION (CONTINUED)

Description of Group Executive remuneration (continued)

Actual remuneration received by Group Executives in the year

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

The STI paid in each year represents the amounts earned in relation to the individual's performance for the preceding year.

These tables do not include any LTI allocations. For the 2012 and 2013 Financial Years they are still subject to performance and service conditions and are still 'at risk' of forfeiture. The 2011 Financial Year LTI allocation vested on 31 December 2013 and will be paid in February 2014.

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
RECEIVED IN 2013	SALARY ($)	STI PAID ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	LTI PAID ($)	TOTAL ($)
Mr Rick Francis	605,000	275,000	22,844	25,000	–	927,844
Mr Greg Botham	332,878	77,800	18,026	17,122	–	445,826
Ms Alexandra Finley	254,878	89,000	20,341	17,122	–	381,341
	1,192,756	441,800	61,211	59,244	–	1,755,011

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM EMPLOYEE BENEFITS	
RECEIVED IN 2012	SALARY ($)	STI PAID ($)	NON-MONETARY ($)	SUPER-ANNUATION ($)	LTI PAID ($)	TOTAL ($)
Mr Rick Francis[(1)]	498,750	115,000	12,467	25,000	–	651,217
Mr Greg Botham[(2)]	153,784	–	6,234	9,550	–	169,568
Ms Alexandra Finley	245,127	50,000	12,467	16,123	–	323,717
Ms Laura Reed[(3)]	262,590	410,400	–	23,243	–	696,233
	1,160,251	575,400	31,168	73,916	–	1,840,735

(1) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO.

(2) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a KMP. The amounts included for Mr Botham represent payments made to him after he became a KMP.

(3) Ms Reed retired as CEO on 31 May 2012.

Performance related remuneration

The following tables show the STIs that were earned during the year due to achievement of individual and corporate performance measures.

IN RELATION TO 2013	STI EARNED ($)	STI FORFEITED ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)
Mr Rick Francis	**350,000**	**28,000**	**92.6%**	**7.4%**
Mr Greg Botham	**170,000**	**5,000**	**97.1%**	**2.9%**
Ms Alexandra Finley	**100,000**	**8,800**	**91.9%**	**8.1%**

IN RELATION TO 2012	STI EARNED ($)	STI FORFEITED ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)
Mr Rick Francis(1)	275,000	20,708	93.0%	7.0%
Mr Greg Botham(2)	77,800	3,837	95.3%	4.7%
Ms Alexandra Finley	89,000	15,500	85.2%	14.8%
Ms Laura Reed(3)	150,000	12,500	92.3%	7.7%

(1) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was the CFO. Total STI earned during the year has been calculated on a pro rata basis incorporating this change.

(2) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a KMP. Total STI earned during the year has been calculated on a pro rata basis reflecting the period he was a KMP.

(3) Ms Reed retired as CEO on 31 May 2012. Total STI earned during the year reflected her service for the five months to 31 May 2012.

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

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

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

23. KEY MANAGEMENT PERSONNEL ("KMP") COMPENSATION (CONTINUED)

Description of Group Executive remuneration (continued)

Performance related remuneration (continued)

2012	DATE OF AWARD	NOTIONAL REFERENCE SECURITIES (NO.)	OPENING VWAP	NOTIONAL TSR ACHIEVEMENT (%)	CLOSING VWAP	FAIR VALUE ($)	LTI EXPENSE ($)	EXPECTED VESTING DATE
Mr Rick Francis	1 June 2011	103,298	1.20	109%	1.65	131,038	97,702	31 December 2013
	1 January 2012	225,732	1.31	75%	1.65	110,891	110,891	31 December 2014
							208,593	
Mr Greg Botham	1 June 2011	29,167	1.20	109%	1.65	36,999	16,092	31 December 2013
	1 January 2012	83,333	1.31	75%	1.65	40,938	23,881	31 December 2014
							39,973	
Ms Alexandra Finley	1 June 2011	48,611	1.20	109%	1.65	61,665	45,978	31 December 2013
	1 January 2012	79,771	1.31	75%	1.65	39,188	39,188	31 December 2014
							85,166	

Remuneration consultants

During 2013, PwC were appointed by the RemCo to review the impact of changes to the composition of the S&P ASX Infrastructure index comparator peer group due to continuing industry consolidation in the sector and to provide recommendations on any change to the LTI and vesting schedules applicable for the relevant periods. An amount of $36,344 (2012: $26,400) was paid to PwC for its recommendations. PwC reported directly to the RemCo, and the Board was satisfied that the recommendations provided were independent and free from influence from the Group Executive.

Key terms of employment contracts

Group Executive contracts

The following table sets out the notice periods and termination payments payable under the individual Group Executive contracts in force as at 1 January 2014.

GROUP EXECUTIVE	CONTRACT PERIOD	TERMINATION NOTICE PERIOD – BY SPARK INFRASTRUCTURE	TERMINATION NOTICE PERIOD – BY GROUP EXECUTIVE	TERMINATION PAYMENT – WITHOUT CAUSE (REFER SECTION 9.2)
Mr Rick Francis	Permanent	6 months	6 months	12 months Base Salary
Mr Greg Botham	Permanent	3 months	3 months	6 months Base Salary
Ms Alexandra Finley	Permanent	3 months	3 months	6 months Base Salary

Group Executive termination provisions

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

Termination for cause

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

Termination other than for cause

Where Spark Infrastructure terminates the Group Executive's employment (other than for cause) the Group Executive will receive a termination payment as set out above.

In addition, the Group Executive will remain eligible for a STI payment for the part year of completed service in an amount determined by the Board save that any such payment must be pro-rated and must not be less than 50% of the maximum STI for the pro-rated period worked.

Spark Infrastructure may also make a payment in lieu of all or part of the notice period calculated on the Group Executive's Base Salary plus payment in lieu of annual STI referable to the notice period, save that any STI payment must not be less than 50% of the maximum STI for the notice period. The Group Executive will also receive payment of accrued statutory entitlements.

In addition to the termination payments above, where considered appropriate, the Board is also entitled to make further ex-gratia payments to Group Executives on termination. The payment of any additional amount is at the sole and absolute discretion of the Board.

Long term incentives on termination

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

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

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

24. RELATED PARTY DISCLOSURES

(a) Directors

Details of the Directors remuneration are disclosed in Note 23.

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

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

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

2012	OPENING BALANCE 1 JANUARY 2012 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2012 (NO.)
Mr Brian Scullin	–	–	–
Mr Rick Francis[a]	10,000	–	10,000
Ms Cheryl Bart, *AO*	160,714	–	160,714
Mr Andrew Fay	150,000	–	150,000
Ms Anne McDonald	40,000	–	40,000
Dr Keith Turner	50,000	–	50,000
Retired during 2012:			
Ms Laura Reed[b]	63,785	–	–

(a) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was CFO and did not sit on the Board of Directors or its committees. Mr Francis' Securityholding prior to becoming a Director was 10,000.

(b) Ms Reed retired as CEO on 31 May 2012.

24.RELATED PARTY DISCLOSURES (CONTINUED)

(b) Group Executives

Details of the Group Executives remuneration are disclosed in Note 23.

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

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

2012	OPENING BALANCE 1 JANUARY 2012 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2012 (NO.)
Mr Rick Francis[a]	10,000	–	10,000
Mr Greg Botham[b]	–	–	–
Ms Alexandra Finley	–	–	–
Ms Laura Reed[c]	63,785	–	–

(a) Mr Francis was appointed as CEO on 31 May 2012, prior to this he was CFO.

(b) Mr Botham was appointed as CFO on 31 May 2012 and at this time became a member of the Group Executives.

(c) Ms Reed retired as CEO on 31 May 2012.

(c) Responsible Entity

The responsible entity of the Trust is Spark RE.

(d) Key Management Personnel (“KMP”)

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The Directors, and certain employees that meet the definition of KMP are disclosed along with their remuneration in Note 23. Securityholding details are disclosed in Note 24(a) and Note 24(b).

(e) Other Related Parties

Other related parties include associates, subsidiaries, and entities within Spark Infrastructure.

Associates

The details of ownership interests in associates are provided in Note 7. The details of interest receivable and loans provided to associates are detailed in Notes 5 and 8 respectively. Details of interest income on these loans are detailed in Note 3(a).

Subsidiaries

The details of ownership interest in subsidiaries are provided in Note 26. The terms of the tax sharing and tax funding agreements entered into by SIH No. 1, SIH No. 2 and SIH No. 3 with their subsidiaries are provided in Note 4.

Entities within Spark Infrastructure

There are loans receivable by the Trust from other entities within Spark Infrastructure, being Spark Infrastructure (Victoria) Pty Limited, Spark Infrastructure (SA) Pty Limited, and SIH No.3.

25. 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.

26. CONTROLLED ENTITIES

ENTITY	COUNTRY OF INCORP-ORATION	2013 EQUITY HOLDINGS (%)	2012 EQUITY HOLDINGS (%)
Controlled entities of Spark Infrastructure Trust:			
– Spark Infrastructure Holdings No. 1 Pty Limited (SIH No.1)[a]	Australia	**100**	100
– Spark Infrastructure Holdings No. 2 Pty Limited (SIH No. 2)[a]	Australia	**100**	100
– Spark Infrastructure Holdings No. 3 Pty Limited (SIH No. 3)[a]	Australia	**100**	100
Controlled entity of SIH No. 1[a]:			
– Spark Infrastructure (Victoria) Pty Limited[b]	Australia	**100**	100
Controlled entities of SIH No. 2[a]:			
– Spark Infrastructure (South Australia) Pty Limited[c]	Australia	**100**	100
– Spark Infrastructure SA (No 1) Pty Limited[c]	Australia	**100**	100
– Spark Infrastructure SA (No 2) Pty Limited[c]	Australia	**100**	100
– Spark Infrastructure SA (No 3) Pty Limited[c]	Australia	**100**	100
Controlled entities of SIH No. 3[a]:			
– Spark Infrastructure Holdings No. 4 Pty Limited (SIH No.4)[d]	Australia	**100**	100
– Spark Infrastructure Holdings No. 5 Pty Limited (SIH No. 5)[d]	Australia	**100**	100
– Spark Infrastructure RE Ltd[d]	Australia	**100**	100
– Spark Infrastructure Management Ltd[d][e]	Australia	**100**	100

(a) Head entity of a tax consolidated group.

(b) An entity within a tax consolidated group with SIH No. 1 as the head entity.

(c) An entity within a tax consolidated group with SIH No. 2 as the head entity.

(d) An entity within a tax consolidated group with SIH No. 3 as the head entity.

(e) Spark Infrastructure Management Ltd was voluntarily deregistered on 27 November 2013.

27. NOTES TO THE STATEMENT OF CASH FLOWS

	31 DEC 2013 $'000	31 DEC 2012 $'000
(a) Reconciliation of Cash and Cash Equivalents		
Cash on hand and at bank	871	18,397
Cash at bank held for AFSL purposes[1]	5,000	5,000
Cash on deposit at call	27,164	18,569
Cash and Cash Equivalents	33,035	41,966

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

For the purposes of the Statement of Cashflows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments.

	31 DEC 2013 $'000	31 DEC 2012 $'000
(b) Committed Financing Facilities		
Syndicated unsecured bank loan facilities:		
– Amount used	–	55,000
– Amount unused	150,000	165,000
	150,000	220,000

The syndicated bank loan facilities of $220.000 million at 31 December 2012 were cancelled as part of the March 2013 refinancing of Spark Infrastructure's bank facilities and two new $75.000 million unsecured 2–year revolving facilities were executed with the NAB and Westpac respectively. During the Financial Year all of the drawn bank debt was repaid. Amounts paid down are available for re-draw in the future.

Committed Finance Facility maturities are:

- March 2015: $75.000 million 2–year revolving facility with the NAB
- March 2015: $75.000 million 2–year revolving facility with Westpac

	YEAR ENDED 31 DEC 2013 $'000	YEAR ENDED 31 DEC 2012 $'000
(c) Reconciliation of Profit for the Financial Year to Net Cash Inflows Related to Operating Activities		
Net profit after tax	128,435	173,851
Addback / (subtract):		
Loan Note interest expense	93,535	93,800
Non-cash interest amortisation	1,193	1,202
Non-cash depreciation and amortisation expense	50	49
Increase in tax expense	72,512	9,399
Share of profits of associates (less dividends/distribution)	(106,581)	(98,521)
Changes in net assets and liabilities:		
Increase in current receivables	(56)	(187)
Increase/(decrease) in current payables	190	(1,214)
Net cash inflow related to operating activities	189,278	178,379

(d) Bank Guarantee Facility

A bank guarantee of $0.420 million equivalent to 12 months' rent and share of outgoings plus GST has been provided to the Landlord in respect of Spark Infrastructure's office lease.

28. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives

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

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

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

(b) Capital Risk Management

The capital structure of Spark Infrastructure comprises net debt (borrowings offset by cash and cash equivalents as detailed in Note 27), 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 2013 was $2,469.746 million (2012: $2,310.263 million) comprising $836.827 million (2012: $836.807 million) in Loan Notes and $1,632.919 million (2012: $1,473.456 million) in equity attributable to the Securityholders.

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

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

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

(c) Significant Accounting Policies

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

	31 DEC 2013 $'000	31 DEC 2012 $'000
(d) Categories of Financial Instruments		
Financial Assets		
Cash & cash equivalents	**33,035**	41,966
Receivables from associates	**11,646**	11,424
Loans to associates	**745,601**	745,601
Financial Liabilities		
Payables	**2,830**	2,638
Loan Note interest payable	**47,099**	47,099
Derivative instruments in designated hedge accounting relationships	**–**	4,359
Loans at amortised cost	**–**	54,048
Loan Notes at amortised cost	**836,827**	836,807

28. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial Market Risk

The principal financial market risk that Spark Infrastructure is exposed to is interest rate risk. Note 28(f) below discusses the strategy adopted to manage this risk.

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

(f) Interest Rate Risk Management

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

Interest Rate Swap Contracts

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

During the Financial Year Spark Infrastructure cancelled $55.000 million of interest rate swaps in line with debt repayments. At 31 December 2013 Spark Infrastructure has no drawn debt facilities or interest rate swaps in place. In line with the treasury policy Spark Infrastructure will implement a high level of hedges for any drawn term bank facilities, but not for short term liquidity funding.

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

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE AMOUNT	
OUTSTANDING FLOATING FOR FIXED CONTRACTS	2013 (%)	2012 (%)	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Less than 1 year	–	–	–	–	–	–
1 to 3 years	–	5.98	–	55,000	–	(4,359)
			–	55,000	–	(4,359)

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.

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

Interest Rate Sensitivity

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

	NET PROFIT ($'000)		OTHER COMPREHENSIVE INCOME ($'000)	
GAIN/(LOSS) 100 BPS INCREASE IN INTEREST RATE	2013	2012	2013	2012
Variable rate	–	(550)	–	–
Derivatives in hedging relationships	–	550	–	1,377
Total	–	–	–	1,377

(g) Credit Risk Management

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

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

(h) Liquidity Risk Management

Spark Infrastructure manages liquidity by maintaining adequate cash reserves and banking facilities and continuously monitoring forecast and actual cash flows. Details of undrawn facilities are provided in Note 27.

Liquidity and Interest Risk Tables

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

2013	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % PA	LESS THAN 1 MONTH $'000	1–3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	2–5 YEARS $'000	5+ YEARS $'000	TOTAL $'000
Payables	–	533	1,812	33	272	180	2,830
Interest bearing liabilities	–	–	–	–	–	–	–
Loan Notes attributable to Securityholders[a]	10.85	–	47,099	46,436	374,139	8,999,902	9,467,576
Total		533	48,911	46,469	374,411	9,000,082	9,470,406

2012	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % PA	LESS THAN 1 MONTH $'000	1–3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	2–5 YEARS $'000	5+ YEARS $'000	TOTAL $'000
Payables	–	–	1,834	30	627	147	2,638
Interest bearing liabilities[b]	8.03	–	203	4,214	62,729	–	67,146
Loan Notes attributable to Securityholders[a]	10.85	–	47,099	46,436	374,139	9,093,436	9,561,110
Total		–	49,136	50,680	437,495	9,093,583	9,630,894

(a) The Loan Notes have a term of 100 years, maturing in 2105.

(b) Effective interest rate reflects hedged rate.

The interest on Loan Notes was fixed at 10.85% per annum on a notional principal balance of $1.25 per Loan Note for an initial 5 year period ending 30 November 2010. The Restructure in 2010 comprised a partial repayment of the Loan Notes which resulted in a reduction in the principal amount outstanding on the Loan Notes of $0.60, from $1.25 to $0.65 per Loan Note. No change was made at that date to either the interest rate or the 5 year reset period. For future reset periods, any change (if made) to the interest rate is based on the relevant swap rate plus a margin of 4%. In the above tables, the Loan Note interest rate of 10.85% has been assumed for the remaining 90 years of the Loan Notes post 30 November 2015 (the next reset date), however the actual rate for each reset period will be subject to finalisation at future points in time.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair Value of Financial Instruments

The amounts disclosed in the tables above reflect undiscounted amounts for interest for the remaining 92 years of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 2013 was $0.65 per Loan Note (2012: $0.65 per Loan Note). The Responsible Entity may defer interest payments, by notice to the Note Trustee and Noteholders. Interest continues to accrue on any outstanding amount. All outstanding interest must be paid on the next reset date, except to the extent that monies are owing by the Group to any bank, financial institution or other entity providing financial accommodation (dawn or undrawn, or secured or unsecured) for over $5.000 million. Deferral of interest payments, and non-payment on a reset date in the circumstances described above, does not constitute a default.

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair values of derivative instruments, included in hedging assets and liabilities, are calculated using market values. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments; and
- The fair value of the Loan Notes attributable to Securityholders is deemed to be linked to the security price of Spark Infrastructure given the long term nature of the stapled structure.

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

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

29. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	31 DEC 2013 $'000	31 DEC 2012 $'000
Financial Position		
Current assets	**50,030**	50,792
Non-current assets	**1,896,770**	1,945,859
Total Assets	**1,946,800**	1,996,651
Current liabilities	**48,087**	47,555
Non-current liabilities	**841,607**	843,976
Total liabilities	**889,694**	891,531
Net Assets	**1,057,106**	1,105,120
Equity		
Issued capital	**1,022,153**	1,071,242
Retained earnings	**34,953**	33,878
Total Equity	**1,057,106**	1,105,120
Financial Performance		
Net profit for the year	**1,075**	4,011
Other comprehensive income	**–**	–
Total comprehensive income for the Financial Year	**1,075**	4,011

(b) Guarantees entered into by the Parent Entity

The Parent Entity has not provided any financial guarantees in respect of bank guarantees and loans of subsidiaries or any unsecured guarantees at 31 December 2013 (2012: nil).

(c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 31 December 2013 (2012: nil).

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

As at 31 December 2013, the Parent Entity had no contractual commitments (2012: nil).

30. ADDITIONAL INFORMATION

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

Level 25, 259 George Street
Sydney NSW 2000
Australia

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Spark Infrastructure Trust (the 'Trust'), which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 75.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 28 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Spark Infrastructure Trust for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock
Partner
Chartered Accountants
Sydney, 21 February 2014

ADDITIONAL ASX DISCLOSURES

ASX requires certain disclosures to be made in the annual report, which are set out below.

STAPLING

As a part of the usual conditions of listing a stapled structure ASX reserves the right to remove the Spark Infrastructure Trust (the Stapled Entity) from the official list if:

- any of the securities cease to be "stapled" to the corresponding securities of the Stapled Entity; or
- any security is issued by the Stapled Entity which is not stapled to corresponding securities of the Stapled Entity.

DIVESTMENT OF SECURITIES

Certain provisions in the Constitution of Spark Infrastructure Trust and Note Trust Deed (the Stapled Entity Constitutions) permit the divestment of securities in limited circumstances. These are summarised below.

Designated Foreign Holders

In certain circumstances Spark Infrastructure may divest a foreign holder of their Stapled Securities. This may occur where Spark Infrastructure wishes to issue or transfer a further security which is to be stapled to the already existing Stapled Securities ("New Attached Security"), but the issue of the New Attached Security to certain foreign holders would be unreasonable in Spark Infrastructure's opinion. In that case, rather than issue New Attached Securities to those foreign holders, Spark Infrastructure may instead divest those foreign holders of their existing Stapled Securities.

Spark Infrastructure may cause New Attached Securities to be stapled provided certain conditions are satisfied including:

- the New Attached Security is (or will be) officially quoted;
- the ASX has indicated that it will approve the stapling of the New Attached Security to the Stapled Securities;
- the Stapled Entity (excluding the issuer of the New Attached Security) has agreed to the stapling of the New Attached Security to the Stapled Security and that the stapling of the New Attached Security is in the best interest of holders as a whole and is consistent with the then investment objectives of Spark Infrastructure;
- the constituent documents for the New Attached Security have provisions giving effect to the stapling;
- the issuer of the New Attached Security has agreed to enter into the Accession Deed;
- where the New Attached Security is partly-paid, or approved from holders is required to the transaction, approval of the holders has been obtained; and
- the number of New Attached Securities issued is identical to the number of Stapled Securities on issue.

The issue/transfer of a New Attached Security to a foreign holder may require compliance with legal and regulatory requirements in the foreign jurisdiction. Subject to applicable ASIC relief, the provisions in the Stapled Entity Constitutions relating to the stapling of securities provide that Spark Infrastructure will have the ability to determine that a Foreign Investor (a holder whose address in the register is in a place other than Australia) is a Designated Foreign Holder and divest that Designated Foreign Holder of their Stapled Securities where Spark Infrastructure determines that it is unreasonable to issue or transfer New Attached Securities to such holders, having regard to the following criteria:

- the number of Foreign Investors in the foreign place;
- the number and the value of New Attached Securities that may be issued or transferred to the Foreign Investors in the foreign place; and
- the cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to the issue or transfer of the New Attached Securities in the foreign place.

Where Designated Foreign Holders are divested of their Stapled Securities they will receive the proceeds of sale of those Stapled Securities (net of transaction costs including without limitation any applicable brokerage, stamp duty and other taxes or charges) as soon as practicable after the sale.

Stapled Securities are issued on terms under which each investor who is or becomes a Designated Foreign Holder agrees to the above terms and irrevocably appoints each Stapled Entity as that holder's agent and attorney to do all acts and things and execute all documents which Spark Infrastructure considers necessary, desirable or reasonably incidental to effect the above actions.

Excluded US Persons

The Stapled Securities have not been, and will not be, registered under the US Securities Act and none of the Stapled Entities have been, or will be, registered under the US Investment Company Act. Accordingly, the securities may not be offered, sold or resold in, the United States or to, or for the account or benefit of US Persons except in accordance with an available exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, the US Investment Company Act and applicable United States state securities laws[1].

In order to at all times qualify for the exemptions, the provisions of the Stapled Entity Constitutions dealing with stapling of securities provide that where a holder is an Excluded US Person:

- the Stapled Entity may refuse to register a transfer of Stapled Securities to that Excluded US Person; or
- the Excluded US Person may be requested to sell their Stapled Securities and if they fail to do so within 30 Business Days, to be divested of their Stapled Securities and to receive the proceeds of sale (net of transaction costs including without limitation any applicable brokerage, stamp duty and other taxes or charges) as soon as practicable after the sale.

In addition, the provisions in the Stapled Entity Constitutions relating to the stapling of securities provide that a holder may be required to complete a statutory declaration in relation to whether they (or any person on whose account or benefit it holds Stapled Securities) are an Excluded US Person. Any holder who does not comply with such a request can be treated as an Excluded US Person.

Stapled Securities are issued on terms under which each holder who is or becomes an Excluded US Person agrees to the above terms and irrevocably appoints the Stapled Entity as that holder's agent and attorney to do all acts and things and execute all documents which Spark Infrastructure considers necessary, desirable or reasonably incidental to effect the above actions.

(1) Stapled Securities are not permitted to be held by or for the account or benefit of any US person (as defined in Rule 902 of Regulation S under the US Securities Act, as amended) who is not both a qualified institutional buyer (QIB) (as defined in Rule 144A of the US Securities Act) and also a qualified purchaser (QP) (as defined in Section 2(a)(51) of the US Investment Company Act, as amended and the rules and regulations of the Securities and Exchange Commission promulgated thereunder). The Stapled Entity may determine that an investor is an Excluded US Person, if it considers the investor is a US person that is not both a QIB and a QP, or holds or will hold Stapled Securities for the account or benefit of any UP person who is not both a QIB and a QP.

SHAREHOLDER INFORMATION

TOP HOLDERS SNAPSHOT – UNGROUPED

RANK	NAME	ADDRESS	STAPLED SECURITIES	% OF STAPLED SECURITIES
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	GPO BOX 5302, SYDNEY NSW, 2001	337,347,676	25.43
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	LOCKED BAG 7, ROYAL EXCHANGE NSW, 1225	176,701,429	13.32
3.	NATIONAL NOMINEES LIMITED	GPO BOX 1406, MELBOURNE VIC, 3001	152,587,633	11.50
4.	CKI SPARK HOLDINGS NO THREE LIMITED	ATTN: BRIAN HANSEN, STIKEMAN ELLIOTT, LVL 12 CHIFLEY TOWER SQUARE, SYDNEY NSW, 2000	113,188,473	8.53
5.	CITICORP NOMINEES PTY LIMITED	GPO BOX 764G, MELBOURNE VIC, 3001	76,440,083	5.76
6.	BNP PARIBAS NOMS PTY LTD <DRP>	PO BOX R209, ROYAL EXCHANGE NSW, 1225	24,676,717	1.86
7.	AMP LIFE LIMITED	PO BOX R209, ROYAL EXCHANGE NSW, 1225	19,174,696	1.45
8.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	GPO BOX 5430, SYDNEY NSW, 2001	16,291,212	1.23
9.	QUESTOR FINANCIAL SERVICES LIMITED <TPS RF A/C>	LOCKED BAG 4004, QUEEN VICTORIA BUILDING NSW, 1230	8,397,916	0.63
10.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	LOCKED BAG 20049, MELBOURNE VIC, 3001	8,059,219	0.61
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	GPO BOX 5302, SYDNEY NSW, 2001	7,434,613	0.56
12.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	C/- CRAIGS INVESTMENT PARTNERS, PO BOX 13155, TAURANGA, NEW ZEALAND	6,809,652	0.51
13.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	GPO BOX 764G, MELBOURNE VIC, 3001	5,673,356	0.43
14.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	PO BOX N450, SYDNEY NSW, 2000	5,565,492	0.42
15.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	GPO BOX 5430, SYDNEY NSW, 2001	5,516,049	0.42
16.	AVANTEOS INVESTMENTS LIMITED <ENCIRCLE IMA A/C>	PO BOX 8272, PERTH BC WA, 6849	4,176,859	0.31
17.	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	ATTENTION CUSTODY, LEVEL 5 700 BOURKE STREET, DOCKLANDS VIC, 3008	3,939,981	0.30
18.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	LEVEL 39 CHIFLEY TOWER, 2 CHIFLEY SQUARE, SYDNEY NSW, 2000	3,807,299	0.29
19.	QIC LIMITED	C/- NATIONAL NOMINEES LIMITED, GPO BOX 2242, BRISBANE QLD, 4001	3,578,621	0.27
20.	ARGO INVESTMENTS LIMITED	GPO BOX 2692, ADELAIDE SA, 5001	3,535,714	0.27
Totals: Top 20 holders of FULLY PAID STAPLED SECURITIES (TOTAL)			**982,902,690**	**74.08**
Total Remaining Holders Balance			**343,831,574**	**25.92**

RANGE OF UNITS SNAPSHOT

RANGE	TOTAL HOLDERS	STAPLED SECURITIES	% OF ISSUED
1 – 1,000	1,038	548,826	0.04
1,001 – 5,000	5,046	16,282,332	1.23
5,001 – 10,000	4,916	37,733,442	2.84
10,001 – 100,000	7,820	200,299,387	15.10
100,001 – 9,999,999,999	296	1,071,870,277	80.79
Rounding			**0.00**
Total	**19,116**	**1,326,734,264**	**100.00**

SUBSTANTIAL HOLDERS – AT 28 FEBRUARY 2014

NAME OF HOLDER	% OF ISSUED
Lazard	11.5%
Cheung Kong Infrastructure	8.5%
RARE Infrastructure	6.7%

www.colliercreative.com.au

Corporate Contact Details

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