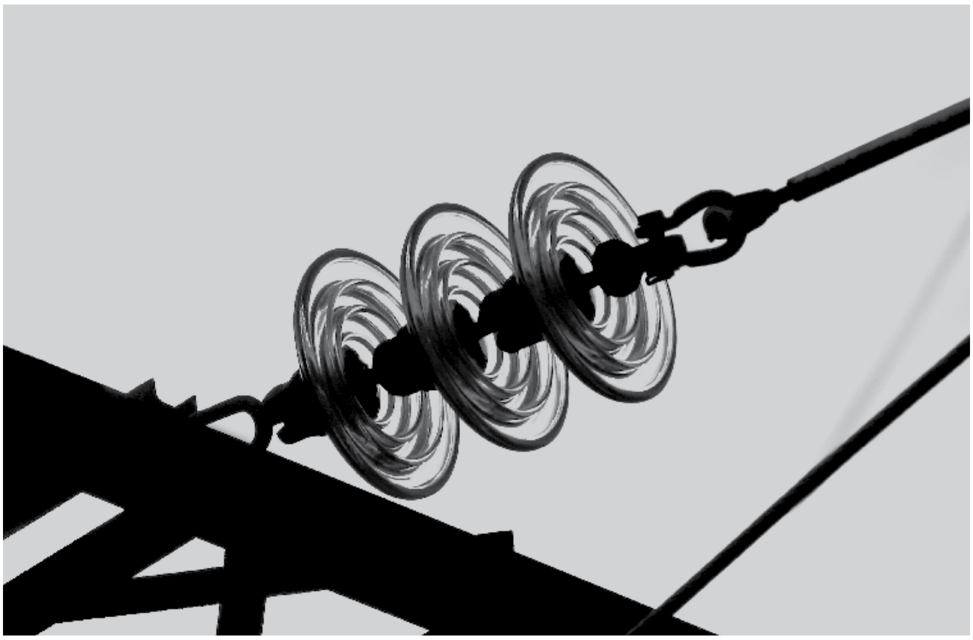
THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS

ANNUAL REPORT 2015

sparkinfrastructure



SPARK INFRASTRUCTURE

Annual report for the financial year ended
31 December 2015

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.

Contents

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 2015 ("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:

DIRECTORS

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)

Mr Andrew Fay

Ms Anne McDonald

Ms Christine McLoughlin

Ms Karen Penrose

Dr Keith Turner

Dr Douglas McTaggart (appointed 11 December 2015)

Retired during Current Year

Ms Cheryl Bart, AO (retired 22 May 2015)

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

Mr Brian Scullin BEc

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

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

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

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

Mr Scullin is a member of the Spark Infrastructure Remuneration and Nominations Committee (RemCo).

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

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

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

Managing Director and Chief Executive Officer (since May 2012)

Mr Francis has been Managing Director and Chief Executive Officer of Spark Infrastructure since May 2012. Rick joined Spark Infrastructure in February 2009 as the Chief Financial Officer and served in that role for three and a half years prior to becoming Managing Director.

Mr Francis 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.

Mr Francis has considerable experience in matters related to corporate strategy, development and execution, 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 was appointed as Chair of NSW Electricity Networks Operations Holdings Trust (trading as TransGrid) in December 2015 and is Chair of its Remuneration Committee.

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.

Mr Andrew Fay BAgEc (Hons), AFin

Independent Director (since March 2010)

Mr Fay is a Non-Executive Director of BT Investment Management Limited and J O Hambro Capital Management Holdings Limited, a UK company which is wholly owned by BT Investment Management. Mr Fay is a Non-Executive Director of Gateway Lifestyle Group, was previously Chair of Tasman Lifestyle Continuum Ltd, and is also Chair of Deutsche Managed Investments (Australia) Limited. 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 initiatives.

Mr Fay was Chair of Deutsche Asset Management (Australia) Limited (DeAM) and associated companies until 2010 following a 20 year career in the financial services sector. During that time Mr Fay held a number of senior positions including CEO Australia, Regional CIO Asia Pacific and CIO of DeAM. 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 also a member of the Investment Board Committee of the Financial Services Council for six years until 2006.

From November 2006 to November 2007 he was an Alternate Director for the Spark Infrastructure Group and was also an Alternate Director for the Dexus Property Group from 2006 until 2009.

Mr Fay has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor, and of SA Power Networks (SAPN) since 2011. He is a member of the Remuneration Committees of each business and is Chair of the SAPN Audit Committee and a member of its Risk and Compliance Committee.

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
• Gateway Lifestyle Group	2015 to present

Ms Anne McDonald BEc, FCA, GAICD

Independent Director (since January 2009)

Ms McDonald is a Non-Executive Director of GPT Group, Sydney Water Corporation and Speciality Fashion Group Limited and is also Chair of the Audit Committees for each of these entities. Ms McDonald was previously a director of Westpac's life insurance and general insurance businesses from 2006 to 2015.

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. 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 Chair of Fisher & Paykel Appliances Limited and a Director of Chorus NZ Limited. He was previously Deputy Chair of Auckland International Airport for 7 years and a Director for 10 years. Dr Turner was appointed to the Board of NSW Electricity Networks Operations Holdings Trust (trading as TransGrid) in December 2015 and is Chair of its Health, Safety and Environment Committee and is a member of its Audit and Risk Committee.

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

Dr Turner is a member of the RemCo.

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

Listed Entity	Period directorship held
• Auckland International Airport Limited	2004 to 2014
• Fisher & Paykel Appliances Holdings Limited	2010 to 2012
• Chorus NZ Limited	2011 to present

Ms Christine McLoughlin BA/LLB (Hons) FAICD

Independent Director (since October 2014)

Ms McLoughlin is a director of nib Holdings Ltd, Suncorp Group and Whitehaven Coal Limited. Ms McLoughlin was formerly a Director of Westpac's Insurance Businesses, the Victorian Transport Accident Commission and the Australian Nuclear Science and Technology Organisation. In the charitable sector Ms McLoughlin is the Deputy Chair of The Smith Family.

She was the inaugural Chair of Australian Payments Council during 2014 and was appointed a member of ASIC's Director Advisory Panel in September 2015.

Ms McLoughlin has over 25 years' experience in financial services, telecommunications and professional services industries in Australia, the UK and Asia.

Ms McLoughlin is Chair of the RemCo.

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

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

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

Independent Director (since December 2015)

Dr Doug McTaggart is an independent Non-Executive Director. He sits on the boards of the Suncorp Group and chairs its Audit Committee. He is Chairman of the QIMR Berghofer Institute of Medical Research and also of Suncentral Maroochydore.

Dr McTaggart is a member of the Prime Minister's Expert Advisory Panel on the Reform of the Federation, is a member of ANU's Council and also of the council for the Queensland Division of the AICD. He has advised governments, most recently the Northern Territory Government as a member of its Economic Development Advisory Panel. In early 2012 he retired as Chair of the Queensland Public Service Commission and as a member of the Queensland Public Sector Renewal Board. Dr McTaggart was also a Commissioner on the Queensland Independent Commission of Audit.

Dr McTaggart retired as CEO of QIC in June 2012 after 14 years. Prior to this appointment, Dr McTaggart held roles including Professor of Economics and Associate Dean at Bond University (1989–1996), and then Under Treasurer, Queensland Department of Treasury (1996–1998).

Dr McTaggart was a member of the Council of Australian Governments (COAG) Reform Council (2007–2013) and Councillor on the National Competition Council (NCC) (2000–2013).

Dr McTaggart has held various positions on industry bodies and public interest groups, including Director and Chairman of IFSA (now the Financial Services Council), President of the Economic Society of Australia, Director of CEDA, and member of the Australian Accounting Standards Board (AASB).

Listed Entity	Period directorship held
• Suncorp Group Limited	2012 to present

Ms Karen Penrose B.Com, CPA GAICD

Independent Director (since October 2014)

Ms Penrose is a Director of Bank of Queensland Limited, Vicinity Limited, AWE Limited, Future Generation Global Investment Company Limited (a pro bono board role), UrbanGrowth NSW and Marshall Investments Pty Limited.

Ms Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. In her professional non-executive director career, she is an experienced Audit Chair and member of due diligence committees. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and, over the eight years to January 2014, Chief Financial Officer and Chief Operating Officer roles with two ASX listed companies.

Ms Penrose is a member of the ARC.

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

Listed Entity	Period directorship held
• Silver Chef Limited	2011 to 2015
• AWE Limited	2013 to present
• Novion Limited	2014 to 2015
• Vicinity Centres	2015 to present

COMPANY SECRETARY

Ms Alexandra Finley Dip Law, MLM

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

Ms Finley has extensive experience in the financial services sector including mergers and acquisitions, corporate governance, 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 and transmission businesses in Australia.

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:

			CHANGE COMPARED TO 2014[1]	
	UNDERLYING 2015 $'000	UNDERLYING 2014 $'000	$'000	%
Interest Income from Associates	81,512	80,898	614	0.8
Share of Equity Accounted Profits	171,466	180,802	(9,336)	(5.2)
	252,978	261,700	(8,722)	(3.3)
Gain on Derivative Contracts	24,295	24,908	(613)	(2.5)
Other Income – Interest	3,333	2,146	1,187	55.3
Total Income	280,606	288,754	(8,148)	(2.8)
Interest Expense – Other	(3,589)	(2,051)	(1,538)	75.0
General and Administrative Expenses	(14,196)	(11,315)	(2,881)	25.5
Transaction Fees – Derivative Contracts	–	(3,296)	3,296	Nm
Profit before Loan Note Interest (LNI)	262,821	272,092	(9,271)	(3.4)
Loan Note Interest	(111,034)	(103,378)	(7,656)	7.4
Profit after LNI	151,787	168,714	(16,927)	(10.0)
Income Tax Expense	(32,107)	(40,581)	8,474	(20.9)
Profit Attributable to Securityholders	119,680	128,133	(8,453)	(6.6)
Profit before LNI per Security (cents)	17.77c	19.32c	(1.55c)	(8.0)
Operating Cash Flow	207,350	206,947	403	0.2
Total distributions for the year (cents)	12.00c	11.50c	0.50c	4.3
Total distributions for the year ($'000)	188,903	168,631	20,272	12.0

(1) 2014 had no Underlying Adjustments

UNDERLYING PROFIT

The Underlying Profit before Loan Note Interest for the Current Year decreased by 3.4% to $262,821,000 compared to the Prior Year, a result of lower equity accounted share of profits from SA Power Networks and Victoria Power Networks, increased interest expense and increased general and administrative costs, partially offset by increased interest income. The Prior Year also included initial transaction fees on derivative contracts.

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

	IMPACT ON SHARE OF EQUITY ACCOUNTED PROFIT		IMPACT ON NET PROFIT AFTER TAX ATTRIBUTABLE TO SECURITYHOLDERS	
UNDERLYING ADJUSTMENTS	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Underlying Result	171,466	180,802	119,680	128,133
ATO settlement regarding deductibility of interest on subordinated loans:				
– Reflected in SA Power Networks and Victoria Power Networks results	(10,001)	–	(7,001)	–
– Net losses written off with respect to SA Power Networks	–	–	(24,655)	–
Total Adjustments	(10,001)	–	(31,656)	–
Statutory Result	161,465	180,802	88,024	128,133

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 period'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 Current Year.

ATO TAX MATTERS

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

In June 2015, Spark Infrastructure, Victoria Power Networks and other relevant parties signed a Heads of Agreement with the ATO to finalise all outstanding matters in respect of the interest deductibility on subordinated loans to both SA Power Networks and Victoria Power Networks. In respect of prior tax years, Victoria Power Networks has written off deductions and losses amounting to $132,222,000 and Spark Infrastructure has written off $82,189,000 of net losses in respect of its investment in SA Power Networks. As a result, Spark Infrastructure has recorded a one-off, non-cash post tax expense item of $31,656,000 in the Current Year.

The ATO will refund to Victoria Power Networks $38,994,000, plus any interest due, following the execution of a final Deed of Settlement which will incorporate the Heads of Agreement.

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

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

OPERATING CASH FLOW

Operating cash flow for the Current Year increased by $403,000 or 0.2% on the Prior Year, primarily due to increased distribution equivalents received under the DUET Group (DUET) related derivative contracts, offset by finance costs paid on those derivative contracts, lower distributions from SA Power Networks, higher finance charges on corporate bank debt facilities and higher operating costs, including those associated with the acquisition of TransGrid (TransGrid represents the 15.01% interest in the electricity transmission business in New South Wales, being NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust).

The following performance review of Spark Infrastructure's investments in associates excludes TransGrid on the basis that TransGrid's financial results for the period from acquisition (16 December 2015) to 31 December 2015 are immaterial to Spark Infrastructure. No distributions were received by Spark Infrastructure from TransGrid during this period.

SA POWER NETWORKS PERFORMANCE (100% BASIS)*	31 DECEMBER 2015 $'000	31 DECEMBER 2014 $'000	VARIANCE $'000	VARIANCE %
Distribution Revenue	831,531	919,968	(88,437)	(9.6)
Customer Contributions & Gifted Assets	80,587	80,370	217	0.3
Other Revenue	228,627	186,968	41,659	22.3
Total Revenue	1,140,745	1,187,306	(46,561)	(3.9)
Operating Costs	(383,916)	(356,765)	(27,151)	7.6
EBITDA	756,829	830,541	(73,712)	(8.9)
EBITDA (excl Customer Contributions & Gifted Assets)	676,242	750,171	(73,929)	(9.9)
Net Capital Expenditure	315,500	363,800	(48,300)	(13.3)

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

During the Current Year, Distribution Use of System (DUoS) revenue decreased by 9.6% to $831,531,000. This decrease is reflective of SA Power Networks' new five year regulatory period which commenced 1 July 2015. On average, tariffs increased by 3% for the regulatory year ended 30 June 2015 and decreased by 26% for the regulatory year commenced on 1 July 2015, in accordance with the determinations. SA Power Networks will operate under these less favourable parameters set under its Preliminary Determination for the first year of the new regulatory period, which ends 30 June 2016. A 'true-up' will be undertaken for years 2–5 of the new regulatory period to reflect the more favourable outcomes of SA Power Networks' Final Determination. Recovery of the 'true-up' will commence from 1 July 2016.

The total volume delivered decreased by 2.3% to 10,347 GWh in the Current Year, reflecting volume decreases in the large business segments offset by increases in the residential business segment. Notwithstanding these changes in volumes, from 1 July 2015 SA Power Networks is now operating under a revenue cap whereby the regulatory allowance for DUoS revenue is no longer impacted by changes in volumes. Current Year revenue also included $6,500,000 of service target performance incentive scheme (STPIS) recovery relating to the 2012/13 regulatory year. No STPIS outcomes in respect of either the 2013/14 or 2014/15 regulatory years have yet been recognised in revenue.

Customer contributions (including gifted assets), which is either non-cash or the recovery of capital expenditure, increased by 0.3% to $80,587,000. Other unregulated and semi-regulated revenues increased by 22.3% to $228,627,000, largely reflecting a one off step up of National Broadband Network (NBN) contracted revenues by $32,400,000 over the Prior Year.

SA Power Networks operating expenses increased by 7.6% in the Current Year to $383,916,000, including an increase in NBN related costs and increases in emergency response and asset relocation activities, offset by a decrease in guaranteed service level payments of $7,100,000 and a decrease in vegetation management expenditure of $2,200,000.

VICTORIA POWER NETWORKS PERFORMANCE (100% BASIS)*	31 DECEMBER 2015 $'000	31 DECEMBER 2014 $'000	VARIANCE $'000	VARIANCE %
Distribution Revenue	944,727	843,456	101,271	12.0
AMI Revenue	109,250	115,374	(6,124)	(5.3)
Customer Contributions & Gifted Assets	117,222	66,979	50,243	75.0
Other Revenue	136,857	148,940	(12,083)	(8.1)
Total Revenue	1,308,056	1,174,749	133,307	11.3
Operating Costs	(368,175)	(369,126)	951	(0.3)
EBITDA	939,881	805,623	134,258	16.7
EBITDA (excl Customer Contributions & Gifted Assets)	822,659	738,644	84,015	11.4
Net Capital Expenditure	466,300	506,000	(39,700)	(7.8)

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

During the Current Year, DUoS revenue increased by 12.0% to $944,727,000. On average, tariffs increased by 10% for both Powercor and CitiPower from 1 January 2015 in accordance with the regulatory determinations. Total volume delivered increased by 2.5% to 16,657 GWh in the Current Year. Powercor volumes increased by 3.7% from 10,333 GWh to 10,713 GWh, largely due to increases in the domestic and high voltage business segments. CitiPower volumes increased by 0.4% from 5,919 GWh to 5,944 GWh, again largely due to increases in the domestic segment and high voltage business segments, as a result of more favourable weather conditions. Both Powercor and CitiPower operated under a price cap for the 2015 regulatory year and were exposed to volume movements. From 1 January 2016, both businesses will commence operating under a revenue cap arrangement. AMI related revenue decreased by 5.3% to $109,250,000 in the Current Year, reflecting the depreciating AMI RAB and lower operating costs.

Customer contributions and gifted assets revenue increased by 75.0% to $117,222,000 largely due to a number of Government initiated powerline relocation projects being completed ahead of schedule. Other unregulated and semi-regulated revenue decreased by 8.1% to $136,857,000 largely due to lower activity in the provision of network services to third parties.

Victoria Power Networks operating expenses decreased by 0.3% to $368,175,000, reflecting net savings realised from business improvement projects, lower third party works costs, lower metering related costs, largely offset by a number of one off expenses including vegetation management related items, certain provisions for dispute items and costs relating to the implementation of the common funding vehicle.

CAPITAL EXPENDITURE AND REGULATORY ASSET BASE

SA Power Networks and Victoria Power Networks continue to invest in the augmentation and renewal of their networks, maintaining asset performance and reliability. During the Current Year, total capital expenditure of $315,500,000 was invested on a net basis i.e. net of customer contributions by SA Power Networks, a decrease of 13.3% from $363,800,000 in the Prior Year. Victoria Power Networks invested $466,300,000 on a net basis, a decrease of 7.8% from $506,000,000 in the Prior Year. Net capital expenditure is added to the RAB of SA Power Networks and Victoria Power Networks, which generates prescribed (regulated) revenue in future periods.

The estimated RAB for SA Power Networks as at 31 December 2015 was $3,929,000,000 (100% basis), an increase of $67,000,000 or 1.7% over December 2014. The estimated RAB for Victoria Power Networks as at 31 December 2015 was $5,547,000,000 (100% basis), an increase of $380,000,000 or 7.4% over December 2014.

Spark Infrastructure's aggregate 49% share of SA Power Networks and Victoria Power Networks' RAB balances was $4,643,000,000 an increase of $219,000,000 or 5.0% over December 2014.

CORPORATE EXPENSES, LOAN NOTE INTEREST AND TAX EXPENSE

Corporate expenses increased $2,881,000 to $14,196,000 in the Current Year, primarily as a result of increased professional advisory costs associated with the TransGrid bid and acquisition of $5,334,000, partly offset by a decrease in employee costs of $1,176,000.

Interest expense and borrowing costs increased in the Current Year from $2,051,000 to $3,589,000. The increase reflects the write off of the remaining debt raising costs associated with senior debt facilities that were replaced in November 2015 and interest incurred on the drawdown of debt on the replacement senior debt facilities used to part fund Spark Infrastructure's share of the equity acquisition of TransGrid. In the Prior Year only commitment fees were incurred on Spark Infrastructure's undrawn senior debt facilities.

Loan Note interest payable to Securityholders increased by $7,656,000 to $111,034,000, due to the additional Loan Notes issued during the Current Year via the Entitlement Offer. New Loan Notes ranked pari passu with the pre-existing Loan Notes. Underlying income tax expense, which is non-cash, decreased by $8,474,000 to $32,107,000 for the Current Year.

DEBT, GEARING AND HEDGING

On 13 November 2015, Spark Infrastructure executed $250,000,000 of new bank debt facilities comprising $100,000,000 with each of Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation (Westpac), and $50,000,000 with Bank of Tokyo Mitsubishi UFJ (BTMU). The facilities with CBA and Westpac mature on 13 November 2018, whilst the BTMU facilities mature in equal tranches of $25,000,000 on 13 November 2018 and 13 November 2020. Spark Infrastructure pays an average margin of 112 basis points above the applicable bank bill swap rate on amounts drawn from these facilities.

A total of $205,000,000 of these available facilities were drawn down during December 2015 in order to part fund Spark's investment in TransGrid. This amount remained drawn as at 31 December 2015, and is currently anticipated to be paid down out of surplus operating cashflows over the course of the next few years.

SA Power Networks' net debt to RAB was 71.9%, down from 74.2% as at 31 December 2014. Victoria Power Networks' net debt to RAB was 73.8%, down from 79.5% as at 31 December 2014. In aggregate, the net debt to RAB of SA Power Networks and Victoria Power Networks was 73.0% at 31 December 2015, down 4.2% across the Current Year, and thereby comfortably meeting Spark Infrastructure's long-stated objective of de-gearing these businesses to around 75% net debt to RAB by the end of 2015. Based on current business conditions, Spark Infrastructure expects that the aggregate gearing of these two businesses will remain around this 75% level over the next 5-year regulatory period.

Following its acquisition in December, TransGrid's net debt to RAB as at 31 December 2015 was 86.5%, which Spark Infrastructure expects will enable TransGrid to obtain a strong investment grade credit rating in the near term.

There is currently no interest rate hedging at the Spark Infrastructure level, on the basis that the interest rate risk arising from the drawn debt facilities at the Spark Infrastructure level is expected to reduce in the ordinary course over the short to medium term as the facilities are repaid over the next few years. At 31 December 2015, SA Power Networks, Victoria Power Networks and TransGrid had 98.3%, 97.7% and 75.0% of gross debt hedged. This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure.

CASHFLOW

Spark Infrastructure's cashflow from operating activities for the Current Year was $207,350,000, 0.2% higher than the Prior Year. Distributions received from SA Power Networks were $114,225,000, down $10,780,000 or 8.6%, reflecting a moderation of distributions recognising that the business is operating under the Preliminary Determination from 1 July 2015. Shareholder interest received from Victoria Power Networks was $82,228,000, up $979,000 or 1.2%. Consistent with recent years, no dividends over and above shareholder interest was paid by Victoria Power Networks during 2015. Distribution equivalents of $32,535,000 were also received in relation to the interest held in DUET, up $16,732,000 or 105.9%, largely reflecting the receipt of two half year distribution equivalents in the Current Year. Cash inflows from interest received were $3,794,000 for the Current Year, $2,107,000 higher than the Prior Year reflecting a larger average surplus of funds, albeit at lower deposit interest rates.

Cash outflows for interest paid on senior debt were $2,680,000, up $1,217,000 on the Prior Year, reflecting commitment fees and interest paid on drawn debt. Finance costs paid on derivative contracts were $10,062,000 up $3,957,000 on the Prior Year, reflecting a full year of ownership of and increase in the interest in DUET. During the Current Year 70,290,000 call options under the DUET related derivative contracts were cancelled at a cost of $3,841,000.

Proceeds of $405,424,000 from the Entitlement Offer, $205,000,000 of drawn debt and $124,860,000 of cash on hand were used to fund Spark Infrastructure's 15.01% equity contribution for the acquisition of TransGrid, a total cost of $735,284,000.

The refinancing of bank debt facilities in November 2015 incurred associated borrowing costs of $1,604,000. Spark Infrastructure paid a final distribution for the year ended 31 December 2014 of $84,315,000 to Securityholders in March 2015, representing 5.75 cents per security (cps). An interim cash distribution of $87,982,000 representing 6.00 cps was paid in September 2015 in relation to the six months ended 30 June 2015.

EQUITY RAISINGS

During the Current Year Spark Infrastructure completed equity raisings for a total of 215,651,000 stapled securities at $1.88 per stapled security, comprising an Institutional Entitlement Offer completed on 7 December 2015 and a Retail Entitlement Offer completed on 22 December 2015. Proceeds from the raisings totalled $405,424,000 were used to part fund Spark Infrastructure's 15.01% equity contribution for the acquisition of TransGrid. Issue costs of $12,521,000 were incurred in the Current Year.

ACQUISITION OF EQUITY INTEREST IN TRANSGRID

On 25 November 2015 the NSW Electricity Networks consortium announced that it had reached agreement to acquire the assets of TransGrid by way of a 99-year lease from the NSW State Government for $10,258,280,000, plus transaction costs of $140,348,000. The consortium comprises of Spark Infrastructure, together with Hastings Funds Management (Hastings) as manager of Utilities Trust of Australia, Tawreed Investments Ltd (Tawreed Investments, a wholly owned subsidiary of the Abu Dhabi Investment Authority), Caisse de dépôt et placement du Québec (CDPQ), and Wren House Infrastructure Management (Wren House, a wholly owned subsidiary of the Kuwait Investment Authority).

TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the National Electricity Market (NEM) by electricity transmitted, connecting generators, distributors and major end users in NSW and the ACT and forms the backbone of the NEM connecting QLD, NSW, VIC and the ACT.

As part of the acquisition, Spark Infrastructure made an equity investment of 15.01% of TransGrid equal to $735,284,000 (Hastings - 20.02%, CDPQ - 24.99%, Tawreed Investments - 19.99%, Wren House - 19.99%). Spark Infrastructure's 15.01% equity contribution to the acquisition was funded via: $405,424,000 new equity; $205,000,000 debt; and $124,860,000 cash on hand. The transaction offers ongoing financial benefits over the long term with its prudent financial structure and cash generation capacity, including:

- Providing additional cashflow and reduces portfolio risk by increasing diversity of cashflow sources;
- Active management of the assets to increase efficiency through better asset utilisation and process improvements;
- Long term growth in the RAB supported by macro-economic driven demand growth expectations, and change in generation mix to renewables; and
- Leverage quality assets and apply expertise to grow non-prescribed business opportunities.

Spark Infrastructure has appointed two Directors to the Boards of TransGrid, Mr. Rick Francis and Dr. Keith Turner. The Board also includes two Independent Directors, one representative of Hastings and one representative of CDPQ. Under the terms of the Securityholders Agreement other governance rights are fair and balanced between the consortium members. Financial close occurred on 16 December 2015 with the brief period of ownership (16 days) to 31 December 2015 reflected in Spark Infrastructure's Current Year results.

INTEREST IN DUET

During the Current Year, DUET announced a non-renounceable entitlement offer at a price of $2.02 to partially fund the proposed acquisition of Energy Developments Limited (EDL). Spark Infrastructure amended its swap and derivative arrangements with Deutsche Bank AG (Deutsche Bank) to acquire an additional economic interest in a total of 69,113,000 securities under swaps maturing in January and February 2017 and derivatives maturing in October 2018.

Post completion of DUET's entitlement offer and associated placement, the economic interest held by Spark Infrastructure in DUET securities reduced from 12.4% to 11.0%.

At the election of Deutsche Bank, Spark Infrastructure may also acquire a further 114,544,000 DUET securities in July 2018.

The interest in DUET has been accretive to Spark Infrastructure's cash flows from the date of acquisition and this is expected to continue. Spark Infrastructure is reviewing its holding in this investment to determine if it remains strategically relevant given recent changes to the investment portfolios of both Spark Infrastructure and DUET.

EQUITY AND RESERVES

Total Equity including Loan Notes attributable to Securityholders increased by $446,650,000 during the Current Year to $3,218,059,000, which included proceeds (net of issue costs) from the Entitlement Offer of $392,903,000. Net profit after tax increased retained profits by $88,024,000, while other movements net of tax included: favourable mark-to-market movements in the value of interest rate derivatives held by SA Power Networks and Victoria Power Networks of $15,271,000, unfavourable mark-to-market movements in the value of interest rate derivatives held by TransGrid of $4,052,000; actuarial gains on defined benefit superannuation plans of SA Power Networks and Victoria Power Networks of $23,404,000; and a capital distribution paid during the Current Year to Securityholders of $68,919,000. The mark-to-market movements and actuarial gains are non-cash impacts and result from the application of Australian Accounting standards.

IMPAIRMENT TESTING

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's investments in associates to determine whether any impairment has arisen, and are satisfied that no impairment existed at 31 December 2015. The analysis undertaken as part of this review takes into account the current Corporate Plans for SA Power Networks and Victoria Power Networks.

REGULATORY UPDATE

Regulatory resets for 2015/16–2020

SA Power Networks' new five year regulatory period commenced on 1 July 2015 and on 1 January 2016 in the case of CitiPower and Powercor. As a result of the delay caused by completion of the AER's "Better Regulation" program, SA Power Networks, CitiPower and Powercor will operate under the parameters set by the AER's Preliminary Determinations for the first year of the new five-year regulatory periods. Once the Final Determinations are published then a 'true-up' will be undertaken for years 2–5 of the new regulatory periods on a no disadvantage basis.

The AER released its Final Determination for SA Power Networks and its Preliminary Determination for Victoria Power Networks in October 2015. Both Determinations included favourable outcomes in relation to certain material matters. Firstly, the AER accepted the businesses' proposed methods for the calculation of depreciation expense. For SA Power Networks this represents a significant gain relative to its Preliminary Determination and for Victoria Power Networks it removed the potential for uncertainty over the issue in the period leading up to its Final Determination. Each of these outcomes entails a positive impact on the businesses cashflows over their 5-year regulatory periods.

A summary of the outcomes delivered by SA Power Network's Final Determination are provided below (numbers represent 5-year real (2015) dollars, except capital expenditure which is real):

- Operating expenditure allowance of $1,300,000,000;
- Capital expenditure allowance of $1,900,000,000; and
- Total revenue allowance of $4,000,000,000.

AER Electricity Distribution Benchmarking Report

The AER published its 2014 Benchmarking report 30 November 2015. The AER has continued to make use of Multilateral Total Factor Productivity (MTFP) which measures total outputs relative to all input quantities and takes into account the multiple types of inputs and outputs of distributors, and Partial Performance Indicators (PPI) which provides a means of focussing on a specific aspect of the operation.

The report again ranked SA Power Networks, CitiPower and Powercor in the top five performers from the complete field of 13 Electricity Distribution networks regulated by the AER. The AER's final MTFP model is particularly favourable for CitiPower which is the top performer on each of the three primary measures: Total expenditure (totex) measure, the operating expenditure (opex) partial measure and the capital expenditure (capex) partial measure. The AER's model however is less favourable for Powercor. While it performs well on the opex partial measure, ranking 2nd to CitiPower in later years and 3rd after SA Power Networks in the earlier years, it does not perform as well on either the capex measure or the totex measure where it has slipped one place in the rankings from 5th to 6th. This is primarily because the AER's model disadvantages networks that have more kilometres of higher capacity lines (66kv), primarily rural networks. SA Power Networks has again ranked 3rd overall on the totex measure, 4th in the capex partial measure and 5th in the opex partial measure.

The AER will continue to use benchmarking to determine if it is appropriate to rely on a business's revealed or historical costs when reviewing regulatory proposals. If the AER is satisfied the business benchmarks favourably, its regulatory proposal may be subject to relatively less scrutiny. This was the case for CitiPower and Powercor and SA Power Networks in relation to their recent Determinations where their revealed cost years were accepted by the AER without dispute. Where a business does not benchmark well, the onus of proof will fall on the business to justify why not, and if no satisfactory explanation can be provided, have its costs realigned with the relevant industry benchmark.

AER Electricity Transmission Network Service Providers Benchmarking Report

The AER published its 2014 Benchmarking report 30 November 2015. It ranks TransGrid No.2 (out of 5) in Operating Partial Factor Productivity and No.5 in MTFP, reflecting to some degree the large and dispersed nature of the TransGrid network. Taken together, these indicators demonstrate a degree of efficiency relative to peers but also provide significant scope for improvement over time.

DISTRIBUTIONS AND CAPITAL MANAGEMENT

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. at the investment level). Operating cashflows are reviewed after deducting an allowance for maintaining the relevant investment's regulated asset base where applicable. Distribution coverage from operating cashflows is assessed annually, while also taking into account the relevant 5-year regulatory period under which the investment business is 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 5.75 cps was paid on 13 March 2015 in relation to the six months ended 31 December 2014 and comprised 3.55 cps of interest on the Loan Notes and 2.20 cps of capital distributions.

An interim cash distribution of 6.00 cps for the Current Year was paid on 15 September 2015 and was comprised of 3.50 cps interest on Loan Notes and 2.50 cps return of capital.

All distributions were unfranked and made by the Trust.

The Board has declared a final cash distribution of 6.00 cps for the Current Year, payable on 15 March 2016, which will be comprised of 3.55 cps interest on Loan Notes for the period and 2.45 cps return of capital. The full year 2015 distribution of 12.00 cps represents an increase of 4.3% on 2014, and a standalone payout ratio of 85.6% for the Current Year. The distribution is unfranked and will be made by the Trust.

Distributions paid to Securityholders during the Current Year were:

	FINAL 2014 DISTRIBUTION PAID 13 MARCH 2015		INTERIM 2015 DISTRIBUTION PAID 15 SEPTEMBER 2015		TOTAL DISTRIBUTIONS PAID IN 2015	
	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000
Interest on Loan Notes	3.55	52,055	3.50	51,323	7.05	103,378
Capital distribution	2.20	32,260	2.50	36,659	4.70	68,919
Total	**5.75**	**84,315**	**6.00**	**87,982**	**11.75**	**172,297**

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

	2015		2014	
	CENTS PER SECURITY	$'000	CENTS PER SECURITY	$'000
Interim distribution paid	6.00	87,982	5.75	84,316
Final distribution proposed	6.00	100,921	5.75	84,315
Total	**12.00**	**188,903**	11.50	168,631

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

OUTLOOK

SA Power Networks and Victoria Power Networks have both recently commenced the first year of their respective new 5-year regulatory periods. Both businesses are currently operating according to the parameters provided in their Preliminary Determinations and will undergo a no disadvantage 'true-up' for years 2–5 of their regulatory periods based on the content of their Final Determinations. SA Power Networks received its Final Determination in October 2015 and Victoria Power Networks expects to receive its Final Determination by 30 April 2016. TransGrid is subject to a 4-year regulatory period for this regulatory cycle, which expires in June 2018. Preparations for TransGrid's next regulatory submission have already commenced.

Decisions on certain regulatory appeals by various parties including SA Power Networks are expected to be handed down by the Australian Competition Tribunal in the near term. The implications of these decisions will be carefully analysed by Spark Infrastructure and the network businesses in which it holds interests.

Subject to business conditions, the Directors have provided distribution guidance of at least 12.50 cps for 2016 (representing growth of 4.2% on 2015), at least 13.00 cps for 2017 and at least 13.50 cps for 2018.

The Directors intend to review distribution guidance following certain regulatory appeal outcomes currently being reviewed by the Australian Competition Tribunal, receipt of Victoria Power Network's Final Determination at the end of April 2016 and the finalisation of associated business planning processes.

Distributions to Securityholders will continue to be fully covered by operational cashflows, on both a standalone and look-through basis, generated by the investments in which Spark Infrastructure holds an interest.

Spark Infrastructure will not participate in the sale process for electricity distribution business AusGrid which is currently underway.

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 2015 up to the date of this report.

INFORMATION APPLICABLE TO REGISTERED SCHEMES

Spark RE is the responsible entity of the Trust. Spark RE does not hold any stapled securities. The number of stapled securities at the beginning and end of the Current Year is disclosed in Note 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, SA Power Networks, Victoria Power Networks and TransGrid are subject to various environmental regulations. The Directors are not aware of any material breaches of those regulations by either SA Power Networks, Victoria Power Networks or TransGrid.

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 STAPLED SECURITIES

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

DIRECTORS' MEETINGS

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

During the Current Year, nine Board meetings, five ARC meetings, four RemCo meetings, fifteen Investment Sub-committee (Sub-Co)/Due Diligence Committee (DDC) meetings and two general Sub Co meetings of the Company were held. References to meetings "Held" means the number of meetings a Director was eligible to attend.

	BOARD OF DIRECTORS		ARC		REMCO		INVESTMENT SUB-CO / DDC		SUB-CO	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Mr Brian Scullin	9	9	–	–	4	4	–	–	–	–
Mr Rick Francis	9	9	–	–	–	–	–	–	2	2
Mr Andrew Fay	9	9	5	5	–	–	15	15	–	–
Ms Anne McDonald	9	9	5	5	4	4	–	–	1	1
Ms Christine McLoughlin	9	9	–	–	4	4	–	–	–	–
Dr Douglas McTaggart	1	1	–	–	–	–	–	–	–	–
Ms Karen Penrose	9	9	5	5	–	–	15	14	1	1
Dr Keith Turner	9	9	–	–	4	4	4	4	–	–
Ms Cheryl Bart, AO	3	3	2	2	–	–	–	–	–	–

By agreement with the committee chairs there is a standing invitation for all Directors to attend committee meetings. In the Current Year, Directors have attended a number of committee meetings in an observer capacity. In particular, Directors attended a number of DDC meetings with respect to the acquisition of TransGrid.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33.

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 FOR THE YEAR ENDED 31 DECEMBER 2015

Dear Securityholders,

On behalf of the Board, I am pleased to present our 2015 Remuneration Report which covers the remuneration arrangements for our Executives and Non-Executive Directors for the year ended 31 December 2015 (FY 2015). In 2015, the Board, through its Remuneration and Nomination Committee (RemCo), refined the Executive remuneration framework in the context of feedback received from Securityholders and further alignment with Spark Infrastructure's strategy.

As a result of this review, the Board has updated its remuneration framework as explained in this report. The changes include:

- Spark Infrastructure will award Performance Rights to Executives, which will result in Executives holding Spark Stapled Securities instead of receiving cash payments based on phantom shares if the performance conditions are met. This was introduced for LTI awards from 2015 and is being introduced for the deferred component of STI awards from 2016 onwards;
- To increase the level of transparency in relation to the assessment of LTI performance, the Board has disclosed the methodology used to calculate the Risk Adjusted TSR performance measure, which is also subject to independent audit. This information is available on the corporate website at sparkinfrastructure.com/about/governance;
- Remuneration increases for the Managing Director for 2016 will be delivered predominantly through an increase in LTI rather than Fixed Remuneration. Over the next three years, the objective is to move towards a remuneration opportunity mix for the Managing Director of approximately 1/3 Fixed Remuneration, 1/3 STI and 1/3 LTI. This package will be regularly benchmarked against market median and best practice; and
- There is alignment between the interests of the Board and Securityholders as all Non-Executive Directors now hold a significant number of securities.

The Board believes the refined remuneration framework and the introduction of equity (Performance Rights) for the Short Term and Long Term Incentives enhances the alignment of Executives and Directors with the long-term interests of Securityholders in a fair and balanced way. We are very much committed to maintaining dialogue with Securityholders and other stakeholders and we are giving further consideration to the introduction of a second LTI performance hurdle in future years.

The Board's objective is to be transparent in relation to Spark Infrastructure's remuneration framework and to be open and receptive to feedback while continuing to ensure that our Executives are appropriately incentivised and rewarded in a manner consistent with high standards of governance.

Christine McLoughlin

Christine McLoughlin
Chair of the Remuneration and Nomination Committee

REMUNERATION REPORT – AUDITED

CONTENTS

The remuneration report provides information about the remuneration arrangements for Key Management Personnel (KMP), which includes Non-Executive Directors and Executives, for the year ended 31 December 2015 (FY2015) and summarises changes to these arrangements that were made during FY2015.

The report covers the following matters:

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

To assist Securityholders with understanding this report, terms that are frequently used are set out at the end of the report.

1. WHO THIS REPORT COVERS

The KMP, during FY2015, are as follows:

EXECUTIVES	CURRENT POSITION
Mr Rick Francis	Managing Director and Chief Executive Officer (MD)
Mr Greg Botham	Chief Financial Officer (CFO)
Ms Alexandra Finley	General Counsel / Company Secretary (GC&CS)
INDEPENDENT NON-EXECUTIVE DIRECTORS	**CURRENT POSITION**
Mr Brian Scullin(1)	Chair of Board and Member of Remuneration and Nomination Committee
Dr Douglas McTaggart(2)	Deputy Chair of Board
Mr Andrew Fay	Member of Audit, Risk and Compliance Committee
Ms Anne McDonald	Chair of Audit, Risk and Compliance Committee, Member of Remuneration and Nomination Committee
Ms Christine McLoughlin(3)	Chair of Remuneration and Nomination Committee
Ms Karen Penrose	Member of Audit, Risk and Compliance Committee
Dr Keith Turner	Member of Remuneration and Nomination Committee
Ms Cheryl Bart AO(4)	Member of Audit, Risk and Compliance Committee

(1) Retired as RemCo Chair on 31 May 2015
(2) Appointed on 11 December 2015
(3) Appointed RemCo Chair on 1 June 2015
(4) Retired on 22 May 2015

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

2. REMUNERATION GOVERNANCE

2.1 Role of the Remuneration and Nomination Committee (RemCo)

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

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

The members of the RemCo during the year were:

- Ms Christine McLoughlin (Committee Chair from 1 June 2015);
- Mr Brian Scullin;
- Ms Anne McDonald; and
- Dr Keith Turner.

Non-Executive Directors who are not members of the RemCo are entitled to attend RemCo meetings. Members of management and advisers may attend at the invitation of the RemCo Chair, where appropriate.

The RemCo has the authority to engage external professional advisors to support it in its role where it considers it appropriate to do so.

The RemCo charter is available on the Spark Infrastructure website at www.sparkinfrastructure.com, in the "Governance" section.

2.2 Remuneration consultants and advisors

During 2015, Spark Infrastructure did not receive any recommendations from remuneration consultants in relation to the remuneration arrangements of its Executives or Directors. However, the RemCo was supported by Guerdon Associates, who are independent remuneration specialists. Guerdon Associates provided market practice and benchmarking information during the year.

Where a remuneration consultant is engaged, the Board has in place procedures to ensure that recommendations provided by consultants are independent and free from influence from the members of the KMP to whom the recommendations relate. These procedures require that:

- Any remuneration advice is provided directly to the members of the RemCo, none of whom are Executive Directors;
- The remuneration consultant is engaged by, and reports directly to, the RemCo; and
- The remuneration consultant provides a declaration that the advice provided is free from undue influence by any members of the KMP to whom the advice related.

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 appropriate to attract and retain Directors with the experience, knowledge, skills and judgement to govern Spark Infrastructure's finances and operations.

3.2 Executive remuneration policy

The key drivers for the Board in setting Executive remuneration are:

- The ability to attract, reward and retain key executives;
- The increasingly competitive operating environment in which Spark Infrastructure operates;
- Ensuring that the Remuneration framework is aligned with the long-term interests of Spark Infrastructure and its Securityholders;
- An appropriate mix of remuneration between Fixed Remuneration, Short Term Incentives and Long Term Incentives;
- Requiring a significant proportion of remuneration to be 'at risk' with a mix of financial and non-financial performance measures;
- Setting performance measures under the Long Term Incentive plan that measure performance in terms of risk management as well as returns;
- Setting performance measures for the Short Term Incentive that are challenging, providing a link between remuneration and performance and focus on creating sustainable returns for Securityholders;
- Ensuring that the Remuneration Framework and Executive contracts comply with applicable legal requirements and appropriate standards of governance.

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

4.1 Key Performance Measures

To ensure there is a link between pay and performance, Spark Infrastructure assesses performance on the following key corporate measures:

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

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

4.2 2015 Performance

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

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Profit before Loan Note Interest and tax expense	252,820	272,092	294,482	277,050	217,742
Stand-alone Operating Cashflow	207,350	206,947	189,278	178,379	188,956
Look-through Operating Cashflow (cents per security)	28.9	25.1	22.3	20.6	16.2
Profit after tax attributable to Securityholders	88,024	128,133	128,435	173,851	82,580
Operating Costs	14,196	11,315	8,195	10,855	6,844
Closing Security Price as at 31 December ($)	1.92	2.13	1.62	1.67	1.38
Distribution per security (cents)	12.00	11.50	11.00	10.50	10.00
Net Debt/Regulated Asset Base ("RAB") (%)	73.0	77.2	78.5	79.7	81.5

5. DESCRIPTION OF EXECUTIVE REMUNERATION

Executive Remuneration Framework Summary

The Company's Executive remuneration framework is summarised in the following diagram:

EXECUTIVE REMUNERATION FRAMEWORK

FIXED

Fixed Remuneration

- Reviewed annually at the beginning of each calendar year

AT RISK

Short term incentive ("STI")

- Determined based on targets set by the Board, including a balance of financial and personal objectives
- FY2015 opportunities between 70-100% of Fixed Remuneration
- Delivered 50% in cash, 50% in Performance Rights (from FY2016 awards)
- Deferred component: 50% of the Performance Rights are deferred for 12 months and the remaining 50% for 24 months, subject to continued employment
- Entitled to distribution equivalent payment if deferred component vests

Long term incentive ("LTI")

- From FY2015, delivered in Performance Rights
- FY2015 opportunities between 30-50% of Fixed Remuneration
- Subject to a risk adjusted TSR performance target (sometimes called Jensen's Alpha), measured over a 4 year performance period
- Entitled to distribution equivalent payment if any Performance Rights vest

Total Remuneration

Benchmarked at market median (i.e. 50th percentile) level for a comparator group of companies – due to the limited number of listed utilities companies of a similar size to Spark Infrastructure, the comparator group includes ASX listed utilities companies, infrastructure companies, logistics companies and A-REITs that are similar to Spark in relation to size and operational scope.

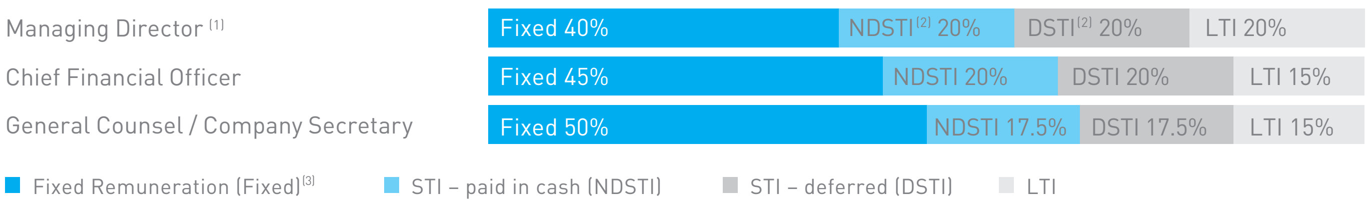
5.1 Executive remuneration structure

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

The 2015 STI and LTI opportunities are set out below:

EXECUTIVE	ROLE	STI OPPORTUNITY % OF FIXED REMUNERATION	LTI OPPORTUNITY % OF FIXED REMUNERATION
Rick Francis	Managing Director	100%	50%
Greg Botham	Chief Financial Officer	90%	35%
Alexandra Finley	General Counsel / Company Secretary	70%	30%

The potential maximum reward mix for Executives during 2015, expressed as a percentage of total potential maximum reward, is shown below:

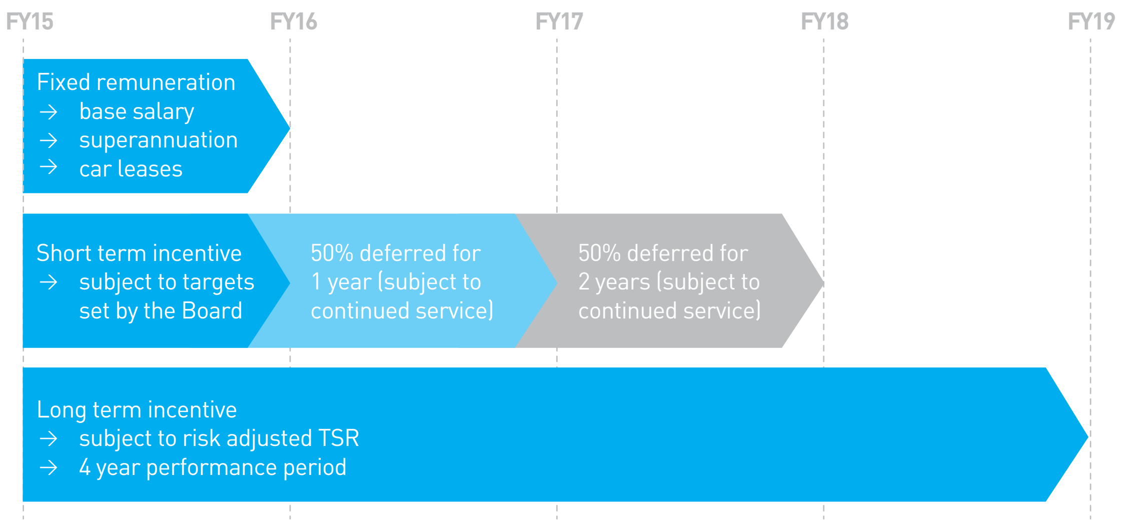


(1) The Board intends to increase the share of LTI as a proportion of the Managing Director's total remuneration at the time of any future increase in the Managing Director's remuneration package.
(2) Non-deferred short term incentives (NDSTI) and deferred short term incentives (DSTI).
(3) Fixed Remuneration includes superannuation and car leases, but excludes any Non-Monetary Items (e.g. car parking) which are not taken into account in determining percentage-based STI and LTI 'at risk' opportunities.

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

EXECUTIVE	FY2015 FIXED REMUNERATION ($)	CASH STI ($)	DEFERRED STI (UNTIL END OF 2016) ($)	DEFERRED STI (UNTIL END OF 2017) ($)	LTI ($)	TOTAL POTENTIAL
Managing Director	784,000	392,000	196,000	196,000	392,000	1,960,000
Chief Financial Officer	466,000	209,700	104,850	104,850	163,100	1,048,500
General Counsel / Company Secretary	352,820	123,487	61,744	61,744	105,846	705,641

The diagram below shows the timing for delivery of Executive remuneration for FY2015:



5.2 Fixed Remuneration

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

Remuneration increases for the Managing Director for 2016 will be delivered predominantly through an increase in LTI rather than Fixed Remuneration. The aim is to increase share of LTI as a proportion of total remuneration over time.

5.3 Short-term incentive ("STI") opportunity

KEY CHANGES DURING FY2015

50% of STI awards for 2016 and future years will be delivered in Performance Rights:

- 50% of the Performance Rights will be deferred for 12 months, subject to the Executive's continued employment
- 50% of the Performance Rights will be deferred for 24 months, subject to the Executive's continued employment

This change is intended increase equity holdings of Executives, and the Board believes that this will create stronger alignment between the interests of Executives and Securityholders.

The purpose of the STI is:

- To set performance measures that are challenging, provide a link between remuneration and performance and focus on creating sustainable returns for Securityholders.
- To focus Executives on the achievement of results in areas that are expected to impact the performance of Spark Infrastructure in the short term together with annual sustained performance.
- To assist in the attraction, reward and retention of high quality individuals, particularly during times of one-off transformational opportunity.
- To constrain the potential for unacceptable risk taking.
- To ensure that a significant portion of remuneration is 'at risk' with a mix of financial and non-financial performance measures.

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

What are Executives' STI opportunities?	The maximum STI opportunity is expressed as a percentage of Fixed Remuneration and is determined by each Executive's relative influence on Spark Infrastructure's performance. See section 6.1 for details.
What are the performance measures for STI awards?	The STI performance measures have fixed weightings between company financial results and the personal goals for each Executive. The financial key performance indicators comprise a mix of financial measures for the company and the financial performance of its underlying investments reflecting the nature of Spark Infrastructure's operations and the long term nature and characteristic of the assets in which it invests. The plan is designed to align STI outcomes with financial results and individual performance focusing on achievement of specific corporate measures over the year. By linking individual rewards to the achievement of Spark Infrastructure financial targets, these KPIs align the interests of Executives with Securityholders. The amount of STI payable (if any) is dependent on the extent to which: • The distribution gate has been satisfied (i.e. threshold level of performance before any STI will be awarded). The financial KPIs can only be considered if the distribution guidance target for the relevant year is achieved; • Spark Infrastructure has achieved its financial KPIs; and • Executives have achieved their personal KPIs.

What are the performance measures for STI awards? continued

KPI'S – FOR 2015	RICK FRANCIS *Individual Weighting*	GREG BOTHAM *Individual Weighting*	ALEXANDRA FINLEY *Individual Weighting*
Spark Infrastructure Financial KPIs	50%	40%	30%
Personal KPIs, which may be financial or non-financial	50%	60%	70%

Distribution Guidance

Distribution Guidance for FY2015 was 12.0 cents per security.

Financial KPIs

FINANCIAL GOAL	WEIGHTING	2015 RESULT (%)	2014 RESULT (%)
Spark Infrastructure Financial KPIs:			
• Spark Stand-alone Operating Cashflow	40%	47%	100%
• Spark Operating costs	20%	95%	55%
• Look-through Operating Cashflow	20%	100%	40%
• Net Debt/Regulatory Asset Base	20%	100%	79%
Overall result		**78%**	**79%**

Overall the financial performance for 2015 is calculated to be 78% (2014: 79%). The measurement scale for the financial KPIs is set out below, and final results are determined on a pro-rata basis between the range:

	BELOW THRESHOLD	TARGET	EXCEED STRETCH TARGET
Spark Infrastructure Financial KPIs	0%	50%	100%

Personal KPIs

Each Executive has a balanced scorecard setting out their personal KPIs for the year. There are consistent themes being:

- Strategy development and execution (strategic measures)
- Special projects delivery
- Government relations & regulatory management
- Stakeholder management (including partner relationships)
- Financial control (department)
- Internal business processes and quality
- People management

Each Executive has specific initiatives and measures under each area. Given the commonality of projects and tasks there is consistency in the initiatives and measures, although the weightings under each area differ by individual based on their relative importance and influence to the area.

The weightings and measurement applied between the various personal KPIs will vary between individual and will vary each year in response to the relative importance of matters such as business plans for the year, special projects and regulatory cycles and other activity.

At the end of the year, a formal review is undertaken and an assessment is made with each Executive. The outcome for personal performance for the 2015 year across Executives ranges between 75% and 93%.

How are STI awards delivered?	Deferral of a proportion of STI was introduced in 2015 under the revised remuneration framework with the objective of aligning the interests of Executives and Securityholders, to act as a retention mechanism and to encourage long term performance sustainability. 50% of any STI award earned is made in February following the year of assessment in cash. The remaining 50% of the award is deferred evenly over the following two years i.e. 25% is released 12 months later and the final 25% released 24 months later.
What do Executives receive under the deferred component?	Executives and other selected employees participate in the Deferred STI Plan for the deferred component of STI awards. **2014 / 2015: "Phantom" plan** For 2014 and 2015, deferred STI awards are delivered under a cash-based 'phantom' security plan. Executives are granted Notional Reference Securities that match the value of Spark Infrastructure's security price and have an initial value equivalent to the deferred STI outcome at the award date. They are not actual 'securities' and do not carry voting rights. STI payments are made in cash at the end of the deferral period, which includes cash equivalent distributions approximately equal to the distributions that the Executive would have been entitled to receive had they held the securities during the vesting period. **From 2016: Performance Rights** For STI awards in respect of performance periods commencing in 2016, the Board has decided that the deferred STI component will be delivered in the form of Performance Rights. This means that Executives will receive one Stapled Security for every Performance Right that vests, together with a distribution equivalent payment for each security allocated on vesting.
Can awards be reduced?	Clawback arrangements remain in place for Executives and the deferred STI may be forfeited if the employee leaves, negative financial misstatement occurs, if performance proves to be unsustainable, or if an acquisition or investment subsequently requires material write-down.
Over what periods are awards measured and delivered?	Performance period: 12 months (i.e. current financial year) 50% of STI will be paid in cash after the end of the performance period (i.e. in February each year). Subsequent vesting periods for deferred component: 25% 12 months after year-end, and final 25% 24 months after year end.
How is performance assessed?	Spark Infrastructure Financial KPIs and outcomes are reviewed by the RemCo and recommended to the Board for approval. This method of assessment is rigorous, objective and reflective of standard practice. Personal KPIs for Executives (other than the MD) are set and assessed by the MD and reviewed by the RemCo. The MD's performance is assessed and approved by the Board.
What if an Executive ceases to be employed by Spark Infrastructure?	The treatment of deferred STI awards on termination of employment will vary based on assessment by the Board on the circumstances of termination. This additional requirement is to enhance Spark Infrastructure risk management by: • Encouraging retention; • Allowing discovery of any factors that could contribute to financial restatement that may result in forfeiture of reward; • Allowing for a review of Executive behaviours to ensure they have complied with Spark Infrastructure's ethical and risk management guidelines and standards of business conduct; • Encouraging the establishment and maintenance of a sound management legacy; and • Maintaining Securityholder alignment for a longer period.
Can Executives hedge their awards?	Executives are not permitted to hedge their deferred STI awards.

5.4 Long-term incentive ("LTI") opportunity

KEY CHANGES DURING FY2015

From FY2015, LTI awards to Executives will be in the form of Performance Rights (rather than cash-based "phantom" awards).

The awards will continue to be tested against a risk adjusted TSR performance measure over a 4 year performance period – to promote transparency in relation to this performance measure, the Board has disclosed the methodology used to calculate the risk adjusted TSR performance measure, which is also subject to independent audit. This information is available on the corporate website at sparkinfrastructure.com/about/governance.

Similar to the changes to STI, this is intended to increase equity holdings of Executives, and the Board believes that this will create stronger alignment between the interests of Executives and Securityholders.

The purpose of the LTI is:

- To align Executive reward with the long-term interests of Spark Infrastructure and its Securityholders, ensuring creation of sustainable Securityholder returns.
- To set performance hurdles that measure performance in terms of risk management as well as returns.
- To ensure that a significant portion of remuneration is 'at risk'.

Executives and other selected employees participate in an LTI plan. The plan is designed to focus performance and reward long term drivers of Securityholder value.

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

What are Executives' LTI Opportunities?

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

FOR 2015	POSITION	LTI OPPORTUNITY (% OF FIXED REMUNERATION)
Mr Rick Francis	MD	50%
Mr Greg Botham	CFO	35%
Ms Alexandra Finley	GC&CS	30%

What are the performance conditions that apply to LTI awards?

For awards made from FY2014, the relative performance measure is based on risk adjusted TSR, using Jensen's Alpha, which is a well-known and credible methodology (described below).

The single performance hurdle is the achievement of a risk adjusted TSR assessed against the following peer group – Companies in the S&P ASX 200 index at the grant date (100% weighting).

The risk adjusted TSR is the return on a security in excess of what would be expected given its relative riskiness (or beta as determined by capital asset pricing model (CAPM) principles). The excess return of Spark Infrastructure is compared to the excess returns of S&P ASX 200 index companies, over the performance period, to determine its percentile ranking. Because the method takes into account market and share price volatility, share price is not averaged prior to the start and end of the performance period. The risk adjusted TSR outcome is produced independent of Management and is externally reviewed on an annual basis. The Board has disclosed the methodology used to calculate the Risk Adjusted TSR applicable to assess the LTI. This information is available on the corporate website at sparkinfrastructure.com/about/governance.

The level of risk adjusted TSR growth achieved by Spark Infrastructure in each period is given a percentile ranking having regard to its performance versus companies in the peer groups. The degree to which the LTI opportunity vests is determined by reference to the following scales.

TSR PERCENTILE RANKING	% OF AWARD VESTING
← 51st	0%
51st	30%
51st – 75th	Increasing proportionally on a straight line basis from > 30% to <100%
75th or higher	100%

Testing of awards will occur shortly after the end of the performance period. If any LTI awards do not vest on testing, they will immediately lapse.

Why was the performance condition chosen?	While risk adjusted TSR may not be as simple as a relative TSR measure, it is in the opinion of the Board a far superior and more appropriate performance measure from the perspective of Securityholders' interests and the Board has committed to ensure independent objective measurement by ensuring the calculation is undertaken by an external consultant independent of management. Further details regarding the Board's rational for using risk adjusted TSR can be found at sparkinfrastructure.com/about/governance.
Over what period is performance assessed?	The period for assessment of the risk adjusted TSR performance hurdle is four years.
Is there any retesting of awards?	There is no retesting of LTI awards.
How are awards delivered?	From FY2015 the LTI will be delivered in the form of Performance Rights. Executives will receive one Stapled Security for every Performance Right that vests, together with a distribution equivalent payment for each security allocated on vesting. This distribution equivalent payment will be approximately equal to the distributions that the Executive would have been entitled to receive had they held the securities during the vesting period. While FY2015 awards were initially granted as "phantom" equity (i.e. they would be settled in cash payments to the extent that the performance conditions are met), the Board decided to vary these awards to implement changes to Spark's remuneration framework introduced following feedback at the 2015 AGM.
What if an Executive ceases to be employed by Spark Infrastructure?	The treatment of Performance Rights on termination of employment will vary based on assessment by the Board on the circumstances of termination. This additional requirement is to enhance Spark Infrastructure risk management by: • Encouraging retention; • Allowing discovery of any factors that could contribute to financial restatement that may result in forfeiture of reward; • Allowing for a review of Executive behaviours to ensure they have complied with Spark Infrastructure's ethical and risk management guidelines and standards of business conduct; • Encouraging the establishment and maintenance of a sound management legacy; and • Maintaining Securityholder alignment for a longer period.
Can Executives hedge their awards?	Executives are not permitted to hedge their LTI Performance Rights awarded under the Spark Infrastructure Incentive Plan.

6. DETAILS OF EXECUTIVE REMUNERATION

6.1 Statutory Executive remuneration table

	SHORT-TERM EMPLOYEE BENEFITS						POST-EMPLOYMENT BENEFITS		LONG-TERM EMPLOYEE BENEFITS					
	2015 SALARY ($)	2014 SALARY ($)	2015 TOTAL STI EXPENSE ($)	2014 TOTAL STI EXPENSE ($)	2015 NON-MONETARY ($)	2014 NON-MONETARY ($)	2015 SUPER-ANNUATION ($)	2014 SUPER-ANNUATION ($)	2015 TOTAL LTI EXPENSE ($)	2014 TOTAL LTI EXPENSE ($)	2015 LTI TRANSITION EXPENSE ($)	2014 LTI TRANSITION EXPENSE ($)	2015 TOTAL EXPENSE ($)	2014 TOTAL EXPENSE ($)
Executives														
Mr Rick Francis	759,000	675,000	601,010	394,187	35,151	31,361	25,000	25,000	52,318	793,843	210,000	35,000	1,682,479	1,954,391
Mr Greg Botham	446,954	381,721	324,398	206,040	22,439	21,265	19,046	18,279	15,236	324,050	108,000	18,000	936,073	969,355
Ms Alexandra Finley	333,774	264,721	180,215	109,871	25,638	23,979	19,046	18,279	10,037	247,013	59,430	9,905	628,140	673,768
	1,539,728	1,321,442	1,105,623	710,098	83,228	76,605	63,092	61,558	77,591	1,364,906	377,430	62,905	3,246,692	3,597,514

6.2 Actual remuneration received by Executives

The format and content of the Remuneration Report are reviewed each year with a view to presenting information consistently, concisely and in a form that complies with the *Corporations Act 2001* (Cth) and Accounting Standards. Spark Infrastructure has continued to provide voluntary disclosure of actual remuneration received by each Executive. Actual remuneration received is provided in addition to the statutory reporting of remuneration expense (refer section 6.1) to increase transparency about what the Executive actually received during the year.

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

The LTI paid in FY2015 relates to the 2012 LTI allocation which vested on 31 December 2014 and was paid in February 2015. The 2013 LTI allocation was tested and 34% of the award vested on 31 December 2015, which will be paid in February 2016. This will be included in the actual remuneration received table in next year's Remuneration Report. The 2014 and 2015 LTI allocations are still subject to performance and service conditions and are still 'at risk' of forfeiture.

	SHORT-TERM EMPLOYEE BENEFITS						POST-EMPLOYMENT BENEFITS		LONG-TERM EMPLOYEE BENEFITS			
	2015 SALARY ($)	2014 SALARY ($)	2015 STI PAID ($)	2014 STI PAID ($)	2015 NON-MONETARY ($)	2014 NON-MONETARY ($)	2015 SUPER-ANNUATION ($)	2014 SUPER-ANNUATION ($)	2015 LTI PAID ($)	2014 LTI PAID ($)	2015 TOTAL EXPENSE ($)	2014 TOTAL EXPENSE ($)
Executives												
Mr Rick Francis	759,000	675,000	278,250	350,000	35,151	31,361	25,000	25,000	461,449	135,196	1,558,850	1,216,557
Mr Greg Botham	446,954	381,721	145,440	170,000	22,439	21,265	19,046	18,279	170,352	38,173	804,231	629,438
Ms Alexandra Finley	333,774	264,721	77,556	100,000	25,638	23,979	19,046	18,279	163,071	63,622	619,085	470,601
	1,539,728	1,321,442	501,246	620,000	83,228	76,605	63,092	61,558	794,872	236,991	2,982,166	2,316,596

6.3 Performance-related remuneration

6.3.1 Short Term Incentives (STIs)

STI deferral was introduced in 2015. For STI awards for 2014 and 2015, the deferred component was delivered in the form of 'Notional Reference Securities' under the cash-based 'phantom' security plan. From 2016, the deferred component of the STI will be delivered in the form of Performance Rights.

The following tables show the STIs that were awarded, paid and deferred during the year and the number of Notional Reference Securities awarded to Executives under the Deferred STI Plan for 2014 and 2015, the years in which they may vest and the expense recognised. The fair value attributed to the Notional Reference Securities will be remeasured at the end of each reporting period until the date of allotment. Any changes in fair value are recognised within profit or loss.

TOTAL STI EXPENSE IN RELATION TO 2015		TOTAL STI AWARD ($)	STI ACHIEVED (% OF OPPORTUNITY)	STI FORFEITED (% OF OPPORTUNITY)	STI AWARD TO BE PAID[1] ($)	STI AWARD DEFERRED ($)	STI EXPENSE[2] ($)
Mr Rick Francis	2015 Award	670,400	85.5%	14.5%	335,200	335,200	474,484
	2014 Deferred Expense						126,526
							601,010
Mr Greg Botham	2015 Award	364,900	87.0%	13.0%	182,450	182,450	258,263
	2014 Deferred Expense						66,135
							324,398
Ms Alexandra Finley	2015 Award	204,800	82.9%	17.1%	102,400	102,400	144,950
	2014 Deferred Expense						35,265
							180,215

(1) STI to be paid in February 2016.
(2) STI Expense reflects the amount expensed in the year for both STI and Deferred STI based on the period of service completed by the Executives at 31 December 2015.

DEFERRED STI IN RELATION TO 2015	DATE OF AWARD	NOTIONAL REFERENCE SECURITIES (NO)	OPENING VWAP ($)	CLOSING VWAP ($)	AMOUNT PAYABLE/ FAIR VALUE ($)	DEFERRED STI EXPENSE ($)	EXPECTED VESTING DATE
Mr Rick Francis	1 Jan 2015	70,622	1.97	1.92	143,892	74,330	31 Dec 2015
	1 Jan 2015	70,622	1.97	1.92	98,570	52,196	31 Dec 2016
	1 Jan 2016	87,292	1.92	1.92	83,570	83,570	31 Dec 2016
	1 Jan 2016	87,292	1.92	1.92	55,714	55,714	31 Dec 2017
		315,828			381,746	265,810	
Mr Greg Botham	1 Jan 2015	36,914	1.97	1.92	75,212	38,852	31 Dec 2015
	1 Jan 2015	36,914	1.97	1.92	51,523	27,283	31 Dec 2016
	1 Jan 2016	47,513	1.92	1.92	45,488	45,488	31 Dec 2016
	1 Jan 2016	47,413	1.92	1.92	30,325	30,325	31 Dec 2017
		168,854			202,548	141,948	
Ms Alexandra Finley	1 Jan 2015	19,684	1.97	1.92	40,106	20,717	31 Dec 2015
	1 Jan 2015	19,684	1.97	1.92	27,474	14,548	31 Dec 2016
	1 Jan 2016	26,667	1.92	1.92	25,530	25,530	31 Dec 2016
	1 Jan 2016	26,667	1.92	1.92	17,020	17,020	31 Dec 2017
		92,702			110,130	77,815	

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

(1) STI paid in February 2015.
(2) STI Expense reflects the amount expensed in the year for both STI and Deferred STI based on the period of service completed by the Executives at 31 December 2014.

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

6.3.2 Long Term Incentives (LTIs)

From 2015, the LTI Plan is delivered in the form of Performance Rights. The 2013 and 2014 LTI awards were delivered as 'Notional Reference Securities' under the former cash-based 'phantom' security plan and will be settled in cash.

The following tables set out the number of Performance Rights or Notional Reference Securities that have been awarded to Executives under the LTI plan, the years in which they may be paid 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 allotment. Any changes in fair value are recognised within profit or loss.

2015	DATE OF AWARD	PERFORMANCE RIGHTS / REFERENCE SECURITIES (NO.)	OPENING VWAP/ FAIR VALUE ($)	NOTIONAL TSR ACHIEVEMENT (%)	CLOSING VWAP ($)	AMOUNT PAYABLE/FAIR VALUE ($)	LTI EXPENSE[1] ($)	ACTUAL/ EXPECTED VESTING DATE
Mr Rick Francis	1 Jan 2013	229,091	1.65	34%	1.92	173,253	(113,455)	31 Dec 2015[2]
	1 Jan 2014	220,126	1.59	80%	1.92	376,645	75,359	31 Dec 2017
	1 Jan 2015	198,985	1.70	N/A	N/A	361,655	90,414	31 Dec 2018
							52,318	
Mr Greg Botham	1 Jan 2013	106,061	1.65	34%	1.92	80,210	(52,526)	31 Dec 2015[2]
	1 Jan 2014	88,050	1.59	80%	1.92	150,657	30,143	31 Dec 2017
	1 Jan 2015	82,792	1.70	N/A	N/A	150,474	37,619	31 Dec 2018
							15,236	
Ms Alexandra Finley	1 Jan 2013	65,939	1.65	34%	1.92	49,867	(32,656)	31 Dec 2015[2]
	1 Jan 2014	53,396	1.59	80%	1.92	91,363	18,280	31 Dec 2017
	1 Jan 2015	53,729	1.70	N/A	N/A	97,652	24,413	31 Dec 2018
							10,037	

(1) At 31 December 2015 it was determined that cash payments under the long term incentive were less likely to vest than before and as a result previously accrued expenses were reversed, giving rise to a negative expense for FY2013 Award.
(2) 34% of the 2013 LTI allocation vested on 31 December 2015 and will be paid in February 2016.

6.3.3 Movements in Performance Rights during the year

The movement in the number of Performance Rights for KMP during the year is set out below:

	BALANCE AT 1 JANUARY 2015	GRANTED AS REMUN-ERATION	VALUE OF RIGHTS GRANTED ($)[1]	VESTED	EXERCISED	VALUE OF RIGHTS VESTED / EXERCISED ($)	LAPSED	NET OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2015
Mr Rick Francis	–	198,985	338,275	–	–	–	–	13,753	212,738
Mr Greg Botham	–	82,792	140,746	–	–	–	–	5,722	88,514
Ms Alexandra Finley	–	53,729	91,339	–	–	–	–	3,714	57,443
Total	**–**	**335,506**	**570,360**	**–**	**–**	**–**	**–**	**23,189**	**358,695**

(1) The fair value of the Performance Rights granted to Executives on 1 January 2015 was calculated on the grant date as $1.70. The fair value has been calculated by an independent advisor using a Monte Carlo simulation. No price is payable on acquisition of these rights, and there is no exercise price. Subject to the achievement of relevant performance conditions, these rights would be expected to vest on 31 December 2018.

6.3.4 LTI Transition Payment

As disclosed in last year's Remuneration Report, Executives will have the opportunity to receive a "one-off" LTI Transition Payment, which will vest at 31 December 2016. The LTI Transition Payment is not a guaranteed award and is subject to the Board's discretion, having regard to the performance during the 2014–2016 financial years. Any LTI Transition Payment will be paid in February 2017. When making its determination, the Board will consider all relevant aspects of performance over the 2014–2016 period with those performance considerations detailed at the time.

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

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

6.3.5 Prior year LTI grants

In previous years, LTI awards were delivered as "phantom" equity and subject to different performance measures and periods to FY2015 awards.

The following table sets out the performance measures that applied to the 2012 and 2013 LTI awards.

What performance measures applied to pre-2014 awards?

The relative performance measure is based on TSR.

Relative TSR is assessed against two peer groups for the remaining 2013 grants being:

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

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

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

The starting and closing security price for each reference security are determined based on the 30 trading days' volume weighted average market price ("VWAP") of the security immediately prior to the start and end of the performance period.

For the 2013 remaining grant:

TSR PERCENTILE RANKING	% OF AWARD VESTING
< 51st	0%
51st	50%
51st – 100th	Increasing proportionally on a straight line basis from > 50% to < 150%
100th	150%

What is the performance period for pre-2014 awards?

Performance will be assessed over a three year period for those notional reference securities awarded under the 2012 and 2013 LTI allocation.

The 2012 LTI awards were tested during FY2015 and vested in full.

Further details regarding these awards are set out in the 2013 and 2014 Remuneration Reports, which are available on Spark's website.

7. DESCRIPTION OF NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration for Non-Executive Directors is designed to ensure that Spark Infrastructure can attract and retain suitably qualified and experienced directors. Fees for Non-Executive Directors are fixed and are not linked to the financial performance of Spark Infrastructure. However, all current Non-Executive Directors are expected to hold securities in Spark Infrastructure to reflect alignment with Securityholder interests.

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

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

- The Board Chair's fee to be in the range of 2.0 – 2.5 times the base Non-Executive Director fee;
- The Board Chair shall be eligible to receive a committee membership / chair fee in addition to the base Chair Board fee;
- Members of board committees shall be eligible to receive a committee membership fee in addition to the base Non-Executive Director fee, set at approximately half the fee of the committee chair;
- In addition, Directors may be appointed to special purpose committees established from time to time (eg the Due Diligence Committee). Directors who are members of special purpose committees are entitled to receive a committee membership fee in addition to their other fees. These special purpose committee membership fees are determined by the Board; and
- In setting the fees applicable to committee chairs and committee members, the Board takes into account the relative workloads of committees.

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

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

Increases to fee levels for FY2015 were approximately 4% to maintain alignment with market standards in accordance with the external remuneration consultant's recommendation. Except for the payment of statutory superannuation entitlements (where applicable), Non-Executive Directors do not receive any other post-employment benefits.

In 2015, a number of special purpose committees were established to manage the workload of the Board. These committees included a Due Diligence Committee for the purposes of the TransGrid transaction and associated equity raise. The Due Diligence Committee was comprised of two Non-Executive Directors and met 11 times from 25 September through to 21 December 2015.

As part of the Board's program of renewal and succession planning, two new Non-Executives Directors were appointed in October 2014 in anticipation of the retirement of a long standing Non-Executive Director in May 2015. A further Non-Executive Director was appointed in December 2015 to the position of Deputy Chair following the announcement of the retirement of the Board Chairman expected in May 2016. The aggregate fee limit for Non-Executive Directors approved by Securityholders is $2.0 million, and is unchanged from prior years.

As a separate but related matter, a number of Non-Executive Directors have also been appointed as directors on the Boards of SA Power Networks, Victoria Power Networks and TransGrid (the "Investment Portfolio Boards"), refer 9.2 below. Those Non-Executive Directors who are also directors on the Investment Portfolio Boards are entitled to receive director's fees which reflect the separate corporate and legal responsibilities as directors of those companies. Investment Portfolio Board director's fees are determined and paid for by the relevant investment. For the avoidance of doubt, director's fees for the Investment Portfolio Boards do not form part of the aggregate fee limit for Spark Infrastructure.

8. DETAILS OF NON-EXECUTIVE DIRECTOR REMUNERATION

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

	SHORT-TERM EMPLOYEE BENEFITS						POST-EMPLOYMENT BENEFITS		LONG-TERM EMPLOYEE BENEFITS			
	2015 FEES ($)	2014 FEES ($)	2015 STI PAID OR PAYABLE ($)	2014 STI PAID OR PAYABLE ($)	2015 NON-MONETARY ($)	2014 NON-MONETARY ($)	2015 SUPER-ANNUATION[3] ($)	2014 SUPER-ANNUATION[3] ($)	2015 LTI EXPENSE ($)	2014 LTI EXPENSE ($)	2015 TOTAL EXPENSE ($)	2014 TOTAL EXPENSE ($)
Non-Executive Directors												
Mr Brian Scullin	271,621	268,721	–	–	–	–	19,046	18,279	–	–	290,667	287,000
Mr Andrew Fay[1]	166,758	123,886	–	–	–	–	15,842	11,614	–	–	182,600	135,500
Ms Anne McDonald	160,274	154,514	–	–	–	–	15,226	14,486	–	–	175,500	169,000
Ms Christine McLoughlin[2]	134,551	27,641	–	–	–	–	12,782	2,626	–	–	147,333	30,267
Dr Douglas McTaggart[2]	6,661	–	–	–	–	–	633	–	–	–	7,294	–
Ms Karen Penrose[1][2]	166,758	27,772	–	–	–	–	15,842	2,638	–	–	182,600	30,411
Dr Keith Turner	150,800	133,000	–	–	–	–	–	–	–	–	150,800	133,000
Ms Cheryl Bart AO[2]	50,587	123,886	–	–	–	–	4,806	11,614	–	–	55,393	135,500
	1,108,010	859,420	–	–	–	–	84,177	61,257	–	–	1,192,187	920,678

(1) Mr Fay and Ms Penrose were members of the Due Diligence Committee and received $3,200 per meeting.

(2) Dr McTaggart was appointed on 11 December 2015, Ms McLoughlin and Ms Penrose were appointed on 1 October 2014; and Ms Bart retired on 22 May 2015. The amounts included for Dr McTaggart, Ms McLoughlin, Ms Penrose and Ms Bart represent payments made or payable relating to the period during which they were Non-Executive Directors.

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

8.2 Investment Portfolio Board Fees – 2015 and 2014

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' annual fees as directors of the Investment Portfolio Boards. These fees are paid by the investments and do not form part of Spark Infrastructure's aggregate fee limit.

Ms Bart was entitled to Director's annual fees totalling $100,000 as a director on the SA Power Networks Board comprised as follows. Ms Bart retired from the Board of SA Power Networks in April 2015.

- Non-Executive Director – annual fee of $75,000
- Chair of Audit Committee – annual fee of $15,000 (pro-rata to April 2015)
- Member of Risk Management and Compliance Committee – annual fee of $10,000

Ms McDonald was entitled to Director's annual 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 annual 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

Dr Turner was appointed to the Board of NSW Electricity Networks Operations Holdings Trust (trading as TransGrid) with effect from 16 December 2015 and received pro-rata fees from this date. His fees as a director of TransGrid are set out below:

- Non-Executive Director of the TransGrid Board – annual fee of $90,000
- Chair of TransGrid Environmental Health and Safety Committee – annual fee of $7,500

Mr Fay was entitled to Director's annual fees of $195,000 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
- Chair of SA Power Networks Audit Committee – annual fee of $15,000 (pro-rata from April 2015)
- Member of SA Power Networks Risk Management and Compliance Committee – annual fee of $10,000 (from April 2015)
- Member of SA Power Networks Remuneration Committee – annual fee of $10,000.

The Spark Infrastructure MD and CFO also sit on boards and committees of Spark Infrastructure's investments. All fees received in respect of their services are paid to Spark Infrastructure.

9. STAPLED SECURITY HOLDINGS

9.1 Executive Security Holdings

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

2015	OPENING BALANCE 1 JANUARY 2015 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2015 (NO.)
Mr Rick Francis	18,500	5,442	23,942
Mr Greg Botham	–	–	–
Ms Alexandra Finley	–	–	–

9.2 Non-Executive Directors' Stapled Security Holdings

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

2015	OPENING BALANCE 1 JANUARY 2015 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2015 (NO.)
Mr Brian Scullin	10,000	67,648	77,648
Mr Andrew Fay	53,000	15,590	68,590
Ms Anne McDonald	48,500	12,500	61,000
Ms Christine McLoughlin	30,000	21,766	51,766
Dr Douglas McTaggart (appointed 2015)	–	50,000	50,000
Ms Karen Penrose	25,000	13,824	38,824
Dr Keith Turner	58,500	17,206	75,706
Ms Cheryl Bart AO (retired 2015)	160,714	–	–

While there is no strict requirement for the level of security holdings for Directors, there is an expectation that Directors' holdings will be meaningful and will remain at a reasonable level in the future.

10. KEY TERMS OF EMPLOYMENT CONTRACTS

10.1 Managing Director and Chief Executive Officer

The key terms of the MD's employment agreement are set out below.

Short-term Incentive (STI)	• For performance during the Financial Year, the MD's annual STI opportunity will be 100% of his Fixed Remuneration. • The MD is eligible for a pro-rated STI award for a part year of completed service (unless his employment is terminated for cause) in an amount determined by the Board by reference to the original performance objectives. No minimum STI guarantee will apply. • Any actual STI payment will be subject to achievement of quantitative and qualitative performance objectives set by the Board. From 2016, STI opportunity will be a mix of 60% Company financial measures and 40% personal objectives. • 50% of any STI payment will be deferred under the Deferred STI Plan.
Long-term Incentive (LTI)	• The MD is eligible to participate in the LTI Plan. • The MD's LTI award opportunity is 50% of his Fixed Remuneration. (From 1 January 2016 the LTI award opportunity is 65%.)
Notice / Payment in Lieu	• The MD's notice period is 6 months or payment in lieu thereof. • Any payment in lieu will be calculated based on the MD's current Fixed Remuneration.
Termination Payment	• Where Spark Infrastructure terminates the MD's employment (other than for cause), the MD will be entitled to a termination payment of 12 months' Fixed Remuneration. • Any termination payment must comply with Part 2D.2, Division 2 of the *Corporations Act 2001*.

10.2 Executive contracts

The following table sets out the notice periods and termination payments payable under the individual Executive contracts in force as at 1 January 2016.

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

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

Termination for cause

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

Termination other than for cause

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

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

Treatment of Incentives on termination

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

On termination with cause, it is intended that all unvested Performance Rights would lapse.

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

11. EXPLANATION OF KEY TERMS USED IN THIS REPORT

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

Key Management Personnel (KMP)	Those people who have authority and responsibility for planning, directing and controlling the major activities of Spark Infrastructure, directly or indirectly, including any Director (whether Non-Executive or otherwise) of Spark Infrastructure and any Executive.
Executives	The Managing Director and Chief Executive Officer, the Chief Financial Officer and the General Counsel / Company Secretary.
Fixed Remuneration	Fixed Remuneration is the fixed annual remuneration component of Total Remuneration. Fixed Remuneration includes cash, superannuation and car leases but excludes Non-Monetary Items.
Non-Monetary Items	This includes 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 and is based on achievement during the current financial year of Spark Infrastructure's financial Key Performance Indicators (KPIs); and the Executive's personal KPIs measured over the financial year. The STI is comprised of two components. Half of the award is paid immediately after the end of the current financial year, while the remaining half is deferred and vests (in two equal tranches) 12 and 24 months after the end of the financial year, subject to specified vesting conditions. The deferred component of the STI is delivered in the form of Notional Reference Securities for 2014 and 2015 deferred STI awards. Deferred STI awards for 2016 and later years will be delivered in the form of Performance Rights.

Long-term Incentive (LTI)	LTI is the long-term incentive component of Total Remuneration. LTI was historically a cash settled incentive based on achievement of Spark Infrastructure's relative Total Securityholder Return performance versus other companies in the S&P ASX 200 index. During FY2014 there was a change in the LTI scheme: • With effect from 1 January 2014, the performance of Spark Infrastructure's risk adjusted TSR is measured solely against other companies in the S&P ASX 200 index, with a four year performance period, subject to specified vesting conditions. • Prior to 31 December 2013, TSR performance (not risk adjusted) was measured equally against the S&P ASX 200 index as well as against the S&P ASX Infrastructure index, with a three year performance period, subject to specified vesting conditions. From 2015, the LTI scheme is delivered in the form of Performance Rights. These changes are explained more fully in the Remuneration Report.
Notional Reference Securities	Notional Reference Securities are award units that match the value of Spark Infrastructure's security price and have an initial value equivalent to the deferred STI outcome at the award date. They are not actual 'securities' and do not carry voting rights. At the end of the deferral period, the Executive will receive an STI payment in cash, which includes cash equivalent distributions approximately equal to the distributions that the Executive would have been entitled to receive had they held the securities during the vesting period.
Performance Hurdle	The performance of Spark Infrastructure's risk adjusted TSR measured against other companies in the S&P ASX 200 index at the grant date. Further details are set out in section 5.4 above and on Spark Infrastructure's website at sparkinfrastructure.com/about/governance
Performance Rights	Performance Rights are an entitlement to receive Spark Infrastructure Stapled Securities provided that the Performance Hurdle is satisfied. It is the Board's current intention that if the performance and other conditions are satisfied, Executives will receive Stapled Securities. However, the Board has the discretion to settle the Performance Rights by a cash equivalent payment instead of Stapled Securities in appropriate circumstances (e.g. on cessation of employment). Performance Rights are granted to Executives at no cost and there is no cost associated with the allocation of Stapled Securities on vesting. Where a Performance Right 'vests', the Executive will generally be entitled to one Stapled Security for each vested Performance Right, as well as a distribution equivalent payment that aims to provide Executives with a payment approximately equal to the distributions that the Executive would have been entitled to receive had they held the Stapled Securities during the vesting period.
Stapled Security	The security traded on the ASX under the ticker "SKI" (comprising one unit in Spark Infrastructure Trust stapled to one loan note issued by Spark Infrastructure RE Limited (ACN 114 940 984) in its capacity as responsible entity for Spark Infrastructure Trust).
Total Remuneration	Total Remuneration comprises Fixed Remuneration plus Non-Monetary Items plus STI plus LTI.
Total Securityholder Return (TSR)	Total Securityholder Return is the total return from a security to an investor. It combines security price appreciation or diminution plus distributions reinvested to show the total return to an investor.

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

On behalf of the Directors:

B Scullin
Chair

R Francis
Managing Director

Sydney
22 February 2016

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 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

The Board of Directors
Spark Infrastructure Trust
Level 25, 259 George Street
SYDNEY NSW 2000

22 February 2016

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 2015, 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

Jason Thorne
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The Directors declare that:

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

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

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

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

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

On behalf of the Directors:

B Scullin
Chair

R Francis
Managing Director

Sydney
22 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	NOTES	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
INCOME FROM ASSOCIATES:			
– Share of equity profits	8 (c)	161,465	180,802
– Interest income	3 (a)	81,512	80,898
		242,977	261,700
Gain on derivative contracts		24,295	24,908
Other income – interest		3,333	2,146
		270,605	288,754
Interest expense – other	3 (b)	(3,589)	(2,051)
General and administrative expenses	3 (c)	(14,196)	(11,315)
Transaction fees – derivative contracts		–	(3,296)
Profit before Income Tax and Loan Note Interest		252,820	272,092
Interest expense – Loan Notes		(111,034)	(103,378)
Profit before Income Tax attributable to Securityholders		141,786	168,714
Income tax expense	4 (a)	(53,762)	(40,581)
Net Profit attributable to Securityholders		88,024	128,133
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Share of associates' other comprehensive income:			
– Gain on hedges	15	17,763	26,135
– Actuarial gain/(loss) on defined benefit plans	16	33,435	(38,411)
Income tax (expense)/benefit related to components of other comprehensive income		(16,575)	3,683
Other comprehensive income/(loss) for the Financial Year		34,623	(8,593)
Total Comprehensive Income for the Financial Year attributable to Securityholders		122,647	119,540
EARNINGS PER SECURITY			
Weighted average number of stapled securities (No'000)	18	1,478,695	1,408,089
Profit before income tax and Loan Note interest ($'000)		252,820	272,092
Basic earnings per security before income tax and Loan Note interest (cents)	18	17.10¢	19.32¢
Earnings used to calculate earnings per security ($'000)		88,024	128,133
Basic earnings per security based on net profit attributable to Securityholders (cents)	18	5.95¢	9.10¢

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

Notes to the financial statements are included on pages 39–64.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	NOTES	31 DEC 2015 $'000	31 DEC 2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	27 (a)	18,284	124,435
Receivables from associates	5	10,578	11,294
Other financial assets	6	1,748	–
Other current assets	7	811	959
Total Current Assets		31,421	136,688
NON-CURRENT ASSETS			
Property, plant and equipment		147	184
Investments in associates:			
– Investments accounted for using the equity method	8 (d)	2,495,256	1,898,979
– Loans to associates	9	745,601	745,601
– Loan notes to associates	10	237,444	–
Other financial assets	6	214,369	237,758
Total Non-Current Assets		3,692,817	2,882,522
Total Assets		3,724,238	3,019,210
CURRENT LIABILITIES			
Payables	11	6,822	3,363
Loan Note interest payable to Securityholders		59,711	52,056
Other financial liabilities	6	–	26,747
Total Current Liabilities		66,533	82,166
NON-CURRENT LIABILITIES			
Payables	11	1,907	2,295
Loan Notes attributable to Securityholders	12	1,061,704	925,841
Interest bearing liabilities	13	203,422	(640)
Deferred tax liabilities	4 (c)	234,317	163,980
Total Non-Current Liabilities		1,501,350	1,091,476
Total Liabilities		1,567,883	1,173,642
Net Assets		2,156,355	1,845,568
EQUITY			
Equity attributable to Parent Entity			
– Issued capital	14	1,303,404	1,115,263
– Reserves	15	(17,404)	(28,622)
– Retained earnings	16	870,355	758,927
Total Equity		2,156,355	1,845,568
TOTAL EQUITY ATTRIBUTABLE TO SECURITYHOLDERS IS AS FOLLOWS:			
Total Equity		2,156,355	1,845,568
Loan Notes attributable to Securityholders		1,061,704	925,841
Total Equity and Loan Notes		3,218,059	2,771,409

Notes to the financial statements are included on pages 39–64.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2015

	NOTES	ISSUED CAPITAL $'000	HEDGING RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
2014					
Balance at 1 January 2014		1,022,153	(46,916)	657,682	1,632,919
Net profit for the financial year		–	–	128,133	128,133
Other comprehensive income for the year, net of income tax	15,16	–	18,294	(26,888)	(8,594)
Total comprehensive income for the financial year		–	18,294	101,245	119,539
Capital distributions	14	(58,864)	–	–	(58,864)
Contributions of equity (net of issue costs)	14	151,974	–	–	151,974
Balance at 31 December 2014		1,115,263	(28,622)	758,927	1,845,568
2015					
Balance at 1 January 2015		1,115,263	(28,622)	758,927	1,845,568
Net profit for the financial year		–	–	88,024	88,024
Other comprehensive income for the year, net of income tax	15,16	–	11,218	23,404	34,622
Total comprehensive income for the financial year		–	11,218	111,428	122,646
Capital distributions	14	(68,919)	–	–	(68,919)
Contributions of equity (net of issue costs)	14	257,060	–	–	257,060
Balance at 31 December 2015		1,303,404	(17,404)	870,355	2,156,355

Notes to the financial statements are included on pages 39–64.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 December 2015

	NOTES	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Distribution from associates – preferred partnership capital		69,635	69,635
Dividends received – associates		44,590	55,370
Interest received – associates		82,228	81,249
Distributions received from derivative contracts		32,535	15,803
Finance costs paid – derivative contracts		(10,062)	(6,105)
Interest received – other		3,794	1,687
Interest paid – other		(2,680)	(1,463)
Other expenses		(12,690)	(9,229)
Net Cash Inflow Related to Operating Activities	27 (c)	207,350	206,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(31)	–
Loan notes advanced to NSW Electricity Networks Operations Holdings Trust		(237,444)	–
Subscription for units in NSW Electricity Networks Assets Holdings Trust		(344,498)	–
Subscription for units in NSW Electricity Networks Operations Holdings Trust		(153,342)	–
Payment of forward derivative contract		–	(195,800)
Transaction costs – derivative contracts		(3,841)	(2,739)
Net Cash Outflow Related to Investing Activities		(739,156)	(198,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of stapled securities		405,424	245,742
Payment of issue costs		(10,868)	(4,779)
Drawdown of external borrowings		205,000	–
Payments of external borrowing costs		(1,604)	(685)
Distributions to Securityholders:			
– Loan Note interest		(103,378)	(98,422)
– Capital distributions		(68,919)	(58,864)
Net Cash Inflow Related to Financing Activities		425,655	82,992
Net (Decrease)/Increase in Cash and Cash Equivalents for the Current Year		(106,151)	91,400
Cash and cash equivalents at beginning of the Current Year		124,435	33,035
Cash and Cash Equivalents at end of the Current Year	27 (a)	18,284	124,435

Notes to the financial statements are included on pages 39–64.

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 22 February 2016.

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 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010) and the relevant amending standards	The Directors have elected under s.334(5) of the *Corporations Act 2001* to apply AASB 9 'Financial Instruments' (December 2010) for this Financial Year, even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2018. This version of AASB 9 incorporates revised requirements for the classification and measurement of financial liabilities and carrying over of the existing de-recognition requirements from AASB 139 'Financial Instruments: Recognition and Measurement'. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income, rather than within profit or loss. This new version supersedes AASB 9 'Financial Instruments' (December 2009). The application of AASB 9 'Financial Instruments' (2010) from 1 January 2015 has not resulted in any changes to the classification and measurement of financial assets and financial liabilities of the Group. In addition, there have been no changes to the carrying amounts of financial assets and financial liabilities as a result of the application of AASB 9 'Financial Instruments'. AASB 9 'Financial Instruments' (December 2014), AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010) will be adopted from 1 January 2018.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(a) New and revised standards and interpretations continued

NEW AND REVISED STANDARD	REQUIREMENTS AND IMPACT ASSESSMENT
AASB 2014-1 'Amendments to Australian Accounting Standards' • Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' • Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' • Part C: 'Materiality'	Part A makes various amendments to Australian Accounting Standards arising from the issuance of Annual Improvements to IFRS 2010–2012 and 2011–2013 cycles. Part B makes narrow scope amendments to AASB 119 *Employee Benefits* that apply to contributions from employees or third parties to defined benefit plans. Part C makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 *Materiality*. The application of the requirements of the amendments has not had a material effect on the Group's financial information.

(b) Standards and interpretations in issue not yet adopted

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

STANDARD/INTERPRETATION	EFFECTIVE FOR THE ANNUAL REPORTING PERIOD BEGINNING ON	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
IFRS 16 'Leases'	1 January 2019	31 December 2019
AASB 9 'Financial Instruments' (December 2014), AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010)	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	31 December 2018
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle'	1 January 2016	31 December 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	31 December 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 January 2016	31 December 2016

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

Significant Accounting Policies

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

(a) Basis of Preparation and Statement of Compliance

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its controlled entities as at 31 December 2015. Control is achieved where the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Where control of an entity is obtained during the financial period, its results are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of control.

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

(c) Acquisition of Assets

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

(d) Borrowings

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

(e) Borrowing Costs

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

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

(f) Cash and Cash Equivalents

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

(g) Creditors and Accruals

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

(h) Financial Instruments

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

Derivative Financial Instruments

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

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial assets/liabilities are classified as at fair value through profit or loss when the financial asset/liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset/liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 9 'Financial Instruments' permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement, at each reporting date, recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend, interest earned or interest liabilities on the financial asset or financial liability and is included in the 'gain on derivative contracts' line item. Fair value is determined in the manner described in Note 28.

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

Derecognition of Financial Assets/Liabilities

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(h) Financial Instruments continued

Interest, Dividends and Distributions

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

(i) Goods and Services Tax

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

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

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

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

(j) Impairment of Tangible and Intangible Assets

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

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or the cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

(k) Employee Benefits

Wages, Salaries, Annual Leave and Other Employee Benefits

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

Long Service Leave

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

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

Long Term and Deferred Incentives

For long term and deferred incentives, 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 long term and deferred incentive is expensed over the vesting period.

(l) Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

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

Current and Deferred Tax

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. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of impairment loss is recognised in accordance with AASB 136 Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

Spark Infrastructure's share of its associates' post-acquisition profits or losses is recognised in 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) Loans and Receivables

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

(o) 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.

(p) Investments in Subsidiaries

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(q) Contributions from Customers for Capital Works

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

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

(r) Critical Accounting Estimates and Judgements

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

Spark Infrastructure equity accounts the results of its associates (See Note 1(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 associates. 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.

On 16 December 2015, Spark Infrastructure acquired a 15.01% interest in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust (together referred to as TransGrid). Spark Infrastructure is required to reflect its equity accounted investments in the businesses by reference to its share of the fair value of the net assets of the businesses.

This assessment of fair value for Victoria Power Networks and SA Power Networks 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, Victoria Power Networks and TransGrid (the investment portfolio), is regarded as a separate cash generating unit (CGU) for the purposes of such testing. If any indicators are identified, the recoverable amounts are determined as the higher of fair value less costs to sell and value in use.

Changes to external market conditions since Spark Infrastructure acquired the interests in SA Power Networks and Victoria Power Networks and regulatory reset processes have the potential to impact values and Spark Infrastructure regards these as potential indicators of impairment. Accordingly, fair value less costs to sell calculations were used to assess Spark Infrastructure's investments in SA Power Networks and Victoria Power Networks and to confirm that their carrying values did do not exceed their respective recoverable values.

The following key assumptions were used in the assessment of fair value less costs to sell:

- Fair value less costs to sell assessments are based on discounted cash flow projections over a period of 10 years;
- Cash flow projections are based on financial forecasts approved by management containing assumptions about business conditions, growth in RAB and future regulatory return;
- Appropriate discount rates specific to each CGU; and
- Appropriate terminal values based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities. Reflecting recent transmission and distribution transaction multiples, Spark Infrastructure has adopted RAB multiples in line with market evidence when calculating appropriate terminal values during the Current Year.

Cash flow projections for a 10 year period are deemed appropriate as SA Power Networks and Victoria Power Networks operate within a regulated industry that resets every five years, and have electricity distribution assets that are long life assets.

Sensitivity analysis has been undertaken regarding the impact of possible changes in key assumptions. Any reasonable potential change in the assumptions would not result in the carrying values of either SA Power Networks or Victoria Power Networks exceeding their recoverable amounts.

Fair value less costs to sell is measured using inputs that are unobservable in the market and are therefore deemed to be level 3 fair value measurements in accordance with *AASB 13 Fair Value Measurement*.

- ***Fair value of customer contributions and gifted assets***

With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the regulatory asset base ('RAB') as a result of the specific extension or modification to the network, as described in Note 1(q). This change better reflects the value for customer contributions and gifted assets included in the RAB, on which future regulatory returns are derived.

- ***Other Financial Assets/Liabilities***

The derivative contracts and cash settled equity swaps (swaps) associated with the interest in DUET are recorded at fair value through profit or loss within 'other financial assets/liabilities'. The swaps and portion of the derivative contracts not prepaid are classified as held for trading and the prepaid portion of the derivative contracts designated as fair value through profit or loss.

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

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

- ***Significant influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust***

Note 8 describes that NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust are associates of Spark Infrastructure although Spark Infrastructure only has a 15.01% ownership interest. Spark Infrastructure has significant influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust by virtue of its right under the Shareholders Agreement to appoint one director for every 10% shareholding. In addition, Spark Infrastructure has a special right to appoint a second director while its ownership remains at or above 15.01%. This right is particular to Spark Infrastructure.

- ***Deferred Tax Arising on the Investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust***

Deferred tax arising on the initial investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust is considered to relate to temporary differences that give rise to no accounting or taxable profit. As such, deferred tax is not recognised under the initial recognition exemption. Furthermore, subsequent changes to the unrecognised deferred tax are not recorded.

- ***Deferred Tax Assets***

Deferred tax assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the foreseeable future. As at 31 December 2015 (2014: nil) there are no amounts unrecognised on the basis that the above criteria was not met.

(s) 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. Four segments are reported:

- Victoria Power Networks – the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor);
- SA Power Networks – the 49% interest in the electricity distribution business in South Australia;
- TransGrid – the 15.01% interest in the electricity transmission business in New South Wales (i.e. NSW Electricity Networks Assets Holdings Trust (NSW Electricity Networks Assets) and NSW Electricity Networks Operations Holdings Trust (NSW Electricity Networks Operations)); and
- Other – which represents the economic interest in DUET Group, an ASX listed entity head quartered in New South Wales.

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

2. SEGMENT INFORMATION CONTINUED

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

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		TRANSGRID[1]		OTHER		TOTAL	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
SEGMENT CASHFLOWS										
Net cashflows	82,228	81,249	114,225	125,005	–	–	22,473	9,698	218,926	215,952
Net interest received									1,114	224
Corporate costs									(12,690)	(9,229)
Total Operating Cashflows									207,350	206,947
SEGMENT REVENUE										
Share of equity accounted profits	16,154	5,525	146,141	175,277	(830)	–	–	–	161,465	180,802
Interest income – associates	80,898	80,898	–	–	614	–	–	–	81,512	80,898
Gain on derivative contracts	–	–	–	–	–	–	24,295	24,908	24,295	24,908
Segment revenue	97,052	86,423	146,141	175,277	(216)	–	24,295	24,908	267,272	286,609
Interest revenue									3,333	2,146
Total Revenue									270,605	288,754
SEGMENT RESULTS										
Segment contribution	97,052	86,423	146,141	175,277	(216)	–	24,295	21,612	267,272	283,312
Net interest (expense)/benefit									(256)	95
Corporate costs									(14,196)	(11,315)
Profit for the year before Loan Note interest and income tax expense									252,820	272,092
Interest on Loan Notes									(111,034)	(103,378)
Income tax expense									(53,762)	(40,581)
Net Profit attributable to Securityholders									88,024	128,133

(1) TransGrid results reflect the period 16 December 2015 – 31 December 2015.

	VICTORIA POWER NETWORKS		SA POWER NETWORKS		TRANSGRID		OTHER		TOTAL	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
SEGMENT ASSETS										
Investments accounted for using the equity method	369,917	318,719	1,632,382	1,580,260	492,957	–	–	–	2,495,256	1,898,979
Loans to associates	745,601	745,601	–	–	–	–	–	–	745,601	745,601
Loan notes to associates	–	–	–	–	237,444	–	–	–	237,444	–
Receivables from associates	9,964	11,294	–	–	614	–	–	–	10,578	11,294
Other financial assets	–	–	–	–	–	–	216,117	237,758	216,117	237,758
Total Segment Assets	1,125,482	1,075,614	1,632,382	1,580,260	731,015	–	216,117	237,758	3,704,996	2,893,632
UNALLOCATED ASSETS										
Cash and cash equivalents									18,284	124,435
Other current assets									811	959
Property, plant & equipment									147	184
Total Assets									3,724,238	3,019,850
SEGMENT LIABILITIES										
Other liabilities	–	–	–	–	–	–	–	26,747	–	26,747
UNALLOCATED LIABILITIES										
Loan Notes attributable to Securityholders									1,061,704	925,841
Interest bearing liabilities									203,422	–
Other liabilities									68,440	57,714
Deferred tax liabilities									234,317	163,980
Total Liabilities									1,567,883	1,174,282

3. PROFIT FOR THE FINANCIAL YEAR

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
(a) Income		
Income from associates:		
– Share of equity accounted profits	161,465	180,802
– Interest income	81,512	80,898
	242,977	261,700
(b) Expenses		
Interest expense – other:		
– Interest costs and other associated costs of senior debt	3,589	2,051
(c) General and Administrative Expenses		
Staff costs – salaries and short term benefits	2,600	2,391
Staff costs – post employment benefits	142	138
Staff costs – LTI expense	337	1,539
Staff costs – other incentives	1,129	1,316
Total staff costs	4,208	5,384
Directors' fees – short term benefits	1,108	859
Directors' fees – post employment benefits	84	61
Depreciation	71	49
Costs associated with investing activities	5,334	771
Other expenses	3,391	4,191
	14,196	11,315

4. INCOME TAXES

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
CURRENT TAX		
Current tax expense in respect of the current year	(28,789)	(27,479)
Adjustments recognised in relation to current tax in prior years	–	3,478
	(28,789)	(24,001)
DEFERRED TAX		
Deferred tax expense recognised in the year	(24,973)	(16,580)
Total income tax expense relating to continuing operations	(53,762)	(40,581)
(a) Income Tax Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Profit before tax for continuing operations	141,786	168,714
Income tax expense calculated at 30% (2014: 30%)	(42,536)	(50,614)
Add/(deduct):		
Effect of expenses that are not deductible in determining taxable profit	(167)	(85)
Losses written off on ATO settlement of SA Power Networks and Victoria Power Networks financing matters	(24,655)	–
Effect of prior year adjustments in associates tax base	10,733	5,521
Adjustments recognised in relation to current tax in prior years	–	3
Tax effect on operating results of the Trusts	2,863	4,594
Total current year income tax expense	(53,762)	(40,581)

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

4. INCOME TAXES CONTINUED

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
(b) Income Tax Recognised Directly in Equity		
Share of associates' reserves	(16,575)	3,683
Income tax expense	(16,575)	3,683
(c) Deferred Tax Balances		
TEMPORARY DIFFERENCES		
Timing differences – other	2,180	2,450
Investment in associates	(280,929)	(239,497)
	(278,749)	(237,047)
UNUSED TAX LOSSES		
Tax losses	44,432	73,067
	(234,317)	(163,980)

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.

ATO Matters

In June 2015, Spark Infrastructure, Victoria Power Networks and other relevant parties signed a Heads of Agreement with the ATO to finalise all outstanding matters in respect of the interest deductibility on subordinated loans to both SA Power Networks and Victoria Power Networks. In respect of prior tax years, Victoria Power Networks has written off deductions and losses amounting to $132,222,000 and Spark Infrastructure has written off $82,189,000 of net losses in respect of its investment in SA Power Networks. As a result of this agreement, Spark Infrastructure has recorded a one-off, non-cash post tax expense item of $31,656,000 in the Current Year.

The ATO will refund to Victoria Power Networks the $38,994,000 previously paid to it, following the execution of a final Deed of Settlement which will incorporate the Heads of Agreement.

A summary of the remaining items under ATO audit is provided below.

Victoria Power Networks Pty Ltd

(a) a denial of deductions for certain labour costs and motor vehicle running costs incurred during the years ended 31 December 2007 to 31 December 2010;

(b) the recognition of assessable income for assets transferred by customers to entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;

(c) a denial of deductions for rebates paid to customers by entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;

(d) a further consequential increase in the allowance of depreciation for the labour costs, motor vehicle running costs and transferred assets during the years ended 31 December 2007 to 31 December 2010; and

(e) a denial of deductions in respect of certain asset replacement projects during the years ended 31 December 2008 to 31 December 2010.

SA Power Networks Partnership

(a) 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.

Both SA Power Networks and Victoria Power Networks have lodged objections and obtained legal advice that supports their respective tax treatments of the remaining items noted above. Victoria Power Networks, 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.

Details of these tax matters have been previously disclosed in the Spark Infrastructure Financial Statements.

5. RECEIVABLES FROM ASSOCIATES – CURRENT

	31 DEC 2015 $'000	31 DEC 2014 $'000
Victoria Power Networks	9,964	11,294
NSW Electricity Networks Operations	614	–
	10,578	11,294

Receivables from associates relates to interest receivable on loans to Victoria Power Networks and loan notes to NSW Electricity Networks Operations per Notes 9 and 10. These receivables are expected to be settled in full within the next 12 months.

6. OTHER FINANCIAL ASSETS/(LIABILITIES)

	31 DEC 2015 $'000	31 DEC 2014 $'000
Other financial assets/(liabilities) (Current)		
– derivative contracts at fair value	1,748	(26,747)
Other financial assets (Non-Current)		
– derivative contracts at fair value	214,369	237,758
	216,117	211,011

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

Also during the Prior Year, Spark RE entered into derivative contracts with Deutsche Bank AG (Deutsche Bank) in relation to securities in DUET which gave Spark RE the ability to acquire and Deutsche Bank the obligation to deliver a minimum of 124,500,000 DUET securities at a price of $2.20 per stapled security.

In the Current Year, DUET announced an accelerated non-renounceable entitlement offer at a price of $2.02. Spark RE amended its swap and derivative arrangements with Deutsche Bank to acquire an additional economic interest in a total of 69,113,000 securities under swaps and derivatives contracts. The swaps mature in January and February 2017 and all of the derivative contract tranches mature in October 2018.

Post completion of DUET's entitlement offer and associated placement, the economic interest held by Spark Infrastructure in DUET securities has reduced from 12.4% to 11.0%.

At the election of Deutsche Bank, Spark RE may also acquire a further 114,544,000 DUET securities in July 2018, at an adjusted price of $2.18 per stapled security.

At 31 December 2015, Spark RE has call options over 63,779,000 securities in DUET, exercisable by Deutsche Bank at an adjusted strike price of $2.24 per stapled security (31 December 2014: 185,913,000 securities in DUET with a strike price of $2.30 per stapled security), which mature across 2016.

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

7. OTHER CURRENT ASSETS

	31 DEC 2015 $'000	31 DEC 2014 $'000
GST receivable	411	107
Prepayments	321	313
Other receivables	79	539
	811	959

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in Associates

NAME OF ENTITY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST (%) 2015	OWNERSHIP INTEREST (%) 2014	COUNTRY OF INCORPORATION/FORMATION
Victoria Power Networks Pty Ltd	Ownership of electricity distribution networks in Victoria	49.00	49.00	Australia
SA Power Networks	Ownership of an electricity distribution network in South Australia	49.00	49.00	Australia
NSW Electricity Networks Assets Holdings Trust[1]	Ownership of electricity transmission assets in New South Wales	15.01	–	Australia
NSW Electricity Networks Operations Holdings Trust[1]	Ownership of an electricity transmission operating business in New South Wales	15.01	–	Australia

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

	31 DEC 2015 $'000	31 DEC 2015 $'000	31 DEC 2015 $'000	31 DEC 2015 $'000	31 DEC 2014 $'000	31 DEC 2014 $'000	31 DEC 2014 $'000	31 DEC 2014 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS
Current assets	423,474	484,026	72,130	52,440	334,478	450,818	–	–
Non-current assets	7,624,530	6,125,120	7,665,330	2,716,490	7,240,324	5,846,022	–	–
Total assets	8,048,004	6,609,146	7,737,460	2,768,930	7,574,802	6,296,840	–	–
							–	–
Current liabilities	1,756,334	1,096,064	50,020	125,160	844,154	662,411	–	–
Non-current liabilities	5,142,560	3,208,264	5,421,690	1,629,410	5,764,568	3,505,803	–	–
Total liabilities	6,898,894	4,304,328	5,471,710	1,754,570	6,608,722	4,168,214	–	–
Net assets	1,149,110	2,304,818	2,265,750	1,014,360	966,080	2,128,626	–	–

(1) Together referred to as TransGrid.

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

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2015 $'000	16 DAY PERIOD TO 31 DEC 2015 $'000	16 DAY PERIOD TO 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2014 $'000	YEAR ENDED 31 DEC 2014 $'000
	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS	VICTORIA POWER NETWORKS	SA POWER NETWORKS	NSW ELECTRICITY NETWORKS ASSETS	NSW ELECTRICITY NETWORKS OPERATIONS
Revenue – distribution and metering	1,053,977	831,531	–	–	958,830	919,968	–	–
Revenue – semi-regulated and unregulated	136,857	228,627	–	–	148,940	186,968	–	–
Customer contributions & gifted assets	117,222	80,587	–	–	66,979	80,370	–	–
Operating revenue	1,308,056	1,140,745	21,770	38,910	1,174,749	1,187,306	–	–
Revenue – transmission (pass-through)	358,174	260,193	–	–	262,164	254,005	–	–
	1,666,230	1,400,938			1,436,913	1,441,311	–	–
Expenses	(1,093,090)	(847,195)	(24,130)	(46,170)	(1,072,253)	(820,916)	–	–
Expenses – transmission (pass-through)	(358,174)	(260,193)	–	–	(262,164)	(254,005)	–	–
Profit/(loss) before income tax	214,966	293,550	(2,360)	(7,260)	102,496	366,390	–	–
Income tax (expense)/ benefit	(103,461)	–	–	–	(34,759)	68	–	–
Net profit/(loss)	111,505	293,550	(2,360)	(7,260)	67,737	366,458	–	–
Other comprehensive income:								
Gain/(loss) on hedges	67,538	(2,756)	(27,000)	–	39,970	25,358	–	–
Actuarial gain/(loss) on defined benefit plans	35,058	43,994	–	–	(43,192)	(48,156)	–	–
Income tax (expense)/ benefit related to components of other comprehensive income	(30,779)	–	–	–	967	–	–	–
Other comprehensive income/(loss) for the Financial Year	71,817	41,238	(27,000)	–	(2,255)	(22,798)	–	–
Total comprehensive income/(loss) for the Financial Year	183,322	334,788	(29,360)	(7,260)	65,482	343,660	–	–

Reconciliation of the above summarised financial performance (on a 100% basis) to the net profit/(loss) attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks (on a 49% basis) and NSW Electricity Networks Assets and NSW Electricity Networks Operations (on a 15.01% basis), recognised in the financial report:

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

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

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	54,637	33,191
SA Power Networks net profit applicable to Spark Infrastructure	143,840	179,564
NSW Electricity Networks Assets net loss applicable to Spark Infrastructure[a]	(354)	–
NSW Electricity Networks Operations net loss applicable to Spark Infrastructure[a]	(1,090)	–
Additional share of profits from preferred partnership capital[b]	46,998	35,490
	244,031	248,245
Additional adjustments made to share of equity profits[c]	(82,566)	(67,443)
	161,465	180,802

a Results applicable to Spark Infrastructure for the period 16 December 2015 to 31 December 2015.

b 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.

c A number of adjustments are made to share of equity profits at the Spark Infrastructure level, including:

- Differences in the measurement of the fair value of customer contributions and gifted assets under AASB 13 Fair Value Measurement (AASB 13). Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets reported by SA Power Networks and Victoria Power Networks with effect from 1 January 2014 from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the specific extension or modification to the network; and
- Additional depreciation/amortisation of fair value on uplift of assets on acquisition.

(d) Movement in Carrying Amounts

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Carrying amount at beginning of the Current Year	1,898,979	1,855,458
Subscription of units in NSW Electricity Networks Assets	344,498	–
Subscription of units in NSW Electricity Networks Operations	153,342	–
Share of profits after income tax	161,465	180,802
Preferred partnership distribution received	(69,635)	(69,635)
Distributions received – SA Power Networks	(44,590)	(55,370)
Share of associates' comprehensive income/(loss) recognised directly in equity	51,197	(12,276)
Carrying amount at end of the Current Year	2,495,256	1,898,979

(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.

9. LOANS TO ASSOCIATES – INTEREST BEARING

	31 DEC 2015 $'000	31 DEC 2014 $'000
Victoria Power Networks	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.

10. LOAN NOTES TO ASSOCIATES – INTEREST BEARING

	31 DEC 2015 $'000	31 DEC 2014 $'000
NSW Electricity Networks Operations	237,444	–

Loan notes advanced to NSW Electricity Networks Operations at the applicable bank bill interest rate plus a margin of 3.50% per annum. The loan notes are redeemable at the discretion of the issuer, with a maximum maturity in December 2025.

11. PAYABLES

	31 DEC 2015 $'000	31 DEC 2014 $'000
CURRENT PAYABLES		
Lease incentive	41	41
Other payables	6,781	3,322
	6,822	3,363
NON-CURRENT PAYABLES		
Lease incentive	21	62
Other payables	1,886	2,233
	1,907	2,295

12. LOAN NOTES ATTRIBUTABLE TO SECURITYHOLDERS

	31 DEC 2015 $'000	31 DEC 2014 $'000
Balance at beginning of the Financial Year	925,841	836,827
Issue of loan notes under Entitlement Offer[a]	140,173	–
Issue of Loan Notes under Institutional Placement[b]	–	73,864
Issue of Loan Notes under Security Purchase Plan[b]	–	16,893
Issue costs associated with Loan Notes	(4,330)	(1,763)
Write back of deferred discount[c]	20	20
Balance at end of the Financial Year	1,061,704	925,841

a Under the institutional tranche of the Entitlement Offer on 7 December 2015 and the retail tranche of the Entitlement Offer on 22 December 2015 additional securities were raised at a price of $1.88 per security of which $0.65 per security was allocated to Loan Notes.

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

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

13. INTEREST BEARING LIABILITIES

	31 DEC 2015 $'000	31 DEC 2014 $'000
Bilateral corporate debt facilities	205,000	–
Unamortised costs	(1,578)	(640)
	203,422	(640)

On 13 November 2015, Spark Infrastructure entered into new 3 and 5 year bilateral debt facilities of $225,000,000 and $25,000,000 respectively, replacing its previous corporate debt facilities. Spark Infrastructure pays an average margin of 112 basis points above the applicable bank bill swap rate on amounts drawn from these facilities. The facilities are unsecured and mature on the 13 November 2018 and 13 November 2020.

14. ISSUED CAPITAL

	31 DEC 2015 $'000	31 DEC 2014 $'000
Balance at beginning of the Financial Year	1,115,263	1,022,153
Issue of new securities under Entitlement Offer[a]	265,251	–
Issue of securities under Institutional Placement[b]	–	126,137
Issue of securities under Security Purchase Plan[b]	–	28,848
Issue costs	(8,191)	(3,011)
Contributions of equity (net of issue costs)	257,060	151,974
Capital distribution[c]	(68,919)	(58,864)
Balance at end of the Financial Year	1,303,404	1,115,263

a Under the institutional tranche of the Entitlement Offer on 7 December 2015 and the retail tranche of the Entitlement Offer on 22 December 2015 additional securities were raised at a price of $1.88 per security of which $1.23 per security was allocated to Issued Capital.

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

c Capital distributions of 2.50 cps on 15 September 2015 (2.25cps on 12 September 2014) and 2.20cps on 13 March 2015 (1.95cps on 14 March 2014) were paid to Securityholders during the year – refer Note 19.

14. ISSUED CAPITAL CONTINUED

FULLY PAID STAPLED SECURITIES	31 DEC 2015 NO.'000	31 DEC 2014 NO.'000
Balance at the beginning of the Financial Year	1,466,360	1,326,734
Issue of new securities under Entitlement Offer	215,651	–
Issue of securities under Institutional Placement	–	113,636
Issue of securities under Security Purchase Plan	–	25,990
Balance at the end of the Financial Year	1,682,011	1,466,360

15. RESERVES

CASH FLOW HEDGING RESERVE	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Balance at beginning of the Financial Year	(28,622)	(46,916)
Share of associates' gains on hedges[a]	17,763	26,135
Related tax expense	(6,545)	(7,841)
Balance at end of the Financial Year	(17,404)	(28,622)

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 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Balance at beginning of the Financial Year	758,927	657,682
Net profit after tax for the Financial Year	88,024	128,133
Share of associates' actuarial gain/(loss) recognised directly in retained earnings[a]	33,435	(38,411)
Related tax (expense)/benefit	(10,031)	11,523
Balance at end of the Financial Year	870,355	758,927

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 2015 $	YEAR ENDED 31 DEC 2014 $
Audit and review of the financial reports	258,500	251,000
Tax advice	248,000	105,000
Other accounting services	291,051	33,600
	797,551	389,600

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

18. EARNINGS PER SECURITY ("EPS")

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Profit before income tax and Loan Note interest	252,820	272,092
Weighted average number of securities (No'000)	1,478,695	1,408,089
Basic earnings per security before income tax and Loan Note interest (cents)	17.10¢	19.32¢
Earnings used to calculate EPS	88,024	128,133
Basic earnings per security based on net profit attributable to Securityholders (cents)	5.95¢	9.10¢

Basic EPS is the same as diluted EPS.

19. DISTRIBUTION PAID AND PAYABLE

	2015		2014	
	CENTS PER SECURITY	TOTAL $'000	CENTS PER SECURITY	TOTAL $'000
DISTRIBUTION PAID:				
Interim distribution in respect of year ended 31 December 2015 paid on 15 September 2015 (2014: 12 September 2014):				
Interest on Loan Notes	3.50	51,323	3.50	51,323
Capital Distribution	2.50	36,659	2.25	32,993
	6.00	87,982	5.75	84,316
DISTRIBUTION PAYABLE/PROPOSED:				
Final distribution in respect of the year ended 31 December 2015 payable on 15 March 2016 (2014: 13 March 2015):				
Interest on Loan Notes	3.55	59,712	3.55	52,055
Capital Distribution	2.45	41,209	2.20	32,260
	6.00	100,921	5.75	84,315
Total paid and payable	12.00	188,903	11.50	168,631

20. COMMITMENTS FOR EXPENDITURE

	31 DEC 2015 $'000	31 DEC 2014 $'000
(a) Capital Expenditure commitments		
Share of associates' capital expenditure commitments		
– Not longer than 1 year	24,962	11,572
– Longer than 1 year and not longer than 5 years	–	–
	24,962	11,572
(b) Other Expenditure Commitments		
Share of associates' other expenditure commitments		
– Not longer than 1 year	6,222	5,545
– Longer than 1 year and not longer than 5 years	23,916	21,455
– Longer than 5 years	146,112	60,426
	176,250	87,426

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 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
a) Payments recognised as an expense		
– Minimum lease payments	441	477
	441	477
b) Non-cancellable operating lease commitments		
– Not longer than 1 year	447	441
– Longer than 1 year and not longer than 5 years	249	696
– Longer than 5 years	–	–
	696	1,137
c) Liabilities recognised in respect of non-cancellable operating leases		
Lease incentives (Note 11)		
– Current	41	41
– Non-current	21	62
	62	103

22. CONTINGENCIES

	31 DEC 2015 $'000	31 DEC 2014 $'000
Share of associates' contingent liabilities	26,632	16,737

The contingent liabilities relate to a number of property matters at TransGrid and 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 aggregate compensation made to Directors and other members of key management personnel of Spark Infrastructure is set out below:

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Salary and Fees	2,647,738	2,180,862
Total STI Expense	1,105,623	710,098
Non-monetary Expense	83,228	76,605
Superannuation Expense	147,269	122,815
LTI Expense	77,591	1,364,906
LTI Transition Expense	377,430	62,905
Total Expense	4,438,879	4,518,191

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 Current Year is as follows:

2015	OPENING BALANCE 1 JANUARY 2014 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2015 (NO.)
Mr Brian Scullin	10,000	67,648	77,648
Mr Rick Francis	18,500	5,442	23,942
Mr Andrew Fay	53,000	15,590	68,590
Ms Anne McDonald	48,500	12,500	61,000
Ms Christine McLoughlin	30,000	21,766	51,766
Dr Douglas McTaggart(1)	–	50,000	50,000
Ms Karen Penrose	25,000	13,824	38,824
Dr Keith Turner	58,500	17,206	75,706
Ms Cheryl Bart, AO(2)	160,714	–	–

(1) Dr McTaggart was appointed to the Board on 11 December 2015.
(2) Ms Bart retired from the Board on 22 May 2015.

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

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

(1) Ms McLoughlin and Ms Penrose were appointed on 1 October 2014.

(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:

2015	OPENING BALANCE 1 JANUARY 2015 (NO.)	NET MOVEMENT ACQUIRED/ (DISPOSED) (NO.)	CLOSING BALANCE 31 DECEMBER 2015 (NO.)
Mr Rick Francis	18,500	5,442	23,942
Mr Greg Botham	–	–	–
Ms Alexandra Finley	–	–	–

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

(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).

24. RELATED PARTY DISCLOSURES CONTINUED

(e) Other Related Parties

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

Associates

The details of ownership interests in associates are provided in Note 8. The details of interest receivable and loans provided to associates are detailed in Notes 5, 9 and 10. 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, SIH No.3 and Spark Infrastructure Electricity Operations Trust.

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 INCORPORATION	2015 EQUITY HOLDINGS (%)	2014 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
- Spark Infrastructure Electricity Assets Trust	Australia	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 Electricity Assets Pty Ltd	Australia	100	–
- Spark Infrastructure Electricity Operations Trust	Australia	100	–
- Spark Infrastructure Electricity Operations Pty Ltd	Australia	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.

27. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

	31 DEC 2015 $'000	31 DEC 2014 $'000
Cash on hand and at bank	8,273	16,921
Cash at bank held for AFSL purposes	5,000	10,000
Cash on deposit	5,011	97,514
Cash and Cash Equivalents	18,284	124,435

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

(b) Committed Financing Facilities

	31 DEC 2015 $'000	31 DEC 2014 $'000
Syndicated unsecured bank loan facilities:		
– Amount used	205,000	–
– Amount unused	45,000	275,000
	250,000	275,000

Committed Finance Facility maturities are:

- November 2018: $100,000,000 3-year revolving facility with CBA
- November 2018: $100,000,000 3-year revolving facility with Westpac
- November 2018: $25,000,000 3-year revolving facility with BTMU
- November 2020: $25,000,000 5-year revolving facility with BTMU

On 13 November 2015 Spark Infrastructure entered into $250,000,000 of new bilateral corporate debt facilities, replacing its previous corporate debt facilities. The new 3 and 5 year facilities, for $225,000,000 and $25,000,000 respectively have been entered into with CBA, Westpac and BTMU. These facilities mature on the 13 November 2018 and 13 November 2020 respectively. The loans are unsecured. Unamortised borrowing costs which are being amortised over the term of the facilities are included in 'interest bearing liabilities'.

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

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
Net profit after tax	88,024	128,133
Add back / (subtract):		
Loan Note interest expense	111,034	103,378
Income tax expense	53,762	40,581
Non-cash interest expense	1,370	130
Non-cash depreciation expense	71	49
Share of profits of associates (less dividends/distributions)	(47,240)	(55,797)
Gain on derivative contracts (less distributions)	(1,822)	(15,211)
Changes in net assets and liabilities:		
Decrease/(increase) in current receivables	864	(173)
Increase in current payables	2,949	5,857
Unpaid equity issue costs	(1,662)	–
Net cash inflow related to operating activities	207,350	206,947

(d) Bank Guarantee Facility

A bank guarantee of $4,001,000 has been provided to the State in support of Spark Infrastructure's obligations pursuant to the sale and purchase agreement for the TransGrid acquisition in December 2015.

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

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 interest rate and equity price risks which are managed through various financial instruments. Spark Infrastructure has no exposure to foreign currency.

(b) Capital Risk Management

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

The capital structure of Spark Infrastructure comprises net debt (borrowings offset by cash and cash equivalents as detailed in Note 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 2015 was $3,218,059,000 (2014: $2,771,409,000) comprising $1,061,704,000 (2014: $925,841,000) in Loan Notes and $2,156,355,000 (2014: $1,845,568,000) in equity attributable to the Securityholders.

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

Spark Infrastructure holds a minority interest in Victoria Power Networks Pty Limited, SA Power Networks and TransGrid 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. Any change in the Distribution Policies requires a special majority resolution of the shareholders. Further, the revenue of the investment portfolio is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

(c) Significant Accounting Policies

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

(d) Categories of Financial Instruments

	31 DEC 2015 $'000	31 DEC 2014 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	18,284	124,435
Receivables from associates	10,578	11,294
Other financial assets	216,117	237,758
Loans to associates	745,601	745,601
Loan notes to associates	237,444	–
FINANCIAL LIABILITIES		
Payables	8,729	5,658
Loan Note interest payable	59,711	52,056
Other financial liabilities	–	26,747
Loans at amortised cost	203,422	–
Loan Notes at amortised cost	1,061,704	925,841

Other Financial Assets Designated as at Fair Value Through Profit or Loss

Included within other financial assets is a prepaid forward contract of $199,303,000 (31 December 2014: $219,677,000) which has been designated as fair value through profit and loss. The cumulative change in value attributable to changes in credit risk is a decrease of $3,563,000 (31 December 2014: $2,613,000).

(e) Financial Market Risk

The principal financial market risks that Spark Infrastructure is exposed to are interest rate risk and equity price risk. Note 28(f) below discusses the strategy adopted to manage the interest rate risk and Note 28(g) discusses the strategy adopted to manage equity price risk.

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

(f) Interest Rate Risk Management

Spark Infrastructure is exposed to interest rate risk if it borrows funds at floating interest rates. Spark Infrastructure's treasury policy specifies that interest rate risk on long term drawn term debt is managed principally through the use of interest rate swap contracts. At 31 December 2015 no interest rate hedging was in place at Spark Infrastructure, on the basis that the interest rate risk arising from the drawn debt facilities is expected to reduce in the ordinary course over the short to medium term as the facilities are gradually repaid over the next few years.

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.

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

Interest Rate Risk Sensitivity

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by $3,548,000 (2014: 1,654,000). There is no change to other comprehensive income for the Current Year.

(g) Equity Price Risk

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

Equity Price Risk Sensitivity

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by $31,218,000 and $34,255,000 respectively (2014: $5,754,000 and $10,298,000 respectively). There is no change to other comprehensive income for the Current Year.

(h) Credit Risk Management

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

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

(i) Liquidity Risk Management

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

Liquidity and Interest Risk Tables

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

28. FINANCIAL INSTRUMENTS CONTINUED

(i) Liquidity Risk Management continued

2015	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % PA	LESS THAN 1 MONTH $'000	1–3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1–5 YEARS $'000	5+ YEARS $'000	TOTAL $'000
Payables	–	4,126	2,533	162	1,875	33	8,729
Interest bearing liabilities	2.62	–	1,416	4,927	219,621	–	225,964
Loan Notes attributable to Securityholders[a]	10.85	–	59,711	58,870	474,327	11,172,758	11,765,666
Total		4,126	63,660	63,959	695,823	11,172,791	12,000,359

2014	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % PA	LESS THAN 1 MONTH $'000	1–3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1–5 YEARS $'000	5+ YEARS $'000	TOTAL $'000
Payables	–	1,148	2,130	92	2,130	158	5,658
Loan Notes attributable to Securityholders[a]	10.85	–	52,056	51,323	413,514	9,843,675	10,360,568
Total		1,148	54,186	51,415	415,644	9,843,833	10,366,226

a The Loan Notes mature in 2105.

The interest on Loan Notes was fixed at 10.85% per annum on a notional principal balance of $1.25 per Loan Note for an initial 5 year period ending 30 November 2010. The Restructure in 2010 comprised a partial repayment of the Loan Notes which resulted in a reduction in the principal amount outstanding on the Loan Notes of $0.60, from $1.25 to $0.65 per Loan Note. No change was made at that date or the reset date on 30 November 2015 to either the interest rate or the 5 year reset period. For future reset periods, any change (if made) to the interest rate must be at least the relevant swap rate plus a margin of 4%. In the above tables, the Loan Note interest rate of 10.85% has been assumed for the remaining 90 years of the Loan Notes post 30 November 2020 (the next reset date); however the actual rate for each reset period will be subject to finalisation at future points in time.

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

2015	LESS THAN 1 MONTH $'000	1–3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	2–5 YEARS $'000	5+ YEARS $'000
Other financial assets					
– Inflows	–	22,952	22,952	71,680	–
– Outflows	(157)	(1,330)	(11,485)	(12,694)	–
Total	(157)	21,622	11,467	58,986	–

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

(j) Fair Value of Financial Instruments

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

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

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUES AND KEY INPUTS
Cash-settled equity swaps (Note 6)	2	Discounted cashflow – Future cash flows are estimated based on forecast distributions, equity forward price and notional interest payments. All cashflows are discounted at a rate that reflects the credit risk of the counterparties.
Forward contracts (Note 6)	2	Discounted cashflow – As above.
Call options (Note 6)	2	Monte Carlo simulation – Contractual strike prices, forward interest rates from observable yield curves, expected distribution yield and volatility factors.
Put options embedded in the forward contracts (Note 6)	2	Black Scholes model – Contractual strike prices, forward interest rates from observable yield curves, expected distribution yield and volatility factors.
Loan Notes attributable to Securityholders (Note 12)	2	Linked to the security price of Spark Infrastructure given the long term nature of the stapled structure.

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

The amounts for Loan Notes disclosed reflect undiscounted amounts for interest for the remaining 90 years of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 31 December 2015 was $0.65 per Loan Note (31 December 2014: $0.65 per Loan Note). The Responsible Entity may defer interest payments, by notice to the Note Trustee and Noteholders. Interest continues to accrue on any outstanding amount. All outstanding interest must be paid on the next reset date, except to the extent that monies are owing by the Group to any bank, financial institution or other entity providing financial accommodation (drawn or undrawn, or secured or unsecured) for over $5,000,000. Deferral of interest payments, and non-payment on a reset date in the circumstances described above, does not constitute a default.

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

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 2015 $'000	31 DEC 2014 $'000
FINANCIAL POSITION		
Current assets	126,893	188,238
Non-current assets	2,383,358	1,991,828
Total Assets	2,510,251	2,180,066
Current liabilities	53,266	79,363
Non-current liabilities	1,092,285	935,176
Total liabilities	1,145,551	1,014,539
Net Assets	1,364,700	1,165,527
EQUITY		
Issued capital	1,303,392	1,115,258
Retained earnings	61,308	50,269
Total Equity	1,364,700	1,165,527

	YEAR ENDED 31 DEC 2015 $'000	YEAR ENDED 31 DEC 2014 $'000
FINANCIAL PERFORMANCE		
Net profit for the year	11,039	15,314
Other comprehensive income	–	–
Total comprehensive income for the Financial Year	11,039	15,314

(b) Guarantees entered into by the Parent Entity

The Parent Entity has provided financial guarantees in respect of Financing Facilities as disclosed in Note 27(b).

(c) Contingent liabilities of the Parent Entity

The Parent Entity has contingent liabilities as disclosed in Note 22.

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

As at 31 December 2015, the Parent Entity had no contractual commitments (2014: 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 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 2015, the statement of profit or loss and other 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 34 to 64.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Deloitte.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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 13 to 32 of the directors' report for the year ended 31 December 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 22 February 2015

ADDITIONAL ASX DISCLOSURES

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

STAPLING

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

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

DIVESTMENT OF SECURITIES

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

Designated Foreign Holders

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

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

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

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

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

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

Excluded US Persons

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

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

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

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

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

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

SHAREHOLDER INFORMATION

Spark Infrastructure — Fully paid stapled securities (total) as of 22 Mar 2016

TOP HOLDERS SNAPSHOT – UNGROUPED

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	461,063,953	27.41
2.	NATIONAL NOMINEES LIMITED	225,044,046	13.38
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	194,747,788	11.58
4.	CKI SPARK HOLDINGS NO THREE LIMITED	113,188,473	6.73
5.	CITICORP NOMINEES PTY LIMITED	97,071,636	5.77
6.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (BKCUST A/C)	71,006,460	4.22
7.	BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	50,618,791	3.01
8.	BNP PARIBAS NOMS PTY LTD (DRP)	32,311,464	1.92
9.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (MBA A/C)	15,721,628	0.93
10.	CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	13,644,687	0.81
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP A/C)	12,512,072	0.74
12.	CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	12,007,387	0.71
13.	QUESTOR FINANCIAL SERVICES LIMITED (TPS RF A/C)	7,238,294	0.43
14.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (PISELECT)	6,424,408	0.38
15.	ARGO INVESTMENTS LIMITED	4,868,363	0.29
16.	AMP LIFE LIMITED	3,456,853	0.21
17.	NULIS NOMINEES (AUSTRALIA) LIMITED (NAVIGATOR MAST PLAN SETT A/C)	3,402,523	0.20
18.	JOHN E GILL TRADING PTY LTD	3,056,844	0.18
19.	ASIA UNION INVESTMENTS PTY LIMITED	3,000,000	0.18
20.	WATERVIEW CUSTODIAN LIMITED	2,943,353	0.17
Totals: Top 20 holders of fully paid stapled securities (total)		**1,333,329,023**	**79.27**
Total remaining holders balance		**348,681,955**	**20.73**

SUBSTANTIAL HOLDERS — AT 1 MAR 2016

NAME OF HOLDER	% OF ISSUED CAPITAL
Legg Mason	12.7
Lazard Asset Management	11.6
Cheung Kong Infrastructure	6.7

Spark Infrastructure — Fully paid stapled securities (total) as of 22 Mar 2016

RANGE OF UNITS SNAPSHOT

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	1,013	475,587	0.03
1,001 – 5,000	4,695	14,897,388	0.89
5,001 – 10,000	4,673	35,112,843	2.09
10,001 – 100,000	8,213	210,055,082	12.49
100,001 – 9,999,999,999	325	1,421,470,078	84.51
Rounding			
Total	**18,919**	**1,682,010,978**	**100.00**

UNMARKETABLE PARCELS

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $2.07 per stapled security	242	322	5619

CORPORATE CONTACT DETAILS

REGISTERED OFFICE

Spark Infrastructure
Level 25, 259 George Street
Sydney NSW 2000

T: +61 2 9086 3600
F: +61 2 9086 3666

E: info@sparkinfrastructure.com
W: sparkinfrastructure.com

Managing Director

Rick Francis

Chief Financial Officer

Greg Botham

Company Secretary

Alexandra Finley

Investor Relations

Mario Falchoni

SECURITY REGISTRY

Computershare
Investor Services Pty Limited
GPO Box 242
Melbourne
Victoria 8060
Australia

T: +61 3 9415 4286
(international)
T: Freecall 1300 730 579
(within Australia)
W:computershare.com

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

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