DIRECTORS' REPORT

The Directors of Spark Infrastructure Holdings No. 1 Limited ("SIH No. 1" or "Company") as the parent entity of Spark Infrastructure provide this financial report for the year ended 31 December 2008 ("Financial Year") for the following entities:

- SIH No. 1 and its controlled entities;
- Spark Infrastructure Holdings No. 2 Limited ("SIH No. 2") and its controlled entities;
- Spark Infrastructure Trust ("Spark Trust"); and
- Spark Infrastructure Holdings International Limited ("Spark International");
  (together the above entities form "Spark Infrastructure")

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 the Company as at the date of this report:

Stephen Johns (Chairman)

Cheryl Bart, AO

John Dorrian

Andrew Hunter

Hing Lam Kam

Timothy Keith (appointed 17 March 2008)

Anne McDonald (appointed 1 January 2009)

Don Morley

Dominic Chan (Alternate Director, appointed 11 December 2008)

In addition, Shaun Mays was a Director until his resignation on 17 March 2008 and Peter St George until his resignation on 31 December 2008.

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

Stephen Johns BEc, FCA

Chairman and Independent Director (appointed 8 November 2005)

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

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

Cheryl Bart AO, BCom, LLB

Independent Director (appointed 8 November 2005)

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

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

Her other current directorship positions include ANZ Trustees Ltd, Economic Development Board (SA), Global Properties Limited, Shaw of Australia, and the Alcohol Education and Rehabilitation Foundation. She is Chairman of the Environment Protection Authority (EPA), South Australian Film Corporation, the Adelaide Film Festival and the Adelaide Film Festival Investment Fund.

Her previous directorships include Sydney Ports Corporation, the Australian Sports Foundation, Soccer Australia, and the Information Economy Advisory Board.

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

John Dorrian BA, FCA, MAICD

RREEF Board Appointee and Non-executive Director (appointed 24 August 2007)

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

He is an Executive Director of Deutsche Asset Management (Australia) Limited and a non-executive Director of a number of Australian companies including, Australia Pacific Airports Corporation Limited, CHEDHA Holdings Pty Limited ("CHEDHA"), the holding company of CitiPower and Powercor Australia ("Powercor"), CitiPower, Powercor and ETSA, Northern Gas Networks Holdings Limited (UK) and the Port of Geelong.

Mr Dorrian is a member of the ARMC.

Andrew Hunter MA, MBA, MICAS, MHKICPA

CKI Board Appointee and Non-executive Director (appointed 1 December 2006)

Mr Hunter is currently an executive Director and Chief Operating Officer of CKI. In addition, he serves as Chief Financial Officer of Cheung Kong Holdings Limited and is an executive Director of Hong Kong Electric (Holdings) Limited.

Mr Hunter has more than 24 years experience in accounting and financial management and holds a range of directorships in CKI related companies. He is a Director of CHEDHA, CitiPower, Powercor and ETSA.

Mr Hunter was an alternate Director for Mr Kam during the year and up until 13 February 2009.

Mr Hunter is a member of the ARMC.

Hing Lam Kam BSc, MBA

CKI Board Appointee and Non-executive Director (appointed 1 November 2005)

Mr Kam has been Managing Director of Cheung Kong Infrastructure ("CKI") since its incorporation in May 1996 and the Deputy Managing Director of Cheung Kong (Holdings) Limited since February 1993. He has played a leading role in developing the Cheung Kong Group's corporate and strategic direction.

Mr Kam is also the President and Chief Executive Officer of CK Life Sciences International (Holdings) Inc. and an executive Director of Hutchison Whampoa Limited and Hong Kong Electric Holdings Limited.

In Australia, he is a Director of CHEDHA, CitiPower, Powercor, ETSA and Aqua Tower.

Timothy B. Keith, BA

RREEF Infrastructure Board Appointee and Non-executive Director (appointed 17 March 2008)

Mr Keith is a Managing Director of Deutsche Bank AG and the Chief Executive Officer of RREEF Infrastructure and Private Equity Investments, based in New York. He is responsible for managing the global operations of these businesses for RREEF Alternative Investments, which is the fiduciary investment operation within Deutsche Asset Management.

Prior to taking this position, he was the Global Chief Investment Officer of RREEF Infrastructure and Head of Business Development of RREEF Alternative Investments and the co-chair of the RREEF Alternative Assets Investment Committee. Formerly, Mr Keith was a partner of RREEF America LLC prior to its acquisition by Deutsche Bank; Chief Executive Officer of Cabot Industrial Trust after its privatisation and de-listing; and Regional Vice President of Meridian Industrial Trust.

Mr Keith has over 13 years' experience in the funds management industry and managing public companies and over 20 years' experience in investment markets. He has specialised in real estate markets for most of his career with substantial experience in direct investments, formation of long term operating partnerships, initial public offerings and privatisations of public companies. He has had executive management and investment roles in infrastructure for four years. Mr Keith is a non-executive Director of Maher Terminals LLC.

Anne McDonald BEc, FCA

Independent Director (appointed 1 January 2009)

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

In addition, Ms McDonald is a non-executive Director of listed entities, including the GPT Group and Speciality Fashion Group. She is also a non-executive director of Westpac Bank's Life and General Insurance businesses, St Vincent's Health Australia and Health Super. Ms McDonald is a Director of CHEDHA, CitiPower and Powercor.

Ms McDonald is a member of the ARMC and the Compliance Committee.

Don Morley BSc, MBA, FAustIMM

Independent Director (appointed 8 November 2005)

Mr Morley is the Chairman of Alumina Limited (since 2002) and an independent Director of Iluka Resources Limited (since 2002). He was previously a Director of Finance at WMC Limited with over 30 years of service.

Mr Morley is the Chairman of the ARMC.

Dominic Loi Shun Chan FCPA, FCCA

Alternate Director to Mr. Hing Lam Kam (appointed 11 December 2008)

Mr Chan currently is Chief Financial Officer of CKI and has over 20 years experience in the accounting profession.

In Australia, Mr Chan is a Director of Envestra Limited. He is an alternate Director of CHEDHA, CitiPower, Powercor and ETSA.

In the UK, Mr Chan is a Director of Cambridge Water plc.

Peter St George CA (SA), MBA

Independent Director (appointed 8 November 2005, resigned 31 December 2008)

Mr St George was a Director of CHEDHA, CitiPower and Powercor.

He is also a Director of First Quantum Minerals Limited, a mining group listed in Toronto and London, and Boart Longyear Limited, an international mining services group, and is Chairman of Walter Turnbull, an Australian accounting and financial services group. He was also a Director of SFE Corporation Limited from 2000 until it merged with ASX Limited in July 2006.

He was Chief Executive Officer of NatWest Markets Australia from 1995 until its acquisition by Salomon Smith Barney Australia Limited in 1998 and then Co-Chief Executive Officer of Salomon Smith Barney Australia Limited from 1998 to 2001.

Prior to that, Mr St George had more than 20 years experience in senior corporate advisory roles with NatWest Markets and Hill Samuel & Co Limited in London.

Mr St George was a member of the ARMC.

Shaun Mays BSc (Hons), MSc, MBA

RREEF Board Appointee and Non-executive Director (appointed 1 November 2005, resigned 17 March 2008)

Mr Mays was a Managing Director of Deutsche Bank AG and the Global Head of RREEF Infrastructure, based in New York. He was responsible for managing the global RREEF business which is the fiduciary infrastructure investment operation within Deutsche Asset Management.

Prior to joining Deutsche Asset Management, Mr Mays was the Managing Director of Westpac Financial Services Group. He was Chief Investment Officer of Commonwealth Financial Services after holding the position of Managing Director and Chief Investment Officer at Mercury Asset Management, where he also served on the board of Mercury Asset Management UK plc.

He has held a wide range of directorships on the boards of listed and unlisted companies in Australia, the USA, the UK and Japan including non-executive Chairman of the Board of Maher Terminals LLC.

Mr Mays was a member of the ARMC.

DIRECTORS' REPORT CONTINUED

Company Secretary

Alexandra Finley Dip Law, MLM

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

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

Principal Activity

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

Stapled Securities

Spark Infrastructure is a stapled structure, wherein:

- one share in SIH No. 1;
- one share in SIH No. 2;
- one unit in Spark Trust;
- one loan note issued by the responsible entity of Spark Trust; and
- one CHESS Depositary Interest ("CDI") representing one share in Spark International

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

Review of Operations

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

	Financial Year Ended 31 December				
	Actual 2008 $'000	**Underlying 2008 $'000**	Underlying 2007 $'000	**Change Compared to Underlying 2007** $'000	%
Interest Income from Associates	**88,839**	**88,839**	93,578	(4,739)	(5.1)
Share of Equity Accounted Profits	**135,822**	**139,629**	127,519	12,110	9.5
	224,661	**228,468**	221,097	7,371	3.3
Other Income	**3,945**	**3,945**	3,599	346	9.6
Total Underlying Income	**228,606**	**232,413**	224,696	7,717	3.4
Management Fees	**(9,795)**	**(9,795)**	(12,019)	2,224	18.5
Senior Debt Interest	**(28,967)**	**(28,967)**	(27,921)	(1,046)	(3.7)
General and Administrative Expenses	**(3,296)**	**(3,296)**	(5,202)	1,906	36.6
Profit before Loan Note Interest and Performance Fee	**186,548**	**190,355**	179,554	10,801	6.0
Loan Note Interest ("LNI")	**(137,390)**	**(137,390)**	(137,014)	(376)	(0.3)
Profit before Performance Fee	**49,158**	**52,965**	42,540	10,425	24.5
Performance Fee	**(16,544)**	**(16,544)**	–	(16,544)	–
Profit before Tax	**32,614**	**36,421**	42,540	(6,119)	(14.4)
Income Tax (Expense)/Benefit	**(23,161)**	**(2,101)**	(5,651)	3,550	62.8
Profit Attributable to Stapled Security Holders	**9,453**	**34,320**	36,889	(2,569)	(7.0)
Profit per Security before LNI and Performance Fee (cents)	**18.49**	**18.87**	17.80	1.07	6.0
Operating Cash Flow including Investing Activities	**181,877**	**181,877**	180,422	1,455	0.8
Net Capital Expenditure – Asset Companies	**437,743**	**437,743**	387,171	50,572	13.1

The underlying income and profit summary reflects the operating results of Spark Infrastructure by excluding certain non-cash and non-operating items which do not relate to the respective year's underlying performance. The Directors consider that the underlying results provides users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the year. The following adjustments have been made to the reported results of for 2008 in order to calculate the underlying results (2007 figures have been provided for comparative purposes):

Underlying Adjustments:	Impact on Share of Equity Accounted Profit 2008 $'000	2007 $'000	Impact on Net Profit after Tax Attributable to Securityholders 2008 $'000	2007 $'000
'Mark to Market' on value of financial instruments in the Asset Companies which do not qualify for hedge accounting.	**(22,085)**	3,720	**(21,726)**	4,108
Income tax benefit in CHEDHA resulting from recognition of previously non-depreciable assets as depreciable assets.	**18,278**	–	**12,795**	–
Income tax (expense)/benefit on items recognised directly in equity in Spark No. 2 Group. This is a reversal of the prior period benefit.	**–**	–	**(15,936)**	15,936
	(3,807)	3,720	**(24,867)**	20,044

The Underlying Profit before Loan Note Interest and Performance Fee for the year ended 31 December 2008 ("Current Period") increased by 6.0% from $179.554 million to $190.355 million compared to the year ended 31 December 2007 ("Previous Period"). The improved performance was a result of higher profits from the Asset Companies and a reduction in expenses in Spark Infrastructure.

Performance of the Asset Companies

The underlying share of equity accounted profit grew by 9.5% from $127.519 million to $139.629 million in the Current Period.

In ETSA, the earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 6.8% from $504.179 million to $538.410 million. The increase in EBITDA was a result of increases in both regulated and non-prescribed revenues. The regulated revenue ("DuOS") increased by 4.3% from $490.436 million to $511.624 million. This was principally due to higher tariffs, which increased in line with CPI. The volume delivered in ETSA was 11,379 GWh an increase of 0.7% over the Previous Period.

The non-prescribed revenue, which includes customer contributions, semi-regulated activities such as meter reading and the provision of construction and maintenance services to third parties, grew by 8.0% from $259.505 million to $280.232 million. This was due to an increase in customer contributions of $25.000 million – as a result of a high number of customer development projects, $12.200 million increase in semi-regulated activities offset by $17.400 million reduction in construction and maintenance services, as the Previous Period was favourably impacted by the large Oxiana project.

The operating expenses increased by 3.4% from $245.042 million to $253.446 million, due to additional expenses such as salaries and vegetation clearance. In addition, a reduction in the discount rate used in the calculation of the long service leave provision increased the provision and associated expense by $8.800 million. In other respects, the number of employees increased by approximately 5%, which was in line with expectation.

In CHEDHA, the EBITDA increased by 2.4% from $577.598 million to $591.450 million largely as a result of an increase in DuOS revenue and customer contributions. However, this was partially offset by an increases in operating costs.

During the Current Period, DuOS increased by 0.9% from $607.924 million to $613.641 million due to the growth in volume delivered. The volume delivered grew by 1.6% from 16,342 GWh to 16,610 GWh. The revenue growth was, however, lower than the volume growth due to an unfavourable mix in volumes with consumption in the lower tariff segments being higher than in the Previous Period. In addition, the approved tariff was also lower in the Current Period. The approved tariff is adjusted by CPI-2.5% each year in the current regulatory period. The relevant CPI for the year ended 30 September 2007 (which is used in calculating tariff from 1 January 2008) was 1.9%, resulting in a reduction in tariff of 0.6% for 2008.

The non-prescribed revenue, which includes customer contributions, semi-regulated activities such as meter reading and other unregulated revenue such as the provision of construction and maintenance services to third parties, grew by 12.2% from $286.837 million to $321.897 million. The customer contribution revenue increased by 5.4% from $83.138 million to $87.617 million, due to large projects having substantial contributions from customers. The semi-regulated revenue increased by 13.4% from $143.802 million to $163.097 million and the other unregulated revenue increased by 18.8% from $59.897 million to $71.183 million.

The operating expenditure increased by 9.5% from $234.130 million to $256.471 million due to costs associated with the generation of additional non-prescribed revenue and other anticipated cost increases related to operations of the regulated business.

Across the Asset Companies, depreciation and amortisation grew by 9.2% from $285.564 million to $311.903 million due to the increase in capital expenditure in the Previous Period. The underlying net interest expense and income tax expenses were in line with the Previous Period.

DIRECTORS' REPORT CONTINUED

Corporate Expenses

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

The management fee is calculated quarterly based on the volume weighted average price ("VWAP") of stapled securities for the last 15 trading days of the quarter. The average VWAP calculated for the Previous Period was $1.96, compared to an average of $1.52 for the Current Period, which resulted in a reduction in the management fees in 2008.

A performance fee of $16.544 million became payable to the Manager of Spark Infrastructure during the Current Period. The performance fee is an incentive fee payable for market outperformance and is not directly related to the operational performance of the Asset Companies. The outperformance is measured each half year by the movement in the Spark Infrastructure's Accumulation Index relative to the benchmark index, which is the S&P/ASX 200 Industrials Accumulation Index. The fee represents 20% of such outperformance.

During the half year to 30 June 2008, Spark Infrastructure's Accumulation Index outperformed the benchmark index by 15.2% reflecting a surplus of $298.863 million. After taking into account a carried forward deficit of $216.146 million covering the period from the IPO in December 2005 through to 31 December 2007, a performance fee of $16.544 million became payable. This was paid in July 2008 from surplus cash reserves after receiving distributions from the Asset Companies.

During the half year to 31 December 2008, the Spark Infrastructure's Accumulation Index underperformed the benchmark index by 2.0% reflecting a deficit of $34.819 million. This deficit will be carried forward to future periods.

Although Spark Infrastructure did undertake some acquisition related activities during the year, it did not incur any associated due diligence costs. Also during the Current Period general and administration expenses reduced in comparison to the previous year.

Cashflow

Spark Infrastructure's cashflow from operating and investing activities was $181.877million, which was $1.455 million higher than the Previous Period, despite the payment of the performance fee of $16.544 million as noted above.

Spark Infrastructure paid cash distributions during the Financial Year of $189.424 million (2007: $167.840 million) to Securityholders representing 18.78 cents per security ("cps").

Debt, Gearing and Hedging

During the year Spark Infrastructure re-financed $200 million of bank debt for a period of three years through to June 2011. The debt was due to mature in December 2008. In addition, Spark Infrastructure also established standby revolving debt facilities for maturity terms extending up to 3 years for $100 million replacing the $50 million 364 day working capital facility.

Spark Infrastructure does not have any debt facilities that mature in 2009. The Asset Companies have established processes to renew and obtain new facilities to meet their funding requirements, which are underway, and discussions have been ongoing with financiers.

Spark Infrastructure's gearing, including its proportionate share of debt of CHEDHA and ETSA, was 63.6 % as at 31 December 2008 (2007:57.9%). The increase in gearing was largely due to the adverse non-cash impacts on equity and reserves as referred to below.

On a proportionate basis, 89.2% of the total debt was hedged. This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure.

Equity and Reserves

Total Equity decreased by $272.794 million during the year to $390.669 million at 31 December 2008. This was largely due to adverse mark-to-market movements in the value of derivatives in Spark Infrastructure and its Asset Companies ($117.284 million) which act as hedges on borrowings, and from actuarial losses on defined benefit superannuation plans of the Asset Companies ($112.917 million). Both impacts are non-cash impacts and result from the application of Australian accounting standards.

Capital Expenditure

CHEDHA and ETSA continue to invest in the expansion of their networks, improving asset performance and reliability and the replacement of existing assets. During the Current Period, $437.743 million, including $236.600 million of growth capital expenditure, was invested in capital expenditure on a net basis, after deducting customer contributions, compared to $387.171 million in the Previous Period. This represents an increase of 13.1% over the Previous Period. Capital expenditure is added to the Regulated Asset Base of the Asset Companies, which results in increased revenue in future periods.

Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets at year end to determine whether any impairment has arisen, and are satisfied that no impairment exists at 31 December 2008. The discounted cash flow analysis undertaken as part of this review did not include the potential impact of the draft AER decision on WACC parameters released in December 2008.

Future Growth

In the short to medium term, organic growth from existing assets is expected to be the principal source of growth for Spark Infrastructure.

During the current regulatory period, which extends to mid-2010 for ETSA and the end of 2010 for CHEDHA, the Asset Companies are expected to have on-going net capital expenditure of around $400 million per annum. In addition, CHEDHA will commence the Advanced Interval Meter Rollout ("AIMRO") or "smart metering" programme which is expected to require an investment of approximately $630 million from late 2009 to 2013, with the majority of capital outlay to occur in 2012–13. The AIMRO capex will earn a return over the period to 2013 that is largely determined by applying the current WACC parameters used in the 2006–2010 Price Determination for the Victorian businesses.

In line with other recent regulatory decisions by the AER, in the next regulatory period the Asset Companies are expected to have significant increases in capital expenditure. In ETSA the growth in capital expenditure is due to a range of factors including economic growth in South Australia resulting in the need for capacity enhancement, changes to the transmission code which are designed to ensure security of supply to Adelaide CBD and surrounding suburbs, and refurbishment of networks. In CHEDHA, the growth in capital expenditure is driven by an increase in customer demand together with security of supply enhancements and the AIMRO project.

The returns on future capex will be impacted by the AER decision on WACC parameters, and therefore Spark Infrastructure believes it is essential that the returns reflect current market conditions in order to ensure appropriate funding can be sourced for these projects.

The Asset Companies continue to pursue unregulated business activities, by providing highly skilled construction, maintenance and asset management services to customers in a range of industries including mining and electricity transmission. Non-prescribed revenue is expected to remain at the current level of about 30% of aggregate revenue of Asset Companies in future periods.

Spark Infrastructure will continue to review investment opportunities in the future using the same disciplined approach to acquisitions that it has adopted in the past. Notwithstanding this, Spark Infrastructure reiterates that its focus in the short to medium term is on the organic growth opportunities arising in the underlying Asset Companies.

Distributions

An interim cash distribution of 9.25 cents per security ("cps") was paid on 15 September 2008 relating to the first half of the Financial Year.

The Directors have declared a final distribution of 9.26 cps, which will be paid on 13 March 2009 taking the aggregate distribution for the Financial Year to 18.51 cps, an increase of 0.45 cps or 2.5% over the previous year's distribution of 18.06 cps. The final distribution for the full year is in line with previous market guidance.

The final distribution comprises of 6.85 cps in interest on loan notes and 2.41 cps in capital distribution. In aggregate for the full year the distribution comprises of 13.62 cps interest on loan notes and 4.89 cps capital distribution.

The following table summarises distributions in respect of the Financial Year:

		Cents per Security ("cps")			Cash Distribution ($'000)		
Distribution Period	**Distribution Date**	**Interest on Loan Notes**	**Capital Distribution**	**Total**	**Interest on Loan Notes**	**Capital Distribution**	**Total**
Interim distribution for the year ended 31 December 2008	15 September 2008	**6.77**	**2.48**	**9.25**	68,286	25,015	93,301
Final distribution for the year ended 31 December 2008	13 March 2009	**6.85**	**2.41**	**9.26**	69,093	24,308	93,401
Total		**13.62**	**4.89**	**18.51**	137,379	49,323	186,702

All distributions were unfranked and made by Spark Trust.

DIRECTORS' REPORT CONTINUED

Outlook

The asset companies in our portfolio have performed strongly. They continue to experience steady growth in regulated electricity distribution sales volumes and in the flow of semi-regulated and unregulated business revenues. While the asset companies are not immune to conditions in the broader economy, their current level of operational performance is expected to continue in 2009 despite the domestic and global economic slowdown. However, the Directors note that operating returns of the asset companies in 2010 and beyond will be impacted by the next regulatory resets, incorporating the final determination of the WACC parameters by the AER.

In providing for future distributions to Securityholders, Spark Infrastructure will continue with its policy that distributions be supported by the operating cash flows of the underlying businesses. In formulating a sustainable distribution policy Spark Infrastructure also has regard to prudent cash management in light of prevailing market conditions, future funding needs and the anticipated impact of future regulatory decisions. Accordingly, your Directors are not in a position to provide distribution guidance for 2009 at this time and will review this situation following the release of the AER's final decision on WACC parameters.

Information Applicable to Registered Schemes

The fees paid to Spark RE and its associates (including Directors) are disclosed in Note 24 to the Financial Statements.

Spark RE does not hold any Stapled Securities. The number of Stapled Securities at the beginning and end of the Financial Year are disclosed in Note 15 to the Financial Statements.

Changes in State of Affairs

There has been no change in the activities of Spark Infrastructure during the Financial Year.

Future Developments

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

Events Occurring after Reporting Date

The Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 31 December 2008.

Non-Audit Services

Details of amounts paid or payable to the external auditor for non-audit services provided during the Financial Year are outlined in Note 18 to the Financial Statements.

The Directors are satisfied that the non-audit services provided by the auditor are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are of the opinion that the services as disclosed in Note 18 to the Financial Statements do not compromise the external auditor's independence, based on advice received from the ARMC, 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 Company's Constitution permits the Company, to the extent permitted by law, to indemnify any current or former Directors or officers against liability incurred by them in that capacity and indemnify them for all legal costs incurred in defending or resisting proceedings, whether civil or criminal or of an administrative or investigatory nature, in which they become involved because of that capacity. The Company may pay a premium for a contract insuring a Director or officer against such liability, unless prohibited by law. The Company may enter into an agreement with a Director or officer in respect of such matters and including provisions relating to rights of access to books of the Company.

During the Financial Year, the Company 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.

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

The Company has entered into Deeds of Access, Indemnity and Insurance with Directors.

Options over Securities

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

Environmental Regulations

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

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 (ie in the case of Directors, while they were appointed and where they were not disqualified from attending due to observation of processes to guard against any perceived conflict of interests, and in the case of Alternate Directors (if any), while they were appointed and meetings for which they were nominated to attend as alternate).

During the Financial Year, 7 Board meetings, 5 ARMC meetings and 4 Compliance Committee meetings of the Company were held:

Directors	Board of Directors Eligible to Attend	Board of Directors Attended	Audit and Risk Management Committee Eligible to Attend	Audit and Risk Management Committee Attended	Compliance Committee[e] Eligible to Attend	Compliance Committee[e] Attended
Stephen Johns	7	7	–	–	–	–
Hing Lam Kam	7	2	–	–	–	–
Andrew Hunter (as Director)	7	5	5	4	–	–
Timothy Keith [a]	6	6	–	–	–	–
John Dorrian	7	7	5	5	–	–
Don Morley	7	7	5	5	–	–
Cheryl Bart	7	6	5	4	–	–
Andrew Hunter [b] (as Alternate Director)	7	2	–	–	–	–
Dominic Chan [c] (as Alternate Director)	1	1	–	–	–	–
Peter St George [d]	7	6	5	5	–	–
Shaun Mays [a]	1	1	–	–	–	–

[a] Mr Keith was appointed on 17 March 2008. Mr Mays resigned on the same date.
[b] Alternate Director for Mr HL Kam.
[c] Alternate Director for Mr HL Kam.
[d] Mr St George resigned on 31 December 2008.
[e] For the Financial Year, there were no Directors who were members of the Compliance Committee (a sub-committee of the Board). Therefore no attendance details have been provided.

Directors' Stapled Security Holdings

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

Directors	Opening Balance (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance (No.)
Stephen Johns	355,000	–	355,000
Hing Lam Kam	–	–	–
Andrew Hunter	–	–	–
Timothy Keith	–	–	–
John Dorrian	162,150	(25,722)	136,428
Don Morley	225,000	–	225,000
Cheryl Bart	125,000	–	125,000
Anne McDonald	–	–	–
Dominic Chan	–	–	–
Peter St George [a]	71,400	–	71,400
Shaun Mays [b]	–	–	–

[a] Resigned 31 December 2008.
[b] Resigned 17 March 2008.

DIRECTORS' REPORT CONTINUED

Remuneration Report

Remuneration of Directors

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

The Directors' fees are reviewed annually by the Board and are subject to an aggregate fees pool limit of $2,000,000 per annum (inclusive of superannuation). Any increase to this limit will be submitted to the Stapled Security Holders at an annual general meeting for approval.

The Directors do not receive securities, options or any performance related incentives. The Alternate Directors are not paid any fees.

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

		Short term Employment Benefits	Post-Employment Benefits	
Directors		**Directors' Fees $**	**Superannuation $**	**Total $**
Chairman				
Stephen Johns	**2008**	**211,563**	**13,437**	**225,000**
	2007	211,871	13,129	225,000
Non executive Directors				
Hing Lam Kam [a]	**2008**	**100,000**	**–**	**100,000**
	2007	100,000	–	100,000
Andrew Hunter [a]	**2008**	**106,500**	**–**	**106,500**
	2007	106,500	–	106,500
Timothy Keith [a]	**2008**	**79,121**	**–**	**79,121**
	2007	–	–	–
John Dorrian [a]	**2008**	**106,500**	**–**	**106,500**
	2007	35,215	–	35,215
Don Morley	**2008**	**103,668**	**9,332**	**113,000**
	2007	102,830	10,170	113,000
Cheryl Bart	**2008**	**97,708**	**8,792**	**106,500**
	2007	96,915	9,585	106,500
Peter St George [d]	**2008**	**106,500**	**–**	**106,500**
	2007	106,500	–	106,500
Shaun Mays [a,b]	**2008**	**20,879**	**–**	**20,879**
	2007	106,500	–	106,500
Brian Scullin [c]	**2008**	**–**	**–**	**–**
	2007	71,263	–	71,263
Total	**2008**	**932,439**	**31,561**	**964,000**
	2007	937,594	32,884	970,478

[a] The Directors' fees for Mr Kam and Mr Hunter were paid to CKI, while the fees for Mr Keith, Mr Dorrian and Mr Mays were paid to RREEF Infrastructure.
[b] Mr Keith was appointed on 17 March 2008. Mr Mays resigned on the same date.
[c] Mr Scullin retired on 24 August 2007.
[d] Mr St George resigned on 31 December 2008.

Board Remuneration Policy

The remuneration of Spark Infrastructure's Directors is benchmarked to the remuneration of Directors of comparable enterprises periodically using an independent external consulting firm. A broad cross section of parameters are used by the external firms in determining comparable entities. In the last review undertaken in the year ended 31 December 2007, the following criteria were used:

— Market capitalisation;

— Revenue;

— Total assets; and

— A combination of all the above parameters.

Based on the report from the firm, the Board approved annual remuneration, including post employments benefits payable to Directors, as follows with effect from 1 January 2007 which applies to the Financial Year as well:

Role	**$**
Chairman	225,000
Non-Executive Director	100,000
Additional fee for enhanced responsibility:	
— Chairman of ARMC	13,000
— ARMC member	6,500
— Chairman of Compliance Committee	10,000
— Compliance Committee member	5,000

Further the following other policies apply to Directors' remuneration:

- Fee levels for all non-executive Directors will be positioned between the median and the 75th percentile of the general market comprising comparable board roles in listed companies within the range of half to twice the market capitalisation, revenue and total assets of Spark Infrastructure;
- The Chairman's fee to be in the range of 2.0 and 2.5 times that of non-executive Directors;
- The Chairman of board committees (other than the Chairman of the Board) shall be eligible to receive a committee chair fee in addition to the base non-executive Director fee;
- Members of board committees shall be eligible to receive a committee membership fee in addition to the base non-executive Director fee, set at half the fee of the committee chair; and
- In setting the fees applicable to committee chairs and committee members, the Board is to consider the relative workloads of committees.

In December 2008, the Board reviewed the remuneration of Directors who are appointed to committees of the Board against remuneration of similar enterprises. Based on the review the following the following adjustments were made to the remuneration of Directors holding enhanced responsibility as members of various committees:

— Chairman of ARMC	$20,000
— ARMC member	$10,000
— Compliance Committee member	$10,000

The above changes are effective from 1 January 2009.

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

In addition to the above fees, Ms Cheryl Bart was entitled to a Director's fee of $100,000 (2007: $30,000) and Mr Peter St George to $108,018 (2007: $25,000) to act as representative Directors of Spark Infrastructure on the ETSA and CHEDHA boards respectively. These fees were paid by ETSA and CHEDHA to the identified Directors directly, and not by Spark Infrastructure.

Remuneration of Executives

Spark Infrastructure does not have any employees. Spark Infrastructure Management Limited ("Manager"), as the manager of Spark Infrastructure, makes employees (including senior executives) available under the Management Agreement. Spark Infrastructure is not liable for expenses referable to the executives. Accordingly, executive remuneration details are not provided in this report. The Manager is paid management fees as mentioned in Note 24.

Performance of Spark Infrastructure

The following table provides details of Spark Infrastructures' performance for the last three years:

	Financial Period Ended 31 December		
	2008 $'000	2007 $'000	2006[a] $'000
Profit before Loan Note Interest	**170,004**	183,274	171,543
Profit after tax attributable to Securityholders	**9,453**	56,932	25,882
Security Price [b] ($)	**1.30**	1.98	1.74
Distribution per security (cents)	**18.51**	18.06	15.61

[a] The figures for 2006 cover the period from 1 November 2005 (date of incorporation) to 31 December 2006, as it was the first year of operation.

[b] Security price is based on last trading day of each year and 2006 price includes 54 cps in instalment receipt.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

Rounding of Amounts

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

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

On behalf of the Directors:

S Johns
Chairman
Sydney
24 February 2009

D Morley
Director