

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Preparation and Statement of Compliance

This financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, accounting standards and interpretations, and complies with other requirements of the law.

As the Company was dormant during the Financial year, the following accounting policies relate to that of Spark Infrastructure which will be applied in the future when the Company becomes operational.

This financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of consideration given in exchange for assets.

The financial statements comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes comply with the International Financial Reporting Standards ("IFRS").

The financial statement was authorised for issue by the Directors on 24 February 2009.

Standards Not Yet Effective

During the Financial Year, Spark Infrastructure adopted all the new and revised standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current accounting period. However, certain standards, amendments and interpretations that are on issue but not yet effective have not been applied in the preparation of this report.

- AASB 101 "*Presentation of Financial Statements*" – revised standard (effective for annual reporting periods beginning on or after 1 January 2009)

The standard will result in a number of changes to the presentation of the financial statements, including:

- presenting all non-owner changes in equity ("comprehensive income") either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity;
- presenting an additional statement of financial position ("balance sheet") as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements (this would generally mean that three balance sheets are presented in these circumstances);
- disclosing income tax relating to each component of other comprehensive income; and
- disclose reclassification adjustments relating to components of other comprehensive income

The standard will not have any financial impact other than disclosure changes on the disclosed results of the Company.

- AASB 3 "*Business Combinations*" – effective for annual reporting periods beginning on or after 1 July 2009.

As a consequence of the amendment to the above AASB, stapling arrangements such as Spark Infrastructure will be covered under the standard. AASB interpretation 1002 "Post-date of Transition Stapling Arrangements" will be superseded. As existing stapling arrangements will not be impacted, there are no financial or disclosure implications for Spark Infrastructure.

The amendments introduce greater use of fair values and great volatility in the Income Statement due to changes in the accounting treatment for transaction costs, contingent consideration and share based payments. These changes apply only to business combinations made by Spark Infrastructure after 1 January 2010.

- AASB 123 "*Borrowing Costs*" (effective for annual reporting periods beginning on or after 1 January 2009).

The principle change from the above standard is the requirement to capitalise borrowing costs attributable to acquisition, construction or production of a qualifying asset. The current standard permits such costs to be either expensed or capitalised.

Spark Infrastructure's policy is to capitalise borrowing costs and therefore adoption of the above standard will not impact on reported results.

Significant Accounting Policies

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

(a) 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.

(b) 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.

(c) Cash and Cash Equivalents

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

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Summary of Accounting Policies (continued)**(e) Derivative Financial Instruments**

Spark Infrastructure enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

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

Interest, Dividends and Distributions

Interest, dividends and distributions are classified as expense, distributions of profit or a return of capital consistent with the balance sheet classification of the related debt or equity instruments.

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

Hedge Accounting

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

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

(f) Financial Instruments*Debt and Equity Instruments*

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

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST"), except:

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

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

Cash flows are included in the cash flow statement 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.

(h) Impairment of other tangible and intangible assets

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

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

1. Summary of Accounting Policies (continued)

(h) Impairment of other tangible and intangible assets

(continued)

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.

(i) 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 the financial statements and the corresponding tax base of those items.

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

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

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

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and each Stapled Entity 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 income statement, 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.

(j) 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 balance sheet at cost plus post-acquisition changes in share of net assets of the Associates. After application of the equity method, Spark Infrastructure determines whether it is necessary to recognise any impairment loss with respect to its net investment in Associates.

Spark Infrastructure's share of its Associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in equity 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 income statement.

(k) Loans and Receivables

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

(l) 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.

(m) Investments in Subsidiaries

The investments in subsidiaries are accounted at cost.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED**2. Share Capital**

The authorised share capital of the Company is 5,000,000,000 shares of no par value. Of this, 1,008,651,308 shares have been issued to CHESS Depository Nominees Limited pursuant to an arrangement to issue CHESS Depository Interests to the stapled security holders, which includes one special voting share of no par value issued to Spark Infrastructure Management Limited (the Manager of the stapled entities). The special voting share entitles its holder to various rights, which inter alia includes the right to appoint persons up to 50% of the maximum number of Directors permitted under the constitution of the Company.

3. Dividend

No dividends were declared or paid during the Financial Year (2007: Nil).

4. Notes to the Cash Flow Statement

No notes have been presented to the Cash Flow Statement on the basis that the Company holds no cash and has not incurred any expenses in the current or the preceding period.

5. Financial Instrument

The Company has never traded and nor does it hold any financial instrument at the end of the period. Therefore, the Company has no risk associated with financial instruments.

6. Segment Information

During the current and the previous financial periods the Company was dormant.

7. Related Party Disclosures**a) Directors**

The persons listed below were Directors of the Company during the Financial Year and as at the date of this report:

Stephen Johns

Andrew Hunter

Timothy Keith (appointed 17 March 2008)

In addition, Shaun Mays was a Director till 17 March 2008.

No remuneration was paid to the Directors of the Company during the Financial Year as the Company was dormant (2007: Nil).

b) Key Management Personnel ("KMP")

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The Directors meet the definition of KMP. However, since the authority and responsibility for directing and controlling activities has not been delegated to the Manager, there are no other KMP in the Company. The Company has no employees.

c) Other Related Parties

The other related parties of the Company are primarily entities within Spark Infrastructure and their wholly owned subsidiaries. There was no transactions with any other entity within Spark Infrastructure (2007: Nil).

8. Remuneration of Auditors

No remuneration was paid to the auditors (2007: Nil) by the Company as the fee was borne by other entities within Spark Infrastructure.

The auditor of the Company is Deloitte Touche Tohmatsu.

9. Contingent Liabilities and Contingent Assets

There was no material Contingent Liability or Contingent Asset as at 31 December 2008, which has not already been disclosed.

10. Subsequent Events

There has not been any matter or circumstance, other than those referred to in the financial statements, or notes there to, that has arisen since the end of the Financial Period that has significantly affected or may significantly affect, the operations of the Company, the results of these operations or the state of affairs of the Company in future financial periods.

11. Company Information

The registered office of the Company is:

c/o MB & H Corporate Services

Mareva House

4 George Street

Nassau

Bahamas

The Company is incorporated in the Bahamas.