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.

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 and notes 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 report was authorised for issue by the Directors of Spark RE on 24 February 2009.

Standards Not Yet Effective

During the Financial Year, the Trust adopted all the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the "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. The following standards have not yet been applied in 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
  - disclosing reclassification adjustments relating to components of other comprehensive income.

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

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.

e) 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.

Interest, Dividends and Distributions

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

f) 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.

g) Impairment of Other Tangible and Intangible Assets

At each reporting date, the Trust 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, the Trust estimates the recoverable amount of the cash-generating Unit to which the asset belongs.

1. Summary of Accounting Policies (continued)

g) Impairment of Other Tangible and Intangible Assets (continued)

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.

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 periods. 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.

h) Taxes

Income tax expense and deferred taxes are 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 Stapled Security Holders each year.

i) Loans and Receivables

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

j) 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.

k) Rounding of Amounts

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

	2008 $'000	2007 $'000
2. Profit for the Financial Year		
General and Administrative Expenses		
Management fee – Spark RE	**100**	100
Directors' fees	**321**	323
Other expenses	**811**	791
	1,232	1,214
3. Income Taxes		
Income Tax Recognised in Profit or Loss		
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Financial Statements as follows:		
Profit from continuing operations	**7,397**	7,398
Income tax expense calculated at 30%	**2,219**	2,219
Tax effect on operating results of the Trust (Note 1(h))	**(2,219)**	(2,219)
Income tax expense/(benefit)	**–**	–

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

	2008 $'000	2007 $'000
4. Loans to Related Parties		
Non-interest bearing loan [a]	**143,659**	195,706

[a] The loan is repayable on written demand of the lender.

	2008 $'000	2007 $'000
5. Other Receivables		
GST recoverable	**–**	4
Related party receivable	**54,738**	47,007
	54,738	47,011

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2008 $'000	2007 $'000
6. Loans to Related Parties		
Interest bearing loan [a]	**1,262,804**	1,262,804

[a] 100 year loan to a related party within Spark Infrastructure at an interest rate of 10.85% per annum unless agreed otherwise.

	2008 $'000	2007 $'000
7. Payables		
GST payable	**366**	–
Other	**62**	78
	428	78
8. Loan notes Attributable to Stapled Security Holders		
Loan notes [a]	**1,231,515**	1,231,515

[a] Loan notes (term of 100 years) carry an interest rate of 10.85% per annum for the period to 30 November 2010 and for periods thereafter interest will be based on a five year swap rate plus a credit margin to be determined.

	2008 $'000	2007 $'000
9. Unitholders' Funds		
Balance at beginning of the Financial Year	**190,007**	220,771
Capital distributions	**(52,046)**	(30,764)
Balance at end of the Financial Year	**137,961**	190,007
Fully paid Securities	**No.'000**	No.'000
Balance at beginning and end of the Financial Year	**1,008,651**	1,008,651

Each ordinary Unit carries one vote and the right to distributions.

Each Unit in the Trust is "stapled" to one share in SIH (No. 1), one share in SIH (No. 2), one loan note issued by Spark RE and one CHESS Depositary Interest representing one share in Spark International. The Stapled Securities are quoted as if they are a single security.

	2008 $'000	2007 $'000
10. Retained Earnings		
Balance at beginning of the Financial Year	**14,984**	7,586
Net profit for the Financial Year	**7,397**	7,398
Balance at end of the Financial Year	**22,381**	14,984

11. Remuneration of External Auditor	**$**	$
Audit or review of financial report	**80,911**	60,366

The auditor of the Trust is Deloitte Touche Tohmatsu.

	2008 $'000	2007 $'000
12. Earnings per Unit ("EPU")		
Net profit after tax used to calculate EPU	**7,397**	7,398
Weighted average number of Units ('000)	**1,008,651**	1,008,651
Earnings per Unit (cents)	**0.73**	0.73
Profit before income tax and loan note interest per Unit	**144,787**	144,412
Weighted average number of Units ('000)	**1,008,651**	1,008,651
Profit before loan note interest per Unit (cents)	**14.35**	14.32

Basic EPU is the same as diluted EPU.

	2008		2007	
	Cents Per Unit	**Total $'000**	Cents Per Unit	Total $'000
13. Distributions Paid and Payable				
Distributions Paid:				
Interim distribution in respect of year ended 31 December 2008 paid on 15 September 2008 (2007: 15 September 2007)				
Interest on loan notes	**6.77**	**68,286**	6.74	67,983
Capital distribution	**2.48**	**25,015**	1.79	18,055
	9.25	**93,301**	8.53	86,038
Distribution Payable:				
Final distribution in respect of the year ended 31 December 2008 payable on 13 March 2009 (2007: 15 March 2008)				
Interest on loan notes [a]	**6.85**	**69,093**	6.85	69,093
Capital distribution [b]	**2.41**	**24,308**	2.68	27,032
	9.26	**93,401**	9.53	96,125
Total paid and payable	**18.51**	**186,702**	18.06	182,163

[a] recognised amount.
[b] unrecognised amount.

The distributions are unfranked.

14. Segment Information

The Trust operates in one business segment, being lending funds to related parties, and one geographical area, being Australia. Therefore, no segment information is provided.

15. Related Party Disclosures

a) Directors

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

Stephen Johns (Chairman)

Hing Lam Kam

Andrew Hunter

Timothy Keith (appointed 17 March 2008)

John Dorrian

Don Morley

Cheryl Bart

Anne McDonald (appointed 1 January 2009)

Dominic Chan (Alternate Director, appointed 12 December 2008)

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

Remuneration

The Trust bears a proportionate share of remuneration paid to the Directors of Spark Infrastructure. The share of remuneration borne by the Trust is as follows:

	2008 $	2007 $
Directors' fees – Short term benefits	**310,813**	312,531
Directors' fees – Post-employment benefits	**10,521**	10,961
	321,334	323,492

Apart from the details disclosed above, no Director has entered into any material contract with the Trust during or since the end of the previous period, and there were no material contracts involving Directors' interests existing at the end of the Financial Year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Related Party Disclosures (continued)

Security Holdings

The relevant interest of each Director in the Stapled Securities of Spark Infrastructure as at the date of this report is as follows:

Directors	**Opening Balance 01/01/2008 (No.)**	**Net Movement Acquired/Disposed (No.)**	**Closing Balance 31/12/2008 (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 on 31 December 2008.
[b] Resigned on 17 March 2008.

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

Directors	Opening Balance 01/01/2007 (No.)	Net Movement Acquired/Disposed (No.)	Closing Balance 31/12/2007 (No.)
Stephen Johns	330,000	25,000	355,000
Hing Lam Kam	–	–	–
Andrew Hunter	–	–	–
John Dorrian	162,150	–	162,150
Don Morley	225,000	–	225,000
Cheryl Bart	125,000	–	125,000
Peter St. George	71,400	–	71,400
Shaun Mays [a]	167,000	(167,000)	–
Brian Scullin	–	–	–

[a] Mr Shaun Mays was required to dispose of his holdings because of legal restriction relating to his residing in the United States of America.

b) Responsible Entity

The responsible entity of the Trust is Spark RE. During the Financial Year, in addition to reimbursing costs incurred by Spark RE, an amount of $0.100 million (2007 period: $0.100 million) was paid.

c) Key Management Personnel ("KMP")

KMP are those having the authority and responsibility for directing and controlling the activities of the 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 Trust. The Trust has no employees.

d) Other related parties

The other related parties of the Trust are primarily entities within Spark Infrastructure and their wholly owned controlled entities.

During the Financial Year, the Trust earned $145.916 million (2007: $145.553 million) from Spark Infrastructure (Victoria) Pty Limited, comprising of interest income of $137.390 million (2007: $137.014 million) and $8.526 million (2007: $8.539 million) in fees associated with provision of debt.

As at 31 December 2008, $143.659 million in non-interest bearing loans, $1,262.804 million in interest bearing loans and $54.372 million in current receivables were due from Spark Infrastructure (Victoria) Pty Limited, comprising of $68.975 million in interest receivable and $14.603 million in current payables.

Spark Infrastructure (Victoria) Pty Limited is a wholly owned subsidiary of SIH No. 1.

16. 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 the Trust.

	2008 $'000	2007 $'000

17. Notes to the Cash Flow Statement

a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the Financial Year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2008 $'000	2007 $'000
Cash on hand and at bank	**59**	26
Cash and cash equivalents	**59**	26

b) Reconciliation of Profit for the Year to Net Cash Inflow Related to Operating Activities

	2008 $'000	2007 $'000
Net profit after tax for the Financial Year	**7,397**	7,398
Loan note interest expensed	**137,390**	137,014
Changes in net assets and liabilities (Increase)/Decrease in assets:		
Current receivables	**(11)**	66
Increase/(Decrease) in liabilities:		
Current payables	**354**	(897)
Net cash inflow related to operating activities	**145,130**	143,581

18. Financial Instruments

a) Financial Risk Management Objectives

The treasury function manages the financial risks and co-ordinates access to financial markets.

The Trust 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 policies approved by the Board, which has written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The Trust's activities expose it primarily to the financial risks of changes in interest rates. Where appropriate, Spark Infrastructure enters into a variety of derivative financial instruments to manage its exposure to interest rate movements, including interest rate swaps, forward interest rate contracts and interest rate options.

b) Capital Management

The capital structure of the Trust comprises of debt, loan notes attributable to Stapled Security Holders and equity. As the loan notes are a long term instrument and subordinated, they are regarded as part of equity capital for these purposes.

The Trust 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 security holders.

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) Financial Market Risk

The Trust does not have any financial market risk as its loans are issued on a fixed interest rates. The revenue of the Asset Companies are in part reliant on regulatory determinants of the Australian Energy Regulator. This could in turn impact on distributions received by Spark Infrastructure.

18. Financial Instruments (continued)

e) Interest Rate Risk Management

As the Trust's interest bearing assets and liabilities are predominantly fixed rate, a change in interest rates would not have significantly changed the Trust's profit or loss and equity position.

The following table details the Trust's consolidated entity's exposure to interest rate risk as at 31 December 2008 and 2007 respectively:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates Less than 1 Year	1–5 Years	5 Years +	Non-Interest Bearing	Total
2008	**% pa**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**3.75**	**59**	–	–	–	–	**59**
Loans to related parties – non interest bearing	–	–	–	–	–	**143,659**	**143,659**
Loans to related parties – interest bearing	**10.85**	–	–	–	**1,262,804**	–	**1,262,804**
Other receivables	–	–	–	–	–	**54,372**	**54,372**
		59	–	–	**1,262,804**	**198,031**	**1,406,894**
Payables	–	–	–	–	–	**428**	**428**
Loan note interest payable	–	–	–	–	–	**68,975**	**68,975**
Loan note attributable to Stapled Security Holders	**10.85**	–	–	–	**1,231,515**	–	**1,231,515**
		–	–	–	**1,231,515**	**69,403**	**1,300,918**

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates Less than 1 Year	1–5 Years	5 Years +	Non-Interest Bearing	Total
2007	% pa	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	6.25	26	–	–	–	–	26
Loans to related parties – non interest bearing	–	–	–	–	–	195,706	195,706
Loans to related parties – interest bearing	10.85	–	–	–	1,262,804	–	1,262,804
Other receivables	–	–	–	–	–	47,011	47,011
	10.85	26	–	–	1,262,804	242,717	1,505,547
Payables	–	–	–	–	–	78	78
Loan note interest payable	–	–	–	–	–	68,963	68,963
Loan notes attributable to Stapled Security Holders	10.85	–	–	–	1,231,515	–	1,231,515
		–	–	–	1,231,515	69,041	1,300,556

18. Financial Instruments (continued)

f) Liquidity risk

Spark Infrastructure manages liquidity by maintaining adequate cash reserves, banking facilities and monitoring continuously the forecast and actual cashflows. No significant risks have been identified. The undiscounted cashflow of financial liabilities are as disclosed in the Balance Sheet with the exception of Loan Notes attributable to Stapled Security holders. The details of interest and principal cashflows in respect of the Loan Notes are disclosed below:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates Less than 1 Year	1– 5 Years	5 Years +	Non-Interest Bearing	Total
2008	**% pa**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans to related parties – interest bearing	**10.85**	**–**	**137,389**	**685,070**	**13,701,412**	**–**	**14,523,871**
		–	**137,389**	**685,070**	**13,701,412**	**–**	**14,523,871**

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates Less than 1 Year	1– 5 Years	5 Years +	Non-Interest Bearing	Total
2007	% pa	$'000	$'000	$'000	$'000	$'000	$'000
Loans to related parties – interest bearing	10.85	–	137,014	685,070	13,701,412	–	14,523,496
			137,014	685,070	13,701,412	–	14,523,496

g) Fair Value of Financial Instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their fair values.

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

19. Additional Information

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

Level 6, 255 George Street
Sydney NSW 2000
Australia