

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 2007 ("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 at any time during the Financial Year and as at the date of this report:

Stephen Johns (Chairman)

Hing Lam Kam

Andrew Hunter

Shaun Mays

John Dorrian (Director from 24 August 2007, until that date Alternate Director for Brian Scullin)

Don Morley

Cheryl Bart

Peter St George

In addition, Brian Scullin was a Director until his retirement on 24 August 2007 and Andrew Fay was an Alternate Director for Shaun Mays until his resignation on 29 November 2007.

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.

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 CitiPower, Powercor Australia ("Powercor"), ETSA Utilities ("ETSA"), AquaTower and Lane Cove Tunnel Holding Company.

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 is a member of The Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. 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 CitiPower, Powercor and ETSA.

Mr Hunter is a member of the Audit and Risk Management Committee ("ARMC").

Shaun Mays BSc (Hons), MSc, MBA

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

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

Prior to taking up this position, he was Chief Executive Officer of Deutsche Asset Management (Australia) Limited ("DeAM"). He has 20 years experience in the funds management industry in both executive management and investment positions in Australia, the USA and the UK. Prior to joining Deutsche Asset Management, Mr Mays was also 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.

Mr Mays has made significant contributions to industry associations and Australian Government advisory boards throughout his career, including authoring the Australian Government report "Corporate Sustainability: an Investor Perspective (the Mays' Report)" in 2003.

He has held a wide range of directorships on the boards of listed and unlisted companies in Australia, the USA, the UK and Japan. Mr Mays is a non-executive Director of Spark Infrastructure Management Limited and non-executive Chairman of the board of Maher Terminals LLC.

Mr Mays was a member of the 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 Australia and Co-Head of Infrastructure Investments for RREEF Asia Pacific, the alternative investment management division of Deutsche Asset Management. Prior to this, he advised RREEF on the establishment of Spark Infrastructure and the acquisition of its interests in CitiPower, Powercor and ETSA. He was Spark Infrastructure's Chief Financial Officer until October 2006 and was previously Head of Portfolio Management and Head of Infrastructure and Private Debt for the Global Private Capital division of AMP Henderson Global Investors.

Mr Dorrian has more than 25 years of senior experience in financial and investment markets, and has specialised in infrastructure, private equity and direct investment and funds management for over 15 years. He has been actively involved as a Director of a number of significant companies operating in a wide range of industries including airports, electricity generation, electricity and gas distribution and retailing, minerals processing and agribusiness.

He is a Director of CitiPower, Powercor and ETSA, DeAM, Spark Infrastructure Management Limited, Australia Pacific Airports Corporation Limited, the Port of Geelong, Northern Gas Networks Holdings Limited (UK) and St George Community Housing Limited. A Fellow of The Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors, he holds a Bachelor of Arts in financial management from Macquarie University.

Mr Dorrian is a member of the ARMC.

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.

Cheryl Bart 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 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 directorships 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 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 and the Information Economy Advisory Board.

Ms Bart is a member of the ARMC.

Peter St George CA (SA), MBA

Independent Director (appointed 8 November 2005)

Mr St George is a Director of CHEDHA Holdings Pty Limited ("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. He qualified as a Chartered Accountant in South Africa and received a Master of Business Administration from the University of Cape Town.

Mr St George is a member of the ARMC.

DIRECTORS' REPORT CONTINUED

Other Directors

Brian Scullin BEd

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

Following a career in government and politics in Canberra, Mr Scullin was appointed the inaugural executive Director of the Association of Superannuation Funds of Australia in 1987.

Mr Scullin joined Bankers Trust in Australia in 1993 and held a number of senior positions, with responsibilities including marketing, technology, legal, tax and compliance, security services, investor services and margin lending. He was posted to Tokyo and became the President of Japan Bankers Trust in 1997. In 1999, he was appointed Chief Executive Officer – Asia/Pacific for DeAM.

Mr Scullin retired from full-time employment in 2002 but remains actively involved in the Australian funds management industry through his role as a non-executive Director of DeAM and associated companies.

He was previously a Vice Chairman of the Investment and Financial Services Association and remains on its Nominations Committee. He is a part-time member of the Australian Government's Financial Reporting Council and he is a Director of State Super Financial Services and DB RREEF.

Mr Scullin was the Chairman of the Compliance Committee and was a member of the ARMC. Mr Scullin retired as a Director on 24 August 2007.

Andrew Fay B Ag Ec (Hons), ASIA

Alternate Director to Shaun Mays (appointed 10 November 2006)

Andrew Fay is Chairman of the Board at Deutsche Asset Management (Australia) Limited. He recently stepped down as Head of Deutsche Asset Management Australia following a 20 year career in the financial services sector. Mr Fay joined Deutsche Asset Management in 1994 as a senior portfolio manager in the Australian equities team and became head of the Australian equities team in 1997. In 2000, Fay was appointed Chief Investment Officer for Australia and in April 2005 he was promoted to the position of Head of Australia. He also held the position of Regional Chief Investment Officer, Asia Pacific, from 2002 to July 2006. He is credited with broadening Deutsche Asset Management's product range from its initial domestic manufacturing base to becoming a leading global and alternative investment house in Australia.

Prior to joining Deutsche, Mr Fay spent six years with the investment division of AMP Global Investors working in the fixed interest, economics and Australian equities areas. He graduated from Sydney University with a Bachelor of Agricultural Economics (Honours) degree and has completed a graduate diploma with the Securities Institute of Australia.

Andrew Fay resigned as Alternate Director on 29 November 2007.

Company Secretary

Mary Anne Brophy BA, LLM

Mary Anne Brophy has 25 years of legal and commercial experience gained in private practice and as an in-house General Counsel.

For the last 15 years, she has been involved in international energy projects in Australia, the UK and Asia. In the 1990s, Ms Brophy was extensively involved in the privatisation of the electricity industry in the UK.

Subsequently, she was General Counsel for Ogden Corporation's Asia Pacific energy business based in Hong Kong. Prior to joining Spark Infrastructure, Mary Anne was General Counsel and Company Secretary of Envestra Limited.

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 Depository 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 end 31 December			Change Compared to	
	2007 Actual \$' 000	2007 Underlying \$' 000	2006 Underlying \$' 000	Underlying 2006 \$' 000	%
Interest Income from Associates	93,578	93,578	96,336	(2,758)	(2.9)
Share of Equity Accounted Profits ^a	131,239	127,519	87,788	39,731	45.3
	224,817	221,097	184,124	36,973	20.1
Other Interest Income	3,599	3,599	2,157	1,442	66.9
Total Income	228,416	224,696	186,281	38,415	20.6
Management Fees	(12,019)	(12,019)	(10,901)	(1,118)	(10.2)
Senior Debt Interest	(27,921)	(27,921)	(28,041)	120	0.4
General and Administrative Expenses	(5,202)	(5,202)	(2,959)	(2,243)	(75.8)
Profit before Loan Note Interest and tax	183,274	179,554	144,380	35,174	24.4
Loan Note Interest	(137,014)	(137,014)	(137,014)	–	–
Profit before Tax	46,260	42,540	7,366	35,174	477.6
Income Tax Benefit/(Expense) ^b	10,672	(5,651)	(3,878)	(1,773)	(45.7)
Profit Attributable to the Stapled Security Holders ^c	56,932	36,889	3,488	33,401	958.0
Operating Cash Flow	123,384	123,384	105,673	17,711	16.8
Gross Capital Expenditure – Asset Companies	489,700	489,700	464,900	24,800	5.3

The underlying profit reflects the operating results of Spark Infrastructure by excluding certain non-cash and non-operating items which do not relate to the respective years underlying performance. The Directors consider that underlying profit provides users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the period. The following adjustments have been made to the reported results of 2006 and 2007 in order to calculate the underlying results:

- ^a The favourable impact of movement in "mark to market" value of financial instruments in the Asset Companies, ETSA and CHEDHA, that does not qualify for hedge accounting has been excluded. These are non-cash and non-operating impacts and therefore not relevant to the comparison of underlying financial performance between the periods. The movements resulted in a favourable impact of \$3.720 million in the financial year (2006: \$26.000 million) in share of equity accounted profits, with post tax impact of \$4.108 million (2006 period: 21.257 million) on profit attributable to the Stapled Security Holders.
- ^b An amount of \$15.936 million in income tax benefit arising from items directly recognised in equity in SIH No. 2 has also been excluded, as it does not relate to operating performance.
- ^c Spark Infrastructure was incorporated on 1 November 2005 and listed on 16 December 2005. As required by accounting standards, the reported 2006 results are from the date of incorporation to 31 December 2006. In order to enable comparison year-on-year, the underlying figures above exclude the period from incorporation to 31 December 2005 and relate only to the year ended 31 December 2006 ("Previous Period"). This resulted in a reduction of \$1.138 million in profit attributable to the Stapled Security Holders.

DIRECTORS' REPORT CONTINUED

Review of Operations (continued)

The Directors consider that underlying profit provides users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the period. The underlying net profit for the Financial Year increased by 958.0% from \$3.488 million in the Previous Period to \$36.889 million. The principal reason for the increase was due to strong performance of the Asset Companies resulting in a significant increase in the share of equity accounted profits.

Performance of the Asset Companies

The earnings before interest, tax, depreciation and amortisation ("EBITDA") of CHEDHA increased by 10.7% over the Previous Period to \$577.598 million.

The regulated electricity distribution revenue in CHEDHA increased by 2.6% over the Previous Period to \$607.924 million. This was largely due to an increase in approved tariffs, increased consumption by higher tariff rated customers and an increase in volume delivered. The volume of electricity delivered increased by 1.4% over the Previous Period to 16,342 GWh. The growth in volume was achieved even though the Previous Period benefited from favourable weather conditions.

CHEDHA's unregulated revenue increased by 35.9% over the Previous Period to \$203.804 million. Customer contributions increased by 105.1% over the Previous Period to \$83.138 million, with cash contributions increasing by 145.8% over the Previous Period to \$49.900 million. The increase was due to an increase in number of projects and an increase in projects which had relatively high customer contribution rates. In addition, the external revenue (which includes revenue from metering services, public lighting and construction and maintenance services undertaken for third parties) increased by 10.3% over the Previous Period to \$120.666 million.

The EBITDA of ETSA increased by 11.1% to \$504.179 million compared to the Previous Period.

The regulated electricity distribution revenue in ETSA increased by 5.1% to \$490.436 million as a result of both an increase in tariffs and volume growth. The volume of electricity delivered increased by 1.4% to 11,300 GWh during the Financial Year.

ETSA's unregulated revenue increased by 34.3% over the Previous Period to \$259.585 million. Customer contributions increased by 22.5% to \$82.075 million as a consequence of an increase in customer driven projects. Of this, cash customer contributions increased by 16.8% over the Previous Period to \$55.900 million. External revenue increased by 40.6% over the Previous Period to \$177.510 million, due to the completion of a number of major construction projects for third parties. Specifically, an amount of \$48.800 million was generated from the Oxiana project during the Financial Year.

The cash operating expenses increased in both CHEDHA and ETSA principally as a result of the anticipated increase to labour and material costs relating to operating the distribution networks and an increase in costs associated with the generation of additional unregulated revenue (these costs were more than offset by increased revenue from unregulated activities).

Corporate Expenses

The corporate expenses of Spark Infrastructure comprise management fees, interest on senior debt and other general and administrative expenses. The management fee is calculated based on the enterprise value of Spark Infrastructure. The fee was higher than the Previous Period as a consequence of an increase in the market price of the Stapled Securities.

The increase in general and administrative expenses is principally due to costs associated with due diligence work undertaken in relation to investment opportunities considered cost increases on account of timing of expenses and costs associated with instalment receipts payments during the Financial Year.

Cash Flow

Spark Infrastructure's cash flow from operating activities increased by 16.8% over the Previous Period to \$123.384 million. In addition to the operating cash, Spark Infrastructure also received \$57.038 million in repayment of loans which were paid out of the operating cash flows of the Asset Companies. The operating cash flows were higher than the Previous Period largely due to differences arising from the timing of the receipt of distributions from the Asset Companies between the two periods, as well as the improved trading performance of the Asset Companies.

Spark Infrastructure distributed \$167.840 million to the Stapled Security Holders during the Financial Year.

Capital Expenditure

CHEDHA and ETSA continue to replace existing assets at the end of their useful life and continue to invest in the expansion of their networks, improving asset performance and reliability. During the Financial Year, \$489.700 million was invested in gross capital expenditure compared to \$464.900 million in the Previous Period. Capital expenditure is added to the regulated asset base of the Asset Companies, which in turn results in increased revenue in future periods.

Gearing and Hedging

Spark Infrastructure's stand alone net gearing was 16.0% at the end of the Financial Year. Including the proportionate share of debt of CHEDHA and ETSA, Spark Infrastructure's net gearing was 57.9% as at 31 December 2007 (2006: 58.1%).

On a proportionate basis, 90.8% of the senior structured debt was hedged at the end of the Financial Year. This high hedging level substantially limits the impact of any volatility in the movement on interest rates on the financial results of Spark Infrastructure.

A portion of the syndicated debt (\$200 million) has been re-classified as current liability as the debt matures in December 2008. Based on discussions with various lenders the Directors are confident that the debt will be renegotiated or replaced in accordance with Spark Infrastructure's Treasury Policy, which requires debt to be renegotiated or replaced at least 6 months prior to maturity.

Future Growth

Spark Infrastructure expects to grow from organic extensions to the networks of the Asset Companies, growth in their unregulated revenue and acquisition opportunities.

The Asset Companies have significant regulatory capital expenditure requirements. During the current regulatory period (2005 - 2010), an amount of \$2,165.900 million (in 2005 prices) has been approved by the regulators in Victoria and South Australia for capital expenditure in the Asset Companies. The actual capital expenditure is included in the regulated asset base and earns revenue in future years.

Further, in April 2007 the Council of Australian Governments endorsed a rollout of Advance Interval Meters ("AIM") or "smart meters" subject to a cost/benefit analysis being undertaken by the individual states. AIM are a two way communication device that provide meter reads at regular intervals. AIM are an effective tool for differential pricing for customers based on time of electricity usage and for demand management.

The Victorian Government has already passed the necessary legislation for AIM deployment and currently CHEDHA is trialling such meters with the target for a complete rollout across CHEDHA's network by 2012. The majority of the rollout is expected to occur in 2011/2012. AIM capital expenditure will result in an increase to the regulated asset base and will thereby increase regulated revenue in future years.

In addition, the Asset Companies are also seeking to grow their unregulated business activities through targeted marketing initiatives.

The Directors believe that these organic growth opportunities provide a platform for sound growth in addition to any growth that may result from acquisitions.

Spark Infrastructure's mandate extends to the acquisition of assets in the regulated utilities infrastructure sector in OECD countries. This includes regulated transmission and distribution of electricity and gas assets, and regulated water and sewer assets.

During the Financial Year, Spark Infrastructure considered a number of investment opportunities. Some did not meet Spark Infrastructure's stringent investment criteria, and were not pursued. A number of opportunities were actively pursued however Spark Infrastructure was unsuccessful in acquiring these assets. Spark Infrastructure will continue to adopt a disciplined approach to investments and will only invest in opportunities that are value accretive to the Stapled Security Holders.

Distributions

Due to the better than expected performance of the Asset Companies during the period, Spark Infrastructure has increased the cash distribution in respect of the Financial Year to 18.06 cents per security ("cps"), which represents an increase over the forecast provided in the Prospectus of 1.0 cps or 5.9%. The total cash distribution yield for 2007 based on the issue price of \$1.80 per Stapled Security is 10.0%.

An interim cash distribution of 8.53 cps was paid on 14 September 2007 relating to the Financial Year. A final distribution of 9.53 cps represented by 6.85 cps interest on loan notes and 2.68 cps capital distribution will be paid on 14 March 2008.

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

Distribution Period	Distribution Date	Cents per Security ("cps")			Cash Distribution (\$'000)		
		Interest on Loan Notes	Capital Distribution	Total	Interest on Loan Notes	Capital Distribution	Total
Interim distribution for the year ended 31 December 2007	14 September 2007	6.74	1.79	8.53	67,983	18,055	86,038
Final distribution for the year ended 31 December 2007	14 March 2008	6.85	2.68	9.53	69,093	27,032	96,125
Total		13.59	4.47	18.06	137,076	45,087	182,163

All distributions were unfranked and made by Spark Trust.

DIRECTORS' REPORT CONTINUED

Review of Operations (continued)

Outlook

The Asset Companies operate in regulated industries and generate substantial cash-flows. In addition, they are conservatively geared with no major debt re-financing due before 2010. Moreover, in this uncertain credit environment, the Australian Energy Regulator has confirmed in a recent determination that increased cost of debt will be provided for in regulatory determinations, affirming the principle that these regulated businesses are protected from interest rate rises through the regulatory review process. As a consequence, Spark Infrastructure is well placed to manage the impacts of recent events in global financial markets.

The distribution of 18.06 cps for the 2007 year, represents a yield of 9.51% per security based on a security price^a of \$1.90. Subject to business conditions, the Directors expect to increase distributions to the Security Holders by 2.0% to 2.5% in 2008.

^a The security price is based on the volume weighted average price for the 20 business days up to and including 21 February 2008.

Information Applicable to Registered Schemes

The fees paid to Spark RE and its associates (including Directors) are disclosed in Note 23 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 14 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 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 2007.

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 17 to the Financial Statements.

The Directors are satisfied that the non-audit services are provided by the auditor is 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 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 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

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.

The Stapled Entities have 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.

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 (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, and in the case of Alternate Directors, while they were appointed and meetings for which they were nominated to attend as alternate).

During the Financial Year, 10 Board meetings, 7 ARMC meetings and 4 Compliance Committee meetings of the Company were held:

Directors	Board of Directors		Audit and Risk Management Committee		Compliance Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Stephen Johns	10	10	–	–	–	–
Hing Lam Kam	9	2	–	–	–	–
Andrew Hunter (as Director)	9	9	7	2	–	–
Shaun Mays	10	8	3	–	–	–
Brian Scullin ^a	6	5	3	2	4	4
John Dorrian ^b (as Director)	4	4	1	1	–	–
Don Morley	10	10	7	7	–	–
Cheryl Bart	10	8	7	5	–	–
Peter St George	10	10	7	7	–	–
John Dorrian ^b (as Alternate Director)	3	3	–	–	–	–
Andrew Fay ^c	2	2	–	–	–	–
Andrew Hunter ^d (as Alternate Director)	7	7	–	–	–	–

^a Brian Scullin retired on 24 August 2007.

^b John Dorrian was an Alternate Director for Brian Scullin until 24 August 2007. He was appointed Director from that date.

^c Alternate Director for Shaun Mays until his resignation on 29 November 2007.

^d Alternate Director for HL Kam.

Meetings of Board Committees were held on 25 February 2007 and 27 August 2007 and attended by Stephen Johns, Don Morley and Shaun Mays.

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	330,000	25,000	355,000
Hing Lam Kam	–	–	–
Andrew Hunter	–	–	–
Shaun Mays ^a	167,000	(167,000)	–
Brian Scullin	–	–	–
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
Andrew Fay	–	–	–

^a Shaun Mays was required to dispose of his holdings because of legal restrictions relating to his residency in the United States of America.

Remuneration Report

Remuneration of Directors

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

DIRECTORS' REPORT CONTINUED

Remuneration Report (continued)

Remuneration of Directors

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

Directors		Directors' Fees \$	Post-Employment Benefits – Superannuation \$	Total \$
Stephen Johns	2007	211,871	13,129	225,000
	2006	187,585	12,415	200,000
Hing Lam Kam ^e	2007	100,000	–	100,000
	2006	75,000	–	75,000
Andrew Hunter ^a	2007	106,500	–	106,500
	2006	–	–	–
Shaun Mays ^e	2007	106,500	–	106,500
	2006	75,000	–	75,000
Brian Scullin ^b	2007	71,263	–	71,263
	2006	75,000	–	75,000
John Dorrian ^{c e}	2007	35,215	–	35,215
	2006	–	–	–
Don Morley	2007	102,830	10,170	113,000
	2006	17,202	57,798	75,000
Cheryl Bart	2007	96,915	9,585	106,500
	2006	68,807	6,193	75,000
Peter St George	2007	106,500	–	106,500
	2006	75,000	–	75,000
Eric Kwan ^{d e}	2007	–	–	–
	2006	75,000	–	75,000
Total	2007	937,594	32,884	970,478
	2006	648,594	76,406	725,000

^a Andrew Hunter was an Alternate Director in 2006 and was therefore not entitled to any remuneration.

^b Brian Scullin retired on 24 August 2007.

^c John Dorrian was appointed as Director on 24 August 2007, the remuneration relates to the period from that date.

^d Eric Kwan retired as a Director on 1 December 2006.

^e The Directors' fee for Mr Kam, Mr Hunter and Mr Kwan was paid to CKI, while the fee for Mr Mays and Mr Dorrian was paid to RREEF Infrastructure.

Spark Infrastructure appointed a leading external consulting firm to benchmark the remuneration of the Directors with that of comparable enterprises. The firm utilised market remuneration information from various sources and compared the remuneration paid to Spark Infrastructure's Directors with comparable enterprise based on:

- 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-employment benefits payable to Directors, as follows with effect from 1 January 2007 as follows:

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

Ms Cheryl Bart was entitled to a Director's fee of \$30,000 (2006: \$30,000) and Mr Peter St George to \$25,000 (2006: \$25,000) to act as representative Directors of Spark Infrastructure on the ETSA and CHEDHA boards respectively. This was in addition to the fees received as Directors of 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 below.

Management Fees

The Management Agreement sets out the services to be provided by and the fees payable to the Manager. During the Financial Year, an amount of \$12.019 million (2006 period: \$11.225 million) was paid to the Manager as a Base Fee. No Performance Fee was payable. Further details on fees paid to the Manager are set out in Note 23 to the Financial Statements.

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
25 February 2008



D Morley
Director