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 report includes separate financial statements of the Company and the consolidated financial statements of Spark Infrastructure.

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 International Financial Reporting Standards ("IFRS").

The financial report was authorised for issue by the Directors on 25 February 2008.

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 effective have not been applied in the preparation of this report. The following standards have not 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 on the disclosed results of Spark Infrastructure.

- AASB 2007-4 "Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments" (effective for annual reporting periods beginning on or after 1 July 2007).

The above amendments arise as a result of the AASB's decision that, in principle, all options that currently exist under IFRS should be included in the A-IFRS and additionally Australian disclosures should be eliminated, other than those considered particularly relevant to the Australian reporting environment.

While the Standard increases the accounting policy options available to organisations, these changes are not expected to significantly impact Spark Infrastructure. The principal impact on the consolidated entity, would relate to disclosures (eg the Standard allows cash flow statement to be presented using the indirect method). This option will be attractive to Spark Infrastructure as it would provide better disclosure given the nature of income (e.g. interest income) that is derived.

Significant Accounting Policies

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

(a) Basis of Consolidation

Spark Infrastructure is a stapled structure where in one ordinary share in SIH No. 1, one ordinary share in SIH No. 2, one CDI representing one share in Spark International, one ordinary unit in Spark Trust and one loan note issued by the responsible entity of Spark Trust, have been stapled pursuant to a Stapling Agreement. The Stapled Securities are listed and trade on the ASX, as if they were a single security.

Spark Infrastructure is a business combination by contract alone and thus, is prima facie, not a business combination for the purposes of the application of Australian Accounting Standard AASB3 "Business Combinations".

Principles of Consolidation

In preparing the consolidated Financial Statements for Spark Infrastructure, SIH No. 1 has been identified as the parent entity on the basis that it has issued the largest amount of ordinary equity. As SIH No. 1 does not own any shares or units in other Stapled Entities, the entire amount of the issued shares and units of those entities has been reflected as a minority interest in the consolidated balance sheet. The minority interests are attributable to the Stapled Security Holders.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Summary of Accounting Policies (continued)

(c) 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.

(d) Cash and Cash Equivalents

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

(e) 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.

(f) 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. Further details are disclosed in Note 27.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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").

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

Spark Infrastructure designates certain hedging instruments, which include derivatives, as either fair value hedges or cash flow hedges.

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.

Note 27 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in Note 15.

Fair Value Hedges

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 Hedges

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.

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.

(g) 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.

(h) 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.

(i) Impairment of Tangible and Intangible Assets

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

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a 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 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.

(j) 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 period. 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 for the Period

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.

Income tax expense is not brought to account in respect of Spark Trust, as pursuant to the Australian taxation laws Spark 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.

Tax Consolidation Legislation

Tax consolidated groups have been formed within Spark Infrastructure, whereby wholly owned Australian resident entities have combined together to form a tax consolidated group that will be taxed under Australian taxation law as if it was a single entity. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of members of a tax consolidated group are recognised in the separate Financial Statements of the members of the tax consolidated group using the ‘separate taxpayer within group’ approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the head entity in the relevant tax consolidated group. Further details are provided in Note 3.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Summary of Accounting Policies (continued)

(k) Incorporation/Registration

The date of incorporation or registration of each Stapled Entity was as follows:

Stapled Entity	Date of Incorporation/ Registration
Spark Infrastructure Holdings No. 1 Limited	1 November 2005
Spark Infrastructure Holdings No. 2 Limited	1 November 2005
Spark Infrastructure Trust	8 November 2005
Spark Infrastructure Holdings International Limited	8 November 2005

(l) 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.

(m) Loans and Receivables

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

(n) 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.

(o) Investments in Subsidiaries

Investments in subsidiaries are recorded at cost.

(p) Critical Accounting Estimates and Judgements

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

The key accounting estimate and judgement used in the preparation of this report is as follows:

- *Accounting for Acquisitions*
  On 15 December 2005, Spark Infrastructure acquired a 49% interest in each of three electricity distribution businesses, CitiPower and Powercor in Victoria and ETSA in South Australia. Spark Infrastructure is required to reflect its equity accounted investments in the three businesses by reference to its share of fair value of net assets of the businesses. This assessment of fair value by Spark Infrastructure resulted in a notional increase in the carrying value of certain depreciable assets and amortisable intangible assets (ie licences), which are depreciated/amortised over the estimated useful life of such assets, extending up to 200 years. As a result of this, the share of Spark Infrastructure's equity accrued profits has been adjusted by additional depreciation and amortisation arising from the increase in the carrying value.
- *Impairment of Assets*
  At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment in accordance with Note 1(i). Each Asset Company is regarded as a cash generating unit for the purposes of such testing. If any indicators are established, a discounted cashflow analysis is undertaken.
- *Deferred Tax Assets*
  Deferred Tax Assets are recognised to the extent that it is probable that there is sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. As at 31 December 2007, an amount of $86.697 million (2006: $77.821 million) has not been recognised on the basis that the above recognition criteria was not met.

(q) Working Capital Deficiency

These financial statements have been prepared on a going concern basis. As at 31 December 2007, Spark Infrastructure had a working capital deficiency of $168.879 million on account of inclusion in current liabilities of a bank loan of $199.879 million (at amortised cost) which matures on 15 December 2008. Spark Infrastructure is in discussions with various lenders to renew or replace the facility. The Directors are confident this can be achieved by June 2008, in accordance with internal policies.

(r) Rounding of Amounts

As Spark Infrastructure 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.

(s) Comparatives

The comparatives are for the period from the date of incorporation/registration of each Stapled Entity (as set out in Note 1(k)) to 31 December 2006.

	CONSOLIDATED		COMPANY	
	01/01/07 – 31/12/07 $'000	01/11/05 – 31/12/06 $'000	**01/01/07 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000
2. Profit for the Period				
(a) Income				
Income from Associates:				
– Share of equity accounted profits	131,239	113,482	–	–
– Interest income	93,578	99,255	–	–
	224,817	212,737	–	–
(b) Expenses				
Interest expense – other:				
– Interest and other associated costs on senior debt	27,921	28,867	–	–
(c) General and Administrative Expenses				
Directors' fees	970	725	323	242
Due diligence cost relating to unsuccessful acquisitions written off	1,790	962	–	–
Other expenses	2,442	1,571	530	289
	5,202	3,258	853	531
3. Income Taxes				
(a) Income Tax Recognised in Profit or Loss				
Tax (benefit)/expense comprises:				
Deferred tax benefit	(16,192)	(159)	(256)	(159)
Deferred tax expense	5,520	4,676	–	–
Total tax expense/(benefit)	(10,672)	4,517	(256)	(159)
Attributable to:				
Continuing operations	(10,672)	4,517	(256)	(159)
The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the Financial Statements as follows:				
Profit/(loss) from continuing operations	46,260	30,399	(853)	(531)
Income tax expense/(benefit) calculated at 30%	13,878	9,120	(256)	(159)
Tax effect on operating results of Spark Trust (Note 1(j))	(2,219)	(2,276)	–	–
Offsets from unused tax losses	(6,395)	(2,327)	–	–
Tax benefit in respect of losses for items directly recognised in equity	(15,936)	–	–	–
Income tax (benefit)/expense	(10,672)	4,517	(256)	(159)

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	CONSOLIDATED		COMPANY	
	01/01/07 – 31/12/07 $'000	01/11/05 – 31/12/06 $'000	**01/01/07 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000
3. Income Tax (continued)				
(b) Income Tax Recognised Directly in Equity				
The following deferred amounts were recognised directly in equity during the period:				
– Security issue costs	–	(1,382)	–	(1,382)
– Revaluations of financial instrument treated as cash flow hedges	1,772	1,967	–	–
– Share of associates' reserves recognised directly in equity	21,672	6,511	–	–
	23,444	7,096	–	(1,382)

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(c) Deferred Tax Balances				
Deferred tax assets comprise:				
Tax losses – revenue	67,617	1,058	2,323	1,058
Temporary differences	1,751	1,765	830	1,107
	69,368	2,823	3,153	2,165
Deferred tax liabilities comprise:				
Temporary differences	92,583	13,266	–	–
Taxable and deductible temporary differences arise from the following:				
Gross deferred tax liabilities:				
Cash flow hedges	3,739	1,967	–	–
Investment in associates	60,661	4,788	–	–
Share of associates reserves recognised directly in equity	28,183	6,511	–	–
	92,583	13,266	–	–
(d) Unrecognised Deferred Tax Balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	86,697	77,821	–	–

Tax Consolidation

Relevance of Tax Consolidation to Spark Infrastructure
SIH No. 1 and SIH No. 2 and their wholly owned Australian resident entities have each formed a tax consolidated group and therefore each group is taxed as a single entity. The head entity within each tax consolidated group is SIH No. 1 and SIH No. 2 respectively. The members of the tax consolidated groups are identified in Note 25.

Nature of Tax Funding Arrangements and Tax Sharing Agreements
Entities within each tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with their respective head entities. Under the terms of the funding agreement, SIH No. 1 and SIH No. 2 and each of the entities in the relevant tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the Financial Statements in respect of this agreement as payment of any amounts under the agreement is considered remote at this time.

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
4. Receivables from Associates				
CHEDHA Holdings Pty Limited ("CHEDHA")[a]	15,422	16,586	–	–

[a] Receivables from associates relates to interest receivable on loans.

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
5. Loans – Other				
Interest free loan[a]	23,769	42,318	–	–

[a] The loan is repayable on written demand of the lender.
The loan was established as a part of ETSA acquisition.

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
6. Other Current Assets				
GST recoverable	392	–	–	–
Prepayments	143	–	–	–
Other receivables	752	539	–	–
	1,287	539	–	–

7. Investments Accounted for Using the Equity Method

(a) Investments in Associates

Name of Entity	**Principal Activity**	**Ownership Interest (%) 2007**	Ownership Interest (%) 2006	**Country of Incorporation /Formation**
CHEDHA	Ownership of electricity distribution networks in Victoria	49	49	Australia
ETSA Utilities Partnership	Ownership of an electricity distribution network in South Australia	49	49	Australia

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Investments Accounted for Using the Equity Method (continued)

(b) Share of Assets and Liabilities of Associates

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current assets	276,951	251,357	–	–
Non-current assets	4,510,860	4,357,443	–	–
Total assets	4,787,811	4,608,800	–	–
Current liabilities	917,666	592,947	–	–
Non-current liabilities	2,895,563	3,155,716	–	–
Total liabilities	3,813,229	3,748,663	–	–
Net assets	974,582	860,137	–	–
Preferred partnership capital -				
ETSA	622,300	622,300	–	–
Net assets applicable to Spark Infrastructure	1,596,882	1,482,437	–	–

(c) Share of Associates' Revenue and Expenses

	CONSOLIDATED		COMPANY	
	01/01/07 – 31/12/07 $'000	01/11/05 – 31/12/06 $'000	**01/01/07 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000
Revenue – distribution	538,196	534,330	–	–
Revenue – unregulated	227,006	176,722	–	–
Operating revenue	765,202	711,052	–	–
Revenue – transmission	157,137	142,501	–	–
	922,339	853,553	–	–
Expenses	(809,796)	(775,980)	–	–
Profit before income tax	112,543	77,573	–	–
Income tax (expense)/benefit	(10,916)	5,069	–	–
Net profits accounted for using the equity accounting method	101,627	82,642	–	–
Additional share of profits from preferred partnership capital[a]	35,324	36,583	–	–
	136,951	119,225	–	–
Additional depreciation/amortisation charge[b]	(5,712)	(5,743)	–	–
	131,239	113,482	–	–

[a] Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in the ETSA partnership.

[b] Relates to fair value on uplift of assets on acquisition.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
(d) Movement in Carrying Amounts				
Carrying amount at beginning of the period	1,350,348	–	–	–
Equity investments acquired	–	1,249,771	–	–
Share of profits after income tax	131,239	113,482	–	–
Preferred partnership distribution received	(69,635)	(59,905)	–	–
Share of associates' income recognised directly in equity	46,943	47,000	–	–
Other movements	(84)	–	–	–
Carrying amount at end of the period	1,458,811	1,350,348	–	–

(e) Capital Commitments and Contingent Liabilities

Spark Infrastructure's share of capital commitments and contingent liabilities are provided in Note 20 and Note 21 respectively.

8. Loans to Associates

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Loans to CHEDHA - interest bearing[a]	842,973	881,463	–	–

[a] 100 year loans at fixed interest rate of 10.85% per annum unless agreed otherwise. The loans are repayable at the discretion of the borrower.

9. Other Financial Assets

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Shares in controlled entities – at cost	–	–	186,213	186,213
Fair value of interest rate swaps (current)	2,957	–	–	–
Fair value of interest rate swaps (non-current)	9,509	6,557	–	–

10. Payables

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Payables to Related Parties	3,026	2,745	7,352	5,767
Other	2,389	1,915	–	–
	5,415	4,660	7,352	5,767

11. Interest Bearing Liabilities

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Syndicated bank loans at amortised cost[a]	199,789	–	–	–

[a] Refer to Note 1(q).

12. Loan Notes Attributable to Stapled Security Holders

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Loan notes[a]	1,231,515	1,231,515	–	–

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

13. Other Interest Bearing Liabilities

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Syndicated bank loans at amortised cost[a]	224,221	423,552	–	–

[a] The loan matures in 2010 and is unsecured.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
14. Issued Capital				
Balance at beginning of the period	536,926	–	182,983	–
Securities issued:				
– Attributable to the parent entity	–	186,213	–	186,213
– Minority interests – other entities in Spark Infrastructure	–	366,555	–	–
	536,926	552,768	182,983	186,213
Security issue costs	–	(12,312)	–	(3,230)
Capital distribution	(30,764)	(3,530)	–	–
Balance at end of the period	506,162	536,926	182,983	182,983
Fully paid securities	**No.'000**	No.'000	**No.'000**	No.'000
Balance at beginning of the period	1,008,651	–	1,008,651	–
Issued during the period	–	1,008,651	–	1,008,651
Balance at end of the period	1,008,651	1,008,651	1,008,651	1,008,651

The ordinary shares and units carry one vote per share and the right to distributions.

Each share in SIH No. 1 is "stapled" to one share in SIH No. 2, one unit in Spark Trust, one loan note issued by the responsible entity of Spark Trust and one CDI representing one share in Spark International. The stapled securities are quoted as if they are a single security.

15. Reserves

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Hedging Reserve				
Balance at beginning of the period	20,480	–	–	–
Gain/(loss) recognised:				
Interest rate swaps[a]	5,909	6,557	–	–
Deferred tax	(1,773)	(1,967)	–	–
	4,136	4,590	–	–
Share of associates' gains on hedges[a]	33,353	20,490	–	–
Deferred tax	(11,553)	(4,600)	–	–
Balance at end of the period	46,416	20,480	–	–
Attributable to Stapled Security Holders as:				
Equity holders of the parent entity	30,273	15,323	–	–
Minority interests in other Stapled entities	16,143	5,157	–	–

[a] The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

16. Retained Earnings

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Balance at beginning of the period	50,481	–	(372)	–
Net profit for the period	56,932	25,882	(597)	(372)
Share of associates' actuarial gain recognised directly in retained earnings	13,590	26,510	–	–
Related tax	(10,118)	(1,911)	–	–
Balance at end of the period	110,885	50,481	(969)	(372)

	CONSOLIDATED		COMPANY	
	2007 $	2006 $	**2007 $**	2006 $
17. Remuneration of External Auditor				
Audit or review of financial report	181,300	146,185	60,367	48,938
Tax advice	107,818	31,360	–	–
Due diligence reporting on acquisitions	450,000	155,333	–	–
Other accounting services	–	10,395	–	–
	739,118	343,273	60,367	48,938

The auditor of Spark Infrastructure and the Company is Deloitte Touche Tohmatsu

	$'000	$'000	**$'000**	$'000
18. Earnings per Security ("EPS")[a]				
Net profit after tax used to calculate EPS	56,932	25,882	–	–
Weighted average number of Securities ('000)	1,008,651	1,008,651	–	–
Earnings per Security (cents)	5.64	2.57	–	–
Profit before income tax and income tax and loan note interest per Security	183,274	171,543	–	–
Weighted average number of Securities ('000)	1,008,651	1,008,651	–	–
Profit before loan note interest per Security (cents)	18.17	17.01	–	–

[a] Basic EPS is the same as diluted EPS.

	2007		2006	
	Cents per Security	**Total $'000**	Cents per Security	Total $'000
19. Distribution Paid and Payable				
Distribution Paid:				
Interim distribution in respect of year ended 31 December 2007 paid on 14 September 2007 (2006: 15 September 2006)				
Interest on loan notes	6.74	67,983	6.77	68,286
Capital distribution	1.79	18,055	0.34	3,429
	8.53	86,038	7.11	71,715
Distribution Payable:				
Final distribution in respect of the year ended 31 December 2007 payable on 14 March 2008 (2006: 15 March 2007)				
Interest on loan notes[a]	6.85	69,093	6.85	69,093
Capital distribution[b]	2.68	27,032	1.26	12,709
	9.53	96,125	8.11	81,802
Total paid and payable	18.06	182,163	15.22	153,517

The distributions are unfranked and are made by Spark Trust.

[a] Recognised amount.

[b] Unrecognised amount.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
20. Commitments for Expenditure				
(a) Capital Expenditure commitments				
Share of associates' capital expenditure commitments				
– Not longer than 1 year	954	1,184	–	–
– Longer than 1 year and not longer than 5 years	–	–	–	–
– Longer than 5 years	–	–	–	–
	954	1,184	–	–
(b) Other Expenditure Commitments				
Share of associates' other expenditure commitments				
– Not longer than 1 year	2,341	2,038	–	–
– Longer than 1 year and not longer than 5 years	8,779	8,372	–	–
– Longer than 5 years	19,144	27,516	–	–
	30,264	37,926	–	–
There are no capital expenditure or other expenditure commitments in Spark Infrastructure.				
21. Contingent Liabilities				
Share of associates' contingent liabilities	11,257	6,818	–	–
	11,257	6,818	–	–

The contingent liabilities relate to guarantees provided to various parties. There are no contingent liabilities or contingent assets in any of the Stapled Entities.

22. Segment Information

Spark Trust, SIH No. 1 and SIH No. 2 operate in Australia. Spark International was incorporated in the Bahamas with the intention of holding Spark Infrastructure's offshore assets. However, Spark International has been dormant. It does not hold any asset nor does it generate any revenue.

SIH No. 1, along with its subsidiaries, holds a 49% interest in electricity distribution businesses in Victoria and SIH No. 2, along with its subsidiaries, holds a 49% interest in an electricity distribution business in South Australia. Spark Trust provides loans to related parties.

Each Stapled Entity is regarded as a separate segment.

	SIH No. 1		SIH No. 2		Spark Trust		Elimination		Total	
	1/01/07 – 31/12/07 $'000	01/11/05 – 31/12/06 $'000	**1/01/2007 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000	**1/01/2007 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000	**1/01/2007 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000	**1/01/2007 – 31/12/07 $'000**	01/11/05 – 31/12/06 $'000
Segment Revenue										
Share of equity accounted profits	21,636	15,959	109,603	97,523	–	–	–	–	131,239	113,482
Interest income – associates	93,578	99,255	–	–	–	–	–	–	93,578	99,255
Other interest income	3,526	2,116	–	5	73	35	–	–	3,599	2,156
Inter-segment revenue	81,340	83,791	–	–	145,553	149,409	(226,893)	(233,199)	–	–
Segment Revenue	200,080	201,121	109,603	97,528	145,626	149,444	(226,893)	(233,199)	228,416	214,893
Segment Results										
Profit for the period (from continuing operations)	12,283	10,540	37,251	7,756	7,398	7,586	–	–	56,932	25,882
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Segment Assets and Liabilities										
Investment accounted using equity method	261,439	220,683	1,197,371	1,129,665	–	–	–	–	1,458,810	1,350,348
Other segment assets	1,971,991	1,994,350	23,840	42,323	1,527,503	1,558,755	(2,565,564)	(2,598,695)	957,771	996,734
Total Assets	2,233,430	2,215,033	1,221,211	1,171,988	1,527,503	1,558,755	(2,565,564)	(2,598,695)	2,416,581	2,347,082
Total Liabilities	1,990,323	2,001,727	1,005,848	1,005,764	1,322,511	1,330,399	(2,565,564)	(2,598,695)	1,753,118	1,739,195

23. 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 except where otherwise stated:

Stephen Johns (Chairman)
Hing Lam Kam
Andrew Hunter
Shaun Mays
John Dorrian (Director from 24 August 2007, until that date Alternate Director to 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 to Shaun Mays until his resignation on 27 November 2007.

Remuneration

The aggregate remuneration paid to Directors of Spark Infrastructure is set out below:

	Consolidated		Company	
	2007 $	2006 $	**2007 $**	2006 $
Directors' fees	937,594	648,594	312,531	216,198
Post-employment benefits	32,884	76,406	10,962	25,469
	970,478	725,000	323,493	241,667

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Related Party Disclosures (continued)

(a) Directors (continued)

Individual Directors' and Executives Compensation Disclosures

Information regarding individual Directors compensation disclosure is provided in the Remuneration Report section of the Directors' Report on pages 15 to 17, as permitted by Corporations Regulations 2.M3.03 and 2M.6.04.

Apart from the details disclosed in this Note, no Director has entered into any material contract with the Company or the consolidated entity during or since the end of the previous period, and there were no material contracts involving Directors' interests existing at year end.

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 1/1/2007 (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	–	–	–
Shaun Mays[a]	167,000	(167,000)	–
Brian Scullin[b]	–	–	–
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
Andy Fay[b]	–	–	–

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

[b] Retired in the Financial Year.

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

Directors	Opening Balance at Incorporation (No.)	Net Movement Acquired/Disposed (No.)	Closing Balance 31/12/2006 (No.)
Stephen Johns	–	330,000	330,000
Hing Lam Kam	–	–	–
Eric Kwan[a]	–	–	–
Andrew Hunter	–	–	–
Shaun Mays	–	167,000	167,000
Brian Scullin	–	–	–
Don Morley	–	225,000	225,000
Cheryl Bart	–	125,000	125,000
Peter St. George	–	71,400	71,400
Edmond Ip[a]	–	–	–
John Dorrian	–	162,150	162,150
Andrew Fay	–	–	–
Daniel Latham[a]	–	–	–

[a] Retired in 2006 period.

23. Related Party Disclosures (continued)

(b) Manager

Spark Infrastructure has entered into a Management Agreement with the Manager to provide management services, as set out in the agreement. The services provided include development of financial and investment strategy, preparation of investment proposals for approval by the Board, development of proposals for debt and equity raising, management of day to day operations etc.

The term of the Management Agreement is 25 years and terminable by Spark Infrastructure or the Manager under certain circumstances.

The Manager is entitled to a base fee and a performance fee. The base fee is calculated at 0.5% of enterprise value of Spark Infrastructure up to $2.443 billion plus 1.0% of any amount over $2.443 billion. The performance fee is equal to 20% of the amount (if any) by which the accumulated return from Spark Infrastructure exceeds the benchmark return calculated by reference to the S&P/ASX 200 Industrials Accumulation Index and is calculated each half year. Any deficit arising from the calculation of the Performance Fee during a period will be carried forward and deducted from the Performance Fee calculated in the next period.

During the Financial Year, an amount of $12.019 million (2006 period: $11.225 million) was payable to the Manager in base fee. No performance fee was payable. There was a carried forward deficit of $189.939 million (2006 period: $380.933 million) in performance fee as at 31 December 2007. The Manager is jointly owned by CKI and RREEF.

(c) Responsible Entity

The responsible entity of Spark Trust is Spark RE. During the Financial Year, in addition to reimbursing costs incurred by Spark RE, an amount of $0.100 million (2006 period: $0.100 million) was paid as management fees.

(d) 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 Spark Infrastructure. The Stapled Entities have no employees.

(e) Other Related Parties

The other related parties include:

- associates;
- subsidiaries; and
- entities within Spark Infrastructure.

Associates

The details of ownership interests in associates are provided in Note 7. The details of loans provided to associates and interest receivable are detailed in Notes 8 and 4 respectively. During the Financial Year, an amount of $93.578 million (2006 period: $99.255 million) was received as interest in respect of the loans.

Subsidiaries

The details of ownership interest in subsidiaries are provided in Note 25. The details of amounts owing at the end of the Financial Year are provided in Note 10. The terms of the tax sharing and tax funding agreements entered into by SIH No. 1 and SIH No. 2 with their subsidiaries are provided in Note 3.

Entities within Spark Infrastructure

There are no loans receivable/payable from/to the Company from other Stapled Entities within Spark Infrastructure.

24. Subsequent Events

There were no events, other than those described in this report, that have arisen since the end of the Financial Year that have significantly affected or may significantly affect the operations of Spark Infrastructure.

25. Controlled Entities

Entity	Country of Incorporation	Equity Holdings (%)
Controlled entities of SIH No. 1[a]		
– Spark Infrastructure (Victoria) Pty Limited[b]	Australia	100
Controlled entities of SIH No. 2[a]		
– Spark Infrastructure (South Australia) Pty Limited[c]	Australia	100
– Spark Infrastructure SA (No 1) Pty Limited (formerly CKI Utilities Holdings Pty Limited)[c]	Australia	100
– Spark Infrastructure SA (No 2) Pty Limited (formerly CKI/HEI Utilities Distribution Pty Limited)[c]	Australia	100
– Spark Infrastructure SA (No 3) Pty Limited (formerly HEI Utilities Holdings Pty Limited)[c]	Australia	100

[a] Head entity of a tax consolidated group.

[b] An entity within a tax consolidated group with SIH No. 1 as the head entity.

[c] An entity within a tax consolidated group with SIH No. 2 as the head entity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
26. 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:				
Cash on hand and at bank	1,765	2,035	–	–
Cash at call	88	35,236	–	–
Cash on deposit	60,000	12,000	–	–
Cash and Cash Equivalents	61,853	49,271	–	–
(b) Financing Facilities				
Syndicated unsecured bank loan facility[a]:				
– Amount used	425,000	425,000	–	–
– Amount unused	–	–	–	–
	425,000	425,000	–	–

a Refer to Note 1(q) and Note 13.

Unsecured working capital facility, reviewed annually and payable at call:				
– Amount used	–	–	–	–
– Amount unused	50,000	50,000	–	–
	50,000	50,000	–	–
(c) Reconciliation of Profit for the Period to Net Cash inflow/(Outflow) related to Operating Activities				
Net profit/(loss) after tax for the period	56,932	25,882	(597)	(372)
Loan note interest expensed	137,014	141,144		–
Non-cash interest expense	458	420		–
(Decrease)/Increase in deferred tax liability	(10,672)	4,517	(256)	(159)
Share of profits of associates (less dividends)	(61,604)	(53,577)	–	–
Changes in net assets and liabilities				
Decrease/(Increase) in assets:				
Current receivables	501	(17,125)	–	–
Increase in liabilities:				
Current payables	755	4,412	–	531
Net cash inflow/(outflow) related to operating activities	123,384	105,673	(853)	–

27. Financial Instruments

(a) Financial Risk Management Objectives

Spark Infrastructure's treasury function manages the financial risks and co-ordinates access to financial markets.

Spark Infrastructure does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Spark Infrastructure's 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.

Spark Infrastructure's activities expose it primarily to the financial risks of changes in interest rates. 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. Spark Infrastructure has no exposure to foreign currency.

(b) Capital Management

The capital structure of Spark Infrastructure comprises of debt, loan notes attributable to the Security Holders and equity. As the loan notes are a long term instrument and subordinated, they are regarded as part of capital. On this basis the total capital of Spark Infrastructure as at 31 December 2007 was $1,894.978 million (2006: 1,839.402 million) comprising of $1,231.515 million in loan notes and $663.463 million in equity attributable to the Stapled Security Holders.

Spark Infrastructure manages its capital to ensure that it will be able to operate as a going concern, while maximising the return to Stapled Security Holders through optimum use of debt and equity.

The debt covenants under senior debt facility requires, inter alia, that the gearing at Spark Infrastructure does not exceed 30% and on a consolidated basis (including proportionate share of debt of the Asset Companies) the gearing does not exceed 75% at any time. During the Financial Year, Spark Infrastructure complied with the covenants. There has been no change in the capital management strategy during the Financial Year.

(c) Significant Accounting Policies

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

(d) Categories of Financial Instruments

	Consolidated		Company	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Financial assets:				
Derivative instruments in designated hedge accounting relationships	12,466	6,557	–	–
Loans receivable	866,742	923,781	–	–
Financial liabilities:				
Loans at amortised cost	424,010	423,552	–	–
Loan notes at amortised cost	1,231,515	1,231,515	–	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Financial Instruments (continued)

(e) Market Risk

The principal market risk that Spark Infrastructure is exposed to is interest rate risk. Note (f) below discusses the strategy adopted to managed the risk. The Company does not have any other market risk.

(f) Interest Rate Risk Management

Spark Infrastructure is exposed to interest rate risk as it borrows funds at floating interest rate. The risk is managed principally through the use of interest rate swap contracts.

Interest Rate Swap Contracts

Under interest rate swap contracts, Spark Infrastructure agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable Spark Infrastructure to mitigate the risk of changing interest rates on debt held. The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the Financial Year.

As Spark Infrastructure's interest bearing liabilities are either at a fixed rate of interest or have been fully hedged to a fixed rate of interest, any movement in interest rates in the Financial Year would have had a minimal impact on the net profit attributable to Spark Infrastructure.

A 0.5% movement in interest rates would have resulted in a $2.125 million impact on equity arising from the revaluation of interest rate swaps.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date of the consolidated entity:

Outstanding Floating for Fixed Contracts	Average Contracted Fixed Interest rate		Notional Principal Amount		Fair Value	
	2007 %	2006 %	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Less than 1 year	5.91	–	200,000	–	2,956	–
1 to 2 years	–	5.91	–	200,000	–	2,431
2 to 5 years	6.00	6.00	225,000	225,000	9,510	4,126
			425,000	425,000	12,466	6,557

All interest rate swap contracts on behalf of Spark Infrastructure have been entered into by a subsidiary of SIH No. 1.

The interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges. The floating rate on the interest rate swaps is the BBSY, which is used as the basis of pricing financial instruments in Australia. Spark Infrastructure settles the difference between fixed and floating interest rates on a net basis.

27. Financial Instruments (continued)

(f) Interest Rate Risk Management (continued)

The following tables detail the consolidated entity's exposure to interest rate risk as at 31 December 2007 and 2006 respectively:

2007	Weighted Average Effective Interest Rate % pa	Variable Interest Rate $'000	Fixed Maturity Dates Less than 1 Year $'000	1 - 5 Years $'000	5 Years + $'000	Non-Interest Bearing $'000	Total $'000
Cash and cash equivalents	6.96	61,853	–	–	–	–	61,853
Receivables from associates	–	–	–	–	–	15,422	15,422
Other current assets	–	–	–	–	–	1,287	1,287
Loans to associates	10.85	–	–	–	842,973	–	842,973
Loans - other	–	–	–	–	–	23,769	23,769
Other financial assets	–	–	–	–	–	12,466	12,466
	–	61,853	–	–	842,973	52,944	957,770
Payables	–	–	–	–	–	5,415	5,415
Loan note interest payable	–	–	–	–	–	68,963	68,963
Loan notes attributable to Stapled Security Holders	10.85	–	–	–	1,231,515	–	1,231,515
Other interest bearing liabilities[a]	6.95	424,010	–	–	–	–	424,010
		424,010	–	–	1,231,515	74,378	1,729,903

2006	Weighted Average Effective Interest Rate % pa	Variable Interest Rate $'000	Fixed Maturity Dates Less than 1 Year $'000	1 - 5 Years $'000	5 Years + $'000	Non-Interest Bearing $'000	Total $'000
Cash and cash equivalents	5.99	49,271	–	–	–	–	49,271
Receivables from associates	–	–	–	–	–	16,586	16,586
Other current assets	–	–	–	–	–	539	539
Loans to associates	10.85	–	–	–	881,463	–	881,463
Loans – other	–	–	–	–	–	42,318	42,318
Other financial assets	–	–	–	–	–	6,557	6,557
	–	49,271	–	–	881,463	66,000	996,734
Payables	–	–	–	–	–	4,660	4,660
Loan note interest payable	–	–	–	–	–	69,025	69,025
Loan notes attributable to Stapled Security Holders	10.85	–	–	–	1,231,515	–	1,231,515
Other interest bearing liabilities[a]	6.95	423,552	–	–	–	–	423,552
	–	423,552	–	–	1,231,515	73,685	1,728,752

[a] The unamortised value of the liability is $425 million of which $200 million is due for repayment in December 2008 and the balance in December 2010.

Company:

As at the end of the Financial Year, the Company had payables of $7.352 million (2006: $5.767 million). Weighted average effective interest rate was nil (2006: nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Financial Instruments (continued)

(g) Credit Risk Management

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

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

(h) Liquidity Risk Management

Spark Infrastructure manages liquidity by maintaining adequate cash reserves, banking facilities (including undrawn working capital facility) and monitoring continuously the forecast and actual cash flows. Details of undrawn facility are provided in Note 26.

(i) 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 of 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.

28 Additional Company Information

SIH No. 1 is incorporated in Australia.

The registered office of business of SIH No. 1 is as follows:

Level 6, 255 George Street
Sydney NSW 2000
Australia.