

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Preparation and Statement of Compliance

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

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

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

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

Standards Not Yet Effective

During the Financial Year, the Trust adopted all the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current accounting period. However, certain standards, amendments and interpretations that are on issue but not 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
- disclose reclassification adjustments relating to components of other comprehensive income.

The standard will not have any financial impact on the disclosed results of the Trust.

- 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 Spark Infrastructure, would relate to disclosures (eg the standard allows cash flow statement to be presented using the indirect method). This option will be attractive to the Trust 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) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the assets given up, equity issued or liabilities assumed at the date of acquisition plus incidental costs directly attributable to the acquisition.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(c) Cash and Cash Equivalents

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

(d) Creditors and Accruals

Trade creditors and accruals are recognised when there is an obligation to make future payments resulting from the purchase of goods and services.

(e) Financial Instruments

Debt and Equity Instruments

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

Transaction Costs on the Issue of Equity Instruments

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

Interest, Dividends and Distributions

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

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

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

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Impairment of Other Tangible and Intangible Assets

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

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

If the recoverable amount of an asset or the cash-generating Unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating Unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating Unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Taxes

Income tax expense and deferred taxes are not brought to account in respect of the Trust, as pursuant to the Australian taxation laws, the Trust is not liable for income tax, provided that its taxable income (including any assessable realised capital gains) is fully distributed to the Stapled Security Holders each year.

(i) Registration

The Trust was registered on 8 November 2005.

(j) Loans and Receivables

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

(k) 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.

(l) Rounding of Amounts

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

(m) Comparatives

The comparatives are for the period from the date of registration of the Trust (as set out in Note 1(i)) to 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | 01/01/07 – 31/12/07 \$'000 | 08/11/05 – 31/12/06 \$'000 |
|--|----------------------------------|----------------------------------|
| 2. Profit for the Financial Period | | |
| General and Administrative Expenses | | |
| Management fee – Spark RE | 100 | 100 |
| Directors' fees | 323 | 242 |
| Other expenses | 791 | 371 |
| | 1,214 | 713 |
| 3. Income Taxes | | |
| Income Tax Recognised in Profit or Loss | | |
| The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Financial Statements as follows: | | |
| Profit from continuing operations | 7,398 | 7,586 |
| Income tax expense calculated at 30% | 2,219 | 2,276 |
| Tax effect on operating results of the Trust (Note 1(h)) | (2,219) | (2,276) |
| Income tax expense/(benefit) | – | – |
| The tax rate of 30% used above is the current Australian corporate tax rate. There has been no change in the corporate tax rate during the Financial Year. | | |
| | 2007 \$'000 | 2006 \$'000 |
| 4. Loans to Related Parties | | |
| Non-interest bearing loan ^a | 195,706 | 226,470 |
| a The loan is repayable on written demand of the lender. | | |
| 5. Other Receivables | | |
| GST recoverable | 4 | – |
| Related party receivable | 47,007 | 40,133 |
| | 47,011 | 40,133 |
| 6. Loans to related parties | | |
| Non-interest bearing loan ^a | 1,262,804 | 1,262,804 |
| a 100 year loan to a related party within Spark Infrastructure at an interest rate of 10.85% per annum unless agreed otherwise. | | |
| 7. Payables | | |
| Payables to related parties | – | 966 |
| Other | 78 | – |
| | 78 | 966 |
| 8. Loan notes Attributable to Stapled Security Holders | | |
| Loan notes ^a | 1,231,515 | 1,231,515 |

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

| | 2007 \$'000 | 2006 \$'000 |
|--|----------------|----------------|
| 9. Unitholders' Funds | | |
| Balance at beginning of the period | 220,771 | – |
| Units issued | – | 230,000 |
| Unit issue costs | – | (5,699) |
| Capital distributions | (30,764) | (3,530) |
| Balance at end of the period | 190,007 | 220,771 |
| Fully paid Securities | | |
| Balance at beginning of the period | 1,008,651 | – |
| Issued during the period | – | 1,008,651 |
| Balance at end of the period | 1,008,651 | 1,008,651 |
| <p>Each ordinary Unit carries one vote and the right to distributions. Each Unit in the Trust is "stapled" to one share in SIH (No. 1), one share in SIH (NO. 2), one loan note issued by Spark RE and one CHES Depositary Interest representing one share in Spark International. The stapled Securities are quoted as if they are a single Security.</p> | | |
| 10. Retained Earnings | | |
| Balance at beginning of the period | 7,586 | – |
| Net profit for the period | 7,398 | 7,586 |
| Balance at end of the period | 14,984 | 7,586 |
| 11. Remuneration of External Auditor | | |
| | \$ | \$ |
| Audit or review of financial report | 60,366 | 48,938 |
| The auditor of the Trust is Deloitte Touche Tohmatsu | | |
| | \$'000 | \$'000 |
| 12. Earnings per Unit ("EPU") | | |
| Net profit after tax used to calculate EPU | 7,398 | 7,586 |
| Weighted average number of Unit ('000) | 1,008,651 | 1,008,651 |
| Earnings per Unit (cents) | 0.73 | 0.75 |
| Profit before income tax and loan note interest per Unit | 144,412 | 148,730 |
| Weighted average number of Unit ('000) | 1,008,651 | 1,008,651 |
| Profit before loan note interest per Unit (cents) | 14.32 | 14.75 |

Basic EPU is the same as diluted EPU.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | 2007 | | 2006 | |
|---|----------------|--------------|----------------|--------------|
| | Cents Per Unit | Total \$'000 | Cents Per Unit | Total \$'000 |
| 13. Distributions Paid and Payable | | | | |
| Distributions Paid: | | | | |
| Interim distribution in respect of year ended 31 December 2007 paid on 14 September 2007 (2006 period: 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 period: 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 |

^a recognised amount.

^b unrecognised amount.

The distributions were unfranked.

14. Segment Information

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

15. Related Party Disclosures

(a) Directors

The persons listed below were Directors of Spark RE 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 since 24 August 2007, until then alternate to Brian Scullin)

Don Morley

Cheryl Bart

Peter St George

In addition, Brian Scullin was a Director until his retirement on 24 August 2007. Andrew Fay was Alternate Director to Shaun Mays till his resignation on 27 November 2007.

Remuneration

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

| | 2007 \$ | 2006 \$ |
|--------------------------|------------|------------|
| Directors' fees | 312,531 | 216,198 |
| Post-employment benefits | 10,961 | 25,469 |
| | 323,492 | 241,667 |

15. Related Party Disclosures 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 51 to 52, as permitted by Corporations Regulations 2.M3.03 and 2M.6.04.

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

^b Retired in the Financial Year

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

| Directors | Opening Balance 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

(b) Responsible Entity

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

(c) Key Management Personnel ("KMP")

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Related Party Disclosures (continued)

(d) Other related parties

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

During the Financial Year, the Trust earned \$145.553 million from Spark Infrastructure (Victoria) Pty Limited, comprising of interest income of \$137.014 million and \$8.539 million in fees associated with provision of debt (2006 period: \$149.407 million).

As at 31 December 2007, \$195.706 million in non-interest bearing loans, \$1,262.804 million in interest bearing loans and \$47,007 million in current receivables were due from Spark Infrastructure (Victoria) Pty Limited, comprising of \$68.963 million in interest receivable and \$21.956 million in current payables.

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

16. Subsequent Events

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

| | 2007 \$'000 | 2006 \$'000 |
|--|---|---|
| 17. Notes to the Cash Flow Statement | | |
| (a) Reconciliation of Cash and Cash Equivalents | | |
| For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the Financial period 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 | 26 | 456 |
| Cash and cash equivalents | 26 | 456 |
| | 01/01/07 – 31/12/07 \$'000 | 08/11/05 – 31/12/06 \$'000 |
| (b) Reconciliation of Profit for the Period to Net Cash Inflow/(Outflow) Related to Operating Activities | | |
| Net profit/(loss) after tax for the period | 7,398 | 7,586 |
| Loan note interest expensed | 137,014 | 141,144 |
| Changes in net assets and liabilities: | | |
| Decrease/(Increase) in assets: | | |
| Current receivables | 66 | (76,575) |
| Increase in liabilities: | | |
| Current payables | (897) | – |
| Net cash inflow related to operating activities | 143,581 | 72,155 |

18. Financial Instruments

(a) Financial Risk Management Objectives

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

The Trust does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by Spark Infrastructure's policies approved by the Board, which has written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

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

(b) Capital Management

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

The Trust 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.

(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) Market Risk

The Trust does not have any market risk as its loans are issued on a fixed interest rates.

(e) Interest Rate Risk Management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Financial Instruments (continued)

| 2006 | Weighted Average Effective Interest Rate % pa | Variable Interest Rate \$'000 | Fixed Maturity Dates | | | Non- Interest Bearing \$'000 | Total \$'000 |
|--|--|--|-------------------------------|-----------------------|---------------------|---------------------------------------|-----------------|
| | | | Less than 1 Year \$'000 | 1 - 5 Years \$'000 | 5 Years + \$'000 | | |
| Cash and cash equivalents | 5.99 | 456 | – | – | – | – | 456 |
| Other receivables | – | – | – | – | – | 40,133 | 40,133 |
| Loans to related parties | 9.2 | – | – | – | 1,489,274 | – | 1,489,274 |
| | – | 456 | – | – | 1,489,274 | 40,133 | 1,529,863 |
| Payables | – | – | – | – | – | 966 | 966 |
| Loan note interest payable | – | – | – | – | – | 69,025 | 69,025 |
| Loan notes attributable to Stapled Security Holders | 10.85 | – | – | – | 1,231,515 | – | 1,231,515 |
| | – | – | – | – | 1,231,515 | 69,991 | 1,301,506 |

f) Fair Value of Financial Instruments

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

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

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

19. Additional Information

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

Level 6, 255 George Street
Sydney NSW 2000
Australia