

Voluntary Tax Transparency Disclosure

Spark Infrastructure is a leading investor in Australian regulated utility infrastructure networks. We are committed to being a good corporate citizen by encouraging a robust tax system and acting openly and transparently in our disclosures to our Securityholders, stakeholders and the public.

As part of our continuing efforts to ensure openness and transparency, Spark Infrastructure has adopted the Board of Taxation's Voluntary Tax Transparency Code.

To better understand our tax profile, it is important to note the following:

- Spark Infrastructure takes its tax obligations seriously and we are committed to acting with integrity and transparency in tax matters;
- Our investments and business activities are solely domestic, and as such, income generated by our investments is derived only in Australia;
- Spark Infrastructure Trust is a flow-through entity and tax on the taxable income of Spark Infrastructure Trust is ultimately borne by Securityholders; and
- No income taxes are currently being paid by the subsidiary companies of Spark Infrastructure Trust due to accumulated losses.

1. Background

The current portfolio of investments are:

- 49% interest in electricity distribution business Victoria Power Networks Pty Ltd ("VPN") in Victoria;
- 49% interest in electricity distribution business SA Power Networks Partnership ("SAPN") in South Australia; and
- 15.01% interest in electricity transmission business TransGrid in New South Wales.

Spark Infrastructure does not have any offshore or foreign investments, loans, or business activities.

2. Approach to Tax

Spark Infrastructure takes the management of its tax affairs seriously, and its governance, risk management and oversight processes reflect this. Our comprehensive Tax Governance Policy sets out that we will:

- Comply with tax compliance obligations in a timely manner;
- Ensure that tax risks are considered as part of the overall commercial assessment of any transaction;
- Take a conservative approach to the assessment and management of tax risk with a view to being considered by revenue authorities as low risk;
- Maintain open and constructive relationships with relevant revenue authorities;
- Not participate in tax evasion or facilitate the evasion of tax by a third party in any way;
- Encourage the businesses in Spark Infrastructure's investment portfolio to adopt a consistent approach to tax governance as set out in this Tax Governance Policy;
- Protect the reputation of Spark Infrastructure in relation to tax matters;
- Proactively engage and communicate regularly with the Audit, Risk and Compliance Committee and the Board, so as to adopt a 'no surprises' approach to the management of tax risk.

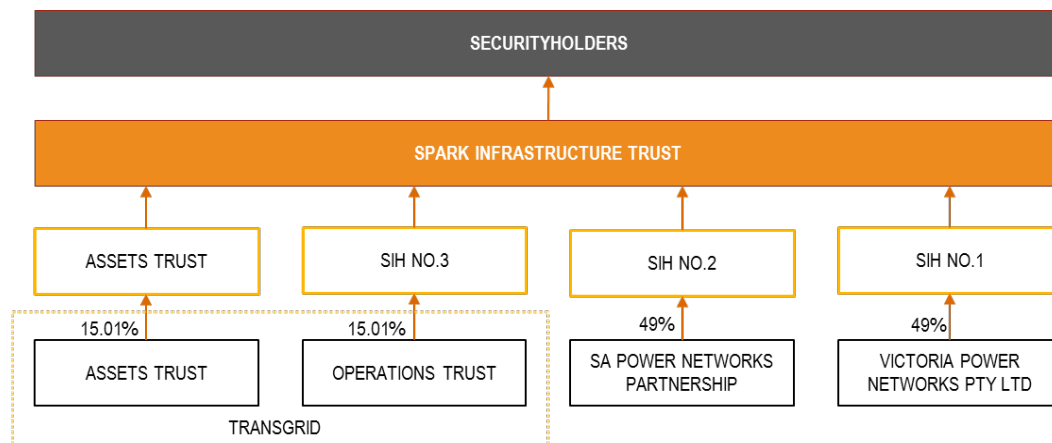
Overall, Spark Infrastructure’s approach to tax is guided by our vision and values, and we strive to conduct our business with honesty and fairness by respecting interests of the communities where Spark Infrastructure’s investment portfolio companies operate.

ATO Engagement

In line with our Tax Governance Policy, Spark Infrastructure strives to be open, transparent and forthcoming in our dealings with the ATO and other revenue authorities. We engage proactively to discuss the potential taxation implications of our significant transactions where appropriate. Such interactions have involved obtaining a private binding ruling from the ATO and class rulings for our Securityholders and entering into a Tax Deed with the ATO relevant to our investment portfolio entities.

3. Group Structure

The Spark Infrastructure Trust (“Spark Trust”) is a managed investment scheme regulated by the Australian Securities and Investments Commission and the *Corporations Act 2001*. Spark Infrastructure has a stapled structure, whereby each unit in the Spark Trust is stapled to one loan note issued by the Spark Trust (“Loan Note”).



Spark Trust is the parent entity of a group of entities collectively known as the Spark Infrastructure Group (“Group”). The Group is comprised of six separate taxpayers described as follows:

- The Spark Trust, which is the parent entity and a public unit trust that is treated as a flow-through entity for Australian income tax purposes. Spark Trust also directly holds a portion of the 15.01% TransGrid investment via a wholly owned subsidiary trust, Spark Infrastructure Electricity Assets Trust (“Asset Trust”), which is also a flow-through trust;
- Spark Infrastructure Holdings No 1 Pty Limited (“SIH No.1”), the head company of the SIH No.1 tax consolidated group (“SIH No.1 Group”), which ultimately holds Spark Infrastructure’s 49% interest in VPN;
- Spark Infrastructure Holdings No 2 Pty Limited (“SIH No. 2”), the head company of the SIH No.2 tax consolidated group (“SIH No.2 Group”), which ultimately holds Spark Infrastructure’s 49% interest in SAPN; and
- Spark Infrastructure Holdings No 3 Pty Limited (“SIH No.3”), the head company of the SIH No.3 tax consolidated group (“SIH No.3 Group”). SIH No.3 undertakes management and other administrative activities and holds the Group’s trustee entities. SIH No. 3 also holds the remainder of the 15.01% TransGrid investment via a subsidiary trust, Spark Infrastructure Electricity Operations Trust (“Operations Trust”).

4. Taxation of the Group

Spark Infrastructure Trust

As noted above, Spark Trust, along with the wholly owned subsidiary trust (i.e. Asset Trust), are treated as flow-through entities for Australian income tax purposes. As such, the Spark Trust does not pay income tax and its Securityholders are subject to Australian income tax on their share of trust income. In addition to trust distributions (both income and capital), Securityholders receive interest income on the Loan Notes.

Securityholders are liable for tax on the trust distributions and interest income at their applicable tax rates. The Spark Trust is a Managed Investment Trust and where income distributions are made to non-residents of Australia, withholding tax of up to 30% (15% for residents of Exchange of Information countries) is deducted and remitted to the Australian Taxation Office ("ATO"). Domestic Securityholders are subject to tax at rates of up to 49% for individuals, 30% for corporates, and 15% for super funds.

Currently, more than 50% of the Spark Trust's Securityholder base is Australian and consists of superannuation funds, pension funds and professional investment managers, as well as individual private investors.

Tax Consolidated Groups

As previously stated, the subsidiary companies of the Group are formed into three separate tax consolidated groups. This means that the entities within each group are taxed as a single entity at the applicable corporate tax rate of 30%. As a result, each tax consolidated group will incur a tax liability on the taxable income of the respective tax group. Transactions between the tax consolidated groups and the Spark Trust are not eliminated in determining each tax consolidated group's taxable income, although they are eliminated for financial reporting purposes.

The SIH No.1 Group and SIH No.2 Group are in carried forward tax loss positions as at 31 December 2017. To the extent SIH No.1 and/or SIH No.2 pay tax in subsequent years it is anticipated that franked dividends would be paid to Spark Trust.

We expect that the SIH No.1 Group will become a taxpayer in respect of 31 December 2019 after all tax losses are exhausted. In respect of SIH No.2 Group should the decision of the Victoria Power Networks ATO litigation on gifted assets and cash contributions be upheld or not appealed it will also be a taxpayer. The SIH No.3 Group is also in a carried forward tax loss position due to administrative costs exceeding its income from its trustee entity holdings. We expect SIH No.3 Group will commence paying tax once its losses have been recouped and upon receipt of taxable distributions from Operations Trust.

5. Income Tax Analysis and Reconciliations

ATO Tax Transparency Reporting Reconciliations

In early December 2017, the ATO published entity tax information for the 2015-16 Income Tax Year (for the Group this is the income year ended 31 December 2015 or the 2015 Calendar Year) which included information about certain corporate tax entities whose total income (per their income tax return) is \$100 million or more for that income tax year. The same information should be published in December 2018 for the 2016-17 Income Tax Year (for the Group this is the income year ended 31 December 2016 or the 2016 Calendar Year).

The Group recently finalised the lodgement of all its income tax returns for the 2017-18 Income Tax Year (income year ended 31 December 2017). Albeit this information will not be published by the ATO until December 2019, in the interests of transparency and timeliness, it is reproduced in this report.

The 31 December 2016 and 31 December 2017 information is set out below.

2016-17 Income Tax Year

	SIH No.1 Group \$ ('000)	SIH No.2 Group \$ ('000)
Total Income	133,863	96,630
Taxable Income	0	0
Income Tax Payable	0	0

2017-18 Income Tax Year

	SIH No.1 Group \$ ('000)	SIH No.2 Group \$ ('000)
Total Income	139,107	148,594
Taxable Income	0	0
Income Tax Payable	0	0

- To assist in interpreting these numbers, the table below provides a reconciliation of total income to taxable income to taxes payable:

Reconciliation of 2016-17 Income Tax Year - Total Income, Taxable Income and Income Tax Payable

	SIH No.1 Group \$ ('000)	SIH No.2 Group \$ ('000)	SIH No.3 Group \$ ('000)
Total Income	133,863	96,630	5,648
Total Expenses	(72,570)	(37,805)	(6,666)
Total Accounting Profit/Loss per 2017 ITR	61,293	58,825	(1,018)
Permanent Differences	(2,458)	816	5
Timing Differences	(62)	0	708
Investments In/Transactions with Associates	(43,835)	(96,630)	0
Tax Losses Applied	(14,938)	0	0
Taxable Income/Loss	0	(36,989)	(305)
Income Tax Payable	0	0	0

Reconciliation of 2017-18 Income Tax Year - Total Income, Taxable Income and Income Tax Payable

	SIH No.1 Group \$ ('000)	SIH No.2 Group \$ ('000)	SIH No.3 Group \$ ('000)
Total Income	139,107	148,594	5,717
Total Expenses	(73,775)	(37,362)	(7,954)
Total Accounting Profit/Loss per 2018 ITR	65,332	111,232	(2,237)
Permanent Differences	(1,723)	814	(444)
Timing Differences	(123)	92,073	(1,409)
Investments In/Transactions with Associates	(57,593)	(148,594)	0
Tax Losses Applied	(5,887)	(55,525)	0
Taxable Income/Loss	0	0	(1,272)
Income Tax Payable	0	0	0

Tax Accounting Reconciliations

The following tables set out a reconciliation of the Group's income tax expense calculated at 30% of accounting net profit before tax to current year income tax expense and income taxes payable as per our 2016 annual financial statements and income tax returns.

Reconciliation of Income Tax Expense to NPBT and Income Tax Payable and ETR for the 2016 Calendar Year

	SIH No.1 Group \$ ('000)	SIH No.2 Group \$ ('000)	SIH No.3 Group \$ ('000)	Spark Trust and subsidiary trusts \$ ('000)	Total Group \$ ('000)
NPBT	53,737	56,860	(423)	(2,940)	107,234
Income Tax Expense @ 30%	16,121	17,058	(127)	(882)	32,170
Effect of Expenses Not Deductible in Determining Taxable Profit	9	44	127	0	180
Effect of Prior Year Adjustments in Associates' Tax Base	0	(7,081)	0	0	(7,081)
Tax Effect on Operating Results of the Trusts ^A	0	0	0	882	882
Income Tax Expense	16,130	10,021	0	0	26,151
Less: Deferred Tax Expense					
Timing Differences	(4,493)	0	0	0	(4,493)
Investments in Associates	(15,223)	(114,729)	0	0	(129,952)
Unused Tax Losses	1,608	105,986	0	0	107,594
Income Tax Recognised in Equity	1,978	(1,278)	0	0	700
Income Tax Payable	0	0	0	0	0
ETR^B	30.02%	17.62%	0.00%	0.00%	24.39%

A – as the trusts are 'flow-through' entities for income tax purposes they do not pay income tax, have nil income tax expense and nil ETR.

B – the ETR is less than 30% due to adjustments made in relation to prior income tax years during the 2016 Calendar Year.

Reconciliation of Income Tax Expense to NPBT and Income Tax Payable and ETR for the 2017 Calendar Year

	SIH No.1 Group \$ ('000)	SIH No.2 Group \$ ('000)	SIH No.3 Group \$ ('000)	Spark Trust and subsidiary trusts \$ ('000)	Total Group \$ ('000)
NPBT	65,696	111,596	(967)	(29,103)	147,222
Income Tax Expense @ 30%	19,709	33,479	(290)	(8,731)	44,167
Effect of Expenses Not Deductible in Determining Taxable Profit	9	66	290	0	365
Effect of Prior Year Adjustments in Associates' Tax Base	0	5,318	0	0	5,318
Tax Effect on Operating Results of the Trusts ^A	0	0	0	8,731	8,731
Income Tax Expense	19,718	38,863	0	0	58,581
Less: Deferred Tax Expense					
Timing Differences	399	0	0	0	399
Investments in Associates	(11,921)	(71,512)	0	0	(83,433)
Unused Tax Losses	(5,488)	35,961	0	0	30,473
Income Tax Recognised in Equity	(2,708)	(3,312)	0	0	(6,020)
Income Tax Payable	0	0	0	0	0
ETR ^B	30.01%	34.82%	0.00%	0.00%	39.79%

A – as the trusts are 'flow-through' entities for income tax purposes they do not pay income tax, have nil income tax expense and nil ETR.

B – the ETR is greater than 30% due to adjustments made in relation to prior income tax years during the 2017 Calendar Year.

6. Contributions to the Australian Tax System

As previously noted, Spark Trust Securityholders are liable for income tax on distributions of trust income and interest income on Loan Notes.

The following distributions were paid to Securityholders in relation to the year 31 December 2016:

	2016 Calendar Year	
	Cents per Security	Total \$('000)
Interim Distribution:		
Loan Note interest	3.50	58,870
Return of capital	3.75	63,075
	7.25	121,945
Final Distribution:		
Loan Note interest	3.55	59,711
Return of capital	3.70	62,234
	7.25	121,945
Total	14.50	243,890

	2017 Calendar Year	
	Cents per Security	Total \$('000)
Interim Distribution:		
Loan Note interest	3.50	58,870
Return of capital	4.125	69,383
	7.625	128,253
Final Distribution:		
Loan Note interest	3.55	59,711
Return of capital	4.075	68,542
	7.625	128,253
Total	15.25	256,506

The distributions comprised:

- Loan Note interest – Securityholders will pay income tax on this amount at their applicable tax rates; and
- Returns of capital – for tax purposes this will be typically treated as a tax deferred distribution in the Securityholder's hands. That is, the income tax liability will be deferred until the Securityholder disposes of the security.

No income distribution was paid to Securityholders for year ended 31 December 2016 as the Spark Trust was in a tax loss position. This is largely due to interest expenses on the Loan Notes payable to Securityholders exceeding the income of the trust.

As a business that operates in the Australian infrastructure industry, and has employees and contractors in Australia, Spark Infrastructure is also subject to various other taxes and levies at the federal, state and local government levels.

These taxes and levies are either borne by the Group at a cost to our business or are remitted by the Group to various revenue authorities on behalf of our employees and Securityholders. The table below details our total tax contribution.

Total Australian Tax Contribution

	2016-17 Income Tax Year \$('000)	2017-18 Income Tax Year \$('000)
Income Tax Paid by Entities in the Group	0	0
Fringe Benefits Tax	47	155
Payroll Tax	332	405
Total Taxes Borne by the Group	379	560
Net GST Remitted		
• GST Collected, less	31	45
• GST Remitted	(427)	(435)
PAYG Withholding	2,611	2,655
Taxes Withheld from Investors	280	349
Total Taxes Remitted by the Group	2,495	2,614
Total Tax Contribution	2,874	3,174