CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 December 2020

	Notes	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Income from associates:			
– Share of equity accounted profits	8(c)(ii)	**205,705**	207,760
– Interest income	4(a)	**59,425**	63,182
		265,130	270,942
Revenue from sale of electricity and Large-Scale Renewable Generation Certificates (LGCs)	3(a)	**7,045**	–
Other income – interest		**700**	1,543
		272,875	272,485
Interest expense (including borrowing costs)	4(b)	**(3,862)**	(748)
General and administrative expenses	4(c)	**(14,343)**	(14,075)
Operating costs – Bomen Solar Farm related	3(a)	**(4,539)**	(1,141)
Project and transaction bid costs		**(4,181)**	(4,827)
Tax shortfall penalties	5(f)	**(1,302)**	–
Unrealised gains from derivative instruments – Bomen Solar Farm related	3(a)	**35,663**	6,776
Profit before Income Tax and Loan Note Interest		**280,311**	258,470
Loan Note interest		**(120,459)**	(119,180)
Profit before Income Tax		**159,852**	139,290
Income tax expense	5(a)	**(54,849)**	(60,152)
Net Profit after Income Tax Attributable to Securityholders		**105,003**	79,138
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss:			
– Share of associates' actuarial loss on defined benefit plans	14	**(7,689)**	(26,304)
Items that may be reclassified subsequently to profit or loss:			
– Share of associates' losses on hedges	13	**(85,719)**	(145,324)
– Cash flow hedge reserve	13	**(4,137)**	1,200
Income tax benefit related to components of other comprehensive income	13, 14	**22,856**	41,922
Other comprehensive loss for the Financial Year		**(74,689)**	(128,506)
Total Comprehensive Income/(Loss) for the Financial Year Attributable to Securityholders		**30,314**	(49,368)
Earnings per Security			
Weighted average number of stapled securities (No.'000)	16	**1,721,992**	1,687,085
Profit before income tax and Loan Note interest ($'000)		**280,311**	258,470
Basic earnings per security before income tax and Loan Note interest (cents)	16	**16.28¢**	15.32¢
Earnings used to calculate earnings per security ($'000)		**105,003**	79,138
Basic earnings per security based on net profit after income tax attributable to Securityholders (cents)	16	**6.10¢**	4.69¢

(Diluted earnings per security are the same as basic earnings per security).
Notes to the financial statements are included on pages 88-118.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	Year ended 31 Dec 2020 $'000	Year ended 31 Dec 2019 $'000
Current Assets			
Cash and cash equivalents	23(a)	**36,898**	31,400
Receivables from associates	6	**6,835**	7,339
GST receivable		**697**	8,839
Tax and interest refund receivable	5(f)	**45,000**	–
Other current assets		**3,679**	1,829
Total Current Assets		**93,109**	49,407
Non-Current Assets			
Property, plant and equipment	7	**172,599**	159,789
Derivative financial instruments – Power Purchase Agreements (PPA)	24(d)	**43,839**	8,176
Derivative financial instruments – Interest rate swaps	24(d)	**–**	1,714
Investments in associates:			
– Investments accounted for using the equity method	8(d)	**2,043,921**	2,165,891
– Loans to associates	9	**460,598**	460,598
– Loan notes to associates	10	**237,444**	237,444
Total Non-Current Assets		**2,958,401**	3,033,612
Total Assets		**3,051,510**	3,083,019
Current Liabilities			
Current tax liability		**39,384**	68,830
Payables		**5,697**	7,767
Interest bearing liabilities	23(c)	**38,991**	39,567
Loan Note interest payable to Securityholders		**61,701**	60,309
Total Current Liabilities		**145,773**	176,473
Non-Current Liabilities			
Payables		**648**	1,310
Derivative financial instruments – Interest rate swaps	24(d)	**4,196**	–
Loan Notes attributable to Securityholders	11	**1,097,956**	1,072,674
Deferred tax liabilities	5(c)	**206,906**	194,154
Total Non-Current Liabilities		**1,309,706**	1,268,138
Total Liabilities		**1,455,479**	1,444,611
Net Assets		**1,596,031**	1,638,408
Equity			
Equity attributable to Parent Entity:			
– Issued capital	12	**732,887**	805,884
– Reserves	13	**(247,674)**	(178,980)
– Retained earnings	14	**1,110,818**	1,011,504
Total Equity		**1,596,031**	1,638,408
Total Equity attributable to Securityholders is as follows:			
Total Equity		**1,596,031**	1,638,408
Loan Notes attributable to Securityholders		**1,097,956**	1,072,674
Total Equity and Loan Notes		**2,693,987**	2,711,082

Notes to the financial statements are included on pages 88-118.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2020

2019	Notes	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2019		923,270	(69,613)	952,170	1,805,827
Net profit after income tax for the year		–	–	79,138	79,138
Other comprehensive loss for the year, net of income tax	13, 14	–	(108,702)	(19,804)	(128,506)
Total comprehensive loss for the year		–	(108,702)	59,334	(49,368)
Movement of share-based payments	13	–	(665)	–	(665)
Capital distributions	12	(142,130)	–	–	(142,130)
Contributions of equity (net of issue costs)(1)	12	24,744	–	–	24,744
Balance at 31 December 2019		805,884	(178,980)	1,011,504	1,638,408

2020	Notes	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2020		**805,884**	**(178,980)**	**1,011,504**	**1,638,408**
Net profit after income tax for the year		**–**	**–**	**105,003**	**105,003**
Other comprehensive loss for the year, net of income tax	13, 14	**–**	**(69,000)**	**(5,689)**	**(74,689)**
Total comprehensive (loss)/income for the year		**–**	**(69,000)**	**99,314**	**30,314**
Movement of share-based payments	13	**–**	**306**	**–**	**306**
Capital distributions	12	**(127,365)**	**–**	**–**	**(127,365)**
Contributions of equity (net of issue costs)(1)	12	**54,368**	**–**	**–**	**54,368**
Balance at 31 December 2020		**732,887**	**(247,674)**	**1,110,818**	**1,596,031**

(1) Excludes loan notes issued – see Note 12.

Notes to the financial statements are included on pages 88-118.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 December 2020

	Notes	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Cash Flows from Operating Activities			
Distributions from associates – preferred partnership capital	2	**69,826**	69,635
Distributions from associates – other	2	**171,212**	135,832
Interest received from associates	2	**59,929**	64,213
Interest received – other		**704**	1,641
Interest paid – other		**(9,244)**	(399)
Other expenses		**(13,243)**	(13,273)
Operating cash flows – Bomen Solar Farm related		**4,726**	(1,215)
Project and transaction bid costs		**(5,561)**	(4,110)
Tax paid	2	**(85,852)**	(38,730)
Net Cash Inflow Related to Operating Activities	23(d)	**192,497**	213,594
Cash Flows from Investing Activities			
Repayment of borrowings by associate	2	**–**	42,774
Acquisition of subsidiary – Bomen Solar Farm		**–**	(1,400)
Purchase of property, plant and equipment – Bomen Solar Farm[(1)]		**(9,754)**	(155,042)
Purchase of Land – Bomen Solar Farm		**–**	(7,772)
Purchase of property, plant and equipment		**(5)**	(32)
Equity investment in NSW Electricity Networks Operations		**(6,770)**	(9,111)
Net Cash Outflow Related to Investing Activities		**(16,529)**	(130,583)
Cash Flows from Financing Activities			
Payment of debt refinancing costs		**(1,439)**	(200)
Payment of issue costs		**(341)**	(170)
Payment of lease liability		**(725)**	(693)
Proceeds from external borrowings		**140,000**	40,000
Repayment of external borrowings		**(140,000)**	–
Distributions to Securityholders:			
– Loan Note interest		**(120,569)**	(118,582)
– Capital distributions[(2)]		**(47,396)**	(106,310)
Net Cash Outflow Related to Financing Activities		**(170,470)**	(185,955)
Net Increase/(Decrease) in Cash and Cash Equivalents for the Year		**5,498**	(102,944)
Cash and Cash Equivalents at beginning of the Year		**31,400**	134,344
Cash and Cash Equivalents at end of the Year[(3)]	23(a)	**36,898**	31,400

(1) Includes $18.9 million of purchases of property, plant & equipment (PPE) related to Bomen Solar Farm in 2020, offset by a ($9.1) million refund of GST paid on PPE in prior year.

(2) Net of Dividend Reinvestment Plan (DRP) proceeds of $80.0 million in FY2020 (2019: $35.8 million)

(3) Includes $5,000,000 of cash which is required to be held by Spark Infrastructure RE Limited (Spark RE) at all times for Australian Financial Services Licence (AFSL) purposes (31 December 2019: $5,000,000).

Notes to the financial statements are included on pages 88-118.

NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 December 2020

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting standards include Australian Accounting Standards ("AAS"). Compliance with AAS ensures that these consolidated financial statements and notes of the Trust and the Group comply with International Financial Reporting Standards ("IFRS") for a for-profit entity.

These consolidated financial statements are for the consolidated entity ("Spark Infrastructure") consisting of Spark Infrastructure Trust (the "Parent Entity" or the "Trust") and its controlled entities (collectively referred to as the "Group").

Information in respect of the Parent Entity in this financial report relates to the Trust. The financial information for the Parent Entity, disclosed in Note 25, has been prepared on the same basis as the financial statements for the Group.

These consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial report was authorised for issue by the Directors of Spark Infrastructure RE Limited ("Spark RE" or the "Company") on 23 February 2021.

New and Revised Standards and Interpretations

Standards and Interpretations Affecting Amounts Reported in the Year Ended 31 December 2020 ("Current Year" or "Financial Year")

The following new and revised Standards and Interpretations have been adopted in the Current Year. Their adoption has not had any significant impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements.

Adoption of New and Revised Standards

New and Revised Standard	Requirements
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The application of Conceptual Framework is limited to: – For profit entities that have public accountability – Other for-profit entities that voluntarily elect to apply the Conceptual Framework The Directors note that the adoption of this amendment does not have a material impact on the full year financial report of the Group.
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	AASB 2018-6 amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether the transaction should be accounted for as a business combination or as an asset acquisition. The Directors note that the adoption of this amendment does not have a material impact on the full year financial report of the Group.
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. The Directors note that the adoption of this amendment does not have a material impact on the full year financial report of the Group.

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of the financial report, the following Standards and Interpretations relevant to Spark Infrastructure were in issue but not yet effective:

Standard/Interpretation	Effective for the Annual Reporting Period Beginning on	Expected to be Initially Applied in the Financial Year Ending
AASB 17 *Insurance Contracts*	1 January 2021	31 December 2021
AASB 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.		
The Directors anticipate that it will not have a material impact on the financial report of the Group in the year of initial application.		

Significant Accounting Policies

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

(a) Basis of Preparation and Statement of Compliance

These consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Although Spark Infrastructure has a net current deficiency of $52.7 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $360 million, refer to Note 23(b)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, this Financial Report has been prepared on a going concern basis.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and its controlled entities as at 31 December 2020. Control is achieved where the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Where control of an entity is obtained during the financial period, its results are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of control. All intra-group transactions, balances, income and expenses within the Group are eliminated in full on consolidation.

(c) Changes in accounting policy

The accounting policies to all periods presented in these financial statements are consistently applied.

(d) Leases

As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(e) 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.

(f) 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.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(g) Borrowing Costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised and added to the cost of these assets, until such time that the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(h) Cash and Cash Equivalents

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

(i) 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.

(j) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings: 40 years
- Plant and equipment: 3-30 years
- Fixtures and fittings: 5-10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Financial Instruments

Recognition and initial measurement

Spark Infrastructure initially recognises financial instruments on the date on which they are originated. A financial asset or financial liability is measured initially at fair value. For an item not at Fair Value Through Profit or Loss (FVTPL) transaction costs are also included that are directly attributable to its acquisition or issue. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and Subsequent Measurement

Financial Assets

On initial recognition, financial assets being loan and loan notes to associates are classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of financial assets:

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see below for derivatives designated as hedging instruments.
- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Spark Infrastructure classifies its Loan Notes to Securityholders, as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. See below for financial liabilities designated as hedging instruments.

De-recognition

Financial Assets

Spark Infrastructure derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Spark Infrastructure neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial Liabilities

Spark Infrastructure derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

Spark Infrastructure recognises loss allowances for an Expected Credit Loss (ECL) on financial instruments that are measured at amortised cost.

Spark Infrastructure measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments, such as loan and loan notes to associates, on which credit risk has not increased significantly since their initial recognition.

12 month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Spark Infrastructure expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to Spark Infrastructure if the commitment is drawn down and the cash flows that Spark Infrastructure expects to receive.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its energy price risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. The Group has elected to use cash flow hedge accounting to reduce the volatility in the statement of profit or loss in relation to the interest rate swaps. Certain derivatives such as Power Purchase Agreements (PPAs) do not qualify for hedge accounting and are required to be accounted for at fair value through the profit or loss.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and the effective portion of the hedge is deferred to Other Comprehensive Income in the cash flow hedge reserve while the ineffective portion is recognised in the income statement.

When the Group discontinues hedge accounting for a cash flow hedge:

- If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve until the future cash flows occur.
- If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item (unless the accumulative change in fair value is negative), determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Transaction Costs on the Issue of Stapled Securities (including Loan Notes)

Transaction costs arising on the issue of stapled securities (including Loan Notes) are recognised directly in either debt or equity as a reduction of the proceeds of the stapled securities (including Loan Notes) to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those stapled securities and which would not have been incurred had those stapled securities (including Loan Notes) 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 Statement of Financial Position classification of the related debt or equity instruments.

(l) 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 inclusive 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(m) Employee Benefits

Wages, Salaries, Annual Leave and Other Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and other employee benefits expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

The Group's net obligation for long service leave is measured as the present value of expected future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are measured using discount rates based on the high quality corporate bond rate. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Equity-Settled Long-Term and Deferred Incentives

Equity-settled long-term and deferred incentives issued from 2015 onwards are share-based payments to employees and others providing similar services and are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(n) 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 year. 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 these consolidated 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.

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 year(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 assets and liabilities 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 the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Year

Current and deferred tax is recognised as an expense or income in profit and loss, 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 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 Securityholders 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 5.

Taxation of Financial Arrangements

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* ("TOFA legislation") was applicable to the tax consolidated groups for tax years beginning 1 January 2011. The TOFA legislation has not had any material effect on the tax expense of the tax consolidated groups. No election was made to bring pre-commencement financial arrangements into the TOFA regime.

(o) 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 Statement of Financial Position 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. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of impairment loss is recognised in accordance with AASB 136 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

Spark Infrastructure's share of its associates' post-acquisition profits or losses is recognised in profit and loss, and its share of post-acquisition movements in equity (such as actuarial gains or losses) 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 profit and loss.

(p) Loans and Receivables

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

(q) Revenue Recognition

Sale of electricity

The Group derives revenue from sale of electricity generated by its solar farm. Revenue is recognised over time as electricity is supplied. The transaction price is the spot price per unit of electricity delivered.

Sale of Large-Scale Renewable Generation Certificates (LGCs)

The Group has PPAs to sell LGCs generated by its solar farm. Revenue is recognised at fair value when LGCs are created, with equivalent asset value also being recognised.

Distribution and Interest Revenue

Distribution 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.

(r) Investments in Subsidiaries

Investments in subsidiaries by the Parent Entity are recorded at cost. Acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

(s) Contributions from Customers for Capital Works

Non-refundable contributions of cash or assets received from customers towards the cost of extending or modifying the network are recognised as revenue and an asset respectively once control is gained of the cash contribution or asset and the customer is connected to the network of either Victoria Power Networks or SA Power Networks.

Customer contributions of cash and customer contributions of assets are measured at fair value at the date either Victoria Power Networks or SA Power Networks gains control of the cash contribution or asset. Fair value is based on the regulatory return expected to be derived from the Regulator.

(t) Critical Accounting Estimates and Judgements

The preparation of this financial 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.

Spark Infrastructure equity accounts the results of its associates (see Note 1(o)) and within these results there are several accounting estimates and judgements. These estimates and judgements will have a direct impact on the results reported by Spark Infrastructure as it recognises its share of profits or losses and post-acquisition movements in equity, which adjust the carrying amount of the investments in the associates. The key accounting estimates and judgements used in the preparation of this report are as follows:

- Impairment of Assets

  At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment. Each associate, being Victoria Power Networks, SA Power Networks and TransGrid ("investment portfolio"), as well as Bomen Solar Farm, is regarded as a separate cash generating unit (CGU) for the purposes of such testing. If any indicators are identified, the recoverable amounts are determined as the higher of fair value less costs to sell and value in use.

  If such indicators were determined to exist, fair value less costs to sell calculations are used to assess Spark Infrastructure's investment portfolio and to confirm that their carrying values did not exceed their respective recoverable amounts.

  The following key assumptions are used in the assessment of fair value less costs to sell:

- Fair value less costs to sell assessments based on discounted cash flow projections over a period of ten years;
- Cash flow projections based on financial forecasts approved by management containing assumptions about business conditions, growth in RAB and future regulatory return;
- Appropriate discount rates specific to each CGU; and
- Appropriate terminal values based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities.

  Cash flow projections for a ten-year period are deemed appropriate as the investment portfolio assets operate within regulated industries that reset every five years, and have electricity transmission or distribution assets that are long life assets.

  Sensitivity analysis would be undertaken regarding the impact of possible changes in key assumptions.

  Fair value less costs to sell is measured using inputs that are unobservable in the market and are therefore deemed to be Level 3 fair value measurements in accordance with AASB 13 *Fair Value Measurement*.

- Fair Value of Customer Contributions and Gifted Assets at Victoria Power Networks and SA Power Networks

  With effect from 1 January 2014 Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets from depreciated replacement cost to estimating the net present value of the future cash flows expected to be derived from the RAB as a result of the specific extension or modification to the network, as described in Note 1(s). This change better reflects the value for customer contributions and gifted assets included in the RAB, on which future regulatory returns are derived.

- Significant Influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust

  Note 8 describes that NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust are associates of Spark Infrastructure although Spark Infrastructure only has a 15.01% ownership interest. Spark Infrastructure has significant influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust by virtue of its right under the Shareholders Agreement to appoint one Director for every 10% shareholding. In addition, Spark Infrastructure has a special right to appoint a second Director while its ownership remains at or above 15.01%. This right is particular to Spark Infrastructure.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Critical Accounting Estimates and Judgements continued

- Deferred Tax Arising on the Investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust

  Deferred tax arising on the initial investment in NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust is considered to relate to temporary differences that give rise to no accounting or taxable profit. As such, deferred tax is not recognised under the initial recognition exemption. Furthermore, subsequent changes to the unrecognised deferred tax are not recorded.

- Deferred Tax Assets

  Deferred tax assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the foreseeable future. As at 31 December 2020 (2019: nil), there are no amounts unrecognised on the basis that the above criteria was not met.

(u) Fair Value Measurement of Financial Instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's ARC. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(v) Measurement of Fair Value

Further information about the assumptions made in measuring fair values is included in Note 24(d) Financial Instruments.

(w) Functional and Presentation Currency

As permitted by ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency.

2. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Four segments are reported:

- Victoria Power Networks – the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor);
- SA Power Networks – the 49% interest in the electricity distribution business in South Australia;
- TransGrid – the 15.01% interest in the electricity transmission business in New South Wales (i.e. NSW Electricity Networks Assets Holdings Trust (NSW Electricity Networks Assets) and NSW Electricity Networks Operations Holdings Trust (NSW Electricity Networks Operations)); and
- Bomen Group – the 100% interest in the Bomen Solar Farm HoldCo Pty Ltd and Bomen Solar Farm Hold Trust (and its 100% owned subsidiaries Bomen Solar Farm Pty Ltd, Bomen SF Trust and Bomen SF FinCo Pty Ltd). The Bomen Solar Farm commenced commercial operations from late-June 2020.

The segments noted also fairly represent the Group's geographical segments determined by location within Australia as they have the same economic characteristics.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Cash Flows										
Distributions from associates – preferred partnership capital	**–**	–	**69,826**	69,635	**–**	–	**–**	–	**69,826**	69,635
Distributions from associates – other	**121,388**	65,086	**36,750**	46,550	**13,074**	24,196	**–**	–	**171,212**	135,832
Interest received from associates	**50,112**	51,636	**–**	–	**9,817**	12,577	**–**	–	**59,929**	64,213
Repayment of borrowings by associates[1]	**–**	42,774	**–**	–	**–**	–	**–**	–	**–**	42,774
Net operating cash flows – Bomen Solar Farm related	**–**	–	**–**	–	**–**	–	**4,726**	(1,215)	**4,726**	(1,215)
Total Segment Cash Flows	**171,500**	159,496	**106,576**	116,185	**22,891**	36,773	**4,726**	(1,215)	**305,693**	311,239
Net interest (paid)/received									**(8,540)**	1,242
Corporate expenses									**(13,243)**	(13,273)
Project and transaction bid costs									**(5,561)**	(4,110)
Tax paid[2]									**(85,852)**	(38,730)
Net Operating Cash Flows[1]									**192,497**	256,368

(1) Victoria Power Networks distributions include both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes.

(2) 2020 tax paid of $85.9 million is comprised of:

- $34.4 million relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO);
- $33.7 million relating to the 31 December 2019 income tax year; and
- $17.8 million relating to the 31 December 2020 income tax year, and with respect to the SIH No. 1 and 2 Tax Consolidated Group

2019 Tax paid of $34.4 million relates to 50% settlement of FY15, 16, 17 & 18 in respect of the outstanding tax relating to gifted assets and cash contributions. The remaining $4.3 million relates to tax paid relating to income tax instalments for the FY19 income tax year.

2. SEGMENT INFORMATION CONTINUED

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Revenue										
Share of equity accounted profits	**101,601**	84,910	**100,289**	120,127	**3,815**	2,723	**–**	–	**205,705**	207,760
Interest income	**50,112**	51,204	**–**	–	**9,313**	11,978	**1**	–	**59,426**	63,182
Revenue from sale of electricity and LGCs	**–**	–	**–**	–	**–**	–	**7,045**	–	**7,045**	–
Unrealised gains from derivative instruments	**–**	–	**–**	–	**–**	–	**35,663**	6,776	**35,663**	6,776
Segment revenue	**151,713**	136,114	**100,289**	120,127	**13,128**	14,701	**42,709**	6,776	**307,839**	277,718
Interest revenue	**–**	–	**–**	–	**–**	–	**–**	–	**700**	1,543
Total Revenue									**308,539**	279,261
Segment operating costs	**–**	–	**–**	–	**–**	–	**(1,770)**	(1,141)	**(1,770)**	(1,141)
Segment depreciation	**–**	–	**–**	–	**–**	–	**(2,769)**	–	**(2,769)**	–
Segment contribution	**151,713**	136,114	**100,289**	120,127	**13,128**	14,701	**38,170**	5,635	**303,300**	276,577
Net interest (expense)/income									**(3,163)**	794
Corporate costs									**(15,645)**	(14,075)
Project and transaction bid costs									**(4,181)**	(4,827)
Profit for the year before income tax and Loan Note interest									**280,311**	258,470
Interest on Loan Notes									**(120,459)**	(119,180)
Income tax expense									**(54,849)**	(60,152)
Net Profit attributable to Securityholders									**105,003**	79,138

Segment assets and liabilities are measured in the same way as in the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Liabilities are allocated based on the operations of the segment.

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Assets										
Investments accounted for using the equity method	**431,085**	493,116	**1,240,615**	1,280,842	**372,221**	391,933	**–**	–	**2,043,921**	2,165,891
Loans to associates	**460,598**	460,598	**–**	–	**–**	–	**–**	–	**460,598**	460,598
Loan notes to associates	**–**	–	**–**	–	**237,444**	237,444	**–**	–	**237,444**	237,444
Receivables from associates	**4,655**	4,655	**–**	–	**2,180**	2,684	**–**	–	**6,835**	7,339
Derivative Instruments – PPA	**–**	–	**–**	–	**–**	–	**43,839**	8,176	**43,839**	8,176
Property, plant and equipment – Bomen Solar Farm related	**–**	–	**–**	–	**–**	–	**171,262**	157,577	**171,262**	157,577
Other assets	**–**	–	**–**	–	**–**	–	**1,678**	–	**1,678**	–
GST receivable	**–**	–	**–**	–	**–**	–	**697**	8,839	**697**	8,839
Total Segment Assets	**896,338**	958,369	**1,240,615**	1,280,842	**611,845**	632,061	**217,476**	174,592	**2,966,274**	3,045,864
Cash and cash equivalents									**36,898**	31,400
Derivative instruments – interest rate swaps									**–**	1,714
Tax and interest refund receivable									**45,000**	–
Other current assets									**2,001**	1,829
Property, plant and equipment									**1,337**	2,212
Total Assets									**3,051,510**	3,083,019

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Segment Liabilities										
Payables	**–**	–	**–**	–	**–**	–	**783**	3,425	**783**	3,425
Total Segment Liabilities	**–**	–	**–**	–	**–**	–	**783**	3,425	**783**	3,425
Unallocated Liabilities										
Loan Notes attributable to Securityholders									**1,097,956**	1,072,674
Interest bearing liabilities									**38,991**	39,567
Other liabilities									**67,263**	65,961
Derivative instruments – interest rate swaps									**4,196**	–
Tax payable									**39,384**	68,830
Deferred tax liabilities									**206,906**	194,154
Total Liabilities									**1,455,479**	1,444,611

3. BOMEN SOLAR FARM

(a) Bomen Solar Farm Operating Results

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
PPA fixed revenue	**6,217**	–
Merchant electricity revenue	**146**	–
Merchant LGC revenue	**682**	–
Total Revenue from sale of electricity and LGCs	**7,045**	–
Interest revenue	**1**	–
Unrealised gain on PPA	**35,663**	6,776
Total Revenue	**42,709**	6,776
Operating costs	**(1,770)**	(1,141)
Depreciation	**(2,769)**	–
Tax expense	**(10,525)**	(1,691)
Net Profit after Tax	**27,645**	3,944

(b) Related party transactions

Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor and operations and maintenance (O&M) contractor. For the year ended 31 December 2020 Spark Infrastructure had incurred costs of $17.6 million (2019: $90.7 million) related to EPC which are capitalised as property, plant and equipment and $0.4 million related O&M since September 2020 which are expensed through the profit or loss statement.

Bomen Solar Farm has connected into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 31 December 2020 Spark Infrastructure had incurred costs of $0.3 million (2019: $nil) related to TransGrid.

4. PROFIT FOR THE FINANCIAL YEAR

		Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
(a)	**Income from Associates**		
	Equity Accounted Profits:		
	Victoria Power Networks Pty Ltd	**101,601**	84,910
	SA Power Networks Partnership	**100,289**	120,127
	NSW Electricity Networks Assets[1]	**(551)**	(3,592)
	NSW Electricity Networks Operations[1]	**4,366**	6,315
		205,705	207,760
	Interest Income – Associates:		
	Victoria Power Networks Pty Ltd	**50,112**	51,204
	NSW Electricity Networks Operations	**9,313**	11,978
		59,425	63,182
		265,130	270,942
(b)	**Interest expense – other:**		
	Interest costs and other associated costs of senior debt	**3,862**	748
(c)	**General and Administrative Expenses**		
	Staff costs – salaries and short-term benefits	**4,120**	3,990
	Staff costs – post-employment benefits	**236**	216
	Staff costs – incentives (short-term and long-term)	**2,379**	1,548
	Total staff costs	**6,735**	5,754
	Directors' fees – short-term benefits	**904**	891
	Directors' fees – post-employment benefits	**63**	79
	Depreciation	**881**	876
	Other expenses	**5,760**	6,475
		14,343	14,075

(1) Together referred to as TransGrid.

5. INCOME TAXES

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Amounts recognised in profit or loss		
Current tax		
Current tax expense in respect of the Current Year	**(58,980)**	(49,805)
Adjustments recognised in relation to current tax in prior years[1]	**40,000**	–
	(18,980)	(49,805)
Deferred tax		
Deferred tax benefit/(expense) recognised in the Current Year	**4,131**	(10,347)
Adjustments recognised in relation to deferred tax in prior years[1]	**(40,000)**	–
	(35,869)	(10,347)
Total income tax expense relating to continuing operations	**(54,849)**	(60,152)

(1) Estimated amendments to the treatment of customer contributions and gifted assets reported in Spark Infrastructure Holdings No.2 Pty Ltd's income tax returns.
(2) Refer Note 5(f) for more information.

		Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
(a)	**Income Tax Recognised in the Statement of Profit or Loss and Other Comprehensive Income**		
	Profit before tax for continuing operations	**159,852**	139,290
	Income tax (expense) calculated at 30% (2019: 30%)	**(47,956)**	(41,787)
	Deduct:		
	Effect of expenses that are not deductible in determining taxable (loss)/profit	**(587)**	(830)
	Effect of prior year adjustments in associates' tax bases	**5,137**	(8,547)
	Tax effect on operating results of the Trusts	**(11,443)**	(8,988)
	Total Current Year income tax expense	**(54,849)**	(60,152)
	The tax rate of 30% used above is the current Australian corporate tax rate. There was no change in the corporate tax rate during the current year.		
(b)	**Income Tax Recognised Directly in Equity**		
	Share of associates' reserves	**22,856**	41,922
	Income tax expense	**22,856**	41,922
(c)	**Deferred Tax Balances**		
	Temporary Differences		
	Timing differences – other	**913**	212
	Investment in associates	**(207,819)**	(194,366)
		(206,906)	(194,154)
	Unused tax losses		
	Tax losses	**–**	–
	Net tax liabilities	**(206,906)**	(194,154)

5. INCOME TAXES CONTINUED

(d) Tax Consolidation

Spark Infrastructure Holdings No.1 Pty Ltd (SIH No. 1), Spark Infrastructure Holdings No.2 Pty Ltd (SIH No. 2), and Spark Infrastructure Holdings No.3 Pty Ltd (SIH No. 3) and their wholly-owned 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, SIH No. 2 and SIH No. 3 respectively. The members of the tax consolidated groups are identified in Note 22.

(e) 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, SIH No. 2, and SIH No. 3 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 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 these consolidated financial statements in respect of this agreement as payment of any amounts under the agreement is considered remote at this time.

(f) Australian Tax Office (ATO) Matters

As previously disclosed, Victoria Power Networks has had an ongoing dispute with the ATO in respect of the tax treatment of certain cash contributions and gifted assets made by customers to Victoria Power Networks as part of contractual arrangements with these customers.

The dispute culminated in a hearing in the Federal Court in early December 2018, with the decision of that court subsequently appealed to the Full Federal Court on August 2020. On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions and found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets.

In summary, the Full Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt. This decision was consistent with the Federal Court decision and confirmed the ATO's view; and
- For assets transferred to Victoria Power Networks from customers (i.e. gifted assets), the receipt of the gifted assets will not give rise to an amount of assessable income (after the offset of any rebate paid by Victoria Power Networks to the customer) to Victoria Power Networks. This decision reversed the decision of the Federal Court and confirms Victoria Power Networks' view of the tax treatment of such assets.

As there has been no further appeal by either party, the decision of the Full Federal Court is final in respect of the tax treatment of both cash contributions and gifted assets.

Due to the decision of the Full Federal Court outlined above and the similarities between the factual position of Victoria Power Networks and SA Power Networks it is believed that there is now a sufficient basis for the tax treatment to be finalised. This means the tax treatment of cash contributions remains unchanged from the prior year but the tax treatment of gifted assets is reversed.

As such, a tax receivable has been recognised of $40.0 million by SIH No. 2 as the head entity for the SIH No. 2 tax consolidated group for the periods up to and including the year ended 31 December 2020. This reflects the estimated tax refund that is anticipated that SIH No. 2 will receive in respect of prior years for overpayment of tax as a consequence of including gifted assets in assessable income. It is also anticipated that SIH No. 2 will receive a refund of interest that was paid in respect of underpayment of tax in prior years due to gifted assets being originally judged to be assessable for tax purposes. An interest receivable balance of $5.0 million has been recognised in this regard. The ATO also issued shortfall penalty notices for $1.3 million in respect of the lodgement of prior year income tax returns and the basis upon which such returns were submitted. SIH No. 2 has objected to these penalty notices but no formal decision has been made in respect of these penalty amounts.

Victoria Power Networks became a taxpayer in respect of the 31 December 2019 year with tax paid of $30 million paid in June 2020. As a consequence of the litigation outcome Victoria Power Networks anticipates a refund of $23 million in respect of 31 December 2019. Victoria Power Networks expects to access the Government's COVID-19 economic recovery measures which include the temporary full expensing of capital expenditure for the 31 December 2020 to 31 December 2022 years. The anticipated overall impact is timing in nature, which gives rise to lower tax liabilities in the above income years.

As at 31 December 2020, the Spark Infrastructure Group has collectively paid $124.3 million of income tax, with a refund of $40.0 million as discussed above anticipated. The net amount of $84.3 million represents approximately 4.9 cents per security (cps) of franking credits of which 2.1 cents per security have been attached to the final distribution for 31 December 2020. The remaining 2.8 cents per security along with ongoing tax payments made by Spark Infrastructure and franking credits received by Victoria Power Networks are expected to result in partial franking of the distribution on an ongoing basis.

6. RECEIVABLES FROM ASSOCIATES – CURRENT

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Victoria Power Networks	**4,655**	4,655
NSW Electricity Networks Operations	**2,180**	2,684
	6,835	7,339

Receivables from associates relates to interest receivable on loans to Victoria Power Networks and loan notes to NSW Electricity Networks Operations per Notes 9 and 10. These receivables are expected to be settled in full within the next 12 months.

7. PROPERTY, PLANT AND EQUIPMENT

See accounting policy in Note 1(j).

Reconciliation of carrying amount

Non-Current	Freehold Land $'000	Furniture, Fittings & Equipment $'000	Right of Use Asset $'000	Property, Plant & Equipment $'000	Total $'000
Opening net book value at 1 January 2019	–	591	–	–	591
Additions	7,771	32	2,466	149,806	160,075
Depreciation charge	–	(172)	(705)	–	(877)
Closing net book value at 31 December 2019	7,771	451	1,761	149,806	159,789
Cost	7,771	845	2,466	149,806	160,888
Accumulated Depreciation	–	(394)	(705)	–	(1,099)
Net book value at 31 December 2019	7,771	451	1,761	149,806	159,789
Opening net book value at 1 January 2020	**7,771**	**451**	**1,761**	**149,806**	**159,789**
Additions	-	5	–	16,455	**16,460**
Depreciation charge	–	(176)	(705)	(2,769)	**(3,650)**
Closing net book value at 31 December 2020	**7,771**	**280**	**1,056**	**163,492**	**172,599**
Cost	7,771	850	2,466	166,261	**177,348**
Accumulated Depreciation	–	(570)	(1,410)	(2,769)	**(4,749)**
Net book value at 31 December 2020	**7,771**	**280**	**1,056**	**163,492**	**172,599**

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in Associates

Name of Entity	Principal Activity	Ownership Interest (%) 2020	Ownership Interest (%) 2019	Country of Incorporation/ Formation[1]
Victoria Power Networks Pty Ltd	Ownership of electricity distribution networks in Victoria	**49.00**	49.00	Australia
SA Power Networks	Ownership of an electricity distribution network in South Australia	**49.00**	49.00	Australia
NSW Electricity Networks Assets Holdings Trust[2]	Ownership of electricity transmission assets in New South Wales	**15.01**	15.01	Australia
NSW Electricity Networks Operations Holdings Trust[2]	Ownership of an electricity transmission business in New South Wales	**15.01**	15.01	Australia

(1) The principal place of business is the same as the country of incorporation.

(2) Together referred to as TransGrid.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Summarised Financial Position of Associates (100% basis)

	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations
	31 Dec 2020 $'000	31 Dec 2020 $'000	31 Dec 2020 $'000	31 Dec 2020 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000
Current assets	**481,859**	**297,962**	**126,115**	**349,076**	413,803	308,876	101,092	230,298
Non-current assets	**8,399,889**	**6,800,288**	**7,700,104**	**4,097,163**	8,273,351	6,810,000	7,394,809	3,956,272
Total assets	**8,881,748**	**7,098,250**	**7,826,219**	**4,446,239**	8,687,154	7,118,876	7,495,901	4,186,570
Current liabilities	**1,950,487**	**376,073**	**477,070**	**344,773**	1,569,489	391,176	132,015	288,955
Non-current liabilities	**5,590,282**	**4,590,776**	**6,105,752**	**2,867,239**	5,650,381	4,511,059	5,963,753	2,708,255
Total liabilities	**7,540,769**	**4,966,849**	**6,582,822**	**3,212,012**	7,219,870	4,902,235	6,095,768	2,997,210
Net assets	**1,340,979**	**2,131,401**	**1,243,397**	**1,234,227**	1,467,284	2,216,641	1,400,133	1,189,360

(c) (i) Summarised Financial Performance of Associates

	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations
	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000	Year Ended 31 Dec 2019 $'000	Year Ended 31 Dec 2019 $'000	Year Ended 31 Dec 2019 $'000
Regulated revenue (including advanced metering)	**1,062,601**	**849,234**	**–**	**751,066**	1,047,854	848,853	–	709,634
Revenue – semi-regulated and unregulated	**336,099**	**389,163**	**557,087**	**152,870**	347,589	379,407	555,760	149,252
Operating revenue	**1,398,700**	**1,238,397**	**557,087**	**903,936**	1,395,443	1,228,260	555,760	858,886
Revenue – transmission (pass-through)	**341,122**	**255,163**	**–**	**–**	287,788	239,561	–	–
	1,739,822	**1,493,560**	**557,087**	**903,936**	1,683,231	1,467,821	555,760	858,886
Expenses	**(1,108,550)**	**(1,106,019)**	**(560,760)**	**(897,388)**	(1,129,550)	(1,055,260)	(579,694)	(861,693)
Expenses – transmission (pass-through)	**(341,122)**	**(255,163)**	**–**	**–**	(287,788)	(239,561)	–	–
Profit/(loss) before income tax	**290,150**	**132,378**	**(3,673)**	**6,548**	265,893	173,000	(23,934)	(2,807)
Income tax expense	**(91,025)**	**(3,528)**	**–**	**–**	(83,161)	(3,471)	–	–
Net profit/(loss)	**199,125**	**128,850**	**(3,673)**	**6,548**	182,732	169,529	(23,934)	(2,807)
Other comprehensive income:								
(Loss)/gain on hedges	**(71,547)**	**(70,328)**	**(107,963)**	**36**	(136,039)	(145,740)	(181,440)	(108)
Actuarial (loss)/gain on defined benefit plans	**(14,664)**	**1,063**	**–**	**(6,815)**	(10,980)	(36,525)	–	(30,899)
Income tax benefit related to components of other comprehensive income	**25,863**	**–**	**–**	**–**	44,106	–	–	–
Other comprehensive loss for the Financial Year	**(60,348)**	**(69,265)**	**(107,963)**	**(6,779)**	(102,913)	(182,265)	(181,440)	(31,007)
Total comprehensive income/(loss) for the Financial Year	**138,778**	**59,585**	**(111,636)**	**(231)**	79,819	(12,736)	(205,374)	(33,814)

(c) (ii) Summarised Financial Performance of Associates

Reconciliation of the above summarised financial performance (on a 100% basis) to the net profit/(loss) attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks (on a 49% basis) and NSW Electricity Networks Assets and NSW Electricity Networks Operations (on a 15.01% basis), recognised in the financial report:

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Victoria Power Networks net profit	**97,571**	89,539
SA Power Networks net profit	**63,137**	83,069
Additional share of profits from preferred partnership capital[1]	**35,611**	35,514
NSW Electricity Networks Assets net loss	**(551)**	(3,592)
NSW Electricity Networks Operations net profit/(loss)	**982**	(421)
	196,750	204,109
Adjustment in respect of regulated revenue cap[2]	**10,259**	4,941
Additional adjustments to share of equity profits[3]	**(1,304)**	(1,290)
	205,705	207,760

(1) Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in SA Power Networks, which ensures that Spark Infrastructure shares in 49% of the overall results of operations from SA Power Networks.

(2) Adjustments are made to distribution/transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

(3) Additional adjustments made to share of equity profits include:
- Depreciation/amortisation of fair value uplift of assets on acquisition; and
- Customer contribution and gifted asset depreciation.

(d) Movement in Carrying Amounts

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Carrying amount at beginning of the Current Year	**2,165,891**	2,326,112
Share of profits after income tax	**205,705**	207,760
Preferred partnership distribution received – SA Power Networks	**(69,826)**	(69,635)
Distributions received – SA Power Networks	**(36,750)**	(46,550)
Distributions received – Victoria Power Networks	**(121,388)**	(65,085)
Distributions received – NSW Electricity Networks Assets	**(6,770)**	(19,325)
Distributions received – NSW Electricity Networks Operations	**(6,304)**	(4,871)
Capital contribution – NSW Electricity Networks Operations	**6,770**	9,111
Share of associates' comprehensive loss recognised directly in equity	**(93,407)**	(171,626)
Carrying amount at end of the Current Year	**2,043,921**	2,165,891

(e) Contingent Liabilities

Spark Infrastructure's share of contingent liabilities is provided in Note 18.

9. LOANS TO ASSOCIATES – INTEREST BEARING

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Victoria Power Networks	**460,598**	460,598

Loan notes advanced to NSW Electricity Networks Operations at the applicable bank bill interest rate plus a margin of 3.50% per annum. The loan notes are redeemable at the discretion of the issuer, with a maximum maturity in December 2025.

10. LOAN NOTES TO ASSOCIATES – INTEREST BEARING

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
NSW Electricity Networks Operations	**237,444**	237,444

100-year loan to Victoria Power Networks at a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower. No amount was repaid by the borrower to Spark Infrastructure during 2020 (2019: $42.8 million).

11. LOAN NOTES ATTRIBUTABLE TO SECURITYHOLDERS

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at beginning of the Financial Year	**1,072,674**	1,061,764
Issue of Loan Notes under Distribution Reinvestment Plan	**25,477**	10,945
Issue costs associated with Loan Notes	**(215)**	(55)
Write-back of deferred discount(1)	**20**	20
Balance at end of the Financial Year	**1,097,956**	1,072,674

(1) The deferred discount represents the difference between the Loan Notes face value of $1.25 and the price of securities issued under the Distribution Reinvestment Plan in September 2009 of $1.0862. The deferred discount is written back over the remaining term of the Loan Notes.

12. ISSUED CAPITAL

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at beginning of the Financial Year	**805,884**	923,270
Issue of new securities under Distribution Reinvestment Plan	**54,492**	24,877
Issue costs	**(124)**	(133)
Capital distributions(1)	**(127,365)**	(142,130)
Balance at end of the Financial Year	**732,887**	805,884

(1) Capital distributions of 3.50 cps on 15 September 2020 (4.00 cps on 13 September 2019) and 3.95 cps on 13 March 2020 (4.45 cps on 15 March 2019) were paid to Securityholders during the year – refer Note 17.

Fully Paid Stapled Securities	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at the beginning of the Financial Year	**1,698,849**	1,682,011
Issue of new securities under Distribution Reinvestment Plan	**39,196**	16,838
Balance at the end of the Financial Year	**1,738,045**	1,698,849

13. RESERVES

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Cash Flow Hedging Reserve		
Balance at beginning of the Financial Year	**(178,980)**	(69,613)
Cash flow hedge reserve – effective portion of changes in fair value[(1)]	**(4,137)**	1,200
Share of associates' losses on hedges[(1)]	**(85,719)**	(145,324)
Related tax benefit	**20,856**	35,422
Recognition of share-based payments	**306**	(665)
Balance at end of the Financial Year	**(247,674)**	(178,980)

(1) The Cash Flow Hedging Reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

14. RETAINED EARNINGS

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Balance at beginning of the Financial Year	**1,011,504**	952,170
Net profit after tax for the Financial Year	**105,003**	79,138
Share of associates' actuarial loss recognised directly in retained earnings [(1)]	**(7,689)**	(26,304)
Related tax benefit	**2,000**	6,500
Balance at end of the Financial Year	**1,110,818**	1,011,504

(1) Actuarial gains or losses on defined benefit superannuation plans operated by the investment portfolio assets are recognised directly in retained earnings.

15. REMUNERATION OF EXTERNAL AUDITOR

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Audit and review of the financial reports	**360,000**	312,500
General tax advice	**149,000**	75,000
Other accounting services	**27,000**	32,000
Project related tax advice and assurance services	**–**	–
	536,000	419,500

The auditor of Spark Infrastructure is Deloitte Touche Tohmatsu.

16. EARNINGS PER SECURITY (EPS)

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Profit before income tax, Loan Note interest	**280,311**	258,470
Weighted average number of securities (No.'000)	**1,721,992**	1,687,085
Basic EPS before income tax, Loan Note interest (cents)	**16.28¢**	15.32¢
Earnings used to calculate EPS	**105,003**	79,138
Basic EPS based on net profit attributable to Securityholders (cents)	**6.10¢**	4.69¢

Basic EPS is the same as diluted EPS.

17. DISTRIBUTION PAID AND PAYABLE

	2020		2019	
	Cents per Security	Total $'000	Cents per Security	Total $'000
Distribution Paid:				
Interim distribution in respect of year ended 31 December 2020 paid on 15 September 2020 (2019: Interim 2019 distribution paid on 13 September 2019):				
Interest on Loan Notes	**3.50**	**60,260**	3.50	58,870
Capital Distribution	**3.50**	**60,260**	4.00	67,280
	7.00	**120,520**	7.50	126,150
Distribution Payable/Proposed:				
Final distribution in respect of the year ended 31 December 2020 payable on 15 March 2021 (2019: 13 March 2020):				
Interest on Loan Notes	**3.55**	**61,701**	3.55	60,309
Trust Distribution (Capital and Income)(1)	**2.95**	**51,272**	3.95	67,105
	6.50	**112,973**	7.50	127,414
Total paid and payable	**13.50**	**233,493**	15.00	253,564

(1) The final distribution paid on 13 March 2020 was entirely capital in nature, while the final distribution payable on 15 March 2021 comprises capital and income with components to be provided in due course.

The final distribution in respect of the year ended 31 December 2020 payable on 15 March 2021 will have 2.1cps of franking attached; the other distributions above were unfranked.

18. CONTINGENT LIABILITIES

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Share of associates' contingent liabilities(1)	**89,957**	64,520

(1) The contingent liabilities relate to a number of guarantees provided to various parties by the investment portfolio assets.

19. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The aggregate compensation made to Directors and other members of KMP of Spark Infrastructure is set out below:

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Salary and fees	**2,329,493**	2,266,980
Superannuation expense	**109,691**	122,605
Short term incentive expense	**1,239,212**	260,304
Long term incentive expense	**332,315**	315,445
Total expense	**4,010,710**	2,965,334

20. RELATED PARTY DISCLOSURES

(a) Directors

The relevant interest of each Director in Spark Infrastructure shares for the Current Year is as follows:

2020	Opening Balance 1 January 2020 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2020 (No.)
Dr Douglas McTaggart	**186,345**	**70,325**	**256,670**
Mr Rick Francis	**460,689**	**222,478**	**683,167**
Mr Andrew Fay	**238,590**	**–**	**238,590**
Mr Greg Martin	**100,000**	**–**	**100,000**
Mr Miles George	**100,000**	**100,000**	**200,000**
Ms Anne Brennan(1)	**–**	**50,000**	**50,000**
Ms Karen Penrose(2)	**57,249**	**–**	**–**

(1) Ms Brennan was appointed to the Board on 1 June 2020.
(2) Ms Penrose retired from the Board on 27 May 2020.

The relevant interest of each Director of Spark Infrastructure in respect of 2019 was as follows:

2019	Opening Balance 1 January 2019 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2019 (No.)
Dr Douglas McTaggart	180,000	6,345	186,345
Mr Rick Francis	251,798	208,891	460,689
Mr Andrew Fay	238,590	–	238,590
Ms Karen Penrose	55,300	1,949	57,249
Mr Greg Martin	100,000	–	100,000
Mr Miles George(1)	–	100,000	100,000
Ms Anne McDonald(2)	71,000	–	–

(1) Mr George was appointed to the Board on 11 October 2019.
(2) Ms McDonald retired from the Board on 30 November 2019.

(b) Group Executives

The table below details the Spark Infrastructure securities in which Group Executives held relevant interests:

2020	Opening Balance 1 January 2020 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2020 (No.)
Mr Rick Francis	**460,689**	**222,478**	**683,167**
Mr Gerard Dover	**121,251**	**–**	**121,251**

2019	Opening Balance 1 January 2019 (No.)	Net Movement Acquired/(Disposed) (No.)	Closing Balance 31 December 2019 (No.)
Mr Rick Francis	251,798	208,891	460,689
Mr Gerard Dover(1)	–	121,251	121,251

(1) Mr Dover was appointed as CFO on 8 October 2019.

20. RELATED PARTY DISCLOSURES CONTINUED

(c) Responsible Entity

The responsible entity of the Trust is Spark Infrastructure RE Limited.

(d) KMP

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The Directors and certain employees that meet the definition of KMP are disclosed above along with their remuneration in Note 19. Security holding details are disclosed in Note 20(a) and Note 20(b).

(e) Other Related Parties

Other related parties include associates, subsidiaries, and entities within Spark Infrastructure.

Associates

In our view, there should be a disclosure of transactions that are not eliminated in applying equity accounting. The details of ownership interests in associates are provided in Note 8. The details of interest receivable and loans provided to associates are detailed in Notes 6, 9 and 10. Details of interest income on these loans are detailed in Note 4(a). Details of bank guarantee between Bomen Solar Farm Pty Ltd as trustee of Bomen Trust and TransGrid are detailed in Note 24(j). Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor and operations and maintenance (O&M) contractor. For the year ended 31 December 2020 Spark Infrastructure had incurred costs of $17.6 million (2019: $90.7 million) related to EPC which are capitalised as property, plant and equipment and $0.4 million related O&M since September 2020 which are expensed through the profit or loss statement.

Bomen Solar Farm has connected into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 31 December 2020 Spark Infrastructure had incurred costs of $0.3 million (2019: $nil) related to TransGrid services.

Subsidiaries

The details of ownership interest in subsidiaries are provided in Note 22. The terms of the tax sharing and tax funding agreements entered into by SIH No. 1, SIH No. 2 and SIH No. 3 with their subsidiaries are provided in Note 5.

Entities within Spark Infrastructure

There are loans receivable by the Trust from other entities within Spark Infrastructure, being Spark Infrastructure (Victoria) Pty Limited, Spark Infrastructure (SA) Pty Limited, SIH No. 3 and Spark Infrastructure Electricity Operations Trust.

21. 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.

22. CONTROLLED ENTITIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Entity	Country of Incorporation	2020 Equity Holdings (%)	2019 Equity Holdings (%)
Controlled entities of Spark Infrastructure Trust:			
– Spark Infrastructure Holdings No. 1 Pty Limited(1)	Australia	**100**	100
– Spark Infrastructure Holdings No. 2 Pty Limited(1)	Australia	**100**	100
– Spark Infrastructure Holdings No. 3 Pty Limited(1)	Australia	**100**	100
– Spark Infrastructure Electricity Assets Trust	Australia	**100**	100
Controlled entity of SIH No. 1(1):			
– Spark Infrastructure (Victoria) Pty Limited(2)	Australia	**100**	100
– Spark Infrastructure Holdings No. 6 Pty Limited(2)	Australia	**100**	100
– Bomen SF HoldCo Pty Limited(2)	Australia	**100**	100
– Bomen Solar Farm Pty Limited(2)	Australia	**100**	100
– Bomen SF Hold Trust(2)	Australia	**100**	100
– Bomen SF Trust(2)	Australia	**100**	100
– Bomen SF FinCo Pty Limited(2)	Australia	**100**	100
Spark Renewables 1 Pty Ltd(2)	Australia	**100**	–
Spark Renewables 1 Trust(2)	Australia	**100**	–
Controlled entities of SIH No. 2(1):			
– Spark Infrastructure (South Australia) Pty Limited(3)	Australia	**100**	100
– Spark Infrastructure SA (No1) Pty Limited(3)	Australia	**100**	100
– Spark Infrastructure SA (No2) Pty Limited(3)	Australia	**100**	100
– Spark Infrastructure SA (No3) Pty Limited(3)	Australia	**100**	100
Controlled entities of SIH No. 3(1):			
– Spark Infrastructure Holdings No. 4 Pty Limited ("SIH No. 4")(4)	Australia	**100**	100
– Spark Infrastructure Holdings No. 5 Pty Limited ("SIH No. 5")(4)	Australia	**100**	100
– Spark Infrastructure RE Ltd(4)	Australia	**100**	100
– Spark Infrastructure Electricity Assets Pty Ltd(4)	Australia	**100**	100
– Spark Infrastructure Electricity Operations Trust	Australia	**100**	100
– Spark Infrastructure Electricity Operations Pty Ltd(4)	Australia	**100**	100

(1) Head entity of a tax consolidated group.
(2) An entity within a tax consolidated group with SIH No. 1 as the head entity.
(3) An entity within a tax consolidated group with SIH No. 2 as the head entity.
(4) An entity within a tax consolidated group with SIH No. 3 as the head entity.

23. NOTES TO THE STATEMENT OF CASH FLOWS

	31 Dec 2020 $'000	31 Dec 2019 $'000
(a) Reconciliation of Cash and Cash Equivalents		
Cash on hand and at bank	**31,898**	26,400
Cash at bank held for Australian Financial Services Licensing purposes	**5,000**	5,000
Cash and Cash Equivalents	**36,898**	31,400
For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments.		
(b) Committed Financing Facilities		
Syndicated unsecured bank loan facilities:		
– Amount used	**40,000**	40,000
– Amount unused	**360,000**	80,000
	400,000	120,000

Committed Finance Facility maturities are:

- February 2023: $110,000,000 3-year revolving facility with Mizuho Bank, Ltd
- February 2023: $70,000,000 3-year revolving facility with Mitsubishi UFG Financial Group, Inc
- February 2023: $70,000,000 3-year revolving facility with Sumitomo Mitsui Banking Corporation
- February 2023: $70,000,000 3-year revolving facility with Westpac Banking Corporation
- February 2023: $40,000,000 3-year revolving facility with Commonwealth Bank of Australia
- February 2023: $40,000,000 3-year revolving facility with China Construction Bank Corporation

	31 Dec 2020 $'000	31 Dec 2019 $'000
(c) Interest Bearing Liabilities		
Drawn debt	**40,000**	40,000
Capitalised refinancing costs	**(1,009)**	(433)
Total interest bearing liabilities	**38,991**	39,567

	31 Dec 2020 $'000	31 Dec 2019 $'000
(d) Reconciliation of Profit for the Financial Year to Net Cash Inflows		
Related to Operating Activities		
Net profit after tax	105,003	79,138
Add back/(subtract):		
Loan Note interest expense	120,459	119,180
Non-cash interest expense	(4,693)	448
Non-cash depreciation expense	3,650	876
Share of equity accounted profits and losses of associates net of distributions received	35,333	(2,293)
Gain on derivative contracts (less distribution/costs)	(35,663)	(6,776)
Changes in net assets and liabilities:		
Decrease in current receivables	(1,346)	1,278
Increase in current payables	757	754
Movement in current and deferred tax balances	(31,003)	20,989
Net cash inflow related to operating activities	192,497	213,594

24. FINANCIAL INSTRUMENTS

The Group has the following derivative 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 treasury policy, approved by the Board, which has written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by management and Spark Infrastructure's internal auditors on a regular basis. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit, Risk and Compliance Committee (Committee), which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Spark Infrastructure identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Capital Risk Management

Spark Infrastructure manages its capital through the use of a combination of debt and equity to ensure that it will be able to operate as a going concern and provide appropriate returns to Securityholders.

The capital structure of Spark Infrastructure comprises net debt (borrowings offset by cash and cash equivalents), Loan Notes attributable to the Securityholders and equity. As the Loan Notes are a long-term instrument and subordinated, they are regarded as part of equity capital for these purposes. On this basis the total equity capital of Spark Infrastructure as at 31 December 2020 was $2,694.0 million (2019: $2,711.1 million) comprising $1,098.0 million (2019: $1,072.7 million) in Loan Notes and $1,596.0 million (2019: $1,638.4 million) in equity attributable to the Securityholders.

The debt covenants under the bank debt facilities require, inter alia, that the gearing at Spark Infrastructure does not exceed 30% on a standalone basis and on a consolidated basis (including its proportionate share of debt of the investment portfolio assets) and that the gearing does not exceed 75% at any time. During the Current Year Spark Infrastructure complied with all of its debt covenants.

Spark Infrastructure holds less than a 50% interest in the investment portfolio assets and while it has significant influence, does not control these businesses and is not in a position to determine their distribution policy alone. The Distribution Policies are set out in Shareholder Agreements between Spark Infrastructure and its fellow shareholders. Any change in the Distribution Policies requires a special majority resolution of the shareholders. Further, the revenue of the investment portfolio assets is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

(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) Accounting Clarifications and Fair Value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

24. FINANCIAL INSTRUMENTS CONTINUED

($'000)	Carrying amount							Fair value			
	Fair value – hedging instruments	Mandatorily at FVTPL – others	FVOCI – debt instruments	FVOCI – equity instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020											
Financial assets measured at fair value											
Interest rate swaps	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange swaps	–	–	–	–	–	–	–	–	–	–	–
Power purchase agreements	–	**43,839**	–	–	–	–	**43,839**	–	–	**43,839**	**43,839**
Financial assets at amortised cost											
Cash and cash equivalents	–	–	–	–	**36,898**	–	**36,898**	–	–	–	–
Receivables from associates	–	–	–	–	**6,835**	–	**6,835**	–	–	–	–
Other receivables	–	–	–	–	**1,828**	–	**1,828**	–	–	–	–
Loans to associates	–	–	–	–	**460,598**		**460,598**	–	–	–	–
Loan notes to associates	–	–	–	–	**237,444**		**237,444**	–	–	–	–
	–	**43,839**	–	–	**743,603**	–	**787,442**	–	–	**43,839**	**43,839**
31 December 2019											
Financial assets measured at fair value											
Interest rate swaps	1,714	–	–	–	–	–	1,714	–	1,714	–	1,714
Foreign exchange swaps	–	–	–	–	–	–	–	–	–	–	–
Power purchase agreements	–	8,176	–	–	–	–	8,176	–	–	8,176	8,176
Financial assets at amortised cost											
Cash and cash equivalents	–	–	–	–	31,400	–	31,400	–	–	–	–
Receivables from associates	–	–	–	–	7,339	–	7,339	–	–	–	–
Other receivables	–	–	–	–	9,806	–	9,806	–	–	–	–
Loans to associates	–	–	–	–	460,598	–	460,598	–	–	–	–
Loan notes to associates	–	–	–	–	237,444	–	237,444	–	–	–	–
	1,714	8,176	–	–	746,587	–	756,477	–	1,714	8,176	9,890

($'000)	Carrying amount							Fair value			
	Fair value – hedging instruments	Mandatorily at FVTPL – others	FVOCI – debt instruments	FVOCI – equity instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020											
Financial liabilities measured at fair value											
Interest rate swaps	**4,196**	–	–	–	–	–	**4,196**	–	**4,196**	–	**4,196**
Financial liabilities not measured at fair value											–
Trade payables[1]	–	–	–	–	–	**5,627**	**5,627**	–	–	–	–
Loan note interest payable	–	–	–	–	–	**61,701**	**61,701**	–	–	–	–
Loan notes	–	–	–	–	–	**1,097,956**	**1,097,956**	–	–	–	–
Other loans	–	–	–	–	–	**38,991**	**38,991**	–	–	–	–
	4,196	–	–	–	–	**1,204,275**	**1,208,471**		**4,196**	–	**4,196**
31 December 2019											
Financial liabilities measured at fair value											
Interest rate swaps	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities not measured at fair value											
Trade payables[1]	–	–	–	–	–	8,344	8,344	–	–	–	–
Loan note interest payable	–	–	–	–	–	60,309	60,309	–	–	–	–
Loan notes	–	–	–	–	–	1,072,674	1,072,674	–	–	–	–
Other loans	–	–	–	–	–	39,567	39,567	–	–	–	–
	–	–	–	–	–	1,180,894	1,180,894	–	–	–	–

(1) Other payables that are not financial liabilities (accrued expenses) are not included.

24. FINANCIAL INSTRUMENTS CONTINUED

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values at 31 December 2020 for financial instruments measured at fair value in the statement of financial position, as well as the significant observable inputs used.

Financial instruments measured at fair value

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Level
Power Purchase Agreements	*PPA pricing*: The fair value has used directly market observable inputs where available to inform our valuation analysis. This will include data typically used by market participants in actual transactions in the market. Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.	CPI escalation of forward curves beyond observable quoted pricing period, electricity generation volumes applied for purposes of determining contractual PPA volumes and dispatch-weighted electricity forward prices.	A decrease in CPI adjustment or dispatch-weighted forward electricity price results in a higher fair value of the instrument. An increase in electricity generation volume results in a higher fair value of the instrument.	Level 3
Interest rate swaps	*Swap models*: The fair value is calculated as the present value of the estimated future cash flows. Future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable	Not applicable	Level 2

(ii) Level 3 fair values

The following table presents the changes in Level 3 items for the period ended 31 December 2020:

	Power Purchase Agreement $'000
Opening balance 1 January 2020	8,176
Acquisitions/(disposals)	–
Unrealised gains recognised in profit and loss	35,663
Unrealised gains/(losses) recognised in other comprehensive income	–
Closing balance 31 December 2020	43,839

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10% is ($8,338) million and lower by 10% is $8,338 million (profit after tax increase/(decrease)). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

(e) Financial Market Risk

Market risk is the risk that changes in market prices e.g. energy price and interest rates, will affect Spark Infrastructure's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Spark Infrastructure uses derivatives to manage market risks. All such transactions are carried out within the guidelines set in the treasury policy. Notes 24(f) and 24(g) below discuss the strategy adopted to manage the energy price risk and interest rate risk.

Further, the revenue of the investment portfolio is significantly reliant on the regulatory determinations of the AER. This could in turn impact on distributions received by Spark Infrastructure.

(f) Interest Rate Risk

Spark Infrastructure's main interest rate risk arises from long-term borrowings with variable rates, which expose Spark Infrastructure to cash flow interest rate risk. Generally, Spark Infrastructure enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. During 2020 and 2019, Spark Infrastructure's borrowings at variable rate were denominated in Australian dollars.

(f) Interest Rate Risk continued

Spark Infrastructure's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

- Fair value sensitivity analysis for fixed-rate instruments

  Spark Infrastructure does not account for any fixed-rate financial assets or financial liabilities at FVTPL, and it does not designate interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change of 50 basis points in interest rates would have increased or decreased equity by $4,634/$4,839 after tax (2019: $3,368/$3,506). This analysis assumes that all other variables remain constant.

- Cash flow sensitivity analysis for variable-rate instruments

  A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity, net of tax	
31 December 2020 ($'000)	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow sensitivity (net)	106	(106)	4,634	(4,839)

(g) Cash Flow Hedges

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.

All interest rate swap contracts on behalf of Spark Infrastructure have previously been entered into by Spark Infrastructure (Victoria) Pty Limited, a subsidiary of SIH No. 1, which is the borrower of all unsecured facilities of the Group.

Swaps currently in place fully hedged the variable loan principal outstanding. The fixed interest rates of the swaps range between 1.220% and 1.345% and the current variable rates of the loans is set at 1M bank bill rate which at the end of the reporting period was 0.06% (2019: 0.87%). The hedge ratio is 1.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates;
- When the interest rate swap cover exceeds the floating rate facility drawdown resulting in over hedged position; and
- Differences in repricing dates between the swaps and the borrowings.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

($'000)	Nominal amount	Carrying amount (liability)	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss
Interest rate risk							
Interest rate swaps	100,000	(4,196)	Interest rate swap	(4,137)	—	—	—

Energy derivatives – Power Purchase Agreements

The Group has entered into power purchase agreement (PPA) derivative instruments for economic hedging purposes under the Board-approved risk management policies. However the PPAs do not satisfy the hedging item criteria, therefore the Group cannot apply hedge accounting under AASB 9 *Financial Instruments*. Therefore changes in the fair value of the PPA are recognised immediately in profit or loss as part of gain/(loss) on fair value of financial instruments. These derivatives are required to be categorised as held for trading and are classified in the Consolidated Statement of Financial Position as PPA.

It is Spark Infrastructure's policy to actively manage the energy price exposure arising from both forecast energy supply and customer energy load. Spark Infrastructure's risk management policy for energy price risk is to hedge forecast future positions for up to ten years. Exposures to fluctuations in the wholesale market energy prices are managed through the use of various types of hedge contracts including derivative financial instruments.

The following table details the fair value of PPA derivatives outstanding at the end of the reporting period:

	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Energy Derivatives – economic hedge	**43,839**	8,176

24. FINANCIAL INSTRUMENTS CONTINUED

The following table details the sensitivity to a 10% increase or decrease in the energy contract market forward prices and volumes. A sensitivity of 10% has been used as this is considered reasonably possible, based on historical data relating to the level of volatility in market prices.

At the end of the reporting period, if the forward prices or volumes had been 10% higher or lower and all other variables were held constant, Spark Infrastructure's profit after tax and other comprehensive income would have been affected as follows:

	Impact on post tax profit		Impact on other components of equity	
	31 Dec 2020 $'000	31 Dec 2019 $'000	31 Dec 2020 $'000	31 Dec 2019 $'000
Energy forward price +10%	**(8,338)**	(12,090)	**–**	–
Energy forward price -10%	**8,338**	12,090	**–**	–
Volume +10%	**4,397**	145	**–**	–
Volume -10%	**(4,398)**	(999)	**–**	–

Hedging reserves

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Cost of hedging reserve ($'000)	Spot component of currency forwards ($'000)	Interest rate swaps ($'000)	Total hedge reserve ($'000)
Closing balance 31 December 2018	–	–	–	–
Add: Change in fair value of hedging instrument recognised in OCI	–	–	1,714	1,714
Add: Costs of hedging deferred and recognised in OCI	–	–	–	–
Less: Reclassified to the cost of inventory – not included in OCI	–	–	–	–
Less: Reclassified from OCI to profit or loss	–	–	–	–
Less: Deferred tax	–	–	(514)	(514)
Closing balance 31 December 2019	–	–	1,200	1,200
Add: Change in fair value of hedging instrument recognised in OCI	–	–	(5,910)	(5,910)
Add: Costs of hedging deferred and recognised in OCI	–	–	–	–
Less: Reclassified to the cost of inventory – not included in OCI	–	–	–	–
Less: Reclassified from OCI to profit or loss	–	–	–	–
Less: Deferred tax	–	–	1,773	1,773
Closing balance 31 December 2020	**–**	**–**	**(2,937)**	**(2,937)**

(h) 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 arises from cash held on deposit and previously for derivative financial instruments. Spark Infrastructure has adopted a policy of only 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, where deemed appropriate, are spread amongst approved counterparties to minimise risk to any single counterparty.

The carrying amounts of financial assets represent the maximum credit exposure.

(i) Cash and cash equivalents

Spark infrastructure held cash and cash equivalents of $36.9 million at 31 December 2020 (2019: $31.4 million). The cash and cash equivalents are held with banks, which are rated Aa3, based on Moody's ratings.

(ii) Derivatives

The Group manages its exposure to credit risk using credit risk management policies. Derivative counterparties are limited to high creditworthy financial institutions with approved financial institutions that have a credit rating of at least A from Standard & Poor's and within credit limits assigned to each financial institution and other organisations in the energy industry. Spark Infrastructure also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

At the end of the reporting period, there was a significant concentration of credit risk with certain counterparties in relation to energy derivatives undertaken in accordance with Spark Infrastructure's hedging and risk management activities. The carrying amount of the financial assets recognised in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk.

(i) Guarantees and commitments

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 31 December 2020, the Company has issued a guarantee to certain banks in respect of credit facilities granted to the subsidiaries.

In addition, Bomen Solar Farm Pty Ltd as trustee of the Bomen Trust has provided a bank guarantee of $3.0 million to TransGrid on demand under the Project contract and of $2.5 million to Westpac under the PPA.

(j) Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Spark Infrastructure manages liquidity by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, and by continuously monitoring forecast and actual cash flows. Details of undrawn facilities are provided in Note 23 (b).

Liquidity and Interest Risk Tables

The following tables detail Spark Infrastructure's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Spark Infrastructure can be required to make payment. The tables include undiscounted amounts for both interest and principal cash flows.

2020	Weighted average effective interest rate	Less than 1 month $'000	1–3 Months $'000	3 months to 1 Year $'000	1–5 Years $'000	5+ Years $'000	Total $'000
Payables	–	**1,129**	**2,153**	**2,415**	**581**	**67**	**6,345**
Other Loans	–	-	**38,991**	–	–	–	**38,991**
Interest on drawn debt	–	**121**	**231**	**1,114**	**1,295**	–	**2,761**
Commitment fee on interest bearing liabilities	–	**74**	**140**	**444**	**3,036**	–	**3,694**
Loan Notes attributable to Securityholders[a]	**10.85**	–	**61,701**	**60,832**	**490,129**	**10,932,300**	**11,544,962**
Interest rate swaps	–	**121**	**201**	**2,990**	**2,831**	**1,716**	**7,859**
Total		**1,445**	**103,417**	**67,795**	**497,872**	**10,934,083**	**11,604,612**

2019	Weighted average effective interest rate %pa	Less than 1 month $'000	1–3 Months $'000	3 months to 1 Year $'000	1–5 Years $'000	5+ Years $'000	Total $'000
Payables	–	1,641	1,765	4,361	1,244	67	9,078
Other Loans	–	–	39,567	–	–	–	39,567
Interest on drawn debt	–	35	65	237	–	–	337
Commitment fee on interest bearing liabilities	–	24	64	585	1,706	–	2,379
Loan Notes attributable to Securityholders[a]	10.85	–	60,309	59,460	479,075	10,805,527	11,404,371
Interest rate swaps	–	31	65	347	675	(2,525)	(1,407)
Total		1,731	101,835	64,990	482,700	10,803,069	11,454,325

(a) The Loan Notes mature in 2105.

24. FINANCIAL INSTRUMENTS CONTINUED

As disclosed in Note 24(b), Spark Infrastructure has a secured bank loan that contains loan covenants. A future breach of covenant may require Spark Infrastructure to repay the loan earlier than indicated in the above table. Under the facility agreement, covenants are monitored on a regular basis by the Group and regularly reported to management to ensure compliance with the agreement.

The interest on Loan Notes was fixed at 10.85% per annum on a notional principal balance of $1.25 per Loan Note for an initial five-year period ending 30 November 2010. The Restructure in 2010 comprised a partial repayment of the Loan Notes which resulted in a reduction in the principal amount outstanding on the Loan Notes of $0.60, from $1.25 to $0.65 per Loan Note. No change was made at that date or the reset date on 30 November 2020 to either the interest rate or the 5-year reset period. For future reset periods, any change (if made) to the interest rate must be at least the relevant swap rate plus a margin of 4%. In the above tables, the Loan Note interest rate of 10.85% has been assumed for the remaining term of the Loan Notes post 30 November 2025 (the next reset date); however the actual rate for each reset period will be subject to finalisation at future points in time.

The amounts for Loan Notes disclosed reflect undiscounted amounts for interest for the remaining term of the Loan Notes plus the outstanding principal due in 2105. The outstanding principal as at 31 December 2020 was $0.65 per Loan Note (2019: $0.65). The Responsible Entity may defer interest payments, by notice to the Note Trustee and Noteholders. Interest continues to accrue on any outstanding amount. All outstanding interest must be paid on the next reset date, except to the extent that monies are owing by the Group to any bank, financial institution or other entity providing financial accommodation (drawn or undrawn, or secured or unsecured) for over $5,000,000. Deferral of interest payments, and non-payment on a reset date in the circumstances described above, does not constitute a default.

25. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The following aggregate amounts are disclosed in respect of the Parent Entity, Spark Infrastructure Trust:

Financial Position	31 Dec 2020 $'000	31 Dec 2019 $'000
Current assets	**13,290**	15,876
Non-current assets	**1,922,575**	1,995,500
Total Assets	**1,935,865**	2,011,376
Current liabilities	**61,748**	60,320
Non-current liabilities	**1,068,281**	1,120,307
Total liabilities	**1,130,029**	1,180,627
Net Assets	**805,836**	830,749
Equity		
Issued capital	**733,011**	805,884
Retained earnings	**72,825**	24,865
Total Equity	**805,836**	830,749

Financial Performance	Year Ended 31 Dec 2020 $'000	Year Ended 31 Dec 2019 $'000
Net profit/(loss) for the year	**47,960**	(27,658)
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the Financial Year	**47,960**	(27,658)

(b) Guarantees entered into by the Parent Entity

The Parent Entity has provided financial guarantees in respect of Financing Facilities, refer Note 24(j).

(c) Contingent liabilities of the Parent Entity

The Parent Entity has no contingent liabilities.

(d) Contractual commitments for the acquisition of property, plant and equipment by the Parent Entity

As at 31 December 2020, the Parent Entity had no contractual commitments (2019: nil).

26. ADDITIONAL INFORMATION

Spark Infrastructure RE Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office of business of the Company and The Group is as follows:

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Independent Auditor's Report
to the members of Spark Infrastructure Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Spark Infrastructure Trust (the "Trust") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (*including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of Spark Infrastructure RE Limited (the 'Responsible Entity'), would be in the same terms if given to the Directors of the Responsible Entity as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS REPORT

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverable amount of Investments accounted for using the equity method As at 31 December 2020, the Group's Consolidated Statement of Financial Position includes 'Investments accounted for using the equity method' amounting to $2,044 million, comprising investments in Victoria Power Networks, SA Power Networks (SAPN) and TransGrid as disclosed in Note 8 'Investments accounted for using the equity method'. Management have performed an assessment as to whether indicators of impairment exist for the investments as at 31 December 2020. No indicators were identified as a result of this assessment and no further impairment procedures were performed by management.	In conjunction with Deloitte valuation specialists, our procedures included but were not limited to: • critically evaluating management's assessment of indicators of impairment for each investment at 31 December 2020 including: o understanding management's process in performing the assessment; o comparing the carrying value of the investment to the net assets of the investment; o obtaining the most recent Board approved forecasts for each investment reflecting the latest Australian Energy Regulator ("AER") determination; o considering any impact of current economic and industry factors to the investment's carrying value; o evaluating the current year financial performance of each investment against budget; and o considering whether an impairment loss in SAPN recognised in prior periods requires reversal. • assessing the adequacy of disclosures in the Notes to the financial statements.

Other Information

The Directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information which will be included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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When we read the other information if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for

INDEPENDENT AUDITORS REPORT CONTINUED

the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Spark Infrastructure Trust and its subsidiaries included in pages 57 to 79 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Spark Infrastructure Trust and its subsidiaries, for the year ended 31 December 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

H Fortescue

Partner

Chartered Accountants

Sydney, 23 February 2021

ADDITIONAL INFORMATION

KEY RISKS

The identification and management of risk is fundamental to achieving Spark Infrastructure's objective to create long-term, sustainable value. Key risk elements are set out more fully in the Directors' Report, the Annual Report and the 'Risk Management and Sustainability' section of the Corporate Governance Statement.

We manage key risks through our risk management framework by:

- integrating risk management into business activities and processes
- managing risks in a structured and systematic manner
- understanding the level of risk we are prepared to take consistent with our strategy and Risk Appetite Statement
- ensuring the effectiveness of controls
- ensuring appropriate levels of insurance
- ensuring appropriate risk management governance is in place

Set out below are the key risk areas that could have a material impact on Spark Infrastructure.

Health and Safety

Spark Infrastructure and its investment businesses face risks relating to the health and safety of our workforce. The health, safety and wellbeing of our workforce is our top priority. Refer to the 'Supporting our People' section of the Annual Report and the Sustainability Data Report.

Climate Change

Spark Infrastructure is committed to managing its climate change risks and will look to adopt the Task Force on Climate-related Financial Disclosures (TCFD) over time. With our investment businesses, we consider potential physical climate risks that may impact business operations. Refer also to the 'Acting on Environmental Risks and Opportunities' section of the Annual Report and the Sustainability Data Report.

Industry and Regulation

The industry is subject to significant change and uncertainty due to multiple regulatory reviews by the various regulatory bodies. The regulated businesses operate on five-year regulatory periods under which regulated revenue and allowances are reset by the AER every five years. Regulated revenue is impacted by low interest rates and the low inflationary environment. Regulatory determinations provide regulatory revenue certainty for the next five-year regulatory periods. Detailed disclosure is set out in the Directors' Report and the Annual Report.

Taxation

Taxation is a key risk for Spark Infrastructure and its investment businesses. Detailed disclosure is set out in the Directors' Report, the notes to the Financial Statements and in the Tax Disclosure Statement on the Spark Infrastructure website at https://www.sparkinfrastructure.com/investor-centre/tax-information.

Information Technology

The role of technology and associated risks including cyber security issues are regularly considered by Spark Infrastructure and its investment businesses and form part of our approach to risk management. Further information is set out in the 'Leading Through Innovation and Technology' section of the Annual Report.

Financial Management

Spark Infrastructure exercises prudent financial risk management for itself and across its investment businesses. Financial Risks are managed in accordance with our Treasury Policy which is approved by the Board. Detailed disclosure is set out in the Financial Risk Management Section of the notes to the Financial Statements.

Bushfires

The risk of bushfires is managed by our investment businesses as an integral part of how they maintain safe and reliable networks. Details are set out in the Annual Report and the Sustainability Data Report.