Monday, 28 August 2017

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

HALF YEAR RESULTS FOR SIX MONTHS ENDED 30 JUNE 2017

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2017. A media release, results presentation and fact book are also attached.

Yours faithfully,

Alexandra Finley
Company Secretary

Spark Infrastructure RE Limited ABN 36 114 940 984
as Responsible Entity of Spark Infrastructure Trust (ARSN 116 670 725)
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Spark Infrastructure

Appendix 4D

Results for Announcement to the Market for the Half Year Ended 30 June 2017

1. Company Details

Name of entity
SPARK INFRASTRUCTURE comprises • Spark Infrastructure Trust (Spark Trust) and its Controlled Entities.

Half year ended (Current Period)	Half year ended (Prior Period)
30 June 2017	30 June 2016

	Percentage Change	30 June 2017 A$'000	30 June 2016 A$'000
Income and Profit Summary			
Total Income from Investments in Associates	Up 12.8%	**149,256**	**132,364**
Total Income	Up 8.3%	**150,196**	**138,659**
Profit before Loan Note Interest and Income Tax	Up 9.0%	**138,621**	**127,158**
Net Profit Attributable to the Stapled Security Holders	Down 5.2%	**48,876**	**51,562**
Operating Cash Flow (including repayment of shareholder loans from Victoria Power Networks)	Down 6.3%	**121,874**	**130,045**
Earnings per Stapled Security before Loan Note Interest and Income Tax	Up 9.0%	**8.24¢**	**7.56¢**
Earnings per Stapled Security	Down 5.2%	**2.91¢**	**3.07¢**
Operating Cash Flow (including repayment of shareholder loans from Victoria Power Networks) per Stapled Security	Down 6.3%	**7.25¢**	**7.73¢**

2. Net Tangible Assets per Security

	30 June 2017 $'000	31 December 2016 $'000
Net Assets	**2,106,608**	2,137,284
Loan Notes attributable to Security Holders	**1,061,734**	1,061,724
Net Assets and Loan Notes attributable to Security Holders	**3,168,342**	3,199,008
No. of Securities ('000)	**1,682,011**	1,682,011
Net Tangible Assets per Security ($)	**$1.88**	$1.90

Results for Announcement to the Market for the Half Year Ended 30 June 2017

3. Details of Associates

Associate	Ownership Interest		Contribution to Net Profit	
	30 June 2017 (%)	30 June 2016 (%)	**30 June 2017 $'000**	30 June 2016 $'000
Equity accounted income:				
Victoria Power Networks Pty Ltd	**49.00%**	49.00%	**24,301**	31,783
SA Power Networks Partnership	**49.00%**	49.00%	**84,378**	47,880
NSW Electricity Networks Assets Holdings Trust	**15.01%**	15.01%	**(1,718)**	(1,466)
NSW Electricity Networks Operations Holdings Trust	**15.01%**	15.01%	**175**	7,465
Sub-total			**107,136**	85,662
Interest income:				
Victoria Power Networks Pty Ltd			**35,824**	39,674
NSW Electricity Networks Operations Holdings Trust			**6,296**	7,028
Total			**149,256**	132,364

4. Entities Gained/Lost Control during the Period

- Nil

5. Distributions

	30 June 2017		30 June 2016	
	Cents per Security	**Total $'000**	Cents per Security	Total $'000
Distribution Paid: Final distribution paid in respect of year ended 31 December 2016, paid on 15 March 2017 (2016: In respect of year ended 31 December 2015, paid on 15 March 2016):				
Interest on Loan Notes	**3.55**	**59,712**	3.55	59,712
Capital Distribution	**3.70**	**62,234**	2.45	41,209
	7.25	**121,946**	6.00	100,921
Distribution Payable/Proposed: Interim 2017 distribution payable 15 September 2017 (Interim 2016 distribution, paid on 15 September 2016):				
Interest on Loan Notes	**3.50**	**58,870**	3.50	58,870
Capital Distribution	**4.125**	**69,383**	3.75	63,075
	7.625	**128,253**	7.25	121,945

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 6 September 2017.

6. Details of Distribution Reinvestment Plan

The DRP will not be in operation for the September 2017 distribution.

(d) The entity has a formally constituted audit committee.

7. Foreign Entities

Not Applicable

Compliance Statement

Information on Audit or Review

(a) The Half Year Report is based on accounts to which one of the following applies.

☐	The accounts have been audited.	X	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.

(b) Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

- N/A -

(c) Description of dispute or qualification if the accounts have been audited or subjected to review.

- N/A -

Signed on behalf of the Board:

D McTaggart
Chair

R Francis
Managing Director

28 August 2017

Interim Financial Report
30 June 2017

Spark Infrastructure represents Spark Infrastructure Trust and its Consolidated Entities. Spark Infrastructure RE Limited (ABN 36 114 940 984) is the responsible entity of Spark Infrastructure Trust.

Each unit in Spark Infrastructure Trust is stapled to one Loan Note issued by Spark Infrastructure Trust. The stapled securities trade on the Australian Securities Exchange.

Directors' Report
for the Half Year Ended 30 June 2017

The Directors of Spark Infrastructure RE Limited (Spark RE or the Company) as responsible entity of Spark Infrastructure Trust (the Trust) provide this financial report for the half year ended 30 June 2017 (Current Period) of the Trust and its Consolidated Entities (Spark Infrastructure or the Group). In order to comply with the requirements of the *Corporations Act 2001*, the Directors report as follows:

Directors
The persons listed below were Directors of Spark RE as at the date of this report:

Dr Douglas McTaggart (Chair)
Mr Rick Francis (Managing Director and Chief Executive Officer)
Mr Andrew Fay
Mr Greg Martin (appointed 1 January 2017)
Ms Anne McDonald
Ms Christine McLoughlin
Ms Karen Penrose

Retired during Current Period
Dr Keith Turner (retired 23 May 2017)

Principal Activity
The principal activity of Spark Infrastructure during the Current Period was investment in regulated electricity distribution and transmission businesses in Australia.

Stapled Securities
Spark Infrastructure is a stapled structure, wherein:

- one unit in the Trust; and
- one Loan Note issued by the Responsible Entity of the Trust

are "stapled" and are quoted on the Australian Securities Exchange as if they were a single security.

Spark Infrastructure

Review of Results
Statutory profit for the Current Period was $48.9 million against $51.6 million in the half year ended 30 June 2016 (Prior Period), which included $5.8 million ($4.1 million after tax) from the gain on derivative contracts associated with DUET Group (DUET). Excluding the impact of this, on the basis that these derivative contracts were exited during 2016, profit before Loan Note Interest and tax was up 14.3% to $138.7 million, and net profit attributable to Securityholders was up 2.9% to $48.9 million.

Excluding the net cash return from the DUET related derivatives, cash distributions from the investment portfolio were up 5.3% to $132.3 million and net operating cash flow was also up $7.1 million to $121.9 million.

The Directors have declared a distribution of 7.625 cents per security (cps) in relation to the Current Period which equates to $128.3 million. The payout ratio for the Current Period was 105%. Cash flows are not received evenly across the year. In addition, TransGrid is currently retaining surplus cash to fund the value accretive investment opportunities in unregulated infrastructure connection assets, while medium term funding plans are still being determined.

Spark Infrastructure and its consortium partners were unsuccessful in their bid for Endeavour Energy, which incurred costs of $4.4 million (Spark share) in the Current Period. The completion of the sale process for Endeavour Energy represents the end of the expected electricity privatisation opportunities in NSW, for the time being.

All three portfolio businesses have continued to operate well during the Current Period. Regulated revenues were affected by low inflation during the Current Period, 1.02% for Victoria Power Networks, and 1.48% for both SA Power Networks and TransGrid. Overall, regulated revenues on a proportionate basis (i.e. Spark share) were flat versus the Prior Period.

Victoria Power Networks has moved into year two of its 5-year regulatory period and will recover an additional $180 million of revenue based on the outcome of its Final Determination over the remaining years of its regulatory period. The now completed "World CLASS" program, which was established to create a more commercial, lean and structured organisation, delivered sustainable total expenditure

Directors' Report
for the Half Year Ended 30 June 2017

savings of $151 million per annum. In the Current Period the business has continued to focus on strategy, programs and change with a further $27 million per annum of incremental benefits being delivered to date.

SA Power Networks has also moved into year two of its 5-year regulatory period and it will recover an additional $626 million of revenue based on the outcome of its Final Determination over the remaining years of its regulatory period. In August 2017, SA Power Networks formally launched its "Powering Ahead" efficiency program which will build on its recent cost management initiatives and aims to deliver around $40 million per annum of benefits in the future.

The current 5-year determinations for Victoria Power Networks and SA Power Networks allow for positive growth in their respective Regulated Asset Bases (RAB), subject to the levels of actual inflation and the level of outperformance over the period.

TransGrid submitted its regulatory proposal to the Australian Energy Regulator (AER) in January 2017. It is continuing its journey towards a customer focused and results oriented culture consistent with its new status as a privately owned business. It remains focused on increasing efficiency and further developing its unregulated infrastructure connections business, whose growth is exceeding initial expectations. TransGrid's "Powering Sydney's Future" project in NSW, which forms an important element of its regulatory proposal for the 2018-2023 regulatory period, is expected to require regulated capital expenditure of $331 million over five years. TransGrid has also included a number of "contingent projects" in its proposal, which may be implemented in certain circumstances, worth between $0.5 billion and $2.2 billion over five years.

The financial results from Spark Infrastructure's portfolio businesses continue to be negatively impacted by the existing discrepancy between the AER's treatment of forecast inflation and actual inflation in the regulatory revenue models. This discrepancy affects the ability for a network business to realise the regulated real return on equity, approved by the AER when actual inflation is lower than expected inflation. The AER has recently announced a review of the treatment of inflation in the regulatory framework and regulatory revenue models. Spark Infrastructure and its businesses are actively participating in this review.

Directors' Report
for the Half Year Ended 30 June 2017

Review of Performance

The following table provides a summary of key financial performance data:

	Half Year Ended 30 June		Change Compared to 2016	
	2017	2016		
	$M	$M	$M	%
Spark Infrastructure's share of investment portfolio businesses profits/(losses):				
- Victoria Power Networks	**24.3**	31.8	(7.5)	(23.6)
- SA Power Networks	**84.4**	47.9	36.5	76.2
- TransGrid	**(1.5)**	6.0	(7.5)	(125.0)
	107.2	85.7	21.5	25.1
Interest income received from investment portfolio businesses:				
- Victoria Power Networks	**35.8**	39.7	(3.9)	(9.8)
- TransGrid	**6.3**	7.0	(0.7)	(10.0)
	42.1	46.7	(4.6)	(9.9)
Total Income from Investment Portfolio Businesses	**149.3**	132.4	16.9	12.8
Gain on derivative contracts – DUET	**-**	5.8	(5.8)	nm
Other income - interest	**0.9**	0.5	0.4	80.0
Total Income	**150.2**	138.7	11.5	8.3
Interest expense - other	**(1.0)**	(3.6)	2.6	(72.2)
General and administrative expenses	**(6.1)**	(6.4)	0.3	(4.7)
Costs associated with investing activities[1]	**(4.4)**	(1.5)	(2.9)	193.3
Profit before Loan Note Interest	**138.7**	127.2	11.5	9.0
Profit before Loan Note Interest Excluding the Gain on Derivative Contracts – DUET	***138.7***	*121.4*	*17.3*	*14.3*
Loan Note Interest (LNI)	**(58.9)**	(58.9)	-	-
Profit Before Tax	**79.8**	68.3	11.5	16.8
Income tax expense	**(30.9)**	(16.7)	(14.2)	85.0
Profit Attributable to Stapled Securityholders	**48.9**	51.6	(2.7)	(5.2)
Profit before LNI per security (cents)[2]	**8.24¢**	7.56¢	0.68¢	9.0
Cash Distributions from Investment Portfolio Businesses				
- Victoria Power Networks[3]	**73.5**	68.8	4.7	6.8
- SA Power Networks	**54.2**	56.8	(2.6)	(4.6)
- TransGrid	**4.6**	-	4.6	nm
Total Cash Distributions Received from Investment Portfolio Businesses	**132.3**	125.6	6.7	5.3
Net Operating Cash Flow[3][4]	**121.9**	114.8	7.1	6.2

1. Principally Endeavour Energy related bid costs, including $0.3m debt facility establishment fees
2. Based on weighted average number of securities
3. Includes repayment of shareholder loans
4. Excludes net operating cash received from derivative contracts associated with DUET

Directors' Report
for the Half Year Ended 30 June 2017

SA Power Networks (100% basis)	30 June 2017 $M	30 June 2016 $M	Variance $M	Variance %
Distribution Revenue(1)	**387.3**	346.2	41.1	11.9
Semi-regulated Revenue	**40.9**	55.8	(14.9)	(26.7)
Unregulated Revenue	**79.7**	74.6	5.1	6.8
Total Revenue	**507.9**	476.6	31.3	6.6
Operating Costs	**(162.8)**	(184.5)	21.7	(11.8)
EBITDA	**345.1**	292.1	53.0	18.1
Depreciation and Amortisation	**(110.8)**	(108.6)	(2.2)	2.0
Net Finance Costs	**(63.7)**	(75.4)	11.7	(15.5)
Interest on Subordinate Debt	**(35.9)**	(36.1)	0.2	(0.6)
Net Profit	**134.7**	72.0	62.7	87.1
Net Capital Expenditure	**164.0**	121.3	42.7	35.2

1. SA Power Networks defers/accrues 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. In the Current Period, net under recovery of amounts below the regulated revenue cap have been recorded as revenue by SA Power Networks and are reflected in the results above.

In SA Power Networks, during the Current Period, Distribution Use of System (DUoS) revenue increased by 11.9% to $387.3 million. This increase mainly reflects the AER's Final Determination for SA Power Networks for the current regulatory period which commenced on 1 July 2015. The X-Factor (the real increase in annual expected regulated revenue) applicable from 1 July 2016 was -7.13%, which represents a real increase in revenues before CPI.

The current determination applies a revenue cap to each year of the regulatory period so that if, in any one year, more or less revenue is recovered compared to that specified in the determination, tariffs in the following years are adjusted to 'true up' the recovery of revenue. All electricity networks under the AER's jurisdiction are now subject to revenue caps. From 1 January 2017, SA Power Networks has billed $4.3 million in excess of the regulated revenue cap, which has been deferred as it will be returned to customers through future tariffs. Revenue in excess of the revenue cap from previous regulatory periods of $13.0 million, which was deferred, has been returned to customers via tariffs in the Current Period.

Current Period DUoS revenue includes $8.3 million of Service Target Performance Incentive Scheme (STPIS) recovery relating to the aggregated STPIS outcomes in respect of the 2013/14 and 2014/15 regulatory years. The Prior Period did not include any STPIS recovery. The STPIS outcome for the 2015/16 regulatory year of $27.5 million (benefit) is being recovered via tariffs from 1 July 2017.

Other revenue comprises semi regulated activities and unregulated activities. Semi regulated revenues reduced by 26.7% to $40.9 million. This reduction reflects a decrease in road infrastructure activity, with 2016 being the peak year in relation to these types of asset relocation projects. Unregulated revenues increased by 6.8% to $79.7 million, reflecting higher major projects activity, largely for ElectraNet.

SA Power Networks operating expenses decreased by 11.8% in the Current Period to $162.8 million, largely due to a release of some December 2016 storm event Guaranteed Service Level provisions, which were ultimately not required. Excluding the impact of these provision releases, operating costs would have been $177.0 million. Operating expenses were also reduced by lower asset relocation related costs and efficiency savings. These reductions were partially offset by higher emergency response expenditure compared to the Prior Period. Overall, underlying operating costs were lower in the Current Period, reflecting efficiency savings.

Net finance costs decreased by 15.5% in the Current Period to $63.7 million, due in part to lower interest charges on refinanced debt and a non-cash revaluation adjustment in the Prior Period.

Directors' Report
for the Half Year Ended 30 June 2017

Victoria Power Networks (100% basis)	30 June 2017 $M	30 June 2016 $M	Variance $M	Variance %
Distribution Revenue[1]	**441.2**	458.0	(16.8)	(3.7)
Advanced Metering Infrastructure (AMI) Revenue	**50.4**	53.6	(3.2)	(6.0)
Semi-regulated Revenue	**21.9**	21.0	0.9	4.3
Unregulated Revenue	**55.4**	83.7	(28.3)	(33.8)
Total Revenue	**568.9**	616.3	(47.4)	(7.7)
Operating Costs	**(195.3)**	(189.4)	(5.9)	3.1
EBITDA	**373.6**	426.9	(53.3)	(12.5)
Depreciation and Amortisation	**(145.0)**	(155.0)	10.0	(6.5)
Net Finance Costs	**(76.7)**	(82.6)	5.9	(7.1)
Interest on Subordinated Debt	**(73.1)**	(81.0)	7.9	(9.8)
Tax Expense	**(26.3)**	(28.8)	2.5	(8.7)
Net Profit After Tax	**52.5**	79.5	(27.0)	(34.0)
Net Capital Expenditure	**174.5**	176.6	(2.1)	(1.2)

1. Victoria Power Networks defers/accrues 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. In the Current Period, amounts in excess of the regulated revenue cap have not been recorded by Victoria Power Networks as revenue; this is reflected in the results above.

In Victoria Power Networks, during the Current Period, DUoS revenue decreased by 3.7% to $441.2 million. The Prior Period included the release of a $9.0 million provision, following receipt of a favourable Australian Tax Office (ATO) ruling on the treatment of powerline replacement fund capital expenditure. Excluding this from Prior Period DUoS revenue, the reduction in the Current Period was $7.8 million or 1.7%. This reduction in DUoS revenue is reflective of annual updates in regulatory assumptions including the movement in inflation, cost of debt and incentive payments. The X-Factors (the real increase in annual expected regulated revenue) applicable from 1 January 2017 for Powercor was 4.68% and for CitiPower was 0.4%, which represents a real decrease in revenues before CPI.

Current Period DUoS revenue includes $10.3 million of STPIS recovery relating to the STPIS outcome in respect of the 2015 regulatory year. The Prior Period included a $4.8 million penalty relating to the 2014 regulatory year STPIS outcome. From 1 January 2017, Victoria Power Networks has billed $10.5 million in excess of the regulated revenue cap. This has been deferred as it will be returned to customers through future tariffs. Revenue in excess of the revenue cap from previous regulatory periods of $2.7 million, which was deferred, has been returned to customers via tariffs in the Current Period.

AMI related revenue decreased by 6.0% to $50.4 million in the Current Period, largely reflecting the impact of the depreciating AMI RAB.

Semi regulated revenues grew by 4.3% to $21.9 million, primarily driven by increased volumes of design work undertaken prior to customer connections.

Beon Energy Solutions (unregulated) revenue decreased by $10.0 million in the Current Period to $37.7 million. The Prior Period revenue for Beon Energy Solutions included $24.0 million in revenue earned on the Ararat Wind farm project, a large scale renewable project that was completed in 2016. There has been no equivalent sized project undertaken in the Current Period.

Other unregulated revenue reduced by $18.3 million to $17.7 million in the Current Period, largely attributable to a one off reimbursement of $20.5 million received in the Prior Period for costs incurred relating to taxation. Adjusting the Prior Period result for this item, other income has increased by $2.2 million or 14.2%, driven by income earned on surplus property sales and insurance recoveries.

Victoria Power Networks operating expenses increased by 3.1% to $195.3 million over the Prior Period. Prior Period regulated costs were reduced due to releases of provisions, following favourable legal settlement of claims. Adjusting for these one off items, underlying operating costs of the regulated business have decreased by 1.0% compared to the Prior Period. This favourable result has been driven by reduced external consultancy, combined with efficiency improvements across corporate functions including FTE reductions. Beon Energy Solutions operating costs have reduced in the Current Period. Operating costs for this business unit are largely driven by specific projects being delivered, and the reduction is attributable to reduced activity in the Current Period.

Net finance costs decreased by 7.1% in the Current Period to $76.7 million, largely due to lower interest charges on refinanced debt.

Directors' Report
for the Half Year Ended 30 June 2017

TransGrid (100% basis)	30 June 2017 $M	30 June 2016 $M	Variance $M	Variance %
Transmission Revenue[1]	**366.0**	423.7	(57.7)	(13.6)
Unregulated Revenue	**29.3**	23.9	5.4	22.6
Investment Property Revaluation	**6.8**	0.9	5.9	655.6
Total Revenue	**402.1**	448.5	(46.4)	(10.3)
Operating Costs	**(99.4)**	(91.8)	(7.6)	8.3
EBITDA	**302.7**	356.7	(54.0)	(15.1)
Depreciation and Amortisation	**(163.0)**	(158.5)	(4.5)	2.8
Net Finance Costs	**(108.0)**	(107.3)	(0.7)	0.7
Interest on subordinate debt	**(42.0)**	(46.8)	4.8	(10.3)
Net Profit	**(10.3)**	44.1	(54.4)	(123.4)
Capital Expenditure	**138.3**	100.6	37.7	37.5

1. In the Current Period, amounts in excess of the regulated revenue cap have been recorded by TransGrid as revenue. Spark Infrastructure makes adjustments to its share of equity accounted profits in order to reflect that these amounts will be returned to electricity consumers in future periods via adjustments to tariffs. This adjustment is reflected in the table above.

In TransGrid, during the Current Period, Transmission Use of System (TUoS) revenue decreased by 13.6% to $366.0 million. The Prior Period included TUoS revenue representing recovery from customers, via tariffs, of under-recovered revenue from regulatory years before Spark Infrastructure's acquisition of TransGrid. Excluding these amounts in the Prior Period, TUoS revenue decreased by 0.8%. The X-Factor (the real increase in annual expected regulated revenue) applicable from 1 July 2016 was 3.7%, which represents a real decrease in revenues before CPI.

Current Period TUoS revenue includes $6.1 million of STPIS recovery relating to the STPIS outcome in respect of the 2015 calendar year, recovered from 1 July 2016. The Prior Period included $6.5 million of STPIS recovery relating to the 2014 calendar year STPIS outcome. The STPIS outcome for the 2016 calendar year of $15.5 million (benefit) is being recovered in tariffs from 1 July 2017.

In the Current Period, TransGrid has collected $12.4 million in excess of the regulated revenue cap, which has been deferred in the accounts at the Spark Infrastructure level. At 30 June 2016, TransGrid had under recovered revenue compared to the regulated revenue cap by $7.9 million. This amount was accrued and recognised as revenue at the Spark Infrastructure level. Recovery via tariffs commenced on 1 July 2016, with $3.9 million being recovered in the Current Period.

Unregulated revenue for the Current Period increased by 22.6% to $29.3 million and included telecommunications of $4.0 million, property services of $2.4 million and $22.9 million of infrastructure services. The majority of infrastructure services revenues are from transmission connection contracts for various wind farms, solar farms and mines. The remainder is from line modifications (asset relocations) and associated consulting advice. The Current Period increase is driven principally by additional line modifications and connections applications.

Revenues from transmission connection agreements entered into with customers during late 2016 and 2017 will generate additional revenues progressively from early 2018 onwards following construction completion with construction timeframes typically ranging between 12-24 months.

TransGrid operating expenses increased by 8.3% in the Current Period to $99.4 million, largely due to the increase in infrastructure connection services, timing differences between periods and increased compliance obligations. We note that increased unregulated activities account for $3.4 million of cost increases. Prescribed operating expenses for the regulatory year ended 30 June 2017 were in line with the base year.

Net finance costs increased by 0.7% in the Current Period to $108.0m.

Directors' Report
for the Half Year Ended 30 June 2017

Growth in a Changing Business Environment

Spark Infrastructure and its portfolio businesses operate in an increasingly competitive environment. Technology is developing quickly and this results in continuous innovation and change at the operational level. Customers are more informed and engaged to make decisions about how much energy they consume and from where it is sourced. New energy solutions are growing based on both public demand and the drive by investors to ensure long-term business sustainability.

The energy landscape is changing, with the continued growth of renewable generation; increasing penetration of batteries; developments in pump-hydro storage; regulatory and technical requirements for system strength and inertia; and, the need to ensure an orderly transition away from aging coal fired generation. These create business opportunities for network businesses, which because of their existing operational footprints and skilled workforces, are well placed to provide a range of quality services in a cost effective manner.

Spark Infrastructure and its portfolio businesses are well placed to assist with this transition to renewable energy generation. New renewable generation is creating unregulated business opportunities in the infrastructure connections area for all of our businesses, reflected in investment by TransGrid and construction margins for SA Power Networks and Victoria Power Networks. Developments in battery technology and other forms of energy storage such as pump-hydro, with Snowy Hydro 2.0 a key example, are also creating opportunities for our businesses.

In addition, the transition is underscoring the importance of greater regulated investments in transmission, including interconnection between states. Greater interconnectivity in the National Electricity Market (NEM) has the ability to improve reliability and security of supply to customers and thereby facilitate the growth of renewable generation in a cost effective manner. It can also be expected to put downwards pressure on the wholesale price of electricity thereby assisting the provision of energy to customers more affordably.

Spark Infrastructure's portfolio businesses are also well placed geographically to benefit from the changing energy landscape. TransGrid sits at the centre of the East Coast grid and represents the backbone of the NEM. Any increase in interconnection is likely to create investment opportunities for TransGrid given its existing geographic footprint and skilled workforce. New renewable generation projects are logically drawn towards existing transmission lines. Similarly, SA Power Networks and Victoria Power Networks possess natural advantages when bidding for unregulated business opportunities based on their geographic footprint and excellent reputations for technical ability and efficient project delivery.

At the same time, the industry is experiencing political and regulatory changes that are making the management of business risk more difficult than necessary. The Federal Government's unilateral abolition of the independent appeal mechanism (Limited Merits Review) for regulated networks is a key example. This will lead to increased risk for investors which will likely result in either higher prices for consumers or less investment leading to degraded services.

Spark Infrastructure has taken an active role in the development of an industry position on a range of regulatory matters affecting network businesses. We will continue to engage with decision-makers to highlight the importance of efficient investment to the delivery of electricity to consumers in a cost effective manner. Our position, which is consistent with the Finkel Report, may be summarised in three broad areas as follows:

First, regulation should not impact market dynamics by unnecessarily increasing risk for investors. It is important that regulation be "fit for purpose", dynamic and pragmatic. Operations should drive regulation, not regulation driving operations.

Second, it is important that regulators do everything in their power to promote efficient pricing of energy with the goal of encouraging innovation in energy markets along the entire length of the energy supply chain. This means providing clear pricing signals for consumers by requiring energy retailers to be more transparent about their cost structures and billing practices.

Third, the governance of the NEM needs to be strengthened to clear up the real or perceived conflicts of interest that exist in the governance structures of our regulatory bodies.

Investment is key to reliability, meeting consumer needs, and will help to create a pathway for greater penetration of, and an orderly transition to, centrally delivered renewable energy generation.

The Finkel Review

In late 2016, the Federal Government launched the "Independent Review into the Future Security of the NEM", chaired by the Chief Scientist Dr Alan Finkel and otherwise known as the "Finkel Review". Its key objective was to re-imagine an electricity market capable of delivering energy reliably, affordably in a manner that assists the transition to a low carbon economy. In June 2017, the Finkel Review released its comprehensive report, developed by an expert panel over months of detailed and wide-ranging consultations.

Directors' Report for the Half Year Ended 30 June 2017

The report, which represents a blueprint for a re-shaping of the energy market, emphasises the critical role of electricity networks. Some of its recommendations included that Network Service Providers (NSPs) be responsible for cost-effectively ensuring there is sufficient system strength throughout the grid, and that Transmission Network Service Providers (TNSPs) be responsible for cost-effectively ensuring there is sufficient system inertia in each sub-region. It further recommended that the Australian Energy Market Operator and the TNSPs work together to develop an integrated grid plan to facilitate the development and connection of renewable energy zones.

Each of these recommendations creates a variety of near term investment opportunities for NSPs, underscores the importance of electricity networks in the transition to a greater reliance of renewable energy generation, and confirms a central role for the grid in the future.

Capital Expenditure and Regulatory Asset Base (RAB)

The businesses in Spark Infrastructure's investment portfolio continue to invest in the augmentation and renewal of their networks, maintaining asset performance and reliability. During the Current Period, total capital expenditure of $164.0 million was invested on a net basis (i.e. net of customer contributions) by SA Power Networks, an increase of 35.2% from $121.3 million in the Prior Period. Victoria Power Networks invested $174.5 million on a net basis, a decrease of 1.2% from $176.6 million in the Prior Period. TransGrid invested $138.3 million, an increase of 37.5% from $100.6 million in the Prior Period.

Net regulated capital expenditure is added to the RAB of each of the businesses, generating prescribed (regulated) revenue in future periods. Unregulated capital expenditure invested by TransGrid during 2016 and the Current Period will result in increased unregulated revenues from mid-2017 onwards. The revenue will increase progressively as each of the projects are completed (from mid-2017 to mid-2019), and will then escalate with inflation over the 25-30 year contract periods.

The estimated RAB for SA Power Networks as at 30 June 2017 was $3,975.0 million (100% basis), an increase of $22.0 million or 0.6% over 31 December 2016. The estimated RAB for Victoria Power Networks as at 30 June 2017 was $5,744.0 million (100% basis), an increase of $10.0 million or 0.2% over 31 December 2016. The estimated RAB for TransGrid as at 30 June 2017 was $6,287.0 million (100% basis), an increase of $3.0 million on 31 December 2016, while the contracted asset base (including partially completed assets) increased by $35.3 million over 31 December 2016 to $214.6 million (100% basis) at 30 June 2017.

Inflation has been lower in the Current Period and prior years than the estimate of expected inflation adopted to determine revenue and estimate RAB growth in the AER's determinations. Actual inflation has been between 1.0% and 1.7% over this period, leading to lower than expected nominal growth in RAB.

Spark Infrastructure's aggregate share of its investment portfolio RAB balances, excluding contracted assets, was $5,706 million, an increase of $16.0 million or 0.3% over 31 December 2016.

Corporate Expenses and Tax Expense

Corporate expenses decreased by $0.3 million to $6.1 million in the Current Period. Costs associated with investing activities increased by $2.9 million to $4.4 million in the Current Period. Current Period investing activity costs relate principally to professional advisory fees associated with the Endeavour Energy bid and also include $0.3 million of establishment fees incurred on additional back-stop funding facilities to cover Spark Infrastructure's share of the Endeavour Energy bid price if the bid was successful. Prior Period costs related primarily to professional advisory fees associated with Spark Infrastructure's exit of its interest in DUET.

Net interest expense and borrowing costs decreased in the Current Period from $3.1 million to $0.1 million, reflecting commitment fees incurred on undrawn senior debt facilities and interest income on cash deposits. The Prior Period net interest expense and borrowing costs reflected lower levels of cash and a period of drawn debt.

Income tax expense, which is non-cash, increased by $14.2 million to $30.9 million for the Current Period, partially reflecting the increase in profit before tax and adjustments made to reflect the flow through status of the trust entities within the Spark Infrastructure group.

Cash Flow

Spark Infrastructure's Current Period net operating cash flow was $85.6 million, 15.4% lower than the Prior Period. After including distributions from Victoria Power Networks, received by way of shareholder loan repayments (disclosed as investing cash flows for statutory reporting purposes) and excluding the Prior Period net cash return from the DUET derivatives of $15.2 million, net operating cash flow was up $7.1 million or 6.2% to $121.9 million.

In total, cash distributions from Victoria Power Networks were $73.5 million in the Current Period, up $4.7 million or 6.8% over the Prior Period. This increase reflected the strong operating performance of Victoria Power Networks, including the benefits flowing from the completed World CLASS program and continued focus on efficiency gains. Distributions received from SA Power Networks were

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$54.2 million, down $2.6 million or 4.6%. TransGrid commenced paying distributions in the second half of 2016. In the Current Period, distributions totaling $4.6 million were received from TransGrid, which largely reflects interest on shareholder loan notes.

Net cash inflows from interest received were $0.2 million for the Current Period, $3.6 million higher than the Prior Period reflecting higher levels of surplus cash on deposit and lower commitment fees on undrawn debt. The Prior Period also included interest incurred on drawn debt.

Spark Infrastructure paid a final distribution for the year ended 31 December 2016 of $121.9 million to Securityholders in March 2017, representing 7.25 cents per security (cps).

Debt, Gearing and Hedging

Spark Infrastructure has no drawn debt as at 30 June 2017. Spark Infrastructure holds revolving bank debt facilities of $250.0 million, with $225.0 million maturing in November 2018 and $25.0 million maturing in November 2020. Spark Infrastructure had cash on hand at 30 June 2017 of $95.6 million (excluding $5.0 million of cash held for Australian Financial Services Licensing purposes).

Spark Infrastructure targets at least a BBB/Baa2 equivalent credit rating for each of the businesses in its portfolio. SA Power Networks' net debt to RAB was 72.5%, up from 71.4% at 31 December 2016. Victoria Power Networks' net debt to RAB was 72.4%, in line with 72.4% at 31 December 2016. TransGrid's net debt to RAB was 87.1%, down from 88.4% at 31 December 2016. Based on current business conditions, Spark Infrastructure expects that the gearing of SA Power Networks and Victoria Power Networks will move back up towards, but not above, the 75% net debt to RAB level over the medium term. TransGrid gearing is expected to remain above 85% but below 90% on a net debt to RAB level, in line with its credit rating. Exact gearing levels over time will be impacted by numerous factors, including actual inflation outcomes, which have been relatively low over the past couple of years.

Spark Infrastructure requires that the assets in its portfolio are fully hedged against currency fluctuations on foreign currency borrowings. In terms of interest rate hedging, as at 30 June 2017, SA Power Networks, Victoria Power Networks and TransGrid had 100%, 92% and 75% of gross debt hedged respectively, with interest rate swaps with terms between one and ten years in place and some fixed rate debt. This substantially limits the impact of volatility in the movement of interest rates on the financial results of these businesses, and in turn, on those of Spark Infrastructure. There is currently no interest rate hedging at the Spark Infrastructure level, as there was no drawn debt as at 30 June 2017.

Australian Tax Office Matters

Both SA Power Networks and Victoria Power Networks have been subject to large business audits by the ATO. The tax matters being reviewed as part of the audits date back a number of years. Details of these tax matters have been previously disclosed in the Spark Infrastructure Financial Statements.

As previously disclosed, both Victoria Power Networks and the SA Power Networks Partnership have obtained legal advice with regard to the ongoing matters and will continue to vigorously defend their positions. The SA Power Networks Partnership partners and Victoria Power Networks continue to actively engage with the ATO on these matters.

Further details on the ATO matters are provided in Note 4 to the Financial Statements.

Federal Treasury Review of Stapled Structures

In March 2017, the Federal Treasury announced a review of stapled structures in Australia along with the release of a Consultation Paper. The review is being carried out in the context of protecting the integrity of Australia's corporate tax system.

Spark Infrastructure has been actively engaged in the consultation process to date and has also made a written submission. Spark Infrastructure will continue to monitor and engage with the Federal Treasury to ensure that they understand the impact of any potential reforms on Spark Infrastructure's structure, its investments and its Securityholders' tax position.

Equity and Reserves

Total equity including Loan Notes attributable to Securityholders decreased by $30.7 million during the Current Period to $3,168.3 million at 30 June 2017. Net profit after tax increased retained profits by $48.9 million, while other movements net of tax included: unfavourable mark-to-market movements in the value of interest rate derivatives held by the associates of $24.4 million; actuarial gains on defined benefit superannuation plans of the associates of $6.7 million; recognition of share based payment amounts of $0.3 million and a capital distribution paid to Securityholders during the Current Period of $62.2 million. The mark-to-market movements and actuarial gains are non-cash impacts and result from the application of Australian Accounting Standards.

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Impairment Testing

Distributions from the investment portfolio form an important part of the overall valuation of investments. Accordingly, any significant changes to expectations around distribution levels will be considered a potential trigger for impairment.

As previously disclosed, short term distributions from TransGrid may be lower than was initially forecast at acquisition, in part, due to increased forecast unregulated capital expenditure. Accordingly, fair value less costs to sell calculations were used to assess Spark Infrastructure's investment in TransGrid to confirm that its carrying value did not exceed its recoverable value. No impairment was identified.

The Directors are satisfied that there are no potential indicators that either Victoria Power Networks or SA Power Networks could have suffered an impairment loss.

Regulatory Appeals

The Federal Court decision on the AER's appeal of the Australian Competition Tribunal's (ACT) decision for the NSW and ACT network businesses was released on 24 May 2017. The Federal Court upheld the AER's appeal on one ground in relation to gamma but dismissed seventeen other grounds, mainly relating to operating expenditure benchmarking and the transition to a trailing average approach for the return on debt.

It is expected that the AER will maintain its approach to adopting a gamma value of 0.4 (rather than the network business proposed value, supported by the ACT, of 0.25). The AER had adopted a value of 0.4 in the decisions for Powerlink and AusNet (transmission) prior to the Federal Court decision and has adopted this value in the draft decisions for the gas distribution businesses in Victoria, released on 6 July 2017.

SA Power Networks sought judicial review of the ACT's decision to affirm the AER's decisions on gamma, return on debt transition, inflation, bushfire capital expenditure and labour cost escalation in November 2017. A decision is not expected before September 2017.

Victoria Power Networks initially sought review of the AER's decision on gamma and labour escalation to the ACT, however it withdrew its application in relation to gamma following the release of the Federal Court's decision on similar appeal matters brought by certain NSW electricity distribution businesses. Hearings were held in November 2016. The ACT decision has been postponed to 27 October 2017.

Limited Merits Review (LMR)

On 20 June 2017, the Commonwealth Government announced that it would abolish LMR under the national gas and electricity law and rules. This announcement followed the release of the Finkel Review on 9 June 2017 which supports progressing reforms of LMR and a comprehensive process led by the COAG Energy Council to review the LMR framework. That process included a prior decision by the COAG Energy Council not to abolish LMR in December 2016. When implemented, future determinations by the AER will no longer be subject to merits review by the ACT and any determinations will only be able to be challenged on errors of law through a judicial review process.

AER Ring Fencing Guidelines

The AER released its final Ring Fencing Guideline on 30 November 2016. Distribution network service providers are required to comply with the guideline no later than 1 January 2018. The guideline requires legal separation between distribution and other services and functional and branding separation is required between direct control services and other distribution and electricity services. Victoria Power Networks and SA Power Networks have sought temporary waivers on particular obligations. SA Power Networks was granted a conditional waiver for a temporary generation project to be installed in response to a request from the SA Government. Victoria Power Networks waivers related to certain functional separation provisions of the guideline to help them transition to full compliance without incurring unreasonable costs.

TransGrid Proposal for 2018-2023 Regulatory Control Period

TransGrid submitted its regulatory proposal for the five year period commencing 1 July 2018 to the AER on 31 January 2017. The review process is well underway with the AER's draft decision expected at the end of September 2017. A revised proposal in response to the draft decision will be due in early December 2017. A final decision is expected in April 2018.

Inflation Impacts on Regulated Revenues and Asset Bases

The models used by the AER to calculate network revenues contain a discrepancy which results in a regulated business recovering either more or less than the regulated return as a result of a variation between forecast and actual inflation. CPI measurements during 2016, which are used as inputs by the AER to calculate annual revenues (i.e. annual tariff adjustments) and RAB escalation, ranged between 1.5% and 1.7%. This is significantly below long term CPI averages and significantly below the AER forecasts used in the businesses' regulatory determinations.

As revenue moves with actual inflation each year rather than forecast inflation, lower inflation means that regulated revenues are not increasing sufficiently to deliver the real return on RAB assumed in the determination.

On 18 April 2017, in recognition of this issue, the AER released a discussion paper considering the regulatory treatment of inflation which sought views on the best estimate of inflation, and any changes that might be required to the regulatory framework to address issues associated with the application of forecast inflation in the Post Tax Revenue Model (PTRM) and Roll Forward Model (RFM). Spark Infrastructure is significantly involved in developing an industry position and is actively participating in the formal consultation process. A final decision is expected in December 2017.

Rate of Return Guideline Review Process
On 31 July 2017, the AER formally commenced a review of the Rate of Return Guideline releasing a consultation paper on the process to be adopted to develop the guideline. The guideline outlines the AER's approach to setting the rate of return for electricity and gas network businesses. An issues paper on the substantive issues is scheduled to be released in October 2017. The 2013 guideline is the applicable guideline for the current TransGrid review process. The 2018 guideline will apply to the next SA Power Networks and Victoria Power Networks review processes for the periods commencing 1 July 2020 and 1 January 2021 respectively. The AER is required to review the guideline every five years. The first guideline was established in December 2013 and this review is to be completed by December 2018.

Distributions and Capital Management
Spark Infrastructure only pays out distributions which are fully supported by operating cashflows. Distribution coverage from operating cashflows is assessed annually, while also taking into account the relevant regulatory period under which the investment business is operating. Operating cashflows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis (i.e. at the investment level). Operating cashflows are reviewed after deducting an allowance for maintaining the relevant investment's RAB where applicable. Within this framework, Spark Infrastructure continues to manage fluctuations in its working capital as efficiently as possible.

Distributions paid to Securityholders comprise interest income on the Loan Notes and can also include a return of capital on Units and income distributions from the Trust. A final cash distribution of 7.25 cps was paid on 15 March 2017 in relation to the six months ended 31 December 2016 and comprised 3.55 cps of interest on the Loan Notes and 3.70 cps of capital distributions.

Outlook
TransGrid has a significant and growing pipeline of accretive unregulated infrastructure connection opportunities which are of larger value and arising earlier than previously forecast. The construction period for these projects varies but is generally between 1-2 years before operations are able to commence and revenue begins to accrue. Spark Infrastructure is working with its consortium partners and with the business on various funding plans for these exciting opportunities. Funding of this value accretive investment may require the retention of additional cash by TransGrid. Spark Infrastructure will report developments to the market as and when they are agreed.

The current outlook for CPI for the shorter to medium term remains relatively low, which may have the effect of constraining previous forecasts of RAB growth and tariff increases. The AER has recently announced a review of the treatment of inflation in the regulatory framework and regulatory revenue models. Spark Infrastructure and its businesses are actively participating in this review.

Largely as a result of the factors outlined above, Spark Infrastructure currently expects distributions from its investments in 2017 to be lower than 2016.

The Directors have reaffirmed distribution guidance for 2017 and 2018 of 15.25 cps and 16.0 cps, representing annual growth of 5.2% and 4.9% respectively, subject to business conditions.

Events Occurring after Reporting Date
The Directors of Spark Infrastructure are not aware of any other matter or circumstance not otherwise dealt with in this interim financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 30 June 2017 up to the date of this report.

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

Directors' Report
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Rounding of Amounts

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

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
25 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Income from associates:			
- Share of equity profits	3	**107,136**	85,662
- Interest income	3	**42,120**	46,702
		149,256	132,364
Gain on derivative contracts		**-**	5,772
Other income – interest		**940**	523
Total income		**150,196**	138,659
Interest expense (including borrowing costs)		**(1,307)**	(3,633)
General and administrative expenses		**(10,268)**	(7,868)
Profit for the period before Loan Note interest and income tax		**138,621**	127,158
Loan Note interest		**(58,870)**	(58,870)
Profit for the period before income tax		**79,751**	68,288
Income tax expense		**(30,875)**	(16,726)
Net profit for the period attributable to Securityholders		**48,876**	51,562

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2017 (continued)

	30 June 2017 $'000	30 June 2016 $'000
Net profit for the period attributable to Securityholders	**48,876**	51,562
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Share of associates' actuarial gain/(loss) on defined benefits plan	**9,492**	(40,670)
Items that may be reclassified subsequently to profit or loss:		
- Share of associates' loss on hedges	**(33,493)**	(103,621)
Income tax expense related to components of other comprehensive income	**6,351**	37,596
Other comprehensive loss for the period	**(17,650)**	(106,695)
Total comprehensive income/(loss) for the period attributable to Securityholders	**31,226**	(55,133)
Earnings per Security		
Weighted average number of stapled securities on issue during the period (No '000)	**1,682,011**	1,682,011
Profit before Loan Note interest and income tax ($'000)	**138,621**	127,158
Basic earnings per security before Loan Note interest and income tax (cents)	**8.24¢**	7.56¢
Earnings used to calculate earnings per security ($'000)	**48,876**	51,562
Basic earnings per security based on net profit (cents)	**2.91¢**	3.07¢
(Diluted earnings per security is the same as basic earnings per security)		

Notes to the financial statements are included on pages 20 – 33.

Condensed Consolidated Statement of Financial Position as at 30 June 2017

	Note	30 June 2017 $'000	31 December 2016 $'000
Current Assets			
Cash and cash equivalents		100,578	100,985
Receivables from associates		10,246	8,512
Other current assets		2,159	2,154
Total Current Assets		112,983	111,651
Non-Current Assets			
Property, plant and equipment		90	126
Investments in associates:			
- Investments accounted for using the equity method	4(d)	2,522,220	2,494,712
- Loans to associates	5	644,381	680,627
- Loan notes to associates	6	237,444	237,444
Total Non-Current Assets		3,404,135	3,412,909
Total Assets		3,517,118	3,524,560
Current Liabilities			
Payables		3,737	3,448
Loan Note interest payable to Securityholders		58,870	59,711
Total Current Liabilities		62,607	63,159
Non-Current Liabilities			
Payables		476	1,226
Loan Notes attributable to Securityholders	7	1,061,734	1,061,724
Deferred tax liabilities		285,693	261,167
Total Non-Current Liabilities		1,347,903	1,324,117
Total Liabilities		1,410,510	1,387,276
Net Assets		2,106,608	2,137,284

Condensed Consolidated Statement of Financial Position as at 30 June 2017 (continued)

	Note	30 June 2017 $'000	31 December 2016 $'000
Equity			
Equity attributable to the Parent Entity			
- Issued capital	8	**1,136,885**	1,199,119
- Reserves		**(42,272)**	(18,231)
- Retained earnings		**1,011,995**	956,396
Total Equity		**2,106,608**	2,137,284

Total Equity attributable to Securityholders is as follows:		
Total Equity	**2,106,608**	2,137,284
Loan Notes attributable to Securityholders	**1,061,734**	1,061,724
Total Equity and Loan Notes	**3,168,342**	3,199,008

Notes to the financial statements are included on pages 20 – 33.

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2017

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2016	1,303,404	(17,404)	870,355	2,156,355
Net profit for the period	-	-	51,562	51,562
Share of associates' other comprehensive income:				
- loss on hedges	-	(103,621)	-	(103,621)
- actuarial loss on defined benefits plan	-	-	(40,670)	(40,670)
Related tax	-	26,667	10,929	37,596
Total comprehensive income for the period	-	(76,954)	21,821	(55,133)
Recognition of share-based payments	-	345	-	345
Capital distributions	(41,209)	-	-	(41,209)
Balance at 30 June 2016	1,262,195	(94,013)	892,176	2,060,358
Balance at 1 January 2017	**1,199,119**	**(18,231)**	**956,396**	**2,137,284**
Net profit for the period	**-**	**-**	**48,876**	**48,876**
Share of associates' other comprehensive income:				
- loss on hedges	**-**	**(33,493)**	**-**	**(33,493)**
- actuarial gain on defined benefits plan	**-**	**-**	**9,492**	**9,492**
Related tax	**-**	**9,120**	**(2,769)**	**6,351**
Total comprehensive income for the period	**-**	**(24,373)**	**55,599**	**31,226**
Recognition of share-based payments	**-**	**332**	**-**	**332**
Capital distributions	**(62,234)**	**-**	**-**	**(62,234)**
Balance at 30 June 2017	**1,136,885**	**(42,272)**	**1,011,995**	**2,106,608**

Notes to the financial statements are included on pages 20 – 33.

Condensed Consolidated Statement of Cash Flows for the Half Year Ended 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Cash Flows from Operating Activities			
Distributions from associates - preferred partnership capital		**34,341**	34,532
Dividends received - associates		**21,286**	22,295
Interest received - associates		**40,386**	40,017
Interest received - other		**891**	516
Interest paid - other		**(714)**	(3,924)
Distributions received from derivative contracts		**-**	22,952
Finance costs paid – derivative contracts		**-**	(7,743)
Other expenses		**(10,562)**	(7,412)
Net Cash Inflow Related to Operating Activities		**85,628**	101,233
Cash Flows from Investing Activities			
Repayment of borrowings by associates		**36,246**	28,812
Proceeds from divestment of derivative contracts		**-**	210,708
Transaction costs – derivative contracts		**-**	(4,031)
Net Cash Inflow Related to Investing Activities		**36,246**	235,489
Cash Flows from Financing Activities			
Payment of issue costs		**-**	(1,733)
Payment of external borrowing costs		**(335)**	-
Drawdown of external borrowings		**-**	15,000
Repayment of external borrowings		**-**	(220,000)
Distributions to Securityholders:			
- Loan Note interest	11	**(59,712)**	(59,712)
- Capital distributions	11	**(62,234)**	(41,209)
Net Cash Outflow Related to Financing Activities		**(122,281)**	(307,654)
Net (Decrease)/Increase in Cash and Cash Equivalents for the Period		**(407)**	29,068
Cash and cash equivalents at the beginning of the period		**100,985**	18,284
Cash and Cash Equivalents at the end of the Period [1]		**100,578**	47,352

[1] 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 (30 June 2016: $5,000,000).

Notes to the financial statements are included on pages 20 – 33.

Notes to the Financial Statements for the Half Year Ended 30 June 2017

1. Summary of Accounting Policies

Basis of Preparation and Statement of Compliance

The interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The interim financial report for the half year ended 30 June 2017 (Current Period), is for Spark Infrastructure consisting of Spark Infrastructure Trust (the Trust) and its Controlled Entities (Spark Infrastructure or the Group). This interim financial report does not include all the notes of the type normally included in an annual report. Accordingly, it is recommended that this report be read in conjunction with the 31 December 2016 annual financial report of Spark Infrastructure, together with any public announcements made by Spark Infrastructure during the Current Period in accordance with any continuous disclosure obligation arising under the *Corporations Act 2001*. The report has been prepared on the basis of historical cost except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of Spark Infrastructure's financial statements for the year ended 31 December 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Spark Infrastructure is an entity of the kind referred to in 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 interim financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

The interim financial report was authorised for issue by the Directors of Spark RE as the responsible entity for the Trust on 25 August 2017.

Adoption of new and revised Standards

The following amendments have been issued and are of relevance in the Current Period:

New and Revised Standard	Requirements and impact assessment
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	Amends AASB 112 *Income Taxes* to clarify: - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use - The carrying amount of an asset does not limit the estimation of probable future taxable profits - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and noncash changes.
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016.	Amends AASB 12 Disclosure of Interests in Other Entities, to clarify the interaction of AASB 12 with AASB 5 Non-current Assets Held for Sale and Discontinued Operations to explain that disclosures under AASB 12 are required for interests in entities classified as held for sale or discontinued operations in accordance with AASB 5.

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

1. Summary of Accounting Policies (continued)

Standards and Interpretations on issue not yet adopted
At the date of authorisation of the financial report, the following Standards and Interpretations listed below were on issue but not yet effective.

Standard	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	31 December 2018
AASB 9 *Financial Instruments* (December 2014), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9' (December 2014)	1 January 2018	31 December 2018
AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	31 December 2018
AASB 16 *Leases*	1 January 2019	31 December 2019
IFRS 17 *Insurance Contracts*	1 January 2021	31 December 2021

The Directors' anticipate that the above Standards will not have a material impact on the financial report of the Group in the year of initial application.

Principles of consolidation
The interim financial report of Spark Infrastructure incorporates the financial statements of the Trust and its Controlled Entities. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during the financial period, its results are included in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income from the effective date of control. Control is achieved where the Trust has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

Critical Accounting Estimates and Judgements
The preparation of this report required the use of certain critical accounting estimates and exercise of 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.

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 (the "investment portfolio"), 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 do 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 10 years;
- Cash flow projections based on financial forecasts approved by management containing assumptions about business conditions, growth in RAB and future regulatory returns;
- Appropriate discount rates specific to each CGU; and
- Appropriate terminal values based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities that reflect recent transmission or distribution transaction multiples.

Cash flow projections for a 10 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.

Notes to the Financial Statements for the Half Year Ended 30 June 2017

1. **Summary of Accounting Policies (continued)**

Critical Accounting Estimates and Judgements (continued)

Impairment of Assets (continued)

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*.

Distributions from the investment portfolio form an important part of the overall valuation of investments. Accordingly, any significant changes to expectations around distribution levels will be considered a potential trigger for impairment.

As previously disclosed, short term distributions from TransGrid may be lower than was initially forecast at acquisition, in part, due to increased forecast unregulated capital expenditure. Accordingly, fair value less costs to sell calculations were used to assess Spark Infrastructure's investment in TransGrid to confirm that its carrying value did not exceed its recoverable value. No impairment was identified.

The Directors are satisfied that there are no potential indicators that either Victoria Power Networks or SA Power Networks could have suffered an impairment loss.

Significant influence over NSW Electricity Networks Assets Holdings Trust and NSW Electricity Networks Operations Holdings Trust

Note 4 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.

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 30 June 2017 (30 June 2016: nil) there are no amounts unrecognised on the basis that the above criteria were not met.

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
- Other – which represents the divested economic interest in DUET Group.

The segments noted also fairly represent the Group's geographical segments determined by location within Australia.

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

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Other		Total	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Segment Cashflows										
Distributions from associates – preferred partnership capital	**-**	-	**34,341**	34,532	**-**	-	**-**	-	**34,341**	34,532
Distributions from associates – other	**-**	-	**19,845**	22,295	**1,441**	-	**-**	-	**21,286**	22,295
Interest received from associates	**37,254**	40,017	**-**	-	**3,132**	-	**-**	-	**40,386**	40,017
Repayment of borrowings by associates[1]	**36,246**	28,812	**-**	-	**-**	-	**-**	-	**36,246**	28,812
Net cashflows from derivative contracts	**-**	-	**-**	-	**-**	-	**-**	15,209	**-**	15,209
Total Segment Cashflows	**73,500**	68,829	**54,186**	56,827	**4,573**	-	**-**	15,209	**132,259**	140,865
Net interest received/(paid)									**177**	(3,408)
Corporate costs									**(10,562)**	(7,412)
Total Operating Cashflows[1]									**121,874**	130,045

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

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Other		Total	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Segment Revenue										
Share of equity accounted profits	**24,301**	31,783	**84,378**	47,880	**(1,543)**	5,999	**-**	-	**107,136**	85,662
Interest income - associates	**35,824**	39,674	**-**	-	**6,296**	7,028	**-**	-	**42,120**	46,702
Gain on derivative contracts	**-**	-	**-**	-	**-**	-	**-**	5,772	**-**	5,772
Segment revenue	**60,125**	71,457	**84,378**	47,880	**4,753**	13,027	**-**	5,772	**149,256**	138,136
Interest revenue									**940**	523
Total Revenue									**150,196**	138,659
Segment Results										
Segment contribution	**60,125**	71,457	**84,378**	47,880	**4,753**	13,027	**-**	5,772	**149,256**	138,136
Net interest expense									**(367)**	(3,110)
Corporate costs									**(6,204)**	(6,373)
Costs associated with investing activities									**(4,064)**	(1,495)
Profit for the year before Loan Note interest and income tax expense									**138,621**	127,158
Interest on Loan Notes									**(58,870)**	(58,870)
Income tax expense									**(30,875)**	(16,726)
Net Profit attributable to Securityholders									**48,876**	51,562

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

2. **Segment Information (continued)**

	Victoria Power Networks		SA Power Networks		TransGrid		Other		Total	
	Jun 2017 $'000	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000
Segment Assets										
Investments accounted for using the equity method	**434,215**	420,285	**1,626,367**	1,606,976	**461,638**	467,451	**-**	-	**2,522,220**	2,494,712
Loans to associates	**644,381**	680,627	**-**	-	**-**	-	**-**	-	**644,381**	680,627
Loan notes to associates	**-**	-	**-**	-	**237,444**	237,444	**-**	-	**237,444**	237,444
Receivables from associates	**7,082**	8,512	**-**	-	**3,164**	-	**-**	-	**10,246**	8,512
Total Segment Assets	**1,085,678**	1,109,424	**1,626,367**	1,606,976	**702,246**	704,895	**-**	-	**3,414,291**	3,421,295
Unallocated Assets										
Cash and cash equivalents									**100,578**	100,985
Other current assets									**2,159**	2,154
Property, plant and equipment									**90**	126
Total Assets									**3,517,118**	3,524,560

	Victoria Power Networks		SA Power Networks		TransGrid		Other		Total	
	Jun 2017 $'000	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000	**Jun 2017 $'000**	Dec 2016 $'000
Unallocated Liabilities										
Loan Notes attributable to Securityholders									**1,061,734**	1,061,724
Other liabilities									**63,083**	64,385
Deferred tax liabilities									**285,693**	261,167
Total Liabilities									**1,410,510**	1,387,276

Notes to the Financial Statements for the Half Year Ended 30 June 2017

	30 June 2017 $'000	30 June 2016 $'000
3. Share of Equity Accounted Profits and Interest		
Equity Accounted Profits:		
Victoria Power Networks Pty Ltd	**24,301**	31,783
SA Power Networks Partnership	**84,378**	47,880
NSW Electricity Networks Assets[1]	**(1,718)**	(1,466)
NSW Electricity Networks Operations[1]	**175**	7,465
	107,136	85,662
Interest Income – Associates:		
Victoria Power Networks Pty Ltd	**35,824**	39,674
NSW Electricity Networks Operations	**6,296**	7,028
	42,120	46,702
	149,256	132,364

(1) Together referred to as TransGrid.

4. Investments Accounted for using the Equity Method

(a) Particulars of Investment in Associates:

Name of entity	Principal activity	Ownership interest %		Country of Incorporation/ Formation
		June 2017	December 2016	
Victoria Power Networks Pty Ltd	Ownership of electricity distribution businesses in Victoria	**49.00**	49.00	Australia
SA Power Networks	Ownership of an electricity distribution business in South Australia	**49.00**	49.00	Australia
NSW Electricity Networks Assets Holdings Trust	Ownership of electricity transmission assets in New South Wales	**15.01**	15.01	Australia
NSW Electricity Networks Operations Holdings Trust	Ownership of an electricity transmission business in New South Wales	**15.01**	15.01	Australia

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

4. **Investments Accounted for Using the Equity Method (continued)**

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

	30 Jun 2017 $'000	30 Jun 2017 $'000	30 Jun 2017 $'000	30 Jun 2017 $'000	31 Dec 2016 $'000	31 Dec 2016 $'000	31 Dec 2016 $'000	31 Dec 2016 $'000
	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets[(1)]	NSW Electricity Networks Operations[(1)]	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets[(1)]	NSW Electricity Networks Operations[(1)]
Current assets	385,071	351,495	130,658	144,757	260,237	382,831	82,783	128,429
Non-current assets	7,656,266	6,245,439	7,534,096	2,717,267	7,853,983	6,264,979	7,578,985	2,696,904
Total assets	8,041,337	6,596,934	7,664,754	2,862,024	8,114,220	6,647,810	7,661,768	2,825,333
Current liabilities	1,762,393	1,172,135	66,702	203,159	1,772,020	868,489	57,306	158,046
Non-current liabilities	4,896,915	3,046,358	5,577,694	1,610,613	4,991,418	3,438,674	5,552,205	1,610,624
Total liabilities	6,659,308	4,218,493	5,644,396	1,813,772	6,763,438	4,307,163	5,609,511	1,768,670
Net assets	1,382,029	2,378,441	2,020,358	1,048,252	1,350,782	2,340,647	2,052,257	1,056,663

(1) Together referred to as TransGrid.

Notes to the Financial Statements for the Half Year Ended 30 June 2017

4. **Investments Accounted for Using the Equity Method (continued)**

(c) **Summarised Financial Performance of Associates (100% basis)**

	30 Jun 2017 $'000	30 Jun 2017 $'000	30 Jun 2017 $'000	30 Jun 2017 $'000	30 Jun 2016 $'000	30 Jun 2016 $'000	30 Jun 2016 $'000	30 Jun 2016 $'000
	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets(1)	NSW Electricity Networks Operations(1)	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets(1)	NSW Electricity Networks Operations(1)
Regulated revenue (including advanced metering)	491,564	387,268	-	378,491	516,902	362,887	-	415,850
Revenue – semi-regulated and unregulated	77,336	120,601	260,380	41,062	104,711	130,390	254,230	38,161
Customer contributions & gifted assets(2)	-	-	-	-	60,192	41,182	-	-
Operating revenue	568,900	507,869	260,380	419,553	681,805	534,459	254,230	454,011
Revenue – transmission (pass-through)	150,051	122,492	-	-	147,051	128,401	-	-
	718,951	630,361	260,380	419,553	828,856	662,860	254,230	454,011
Expenses	(490,078)	(373,191)	(271,828)	(405,932)	(507,914)	(404,572)	(264,804)	(407,232)
Expenses – transmission (pass-through)	(150,051)	(122,492)	-	-	(147,051)	(128,401)	-	-
Profit/(loss) before income tax	78,822	134,678	(11,448)	13,621	173,891	129,887	(10,574)	46,779
Income tax expense	(26,379)	-	-	-	(48,524)	-	-	-
Net profit/(loss)	52,443	134,678	(11,448)	13,621	125,367	129,887	(10,574)	46,779
Other comprehensive income:								
Loss on hedges	(41,385)	(33,074)	(20,451)	(145)	(97,245)	(113,342)	(98,088)	(39)
Actuarial gain/(loss) on defined benefit plans	11,151	11,032	-	1,742	(34,471)	(50,214)	-	(28,260)
Income tax benefit related to components of other comprehensive income	9,070	-	-	-	39,515	-	-	-
Other comprehensive (loss)/income for the Current Period	(21,164)	(22,042)	(20,451)	1,597	(92,201)	(163,556)	(98,088)	(28,299)
Total comprehensive income/(loss) for the Current Period	31,279	112,636	(31,899)	15,218	33,166	(33,669)	(108,662)	18,480

(1) Together referred to as TransGrid.
(2) From 1 January 2017 Victoria Power Networks and SA Power Networks changed their 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 cashflows expected to be derived from the specific extension or modification to the network.

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

4. Investments Accounted for using the Equity Method (continued)

(c) Summarised Financial Performance of Associates (100% basis, continued)

Reconciliation of the above summarised financial performance to the net profit attributable to Spark Infrastructure from its associates recognised in the financial report:

	30 June 2017 $'000	30 June 2016 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	**25,697**	61,430
SA Power Networks net profit applicable to Spark Infrastructure	**65,992**	63,645
Additional share of profits from preferred partnership capital[a]	**17,611**	17,611
NSW Electricity Networks Assets net loss applicable to Spark Infrastructure	**(1,718)**	(1,587)
NSW Electricity Networks Operations net profit applicable to Spark Infrastructure	**2,045**	7,022
	109,627	148,121
Adjustment in respect of customer contributions and gifted assets[b]	**-**	(40,825)
Adjustment in respect of regulated revenue cap[c]	**(1,869)**	(8,818)
Additional adjustments made to share of equity profits[d]	**(622)**	(12,816)
	107,136	85,662

[a] 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.

[b] Differences in the measurement of the fair value of customer contributions and gifted assets under AASB 13 *Fair Value Measurement* (AASB 13). Spark Infrastructure changed its basis of estimating the fair value of customer contributions and gifted assets reported by Victoria Power Networks and SA Power Networks with effect from 1 January 2014 from 'depreciated replacement cost' to estimating the net present value of the future cashflows expected to be derived from the specific extension or modification to the network. From 1 January 2017 both Victoria Power Networks and SA Power Networks adopted this alternative approach and Spark Infrastructure no longer makes adjustments to the value of customer contributions and gifted assets for statutory reporting purposes.

[c] Amounts in excess of/under the regulated revenue cap are not deferred/accrued by TransGrid. Spark Infrastructure makes adjustments to its share of equity accounted profits in order to reflect that these amounts will be returned to/recovered from electricity consumers in future periods.

[d] Additional adjustments made to share of equity profits includes additional depreciation/amortisation of fair value uplift of assets on acquisition.

Notes to the Financial Statements for the Half Year Ended 30 June 2017

4. Investments Accounted for using the Equity Method (continued)

	6 months to 30 June 2017 $'000	Year Ended 31 December 2016 $'000
(d) Movement in Carrying Amounts		
Carrying amount at the beginning of the Current Period	**2,494,712**	2,495,256
Share of profits after income tax	**107,136**	145,290
Preferred partnership distribution received – SA Power Networks	**(34,341)**	(69,826)
Distributions received – SA Power Networks	**(19,845)**	(49,490)
Distributions received – NSW Electricity Networks Assets	**-**	(26,973)
Distributions received – NSW Electricity Networks Operations	**(1,441)**	(3,385)
Share of associates' comprehensive (loss)/gain recognised directly in equity	**(24,001)**	3,840
Carrying amount at the end of the Current Period	**2,522,220**	2,494,712

(e) Tax Matters

The following is a summary of items that are in dispute with the Australian Tax Office (ATO) audit.

Victoria Power Networks Pty Ltd

(a) a denial of deductions for certain labour costs and motor vehicle running costs incurred during the years ended 31 December 2007 to 31 December 2010;
(b) the recognition of assessable income for assets transferred by customers to entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;
(c) a denial of deductions for rebates paid to customers by entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;
(d) a further consequential increase in the allowance of depreciation for the labour costs, motor vehicle running costs and transferred assets during the years ended 31 December 2007 to 31 December 2010; and
(e) a denial of deductions in respect of certain asset replacement projects during the years ended 31 December 2008 to 31 December 2010.

SA Power Networks Partnership

a) a denial of deductions for direct internal labour and motor vehicle costs incurred by SA Power Networks on self-constructed assets, after separate favourable adjustments for asset replacement, on the grounds that they are of a capital nature, and a corresponding allowance of tax depreciation deductions for those costs over the effective life of the assets.

As previously reported, both Victoria Power Networks and the SA Power Networks Partnership have obtained legal advice with regard to the ongoing matters and will continue to vigorously defend their positions. The SA Power Networks Partnership partners and Victoria Power Networks continue to actively engage with the ATO on these matters.

Details of these tax matters have been previously disclosed in the Spark Infrastructure Financial Statements.

Notes to the Financial Statements for the Half Year Ended 30 June 2017

5. Loans to Associates – interest bearing

	30 June 2017 $'000	31 December 2016 $'000
Victoria Power Networks	**644,381**	680,627

100 year loan to Victoria Power Networks maturing in 2105, with a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower.

6. Loan notes to Associates – interest bearing

	30 June 2017 $'000	31 December 2016 $'000
NSW Electricity Networks Operations	**237,444**	237,444

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.

7. Loan Notes Attributable to Securityholders

	6 months to 30 June 2017 $'000	Year ended 31 December 2016 $'000
Balance at beginning of the Current Period	**1,061,724**	1,061,704
Write back of deferred discount[a]	**10**	20
Balance at end of the Current Period	**1,061,734**	1,061,724

[a] 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.

	6 months to 30 June 2017 $'000	Year Ended 31 December 2016 $'000
8. Issued Capital		
Balance at beginning of the Current Period	**1,199,119**	1,303,404
Capital distribution	**(62,234)**	(104,285)
Balance at end of the Current Period	**1,136,885**	1,199,119

Fully Paid Stapled Securities	**No.'000**	No.'000
Balance at the beginning and end of the Current Period	**1,682,011**	1,682,011

9. Key Management Personnel (KMP)

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. Remuneration arrangements of KMP are disclosed in the annual financial report.

Notes to the Financial Statements
for the Half Year Ended 30 June 2017

10. Notes to the Statement of Cash Flows

(a) Cash transactions

As at 30 June 2017, and at all times during the period, the Responsible Entity of the Group held $5,000,000 of cash to meet its financial requirements as a holder of an AFSL (31 December 2016: $5,000,000).

(b) Committed Finance Facilities	30 June 2017 $'000	31 December 2016 $'000
Bank facilities:		
• Amount used	-	-
• Amount unused	250,000	250,000
	250,000	250,000

Committed Finance Facility maturities are:

- November 2018: $100,000,000 3-year revolving facility with Commonwealth Bank of Australia
- November 2018: $100,000,000 3-year revolving facility with Westpac Banking Corporation
- November 2018: $25,000,000 3-year revolving facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd
- November 2020: $25,000,000 5-year revolving facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd

At 30 June 2017 there were no drawn balances.

	2017		2016	
	Cents Per Security	Total $'000	Cents Per Security	Total $'000
11. Details Relating to Distributions				
Distribution Paid:				
Final distribution paid in respect of year ended 31 December 2016, paid on 15 March 2017 (2016: In respect of year ended 31 December 2015, paid on 15 March 2016):				
Interest on Loan Notes	3.55	59,712	3.55	59,712
Capital distribution	3.70	62,234	2.45	41,209
	7.25	121,946	6.00	100,921
Distribution Payable:				
Interim 2017 distribution payable on 15 September 2017 (Interim 2016 distribution paid on 15 September 2016):				
Interest on Loan Notes	3.50	58,870	3.50	58,870
Capital distribution	4.125	69,383	3.75	63,075
	7.625	128,253	7.25	121,945

The distributions are unfranked.

Notes to the Financial Statements for the Half Year Ended 30 June 2017

12. Commitments, Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets as at 30 June 2017 which have not already been disclosed.

13. Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

The Directors declare that:

(a) in their opinion, there are reasonable grounds to believe that Spark Infrastructure Trust will be able to pay its debts as and when they become due and payable; and

(b) in their opinion, the financial statements and notes as set out on pages 14 – 33 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of Spark Infrastructure Trust.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
25 August 2017

Deloitte.

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The Board of Directors
Spark Infrastructure RE Limited
as responsible entity for Spark Infrastructure Trust
Level 25, 259 George Street
SYDNEY NSW 2000

25 August 2017

Dear Board Members

Spark Infrastructure Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Spark Infrastructure RE Limited, as responsible entity for Spark Infrastructure Trust and its controlled entities.

As lead audit partner for the review of the financial statements of Spark Infrastructure Trust for the financial half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Spark Infrastructure Trust, which comprises the condensed statement of financial position as at 30 June 2017, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes, and the directors' declaration of the consolidated entity comprising the trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 14 to 34.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Trust are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Spark Infrastructure Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Spark Infrastructure Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Spark Infrastructure Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 25 August 2017