Tuesday, 27 August 2019

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 2019

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2019. A media release, results presentation and fact book are also attached.

Yours faithfully,

Alexandra Finley
Company Secretary

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Spark Infrastructure

Appendix 4D

Results for Announcement to the Market for the Half Year Ended 30 June 2019

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 2019	30 June 2018

	Percentage Change	30 June 2019 A$'000	30 June 2018 A$'000
Profit or Loss Summary			
Profit before Loan Note Interest and Income Tax	Down 8.2%	**140,701**	153,258
Net Profit Attributable to the Stapled Security Holders	Down 9.1%	**52,827**	58,131
Earnings per Stapled Security before Loan Note Interest and Income Tax	Down 8.2%	**8.37¢**	9.11¢
Earnings per Stapled Security	Down 9.1%	**3.14¢**	3.46¢
Operating Cash Flow (including repayment of shareholder loans from Victoria Power Networks)	**Down 1.7%**	**128,037**	**130,312**
Operating Cash Flow (including repayment of shareholder loans from Victoria Power Networks) per Stapled Security	**Down 1.7%**	**7.61¢**	**7.75¢**
Underlying Profit before Loan Note Interest and Income Tax	Down 9.8%	**138,187**	153,258
Underlying Net Profit Attributable to the Stapled Security Holders	Down 12.2%	**51,067**	58,131
Underlying Earnings per Stapled Security before Loan Note Interest and Income Tax	Down 9.8%	**8.22¢**	9.11¢
Underlying Earnings per Stapled Security	Down 12.2%	**3.04¢**	3.46¢

Results for Announcement to the Market for the Half Year Ended 30 June 2019

2. Net Tangible Assets per Security

	30 June 2019 $'000	31 December 2018 $'000
Net Assets	**1,640,334**	1,805,827
Loan Notes attributable to Security Holders	**1,061,774**	1,061,764
Net Assets and Loan Notes attributable to Security Holders	**2,702,108**	2,867,591
No. of Securities ('000)	**1,682,011**	1,682,011
Net Tangible Assets per Security ($)	**$1.61**	$1.70

3. Details of Associates

Associate	Ownership Interest		Contribution to Net Profit	
	30 June 2019 (%)	30 June 2018 (%)	**30 June 2019 $'000**	30 June 2018 $'000
Equity accounted income:				
Victoria Power Networks Pty Ltd	**49.00%**	49.00%	**38,586**	46,480
SA Power Networks Partnership	**49.00%**	49.00%	**72,736**	78,649
NSW Electricity Networks Assets Holdings Trust	**15.01%**	15.01%	**(3,658)**	(5,154)
NSW Electricity Networks Operations Holdings Trust	**15.01%**	15.01%	**5,306**	3,004
Sub-total			**112,970**	122,979
Interest income:				
Victoria Power Networks Pty Ltd			**26,011**	31,230
NSW Electricity Networks Operations Holdings Trust			**6,445**	6,433
Total			**145,426**	160,642

4. Entities Gained/Lost Control during the Period

Gained Control of:
- Spark Infrastructure Holdings No. 6 Pty Ltd
- Bomen SF Hold Trust
- Bomen SF HoldCo Pty Ltd
- Bomen SF Trust
- Bomen Solar Farm Pty Ltd
- Bomen SF FinCo Pty Ltd

Lost Control of:
- Nil

Results for Announcement to the Market for the Half Year Ended 30 June 2019

5. Distributions	**30 June 2019**		30 June 2018	
	Cents per Security	**Total $'000**	Cents per Security	Total $'000
Distribution Paid: Final distribution paid in respect of year ended 31 December 2018, paid on 15 March 2019 (2018: In respect of year ended 31 December 2017, paid on 15 March 2018):				
Interest on Loan Notes	**3.55**	**59,711**	3.55	59,711
Capital Distribution	**4.45**	**74,849**	4.075	68,542
	8.00	**134,560**	7.625	128,253
Distribution Payable/Proposed: Interim 2019 distribution payable 13 September 2019 (Interim 2018 distribution, paid on 14 September 2018):				
Interest on Loan Notes	**3.50**	**58,870**	3.50	58,870
Capital Distribution	**4.00**	**67,280**	4.50	75,691
	7.50	**126,150**	8.00	134,561

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 4 September 2019.

6. Details of Distribution Reinvestment Plan

The distribution reinvestment plan in operation is the Spark Infrastructure Group Distribution Reinvestment Plan. The plan was established on 8 November 2005 and was formally reactivated on 27 August 2019.

The last date for receipt of election notices for the distribution reinvestment plan is 5 September 2019.

Spark Infrastructure

Appendix 4D

Results for Announcement to the Market for the Half Year Ended 30 June 2019

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.	☒	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 -

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

Signed on behalf of the Board:

D McTaggart
Chair

R Francis
Managing Director

27 August 2019

Interim Financial Report
30 June 2019

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 2019

Directors' Report

The Directors of Spark Infrastructure RE Limited present this financial report on the consolidated entity for the half year ended 30 June 2019. In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".

The Principal Activity of Spark Infrastructure

During the reporting period, Spark Infrastructure invested in essential services infrastructure businesses, primarily electricity distribution and transmission businesses, in Australia. During the period Spark Infrastructure acquired the Bomen Solar Farm (Bomen) project north of Wagga Wagga in NSW and has subsequently commenced construction of the solar farm. The renewable generation output from the solar farm is largely contracted for periods up to ten years. Except as noted above the principal activity of Spark Infrastructure is unchanged from the prior period.

The Nature of Securities in Spark Infrastructure

Spark Infrastructure is a stapled structure comprising two elements:
- one unit in the Trust; and
- one Loan Note issued by Spark RE, the Responsible Entity of the Trust.

The stapled elements are quoted on the ASX as if they were a single security that investors can buy and sell.

Spark Infrastructure's Board of Directors

At the time of reporting, and throughout the year, the Directors of the company were:

Dr Douglas McTaggart, Chair
Mr Rick Francis, Managing Director and Chief Executive Officer
Mr Andrew Fay
Mr Greg Martin
Ms Anne McDonald
Ms Karen Penrose

Operating and Financial Review

Review of Operations – Spark Infrastructure

The table below provides a summary of Spark Infrastructure's Net Operating Cash Flows:

Operating Cash Flows ($ Million)	30 June 2019 $M	30 June 2018 $M	Change Compared to 2018 $M	%
Cash Distributions from Investment Portfolio Businesses				
Victoria Power Networks[1]	**75.9**	74.7	1.2	1.6
SA Power Networks	**55.2**	54.7	0.5	0.9
TransGrid	**21.5**	8.6	12.9	150.0
Total Cash Distributions Received from Investment Portfolio Businesses	**152.6**	138.0	14.6	10.6
Net interest received	**0.9**	0.4	0.5	125.0
Corporate expenses	**(8.3)**	(8.1)	(0.2)	2.5
Operating costs – Bomen related	**(0.8)**	-	(0.8)	N/A
Transaction bid costs – Bomen related	**(2.6)**	-	(2.6)	N/A
Tax paid	**(13.8)**	-	(13.8)	N/A
Net Operating Cash Flows[1]	**128.0**	130.3	(2.3)	(1.8)

1. Includes repayment of shareholder loans

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

Cash distributions received from investment portfolio businesses

Spark Infrastructure's cash flow from operating activities (referred to as standalone operating cash flow (OCF)) for the first half of 2019 was $128.0 million a decrease of 1.8% on the equivalent 2018 period. To compare on a like for like basis, excluding one-off acquisition costs and tax paid, underlying standalone OCF increased $14.1 million or 10.8% to $144.4 million.

Total distributions received from Victoria Power Networks were $75.9 million, up 1.6% and distributions received from SA Power Networks were $55.2 million, up 0.9%, reflecting another good period of operations for both businesses, which are both approximately mid-way through their current 5-year regulatory periods.

Total distributions received from TransGrid were $21.5 million, up 150.0%. As previously reported, distributions from TransGrid were constrained in previous periods, in part, due to TransGrid retaining surplus cash during the period to fund investment opportunities in unregulated infrastructure connection assets and from low inflation. TransGrid Services Trust was established in June 2018 as the vehicle to own and operate TransGrid's unregulated business which has enabled distributions to recommence. TransGrid Services Trust is initially being funded by securityholders through reinvestment of a portion of distributions to support unregulated business growth in the short term while suitable debt facilities are being established.

Corporate, transaction bid expenses and tax

Spark Infrastructure's recurring corporate expenses increased by $0.2 million or 2.5% to $8.3 million during 2019 primarily due to other project related costs. Bomen related transaction bid costs of $2.6 million mainly comprise due diligence and advisor fees. Bomen operating expenses of $0.8 million primarily relate to premiums on insurances.

During HY2019, Spark Infrastructure paid $13.8 million of tax in relation to 2018. The total tax payable in relation to 2018 is $16.9 million, with the remaining balance of $3.1 million being paid in July 2019. For further detail please see the Australian Tax Office Matters section.

Distributions to Securityholders and Distribution Reinvestment Plan

Spark Infrastructure pays out distributions which are fully supported by operating cash flows over the (5 year) regulatory cycle. Operating cash flows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis (i.e. at the investment level). Distribution coverage or payout ratios are reviewed on both an annual basis and across the current 5-year regulatory period, which is currently predominantly based on the 2016-2020 period. Within this framework, Spark Infrastructure continues to manage fluctuations in its working capital as efficiently as possible.

Spark Infrastructure paid a final distribution for 2018 of $134.6 million to Securityholders in March 2019, representing 8.0 cents per security (cps).

The Directors have declared an interim distribution for 2019 of 7.5 cps, in line with distribution guidance, which is payable on 13 September 2019. The interim distribution is fully covered for the period. The payout ratio is 98.5% on standalone OCF and 87.3% on underlying standalone OCF.

Spark Infrastructure has a Distribution Reinvestment Plan (DRP). The Directors regularly assess the operation of the DRP and have determined that it will be reactivated for the interim distribution payable in September 2019 to part fund the equity commitment to the acquisition and construction of the Bomen Solar Farm. The DRP will not be underwritten and participating Securityholders will be issued Spark Infrastructure stapled securities at a discount of 2.0% to the price specified under the DRP rules.

Acquisition of Bomen Solar Farm

On 17 April 2019 Spark Infrastructure acquired a 100% interest in the $120MW_{DC}/100MW_{AC}$ Bomen Solar Farm project (Bomen), located 10km north-east of Wagga Wagga in NSW. Bomen had existing power purchase agreement contracts with customers Westpac and Flow Power. Beon Energy Solutions (Beon), owned by Victoria Power Networks, has been appointed as engineering, procurement and construction (EPC) contractor. Bomen will connect into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

Acquisition of Bomen Solar Farm (continued)

Power purchase agreements (PPAs)

Bomen has long-term PPAs in place with high-quality counterparties providing stable and predictable cash flows for up to 10 years. On commencement of commercial operations, the plant will sell power and Large-Scale Renewable Generation Certificates (LGCs) (as a bundle) under PPAs with Westpac for 10 years and with Flow Power for a range of contract tenures of 5, 7 and 10 years. The difference between the market and the contract price of the bundle is settled on a net basis with the counterparty. This provides a strong and stable revenue stream which is ~95% contracted for the first five years, ~82% contracted for the first 10 years and ~71% for years six to ten. When operating, Bomen is expected to generate average annual revenue of approximately $13.5 million for the first five years.

Financial arrangements

Acquisition and construction costs are being initially funded from cash and existing debt facilities. With a view to maintaining a prudent capital structure post-construction, the target bank debt funding for Bomen will be approximately 65-70%. Equity funding will be introduced over time and as a result, the DRP has been reactivated for the interim distribution payable in September 2019.

Financial Performance - Spark Infrastructure

Underlying Profit before Loan Note Interest and Income Tax	**30 June 2019 $M**	30 June 2018 $M	**Change Compared to 2018**	
			$M	**%**
Profit before loan note interest and income tax	**140.7**	153.3	(12.6)	(8.2)
Transaction bid costs – Bomen related	**2.7**	-	2.7	N/A
Unrealised gains from derivative instruments – Bomen related	**(5.3)**	-	(5.3)	N/A
Underlying Profit before Loan Note Interest and Income Tax*	**138.2**	153.3	(15.1)	(9.8)

*Number may not add due to rounding

Financial Position - Spark Infrastructure

Total equity and Loan Notes book value decreased by $165.5 million during 2019 to $2,702.1 million.

Net profit after income tax increased retained earnings by $52.8 million, while Spark Infrastructure's share of the investment portfolio businesses mark-to-market movements on interest rate derivatives and actuarial losses on defined benefit superannuation plans decreased retained earnings and reserves by $142.6 million. Movements in Spark Infrastructure cash flow hedge reserve increased reserves by $0.2 million (interest rate derivatives decrease $0.8 million and FX derivatives increase $1.1 million). Capital distributions totalling $74.8 million were paid to Securityholders during the half year ended 30 June 2019.

Spark Infrastructure had available cash on hand at 30 June 2019 of $81.6 million, excluding $5.0 million in cash held to comply with the Australian Financial Services Licence.

At 30 June 2019, Spark Infrastructure had no drawn debt. The Group holds bilateral corporate debt facilities of $120.0 million. The facilities comprise $40.0 million with each of the Commonwealth Bank of Australia, MUFG Bank, Ltd and Mizuho Bank, Ltd and mature in September 2021.

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 Regulated Asset Base (RAB) was 75.2%, up from 74.3% at 31 December 2018. Victoria Power Networks' net debt to RAB was 71.5%, at 30 June 2019 unchanged from 31 December 2018. TransGrid's net debt to RCAB i.e. RAB plus contracted asset base was 80.6%, down from 80.7% at 31 December 2018. SA Power Networks' Funds from Operations (FFO) to net debt was 16.7%, up from 16.6% at 31 December 2018. Victoria Power Networks' FFO to net debt was 15.0%, down from 15.3% at 31 December 2018. TransGrid's FFO to net debt was 8.3%, up from 8.2% at 31 December 2018.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Financial Position - Spark Infrastructure (continued)

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 2019, SA Power Networks, Victoria Power Networks and TransGrid had 98%, 95% and 85% 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.

In addition to the above, the Group has entered into an interest rate hedge arrangement with Mizuho Bank Limited, MUFG and Commonwealth Bank to allow the Group to fix the interest rate of 1.22% on the notional amount ($100m combined) for 3 years in relation to the debt facilities to be drawn in relation to Bomen Solar Farm. The Group also entered into a foreign exchange swap agreement with MUFG for the purchase of US Dollars in order to fix the staggered payments to the solar panel supplier associated with the Bomen construction. The Group has chosen to apply cash flow hedge accounting to reduce the volatility in the income statement in relation to these arrangements.

Impairment Testing

The Directors are satisfied that there are no indicators during the six-month period that Victoria Power Networks, SA Power Networks, TransGrid or Bomen Solar Farm have suffered an impairment loss at 30 June 2019.

Australian Tax Office Matters

As previously disclosed, Victoria Power Networks has had an ongoing dispute with the ATO in respect of the tax treatment of certain "cash contributions and gifted assets" made by customers to Victoria Power Networks as part of contractual arrangements with these customers. The dispute culminated in a hearing in the Federal Court in early December 2018. On 7 February 2019 the Federal Court handed down its judgment which affirmed the ATO's view on the tax treatment of these contributions and gifted assets as assessable income on receipt. As a consequence of this decision, the Group's financial statements for the period ended 31 December 2018 disclosed a contingent liability of $70 million in relation to historic income tax payable in respect of the Group's investment in SA Power Networks on the basis of the judgment of the Federal Court. Victoria Power Networks subsequently appealed both matters to the full Federal Court. The hearing is currently scheduled to take place in February 2020.

Due to the decision of the Federal Court outlined above and the similarities between the factual position of Victoria Power Networks and SA Power Networks it is believed that there is now a sufficient basis, absent the outcome of the appeal to the full Federal Court, for these cash contributions and gifted assets to be treated as assessable income for SA Power Networks. As such, a provision of $68.2 million (replacing the $70 million contingent liability) was recognised for the periods up to and including the year ended 31 December 2018. This provision was subsequently reduced prior to 30 June 2019 by a tax payment of $13.8 million made to the ATO in relation to the 2018 income tax year and increased by an additional provision of $13.7 million for tax amounts payable for the period 1 January 2019 to 30 June 2019.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses

Spark Infrastructure derives most of its earnings from equity interests in four quality Australian electricity networks across Victoria, South Australia and New South Wales. These are 49% interests in CitiPower and Powercor (together known as "Victoria Power Networks"), a 49% interest in SA Power Networks and a 15.01% interest in the New South Wales electricity transmission business TransGrid.

	30 June 2019 $M	30 June 2018 $M	**Change Compared to 2018**	
			$M	**%**
Proportional Results (Spark Infrastructure's Share)				
Distribution and Transmission Revenue	**491.7**	481.2	10.5	2.2
Other Revenue	**85.4**	82.3	3.1	3.8
Total Revenue	**577.1**	563.5	13.6	2.4
Operating Expenses	**(163.6)**	(146.9)	(16.7)	11.4
Beon Margin	**2.9**	2.3	0.6	26.1
Enerven Margin	**4.6**	4.4	0.2	4.5
EBITDA	**421.0**	423.3	(2.3)	(0.5)
Net Finance Expenses	**(92.2)**	(82.9)	(9.3)	11.2
EBTDA	**328.8**	340.4	(11.6)	(3.4)
Interest on Subordinated Debt	**(50.0)**	(55.1)	5.1	(9.3)
Depreciation and Amortisation	**(164.1)**	(154.9)	(9.2)	5.9
Tax Expense	**(19.5)**	(22.1)	2.6	(11.8)
Net Profit after Tax	**95.2**	108.3	(13.1)	(12.1)

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Victoria Power Networks (100% basis)	**30 June 2019 $M**	30 June 2018 $M	Variance $M	Variance %
Distribution Revenue(1)	**474.8**	473.0	1.8	0.4
Advanced Metering Infrastructure (AMI) Revenue	**42.5**	40.2	2.3	5.7
Semi-regulated Revenue	**29.1**	27.1	2.0	7.4
Other Unregulated Revenue	**27.3**	26.4	0.9	3.4
Total Revenue (excluding Beon)	**573.7**	566.7	7.0	1.2
Operating Expenses (excluding Beon)	**(166.1)**	(143.0)	(23.1)	16.2
Beon Margin	**6.0**	4.6	1.4	30.4
EBITDA	**413.6**	428.3	(14.7)	(3.4)
Depreciation and Amortisation	**(157.3)**	(147.9)	(9.4)	6.4
Net Finance Expenses	**(84.4)**	(72.0)	(12.4)	17.2
Interest on Subordinated Debt	**(53.1)**	(63.5)	10.4	(16.4)
Tax Expense	**(38.7)**	(45.1)	6.4	(14.2)
Net Profit after Tax	**80.1**	99.8	(19.7)	(19.7)
Net Capital Expenditure	**221.0**	211.1	9.9	4.7
RAB	**6,188**	6,001	187.0	3.1
Net Debt/RAB (%)	**71.5%**	71.0%	N/A	0.5
FFO/Net Debt (%)	**15.0%**	15.8%	N/A	(0.8)

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

Regulated, semi-regulated and unregulated revenues (excluding Beon)
During the half year, there was a 1.2% increase in regulated, semi-regulated and unregulated revenue at Victoria Power Networks.

Distribution Use of System (DUoS) revenue increased during the first half of 2019 by 0.4% to $474.8 million. The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments.

The X-factors (the real increase in annual expected regulated revenue) applicable from 1 January 2019 for Powercor was –3.02% and for CitiPower was –0.12%, which represent real increases in revenues before CPI of 2.08%. The CPI-X adjustment for FY 2019 is expected to be a $38.2 million increase on 2018, suggesting a $19.1 million increase half year on half year. However due to seasonality in the prescribed MAR, the impact is less pronounced in the first half of 2019. An increase of $5.2 million (reflecting the CPI-X increase adjusted for seasonality) is reflected in 2019 half year DUOS revenue.

Included within the CPI-X adjustment for Powercor was an amount for costs associated with the installation of Rapid Earth Fault Current Limiters (REFCLs), mandated by the Victorian State Government. REFCLs are a bushfire mitigation technology that work to prevent bushfires starting from fallen powerlines. A REFCL works by rapidly neutralising phase-to-earth fault currents when a live conductor comes into contact with the ground. Powercor is required to install REFCL's at 22 zone substations in Victoria's highest bushfire risk regions within Powercor's network by 1 May 2023. Tranche One of the program was successfully completed in the first half of 2019.

Directors’ Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

DUoS revenue for the first six months of 2019 also included $7.5 million of Service Target Performance Incentive Scheme (STPIS) recovery relating to the 2017 regulatory year. DUoS revenue for the equivalent 2018 period included $9.0 million of STPIS recovery relating to the 2016 regulatory year. The purpose of the STPIS is to provide incentives to electricity distributors to maintain and improve the existing supply reliability and customer service performance to customers. STPIS recovery represents outperformance of reliability and call centre targets as set by the regulator.

Revenue from AMI increased by 5.7% to $42.5 million in the 2019 half year.

Victoria Power Networks’ semi-regulated revenues grew by 7.4% to $29.1 million, mainly due to increased specification and design services provided before connecting customers.

Victoria Power Networks’ unregulated revenue (excluding Beon) increased by 3.4% to $27.3 million in the 2019 half year. Drivers of the increase include IT related projects performed under existing service level agreements and proceeds from sale of properties.

Regulated, semi-regulated and unregulated operating expenses (excluding Beon)
Operating expenses for Victoria Power Networks increased by 16.2% to $166.1 million in the first half of 2019. Drivers of the increase in 2019 operating expenses include higher vegetation management costs, with Victoria Power Networks having increased the numbers of spans being cut in 2019 such that as at 30 June 2019, the cutting program had been accelerated to be ahead of the equivalent 2018 schedule. Operating expense in the half were also higher by $11.1 million due to negative (non-cash) revaluation adjustments to employee entitlements provisions as a result of bond rate movements.

Beon Energy Solutions
Unregulated revenue earned by Beon increased by $30.0 million to $101.0 million in the first half of 2019 due largely to a number of new solar farm projects, the overall margin earned increasing by $1.4 million to $6.0 million.

External financing expenses
Victoria Power Networks net finance expenses increased in the first half of 2019 by $12.4 million to $84.4 million. The increase was principally the result of a $8.1 million gain in a non-cash credit valuation hedge accounting adjustment recognised in the first half of 2018 and an increase in the amount of senior debt held, partially offset by the lower interest charges on refinanced debt. The credit valuation hedge adjustment is a change to the market value of derivative instruments to account for counterparty credit risk.

Capital expenditure
Continued investment in the augmentation and maintenance of the CitiPower and Powercor networks resulted in a 4.7% increase in net capital expenditure in the first half of 2019 to $221.0 million. A significant component of capital expenditure in the period relates to the continuation of the REFCL program.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

SA Power Networks (100% basis)	**30 June 2019 $M**	30 June 2018 $M	Variance $M	Variance %
Distribution Revenue(1)	**412.6**	398.1	14.5	3.6
Semi-regulated Revenue	**46.7**	41.4	5.3	12.8
Unregulated Revenue	**5.5**	5.4	0.1	1.9
Total Revenue	**464.8**	444.9	19.9	4.5
Operating Expenses	**(136.3)**	(118.6)	(17.7)	14.9
Enerven Margin	**9.3**	8.9	0.4	4.5
EBITDA	**337.8**	335.2	2.6	0.8
Depreciation and Amortisation	**(120.4)**	(119.4)	(1.0)	0.8
Net Finance Expenses	**(69.6)**	(54.5)	(15.1)	27.7
Interest on Subordinated Debt	**(35.9)**	(35.9)	-	-
Tax Expense	**(1.0)**	-	(1.0)	N/A
Net Profit	**110.9**	125.4	(14.5)	(11.6)
Net Capital Expenditure	**222.9**	207.8	15.1	7.3
RAB(2)	**4,315**	4,157	158	3.8
Net Debt/RAB (%)	**75.2%**	74.0%	N/A	1.2
FFO/Net Debt (%)	**16.7%**	17.1%	N/A	(0.4)

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

(2) Including public lighting RAB.

Regulated, semi-regulated and unregulated revenues (excluding Enerven)

During the half year, a number of factors resulted in a 4.5% increase in regulated, semi-regulated and unregulated revenue at SA Power Networks.

SA Power Networks increased its DUoS revenue by 3.6% to $412.6 million in the first half of 2019. The increase in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments.

The X-factor (the real increase in annual expected regulated revenue) applicable from 1 July 2018 was –0.74%, which represents a real increase in revenues before CPI of 1.91% (at 1 July 2018). DUoS revenue increased by $10.1 million as a result of the CPI-X adjustment.

DUoS revenue for the first half of 2019 also included $11.4 million of STPIS recovery relating to the 2016/17 regulatory year. DUoS revenue for the equivalent 2018 period included $13.8 million of STPIS recovery relating to the 2015/16 regulatory year.

Semi-regulated revenues were up by 12.8% on 2018 to $46.7 million. The increase was the result of higher public lighting works and increased asset relocation activity, partially offset by a decrease in council funded LED upgrades.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Regulated, semi-regulated and unregulated operating expenses (excluding Enerven)
SA Power Networks operating expenses were $136.3 million, an increase of 14.9% from 2018. The movement in operating expenses half on half is impacted by the prior year treatment of Guaranteed Service Level (GSL) provisions relating to storm events in 2016. GSL provisions recorded in 2016 which were ultimately not fully required were released during the first half of 2017 and also 2018, which reduced operating expenses by $6.2m in 2018. Adjusting for the impact of these provision releases, the increase in operating expenses would have been 9.2% or $11.5 million. This increase was largely due to higher vegetation management, emergency response and negative (non-cash) revaluation adjustments to employee entitlements provisions ($4.1 million) as a result of bond rate movements, partially offset by higher capitalisation of labour costs due to an increased capital works program.

Enerven
Unregulated revenue received by Enerven decreased by $2.2 million to $98.3 million in the first half of 2019, with operating expenses also falling due to the lower NBN activity as the end of the project approaches. The Enerven margin increased by $0.4 million in 2019 reflecting a change in project mix, with projects continuing to be undertaken for ElectraNet but also including new business activity such as commercial solar installations, such as the SA Water solar initiative. Enerven is engaged in deploying solar and battery capability to a significant number of SA Water sites under a framework contract of up to $300 million over 2019 and 2020.

Capital expenditure
Continued investment in the augmentation and maintenance of the South Australian network resulted in net capital expenditure of $222.9 million in the first half of 2019, an increase of 7.3% on the equivalent 2018 period.

External financing costs
SA Power Networks increased net finance costs by 27.7% during the half year to $69.6 million principally the result of a $11.4 million movement (loss) in a non-cash credit valuation hedge accounting adjustment. The credit valuation hedge adjustment is a change to the market value of derivative instruments to account for counterparty credit risk.

TransGrid (100% basis)	**30 June 2019 $M**	30 June 2018 $M	Variance $M	Variance %
Transmission Revenue(1)	**379.0**	362.4	16.6	4.6
Unregulated Revenue	**74.4**	81.7	(7.3)	(8.9)
Other Revenue	**1.2**	8.2	(7.0)	(85.4)
Total Revenue	**454.6**	452.3	2.3	0.5
Operating Expenses	**(102.6)**	(124.8)	22.2	(17.8)
EBITDA	**352.0**	327.5	24.5	7.5
Depreciation and Amortisation	**(186.8)**	(159.3)	(27.5)	17.3
Net Finance Expenses	**(111.3)**	(139.6)	28.3	(20.3)
Interest on Subordinate Debt	**(42.9)**	(42.9)	-	-
Net Profit/(Loss)	**11.0**	(14.3)	25.3	(176.9)
Capital Expenditure	**230.4**	145.8	84.6	58.0
Regulated and Contracted Asset Base (RCAB)	**6,948**	6,771	177	2.6
Net Debt/RCAB(2)(3) (%)	**80.6%**	82.1%	N/A	(1.5)
FFO/Net Debt(4) (%)	**8.3%**	7.4%	N/A	0.9

1. Adjustments are made to transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to transmission prices.
2. Regulated and contracted asset base. RCAB is based on 30 June 2019 estimate.
3. Net Debt is calculated using gross debt less cash and adjusted for prescribed revenue over/(under) collection.
4. Relates to Obligor Group.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Regulated revenue

TransGrid's Transmission Use of System (TUoS) revenue increased by 4.6% in the first half of 2019 to $379.0 million. The increase in TUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors and the year on year movement in incentive payments:

- TransGrid's new regulatory period commenced on 1 July 2018 and included a set maximum allowed revenue (MAR) for the 2018/19 regulatory year, so no CPI-X calculation was applied. The MAR for the 2018/19 regulatory year was $734.3 million or 5.26% higher in nominal terms than the actual MAR for the 2017/18 regulatory year. The impact for the first half of 2019 was a $16.3 million increase on the first half of 2018; and
- TransGrid's TUoS revenue for the first half of 2019 includes $7.8 million of STPIS benefits relating to the 2017 calendar year. In the first half of 2018, TUoS revenue included $7.8 million of STPIS benefits relating to the 2016 calendar year.

Unregulated revenue

Unregulated revenue was $74.4 million, a decrease of $7.3 million on the equivalent 2018 period.

This includes $69.0 million of infrastructure services revenue which was mainly derived from both transmission connections and line modifications (and associated consulting services) as part of asset relocations, including Western Sydney Airport. There has been a reduction in revenue in the current period compared to the same period in the prior year as a number of line modification projects have concluded. Transmission connection revenues are expected to continue to increase across the remainder of 2019 as construction of connection assets is completed.

Unregulated revenue also included $5.4 million from telecommunications (up $1.6 million).

Operating expenses

TransGrid's total operating expenses were $102.6 million in the first half of 2019, a decrease of 17.8% on the equivalent 2018 period.

Regulated operating expenses increased by 3.3% to $78.4 million, principally due to restructuring costs and annual wage increment. These increases were partially offset by maintenance efficiencies continuing to be achieved and procurement savings delivered in the areas of IT, telecommunications operations and insurance placement.

Unregulated operating expense and other costs were $24.2 million, a decrease of $24.7 million, due mainly to the conclusion of a number of line modification projects driving a corresponding decrease in project costs.

Capital expenditure

Capital expenditure was $230.4 million, an increase of $84.6 million from the equivalent 2018 period. Regulated capital expenditure increased by 22.6% to $124.3 million mainly due to augmentation projects including Powering Sydney's Future and Stockdill Switching Station and maintenance capex. Unregulated capital expenditure increased by 139.0% in the first half of 2019 to $106.1 million due to a number of solar farm connections.

Continued investment in the augmentation and maintenance of the regulated network is added to TransGrid's RAB, generating TUoS revenue in future periods. Unregulated capital expenditure invested by TransGrid will result in increased unregulated revenues. The revenue will increase progressively as each project is completed and then escalate with inflation over their 25-30 year contract periods.

External financing expenses

TransGrid's net finance expenses for the first half of 2019 decreased by 20.3% to $111.3 million. The decrease largely came from an accelerated amortisation of capitalised debt financing costs (non-cash) of $27.0 million in 2018 from the refinance of syndicated loan facilities originally put in place at the time of acquisition.

Directors' Report for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Update on Energy and Regulatory Matters

Over the last six months reviews have continued, some significant issues have been settled and revenue review processes commenced.

Significant issues settled

The AER finalised the binding Rate of Return Guideline (RORG) and its position on the regulatory treatment of tax in December 2018 and its approach to forecasting the productivity growth factor in operating expenditure forecasts in March 2019.

The RORG will deliver a significant reduction in the regulated rate of return in the next regulatory periods for SA Power Networks and Victoria Power Networks. The RORG is reviewed every four years, so a further RORG will be in place before TransGrid's next regulatory period commencing in July 2023.

The AER's position on the regulatory treatment of tax was incorporated into the post-tax revenue model in April 2019. The impact of these changes will be incorporated in the AER's Draft Decision for SA Power Networks in October 2019 and Victoria Power Network's proposal to the AER in January 2020.

In March 2019, the AER confirmed that it will apply a productivity growth factor of 0.5% when forecasting industry productivity expectations in operating expenditure forecast. This will reduce the operating expenditure forecast compared to applying the previous 0% productivity factor.

Maintaining a track record of performance in delivering services at the lowest cost remains the most effective response in a changing system. Our portfolio businesses led their peers in productivity in the AER's annual benchmarking report released on 30 November 2018. The AER has recognised that CitiPower, Powercor and SA Power Networks have consistently been the most efficient.

TransGrid is ranked third of the transmission network service providers (NSPs) and we are pleased to see the efficiency initiatives implemented since acquisition having an impact, with TransGrid recording the biggest increase in productivity of all transmission NSPs over 2017 (a 12% increase). The benefits of these improvements in efficiency and productivity are shared with customers over time through lower prices. Across the National Electricity Market (NEM), the benefits from an incentive-based framework have delivered between $6 and $11 billion over the 2006 to 2018 period.[1]

Investing for the Future

The Integrated System Plan (ISP) finalised by AEMO in July 2018 has established a vision for the future of the NEM. The ISP acknowledges the critical role of transmission in optimising the existing investment in energy infrastructure, efficiently connecting renewable energy sources and delivering more than $1.2 billion[2] in quantified benefits to end use customers. The ISP identified $3 billion in priority projects to be delivered by TransGrid.

Support for the investment outlined in the ISP has been provided in the NSW Government's Transmission Infrastructure Strategy released in November 2018. The Strategy includes a commitment to cover any gap between TransGrid's regulated revenues and costs incurred to bring forward preliminary planning work and assessments for four priority transmission projects.

The Energy Security Board (ESB) is continuing to consult on implementing recommendations it released in December 2018 to convert the ISP into action which has been supported by the Australian Energy Market Commissions (AEMC) review of the co-ordination of generation and Transmission Investment (COGATI). This review is supporting rule changes to streamline the Australian Energy Regulator's (AER) processes, establish common assumptions for evaluating projects and improve the pricing signals for new connections and renewable energy zones.

As a part of the COGATI review, the AEMC is also reviewing the access and charging arrangements for transmission networks including the introduction of inter-regional dynamic pricing, firm financial access rights to transmission capacity and the use of this information for planning purposes. Final recommendations on this review is expected in December 2019.

Regulatory Determination Processes

On 31 January 2019 SA Power Networks submitted its proposal to the AER for their regulatory period commencing 1 July 2020. The AER's draft decision is expected in early October 2019. A revised proposal will be due in December 2019 with the AER's final decision in April 2020.

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[1] Energy Networks Australia, Rewarding performance, July 2019.

[2] AEMO, Integrated System Plan, July 2018, p. 6.

Directors' Report
for the Half Year Ended 30 June 2019

Operating and Financial Review (continued)

Update on Energy and Regulatory Matters (continued)

Regulatory Determination Processes (continued)

Victoria Power Networks released a draft proposal for the regulatory period commencing on 1 January 2021 for public consultation in February 2019. The revenue proposal was due to be submitted to the AER on 31 July 2019. However, the proposal is now expected to be submitted on 31 January 2020 as a result of the Victorian Government advising CitiPower and Powercor that it is seeking to align the electricity network and retail tariff year for electricity customers in Victoria by amending the regulatory period to a 30 June year end.

On 5 June 2019, the AER commenced the formal process under clause 5.16.6 of the National Electricity Rules (NER) to consider ElectraNet's request to determine whether the SA-NSW interconnector satisfies the RIT-T cost-benefit analysis. The AER is expected to make a determination by no later than the fourth quarter of 2019. This determination is required before the AER can make a decision to vary revenue in the current period to recover the cost of a contingent project. The next step is for ElectraNet and TransGrid to submit their contingent project applications to the AER.

Outlook for 2019

The Directors have reaffirmed distribution guidance for 2019 of at least 15.0 cps, subject to business conditions. Looking forward, as previously stated, the Directors expect that distributions to Securityholders will align more closely with the five-year regulatory periods of its major investments, primarily being SA Power Networks and Victoria Power Networks.

Distributions to Securityholders are funded from standalone operating cashflows after tax payments. Spark Infrastructure anticipates being able to distribute franking credits to Securityholders, to the extent possible.

The impact of the new RORG and lower inflation will negatively impact regulatory returns for the upcoming five-year regulatory periods for SA Power Networks and Victoria Power Networks. Taking into account these regulatory and macro-economic headwinds and notwithstanding the best efforts of the Investment Businesses to mitigate these impacts, the Directors expect distributions to Securityholders will need to reset to a lower base for the next five-year regulatory periods. It is not possible to determine the impact on future distributions at this point, given that the regulatory processes for SA Power Networks and Victoria Power Networks are not final, and the capital investment requirements for the potential contingent projects in the TransGrid business cannot yet be determined.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

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 financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 30 June 2019 up to the date of this report.

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 directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

D McTaggart
Chair
Sydney
27 August 2019

R Francis
Managing Director

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2019

	Note	**30 June 2019 $'000**	30 June 2018 $'000
Income from associates:			
- Share of equity accounted profits	4	**112,970**	122,979
- Interest income	4	**32,456**	37,663
		145,426	160,642
Other income – interest		**1,030**	1,123
Total income		**146,456**	161,765
Interest expense (including borrowing costs)		**(332)**	(910)
General and administrative expenses		**(7,707)**	(7,597)
Operating costs – Bomen related		**(230)**	-
Transaction bid costs – Bomen related		**(2,736)**	-
Unrealised gains from derivative instruments – Bomen related		**5,250**	-
Profit before Loan Note interest and Income Tax		**140,701**	153,258
Loan Note interest		**(58,870)**	(58,870)
Profit before income tax		**81,831**	94,388
Income tax expense		**(29,004)**	(36,257)
Net profit after income tax attributable to Securityholders		**52,827**	58,131

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2019 (continued)

	30 June 2019 $'000	30 June 2018 $'000
Net profit for the period attributable to Securityholders	**52,827**	58,131
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Share of associates' actuarial (loss)/gain on defined benefits plan	**(31,505)**	19,415
Items that may be reclassified subsequently to profit or loss:		
- Share of associates' (loss)/gain on hedges	**(157,985)**	10,005
- Cash flow hedge reserve	**214**	-
Income tax benefit/(expense) related to components of other comprehensive income	**46,908**	(8,500)
Other comprehensive (loss)/income for the period	**(142,368)**	20,920
Total comprehensive (loss)/income for the period attributable to Securityholders	**(89,541)**	79,051
Earnings per Security		
Weighted average number of stapled securities on issue during the period (No '000)	**1,682,011**	1,682,011
Profit before Loan Note interest and income tax ($'000)	**140,701**	153,258
Basic earnings per security before Loan Note interest and income tax (cents)	8.37¢	9.11¢
Earnings used to calculate earnings per security ($'000)	**52,827**	58,131
Basic earnings per security based on net profit (cents)	3.14¢	3.46¢
(Diluted earnings per security is the same as basic earnings per security)		

Notes to the financial statements are included on pages 20 – 37.

Condensed Consolidated Statement of Financial Position
as at 30 June 2019

	Note	30 June 2019 $'000	31 December 2018 $'000
Current Assets			
Cash and cash equivalents		**86,614**	134,344
Receivables from associates		**7,802**	8,371
Derivative instruments - FX		**1,079**	-
Other current assets		**7,320**	2,075
Total Current Assets		**102,815**	144,790
Non-Current Assets			
Property, plant and equipment		**46,892**	591
Derivative instruments – Power Purchase Agreements (PPA)	3	**6,650**	-
Other non-current assets		**1,409**	-
Investments in associates:			
- Investments accounted for using the equity method	5	**2,175,474**	2,326,112
- Loans to associates	6	**460,600**	503,372
- Loan notes to associates	7	**237,444**	237,444
Total Non-Current Assets		**2,928,469**	3,067,519
Total Assets		**3,031,284**	3,212,309
Current Liabilities			
Payables		**16,474**	2,145
Tax payable		**68,110**	-
Loan Note interest payable to Securityholders		**58,870**	59,711
Total Current Liabilities		**143,454**	61,856
Non-Current Liabilities			
Payables		**1,972**	115
Derivative instruments – interest rate swaps		**772**	-
Loan Notes attributable to Securityholders	8	**1,061,774**	1,061,764
Deferred tax liabilities		**182,978**	282,747
Total Non-Current Liabilities		**1,247,496**	1,344,626
Total Liabilities		**1,390,950**	1,406,482
Net Assets		**1,640,334**	1,805,827

Condensed Consolidated Statement of Financial Position
as at 30 June 2019 (continued)

	Note	30 June 2019 $'000	31 December 2018 $'000
Equity			
Equity attributable to the Parent Entity			
- Issued capital	9	**848,421**	923 270
- Reserves		**(190,122)**	(69,613)
- Retained earnings		**982,035**	952,170
Total Equity		**1,640,334**	1,805,827

Total Equity attributable to Securityholders is as follows:		
Total Equity	**1,640,334**	1,805,827
Loan Notes attributable to Securityholders	**1,061,774**	1,061,764
Total Equity and Loan Notes	**2,702,108**	2,867,591

Notes to the financial statements are included on pages 20 – 37.

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2019

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2018	1,067,502	(40,911)	1,050,173	2,076,764
Net profit for the period	-	-	58,131	58,131
Share of associates' other comprehensive income:				
- gain on hedges	-	10,005	-	10,005
- actuarial gain on defined benefits plan	-	-	19,415	19,415
Related tax	-	(2,766)	(5,734)	(8,500)
Total comprehensive income for the period	-	7,239	71,812	79,051
Recognition of share-based payments	-	284	-	284
Capital distributions	(68,542)	-	-	(68,542)
Balance at 30 June 2018	998,960	(33,388)	1,121,985	2,087,557
Balance at 1 January 2019	**923,270**	**(69,613)**	**952,170**	**1,805,827**
Net profit for the period	**-**	**-**	**52,827**	**52,827**
Share of associates' other comprehensive income:				
- loss on hedges	**-**	**(157,985)**	**-**	**(157,985)**
- actuarial loss on defined benefits plan	**-**	**-**	**(31,505)**	**(31,505)**
Related tax	**-**	**38,365**	**8,543**	**46,908**
Cash flow hedge gain	**-**	**214**	**-**	**214**
Total comprehensive income for the period	**-**	**(119,406)**	**29,865**	**(89,541)**
Recognition of share-based payments	**-**	**374**	**-**	**374**
Derecognition of share-based payments	**-**	**(1,477)**	**-**	**(1,477)**
Capital distributions	**(74,849)**	**-**	**-**	**(74,849)**
Balance at 30 June 2019	**848,421**	**(190,122)**	**982,035**	**1,640,334**

Notes to the financial statements are included on pages 20 – 37.

Condensed Consolidated Statement of Cash Flows for the Half Year Ended 30 June 2019

	Note	**30 June 2019 $'000**	30 June 2018 $'000
Cash Flows from Operating Activities			
Distributions from associates – preferred partnership capital		**34,341**	34,341
Distributions from associates – other		**42,478**	22,632
Interest received from associates		**33,024**	37,936
Interest received – other		**1,167**	1,090
Interest paid – other		**(223)**	(653)
Other expenses		**(8,238)**	(8,094)
Operating costs – Bomen related		**(795)**	-
Transaction bid costs – Bomen related		**(2,645)**	-
Tax paid		**(13,844)**	-
Net Cash Inflow Related to Operating Activities		**85,265**	87,252
Cash Flows from Investing Activities			
Repayment of borrowings by associates		**42,772**	43,060
Acquisition of subsidiary – Bomen		**(1,400)**	-
Purchase of property, plant and equipment – Bomen		**(29,155)**	(19)
Purchase of land – Bomen		**(7,772)**	
Equity investment in TransGrid Services		**(2,702)**	-
Net Cash Inflow Related to Investing Activities		**1,743**	43,041
Cash Flows from Financing Activities			
Payment of external borrowing costs		**(178)**	(45)
Distributions to Securityholders:			
- Loan Note interest	**12**	**(59,711)**	(59,711)
- Capital distributions	**12**	**(74,849)**	(68,542)
Net Cash Outflow Related to Financing Activities		**(134,738)**	(128,298)
Net (Decrease)/Increase in Cash and Cash Equivalents for the Period		**(47,730)**	1,995
Cash and cash equivalents at the beginning of the period		**134,344**	117,289
Cash and Cash Equivalents at the end of the Period [1]		**86,614**	119,284

[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 2018: $5,000,000).

Notes to the financial statements are included on pages 20 – 37.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

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 2019 (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 2018 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 2018, 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.

Although Spark Infrastructure has a net current deficiency of $40,639,000 (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (of $120,000,000, refer to Note 11(b)) and generates sufficient operating cash flows to meet its current obligations as they fall due. Accordingly, this Financial Report has been prepared on a going concern basis.

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 27 August 2019.

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 16 *Leases*	AASB 16 primarily impacts the accounting for leases for a lessee by introducing non-financial assets and liabilities reflecting the committed lease terms. Spark Infrastructure currently holds one lease relating to its office premises, which is being accounted for as an operating lease and has been brought onto the balance sheet under AASB 16. The adoption of AASB 16 by Spark Infrastructure's portfolio businesses may have an impact on profit or loss, and as a consequence, Spark Infrastructure's share of equity accounted profits. Spark Infrastructure has performed a detailed impact assessment in respect of AASB 16 and as a consequence the Directors note that adoption of AASB 16 does not have a material impact on the half year financial report of the Group.

Notes to the Financial Statements
for the Half Year Ended 30 June 2019

1. Summary of Accounting Policies (continued)
Adoption of new and revised Standards (continued)

New and Revised Standard	Requirements and impact assessment

Interpretation 23 *Uncertainty Over Income Tax Treatments*	Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:
	• Determine whether uncertain tax positions are assessed separately or as a group; and
	• Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
	  • If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
	  • If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.
	
	Spark Infrastructure has performed a detailed impact assessment in respect of Interpretation 23 and as a consequence the Directors note that adoption of Interpretation 23 does not have a material impact on the half year financial report of the Group.

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.

Financial Instruments
Recognition and initial measurement – *Unchanged by adoption of new and revised standards*
Spark Infrastructure initially recognises financial instruments on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification – *Unchanged by adoption of new and revised standards*
Financial Assets
On initial recognition, financial assets being loan and loan notes to associates are classified as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Liabilities
Spark Infrastructure classifies its financial liabilities being Loan Notes to Securityholders, as measured at amortised cost.

De-recognition – *Unchanged by adoption of new and revised standards*
Financial Assets
Spark Infrastructure derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Spark Infrastructure neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial Liabilities
Spark Infrastructure derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Notes to the Financial Statements
for the Half Year Ended 30 June 2019

1. Summary of Accounting Policies (continued)
Financial Instruments (continued)

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. The Group have elected to use cash flow hedge accounting to reduce the volatility in the income statement in relation to the foreign currency and interest rate swaps.

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

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

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

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

On settlement of the foreign currency swaps, the carrying amount of the asset is adjusted for any hedging gains or losses carried in the reserves.

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.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

1. Summary of Accounting Policies (continued)

Critical Accounting Estimates and Judgements (continued)

Impairment of Assets

At each reporting date, Spark Infrastructure assesses 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 indicators of impairment are identified, the recoverable amounts are estimated as the higher of 'fair value less costs to sell' and 'value in use'.

If indicators of impairment are identified, the higher of 'fair value less costs to sell' and 'value in use' calculation is used to assess the value of Spark Infrastructure's investment portfolio and to determine whether the carrying values (including equity investment, loan and loan notes; together the net investment) exceed the respective recoverable amounts.

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

- Discounted cash flow projections over a period of 10 years;
- Cash flow projections based on management's financial forecasts incorporating assumptions for business conditions, growth in Regulated Asset Base (RAB) and future regulatory returns;
- Appropriate discount rates specific to each Cash Generating Unit; and
- Appropriate terminal values based on RAB multiples for regulated activities and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) multiples for unregulated activities that reflect recent transmission or distribution transaction multiples.

Discounted cash flow projections for a 10-year period are deemed appropriate as the investment portfolio network businesses operate within regulated industries that reset every five years (as determined by the Australian Energy Regulator (AER)) and have electricity transmission or distribution assets that are long life assets.

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

In accordance with AASB 13 *Fair Value Measurement*, 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.

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

Note 5 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 2019 there are no amounts unrecognised on the basis that the above criteria were not met (30 June 2018: nil).

2. Segment Information

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

- Victoria Power Networks – the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor);
- SA Power Networks – the 49% interest in the electricity distribution business in South Australia.
- TransGrid – the 15.01% interest in the electricity transmission business in New South Wales (i.e. NSW Electricity Networks Assets Holdings Trust (NSW Electricity Networks Assets) and NSW Electricity Networks Operations Holdings Trust (NSW Electricity Networks Operations)); and
- Bomen – the 100% interest in the Bomen Solar Farm HoldCo Pty Ltd and Bomen Solar Farm Hold Trust (and its 100% owned subsidiaries Bomen Solar Farm Pty Ltd, Bomen SF Trust and Bomen SF FinCo Pty Ltd). Bomen is still under construction and operations have not commenced. Operations are expected to commence in the second quarter of 2020.

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 2019

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment Cash Flows										
Distributions from associates – preferred partnership capital	**-**	-	**34,341**	34,341	**-**	-	**-**	**-**	**34,341**	34,341
Distributions from associates – other	**6,733**	-	**20,825**	20,335	**14,920**	2,297	**-**	**-**	**42,478**	22,632
Interest received from associates	**26,443**	31,665	**-**	-	**6,581**	6,271	**-**	**-**	**33,024**	37,936
Repayment of borrowings by associates(1)	**42,772**	43,060	**-**	-	**-**	-	**-**	**-**	**42,772**	43,060
Operating costs – Bomen related	**-**	-	**-**	-	**-**	-	**(795)**	**-**	**(795)**	-
Total Segment Contribution	**75,948**	74,725	**55,166**	54,676	**21,501**	8,568	**(795)**	**-**	**151,820**	137,969
Net interest received									**944**	437
Corporate costs									**(8,238)**	(8,094)
Transaction bid costs – Bomen related									**(2,645)**	-
Tax paid									**(13,844)**	-
Total Operating Cash Flows(1)									**128,037**	130,312

(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 2019

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen		Total	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Segment Revenue										
Share of equity accounted profits	**38,586**	46,480	**72,736**	78,649	**1,648**	(2,150)	**-**	**-**	**112,970**	122,979
Interest income - associates	**26,011**	31,230	**-**	-	**6,445**	6,433	**-**	**-**	**32,456**	37,663
Unrealised gains from derivative instruments	**-**	-	**-**	-	**-**	-	**5,250**	**-**	**5,250**	-
Segment revenue	**64,597**	77,710	**72,736**	78,649	**8,093**	4,283	**5,250**	**-**	**150,676**	160,642
Interest revenue									**1,030**	1,123
Total Revenue									**151,706**	161,765
Segment expenses	**-**	-	-	-	**-**	**-**	**(230)**	**-**	**(230)**	-
Segment contribution	**64,597**	77,710	**72,736**	78,649	**8,093**	4,283	**5,020**	**-**	**150,446**	160,642
Net interest income									**698**	213
Corporate costs									**(7,707)**	(7,597)
Transaction bid costs – Bomen related									**(2,736)**	-
Profit for the year before Loan Note interest and income tax expense									**140,701**	153,258
Interest on Loan Notes to Securityholders									**(58,870)**	(58,870)
Income tax expense									**(29,004)**	(36,257)
Net Profit attributable to Securityholders									**52,827**	58,131

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen		Total	
	Jun 2019 $'000	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000
Segment Assets										
Investments accounted for using the equity method	**498,329**	523,718	**1,284,658**	1,366,211	**392,487**	436,183	**-**	**-**	**2,175,474**	2,326,112
Loans to associates	**460,600**	503,372	**-**	-	**-**	-	**-**	**-**	**460,600**	503,372
Loan notes to associates	**-**	-	**-**	-	**237,444**	237,444	**-**	**-**	**237,444**	237,444
Receivables from associates	**4,655**	5,088	**-**	-	**3,147**	3,283	**-**	**-**	**7,802**	8,371
Property, plant and equipment	**-**	-	**-**	-	**-**	-	**46,361**	-	**46,361**	-
Derivative instruments	**-**	-	**-**	-	**-**	-	**6,650**	-	**6,650**	-
Other assets	**-**	-	**-**	-	**-**	-	**4,265**	-	**4,265**	-
Total Segment Assets	**963,584**	1,032,178	**1,284,658**	1,366,211	**633,078**	676,910	**57,276**	**-**	**2,938,596**	3,075,299
Unallocated Assets										
Cash and cash equivalents									**86,614**	134,344
Derivative instruments									**1,079**	-
Other current assets									**4,464**	2,075
Property, plant and equipment									**531**	591
Total Assets									**3,031,284**	3,212,309

Notes to the Financial Statements
for the Half Year Ended 30 June 2019

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen		Total	
	Jun 2019 $'000	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000	**Jun 2019 $'000**	Dec 2018 $'000
Segment Liabilities										
Payables	**-**	-	**-**	-	**-**	-	**13,024**	**-**	**13,024**	-
Total Segment Assets	**-**	-	**-**	-	**-**	-	**13,024**	**-**	**13,024**	-
Unallocated Liabilities										
Loan Notes attributable to Securityholders									**1,061,774**	1,061,764
Financial instruments									**772**	-
Tax payable									**68,110**	-
Other liabilities									**64,292**	61,971
Deferred tax liabilities									**182,978**	282,747
Total Liabilities									**1,390,950**	1,406,482

Notes to the Financial Statements for the Half Year Ended 30 June 2019

3. Acquisition of subsidiary

On 17 April 2019 Spark Infrastructure Holdings No. 6 Pty Ltd (Spark Holdings) acquired 100% of the existing shares in Bomen SF HoldCo Pty Ltd and the units in Bomen SF Hold Trust. The acquisition constituted an acquisition of assets rather than a business combination under AASB 3 *Business Combinations.*

Under the agreement, Spark Holdings made a capital injection through the subscription of $12,158,466 for additional units in the Bomen SF Hold Trust (paid immediately following acquisition date). The Bomen SF Hold Trust, as a trustee for Bomen SF Trust was required to reimburse the Seller for services provided in obtaining and securing all agreements to allow the construction and commercial operation of the Bomen Solar Farm through the Bomen Trust.

Spark Infrastructure Holdings has achieved control of the Bomen Group by virtue of a 100% share and unit holding in the investee. This share and unit holding allows Spark Infrastructure Holdings to direct the relevant activities and receive variable returns from the investee. The Spark Infrastructure Group has consolidated the Bomen Group.

(a) Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	$'000
Cash	13,558
Total consideration transferred	**13,558**

(b) Acquisition-related costs

The Group incurred acquisition-related costs of $2,736,000 relating to external legal fees and due diligence costs. These amounts have been included in administrative expenses in the condensed consolidated statement of profit and loss and other comprehensive income.

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$'000
GST receivable	1,417
Property, plant and equipment	14,166
Power purchase agreements	1,400
Accounts payable	(3,425)
Total identifiable net assets acquired	**13,558**

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers the market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Power purchase agreements	*Market comparison technique:* The valuation model considers the market prices for similar items when they are available.

The above fair values have been determined on a provisional basis. If new information obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

(d) Bomen assets and liabilities as at 30 June 2019

	$'000
Assets under construction	38,589
Land	7,772
Derivative Assets – Power purchase agreements	6,650
Other assets – GST receivable and prepayments	4,265
Payables	(13,024)

(e) Related party transactions

Beon Energy Solutions (Beon), owned by Victoria Power Networks, has been appointed as engineering, procurement and construction (EPC) contractor. As at 30 June 2019 Spark Infrastructure had incurred costs of $18.4 million which has been capitalised as assets under construction.

Bomen will connect into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 30 June 2019 Spark Infrastructure are yet to incur any costs in relation to TransGrid services.

	30 June 2019 $'000	30 June 2018 $'000
4. Share of Equity Accounted Profits and Interest		
Equity Accounted Profits:		
Victoria Power Networks Pty Ltd	**38,586**	46,480
SA Power Networks Partnership	**72,736**	78,649
NSW Electricity Networks Assets[1]	**(3,658)**	(5,154)
NSW Electricity Networks Operations[1]	**5,306**	3,004
	112,970	122,979
Interest Income – Associates:		
Victoria Power Networks Pty Ltd	**26,011**	31,230
NSW Electricity Networks Operations	**6,445**	6,433
	32,456	37,663
	145,426	160,642

(1) Together referred to as TransGrid.

Notes to the Financial Statements
for the Half Year Ended 30 June 2019

5. Investments Accounted for using the Equity Method

(a) Investments in Associates:

Name of entity	Principal activity	Ownership interest %		Country of Incorporation/ Formation
		June 2019	December 2018	
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 2019

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

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

	30 Jun 2019 $'000	30 Jun 2019 $'000	30 Jun 2019 $'000	30 Jun 2019 $'000	31 Dec 2018 $'000	31 Dec 2018 $'000	31 Dec 2018 $'000	31 Dec 2018 $'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	**469,542**	**352,290**	**97,265**	**205,679**	331,760	333,509	85,883	213,951
Non-current assets	**8,143,682**	**6,796,603**	**7,399,644**	**2,866,810**	8,016,147	6,563,659	7,433,512	2,791,021
Total assets	**8,613,224**	**7,148,893**	**7,496,909**	**3,072,489**	8,347,907	6,897,168	7,519,395	3,004,972
Current liabilities	**1,689,687**	**1,213,264**	**95,824**	**239,845**	1,548,901	1,186,964	104,318	184,638
Non-current liabilities	**5,446,946**	**3,709,828**	**5,923,585**	**1,669,471**	5,223,789	3,316,189	5,681,070	1,650,859
Total liabilities	**7,136,633**	**4,923,092**	**6,019,409**	**1,909,316**	6,772,690	4,503,153	5,785,388	1,835,497
Net assets	**1,476,591**	**2,225,801**	**1,477,500**	**1,163,173**	1,575,217	2,394,015	1,734,007	1,169,475

(1) Together referred to as TransGrid.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

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

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

	30 Jun 2019 $'000 Victoria Power Networks	**30 Jun 2019 $'000 SA Power Networks**	**30 Jun 2019 $'000 NSW Electricity Networks Assets[(1)]**	**30 Jun 2019 $'000 NSW Electricity Networks Operations[(1)]**	30 Jun 2018 $'000 Victoria Power Networks	30 Jun 2018 $'000 SA Power Networks	30 Jun 2018 $'000 NSW Electricity Networks Assets[(1)]	30 Jun 2018 $'000 NSW Electricity Networks Operations[(1)]
Regulated revenue (including advanced metering)	**521,484**	**412,572**	**-**	**339,554**	513,237	406,992	-	397,812
Revenue – semi-regulated and unregulated	**156,847**	**150,638**	**275,439**	**87,498**	132,709	147,346	266,840	94,252
Operating revenue	**678,331**	**563,210**	**275,439**	**427,052**	645,946	554,338	266,840	492,064
Revenue – transmission (pass-through)	**143,052**	**117,162**	**-**	**-**	143,740	118,114	-	-
	821,383	**680,372**	**275,439**	**427,052**	789,686	672,452	266,840	492,064
Expenses	**(555,159)**	**(451,254)**	**(299,809)**	**(431,104)**	(501,057)	(420,030)	(301,177)	(436,651)
Expenses – transmission (pass-through)	**(143,052)**	**(117,162)**	**-**	**-**	(143,740)	(118,114)	-	-
Profit/(loss) before income tax	**123,172**	**111,956**	**(24,370)**	**(4,052)**	144,889	134,308	(34,337)	55,413
Income tax expense	**(38,670)**	**(1,037)**	**-**	**-**	(45,075)	-	-	-
Net profit/(loss)	**84,502**	**110,919**	**(24,370)**	**(4,052)**	99,814	134,308	(34,337)	55,413
Other comprehensive income:								
(Loss)/gain on hedges	**(154,041)**	**(153,157)**	**(200,437)**	**(108)**	31,878	(3,493)	5,109	104
Actuarial (loss)/gain on defined benefit plans	**(12,846)**	**(49,135)**	**-**	**(20,141)**	20,347	24,762	-	2,013
Income tax benefit/(expense) related to components of other comprehensive income	**50,066**	**-**	**-**	**-**	(15,667)	-	-	-
Other comprehensive (loss)/income for the Current Period	**(116,821)**	**(202,292)**	**(200,437)**	**(20,249)**	36,558	21,269	5,109	2,117
Total comprehensive (loss)/income for the Current Period	**(32,319)**	**(91,373)**	**(224,807)**	**(24,301)**	136,372	155,577	(29,228)	57,530

(1) Together referred to as TransGrid.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

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

(c) Summarised Financial Performance of Associates (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 2019 $'000	30 June 2018 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	**41,406**	48,909
SA Power Networks net profit applicable to Spark Infrastructure	**54,350**	65,811
Additional share of profits from preferred partnership capital[a]	**17,611**	17,611
NSW Electricity Networks Assets net loss applicable to Spark Infrastructure	**(3,658)**	(5,154)
NSW Electricity Networks Operations net (loss)/profit applicable to Spark Infrastructure	**(608)**	8,317
	109,101	135,494
Additional adjustments made to share of equity profits[b]	**3,869**	(12,515)
	112,970	122,979

(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) Additional adjustments made to share of equity profits include:

- Adjustments are made to distribution/transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs;
- Depreciation/amortisation of fair value uplift of assets on acquisition; and
- Customer contribution and gifted asset depreciation.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

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

(d) Movement in Carrying Amounts

	6 months to 30 June 2019 $'000	12 Months to 31 December 2018 $'000
Carrying amount at the beginning of the Current Period	**2,326,112**	2,550,342
Share of profits after income tax	**106,237**	212,037
Preferred partnership distribution received – SA Power Networks	**(34,341)**	(69,635)
Distributions received – SA Power Networks	**(20,825)**	(45,570)
Distributions received – NSW Electricity Networks Assets	**(14,920)**	(17,832)
Distributions received – NSW Electricity Networks Operations	**-**	(2,131)
Capital contribution – NSW Electricity Networks Operations	**2,702**	9,757
Impairment loss – SA Power Networks	**-**	(270,000)
Share of associates' comprehensive loss recognised directly in equity	**(189,491)**	(40,856)
Carrying amount at the end of the Current Period	**2,175,474**	2,326,112

6. Loans to Associates – interest bearing

	30 June 2019 $'000	31 December 2018 $'000
Victoria Power Networks	**460,600**	503,372

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. An amount of $42,772,000 was repaid by the borrower to Spark Infrastructure during the period.

7. Loan notes to Associates – interest bearing

	30 June 2019 $'000	31 December 2018 $'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.

Notes to the Financial Statements
for the Half Year Ended 30 June 2019

8. Loan Notes Attributable to Securityholders

	6 months to 30 June 2019 $'000	Year ended 31 December 2018 $'000
Balance at beginning of the Current Period	**1,061,764**	1,061,744
Write back of deferred discount(1)	**10**	20
Balance at end of the Current Period	**1,061,774**	1,061,764

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

9. Issued Capital

	6 months to 30 June 2019 $'000	Year ended 31 December 2018 $'000
Balance at beginning of the Current Period	**923,270**	1,067,502
Capital distribution	**(74,849)**	(144,232)
Balance at end of the Current Period	**848,421**	923,270

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

10. 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.

11. Notes to the Statement of Cash Flows

(a) Cash transactions

As at 30 June 2019, 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 2018: $5,000,000).

(b) Committed Finance Facilities	30 June 2019 $'000	31 December 2018 $'000
Bank facilities:		
• Amount used	**-**	-
• Amount unused	**120,000**	120,000
	120,000	120,000

Committed Finance Facility maturities are:

- September 2021: $40,000,000 3-year revolving facility with Commonwealth Bank of Australia
- September 2021: $40,000,000 3-year revolving facility with Mitsubishi UFG Financial Group, Inc
- September 2021: $40,000,000 3-year revolving facility with Mizuho Bank, Ltd

At 30 June 2019 there were no drawn balances.

Notes to the Financial Statements for the Half Year Ended 30 June 2019

12. Details Relating to Distributions

	2019 Cents Per Security	**2019** Total $'000	2018 Cents Per Security	2018 Total $'000
Distribution Paid:				
Final distribution paid in respect of year ended 31 December 2018, paid on 15 March 2019 (2018: In respect of year ended 31 December 2017, paid on 15 March 2018):				
Interest on Loan Notes	**3.55**	**59,711**	3.55	59,711
Capital distribution	**4.45**	**74,849**	4.075	68,542
	8.00	**134,560**	7.625	128,253
Distribution Payable:				
Interim 2019 distribution payable on 13 September 2019 (2018: Interim 2018 distribution paid on 14 September 2018):				
Interest on Loan Notes	**3.50**	**58,870**	3.50	58,870
Capital distribution	**4.00**	**67,280**	4.50	75,691
	7.50	**126,150**	8.00	134,561

The distributions are unfranked.

13. Commitments, Contingent Liabilities and Contingent Assets

Bomen Solar Farm Pty Ltd as trustee of the Bomen Trust has provided a documentary letter of credit to Jinko Solar Australia Holdings Co. Pty Ltd under the Module Supply Agreement. The commitment amount is US$32.9 million.

In addition, Bomen Solar Farm Pty Ltd as trustee of the Bomen Trust has provided a bank guarantee of $3 million to TransGrid on demand under the Project contract and of $3.2 million to Westpac under the PPA.

There were no further material contingent liabilities or contingent assets as at 30 June 2019 which have not already been disclosed.

14. 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 – 37 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
27 August 2019

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Spark Infrastructure RE Limited
as responsible entity for Spark Infrastructure Trust
Level 29, 225 George Street
SYDNEY NSW 2000

27 August 2019

Dear Board Members

Auditor's Independence Declaration to 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 report of Spark Infrastructure Trust for the half-year ended 30 June 2019, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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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 2019, 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 38.

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 2019 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 2019 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, 27 August 2019