Tuesday, 25 August 2020

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 2020

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2020. 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 2020

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 2020	30 June 2019

	Percentage Change	30 June 2020 A$'000	30 June 2019 A$'000
Profit or Loss Summary			
Profit before Loan Note Interest and Income Tax	Down 6.1%	**132,187**	140,701
Net Profit Attributable to the Stapled Security Holders	Down 5.9%	**49,732**	52,827
Earnings per Stapled Security before Loan Note Interest and Income Tax	Down 7.8%	**7.72¢**	8.37¢
Earnings per Stapled Security	Down 7.6%	**2.90¢**	3.14¢
Net Operating Cash Flow (including repayment of shareholder loans from Victoria Power Networks)	**Down 64.9%**	**44,951**	128,037
Net Operating Cash Flow (including repayment of shareholder loans from Victoria Power Networks) per Stapled Security	**Down 65.6%**	**2.62¢**	7.61¢
Underlying Profit before Loan Note Interest and Income Tax	Down 2.8%	**134,893**	138,753
Underlying Net Profit Attributable to the Stapled Security Holders	Up 3.1%	**52,438**	50,879
Underlying Earnings per Stapled Security before Loan Note Interest and Income Tax	Down 4.5%	**7.88¢**	8.25¢
Underlying Earnings per Stapled Security	Up 1.3%	**3.06¢**	3.02¢

Results for Announcement to the Market for the Half Year Ended 30 June 2020

2. Net Tangible Assets per Security

	30 June 2020 $'000	31 December 2019 $'000
Net Assets	**1,578,923**	1,638,408
Loan Notes attributable to Security Holders	**1,087,437**	1,072,674
Net Assets and Loan Notes attributable to Security Holders	**2,666,360**	2,711,082
No. of Securities ('000)	**1,721,716**	1,698,849
Net Tangible Assets per Security ($)	**$1.55**	$1.60

3. Details of Associates

Associate	Ownership Interest		Contribution to Net Profit	
	30 June 2020 (%)	30 June 2019 (%)	**30 June 2020 $'000**	30 June 2019 $'000
Equity accounted income:				
Victoria Power Networks Pty Ltd	**49.00%**	49.00%	**45,492**	38,586
SA Power Networks Partnership	**49.00%**	49.00%	**65,578**	72,736
NSW Electricity Networks Assets Holdings Trust	**15.01%**	15.01%	**82**	(3,658)
NSW Electricity Networks Operations Holdings Trust	**15.01%**	15.01%	**1,567**	5,306
Sub-total			**112,719**	112,970
Interest income:				
Victoria Power Networks Pty Ltd			**24,919**	26,011
NSW Electricity Networks Operations Holdings Trust			**4,948**	6,445
Total			**142,586**	145,426

4. Entities Gained/Lost Control during the Period

Gained Control of:
- Nil

Lost Control of:
- Nil

Results for Announcement to the Market for the Half Year Ended 30 June 2020

5. Distributions

	30 June 2020		30 June 2019	
	Cents per Security	**Total $'000**	Cents per Security	Total $'000
Distribution Paid: Final distribution paid in respect of year ended 31 December 2019, paid on 13 March 2020 (2018: In respect of year ended 31 December 2018, paid on 15 March 2019):				
Interest on Loan Notes	**3.55**	**60,309**	3.55	59,711
Capital Distribution	**3.95**	**67,105**	4.45	74,849
	7.50	**127,414**	8.00	134,560
Distribution Payable/Proposed: Interim 2020 distribution payable 15 September 2020 (Interim 2019 distribution, paid on 13 September 2019):				
Interest on Loan Notes	**3.50**	**60,260**	3.50	58,870
Capital Distribution	**3.50**	**60,260**	4.00	67,280
	7.00	**120,520**	7.50	126,150

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 4 September 2020.

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 in respect of the interim 2020 distribution is 7 September 2020.

7. Foreign Entities

Not Applicable

Compliance Statement

Information on Audit or Review

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

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

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

- N/A -

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

- N/A -

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

Signed on behalf of the Board:

D McTaggart
Chair

R Francis
Managing Director

25 August 2020

Interim Financial Report
30 June 2020

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 2020

Directors' Report

The Directors of Spark Infrastructure RE Limited present this financial report on the consolidated entity for the half year ended 30 June 2020 (HY2020). 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".

References to SIH No.1 are for Spark Infrastructure Holdings No. 1 Pty Limited and SIH No. 2 are for Spark Infrastructure Holdings No. 2 Pty Limited.

The Principal Activity of Spark Infrastructure

During the reporting period, Spark Infrastructure continued to invest in essential services infrastructure businesses, primarily electricity distribution and transmission businesses, in Australia.

In April 2019 Spark Infrastructure acquired the Bomen Solar Farm project north of Wagga Wagga in NSW. Construction commenced in June 2019 with the farm reaching mechanical completion in late January 2020. Energisation was completed on 27 February 2020 with commissioning commencing shortly thereafter. Approvals from both the Australian Energy Market Operator and TransGrid for full commercial operations have now been received enabling Bomen Solar Farm to commence commercial operations in the second half of 2020.

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 half year, the Directors of the company were:

Dr Douglas McTaggart, Chair
Mr Rick Francis, Managing Director and Chief Executive Officer
Ms Anne Brennan (appointed 1 June 2020)
Mr Andrew Fay
Mr Miles George
Mr Greg Martin

Retired during HY 2020
Ms Karen Penrose (resigned 27 May 2020)

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review

Review of Operations – Spark Infrastructure

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

Standalone Operating Cash Flows ($ Million)	**30 June 2020 $M**	30 June 2019 $M	**Change Compared to 2019 $M**	**%**
Cash Distributions from Investment Portfolio Businesses				
Victoria Power Networks[1]	**78.4**	75.9	**2.5**	**3.3**
SA Power Networks	**46.8**	55.2	**(8.4)**	**(15.2)**
TransGrid	**11.6**	21.5	**(9.9)**	**(46.0)**
Total Cash Distributions Received from Investment Portfolio Businesses	**136.8**	152.6	**(15.8)**	**(10.4)**
Net interest received	**0.4**	0.9	**(0.5)**	**(55.5)**
Corporate expenses paid	**(7.5)**	(8.0)	**0.5**	**6.3**
Underlying Net Standalone Operating Cash Flows – before tax paid	**129.7**	145.5	**(15.8)**	**(10.9)**
Less tax paid[2]	**(19.0)**	(8.5)	**(10.5)**	**123.5**
Underlying Net Standalone Operating Cash Flows – after tax paid	**110.7**	137.0	**(26.3)**	**(19.2)**
Underlying Adjustments:				
Operating costs – Bomen Solar Farm related	**(0.4)**	(0.8)	**0.4**	**50.0**
Project and transaction bid costs	**(3.3)**	(2.9)	**(0.4)**	**(13.8)**
Interest on historical tax	**(6.7)**	-	**(6.7)**	**N/A**
Other tax paid[3]	**(55.3)**	(5.3)	**(50.0)**	**N/A**
Net Standalone Operating Cash Flows[1]	**45.0**	128.0	**(83.0)**	**(64.8)**

1. 2019 includes repayment of shareholder loans
2. 2020 tax paid of $19.0m represents half of the total $37.9m tax liability in respect of the 31 December 2019 income tax year. 2019 tax paid of $8.5m represents half of the $16.9m tax liability in respect of the 31 December 2018 income tax year
3. 2020 other tax paid of $55.3m is comprised of:
   - $34.4m relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO)
   - $6.2m relating to the 31 December 2020 income tax year, and with respect to the SIH No.2 Tax Consolidated Group
   - $14.7m relating to the 31 December 2019 income tax year

   2019 other tax paid of $5.3m relates to the remaining 31 December 2018 income tax year liability

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 2020 was $45.0 million a decrease of 64.8% on the equivalent 2019 period. Spark Infrastructure is transitioning over time to being tax-paying. As this transition occurs tax paid between years will vary significantly. For better comparison period on period, underlying standalone OCF before tax payments (ongoing and historical back-tax) and excluding one-off items such as acquisition and project costs, was $129.7 million for the period, a decrease of $15.8 million or 10.9%.

Total distributions received from Victoria Power Networks were $78.4 million, up 3.3% and distributions received from SA Power Networks were $46.8 million, down $8.4 million or 15.2%, reflecting another good period of operations for both businesses. The distribution reduction from SA Power Networks was as anticipated and reflects the transition into their new regulatory determination with lower regulatory revenues from 1 July 2020.

Total distributions received from TransGrid were $11.6 million, down $9.9 million or 46.0%. The decrease was primarily due to the deferral of June Quarter distributions now expected to be received in the second half of 2020 and a decrease in interest on securityholder loan notes received as a result of lower bank bill interest rates. In addition, TransGrid has retained a portion of surplus cash to assist in funding growth in its regulated and contracted asset bases.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

Corporate expenses and tax

Spark Infrastructure's recurring corporate expenses decreased by $0.5 million or 6.3% to $7.5 million during 2020 primarily due to timing of cash payments.

During the first six months of 2020, Spark Infrastructure paid a total of $74.3 million income tax. Of this, $34.4 million is the outstanding balance (i.e. 50%) of the income tax liability attributable to the income tax years 31 December 2015 to 31 December 2018 inclusive and which is the subject of the ongoing litigation between Victoria Power Networks and the ATO in respect of gifted assets and cash contributions. $33.7 million is attributable to the 31 December 2019 income tax year net of instalments made in 2019 of $4.1 million. The remaining $6.2 million relates to tax instalments in respect of 31 December 2020 income tax year.

Together with the payment of $34.4 million made in 2019, the $34.4 million referred to above constitutes full and final settlement of all tax liabilities up to the end of 2018 on the basis that gifted assets and cash contributions are fully assessable, i.e. assumes that Victoria Power Networks is unsuccessful in its appeal to the Full Federal Court. Notwithstanding that the court appeal process is still ongoing, payment of the remaining amount was made to reduce potential funding liabilities accruing in the event the appeal is unsuccessful. Further detail is set out in the Australian Tax Office Matters section. As well as the $34.4 million, Spark Infrastructure also paid $6.7 million of accrued interest in respect of this outstanding liability. The ATO has also issued shortfall penalty notices of $1.3 million in respect of the lodgement of prior year income tax returns and the basis upon which they were originally submitted. SIH No.2 has objected to these penalty notices.

Underlying tax paid in the first half 2020 of $19.0 million represents half of the $37.9 million tax liability in respect of the 31 December 2019 income tax year. Tax paid of $8.5 million for the first half of 2019 represents half of the $16.9 million tax liability in respect of the 31 December 2018 income tax year.

Victoria Power Networks became a taxpayer in respect of the 31 December 2019 year with tax paid of $31.0 million paid in June 2020. The hearing for the tax litigation referred to above was delayed due to COVID-19 and Victoria Power Networks will not pay franked dividends until the outcome is known. On the basis Victoria Power Networks loses the litigation, the impact of this deferral is timing in nature with SIH No.1 expected to receive unfranked dividends in the current year with franked dividends being paid in subsequent income years. The impact of this to Spark Infrastructure is a higher tax liability in respect of 2020 with correspondingly lower tax liabilities in respect of 2021 and 2022.

As at 30 June 2020, the Spark Infrastructure group has collectively paid $113.0 million of income tax, which represents approximately 6.6 cents per security (cps) of franking credits. Of this total $93.2 million relates to SIH No.2. Once the outcome of the Victoria Power Networks appeal in respect of gifted assets and cash contributions is known, on the basis the original judgement is upheld, Spark Infrastructure will commence paying out franking credits to Securityholders as part of its ongoing distributions. These amounts of tax, along with ongoing income tax payments are expected to result in partial franking of the distribution on an ongoing basis. Should the litigation be successful, the level of franking will decrease to reflect the lower level of tax paid by Spark Infrastructure.

Distributions to Securityholders and Distribution Reinvestment Plan

Spark Infrastructure pays out distributions which are fully supported by operating cash flows. 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 also manages fluctuations in its working capital.

Spark Infrastructure paid a final distribution for 2019 of $127.4 million to Securityholders in March 2020, representing 7.5 cps.

The Directors have declared an interim distribution for 2020 of 7.0 cps, in line with distribution guidance, which is payable on 15 September 2020.

Spark Infrastructure has a Distribution Reinvestment Plan (DRP). The Directors regularly assess the operation of the DRP and have determined that it will remain activated for the interim distribution payable in September 2020. The DRP will be used for general corporate purposes, including to part fund growth opportunities in TransGrid and Value Build opportunities (as appropriate). 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.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

Completion of Bomen Solar Farm

On 17 April 2019, Spark Infrastructure acquired a 100% interest in the $120MW_{DC}/100MW_{AC}$ Bomen Solar Farm project, located 10km north-east of Wagga Wagga in NSW. Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor. Bomen Solar Farm connects 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. A further $0.5MW_{DC}$ was added through optimised design.

Construction of Bomen Solar Farm commenced in June 2019 and reached mechanical completion in late January 2020. Energisation was completed on 27 February 2020 and commissioning commenced in late February. Bomen Solar Farm has been able to export 100% of generation since mid-June 2020, with all inverters live and operational, after which there were no further restrictions applied to the farm's output. The Project received approvals from both the Australian Energy Market Operator (AEMO) and TransGrid for full commercial operations with effect from 14 July 2020.

Power purchase agreements (PPAs)

Bomen Solar Farm has long-term PPAs in place with high-quality counterparties providing stable and predictable cash flows for up to 10 years. Bomen Solar Farm sells electricity and Large-Scale Renewable Generation Certificates (LGCs). Under the PPA arrangements, the difference between the market and the contract price is settled on a net basis with the counterparty. Bomen Solar Farm has PPAs with Westpac for ten years and with Flow Power for a range of contract durations of five, seven and ten years. These provide a strong and stable revenue stream which is ~95% contracted for the first five years and ~82% contracted over the first ten years. Bomen Solar Farm is expected to generate average annual revenue of approximately $13.5 million for the first five years.

Financial Performance - Spark Infrastructure

Underlying Profit before Loan Note Interest and Income Tax	**30 June 2020**	30 June 2019	**Change Compared to 2019**	
	$M	$M	**$M**	**%**
Profit before loan note interest and income tax	**132.2**	140.7	(8.5)	(6.0%)
Addback Operating costs – Bomen Solar Farm related	**0.6**	0.2	0.4	N/A
Addback Project and transaction bid costs(1)	**2.2**	3.1	(0.9)	(29.0%)
Addback Interest and tax shortfall penalties(2)	**8.0**	-	8.0	N/A
Less unrealised gains from derivative instruments – Bomen Solar Farm related	**(8.1)**	(5.3)	(2.8)	52.8%
Underlying Profit before Loan Note Interest and Income Tax(3)	**134.9**	138.7	(3.8)	(2.8%)

(1) Includes project and Bomen Solar Farm transaction bid costs, incurred before commercial operations commence
(2) Interest charge of $6.7m and tax shortfall penalties of $1.3m on historical tax payments made – refer ATO Tax Matters below for more information
(3) Numbers may not add due to rounding

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

Financial Position - Spark Infrastructure

Total equity and Loan Notes book value decreased by $44.7 million during HY2020 to $2,666.4 million.

Net profit after income tax increased retained earnings by $49.7 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 $68.4 million. Movements in Spark Infrastructure cash flow hedge reserve increased reserves by $4.6 million.

Capital distributions totalling $67.1 million were paid to Securityholders during HY2020 offset by securities and loan notes issued under the March DRP of $46.0 million.

Spark Infrastructure had available cash on hand at 30 June 2020 of $130.1 million, excluding $5.0 million in cash held to comply with its Australian Financial Services Licence. During February 2020, Spark Infrastructure executed $400.0 million of bilateral corporate debt facilities maturing in February 2023, replacing its previous $120.0 million bilateral facilities. The facilities are with banks from the prior facilities, namely the Commonwealth Bank of Australia, MUFG Bank, Ltd and Mizuho Bank Ltd, and now include Westpac Banking Corporation, Sumitomo Mitsui Banking Corporation and China Construction Bank Corporation. Spark Infrastructure pays an average margin of 95 basis points above the applicable bank bill swap rate on amounts drawn from these facilities.

A total of $180.0 million of available facilities were drawn down as at 30 June 2020, with $140.0 million being drawn in the half year ended 30 June 2020 in order to part fund the construction of the Bomen Solar Farm, to fund historic tax payments and for prudent capital management purposes given the current economic climate resulting from the COVID-19 pandemic.

Spark Infrastructure targets investment grade credit ratings for each of the businesses in its portfolio and at the corporate level.

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 2020, SA Power Networks, Victoria Power Networks and TransGrid had 91%, 94% and 84% 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 interest rate hedge arrangements with Mizuho Bank Limited, MUFG and Commonwealth Bank to allow the Group to fix interest rates of 1.22% to 1.35% on the notional amount (up to $125m combined) for 3-10 years in relation to the debt facilities drawn in relation to the Bomen Solar Farm. The Group has chosen to apply cash flow hedge accounting to reduce the volatility in the statement of profit or loss in relation to these arrangements.

Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's investments in SA Power Networks and TransGrid to determine whether any impairment has arisen and are satisfied that no impairment existed at 30 June 2020. The analysis undertaken as part of this review takes into account the current Corporate Plans for SA Power Networks and TransGrid.

At 30 June 2020, Directors determined that no indicators of impairment existed for Spark Infrastructure's investments in Victoria Power Networks or Bomen Solar Farm and no impairment testing was undertaken.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

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 judgement which confirmed the ATO's view on the tax treatment.

In summary, the Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt; and
- Assets transferred to Victoria Power Networks from customers (i.e. gifted assets) should be treated as assessable income to Victoria Power Networks for tax purposes at their estimated construction value net of any rebates paid by Victoria Power Networks as part of the connection agreement.

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 liability of $68.8 million was recognised by SIH No.2 as the head entity for the SIH No.2 tax consolidated group for the periods up to and including the year ended 31 December 2018. 50% of this amount was paid during the 31 December 2019 year with the remaining 50% paid during the half year ended 30 June 2020 along with $6.7 million of accrued interest on the outstanding balance. The ATO has also issued shortfall penalty notices for $1.3m in respect of the lodgement of prior year income tax returns and the basis upon which such returns were submitted. SIH No.2 has objected to these penalty notices

The Full Federal Court appeal was heard on 21 August 2020 with a decision expected in late 2020. The treatment in the financial statements will only be revisited should the Full Federal Court find in favour of Victoria Power Networks on one or both of the matters.

Depending on the outcome of the Full Federal Court appeal, tax and interest paid will either be refunded, or SIH No.2 will continue to adopt the tax treatment decided by the court in all future income tax returns. In respect of all periods up to 30 June 2020 all tax balances have been recorded and paid on the basis of the original Federal Court decision.

Directors' Report
for the Half Year Ended 30 June 2020

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.

Aggregated Proportional Results (Spark Infrastructure's share)	30 June 2020 $M	30 June 2019 $M	Change Compared to 2019 $M	%
Distribution and Transmission Revenue	**510.4**	491.7	**18.7**	**3.8%**
Other Revenue	**75.3**	85.4	**(10.1)**	**-11.8%**
Total Revenue	**585.7**	577.1	**8.6**	**1.5%**
Operating Expenses	**(157.8)**	(163.6)	**5.8**	**-3.5%**
Beon Margin	**3.9**	2.9	**1.0**	**34.5%**
Enerven Margin	**8.4**	4.6	**3.8**	**82.6%**
EBITDA	**440.2**	421.0	**19.2**	**4.6%**
Net Finance Expenses	**(93.6)**	(92.2)	**(1.4)**	**1.5%**
EBTDA	**346.6**	328.8	**17.8**	**5.4%**
Interest on Subordinated Debt	**(47.6)**	(50.0)	**2.4**	**-4.8%**
Depreciation and Amortisation	**(180.2)**	(164.1)	**(16.1)**	**9.8%**
Tax Expense	**(22.3)**	(19.5)	**(2.8)**	**14.4%**
Net Profit after Tax	**96.5**	95.2	**1.3**	**1.4%**

Victoria Power Networks (100% basis)	**30 June 2020 $M**	30 June 2019 $M	Variance $M	Variance %
Distribution Revenue(1)	**494.7**	474.8	19.9	4.2
Advanced Metering Infrastructure (AMI) Revenue	**40.4**	42.5	(2.1)	(4.9)
Semi-regulated Revenue	**30.1**	29.1	1.0	3.4
Other Unregulated Revenue	**19.7**	27.3	(7.6)	(27.8)
Total Revenue (excluding Beon)	**584.9**	573.7	11.2	2.0
Operating Expenses (excluding Beon)	**(156.2)**	(166.1)	9.9	(6.0)
Beon Margin	**7.9**	6.0	1.9	31.7
EBITDA	**436.6**	413.6	23.0	5.6
Depreciation and Amortisation	**(161.0)**	(157.3)	(3.7)	2.4
Net Finance Expenses	**(85.7)**	(84.4)	(1.3)	1.5
Interest on Subordinated Debt	**(50.9)**	(53.1)	2.2	(4.1)
Tax Expense	**(43.3)**	(38.7)	(4.6)	11.9
Net Profit after Tax	**95.7**	80.1	15.6	19.5
Net Capital Expenditure	**311.5**	221.0	90.5	41.0
RAB	**6,520**	6,188	332	5.4
Net Debt/RAB (%)	**71.6%**	71.5%	N/A	0.1
FFO/Net Debt (%)	**14.4%**	15.0%	N/A	-0.6

(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.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Regulated, semi-regulated and unregulated revenues (excluding Beon)
During the half year, there was a 2.0% increase in regulated, semi-regulated and unregulated revenue at Victoria Power Networks.

Distribution Use of System (DUoS) revenue increased during the first half of 2020 by 4.2% to $494.7 million (2019: $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 2020 for Powercor was -2.40% (2019: -3.02%) and for CitiPower was -1.88% (2019: -0.12%), which represent real increases in revenues before CPI of 1.59% (2019: 2.08%). DUoS revenue increased by $18.4 million as a result of the CPI-X adjustment.

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. Powercor is required to install REFCLs at 22 zone substations in Victoria's highest bushfire risk regions within Powercor's network by 1 May 2023. Powercor is well advanced in the delivery of this program, successfully completing Tranche One ahead of the 30 April 2019 target date and is on track to meet Tranche two deadline by 30 April 2021. By the start of the 2020/21 summer season, the business will have REFCL's operational at 14 zone substations, protecting over 13,000km of network and making the Powercor communities safer.

DUoS revenue for the first six months of 2020 also included $11.1 million of Service Target Performance Incentive Scheme (STPIS) recovery relating to the 2017 regulatory year. DUoS revenue for the equivalent 2019 period included $7.5 million of STPIS recovery relating to the 2017 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.

Included in the DUoS revenue result is a $2.4m rebate associated with the Network Relief Package, offered by the business to assist customers facing financial hardship through COVID-19.

Revenue from AMI decreased by 4.9% to $40.4 million in the 2020 half year reflective of the depreciating AMI RAB.

Victoria Power Networks' semi-regulated revenues grew by 3.4% to $30.1 million, mainly due to an increase in new connections. The volume of new connections increased 2% compared to previous half driven largely by residential growth in the Powercor network.

Victoria Power Networks' unregulated revenue (excluding Beon) decreased by 27.8% to $19.7 million in the 2020 half year. The decrease is primarily due to one-off proceeds from sale of properties in the previous half year.

Regulated, semi-regulated and unregulated operating expenses (excluding Beon)
Operating expenses for Victoria Power Networks decreased by 6.0% to $156.2 million in 2020. The movement half on half was impacted by a net $11.3 million positive (non-cash) revaluation adjustment to employee entitlements provisions as a result of a fall in bond rates in the previous year. Adjusting for this impact, operating expenses increased marginally by $1.4 million or 0.9%, primarily due to larger than CPI salary increases under Enterprise Bargaining Agreements, largely offset by tight cost control in the business.

Beon Energy Solutions
The Beon Energy Solutions business continues to grow, with unregulated revenue earned by Beon increasing by 3.2% to $104.2 million in the first half of 2020 due largely to a number of new solar farm projects (including the Bomen Solar Farm), the overall margin earned increasing by $1.9 million to $7.9 million.

External financing expenses
Victoria Power Networks net finance expenses increased in HY2020 by $1.3 million to $85.7 million. The increase was principally the result of a $3.1 million loss on a non-cash credit valuation hedge accounting adjustment recognised in the first half of 2020, 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.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Capital expenditure
Continued investment in the augmentation and maintenance of the CitiPower and Powercor networks resulted in a 41.0% increase in net capital expenditure in the first half of 2020 to $311.5 million. COVID-19 has not impacted the delivery of the capital program in the half year and the program is currently ahead of schedule. The main drivers for the uplift in capital spend compared to the previous half relate to the continuation of the REFCL program, the pole replacement program and development of new depots.

SA Power Networks (100% basis)	**30 June 2020 $M**	30 June 2019 $M	Variance $M	Variance %
Distribution Revenue[(1)]	**430.0**	412.6	17.4	4.2%
Semi-regulated Revenue	**40.6**	46.7	(6.1)	-13.1%
Unregulated Revenue	**4.8**	5.5	(0.7)	-12.7%
Total Revenue	**475.4**	464.8	10.6	2.3%
Operating Expenses	**(130.9)**	(136.3)	5.4	-4.0%
Enerven Margin	**17.1**	9.3	7.8	83.9%
EBITDA	**361.6**	337.8	23.8	7.0%
Depreciation and Amortisation	**(155.2)**	(120.4)	(34.8)	28.9%
Net Finance Expenses	**(72.2)**	(69.6)	(2.6)	3.7%
Interest on Subordinated Debt	**(36.1)**	(35.9)	(0.2)	0.6%
Tax Expense	**(2.2)**	(1.0)	(1.2)	120.0%
Net Profit	**95.9**	110.9	(15.0)	-13.5%
Net Capital Expenditure	**177.1**	222.9	(45.8)	-20.5%
RAB[(2)]	**4,372.0**	4,315.0	57.0	1.3%
Net Debt/RAB (%)	**73.8%**	75.2%	N/A	-1.4%
FFO/Net Debt (%)	**17.8%**	16.7%	N/A	1.1%

(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 there was a 2.3% increase in regulated, semi-regulated and unregulated revenue at SA Power Networks.

Distribution Use of System (DUoS) revenue increased during the first half of 2020 by 4.2% to $430.0 million (2019: $412.6 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-factor (the real increase in annual expected regulated revenue) applicable from 1 July 2019 was -0.85%, which represents a real increase in revenues before CPI of 1.78% (at 1 July 2019). DUoS revenue increased by $10.7 million as a result of the CPI-X adjustment.

DUoS revenue for the first half of 2020 also included $17.7 million of STPIS recovery relating to the 2017/18 regulatory year. DUoS revenue for the equivalent 2019 period included $11.4 million of STPIS recovery relating to the 2016/17 regulatory year.

Included in the DUoS revenue result is a $1.0m rebate associated with the Network Relief Package, offered by the business to assist customers facing financial hardship through COVID-19.

Semi-regulated revenues were down by 13.1% on 2019 to $40.6 million. The decrease was largely due to a prior year $3.5 million public lighting provision write back and declining activity across all areas of asset relocation, embedded generation and council funded replacement of public lighting.

Directors' Report
for the Half Year Ended 30 June 2020

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 $130.9 million, a decrease of 4.0% from 2019. This decrease was due to lower staff and consultancy costs, reduced expenditure in connection with emergency response, timing of vegetation management costs, a bushfire provision write back of $4.5 million and lower restructuring and separation costs. This was partially offset by a decrease in capitalised overheads and lower network related expenditure.

Enerven
Unregulated revenue received by Enerven increased by $53.4 million to $151.7 million (2019: $98.3 million) in the first half of 2020. The Enerven margin increased by $7.8 million driven largely by commercial solar installations, such as the SA Water solar initiative and ElectraNet construction projects. 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 in revenue over 2019 and 2020. The increase was partially offset by a reduction in revenues from the NBN contract as the project was completed in 2019.

Depreciation and Amortisation
Depreciation and amortisation increased by 28.9% to $155.2 million as a result of a reassessment of useful lives of distribution lines implemented at 31 December 2019 retrospectively from January 2019. As such the 30 June 2019 comparable figure does not reflect this reassessment as it was applied retrospectively for the full year in December 2019, however the year on year variance will normalise over the full year.

External financing costs
SA Power Networks increased net finance costs by 3.7% in HY2020 to $72.2 million principally the result of a $2.0 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.

Capital expenditure
Continued investment in the augmentation and maintenance of the South Australian network resulted in net capital expenditure of $177.1 million in the first half of 2020, a decrease of 20.5% on the equivalent 2019 period. The reduction is mainly attributable to decreased network expenditure in line with expectations and lower capitalised overheads.

TransGrid (100% basis)	**30 June 2020 $M**	30 June 2019 $M	Variance $M	Variance %
Transmission Revenue(1)	**381.5**	379.0	2.5	0.7%
Unregulated Revenue	**63.0**	74.4	(11.4)	-15.3%
Other Revenue(2)	**(3.8)**	1.2	(5.0)	-416.7%
Total Revenue	**440.7**	454.6	(13.9)	-3.1%
Operating Expenses	**(114.1)**	(102.6)	(11.5)	11.2%
EBITDA	**326.6**	352.0	(25.4)	-7.2%
Depreciation and Amortisation	**(168.2)**	(186.8)	18.6	-10.0%
Net Finance Expenses	**(108.2)**	(111.3)	3.1	-2.8%
Interest on Subordinate Debt	**(33.0)**	(42.9)	9.9	-23.1%
Net Profit	**17.2**	11.0	6.2	56.4%
Capital Expenditure	**310.3**	230.4	79.9	34.7%
Regulated and Contracted Asset Base (RCAB)	**7,317.0**	6,948.0	369.0	5.3%
Net Debt/RCAB(3)(4) (%)	**79.8**	80.6	N/A	-0.8%
FFO/Net Debt(5) (%)	**7.7%**	8.3%	N/A	-0.6%

(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) HY2020 amount of ($3.8m) relates to revaluation of investment property.
(3) Regulated and contracted asset base. RCAB is based on 30 June 2020 estimate.
(4) Net Debt is calculated using gross debt less cash and adjusted for prescribed revenue over/(under) collection and includes TransGrid Services.
(5) Relates to TransGrid Obligor Group.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Regulated revenue

TransGrid's Transmission Use of System (TUoS) revenue increased by 0.7% in the first half of 2020 to $381.5 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, year on year movement in incentive payments and an adjustment relating to the revocation and substitution of TransGrid's revenue determination for the 2014-2018 regulatory period as advised by the AER.

- The MAR for the 2019/20 regulatory year was $743.9 million or 1.0% higher in nominal terms than the actual MAR for the 2018/19 regulatory year. The impact for the first half of 2020 was a $5.7 million increase on the preceding period; and
- TransGrid's TUoS revenue for the first half of 2020 includes $8.3 million of STPIS benefits relating to the 2018 calendar year. In the first half of 2019, TUoS revenue included $7.8 million of STPIS benefits relating to the 2017 calendar year.
- Included in the TUoS revenue result is a $3.4m rebate associated with the ENA Relief Package, offered by the business to assist customers facing financial hardship through COVID-19.

Unregulated revenue

Unregulated revenue was $63.0 million, a decrease of $11.4 million on the equivalent 2019 period.

Unregulated revenue includes $54.0 million of infrastructure services revenue which was mainly derived from transmission connections and line modifications (and associated consulting services) as part of asset relocations and telecommunications growth in data services and co-location facilities. The decrease was largely driven by a decrease in line modification revenue as a result of the completion of a number of projects in 2019 partially offset by an increase in the number of new infrastructure connections.

Unregulated revenue also included $6.5 million (2019: $5.4 million) from telecommunications and $2.5 million (2019: $2.4 million) from property services, consistent with the prior year.

Operating expenses

TransGrid's total operating expenses were $114.1 million in the first half of 2020, an increase of 11.2% on the equivalent 2019 period.

Regulated operating expenses increased by 3.7% to $81.3 million, principally due to bushfire remediation costs of $9.3m incurred as a result of damage sustained during the November and December 2019 bushfires. Excluding this amount regulated operating expenses decreased by 8.2% due to lower operational costs as a result of operating efficiencies gained.

Unregulated operating expense and other costs were $32.8 million, an increase of $8.6 million, mainly due to an increase in new infrastructure connections, partially offset by a reduction in line modification projects. Additional project development costs support the acceleration of TransGrid's rapidly expanding non prescribed connections pipeline, which is delivering increased contracted revenue growth.

Capital expenditure

Capital expenditure was $310.3 million, an increase of $79.9 million from the equivalent 2019 period. Regulated capital expenditure increased by 64.6% to $204.6 million mainly due to investment in augmentation projects including Powering Sydney's Future, Stockdill Switching Station and ISP projects including the QNI Minor upgrade project and higher maintenance capital expenditure. Unregulated capital expenditure in the first half of 2020 of $105.7 million was consistent with prior year due to a number of solar farm connections and additional telecommunications capital expenditure.

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 contracted revenues. The contracted 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 2020 decreased by 2.8% to $108.2 million. The decrease is primarily due to lower short term market interest rates, partially offset by the interest expense on increased debt utilisation on existing and new facilities.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Update on Energy and Regulatory Matters

Regulatory Determinations

On 5 June 2020, the Australian Energy Regulator (AER) released the final determination for SA Power Network's five-year regulatory period commencing on 1 July 2020. The AER's final determination was broadly in line with SA Power Network's revised proposal. The rate of return in the final decision reflects the prevailing low risk free rate and inflation, together with the reduced equity risk premium as set out under the Rate of Return Instrument.

Victoria Power Networks (CitiPower and Powercor) submitted its proposals for their five-year regulatory periods commencing 1 July 2021 on 31 January 2020. A transition decision will apply for a 6 month period between 1 January 2021 and 30 June 2021 to give effect to the Victorian Government's decision to delay the commencement of the next regulatory period to enable the network tariff year to move to 1 July each year. An issues paper was released in April and a draft determination is expected in September 2020.

These processes will provide revenue certainty for SA Power Networks and Victoria Power Networks until June 2025 and June 2026 respectively. TransGrid's next regulatory period commences on 1 July 2023 with its proposal due in January 2022.

Contingent project applications (CPAs)

TransGrid received approval of the CPA for the NSW-QLD Interconnector (QNI-minor) in April 2020 following approval that the regulatory investment test for transmission (RIT-T) was satisfied in March 2020. TransGrid's revenue in the current regulatory period will be increased by $28.2 million for the project. TransGrid and AEMO also released a joint Project Assessment Conclusions Report (PACR) for the Victoria-NSW Interconnector (VNI) in February 2020. This is the final stage of the RIT-T before submitting the CPA to the AER.

During the half year the RIT-T processes have progressed for Project EnergyConnect. The AER determined that the RIT-T for Project EnergyConnect was satisfied on 23 January 2020. A final decision on the CPA is expected by the end of 2020 so the revenue in the current regulatory period can be amended to recover the costs of Project EnergyConnect.

Powercor has continued its program to roll-out REFCLs in Victoria with the AER approving the CPA for Powercor's third tranche of REFCLs in January 2020.

Energy and regulatory policy

Response to the COVID-19 pandemic

Our businesses provided support for electricity customers in hardship due to COVID-19 as part of the Network Relief Package announced by Energy Networks Australia (ENA). This package provided for network charges to residential customers of small retailers[1] and business customers to be waived, and network charges to residential customers of large retailers to be deferred for the period 1 April to 30 June 2020. The package also ensured there would be no disconnections without customer agreement before 31 July 2020, waived disconnection and reconnection fees for small business customers that have ceased operation, and minimised frequency and duration of planned outages.

Support will continue to be provided under a new rule (Deferral of Network Charges) made by the AEMC to enable some retailers to defer the payment of network charges for small customers in hardship for 6 months for the period 6 August 2020 to 6 February 2021. This rule intends to support retailers that may be in hardship due to customers in hardship during the COVID-19 economic crisis not paying bills. The rule allows the deferral of network charges for smaller retailers (not retailers of last resort (ROLR) or government linked) where residential or small business customers are on a payment plan, hardship arrangement or deferred debt arrangement. Where distribution network charges are deferred, transmission network charges can also be deferred. Retailers will be required to pay 3% interest on deferred charges which will not be included in revenue for the purposes of revenue adjustments. This rule does not apply in Victoria.

The Victorian distributors (including Victoria Power Networks) have volunteered to adopt a similar scheme to the Deferral of Network Charges rule to allow certain retailers to defer the payment of network charges incurred between August 2020 and January 2021, for a subset of customers, for a period of 6 months. It will apply to bills issued in the period 1 September 2020 to 28 February 2021.The modified network tariff relief package will not require retailers to pay 3% per annum interest to distributors on deferred charges.

[1] Small retailers exclude AGL Energy, Energy Australia, ERM Power, Lumo Energy, Momentum energy, Origin Energy, Red Energy, Simply energy, Stanwell Corporate and all of their affiliates.

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Update on Energy and Regulatory Matters

The Group continues to monitor developments in the COVID-19 pandemic. Impact on the Group's financial results, cash flows and financial position will continue to be monitored and have not had a material impact on the 30 June 2020 results. The extent and longer term impacts of COVID-19 cannot yet be determined and may impact future financial results.

Rate of Return Instrument (RORI) and inflation

The RORI that establishes the regulated rate of return is reviewed every 4 years and the AER has commenced the review for the 2022 RORI. The early process will include a series of update and issues papers before the active phase commences in May 2021. The issues papers have included a paper on debt data and development of an average cost debt index to be applied to Network Service Providers (NSPs).

The AER also commenced a further review of the regulatory treatment of inflation in April 2020. The scope of the review includes the forecast methodology and consideration of real and nominal returns. The RORI remains the governing instrument for the efficient cost of capital, however, the AER's treatment of inflation can affect the opportunity for a business to receive revenue commensurate with the efficient cost of capital. Spark Infrastructure and the Network Shareholders Group (NSG) provided submissions to this review which is expected to be finalised during the second half of 2020.

Spark Infrastructure will remain closely engaged in these reviews and continue to co-ordinate engagement with investors in network assets through the NSG on significant regulatory issues, including the 2022 RORI and the regulatory treatment of inflation.

Regulatory policy

In May 2020 the AEMC released its final report advising COAG Energy Council on a package of rule changes to implement new regulatory arrangements that allow distributors to use stand-alone power systems where it is economically efficient to do so. Customers receiving stand-alone systems will retain all of their current consumer protections. Cost savings arising from the use of lower cost stand-alone systems are to flow through to all users of the distribution network. The new framework is expected to be in place by the end of 2021.

The AEMC has also commenced its 2020 annual review of network regulation focusing on transmission investment and contingent projects in the context of the Integrated System Plan and risk allocation between network businesses and consumers. This review again provides an opportunity to ensure that the regulatory settings achieve the right balance between desirable outcomes for consumers in terms of price and services whilst providing sufficient returns to ensure the network investment needed to support efficient investment in networks and connecting new generation.

Productivity and benchmarking

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 2019. SA Power Networks remains the most productive in the National Electricity Market (NEM) on a state-wide basis. CitiPower has retained its number one ranking for productivity with SA Power Networks third and Powercor fourth. TransGrid has continued to improve productivity but remains third ranked.[2] The benefits of these improvements in efficiency and productivity are shared with customers over time through lower prices. Across the NEM, the incentive based framework has delivered benefits to customers of between $6 billion and $11 billion over the 2006 to 2018 period.[3]

AEMO Integrated System Plan (ISP)

The final rules to make the ISP actionable came into effect on 1 July 2020. These rules are intended to streamline the regulatory processes for key projects identified in the ISP whilst retaining a cost benefit assessment and preventing misalignment between the ISP and the RIT-T. The rules formalise the role, process, and function of the ISP and establish a specific set of rules to apply to 'Actionable ISP projects' that impose requirements on Transmission Network Service Provider's (TNSPs) and a different regulatory treatment in relation to RIT-T's and contingent project applications. The current regulatory requirements in relation to non-Actionable ISP projects will remain largely unchanged. The AER is in the process of developing guidelines to support cost benefit assessments and guide AEMO's forecasting methodology.

[2] AER Annual Benchmarking Reports 2019 (Electricity distribution network service providers and Electricity transmission network service providers)

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

Directors' Report
for the Half Year Ended 30 June 2020

Operating and Financial Review (continued)

Update on Energy and Regulatory Matters

AEMO released its final 2020 ISP in July 2020. The ISP is a whole-of-system plan to maximise net market benefits and deliver low-cost, secure, and reliable energy through its transition to a range of plausible energy futures. It includes approximately $20 billion in investment in interconnectors and supporting renewable energy zones (REZs) and is expected to deliver $11 billion in net market benefits. The plan is based on findings that distributed generation capacity is expected to double or even triple and over 26 GW of new grid-scale renewables is needed. The critical role of investment in transmission interconnectors and support for REZs was confirmed.

The ISP identified more than $7 billion investment in Actionable ISP Projects in NSW (expected to be delivered by TransGrid) before the end 2028. This includes VNI Minor, Project EnergyConnect, HumeLink and Central-West Orana REZ transmission link and VNI West (subject to conditions). Preparatory works are required for Future ISP projects that will support the New England and North-West NSW REZs and supply to Sydney/Newcastle/Wollongong. AEMO recognised that there have been some significant changes in the cost of transmission and generation projects including an increase in the estimated cost of Project EnergyConnect.

Support for the investment outlined in the ISP is also provided in the NSW Government's Transmission Infrastructure Strategy released in November 2018 and Electricity Strategy released in November 2019. These strategies aim to encourage interconnection and regional development of REZs, including a plan to deliver the Central-West Orana, New England and South-West REZs, and reduce barriers to investment. This includes seeking registers of interest and providing funding. Increased transmission (and specifically Project EnergyConnect) is also part of the SA Government's long-term electricity strategy.

Renewable energy zones

The Energy Security Board (ESB) is developing rule changes to support a REZ framework in advance of Grid Access reforms. The rule changes will provide for the role of a jurisdictional planner to develop a detailed and staged development plan for priority REZ and co-ordinate and develop a framework to support staged development of REZs, identify required transmission infrastructure and the location of connection hubs within a REZ. The framework is expected to cover regulated and unregulated investment and the consideration of costs and who pays the costs.

Outlook for 2020

Spark Infrastructure has experienced minimal impact to date from the effects of COVID-19 as a result of its robust and highly defensive Investment Businesses, with no significant impacts on operations, maintenance or safety.

SA Power Networks final regulatory decision for the period commencing 1 July 2020 was broadly in line with expectations. This outcome provides confidence for the allowances in the Victoria Power Networks final decision due in April 2021. Together these regulatory decisions will provide revenue certainty for the next five years.

The new regulatory decisions for SA Power Networks and Victoria Power Networks will put downward pressure on revenues for those businesses. This reflects the sustained low interest rate and low inflation environment. These regulatory decisions in combination with Spark Infrastructure becoming tax payable will result in an adjusted distribution profile for the next 5-year regulatory period.

Our strategy remains unchanged. For Value Enhance, organic growth in the distribution businesses and the substantial growth pipeline in TransGrid, supported by AEMO's 2020 ISP, is expected to deliver a compound annual growth rate in RCAB over the next five years of 4% p.a.. For Value Build, we will continue to take a disciplined approach to look for further opportunities in contracted renewables and storage. Our substantial balance sheet capacity with the ongoing operation of the Distribution Reinvestment Plan is expected to be sufficient to fund this growth pipeline while also maintaining an investment grade rating. Importantly, we expect regulated assets to remain in excess of 85% of our overall portfolio.

This growth agenda will see Spark Infrastructure shift its focus to deliver a mix of growth plus sustainable yield for Securityholders.

In line with previous distribution guidance, the Directors have declared an interim distribution for 2020 of 7.0cps. The interim distribution is payable on 15 September 2020 and will comprise 3.5cps interest on Loan Notes for the period and 3.5cps capital distribution.

The Directors have determined that the Distribution Reinvestment Plan will remain in operation and participating Securityholders will be issued Spark Infrastructure stapled securities at a 2% discount to the price specified under the DRP rules.

The distribution is fully covered by look-through net operating cash flows consistent with prior years, with Spark Infrastructure having achieved a cumulative average payout ratio of 73% over the last four and a half years.

Directors' Report
for the Half Year Ended 30 June 2020

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

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 2020 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

R Francis
Managing Director

25 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Income from associates:			
- Share of equity accounted profits	3	**112,719**	112,970
- Interest income	3	**29,867**	32,456
		142,586	145,426
Other income – interest		**430**	1,030
Total income		**143,016**	146,456
Interest expense[1]		**(7,901)**	(332)
General and administrative expenses		**(6,929)**	(7,371)
Project and transaction bid costs		**(2,229)**	(3,072)
Tax shortfall penalties		**(1,301)**	-
Operating costs – Bomen Solar Farm related		**(587)**	(230)
Unrealised gains from derivative instruments – Bomen Solar Farm related		**8,118**	5,250
Profit before Loan Note interest and Income Tax		**132,187**	140,701
Loan Note interest		**(58,758)**	(58,870)
Profit before income tax		**73,429**	81,831
Income tax expense		**(23,697)**	(29,004)
Net profit after income tax attributable to Securityholders		**49,732**	52,827

1. Includes interest charge of $6.7 million on historical tax payments made – refer ATO Tax Matters on page 7 for more information.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2020 (continued)

	30 June 2020 $'000	30 June 2019 $'000
Net profit for the period attributable to Securityholders	**49,732**	52,827
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Share of associates' actuarial loss on defined benefits plan	**(5,214)**	(31,505)
Items that may be reclassified subsequently to profit or loss:		
- Share of associates' loss on hedges	**(84,904)**	(157,985)
- (Loss)/Gain on cash flow hedges	**(4,613)**	214
Income tax benefit related to components of other comprehensive income	**21,762**	46,908
Other comprehensive loss for the period	**(72,969)**	(142,368)
Total comprehensive loss for the period attributable to Securityholders	**(23,237)**	(89,541)
Earnings per Security		
Weighted average number of stapled securities on issue during the period (No '000)	**1,712,669**	1,682,011
Profit before Loan Note interest and income tax ($'000)	**132,187**	140,701
Basic earnings per security before Loan Note interest and income tax (cents)	**7.72¢**	8.37¢
Earnings used to calculate earnings per security ($'000)	**49,732**	52,827
Basic earnings per security based on net profit (cents)	**2.90¢**	3.14¢
(Diluted earnings per security is the same as basic earnings per security)		

Notes to the financial statements are included on pages 23 – 42.

Condensed Consolidated Statement of Financial Position as at 30 June 2020

	Note	30 June 2020 $'000	31 December 2019 $'000
Current Assets			
Cash and cash equivalents		**135,135**	31,400
Receivables from associates		**6,953**	7,339
GST receivable		**208**	8,839
Other current assets		**1,714**	1,829
Total Current Assets		**144,010**	49,407
Non-Current Assets			
Property, plant and equipment	4	**166,246**	159,789
Derivative instruments – Power Purchase Agreements (PPA)		**16,294**	8,176
Derivative instruments – Interest rate swaps		**-**	1,714
Investments in associates:			
- Investments accounted for using the equity method	5	**2,081,925**	2,165,891
- Loans to associates	6	**460,598**	460,598
- Loan notes to associates	7	**237,444**	237,444
Total Non-Current Assets		**2,962,507**	3,033,612
Total Assets		**3,106,517**	3,083,019
Current Liabilities			
Payables		**6,620**	7,767
Interest bearing liabilities	9	**-**	39,567
Tax payable		**23,388**	68,830
Loan Note interest payable to Securityholders		**60,260**	60,309
Total Current Liabilities		**90,268**	176,473
Non-Current Liabilities			
Payables		**896**	1,310
Derivative instruments – Interest rate swaps		**4,876**	-
Interest bearing liabilities	9	**178,756**	-
Loan Notes attributable to Securityholders	8	**1,087,437**	1,072,674
Deferred tax liabilities		**165,361**	194,154
Total Non-Current Liabilities		**1,437,326**	1,268,138
Total Liabilities		**1,527,594**	1,444,611
Net Assets		**1,578,923**	1,638,408

Condensed Consolidated Statement of Financial Position as at 30 June 2020 (continued)

	Note	**30 June 2020 $'000**	31 December 2019 $'000
Equity			
Equity attributable to the Parent Entity			
- Issued capital	10	**770,028**	805,884
- Reserves		**(248,646)**	(178,980)
- Retained earnings		**1,057,541**	1,011,504
Total Equity		**1,578,923**	1,638,408

Total Equity attributable to Securityholders is as follows:		
Total Equity	**1,578,923**	1,638,408
Loan Notes attributable to Securityholders	**1,087,437**	1,072,674
Total Equity and Loan Notes	**2,666,360**	2,711,082

Notes to the financial statements are included on pages 23 – 42.

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2020

	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2019	923,270	(69,613)	952,170	1,805,827
Net profit 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)
Movement of share-based payments	-	(1,103)	-	(1,103)
Capital distributions	(74,849)	-	-	(74,849)
Balance at 30 June 2019	848,421	(190,122)	982,035	1,640,334
Balance at 1 January 2020	**805,884**	**(178,980)**	**1,011,504**	**1,638,408**
Net profit for the period	**-**	**-**	**49,732**	**49,732**
Share of associates' other comprehensive income:				
- loss on hedges	**-**	**(84,904)**	**-**	**(84,904)**
- actuarial loss on defined benefits plan	**-**	**-**	**(5,214)**	**(5,214)**
Related tax	**-**	**20,243**	**1,519**	**21,762**
Cash flow hedge loss	**-**	**(4,613)**	**-**	**(4,613)**
Total comprehensive (loss)/income for the period	**-**	**(69,274)**	**46,037**	**(23,237)**
Movement of share-based payments	**-**	**(392)**	**-**	**(392)**
Capital distributions	**(67,105)**	**-**	**-**	**(67,105)**
Contributions of equity (net of issue costs)	**31,249**	**-**	**-**	**31,249**
Balance at 30 June 2020	**770,028**	**(248,646)**	**1,057,541**	**1,578,923**

Notes to the financial statements are included on pages 23 – 42.

Condensed Consolidated Statement of Cash Flows for the Half Year Ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Cash Flows from Operating Activities			
Distributions from associates – preferred partnership capital		**34,532**	34,341
Distributions from associates – other		**72,035**	42,478
Interest received from associates		**30,254**	33,024
Interest received – other		**441**	1,167
Interest paid – other		**(6,778)**	(223)
Other expenses		**(7,524)**	(7,954)
Project and transaction bid costs		**(3,255)**	(2,929)
Operating costs – Bomen Solar Farm related		**(451)**	(795)
Tax paid[3]		**(74,303)**	(13,844)
Net Cash Inflow Related to Operating Activities		**44,951**	85,265
Cash Flows from Investing Activities			
Repayment of borrowings by associates		**-**	42,772
Acquisition of subsidiary – Bomen Solar Farm		**-**	(1,400)
Net receipt/(purchase) of property, plant and equipment – Bomen Solar Farm[2]		**1,975**	(29,155)
Purchase of land – Bomen Solar Farm		**-**	(7,772)
Equity investment in TransGrid Services		**-**	(2,702)
Net Cash Inflow Related to Investing Activities		**1,975**	1,743
Cash Flows from Financing Activities			
Payment of external borrowing costs		**(1,425)**	(178)
Payment for share issue costs		**(235)**	-
Payment of lease liability		**(354)**	-
Proceeds from external borrowings		**140,000**	-
Distributions to Securityholders:			
- Loan Note interest[4]	**12**	**(38,424)**	(59,711)
- Capital distributions[4]	**12**	**(42,753)**	(74,849)
Net Cash Inflow/(Outflow) Related to Financing Activities		**56,809**	(134,738)
Net Increase/(Decrease) in Cash and Cash Equivalents for the Period		**103,735**	(47,730)
Cash and cash equivalents at the beginning of the period		**31,400**	134,344
Cash and Cash Equivalents at the end of the Period [1]		**135,135**	86,614

[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 2019: $5,000,000).

[2] Includes $9.0 million refund of GST paid on PPE in prior year, offset by $7.0 million of PPE purchases in the half year ended 30 June 2020.

[3] 2020 tax paid of $74.3 million is comprised of:
- $34.4 million relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO)
- $33.7 million relating to the 31 December 2019 income tax year
- $6.2 million relating to the 31 December 2020 income tax year, and with respect to the SIH No.2 Tax Consolidated Group

2019 tax paid of $13.8 million relates to the remaining 31 December 2018 income tax year liability

[4] Net of DRP proceeds of $46.2 million in HY2020

Notes to the financial statements are included on pages 23 – 42.

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

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 2020 (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 2019 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 2019, 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.

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 25 August 2020.

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 2018-7 Amendments to Australian Accounting Standards – Definition of Material	AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. The Directors note that the adoption of this amendment does not have a material impact on the half year financial report of the Group.

Notes to the Financial Statements for the Half Year Ended 30 June 2020

1. Summary of Accounting Policies (continued)

Adoption of new and revised Standards (continued)

New and Revised Standard	Requirements and impact assessment
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The application of Conceptual Framework is limited to – For profit entities that have public accountability – Other for-profit entities that voluntarily elect to apply the Conceptual Framework The Directors note that the adoption of this amendment does not have a material impact on the half year financial report of the Group.
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	AASB 2018-6 amends AASB 3 Business Combinations to clarify the definition of a business, assisting entities to determine whether the transaction should be accounted for as a business combination or as an asset acquisition. The Directors note that the adoption of this amendment does not have a material impact on the half year financial report of the Group.

Standards and Interpretations in Issue Not Yet Adopted

New and Revised Standard	Requirements and impact assessment
AASB 17 Insurance Contracts	AASB 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The Directors anticipate that it will not have a material impact on the financial report of the Group in the year of initial application.

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 Solar Farm – 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 obtained final approvals from both Australian Energy Market Operator (AEMO) and TransGrid for full commercial operations with effect from 14 July 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 2020

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Segment Cash Flows										
Distributions from associates – preferred partnership capital	**-**	-	**34,532**	34,341	**-**	-	**-**	-	**34,532**	34,341
Distributions from associates – other	**53,481**	6,733	**12,250**	20,825	**6,304**	14,920	**-**	-	**72,035**	42,478
Interest received from associates	**24,919**	26,443	**-**	-	**5,335**	6,581	**-**	-	**30,254**	33,024
Repayment of borrowings by associates(1)	**-**	42,772	**-**	-	**-**	-	**-**	-	**-**	42,772
Operating costs – Bomen Solar Farm related	**-**	-	**-**	-	**-**	-	**(451)**	(795)	**(451)**	(795)
Total Segment Contribution	**78,400**	75,948	**46,782**	55,166	**11,639**	21,501	**(451)**	(795)	**136,370**	151,820
Net interest (paid)/received									**(6,337)**	944
Corporate costs									**(7,524)**	(7,954)
Project and transaction bid costs									**(3,255)**	(2,929)
Tax paid(2)									**(74,303)**	(13,844)
Total Operating Cash Flows(1)									**44,951**	128,037

(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.
(2) 2020 tax paid of $74.3 million is comprised of:
- $34.4 million relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO)
- $33.7 million relating to the 31 December 2019 income tax year
- $6.2 million relating to the 31 December 2020 income tax year, and with respect to the SIH No.2 Tax Consolidated Group

2019 tax paid of $13.8 million relates to the remaining 31 December 2018 income tax year liability.

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Segment Revenue										
Share of equity accounted profits	**45,492**	38,586	**65,578**	72,736	**1,649**	1,648	**-**	-	**112,719**	112,970
Interest income - associates	**24,919**	26,011	**-**	-	**4,948**	6,445	**-**	-	**29,867**	32,456
Unrealised gains from derivative instruments	**-**	-	**-**	-	**-**	-	**8,118**	5,250	**8,118**	5,250
Segment revenue	**70,411**	64,597	**65,578**	72,736	**6,597**	8,093	**8,118**	5,250	**150,704**	150,676
Interest revenue									**430**	1,030
Total Revenue									**151,134**	151,706
Segment expenses	**-**	-	**-**	-	**-**	-	**(587)**	(230)	**(587)**	(230)
Segment contribution	**70,411**	64,597	**65,578**	72,736	**6,597**	8,093	**7,531**	5,020	**150,117**	150,446
Net interest (expense)/income									**(7,471)**	698
Corporate costs									**(8,230)**	(7,371)
Project and transaction bid costs									**(2,229)**	(3,072)
Profit for the year before Loan Note interest and income tax expense									**132,187**	140,701
Interest on Loan Notes to Securityholders									**(58,758)**	(58,870)
Income tax expense									**(23,697)**	(29,004)
Net Profit attributable to Securityholders									**49,732**	52,827

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	Jun 2020 $'000	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000
Segment Assets										
Investments accounted for using the equity method	**449,431**	493,116	**1,262,794**	1,280,842	**369,700**	391,933	**-**	-	**2,081,925**	2,165,891
Loans to associates	**460,598**	460,598	**-**	-	**-**	-	**-**	-	**460,598**	460,598
Loan notes to associates	**-**	-	**-**	-	**237,444**	237,444	**-**	-	**237,444**	237,444
Receivables from associates	**4,655**	4,655	**-**	-	**2,298**	2,684	**-**	-	**6,953**	7,339
Derivative instruments – Power Purchase Agreements (PPA)	**-**	-	**-**	-	**-**	-	**16,294**	8,176	**16,294**	157,577
Property, plant and equipment – Bomen Solar Farm related	**-**	-	**-**	-	**-**	-	**164,468**	157,577	**164,468**	8,176
Other current assets	**-**	-	**-**	-	**-**	-	**354**	8,839	**354**	8,839
Total Segment Assets	**914,684**	958,369	**1,262,794**	1,280,842	**609,442**	632,061	**181,116**	174,592	**2,968,036**	3,045,864
Unallocated Assets										
Cash and cash equivalents									**135,135**	31,400
Derivative instruments – Interest Rate Swaps									**-**	1,714
Other current assets									**1,568**	1,829
Property, plant and equipment									**1,778**	2,212
Total Assets									**3,106,517**	3,083,019

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	Jun 2020 $'000	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000	**Jun 2020 $'000**	Dec 2019 $'000
Segment Liabilities										
Payables	**-**	-	**-**	-	**-**	-	**1,431**	3,425	**1,431**	3,425
Total Segment Liabilities	**-**	-	**-**	-	**-**	-	**1,431**	3,425	**1,431**	3,425
Unallocated Liabilities										
Loan Notes attributable to Securityholders									**1,087,437**	1,072,674
Interest bearing liabilities									**178,756**	39,567
Tax payable									**23,388**	68,830
Other liabilities									**66,345**	65,961
Derivative instruments – Interest Rate Swaps									**4,876**	-
Deferred tax liabilities									**165,361**	194,154
Total Liabilities									**1,527,594**	1,444,611

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

		30 June 2020 $'000	30 June 2019 $'000
3.	**Share of Equity Accounted Profits and Interest**		
	Equity Accounted Profits:		
	Victoria Power Networks Pty Ltd	**45,492**	38,586
	SA Power Networks Partnership	**65,578**	72,736
	NSW Electricity Networks Assets[(1)]	**82**	(3,658)
	NSW Electricity Networks Operations[(1)]	**1,567**	5,306
		112,719	112,970
	Interest Income – Associates:		
	Victoria Power Networks Pty Ltd	**24,919**	26,011
	NSW Electricity Networks Operations	**4,948**	6,445
		29,867	32,456
		142,586	145,426

(1) Together referred to as TransGrid.

4. Property, plant and equipment

Non-current	Freehold land $000	Furniture, Fittings and Equipment $'000	Right of Use Asset $'000	Property, Plant & Equipment[(1)] $'000	Total $'000
At 31 December 2019					
Cost	7,771	845	2,466	149,806	160,888
Accumulated Depreciation	-	(394)	(705)	-	(1,099)
Net book value	7,771	451	1,761	149,806	159,789
Period ended 30 June 2020					
Opening net book value at 1 January 2020	7,771	451	1,761	149,806	159,789
Additions	-	6	-	6,891	6,897
Transfers in/out	-	-	-	-	-
Depreciation charge	-	(88)	(352)	-	(440)
Closing net book value at 30 June 2020	**7,771**	**369**	**1,409**	**156,697**	**166,246**
Cost	7,771	851	2,466	156,697	167,785
Accumulated depreciation	-	(482)	(1,057)	-	(1,539)
Net book value at 30 June 2020	**7,771**	**369**	**1,409**	**156,697**	**166,246**

(1) Property, plant and equipment did not meet the definition of a depreciable asset during the half year ended 30 June 2020, however depreciation is expected to commence from the beginning of H2 2020.

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

5. Investments Accounted for using the Equity Method

(a) Investments in Associates:

Name of entity	Principal activity	Ownership interest %		Country of Incorporation/ Formation
		June 2020	December 2019	
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 2020

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

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

	30 Jun 2020 $'000	**30 Jun 2020 $'000**	**30 Jun 2020 $'000**	**30 Jun 2020 $'000**	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000	31 Dec 2019 $'000
	Victoria Power Networks	**SA Power Networks**	**NSW Electricity Networks Assets**	**NSW Electricity Networks Operations**	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets[(1)]	NSW Electricity Networks Operations
Current assets	**353,102**	**363,650**	**124,154**	**298,581**	413,803	308,876	101,092	230,298
Non-current assets	**8,642,785**	**7,101,852**	**7,892,510**	**4,034,296**	8,273,351	6,810,000	7,394,809	3,956,272
Total assets	**8,995,887**	**7,465,502**	**8,016,664**	**4,332,877**	8,687,154	7,118,876	7,495,901	4,186,570
Current liabilities	**1,613,695**	**374,499**	**1,361,319**	**313,774**	1,569,489	391,176	132,015	288,955
Non-current liabilities	**6,005,692**	**4,913,160**	**5,369,747**	**2,835,032**	5,650,381	4,511,059	5,963,753	2,708,255
Total liabilities	**7,619,387**	**5,287,659**	**6,731,066**	**3,148,806**	7,219,870	4,902,235	6,095,768	2,997,210
Net assets	**1,376,500**	**2,177,843**	**1,285,598**	**1,184,071**	1,467,284	2,216,641	1,400,133	1,189,360

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

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

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

	30 Jun 2020 $'000	**30 Jun 2020 $'000**	**30 Jun 2020 $'000**	**30 Jun 2020 $'000**	30 Jun 2019 $'000	30 Jun 2019 $'000	30 Jun 2019 $'000	30 Jun 2019 $'000
	Victoria Power Networks	**SA Power Networks**	**NSW Electricity Networks Assets**	**NSW Electricity Networks Operations**	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations
Regulated revenue (including advanced metering)	**530,875**	**429,961**	**-**	**367,842**	521,484	412,572	-	339,554
Revenue – semi-regulated and unregulated	**150,840**	**197,078**	**273,251**	**76,671**	156,847	150,638	275,439	87,498
Operating revenue	**681,715**	**627,039**	**273,251**	**444,513**	678,331	563,210	275,439	427,052
Revenue – transmission (pass-through)	**170,484**	**122,674**			143,052	117,162	-	-
	852,199	**749,713**	**273,251**	**444,513**	821,383	680,372	275,439	427,052
Expenses	**(547,039)**	**(528,887)**	**(272,704)**	**(447,776)**	(555,159)	(451,254)	(299,809)	(431,104)
Expenses – transmission (pass-through)	**(170,484)**	**(122,674)**			(143,052)	(117,162)	-	-
Profit/(loss) before income tax	**134,676**	**98,152**	**547**	**(3,263)**	123,172	111,956	(24,370)	(4,052)
Income tax expense	**(41,980)**	**(2,227)**	**-**	**-**	(38,670)	(1,037)	-	-
Net profit/(loss)	**92,696**	**95,925**	**547**	**(3,263)**	84,502	110,919	(24,370)	(4,052)
Other comprehensive income:								
Loss on hedges	**(92,715)**	**(72,804)**	**(115,082)**	**(1,031)**	(154,041)	(153,157)	(200,437)	(108)
Actuarial loss on defined benefit plans	**(11,355)**	**(2,388)**	**-**	**(993)**	(12,846)	(49,135)	-	(20,141)
Income tax benefit related to components of other comprehensive income	**31,221**	**-**	**-**	**-**	50,066	-	-	-
Other comprehensive loss for the Current Period	**(72,849)**	**(75,192)**	**(115,082)**	**(2,024)**	(116,821)	(202,292)	(200,437)	(20,249)
Total comprehensive income/(loss) for the Current Period	**19,847**	**20,733**	**(114,535)**	**(5,287)**	(32,319)	(91,373)	(224,807)	(24,301)

Notes to the Financial Statements for the Half Year Ended 30 June 2020

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 2020 $'000	30 June 2019 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	**45,421**	41,406
SA Power Networks net profit applicable to Spark Infrastructure	**47,003**	54,350
Additional share of profits from preferred partnership capital[(a)]	**17,832**	17,611
NSW Electricity Networks Assets net profit/(loss) applicable to Spark Infrastructure	**82**	(3,658)
NSW Electricity Networks Operations net loss applicable to Spark Infrastructure	**(490)**	(608)
	109,848	109,101
Additional adjustments made to share of equity profits[(b)]	**2,871**	3,869
	112,719	112,970

(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 2020

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

	6 months to 30 June 2020 $'000	12 Months to 31 December 2019 $'000
(d) Movement in Carrying Amounts		
Carrying amount at the beginning of the Current Period	**2,165,891**	2,326,112
Share of profits after income tax	**112,719**	207,760
Preferred partnership distribution received – SA Power Networks	**(34,532)**	(69,635)
Distributions received – SA Power Networks	**(12,250)**	(46,550)
Distributions received – Victoria Power Networks	**(53,481)**	(65,085)
Distributions received – NSW Electricity Networks Assets	**-**	(19,325)
Distributions received – NSW Electricity Networks Operations	**(6,304)**	(4,871)
Capital contribution – NSW Electricity Networks Operations	**-**	9,111
Share of associates' comprehensive loss recognised directly in equity	**(90,118)**	(171,626)
Carrying amount at the end of the Current Period	**2,081,925**	2,165,891

6. Loans to Associates – interest bearing

	30 June 2020 $'000	31 December 2019 $'000
Victoria Power Networks	**460,598**	460,598

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. No amount was repaid by the borrower to Spark Infrastructure during the period.

7. Loan notes to Associates – interest bearing

	30 June 2020 $'000	31 December 2019 $'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 2020

8. Loan Notes Attributable to Securityholders

	6 months to 30 June 2020 $'000	Year ended 31 December 2019 $'000
Balance at beginning of the Current Period	**1,072,674**	1,061,764
Issue of Loan Notes under Distribution Reinvestment Plan	**14,864**	10,945
Issue costs associated with Loan Notes	**(111)**	(55)
Write back of deferred discount[(1)]	**10**	20
Balance at end of the Current Period	**1,087,437**	1,072,674

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

9. Interest bearing liabilities

	30 June 2020 $'000	31 December 2019 $'000
Committed Finance Facilities		
Bank facilities		
• Amounts used	**180,000**	40,000
• Amounts unused	**220,000**	80,000
	400,000	120,000

During February 2020, Spark Infrastructure executed $400.0 million of bilateral corporate debt facilities, replacing its previous $120.0 million bilateral corporate debt facilities.

10. Issued Capital

	6 months to 30 June 2020 $'000	Year ended 31 December 2019 $'000
Balance at beginning of the Current Period	**805,884**	923,270
Issue of new securities under Distribution Reinvestment Plan	**31,374**	24,877
Issue costs	**(125)**	(133)
Capital distribution	**(67,105)**	(142,130)
Balance at end of the Current Period	**770,028**	805,884

Fully Paid Stapled Securities	**No.'000**	No.'000
Balance at the beginning of the Current Period	**1,698,849**	1,682,011
Issue of new securities under Distribution Reinvestment Plan	**22,866**	16,838
Balance at the end of the Current Period	**1,721,715**	1,698,849

Notes to the Financial Statements for the Half Year Ended 30 June 2020

11. Related party transactions

The details of ownership interests in associates are provided in Note 5(a). The details of interest receivable and loans provided to associates are detailed in Notes 6 and 7. Details of interest income on these loans are detailed in Note 3. Details of bank guarantee between Bomen Solar Farm Pty Ltd as trustee of Bomen Trust and TransGrid are detailed in Note 13.

Beon Energy Solutions (Beon), owned by Victoria Power Networks, has been appointed as engineering, procurement and construction (EPC) contractor for Bomen Solar Farm. As at 30 June 2020 Spark Infrastructure had incurred costs of $96.8 million which has been capitalised as assets under construction within the property, plant and equipment.

Bomen Solar Farm has connected into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 30 June 2020 Spark Infrastructure has incurred $0.15 million in relation to services provided by TransGrid Services.

	2020		2019	
	Cents Per Security	**Total $'000**	Cents Per Security	Total $'000
12. Details Relating to Distributions				
Distribution Paid:				
Final distribution paid in respect of year ended 31 December 2019, paid on 13 March 2020 (2019: In respect of year ended 31 December 2018, paid on 15 March 2019):				
Interest on Loan Notes	**3.55**	**60,309**	3.55	59,711
Capital distribution	**3.95**	**67,105**	4.45	74,849
	7.50	**127,414**	8.00	134,560
Distribution Payable:				
Interim 2020 distribution payable on 15 September 2020 (2019: Interim 2019 distribution payable on 13 September 2019):				
Interest on Loan Notes	**3.50**	**60,260**	3.50	58,870
Capital distribution	**3.50**	**60,260**	4.00	67,280
	7.00	**120,520**	7.50	126,150

The distributions are unfranked.

13. Commitments, Contingent Liabilities and Contingent Assets

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 30 June 2020, the Company has issued a guarantee to certain banks in respect of credit facilities granted to the subsidiaries.

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.

In addition, Bomen Solar Farm Pty Ltd as trustee of the Bomen Trust has provided a bank guarantee of $3.0 million to TransGrid on demand under the Project contract and of $3.2 million to Westpac under the PPA.

14. Subsequent events

On 7 August 2020 Spark Infrastructure received notification of the approvals from both the Australian Energy Market Operator (AEMO) and TransGrid for full commercial operations at its 120MWDC/100MWAC Bomen Solar Farm, 10 kilometres north-east of Wagga Wagga, NSW. The Project is close to the Wagga North substation which is part of TransGrid's transmission network.

Spark Infrastructure acquired its 100% interest in the Bomen Solar Farm project in April 2019. Construction commenced in June 2019 with the farm reaching mechanical completion in late January 2020. Energisation was completed on 27 February 2020 and commissioning commenced in late February. The Bomen Solar Farm has been able to export 100% of generation since mid-June 2020, with all inverters live and operational, after which there were no further restrictions applied to the farm's output. The solar farm is currently generating in line with expectations.

There has not been any matter or circumstance, other than that referred to above 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.

15. Financial instruments

(a) Accounting Clarifications and Fair Value

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

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

($'000)	Carrying Amount							Fair Value			
	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2020											
Financial assets measured at fair value											
Power purchase agreements	**-**	**16,294**	**-**	**-**	**-**	**-**	**16,294**	**-**	**-**	**16,294**	**16,294**
Financial assets at amortised cost							**-**				
Cash and cash equivalents	**-**	**-**	**-**	**-**	**135,135**	**-**	**135,135**	**-**	**-**	**-**	**-**
Receivables from associates	**-**	**-**	**-**	**-**	**6,953**	**-**	**6,953**	**-**	**-**	**-**	**-**
Other receivables	**-**	**-**	**-**	**-**	**1,555**	**-**	**1,555**	**-**	**-**	**-**	**-**
Loans to associates	**-**	**-**	**-**	**-**	**460,598**	**-**	**460,598**	**-**	**-**	**-**	**-**
Loan notes to associates	**-**	**-**	**-**	**-**	**237,444**	**-**	**237,444**	**-**	**-**	**-**	**-**
	-	**16,294**	**-**	**-**	**841,685**	**-**	**857,979**	**-**	**-**	**16,294**	**16,294**

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

($'000)	Carrying Amount							Fair Value			
	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019											
Financial assets measured at fair value											
Interest rate swaps	1,714	-	-	-	-	-	1,714	-	1,714	-	1,714
Power purchase agreements	-	8,176	-	-	-	-	8,176	-	-	8,176	8,176
Financial assets at amortised cost											
Cash and cash equivalents	-	-	-	-	31,400	-	31,400	-	-	-	-
Receivables from associates	-	-	-	-	7,339	-	7,339	-	-	-	-
Other receivables	-	-	-	-	9,806	-	9,806	-	-	-	-
Loans to associates	-	-	-	-	460,598	-	460,598	-	-	-	-
Loan notes to associates	-	-	-	-	237,444	-	237,444	-	-	-	-
	1,714	8,176	-	-	746,587	-	756,477	-	1,714	8,176	9,890

Notes to the Financial Statements
for the Half Year Ended 30 June 2020

($'000)	Carrying Amount: Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Fair Value: Level 1	Level 2	Level 3	Total
30 June 2020											
Financial liabilities measured at fair value											
Interest rate swaps	**4,876**	-	-	-	-	-	**4,876**	-	**4,876**	**-**	**4,876**
Financial liabilities at fair value											
Trade payables	**-**	-	-	-	-	**7,516**	**7,516**	-	**-**	**-**	**-**
Loan note interest payable	**-**	-	-	-	-	**60,260**	**60,260**	-	**-**	**-**	**-**
Loan notes	**-**	-	-	-	-	**1,087,437**	**1,087,437**	-	**-**	**-**	**-**
Other loans	**-**	-	-	-	-	**178,756**	**178,756**	-	**-**	**-**	**-**
	4,876	-	-	-	-	**1,333,969**	**1,338,845**	-	**4,876**	**-**	**4,876**

	Carrying Amount							Fair Value			
($'000)	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019											
Financial liabilities at fair value											
Trade payables	-	-	-	-	-	9,078	9,078	-	-	-	-
Loan note interest payable	-	-	-	-	-	60,309	60,309	-	-	-	-
Loan notes	-	-	-	-	-	1,072,674	1,072,674	-	-	-	-
Other loans	-	-	-	-	-	39,567	39,567	-	-	-	-
	-	-	-	-	-	1,181,628	1,181,628	-	-	-	-

i. *Valuation techniques and significant unobservable inputs*

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values at 30 June 2020 for financial instruments measured at fair value in the statement of financial position, as well as the significant observable inputs used.

Financial instruments measured at fair value

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

ii. *Level 3 fair values*

The following table presents the changes in level 3 items for the periods ended 30 June 2020 and 31 December 2019:

	Power Purchase Agreement ($'000)
Opening balance 1 January 2020	8,176
Acquisitions/(disposals)	**-**
Unrealised gains/(losses) recognised in profit and loss	**8,118**
Unrealised gains recognised in other comprehensive income	**-**
Closing balance 30 June 2020	**16,294**

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10% percent is $10.1 million and lower by 10% percent is ($10.1) million (profit after tax increase/(decrease). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

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 17 – 42 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of Spark Infrastructure Trust.

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

On behalf of the Directors:

D McTaggart
Chair

R Francis
Managing Director

Sydney
25 August 2020

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

25 August 2020

Dear Board Members

Auditor's Independence Declaration

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 half year financial report of Spark Infrastructure Trust for the half year ended 30 June 2020, 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

H Fortescue
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Spark Infrastructure Trust, which comprises the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 17 to 43.

Directors' Responsibility for the Half-Year Financial Report

The directors of Spark Infrastructure RE Limited ("the Responsible Entity") 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 2020 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 the Responsible Entity, 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 2020 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

H Fortescue
Partner
Chartered Accountants
Sydney, 25 August 2020