Monday, 25 August 2014

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 2014

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2014. A media release, results presentation and Fact Book are also attached.

Yours faithfully,

Alexandra Finley
Company Secretary

Spark Infrastructure RE Limited ABN 36 114 940 984
as Responsible Entity of Spark Infrastructure Trust (ARSN 116 670 725)
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Interim Financial Report
30 June 2014

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.

Spark Infrastructure

Appendix 4D

Results for Announcement to the Market for the Half Year Ended 30 June 2014

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 2014	30 June 2013

2. Results for Announcement to the Market

Commentary on the operations and results for the half year is provided in the Directors' Report.

	Percentage Change	30 June 2014 $'000
Income and Profit Summary		
Operating Cash Flow	Up 4.0% to	**86,677**
Total Income	Up 12.0% to	**175,341**
Profit before Loan Note Interest and Income Tax	Up 13.2% to	**166,078**
Net Profit after Income Tax Attributable to the Securityholders	Up 17.1% to	**88,988**
Earnings (before Loan Note Interest and Income Tax) per Security		**12.31¢**
Earnings per Security		**6.60¢**
Operating Cash Flow per Security		**6.43¢**

3. Net Tangible Assets per Security

	30 June 2014 $'000	31 December 2013 $'000
Net Assets	**1,832,419**	1,632,919
Loan Notes attributable to Securityholders	**925,831**	836,827
Net Assets and Loan Notes attributable to Securityholders	**2,758,250**	2,469,746
No. of Securities ('000)	**1,466,360**	1,326,734
Net Tangible Assets per Security ($)	**1.88**	1.86

4. Details of Associates

	Ownership Interest		Contribution to Net Profit	
Equity accounted income:	**2014 (%)**	2013 (%)	**30 June 2014 $'000**	30 June 2013 $'000
Victoria Power Networks Pty Ltd	**49%**	49%	**9,376**	12,071
SA Power Networks Partnership	**49%**	49%	**102,528**	103,736
Sub-total			**111,904**	115,807
Interest income:				
Victoria Power Networks Pty Ltd			**40,116**	40,116
Total			**152,020**	155,923

5. Entities Gained/Lost Control during the Period

During the period the following entities were incorporated but did not trade:

- Nil

6. Distributions

(Cents per Security – "cps")	**30 June 2014 $'000**	30 June 2013 $'000
Paid:		
Final distribution in respect of year ended 31 December 2013, paid on 14 March 2014 (2013: In respect of year ended 31 December 2012, paid on 15 March 2013):		
- Interest on Loan Notes (2014: 3.55 cps; 2013: 3.55 cps)	**47,099**	47,099
- Capital distribution (2014: 1.95 cps; 2013: 1.70 cps)	**25,871**	22,555
Total (2014: 5.50 cps; 2013: 5.25 cps)	**72,970**	69,654
Payable:		
Interim distribution in respect of half year ended 30 June 2014, payable 12 September 2014 (2013: In respect of half year ended 30 June 2013, paid on 13 September 2013):		
- Interest on Loan Notes (2014: 3.50 cps; 2013: 3.50 cps)	**51,323**	46,436
- Capital distribution (2014: 2.25 cps; 2013: 2.00 cps)	**32,993**	26,534
Total (2014: 5.75 cps; 2013: 5.50 cps)	**84,316**	72,970

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 3 September 2014.

7. Distribution Reinvestment Plan

The distribution reinvestment plan in operation is the Spark Infrastructure Group Distribution Reinvestment Plan (the "Plan"). The Plan was established on 8 November 2005 and was formally activated for the first time on 29 May 2009.

The Plan was suspended on 25 February 2010, and remains suspended.

Results for Announcement to the Market for the Half Year Ended 30 June 2014

8. 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 subject to review.

- Not Applicable

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

- Not Applicable

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

Signed on behalf of the Board

B Scullin
Chairman

R Francis
Managing Director

Sydney
22 August 2014

Directors' Report
for the Half Year Ended 30 June 2014

The Directors of Spark Infrastructure RE Limited ("Spark RE" or the "Company") as responsible entity of Spark Infrastructure Trust ("Spark Trust") provide this financial report for the half year ended 30 June 2014 ("Current Period") of Spark Trust and its Consolidated Entities ("Spark Infrastructure" or the "Group").

In order to comply with the requirements of the *Corporations Act 2001*, the Directors report as follows:

Directors

The following persons were Directors at any time during the period and as at the date of this report:

Mr Brian Scullin (Chair)
Mr Rick Francis (Managing Director and Chief Executive Officer)
Ms Cheryl Bart, AO
Mr Andrew Fay
Ms Anne McDonald
Dr Keith Turner

Principal activity

The principal activity of Spark Infrastructure during the Current Period was investment in businesses that operate in regulated industries. These investments include three electricity distribution businesses in Victoria and South Australia (the "Asset Companies"), and a 14.11% interest in a listed entity DUET Group ("DUET"). There has been no significant change in the activity of Spark Infrastructure during the Current Period.

Stapled securities

Spark Infrastructure is a stapled structure, wherein:

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

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

Directors' Report
for the Half Year Ended 30 June 2014

Review of Performance

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

	Half Year Ended 30 June		Change Compared to 2013	
	2014	2013		
	$'000	$'000	$'000	%
Interest income from associates	**40,116**	40,116	-	-
Share of equity accounted profits	**111,904**	115,807	(3,903)	(3.4)
	152,020	155,923	(3,903)	(2.5)
Gain on derivative contracts	**22,759**	-	22,759	nm
Other income - interest	**562**	686	(124)	(18.1)
Total Income	**175,341**	156,609	18,732	12.0
Interest expense - other	**(941)**	(5,585)	4,644	83.2
General and administrative expenses	**(5,026)**	(4,286)	(740)	(17.3)
Transaction fees – derivative contracts	**(3,296)**	-	(3,296)	nm
Profit before Loan Note Interest	**166,078**	146,738	19,340	13.2
Loan Note Interest ("LNI")	**(51,323)**	(46,436)	(4,887)	(10.5)
Profit before tax	**114,755**	100,302	14,453	14.4
Income tax expense	**(25,767)**	(24,302)	(1,465)	(6.0)
Profit Attributable to Stapled Securityholders	**88,988**	76,000	12,988	17.1
Profit before LNI per security (cents)[1]	**12.31¢**	11.06¢	1.25¢	11.3
Operating Cash Flow	**86,677**	83,338	3,339	4.0
Net Capital Expenditure – Asset Companies	**383,500**	422,300	(38,800)	(9.2)

1 Based on weighted average number of securities.

Profit before Loan Note Interest

The Profit before Loan Note Interest for the Current Period increased by 13.2%, compared to the Prior Period, to $166.078 million. The improved performance was a result of a $22.759 million unrealised gain on derivative contracts associated with the interest in DUET and lower interest expenses from the repayment of bank debt in prior periods, offset by lower equity accounted share of profits from the Asset Companies and the expensing of transaction costs associated with the acquisition of the 14.11% interest in DUET.

The first equivalent distribution to be received under the derivative contracts of $15.803 million was paid to Spark Infrastructure in August 2014.

Operating Cash Flow

Operating cash flow for the Current Period increased by $3.339 million or 4.0% on the Prior Period, primarily due to increased distributions from the Asset Companies and lower interest payments on corporate bank debt facilities.

Directors' Report
for the Half Year Ended 30 June 2014

Performance of the Asset Companies (100% basis)

SA Power Networks (100% basis)	30 June 2014 $'000	30 June 2013 $'000	Variance $'000	Variance %
Distribution Revenue	**439,466**	418,623	20,843	5.0
Customer Contributions and Gifted Assets	**41,264**	43,525	(2,261)	(5.2)
Other Revenue	**80,614**	89,101	(8,487)	(9.5)
Total Revenue	**561,344**	551,249	10,095	1.8
Operating Costs	**(160,049)**	(150,215)	(9,834)	(6.5)
EBITDA	**401,295**	401,034	261	0.1
EBITDA (excl Customer Contributions & Gifted Assets)	**360,031**	357,509	2,522	0.7
Total Volume (GWh)	**5,380**	5,531	(151)	(2.7)

In SA Power Networks Partnership ("SA Power Networks"), during the Current Period, Distribution Use of System ("DUoS") revenue increased by 5.0% to $439.466 million. This increase was principally due to higher tariffs, which increased by 10% following the start of the new regulatory year on 1 July 2013. The total volume delivered decreased by 2.7% to 5,380 GWh in the Current Period and was 3.9% below the regulatory allowance for the Current Period of 5,597 GWh, reflecting volume decreases in the residential, small and large business segments. In the Prior Period SA Power Networks recognised $5.900 million of service target performance incentive scheme ("STPIS") revenue in relation to the 2011/12 regulatory year, which has now been fully recovered. No STPIS benefit/penalty has been recognised as yet with respect to the 2012/13 or 2013/2014 regulatory years. STPIS relating to the 2012/13 regulatory year of $13.200 million will be collected via tariffs from 1 July 2014.

Non-prescribed revenue, which includes customer contributions, semi-regulated meter reading, and the provision of construction and maintenance services to third parties, decreased by 8.1% to $121.878 million. Customer contributions (including gifted assets), which is either non-cash or the recovery of capital expenditure, decreased by 5.2% to $41.264 million. Other unregulated and semi-regulated revenues decreased by 9.5% to $80.614 million, reflecting a decrease in asset relocation activities and in construction and maintenance activity for transmission business, ElectraNet, and a slower than anticipated ramp-up of National Broadband Network activities.

SA Power Networks operating expenses increased by 6.5% in the Current Period to $160.049 million, reflecting an increase in vegetation management expenditure in line with the submission to the regulator in 2012, an increase in guaranteed service level payments of $6.700 million compared to the Prior Period from extreme weather conditions early in the Current Period, offset by lower construction and maintenance costs in line with the lower activity and revenues.

Victoria Power Networks (100% basis)	30 June 2014 $'000	30 June 2013 $'000	Variance $'000	Variance %
Distribution Revenue	**415,574**	383,922	31,652	8.2
Advanced Metering Infrastructure ("AMI") Revenue	**59,927**	69,287	(9,360)	(13.5)
Customer Contributions and Gifted Assets	**30,678**	33,761	(3,083)	(9.1)
Other Revenue	**71,865**	88,244	(16,379)	(18.6)
Total Revenue	**578,044**	575,214	2,830	0.5
Operating Costs	**(189,777)**	(196,064)	6,287	3.2
EBITDA	**388,267**	379,150	9,117	2.4
EBITDA (excl Customer Contributions & Gifted Assets)	**357,589**	345,389	12,200	3.5
Total Volume (GWh)	**7,963**	8,340	(377)	(4.5)

In Victoria Power Networks Pty Ltd ("Victoria Power Networks"), during the Current Period, DUoS revenue increased by 8.2% to $415.574 million. Total volume delivered decreased by 4.5% to 7,963 GWh in the Current Period, and was 6.1% below the regulatory allowance for the Current Period of 8,481 GWh. Powercor volumes decreased by 4.3% from 5,319 GWh to 5,090 GWh, largely due to reductions in the domestic segment. CitiPower volumes decreased by 4.9% from 3,021 GWh to 2,873 GWh, largely due to reductions in the domestic and small commercial segments. Extended hot weather during January and February resulted in higher levels of peak demand. This has been partially offset by very mild weather for the March to June period which specifically impacted domestic peak consumption and the small commercial segment. On average, tariffs increased by 9-10% for both Powercor and CitiPower from 1 January 2014 in accordance with the regulatory determinations, including the catch up recovery of previous regulatory appeals which will be recovered over the 2014 and 2015 calendar years. AMI related revenue decreased by 13.5% to $59.927 million in the Current Period, reflecting the completion of the rollout of smart meters by December 2013 and the depreciating AMI related Regulated Asset Base ("RAB").

Non-prescribed revenue, which includes customer contributions, semi-regulated activities and other unregulated revenue such as the provision of network services to third parties, decreased 16.0% to $102.543 million. Customer contributions and gifted assets revenue decreased by 9.1% to $30.678 million. Other non-prescribed revenue decreased by 18.6% to $71.865 million largely due to lower activity in the provision of network services to third parties. The Prior Period included large projects for Endeavour Energy and TransGrid in New South Wales, and the Elaine Terminal Station project, for Meridian Energy Australia, in Victoria.

Victoria Power Networks operating expenses decreased by 3.2% to $189.777 million, reflecting lower expenses associated with the activity around the provision of network services to third parties and vegetation management costs, partially offset by approved cost increases in the operation of the regulated businesses and from one-off costs following commencement of business improvement projects.

Aggregated Asset Company depreciation and amortisation grew by 5.0% from $218.131 million to $228.938 million, reflecting the increase in the depreciable asset base. Net interest expense (excluding subordinated debt) was $225.966 million, 2.7% higher than the Prior Period, reflecting additional external debt to part finance the ongoing capital investment in the RAB, as well as the pricing impact of refinancing maturing facilities. Interest on subordinated (shareholder) debt is unchanged from the Prior Period at $117.811 million. Aggregated Asset Company income tax expense increased by $0.508 million to $18.632 million.

Capital Expenditure and Regulatory Asset Base ("RAB")

Victoria Power Networks and SA Power Networks continue to invest in the expansion and renewal of their networks, improving asset performance and reliability. During the Current Period, total capital expenditure of $383.500 million (Spark Infrastructure share: $187.915 million) was invested on a net basis, i.e. net of customer contributions, a decrease of 9.2% from $422.300 million (Spark Infrastructure share: $206.927 million) in the Prior Period. Capital expenditure is added to the RAB of the Asset Companies, which generates increased prescribed revenue in future periods. The decrease is largely due to the completion at 31 December 2013 of the AMI programme by CitiPower and Powercor, the Prior Period included capital expenditure of $67.100 million in relation to the AMI project.

The estimated RAB for Victoria Power Networks as at 30 June 2014 was $5.089 billion (100% basis), an increase of $156.405 million or 3.1% over December 2013. The estimated RAB for SA Power Networks as at 30 June 2014 was $3.775 billion (100% basis), an increase of $89.677 million or 2.4% over December 2013. Spark Infrastructure's aggregate 49% share of the Asset Companies' RAB balances was $4.343 billion, an increase of $120.580 million or 2.8% over December 2013 and $261.989 million or 6.4% over the estimated RAB at 30 June 2013.

Corporate Expenses, Loan Note Interest and Tax Expense

General, administrative and employee expenses increased in the Current Period to $8.322 million from $4.286 million. The Current Period includes $3.296 million of costs relating to the DUET transaction. Excluding this item, corporate costs have increased $0.740 million to $5.026 million from $4.286 million largely due to an increase in tax advice and a revaluation of the long term incentives provision.

Interest expense and borrowing costs decreased in the Current Period from $5.585 million to $0.941 million. The Prior Period included $2.199 million in relation to cancelling certain interest rate swaps and the expensing of unamortised borrowing costs attached to the old syndicated facilities of $0.952 million. Although no debt has been drawn from available facilities in the Current Period the increase in total facilities to $275.000 million has resulted in an increase in undrawn commitment fees.

Loan Note interest payable to Securityholders increased by $4.887 million to $51.323 million for the Current Period, due to the additional Loan Notes issued during the Current Period via the Institutional Placement and Security Purchase Plan ("SPP"). New Loan Notes rank pari passu with the pre-existing Loan Notes, and therefore are entitled to a full share of the half year distribution payable on 12 September 2014. Income tax expense, which is non-cash, increased by $1.465 million to $25.767 million for the Current Period.

ATO Tax Matters

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

During the Current Period, Victoria Power Networks paid amounts totalling $11.373 million to the ATO under part payment arrangements in relation to amended assessments for the tax years ended 31 December 2008 and 31 December 2009.

Directors' Report
for the Half Year Ended 30 June 2014

On 14 May 2014, the ATO advised Victoria Power Networks that it will not pursue its position in respect to Division 974 of the Income Tax Assessment Act 1997, being the denial of deductions for the interest paid by Victoria Power Networks on certain shareholder loans for all relevant years. All other audit matters with the ATO still remain outstanding including the ATO's assertion that Part IVA of the Income Tax Assessment Act 1936 should apply to the same shareholder loans. Spark Infrastructure notes that Victoria Power Networks continue to actively engage with the ATO on these matters.

As previously reported both Victoria Power Networks and the SA Power Networks Partnership have obtained legal advice with regard to the ongoing matters and will continue to vigorously defend their positions.

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

Debt, Gearing and Hedging

On 14 March 2014, Spark Infrastructure executed two new bank debt facilities of $75.000 million and $50.000 million with Commonwealth Bank of Australia ("CBA") and Bank of Tokyo Mitsubishi UFJ ("BTMU") respectively, and extended by one year the current facilities of $75.000 million each with the National Australia Bank ("NAB") and Westpac Banking Corporation ("Westpac"). The facilities with NAB and Westpac mature on 13 March 2016, whilst the facilities with CBA and BTMU mature on 13 March 2017. Spark Infrastructure pays an average margin of 130 basis points above the applicable bank bill swap rate on the facilities. All facilities remained undrawn throughout the Current Period.

Spark Infrastructure has cash on hand at 30 June 2014 of $84.509 million (excluding $5.000 million of cash held for Australian Financial Services Licensing purposes). Spark Infrastructure's look-through net gearing, including its proportionate share of the net debt of Victoria Power Networks and SA Power Networks, was 54.4% as at 30 June 2014 (31 December 2013: 57.1%).

Net debt to RAB at the Asset Company level was 77.8%, down 0.7% from 31 December 2013. SA Power Networks' net debt to RAB was 75.5%, down from 76.2% as at December 2013, and down from 78.1% as at June 2013. Victoria Power Networks' net debt to RAB was 79.6%, down from 80.3% as at December 2013, and 80.5% as at June 2013. Achieving 75% net debt to RAB gearing at the aggregate Asset Company level by 2015 remains an objective.

There is currently no interest rate hedging at the Spark Infrastructure level. On a proportionate basis, 97.8% of gross debt (including Asset Company gross debt) was hedged as at 30 June 2014 (31 December 2013: 100.2%). This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure and the Asset Companies. In addition, Victoria Power Networks had $348.000 million of forward starting swaps in place as at 30 June 2014, of which $158.000 million commenced during July 2014.

Cashflow

During the Current Period, Spark Infrastructure received $92.656 million in distributions from the Asset Companies, up 1.4% from $91.339 million in the Prior Period.

Distributions received from SA Power Networks were $52.226 million, up $1.225 million or 2.4% on the Prior Period. Shareholder interest received from Victoria Power Networks was $40.430 million, up $0.092 million or 0.2% on the Prior Period. Cash inflows from interest received were $0.489 million for the Current Period, $0.231 million lower than the Prior Period reflecting lower deposit interest rates available for surplus funds.

Cash outflows for interest paid on senior debt were $0.570 million, down $4.115 million on the Prior Period. The Prior Period included $2.199 million in relation to cancelling certain interest rate swaps. Interest payments include $0.726 million arising from the embedded funding contained in the DUET related derivative contracts in the Current Period. Spark Infrastructure's cashflow from operating activities for the Current Period was $86.677 million which was 4.0% higher than the Prior Period of $83.338 million.

Net proceeds of $195.800 million from the Institutional Placement were used to prepay the equivalent of 89.000 million DUET securities under the forward contracts. Derivative contracts transaction costs paid in the Current Period totalled $2.739 million.

The refinancing of bank debt facilities in March 2014 incurred associated borrowing costs of $0.686 million. Spark Infrastructure paid a final distribution for the year ended 31 December 2013 of $72.970 million to Securityholders in March 2014, representing 5.50 cents per security ("cps").

Equity Raisings

During the Current Period Spark Infrastructure completed equity raisings for a total of 139.626 million stapled securities at $1.76 per stapled security, comprising an Institutional Placement completed on 21 May 2014 and a SPP completed on 30 June 2014. Proceeds from the raisings totalled $245.742 million (before issue costs) and were used to prepay $195.800 million of the embedded funding in the forward contracts as referred to above, and further strengthen Spark Infrastructure's balance sheet. Issue costs of $4.774 million were incurred in the Current Period of which $3.750 million was paid.

Acquisition of a 14.11% interest in DUET

During the Current Period, Spark RE, as Responsible Entity of the Spark Trust, acquired an economic interest equivalent to 61.413 million DUET securities (a 4.66% relevant interest in DUET) by way of cash-settled equity swap contracts ("swaps"). The swaps do not provide any right to buy DUET securities but offer price protection should Spark RE wish to take a physical position in DUET at a future date.

On 20 May 2014, Spark RE entered into forward contracts with Deutsche Bank AG ("Deutsche Bank") in relation to stapled securities in DUET which gave Spark RE the ability to acquire and Deutsche Bank the obligation to deliver a minimum of 124.500 million DUET securities (a 9.45% relevant interest in DUET) in May 2017 at a price of $2.20 per stapled security. At the election of Deutsche Bank, Spark RE may also acquire a further 33.000 million DUET securities (a 2.5% relevant interest in DUET) in May 2017, also at a price of $2.20 per stapled security.

Proceeds from the Institutional Placement (after issue costs) of $195.800 million were used to prepay the equivalent of 89.000 million DUET securities under the forward contracts.

The cost of entry into the 14.11% interest in DUET under the combined derivative contracts was $402.069 million or an average entry price of $2.16 per stapled security, which is a combination of the average swap price of $2.09 and the forward contract price of $2.20. If the extra 33.000 million DUET securities are put to Spark RE at $2.20 in May 2017, the average entry price will increase to $2.17.

The interest in DUET is consistent with Spark Infrastructure's strategy of investing in quality regulated and long-lived infrastructure assets.

Subsequent to 30 June 2014 DUET issued a further 9,910,121 securities under its Dividend Reinvestment Plan, reducing the economic interest held by Spark Infrastructure to 14.00%.

Equity and Reserves

Total Equity including Loan Notes attributable to Securityholders increased by $288.504 million during the Current Period to $2.758 billion at 30 June 2014, largely the result of proceeds (net of issue costs) from the Institutional Placement and SPP of $240.968 million. Net profit after tax increased retained profits by $88.988 million, while other movements net of tax included: favourable mark-to-market movements in the value of interest rate derivatives held by the Asset Companies of $0.976 million; actuarial losses on defined benefit superannuation plans of the Asset Companies of $16.567 million; and a capital distribution paid during the Current Period to Securityholders of $25.871 million (1.95 cps). The mark-to-market movements and actuarial gains are non-cash impacts and result from the application of Australian Accounting standards.

Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets at half year to determine whether any impairment has arisen, and are satisfied that no impairment exists. The discounted cash flow analysis undertaken as part of this review takes into account the current agreed Corporate Plans for the Asset Companies.

Regulatory Update

AER 'Better Regulation' Program

The Australian Energy Regulator ("AER") concluded its 'Better Regulation' reform program at the end of 2013. In November 2013, the AER published Final Guidelines in relation to Expenditure Assessments, Expenditure Incentives, Shared Assets, Efficiency Benefits Sharing, Consumer Engagement and Confidentiality. In December 2013 the AER published the Final Rate of Return Guideline. None of the published guidelines, with the exception of the Rate of Return Guideline, is expected to have a material impact on either SA Power Networks or CitiPower and Powercor.

While the framework has been established, the AER continues to bed down certain flow-on arrangements in relation to the Rate of Return. On 8 April 2014 the AER released a consultation paper on the selection of a third party data provider for the estimation of the return on debt. This was necessitated by the change in the National Electricity Rules and the subsequent adoption by the AER of a 10 year trailing average for the calculation of debt costs. The previously favoured Bloomberg Fair Value ("BFV") curve will no longer be published by Bloomberg in the future and so cannot be used. The AER has narrowed down its selection to a new data series which the Reserve Bank of Australia intends to commence publishing and the alternative Bloomberg valuation service ("BVAL"). Submissions on this consultation paper closed on 19 May 2014 and the matter remains under review by the AER.

Directors' Report
for the Half Year Ended 30 June 2014

Framework and Approach papers

On 30 April 2014 the AER published the Framework and Approach paper for SA Power Networks for the 2015-20 regulatory period. This is a key document which sets out the foundational considerations in relation to revenue recovery and various incentive mechanisms for the Asset Companies. Publication of this document follows a formal consultation period which commenced with the issue of the AER's relevant discussion paper in December 2013.

The AER has decided that a Revenue Cap form of revenue control will apply to Standard Control Services for SA Power Networks in future, instead of the existing Price Cap. This change will make SA Power Networks indifferent to future fluctuations in electricity sales volumes. The Revenue Cap will take effect from the commencement of the next regulatory period for SA Power Networks on 1 July 2015.

On 6 June 2014 the AER published it preliminary positions paper for the five Victorian electricity distributors, including CitiPower and Powercor. In this document the AER stated its view that a Revenue Cap form of revenue control should apply to each of these businesses. Submissions on this discussion paper closed on 21 July 2014 and it is expected that CitiPower and Powercor will support the AER's position in this matter. Replacement Framework and Approach Papers for the Victorian businesses are due from the AER by 31 October 2014.

Regulatory resets for 2015/16-20

The Asset Companies' next five year regulatory periods will take effect on 1 July 2015 in the case of SA Power Networks, and on 1 January 2016 in the case of CitiPower and Powercor. Work on the development of SA Power Networks' regulatory submissions is approaching finalisation while CitiPower and Powercor's submissions are well underway. The Asset Companies are continuing their collaborative approach to their preparations. Their submissions will address the full range of elements required by the AER including proposed capital expenditure, operating expenditure, incentive mechanisms and rate of return parameters.

SA Power Networks' submission is due to the AER by 31 October 2014, with a Draft Determination expected from the AER on 30 April 2015. CitiPower and Powercor will make their regulatory submission by 30 April 2015 with a Draft Determination expected from the AER on 31 October 2015. As a result of the delay caused by completion of the AER's "Better Regulation" program, the businesses will operate under the parameters set by the AER's Draft Decisions for the first year of the new five-year regulatory periods. Once the Final Decisions are published then a 'true-up' will be undertaken for years 2-5 of the new regulatory periods on a no disadvantage basis.

Growth in Regulatory Asset Bases to 2015

The Asset Companies are in the midst of a period of strong growth. The AER has approved capital expenditure for the current 5-year regulatory periods that will drive increased growth in the RABs of the Asset Companies. Corresponding increases in Asset Company revenues have also been approved by the AER. Funding of this capital expenditure in line with the AER's assumptions will lead to long term growth in the Asset Companies' RABs, in which Securityholders are expected to benefit via their investment in Spark Infrastructure.

During the current five year regulatory periods, which extend to 30 June 2015 for SA Power Networks and 31 December 2015 for Victoria Power Networks, the Asset Companies in total have net capital expenditure allowances from the AER of $3.729 billion (real 2010 dollars) (Spark Infrastructure share: $1.830 billion), equivalent to $747.000 million (real 2010 dollars) per annum (Spark Infrastructure share: $366.030 million). In addition, the AMI rollout programme in Victoria Power Networks which amounted to a capital investment of approximately $630.000 million (Spark Infrastructure share: $308.700 million) from 2009 to 2013, was complete as at 31 December 2013. Overall, based on the regulatory determinations, the combined RABs of the Asset Companies are expected to grow by an average of 7%-8% per annum in accordance with the 2010 regulatory decisions after factoring in expected out-performance against regulatory allowances. Assuming that this net growth in RAB is funded with 60% debt (in accordance with the AER's regulatory assumptions), Spark Infrastructure's equity investment in the Asset Companies' RABs would grow by approximately 12%-14% per annum over the same period. Over the period since December 2010, the aggregate compound annual growth rate in RAB has been 8.2%.

Distributions and Capital Management

As an investment proposition, Spark Infrastructure offers a sustainable distribution yield with the possibility of capital growth through Spark Infrastructure's equity investment in the Asset Companies' RABs.

Spark Infrastructure only pays out distributions which are fully supported by operating cashflows. Operating cashflows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis, i.e. including Spark Infrastructure's 49% share of the Asset Companies relevant operating cashflows only, it is not appropriate to include the impact of the interest in DUET at this time. Operating cashflows are reviewed after deducting an allowance for maintaining the Asset Companies' RABs. Distribution coverage from operating cashflows is assessed annually, while also taking into account the relevant 5-year regulatory period under which the Asset Companies are operating.

Distributions paid to Securityholders comprise interest income on the Loan Notes and can also include a return of capital on Units and income distributions from the Spark Trust. A final cash distribution of 5.50 cps was paid on 14 March 2014 in relation to the six months ended 31 December 2013 and comprised 3.55 cps of interest on the Loan Notes and 1.95 cps of capital distributions.

The Directors have reaffirmed distribution guidance for full year 2014 of 11.50 cps, representing an increase of 4.5% on 2013. In line with that guidance the Board has declared an interim cash distribution of 5.75 cps for the six months ended 30 June 2014, representing a standalone payout ratio of 97.3% and a look through payout ratio of 63.6% for the Current Period. The interim distribution is payable on 12 September 2014, and consists of 3.50 cps interest on Loan Notes for the period and 2.25 cps return of capital. The interim distribution is unfranked and will be made by the Spark Trust. The Directors have determined that the Distribution Reinvestment Plan ("DRP") will remain suspended. The Directors will again review the 2014 and 2015 distributions at the end of the year and expect to provide further guidance at the time of the Full Year results in February 2015.

Outlook

Each Asset Company is in the midst of a period of strong growth through the delivery of AER approved capital expenditure over the five years to 2015. Funding of this capital expenditure in line with the AER's assumptions will lead to long term growth in Spark Infrastructure's equity investment in the Asset Companies' RABs.

Subject to business conditions, the Directors have reaffirmed their previous guidance that Spark Infrastructure will have the ability to grow distributions at between 3-5% per annum into 2015. Future distributions will be fully covered by operating cashflows, and are not dependent on the operation of the DRP. Spark Infrastructure will continue to target a payout ratio of approximately 80% of standalone operating cashflows for distributions across the current regulatory periods to 2015.

Spark Infrastructure's Investment Mandate

In addition to the regulatory approved growth in the Asset Companies RAB's, Spark Infrastructure has established the financial flexibility to consider other opportunities to grow the business for the benefit of Securityholders. In this regard, Spark Infrastructure will continue to adhere to its well established investment criteria, which includes consideration of assets which have the following characteristics:

- Electricity and gas distribution or transmission, or water and sewerage assets in established jurisdictions, that offer predictable earnings and reliable cashflows;
- Subject to independent and transparent regulation by appropriate bodies, or supported by long term contractual arrangements with reliable counterparties;
- Yield accretive, either immediately or within a relatively short timeframe;
- Value accretive over the long term – offering the opportunity for low double digit returns on equity investment, using risk-adjusted return metrics appropriate for the relevant investment opportunity;
- Display a similar risk profile to the assets in its current portfolio; and
- Offer the opportunity for strategic diversification, by asset class, geography, regulatory regime and/or timing.

Events Occurring after Reporting Date

The Directors of Spark Infrastructure are not aware of any other matter or circumstance not otherwise dealt with in this interim financial report that has significantly affected or may significantly affect the operations or the state of affairs in the period since 30 June 2014 up to the date of this report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

Spark Infrastructure is an entity of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and interim financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

Directors' Report
for the Half Year Ended 30 June 2014

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

On behalf of the Directors:

B Scullin	**R Francis**
Chairman	**Managing Director**

Sydney
22 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2014

	Note	Consolidated 30 June 2014 $'000	30 June 2013 $'000
Income from associates:			
- Interest income	3	**40,116**	40,116
- Share of equity profits	3	**111,904**	115,807
		152,020	155,923
Gain on derivative contracts		**22,759**	-
Other income – interest		**562**	686
Total income		**175,341**	156,609
Interest expense		**(941)**	(5,585)
General and administrative expenses		**(5,026)**	(4,286)
Transaction fees – derivative contracts		**(3,296)**	-
Profit for the period before Loan Note interest and income tax		**166,078**	146,738
Interest expense – Loan Notes		**(51,323)**	(46,436)
Profit for the period before income tax		**114,755**	100,302
Income tax expense		**(25,767)**	(24,302)
Net profit for the period attributable to Securityholders		**88,988**	76,000

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2014 (continued)

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Net profit for the period attributable to Securityholders	**88,988**	76,000
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Cash flow gain on hedges	**-**	2,715
Share of associates' other comprehensive income:		
- gain on hedges	**1,394**	31,613
- actuarial (loss)/gain on defined benefits plan	**(23,667)**	27,305
Income tax related to components of other comprehensive income	**6,682**	(18,489)
Other comprehensive (loss)/income for the period (net of tax)	**(15,591)**	43,144
Total comprehensive income for the period attributable to Securityholders	**73,397**	119,144
Earnings per Security		
Weighted average number of stapled securities on issue during the period (No '000)	**1,348,852**	1,326,734
Profit before Loan Note interest and income tax ($'000)	**166,078**	146,738
Basic earnings per security before Loan Note interest and income tax (cents)	**12.31¢**	11.06¢
Earnings used to calculate earnings per security ($'000)	**88,988**	76,000
Basic earnings per security based on net profit (cents)	**6.60¢**	5.73¢
(Diluted earnings per security is the same as basic earnings per security)		

Notes to the financial statements are included on pages 20 – 32.

Condensed Consolidated Statement of Financial Position as at 30 June 2014

	Note	Consolidated 30 June 2014 $'000	31 December 2013 $'000
Current Assets			
Cash and cash equivalents		**89,509**	33,035
Receivables from associates		**11,332**	11,646
Other financial assets	6	**722**	-
Other current assets		**401**	783
Total Current Assets		**101,964**	45,464
Non-Current Assets			
Property, plant and equipment		**208**	233
Investments in associates:			
- Investments accounted for using the equity method	4(d)	**1,892,862**	1,855,458
- Loans to associates	5	**745,601**	745,601
Other financial assets	6	**218,563**	-
Other non-current assets		**851**	-
Total Non-Current Assets		**2,858,085**	2,601,292
Total Assets		**2,960,049**	2,646,756
Current Liabilities			
Payables		**3,578**	2,378
Loan Note interest payable to Securityholders		**51,323**	47,099
Total Current Liabilities		**54,901**	49,477
Non-Current Liabilities			
Payables		**732**	452
Loan Notes attributable to Securityholders	7	**925,831**	836,827
Deferred tax liabilities		**146,166**	127,081
Total Non-Current Liabilities		**1,072,729**	964,360
Total Liabilities		**1,127,630**	1,013,837
Net Assets		**1,832,419**	1,632,919

Condensed Consolidated Statement of Financial Position as at 30 June 2014 (continued)

	Note	Consolidated 30 June 2014 $'000	Consolidated 31 December 2013 $'000
Equity			
Equity attributable to the Parent Entity			
- Issued capital	8	**1,148,256**	1,022,153
- Hedge reserves		**(45,940)**	(46,916)
- Retained earnings		**730,103**	657,682
Total Equity		**1,832,419**	1,632,919

Total Equity attributable to Securityholders is as follows:		
Total Equity	**1,832,419**	1,632,919
Loan Notes attributable to Securityholders	**925,831**	836,827
Total Equity and Loan Notes	**2,758,250**	2,469,746

Notes to the financial statements are included on pages 20 – 32.

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2014

	CONSOLIDATED			
	Issued Capital $'000	Hedge Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2013	1,071,242	(84,511)	486,725	1,473,456
Net profit for the period	-	-	76,000	76,000
Cashflow hedges – gain on interest rate swaps	-	2,715	-	2,715
Share of associates' other comprehensive income:				
- gain on hedges	-	31,613	-	31,613
- actuarial gain on defined benefits plan	-	-	27,305	27,305
Related tax	-	(10,298)	(8,191)	(18,489)
Total comprehensive income for the period	-	24,030	95,114	119,144
Capital distributions	(22,555)	-	-	(22,555)
Balance at 30 June 2013	1,048,687	(60,481)	581,839	1,570,045
Balance at 1 January 2014	**1,022,153**	**(46,916)**	**657,682**	**1,632,919**
Net profit for the period	**-**	**-**	**88,988**	**88,988**
Share of associates' other comprehensive income:				
- gain on hedges	**-**	**1,394**	**-**	**1,394**
- actuarial loss on defined benefits plan	**-**	**-**	**(23,667)**	**(23,667)**
Related tax	**-**	**(418)**	**7,100**	**6,682**
Total comprehensive income for the period	**-**	**976**	**72,421**	**73,397**
Capital distributions	**(25,871)**	**-**	**-**	**(25,871)**
Contributions of equity (net of issue costs)	**151,974**	**-**	**-**	**151,974**
Balance at 30 June 2014	**1,148,256**	**(45,940)**	**730,103**	**1,832,419**

Notes to the financial statements are included on pages 20 – 32.

Condensed Consolidated Statement of Cash Flows for the Half Year Ended 30 June 2014

	Note	Consolidated 30 June 2014 $'000	30 June 2013 $'000
Cash Flows from Operating Activities			
Distributions from associates - preferred partnership capital		**34,341**	34,341
Dividends received - associates		**17,885**	16,660
Interest received - associates		**40,430**	40,338
Interest received - other		**489**	720
Interest paid - other		**(570)**	(4,685)
Finance costs paid – derivative contracts		**(726)**	-
Other expenses		**(5,172)**	(4,036)
Net Cash Inflow Related to Operating Activities		**86,677**	83,338
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**-**	(2)
Prepayment of forward contract	6	**(195,800)**	-
Transaction costs – derivative contracts		**(2,739)**	-
Net Cash Outflow Related to Investing Activities		**(198,539)**	(2)
Cash Flows from Financing Activities			
Proceeds from issue of stapled securities		**245,742**	-
Payment of issue costs		**(3,750)**	-
Drawdown of external borrowings		**-**	55,000
Repayment of external borrowings		**-**	(85,000)
Payment of external borrowing costs		**(686)**	(567)
Distributions to Securityholders:			
- Loan Note interest	11	**(47,099)**	(47,099)
- Capital distributions	11	**(25,871)**	(22,555)
Net Cash Inflow/(Outflow) Related to Financing Activities		**168,336**	(100,221)
Net Increase/(Decrease) in Cash and Cash Equivalents for the Period		**56,474**	(16,885)
Cash and cash equivalents at the beginning of the period		**33,035**	41,966
Cash and Cash Equivalents at the end of the Period [1]		**89,509**	25,081

[1] Includes $5.000 million 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 2013: $5.000 million). With effect From 1 July 2014 Spark Infrastructure RE Limited, the Responsible Entity of the Spark Infrastructure Trust, holds $10.000 million of capital in cash in order to comply with changes to the AFSL financial requirements under ASIC Regulatory Guide 166.

Notes to the financial statements are included on pages 20 – 32.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

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 is for Spark Infrastructure consisting of Spark Infrastructure Trust ("Spark 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 2013 annual financial report of Spark Infrastructure, together with any public announcements made by Spark Infrastructure during the 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 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Spark Infrastructure is an entity of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order 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 Spark Trust on 22 August 2014.

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 1031 Materiality (December 2013)	Revised AASB 1031 is an interim standard that cross-references to other standards and the *Framework for the Preparation and Presentation of Financial Statements* (issued December 2013) that contain guidance on materiality. The application of the requirements of the Standard has not had a material effect on the Group's financial information.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amends AASB 124 *Related Party Disclosures* to remove the individual key management personnel disclosures required by Australian specific paragraphs. Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the *Corporations Act 2001*. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2012-3 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	Addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 *Financial Instruments: Presentation.* Clarifies the meaning of 'currently has a legally enforceable right to set-off' and 'simultaneous realisation and settlement'. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	Narrow scope amendments to AASB 136 *Impairment of Assets* address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of the requirements of the amendments has not had a material effect on the Group's financial information.
AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting	Amends AASB 139 Financial Instruments: *Recognitions and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The application of the requirements of the amendments has not had a material effect on the Group's financial information.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

1. Summary of Accounting Policies (continued)

Adoption of new and revised Standards (continued)

New and Revised Standard	Requirements and impact assessment
AASB 2013-9 Amendments to Australian Accounting Standards (Part B Materiality)	Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and minor editorial amendments to various standards. The application of the requirements of the amendments has not had a material effect on the Group's financial information.

Standards and Interpretations on issue not yet adopted

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

Standard	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 2013-9 Amendments to Australian Accounting Standards (Part C Financial Instruments)	**1 January 2015**	**31 December 2015**
AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	**1 January 2017**	**31 December 2017**

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

Principles of consolidation

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

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

Critical Accounting Estimates and Judgements

The preparation of this report required the use of certain critical accounting estimates and exercise of judgement in the process of applying the accounting policies. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectation of future events. The Directors believe the estimates and judgements are reasonable. Actual results in the future may differ from those reported.

Impairment of Assets

At each reporting date, Spark Infrastructure tests whether there are any indicators of impairment. Each Associate, being SA Power Networks and Victoria Power Networks, is regarded as a separate cash generating unit for the purposes of such testing. If any indicators are identified, a discounted cashflow analysis is undertaken.

Changes to external market conditions over the past few years have the potential to impact asset values and Spark Infrastructure regards these as potential indicators of impairment. Accordingly, impairment testing was undertaken to confirm that the carrying value of assets do not exceed their respective recoverable values. The following key parameters were used in testing for impairment:

- Cashflow projections, based on financial forecasts approved by management containing assumptions about business conditions, growth in regulated asset base ("RAB") and future regulatory returns, over a period of 10 years with an appropriate terminal value based on RAB multiples for regulated activities and EBITDA multiples for unregulated activities;
- Growth rates for volume of electricity delivered are based on observed historical values and studies undertaken by independent experts; and
- Appropriate discount rates specific to the individual assets.

Cashflow projections for a 10 year period are deemed appropriate as electricity distribution assets are long life assets.

Notes to the Financial Statements
for the Half Year Ended 30 June 2014

1. Summary of Accounting Policies (continued)

Derivative Financial Instruments

Other financial assets

The fair value of put and call options is determined using a 'Level 2' valuation method involving the use of generally accepted option valuation models: inputs are based on market observable data for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), at the reporting date and compared with valuations provided by third parties. These calculations require the use of estimates and assumptions based on underlying securities. Any changes in assumptions in relation to security prices, volatilities and future distribution streams could have a material impact on the fair value attributable to the put and call options at each reporting date. When these assumptions change in the future the differences will impact the income statement in the period in which the change occurs.

Other financial assets also include the fair value of the forward and swap contracts in respect of underlying securities. The fair value is determined with reference to the underlying security price at each reporting date and is therefore subject to change in value.

Deferred Tax Assets

Deferred tax assets are recognised to the extent that it is probable that there are sufficient taxable amounts available against which deductible temporary differences or unused tax losses and tax offsets can be utilised and they are expected to reverse in the foreseeable future. As at 30 June 2014 (30 June 2013: nil) there are no amounts unrecognised on the basis that the above criteria were not met.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

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 (the Managing Director) in order to allocate resources to the segment and to assess its performance. Three segments are reported, Victoria Power Networks – which represents the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor), SA Power Networks – which represents the 49% interest in the electricity distribution business in South Australia, and Other Interest – which represents the 14.11% interest in DUET Group, an ASX listed entity head quartered in New South Wales.

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 revenue and results from continuing operations by reportable segments.

	Victoria Power Networks		SA Power Networks		Other Interest		Total	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Segment Cashflows								
Net cashflows	**40,430**	40,338	**52,226**	51,001	**(726)**	-	**91,930**	91,339
Net interest paid							**(81)**	(3,965)
Corporate costs							**(5,172)**	(4,036)
Total Operating Cashflows							**86,677**	83,338

	Victoria Power Networks		SA Power Networks		Other Interest		Total	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Segment Revenue								
Share of equity accounted profits	**9,376**	12,071	**102,528**	103,736	**-**	-	**111,904**	115,807
Interest income - associates	**40,116**	40,116	**-**	-	**-**	-	**40,116**	40,116
Gain on derivative contracts	**-**	-	**-**	-	**22,759**	-	**22,759**	-
Segment revenue	**49,492**	52,187	**102,528**	103,736	**22,759**	-	**174,779**	155,923
Interest revenue							**562**	686
Total Revenue							**175,341**	156,609
Segment Results								
Segment contribution	**49,492**	52,187	**102,528**	103,736	**22,759**	-	**174,779**	155,923
Net interest expense							**(379)**	(4,899)
Corporate costs							**(8,322)**	(4,286)
Profit for the period before Loan Note interest and income tax							**166,078**	146,738
Interest on Loan Notes							**(51,323)**	(46,436)
Income tax expense							**(25,767)**	(24,302)
Net Profit for the Period							**89,988**	76,000

Notes to the Financial Statements for the Half Year Ended 30 June 2014

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		Other Interest		Total	
	Jun 2014 $'000	Dec 2013 $'000	**Jun 2014 $'000**	Dec 2013 $'000	**Jun 2014 $'000**	Dec 2013 $'000	**Jun 2014 $'000**	Dec 2013 $'000
Segment Assets								
Investment accounted using equity method	**317,438**	314,298	**1,575,424**	1,541,160	**-**	-	**1,892,862**	1,855,458
Loan to associates	**745,601**	745,601	**-**	-	**-**	-	**745,601**	745,601
Receivables from associates	**11,332**	11,646	**-**	-	**-**	-	**11,332**	11,646
Other financial assets	**-**	-	**-**	-	**219,285**	-	**219,285**	-
Total Segment Assets	**1,074,371**	1,071,545	**1,575,424**	1,541,160	**219,285**	-	**2,869,080**	2,612,705
Unallocated Assets								
Cash and cash equivalents							**89,509**	33,035
Other assets							**1,252**	783
Property, plant & equipment							**208**	233
Total Assets							**2,960,049**	2,646,756
Segment Liabilities								
Liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Unallocated Liabilities								
Loan Notes attributable to Securityholders							**925,831**	836,827
Other liabilities							**55,633**	49,929
Deferred tax liabilities							**146,166**	127,081
Total Liabilities							**1,127,630**	1,013,837

3. Share of Equity Accounted Profits and Interest

	30 June 2014 $'000	30 June 2013 $'000
Equity Accounted Profits:		
Victoria Power Networks Pty Ltd	**9,376**	12,071
SA Power Networks Partnership	**102,528**	103,736
	111,904	115,807
Interest income – Associates:		
Victoria Power Networks Pty Ltd	**40,116**	40,116
	152,020	155,923

Notes to the Financial Statements
for the Half Year Ended 30 June 2014

4. Investments Accounted for using the Equity Method

(a) Particulars of Investment in Associates:

Name of entity	Principal activity	Ownership interest %		Country of Incorporation/ Formation
		2014	2013	
Victoria Power Networks Pty Ltd	Ownership of electricity distribution businesses in Victoria	**49**	49	Australia
SA Power Networks	Ownership of an electricity distribution business in South Australia	**49**	49	Australia

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

	30 June 2014 $'000	**30 June 2014 $'000**	31 December 2013 $'000	31 December 2013 $'000
	Victoria Power Networks	**SA Power Networks**	Victoria Power Networks	SA Power Networks
Current assets	**337,599**	**339,204**	332,918	308,294
Non-current assets	**6,927,166**	**5,618,291**	6,881,962	5,552,635
Total assets	**7,264,765**	**5,957,495**	7,214,880	5,860,929
Current liabilities	**799,933**	**480,276**	928,473	505,144
Non-current liabilities	**5,552,819**	**3,439,070**	5,385,756	3,388,185
Total liabilities	**6,352,752**	**3,919,346**	6,314,229	3,893,329
Net assets	**912,013**	**2,038,149**	900,651	1,967,600

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

	30 June 2014 $'000	**30 June 2014 $'000**	30 June 2013 $'000	30 June 2013 $'000
	Victoria Power Networks	**SA Power Networks**	Victoria Power Networks	SA Power Networks
Revenue – distribution and metering	**475,501**	**439,466**	453,209	418,623
Revenue – semi-regulated and unregulated	**71,865**	**80,614**	88,244	89,101
Customer contributions and gifted assets [a]	**30,678**	**41,264**	33,761	43,525
Operating revenue	**578,044**	**561,344**	575,214	551,249
Revenue – transmission (pass-through)	**128,917**	**121,518**	138,728	141,217
	706,961	**682,862**	713,942	692,466
Expenses	**(535,295)**	**(387,246)**	(526,430)	(375,729)
Expenses – transmission (pass-through)	**(128,917)**	**(121,518)**	(138,728)	(141,217)
Profit before income tax	**42,749**	**174,098**	48,784	175,520
Income tax (expense)/benefit	**(18,658)**	**26**	(19,193)	1,069
Net profit	**24,091**	**174,124**	29,591	176,589

Notes to the Financial Statements for the Half Year Ended 30 June 2014

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

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

	30 June 2014 $'000 Victoria Power Networks	30 June 2014 $'000 SA Power Networks	30 June 2013 $'000 Victoria Power Networks	30 June 2013 $'000 SA Power Networks
Other comprehensive income:				
Gain/(loss) on hedges	**5,603**	**(1,077)**	30,297	43,308
Actuarial (loss)/gain on defined benefit plans	**(23,783)**	**(31,654)**	22,566	39,926
Income tax related to components of other comprehensive income	**5,454**	**-**	(15,859)	-
Other comprehensive income for the Financial Period	**(12,726)**	**(32,731)**	37,004	83,234
Total comprehensive income for the Financial Period	**11,365**	**141,393**	66,595	259,823

[a] Customer contributions and gifted assets are measured at fair value and are recognised as revenue and a corresponding asset in their entirety upfront by the Asset Companies at the date the Asset Companies gain control of the cash contribution or asset in accordance with Australian accounting standards. Fair value is based on the estimated replacement cost of the specific extension or modification to the network, notwithstanding that there are alternative fair value methods available. Spark Infrastructure recognises its equity accounted share of the assets and revenue recognised by the Asset Companies in respect of these transactions. In turn, this leads to higher equity accounted income being reported by Spark Infrastructure and an increased carrying value of its investment in associates on initial recognition.

The increased carrying value of these assets in the Asset Companies will result in a higher depreciation expense over their expected economic life, which can range from 40 to 70 years, and correspondingly will lead to lower equity accounted profits being reported by Spark Infrastructure over the same time period. As a consequence of the timings of the above accounting treatment, an additional accounting adjustment (impairment or expense) may be required in the future should the assets future recoverable amount (as determined under the accounting standards) be determined to be less than its accounting carrying value due to this timing mis-match.

Reconciliation of the above summarised financial performance to the net profit attributable to Spark Infrastructure from SA Power Networks and Victoria Power Networks, recognised in the financial report:

	30 June 2014 $'000	30 June 2013 $'000
Victoria Power Networks net profit applicable to Spark Infrastructure	**11,805**	14,500
SA Power Networks net profit applicable to Spark Infrastructure	**85,320**	86,528
Additional share of profits from preferred partnership capital[a]	**17,611**	17,611
	114,736	118,639
Additional depreciation/amortisation charge[b]	**(2,832)**	(2,832)
	111,904	115,807

[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] Relates to depreciation/amortisation of fair value on uplift of assets on acquisition.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

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

	6 months to 30 June 2014 $'000	Year Ended 31 December 2013 $'000
(d) Movement in Carrying Amounts		
Carrying amount at the beginning of the Financial Period	**1,855,458**	1,638,784
Share of profits after income tax	**111,904**	229,136
Preferred partnership distribution received	**(34,341)**	(69,635)
Dividends received - associates	**(17,885)**	(52,920)
Share of associates' comprehensive (loss)/gain recognised directly in equity	**(22,274)**	110,093
Carrying amount at the end of the Financial Period	**1,892,862**	1,855,458

(e) Tax Matters

SA Power Networks Partnership

The Australian Taxation Office ("ATO") has completed its tax audits of the SA Power Networks Partnership and has made adjustments to the income tax treatment adopted by SA Power Networks in relation to the following matters:

a) a denial of deductions for rent instalments paid by SA Power Networks on the grounds that they are of a capital nature;
b) a denial of deductions for direct internal labour and motor vehicle costs incurred by SA Power Networks on self-constructed assets, after separate favourable adjustments for asset replacement, on the grounds that they are of a capital nature, and a corresponding allowance of tax depreciation deductions for those costs over the effective life of the assets; and
c) a denial of deductions for a part of the interest cost incurred by SA Power Networks on its subordinated debt under Part IVA of the Income Tax Assessment Act 1936 ("Part IVA"), not Division 974 of the Income Tax Assessment Act 1997 ("Division 974").

During July and August 2012, the ATO adjusted the income tax returns of SA Power Networks Partnership for the years 2000 through to 2010 and amended tax assessments have been issued to all the SA Power Networks partners, including Spark Infrastructure Holdings No 2 Pty Limited ("SIH No. 2") as the head entity of the relevant tax consolidated group for the 2007 to 2010 calendar years in respect of the above adjustments. In June 2013, an amended assessment in respect of (a) and (b) above was issued to SIH No. 2 for the 2011 year.

On 13 January 2014 a Deed of Settlement was entered into with the ATO on matter (a) concerning the denial of deductions for rent instalments paid by SA Power Networks. The terms of the settlement provide that there will be no adjustment to the rent instalment deductions claimed by SA Power Networks in prior income tax years up to the 2012 calendar year, and no deductions will be claimed in future income tax years.

SA Power Networks has obtained legal advice that supports its current tax treatment of the remaining items (b) and (c) above. SA Power Networks and the partners are of the opinion that no adjustments are required in relation to these items, and will vigorously defend their positions. Objections to all amended assessments for the years 2007 to 2011 have been lodged with the ATO by SIH No. 2, and SA Power Networks and the partners continue to actively engage with the ATO on these matters. Notwithstanding the ATO's adjustments, no amount of cash tax is payable by SIH No. 2 from the amended assessments for the 2007 to 2011 calendar years due to the availability of carried forward tax losses, and on the basis of all the information currently available, Spark Infrastructure is of the opinion that the overall impact of any adjustments that may arise would not be material.

Victoria Power Networks Pty Ltd

During 2010, the ATO advised that its large business tax audit in relation to the financing structure/arrangements of the CKI/HEI Electricity Distribution Holdings (Australia) Pty Ltd ("CHEDHA") consolidated group had been completed. The ATO advised that certain material tax adjustments were required for the years ended 31 December 2002 to 2005 on the basis that Division 974 and/or Part IVA applied. No assessments have been issued to CHEDHA by the ATO, as the CHEDHA tax consolidated group is in a carry forward tax loss position in those years.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

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

Victoria Power Networks Pty Ltd (continued)

During 2013, the ATO advised Victoria Power Networks that it intended to make material adjustments in relation to the following items:

(a) a denial of deductions for interest paid by Victoria Power Networks on certain shareholder loans during the years ended 31 December 2006 to 31 December 2008 on the basis that Division 974 or (in the alternative) Part IVA applied;

(b) a denial of deductions for certain labour costs and motor vehicle running costs incurred during the years ended 31 December 2007 ("2007 year") to 31 December 2010 ("2010 year");

(c) the recognition of assessable income for assets transferred by customers to entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;

(d) a denial of deductions for rebates paid to customers by entities within the Victoria Power Networks consolidated group during the years ended 31 December 2007 to 31 December 2010;

(e) a further consequential increase in the allowance of depreciation for the labour costs, motor vehicle running costs and transferred assets during the years ended 31 December 2007 to 31 December 2010; and

(f) a denial of deductions in respect of certain asset replacement projects during the years ended 31 December 2008 to 31 December 2010.

Subsequently, the ATO issued amended assessment notices for the 2007 to 2010 years, consistent with the adjustments above. In aggregate these amendments totaled $709.318 million. Victoria Power Networks elected to utilise some carried forward losses to reduce the ATO's adjustments, resulting in an aggregated net tax payable position of $87.313 million. Under part payment arrangements with the ATO, Victoria Power Networks subsequently remitted $26.396 million during 2013 and a further $11.373 million in January 2014 with respect to the 2007 to 2010 years, which have been recorded as receivables. To date the ATO has issued a shortfall penalty and interest notices for $7.186 million in relation to the 2007 year and Victoria Power Networks has remitted $1.225m under part payment arrangements. The ATO has not yet formalised its view on any shortfall interest charges or penalties for the tax years post the 2007 year.

On 14 May 2014, the ATO advised Victoria Power Networks that it will not pursue its position in respect to Division 974, which concludes that matter with the ATO for all years in question. All other matters with the ATO remain outstanding, including the ATO's alternative position that Part IVA could apply. At this time no updates to previously disclosed amended assessment notices have been made by the ATO to reflect this development. Victoria Power Networks remains engaged in discussions with the ATO.

Aside from the part payment arrangements recorded as receivables, no further adjustments in relation to the above matters have been recognised in this interim financial report. Victoria Power Networks has lodged objections in relation to all amended assessments, continues to disagree with the ATO's positions on the matters, has sought legal advice and will vigorously defend its positions.

Full details of prior year tax disclosures can be found in the ended 31 December 2013 annual financial report of Spark Infrastrutcure.

	30 June 2014 $'000	31 December 2013 $'000
5. Loans to Associates		
Loans to associates - interest bearing	**745,601**	745,601

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

Notes to the Financial Statements for the Half Year Ended 30 June 2014

6. Other Financial Assets

	30 June 2014 $'000	31 December 2013 $'000
Other financial assets (Current)		
- derivative contracts at fair value	**722**	-
Other financial assets (Non-Current)		
- derivative contracts at fair value	**218,563**	-
	219,285	-

During the Current Period, Spark RE as Responsible Entity of the Spark Trust acquired an economic interest equivalent to 61.413 million DUET Group ("DUET") securities (a 4.66% relevant interest in DUET) by way of cash-settled equity swap contracts ("swaps"). The swaps do not provide any right to buy DUET securities but offer price protection should Spark RE wish to take a physical position in DUET at a future date.

On 20 May 2014, Spark RE entered into forward contracts with Deutsche Bank AG ("Deutsche Bank") in relation to stapled securities in DUET which gave Spark RE the ability to acquire and Deutsche Bank the obligation to deliver a minimum of 124.500 million DUET securities (a 9.45% relevant interest in DUET) in May 2017 at a price of $2.20 per stapled security. At the election of Deutsche Bank, Spark RE may also acquire a further 33.000 million DUET securities (a 2.5% relevant interest in DUET) in May 2017, also at a price of $2.20 per stapled security.

Proceeds from the Institutional Placement (after issue costs) of $195.800 million were used to prepay the equivalent of 89.000 million DUET securities under the forward contracts.

On 20 May 2014, Spark RE also entered into a zero-cost cash settled collar ("collar") with Deutsche Bank over 185.913 million DUET securities for a seven month period to manage price risk associated with the acquisition of the 14.11% relevant interest in DUET. The collar involved the purchasing of put options and selling of call options over 185.913 million DUET securities with the following strike prices:

- put options at $2.05 per stapled security
- call options at $2.30 per stapled security.

Subsequent to 30 June 2014 DUET issued a further 9,910,121 securities under its Dividend Reinvestment Plan, reducing the economic interest held by Spark Infrastructure to 14.00%.

7. Loan Notes Attributable to Securityholders

	30 June 2014 $'000	31 December 2013 $'000
Balance at beginning of the Current Period	**836,827**	836,807
Issue of Loan Notes under Institutional Placement[a]	**73,864**	-
Issue of Loan Notes under Security Purchase Plan[a]	**16,893**	-
Issue costs associated with Loan Notes	**(1,763)**	-
Write back of deferred discount[b]	**10**	20
Balance at end of the Current Period	**925,831**	836,827

[a] Under the Institutional Placement on 27 May 2014 and the Security Purchase Plan on 30 June 2014 additional securities were raised at a price of $1.76 per security of which $0.65 per security was allocated to Loan Notes.

[b] 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.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

	30 June 2014 $'000	31 December 2013 $'000
8. Issued Capital		
Balance at beginning of the Current Period	**1,022,153**	1,071,242
Issue of securities under Institutional Placement[a]	**126,137**	-
Issue of securities under Security Purchase Plan[a]	**28,848**	-
Issue costs	**(3,011)**	-
Contributions of equity (net of issue costs)	**151,974**	-
Capital distribution[b]	**(25,871)**	(49,089)
Balance at end of the Current Period	**1,148,256**	1,022,153

[a] Under the Institutional Placement on 27 May 2014 and the Security Purchase Plan on 30 June 2014 additional securities were raised at a price of $1.76 per security of which $1.11 per security was allocated to Issued Capital.
[b] Capital distributions of 1.95 cents per security ("cps") were paid to Securityholders on 14 March 2014 (2013: 1.70 cps).

Fully Paid Stapled Securities	No.'000	No.'000
Balance at the beginning of the Current Period	**1,326,734**	1,326,734
Issue of securities under Institutional Placement	**113,636**	-
Issue of securities under Security Purchase Plan	**25,990**	-
Balance at the end of the Current Period	**1,466,360**	1,326,734

9. Key Management Personnel ("KMP")

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

10. Notes to the Statement of Cash Flows

(a) Cash transactions

As at 30 June 2014, and at all times during the period, the Responsible Entity of the Group held $5.000 million of cash to meet its financial requirements as a holder of an Australian Financial Services Licence ("AFSL") (30 June 2013: $5.000 million). With effect From 1 July 2014 Spark Infrastructure RE Limited, the Responsible Entity of the Spark Infrastructure Trust, holds $10.000 million of capital in cash in order to comply with changes to the AFSL financial requirements under ASIC Regulatory Guide 166.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

10. Notes to the Statement of Cash Flows (continued)

(b) Committed Finance Facilities	30 June 2014 $'000	31 December 2013 $'000
Bank facilities:		
• Amount used	-	-
• Amount unused	275,000	150,000
	275,000	150,000

Committed Finance Facility maturities are:

- March 2016: $75.000 million 2-year revolving facility with National Australia Bank ("NAB")
- March 2016: $75.000 million 2-year revolving facility with Westpac Banking Corporation ("Westpac")
- March 2017: $75.000 million 3-year revolving facility with Commonwealth Bank of Australia ("CBA")
- March 2017: $50.000 million 3-year revolving facility with Bank of Tokyo Mitsubishi UFJ ("BTMU")

On 14 March 2014 Spark Infrastructure executed two new 3-year revolving facilities of $75.000 million with CBA and $50.000 million with BTMU. In addition the current facilities of $75.000 million each with NAB and Westpac were extended by a further year to March 2016. At 30 June 2014 there were no drawn balances. Unamortised borrowing costs which are being amortised over the term of the facilities are included in 'other non-current assets'.

(c) Bank Guarantee facility

A bank guarantee of $0.420 million equivalent to twelve months' rent and share of outgoings plus GST has been provided to the landlord in respect of Spark Infrastructure's office lease.

11. Details Relating to Distributions

	2014		2013	
	Cents Per Security	Total $'000	Cents Per Security	Total $'000
Distribution Paid:				
Final distribution paid in respect of year ended 31 December 2013, paid on 14 March 2014 (2013: In respect of year ended 31 December 2012, paid on 15 March 2013):				
Interest on Loan Notes	3.55	47,099	3.55	47,099
Capital distribution	1.95	25,871	1.70	22,555
	5.50	72,970	5.25	69,654
Distribution Payable:				
Interim distribution in respect of half year ended 30 June 2014 payable 12 September 2014 (2013: In respect of half year ended 30 June 2013, paid on 13 September 2013):				
Interest on Loan Notes	3.50	51,323	3.50	46,436
Capital distribution	2.25	32,993	2.00	26,534
	5.75	84,316	5.50	72,970

The distributions are unfranked.

Notes to the Financial Statements for the Half Year Ended 30 June 2014

12. Commitments, Contingent Liabilities and Contingent Assets

(a) There were no material contingent liabilities or contingent assets as at 30 June 2014 which have not already been disclosed.

(b) As at 30 June 2014, there were total expenditure commitments of $1.371 million (2013: $1.841 million) comprising operating leases that relate to the office premises and information technology. Office premises are located at 259 George Street, Sydney 2000.

13. Subsequent events

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

Directors' Declaration

The Directors declare that:

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

(b) in their opinion, the financial statements and notes as set out on pages 20 – 32 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:

B Scullin
Chairman

R Francis
Managing Director

Sydney
22 August 2014

Deloitte.

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

22 August 2014

Dear Board Members

Spark Infrastructure Trust

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

As lead audit partner for the review of the financial statements of Spark Infrastructure Trust for the financial half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock
Partner
Chartered Accountants

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Spark Infrastructure Trust, which comprises the condensed statement of financial position as at 30 June 2014, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 14 to 33.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 2014 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.

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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

BJ Pollock

BJ Pollock
Partner
Chartered Accountants
Sydney, 22 August 2014