Friday, 26 August 2011

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 2011

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2011. A media release and results presentation 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 2011

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.

Results for Announcement to the Market
For the Half Year Ended 30 June 2011

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 ("Previous Period")
30 June 2011	30 June 2010

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 2011 $'000
Income and Profit Summary		
Operating Cash Flow	Up 113% to	92,887
Total Income	Down 11.6% to	131,086
Profit before Loan Notes Interest and Income Tax	Down 46.0%[1] to	68,217
Net Profit after Income Tax Attributable to the Securityholders	Down 84.0%[1] to	8,925
Earnings (before Loan Notes Interest and Income Tax) per Security		**5.14¢**
Earnings per Security		**0.67¢**

[1] Current half year result impacted by Internalisation payment of $49.0 million and related transaction costs of $2.0 million

Underlying Income and Profit Summary		
Operating Cash Flow	Up 113% to	92,887
Underlying Total Income	Down 12.7% to	131,031
Underlying Profit before Loan Notes Interest and Income Tax	Down 6.9% to	119,162
Underlying Net Profit Attributable to the Securityholders	Up 23.8% to	68,884
Underlying Earnings (before Loan Notes Interest and Income Tax) per Security		**5.19¢**
Operating Cash Flow per Security		**7.00¢**

Results for Announcement to the Market
For the Half Year Ended 30 June 2011

Note on Net Profit for the Period

The underlying income and profit summary reflects the operating results of Spark Infrastructure by excluding certain non-cash and non-operating items which do not relate to the respective period's underlying performance. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's underlying operating performance for the half year ended 30 June 2011. The following adjustments have been made to the reported half year results in order to calculate the underlying results (2010 figures have been provided for comparative purposes):

Underlying Adjustments:	Impact on Share of Equity Accounted Profit		Impact on Net Profit after Tax Attributable to Securityholders	
	30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
	$'000	$'000	**$'000**	$'000
Underlying result	**88,318**	107,424	**68,884**	55,645
'Mark to Market' gain/(loss) on value of financial instruments in the Associates results which do not qualify for hedge accounting	**55**	(1,822)	**39**	(1,792)
Income tax (expense)/benefit on items recognised directly in equity in Spark No.2 Group	-	-	**(8,998)**	(209)
Internalisation Payment	-	-	**(49,000)**	-
Internalisation Transaction Costs	-	-	**(2,000)**	-
Total Underlying Adjustments	**55**	(1,822)	**(59,959)**	(2,002)
Statutory result	**88,373**	105,602	**8,925**	53,643

3. Net Tangible Assets per Security

	30 June 2011 $'000	31 December 2010 $'000
Net Assets	**1,378,344**	1,398,307
Loan Notes attributable to Security Holders	**836,776**	836,776
Net Assets and Loan Notes attributable to Securityholders	**2,215,120**	2,235,073
No. of Securities ('000)	**1,326,734**	1,326,734
Net Tangible Assets per Security ($)	**$1.67**	$1.68

Results for Announcement to the Market
For the Half Year Ended 30 June 2011

4. Details of Associates

	Ownership Interest		Contribution to net profit	
	2011	2010	**30 June 2011**	30 June 2010
Equity accounted income:	**(%)**	(%)	**$'000**	$'000
CHEDHA Holdings Ltd	**49%**	49%	**6,415**	18,644
ETSA Utilities Partnership	**49%**	49%	**81,958**	86,958
Sub-total			**88,373**	105,602
Interest income:				
CHEDHA Holdings Ltd			**40,864**	40,266
Total			**129,237**	145,868

5. Entities Gained/Lost Control during the Period

The following entities were acquired as part of the Internalisation of Spark Infrastructure's management function on 31 May 2011:

- CKI RREEF JV Holdings Pty Limited
- Spark Infrastructure Management Limited
- Spark Infrastructure RE Limited

All entities are wholly owned and have been consolidated into the Spark Infrastructure Group from 31 May 2011.

Total consideration paid for the entities was a one off upfront payment of $49.0 million plus a further amount of $2.0 million for net working capital balances (which were predominantly cash or cash settled balances in the entities acquired at completion).

Results for Announcement to the Market
For the Half Year Ended 30 June 2011

6. Distributions

(Cents per Security – "cps")	**30 June 2011 $'000**	30 June 2010 $'000
Paid: Final distribution in respect of year ended 31 December 2010, paid on 15 March 2011 (2010: In respect of year ended 31 December 2009, paid on 13 March 2010):		
- Interest on Loan Notes (2011: 6.82 cps; 2010: 6.84 cps)	**90,483**	70,583
- Capital distribution (2011: nil; 2010: nil)	**-**	-
Total (2011: 6.82 cps; 2010: 6.84 cps)	**90,483**	70,583
Payable: Interim distribution in respect of half year ended 30 June 2011, payable 15 September 2011 (2010: In respect of half year ended 30 June 2010, paid on 15 September 2010):		
- Interest on Loan Notes (2011: 3.50cps; 2010: 6.72 cps)	**46,435**	69,401
- Capital distribution (2011: 1.25cps; 2010: nil)	**16,584**	-
Total (2011: 4.75 cps; 2010: 6.72 cps)	**63,019**	69,401

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 6 September 2011.

7. 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 activated for the first time on 29 May 2009.

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

8. Foreign Entities

Not Applicable.

Results for Announcement to the Market
For the Half Year Ended 30 June 2011

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

S Johns
Chairman

Sydney
25 August 2011

Directors' Report for the Half Year Ended 30 June 2011

The Directors of Spark Infrastructure RE Limited ("Spark RE" or "Company") as responsible entity of Spark Infrastructure Trust ("Spark Trust") provide this financial report for the half year period ended 30 June 2011 ("Current Period") of Spark Trust and its Consolidated Entities ("Spark Infrastructure" or "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 Stephen Johns (Chairman)
Mr Brian Scullin (Chairman Elect appointed 31 May 2011).
Ms Laura Reed [a] (appointed Managing Director 31 May 2011)
Ms Cheryl Bart, AO
Mr Andrew Fay [bc] (resigned and re-elected 31 May 2011)
Ms Anne McDonald
Dr Keith Turner

Other Directors:

Mr Dominic Chan [c] (resigned 31 May 2011)
Mr John Dorrian [c] (resigned 31 May 2011)
Mr Andrew Hunter [c] (resigned 31 May 2011)
Mr Don Morley (resigned 31 May 2011)

[a] Ms Laura Reed was elected as Managing Director by Securityholders at the Extraordinary General Meeting ("EGM"), with effect from 31 May 2011.
[b] Mr Andrew Fay was elected as a non-executive director by Securityholders at the EGM, with effect from 31 May 2011.
[c] The Internalisation of Spark Infrastructure's management arrangements was approved by Securityholders at the EGM held on 20 May 2011. Each of the Directors previously nominated by the Manager (Messrs Chan, Dorrian, Fay and Hunter) resigned from the Board with effect from completion of the Internalisation on 31 May 2011.

Principal activity

The principal activity of Spark Infrastructure during the period was investing in regulated electricity distribution businesses in Victoria and South Australia (the "Asset Companies"). There has been no significant change in the activities of Spark Infrastructure during the period.

Stapled securities

Spark Infrastructure is a stapled structure, wherein:

- one unit in Spark Trust; and
- one Loan Note issued by the Spark RE as the trustee of Spark Trust

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

Internalisation

On 1 April 2011, Spark Infrastructure signed an Internalisation Agreement with Cheung Kong Infrastructure ("CKI") and RREEF Infrastructure ("RREEF") to internalise its management function for a one off upfront payment of $49.000 million and $2.002 million for net working capital balances, which were predominantly cash or cash-settled balances in the entities acquired at completion.

The Internalisation of the 25-year management agreement, which was due to expire in late 2030, was negotiated by the Independent Directors of Spark Infrastructure with CKI and RREEF. The Internalisation was approved by Securityholders at an EGM held on 20 May 2011. The transaction was subsequently completed on 31 May 2011, at which time Spark Infrastructure acquired all the shares in CKI RREEF JV Holdings Limited ("JV Co"), which was the holding company of Spark Infrastructure Management Limited ("Spark Manager") and Spark RE, from CKI and RREEF.

Directors' Report
for the Half Year Ended 30 June 2011

Review of Performance

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

	Half Year Ended 30 June			Change Compared to Underlying 2010	
	Actual 2011 $'000	**Underlying 2011 $'000**	Underlying 2010 $'000	**$'000**	%
Interest Income from Associates	**40,864**	**40,864**	40,266	**598**	1.5
Share of Equity Accounted Profits	**88,373**	**88,318**	107,424	**(19,106)**	(17.8)
	129,237	**129,182**	147,690	**(18,508)**	(12.5)
Other Income	**1,849**	**1,849**	2,476	**(627)**	(25.3)
Total Underlying Income	**131,086**	**131,031**	150,166	**(19,135)**	(12.7)
Management Fees	**(3,504)**	**(3,504)**	(4,083)	**579**	14.2
Senior Debt Interest	**(5,562)**	**(5,562)**	(13,840)	**8,278**	59.8
General and administrative expenses	**(2,803)**	**(2,803)**	(4,204)	**1,401**	33.3
Internalisation Payment	**(49,000)**	-	-		
Transaction costs - internalisation	**(2,000)**	-	-	-	-
Profit before Loan Note Interest	**68,217**	**119,162**	128,039	**(8,877)**	(6.9)
Loan Note Interest ("LNI")	**(46,400)**	**(46,400)**	(69,401)	**23,001**	33.1
Profit before tax	**21,817**	**72,762**	58,638	**14,124**	24.1
Income tax expense	**(12,892)**	**(3,878)**	(2,993)	**(885)**	(29.6)
Profit Attributable to Stapled Security Holders	**8,925**	**68,884**	55,645	**13,239**	23.8
Profit per Security before LNI	**5.14¢**	**8.99¢**	12.41¢	**(3.42¢)**	(27.6)
Operating Cash Flow	**92,887**	**92,887**	43,642	**49,245**	112.8
Net Capital Expenditure – Asset Companies	**352,700**	**352,700**	254,600	**98,100**	38.5

The underlying income and profit summary reflects the operating results of Spark Infrastructure by excluding certain non-cash and non-operating items which do not relate to the respective period's underlying performance. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's underlying operating performance for the half year ended 30 June 2011. The following adjustments have been made to the reported half year results in order to calculate the underlying results (2010 figures have been provided for comparative purposes):

Directors' Report
for the Half Year Ended 30 June 2011

Underlying Adjustments:	Impact on Share of Equity Accounted Profit		Impact on Net Profit after Tax Attributable to Securityholders	
	30 June 2011	30 June 2010	**30 June 2011**	30 June 2010
	$'000	$'000	**$'000**	$'000
Underlying result	**88,318**	107,424	**68,884**	55,645
'Mark to Market' gain/(loss) on value of financial instruments in the Associates results which do not qualify for hedge accounting	**55**	(1,822)	**39**	(1,792)
Income tax (expense)/benefit on items recognised directly in equity in Spark No.2 Group	**-**	-	**(8,998)**	(209)
Internalisation Payment	**-**	-	**(49,000)**	-
Internalisation Transaction Costs	**-**	-	**(2,000)**	-
Total Underlying Adjustments	**55**	(1,822)	**(59,959)**	(2,002)
Statutory result	**88,373**	105,602	**8,925**	53,643

The Underlying Profit before Loan Note Interest for the half year ended 30 June 2011 (the "Current Period") decreased by 6.9% from $128.039 million to $119.162 million compared to the half year ended 30 June 2010 (the "Previous Period"), largely due to lower equity accounted share of profits from the Asset Companies.

Performance of the Asset Companies

The underlying share of equity accounted profit decreased by 17.8% from $107.424 million to $88.318 million in the Current Period.

In ETSA, earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 0.6% from $331.754 million to $333.606 million. EBITDA excluding customer contributions and gifted assets revenue increased by 8.1% to $268.178 million while prescribed or regulated revenue increased by 11.9% to $310.472 million. This increase was principally due to higher tariffs ("DUoS"), which moved up following the start of the current 5-year regulatory period on 1 July 2010. The total volume delivered decreased by 1.8% from 6,020 GWh to 5,912 GWh in the Current Period.

ETSA (100% basis)	**30 June 2011 $'000**	30 June 2010 $'000	Variance $'000	Variance %
Distribution Revenue	310,472	277,486	32,986	11.9
Customer Contributions and Gifted Assets	65,428	83,609	(18,181)	(21.7)
Other Revenue	103,525	63,496	40,029	63.0
Total Revenue	**479,425**	**424,591**	**54,834**	**12.9**
Operating Costs	145,819	92,837	(52,982)	(57.1)
EBITDA	**333,606**	**331,754**	**1,852**	**0.6**
EBITDA (excl Customer Contributions & Gifted Assets)	***268,178***	***248,145***	***20,033***	***8.1***

Non-prescribed revenue, which includes customer contributions, semi-regulated meter reading, and the provision of construction and maintenance services to third parties, increased by 14.9% from $147.105 million to $168.953 million. Customer contributions (including gifted assets) decreased by 21.7% to $65.428 million, reflecting the timing of works for the Port Stanvac desalination project, while other unregulated revenues increased by 63.0% to $103.525 million, reflecting an increase in construction and maintenance activity.

Directors' Report
for the Half Year Ended 30 June 2011

Operating expenses increased by 57.1% to $145.819 million. This was due to increased costs relating to the operation of the regulated business (which have been approved by the Regulator for the new 5-year regulatory period which commenced on 1 July 2010 for ETSA), including additional vegetation management and Guaranteed Service Level payments due to storms, as well as additional costs underpinning the increased level of construction and maintenance revenues.

In CHEDHA, EBITDA decreased by 3.6% from $332.623 million to $320.504 million, reflecting lower regulated DUoS revenues and higher operating costs, partially offset by increases in Advanced Metering Infrastructure (i.e. smart meter) revenues and unregulated revenues. EBITDA excluding customer contributions and gifted assets revenue decreased by 3.7% to $277.819 million.

CHEDHA (100% basis)	**30 June 2011 $'000**	30 June 2010 $'000	Variance $'000	Variance %
Distribution Revenue	306,512	317,503	(10,991)	(3.5)
AMI Revenue	59,600	49,459	10,141	20.5
Customer Contributions and Gifted Assets	42,685	44,191	(1,506)	(3.4)
Other Revenue	66,846	53,824	13,022	24.2
Total Revenue	**475,643**	**464,977**	**10,666**	**2.3**
Operating Costs	155,139	132,354	(22,785)	(17.2)
EBITDA	**320,504**	**332,623**	**(12,119)**	**(3.6)**
EBITDA (excl Customer Contributions & Gifted Assets)	***277,819***	***288,432***	***(10,613)***	***(3.7)***

During the Current Period, DUoS revenue decreased by 3.5% to $306.512 million. Total volume delivered decreased by 2.3% from 8,443 GWh to 8,245 GWh, including reduced consumption in the domestic and small commercial segments which reflected the relatively mild weather conditions in the Current Period. The reduction in volume was partially offset by increases in rates following the commencement of the new 5-year regulatory period. Tariffs in the Powercor business increased at the beginning of the year in accordance with the new regulatory determinations, whereas tariffs in CitiPower had a real reduction, which will revert to real increases in future years.

Non-prescribed revenue, which includes customer contributions, semi-regulated activities and other unregulated revenue such as the provision of network services to third parties, grew by 11.7% from $98.015 million to $109.531 million. Customer contributions and gifted assets revenue declined by 3.4% to $42.685 million. Other non-prescribed revenue increased by 24.2% to $66.846 million, including additional third party network services activity.

Operating expenditure increased by 17.2% to $155.139 million, largely reflecting known cost increases related to the operations of the regulated businesses as allowed for in the current 5-year regulatory period which commenced on 1 January 2011 for CHEDHA.

Aggregated Asset Company depreciation and amortisation grew by 6.5% from $174.949 million to $186.315 million, reflecting the increase in the depreciable asset base, including the AMI rollout. The total net interest expense (i.e. including the impact from mark to market movements in interest rate hedges and subordinated debt interest) was higher than the prior year by 7.8%, increasing from $284.687 million to $306.920 million, largely reflecting some additional senior debt in support of the regulated capital expenditure programme. Income tax expense (which is a non-cash item) decreased by 43.2% from $18.818 million to $10.683 million primarily due to lower pre-tax profits in CHEDHA.

Directors' Report
for the Half Year Ended 30 June 2011

Capital Expenditure

CHEDHA and ETSA continue to invest in the expansion of their networks, improving asset performance and reliability, and for replacement of existing assets. During the Current Period, $352.700 million (Spark share: $172.823 million) was invested in capital expenditure on a net basis, i.e. after deducting customer contributions, an increase of 38.5% compared to $254.600 million (Spark share: $124.754 million) in the Prior Period. Capital expenditure is added to the Regulated Asset Base ("RAB") of the Asset Companies, which generates increased revenue in future periods.

CHEDHA is also investing significant capital in the rollout of the AMI programme. Capex of $68.800 million was invested by CHEDHA in AMI during the Current Period, up from $49.100 million in the Prior Period.

Corporate Expenses

The corporate expenses of Spark Infrastructure for the Current Period included base management fees, interest on senior debt and other general expenses.

The base management fee incurred was for the 5-month period up to Internalisation on 31 May 2011, and was calculated consistently with prior periods, with reference to the volume weighted average price ("VWAP") of Spark Infrastructure's stapled securities for the last 15 trading days of the quarter ended 31 March 2011 and the period ended 31 May 2011. Following Internalisation, Spark Infrastructure will incur no further base management or performance fees.

General and administrative expenses decreased in the Current Period by 33.3% from $4.204 million to $2.803 million. The Current Period expenses included costs of self managing Spark Infrastructure from 31 May 2011, which are estimated at $5.000 million on a full year basis. The Prior Period expenses were higher due to one off costs relating to Spark's Strategic Review undertaken during 2010.

The Internalisation payment of $49.000 million, and $2.000 million in related transaction costs, have been taken to the profit and loss in the Current Period.

Cashflow

Spark Infrastructure's cashflow from operating activities for the Current Period was $92.887 million which was 113% higher than the Previous Period of $43.642 million.

During the Current Period, CHEDHA paid $58.734 million of interest to Spark Infrastructure, which included unpaid 2010 sub-debt interest of $17.579 million. In the Prior Period, CHEDHA repaid $0.326 million in shareholder loan principal, which was classified as investing cashflows. No shareholder loan principal repayments were received in the Current Period.

In total, interest received from CHEDHA, including the deferred 2010 amount, was $31.375 million higher than in the Prior Period, whilst ordinary distributions received from ETSA of $13.720 million were $12.765 million higher than the Prior Period. As reported last year, the Prior Period was impacted by the timing of planned distributions from the Asset Companies across 2010, with approximately 64% of distributions for the year received in the second half of 2010.

Cash outflows for interest paid on senior debt were $5.110 million for the Current Period, $8.571 million or 63% lower than the Prior Period, reflecting the lower levels of drawn senior debt following the 2010 Entitlement Offer.

Spark Infrastructure paid a final distribution for the year ended 31 December 2010 of $90.483 million to Securityholders in March 2011, representing 6.82 cps on the expanded securityholder base, as a result of the rights issue in October 2010.

Directors' Report for the Half Year Ended 30 June 2011

Debt, Gearing and Hedging

Spark Infrastructure has $250.000 million of debt facilities, comprising a $165.000 million 3-year revolving facility (of which $15.000 million was drawn as at 30 June 2011) and an $85.000 million fully drawn 4-year term loan. The 3-year facility will mature in September 2013 and the 4-year facility in September 2014. Spark pays margins of 185 basis points and 205 basis points above the applicable bank bill swap rate on the 3-year and 4-year tranches respectively.

At 30 June 2011 debt facilities of $100.000 million have been drawn down. Undrawn facilities of $150.000 million are available at 30 June 2011.

Spark Infrastructure's standalone net gearing ratio was 3.7% after taking into account cash on hand at 30 June 2011 of $15.940 million. Excluding $5.000 million of cash held for Australian Financial Services Licensing purposes, the standalone net gearing was 3.9%.

Spark Infrastructure's look-through net gearing, including its proportionate share of net debt of CHEDHA and ETSA, was 56.6% as at 30 June 2011 (2010: 60.4%).

As at 30 June 2011, Spark had interest rate swaps of $85.000 million expiring in September 2015, in line with the end of the current regulatory periods. As at 30 June 2011, Spark's standalone hedge ratio was 85.0% on a gross basis (2010: 100%). On a proportionate basis, 97.4% of net debt (including Asset Company net debt) has been currently hedged (2010: 89.5%). This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure and its Asset Companies.

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 existed at 30 June 2011. The discounted cash flow analysis undertaken as part of this review takes into account the current agreed Corporate Plans for Spark's Asset Companies, which reflect the impact of the final Australian Energy Regulator ("AER") determinations issued during 2010 for the 5-year regulatory periods that commenced on 1 July 2010 for ETSA, and on 1 January 2011 for CitiPower and Powercor.

Regulatory Appeals

In 2010, ETSA was granted a review by the Australian Competition Tribunal ("ACT") of the AER's Final Decision regarding the value of imputation credits ("gamma") and the opening value of its RAB.

The ACT decided in May 2011 that the value of gamma will be 0.25 for ETSA's current 5-year regulatory period which commenced on 1 July 2010. Gamma determines the utilisation of franking credits in estimating the taxation allowance for regulated utilities and therefore has an impact on revenue. The AER's Final Decision for ETSA issued in May 2010 stated gamma at 0.65. A lower gamma has a positive impact on revenue. On 25 May 2011, the AER confirmed that ETSA would be permitted to recover an additional $301.000 million in nominal unsmoothed revenue (Spark share: $147.490 million) over the current regulatory period. The increased revenue is due to the combined impact of ETSA's successful appeal on the level of its opening RAB together with the outcome of its appeal on gamma, being the change from 0.65 to 0.25.

The additional revenue will be recovered over the four years from 1 July 2011. ETSA's operating results for the Current Period to 30 June 2011 do not include any impact of this appeal outcome. CitiPower and Powercor have also been granted a review of the AER's decision in relation to a number of matters (including the value of gamma) as it pertains to their business. These appeals are ongoing and an outcome is expected in the second half of 2011.

Directors' Report
for the Half Year Ended 30 June 2011

Future Growth

The Asset Companies have entered an exciting period of 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. Correspondingly, increased revenues of the Asset Companies have also been approved by the regulator. 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, in which Securityholders are expected to benefit via their investment in Spark Infrastructure. Spark Infrastructure's strong balance sheet means it is well positioned to take advantage of these growth opportunities.

During the current 5 year regulatory periods, which extend to mid-2015 for ETSA and to the end of 2015 for CHEDHA, the Asset Companies in total have net capital expenditure allowances from the AER of $3.735 billion (real 2010 dollars) (Spark share: $1.830 billion), equivalent to $747.000 million (real 2010 dollars) per annum (Spark share: $366.030 million). In addition, the AMI rollout programme in CHEDHA is expected to require a capital investment of approximately $630.000 million (Spark share: $308.700 million) from 2009 to 2013. Overall, based on the regulatory determinations, the combined RABs of the Asset Companies are expected to grow by an average of 8% per annum over the current 5-year regulatory periods. 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 14% per annum over the same period.

These levels of regulated capital expenditure allowances finalised during 2010 represent increases of 85% and 48% for ETSA and CHEDHA respectively in real 2010 terms. As a result of these allowances and the other regulatory parameters contained in the AER final determinations and subsequent ETSA appeal outcomes, ETSA's regulated revenue will increase from approximately $2.500 billion (nominal) for the prior regulatory period to approximately $3.900 billion (nominal) (56% increase) for the new period (mid-2010 to mid-2015), whilst CHEDHA distribution revenues will increase from approximately $3.100 billion (nominal) to $3.700 billion in the new period (to the end of 2015), an increase of 20%. In addition, CHEDHA earned $59.600 million in AMI revenue and invested $68.600 million in net capex in AMI activities in the Current Period.

The Asset Companies continue to pursue non-prescribed business activities by providing highly skilled construction, maintenance and asset management services to customers in a range of industries and sectors including mining, electricity transmission and government, including defence and water projects. Whilst the non-prescribed business does not have the inbuilt protections of the regulated business, a large portion of this revenue is derived from long-term contracts with counterparties that own regulated assets, and hence the costs form part of their regulated cost base. Activity and margins in this area were robust in the first half of 2011.

Capital Management, Distributions and Distribution Reinvestment Plan ("DRP")

As an investment, Spark Infrastructure offers distribution yield and capital growth through Spark Infrastructure's equity investment in the Asset Companies' RAB.

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. Operating cashflows are calculated 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 comprises interest income on the Loan Notes and can also include a return of capital on Units and income distributions from Spark Trust. Consistent with prior years, it is expected that a large part of distributions to securityholders in the foreseeable future will comprise interest on the Loan Notes.

Directors' Report for the Half Year Ended 30 June 2011

A final cash distribution of 6.82 cps was paid on 15 March 2011 in relation to the six months ended 31 December 2010 and was fully comprised of interest on the Loan Notes calculated with reference to the previous face value of the Loan Notes of $1.25 per security in effect prior to the Restructure on 31 December 2010.

The Directors have provided distribution guidance for full year 2011 of 9.5 cps. The Board has declared an interim cash distribution of 4.75 cps for the six months ended 30 June 2011, payable on 15 September 2011, which consists of 3.50 cps interest on Loan Notes for the period and 1.25 cps return of capital. The interest on Loan Notes for the Current Period has been calculated with reference to the reduced face value of Loan Notes of $0.65 per security in effect following the 2010 Restructure. The distribution is unfranked and will be made by Spark Infrastructure Trust.

Spark Infrastructure has a Distribution Reinvestment Plan ("DRP") to enable Securityholders to reinvest their distributions into Securities. The DRP was inactive during 2010 while Spark Infrastructure undertook its Strategic Review. The Directors regularly assess the operation of the DRP and have determined that the DRP will not be re-activated for the September 2011 distribution.

Outlook

The Asset Companies have entered an exciting period of growth. The AER has approved capital expenditure over the five years to 2015 that will drive increased growth in the RABs of the Asset Companies. Correspondingly, increased revenues of the Asset Companies have also been approved by the regulator. 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.

Given the recent commencement of the new regulatory periods for ETSA, CitiPower and Powercor, the Asset Companies are at a point in the regulatory cycle which offers a high degree of certainty.

The Directors look forward to the future with confidence, and subject to business conditions, believe that Spark will have the ability to grow distributions over the course of the current five year regulatory period.

Except for the possible activation of the DRP in the future, the Directors do not expect to raise further new equity capital to fund future organic growth in the Asset Companies over the current five year regulatory period.

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 2011 up to the date of this report.

Directors' Report
for the Half Year Ended 30 June 2011

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.

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:

S Johns
Chairman

L Reed
Managing Director

Sydney
25 August 2011

Condensed Consolidated Statement of Comprehensive Income for the Half Year Ended 30 June 2011

	Note	Consolidated 30 June 2011 $'000	30 June 2010 $'000
Income from associates:			
- interest income	3	**40,864**	40,266
- share of equity profits	3	**88,373**	105,602
		129,237	145,868
Other income – interest		**1,849**	2,476
Total income		**131,086**	148,344
Management fees – paid to ex-Manager		**(3,504)**	(4,083)
Interest expense – other		**(5,562)**	(13,840)
General and administrative expenses		**(2,803)**	(4,204)
Non-recurring items:			
- Internalisation Payment	10	**(49,000)**	-
- Internalisation Transaction Costs	10	**(2,000)**	-
Profit for the period before income tax and loan notes interest		**68,217**	126,217
Interest expense – loan notes		**(46,400)**	(69,401)
Profit for the period before income tax attributable to Securityholders		**21,817**	56,816
Income tax expense		**(12,892)**	(3,173)
Net profit for the period attributable to Securityholders		**8,925**	53,643

Condensed Consolidated Statement of Comprehensive Income for the Half Year Ended 30 June 2011 (continued)

	Consolidated	
	30 June 2011 $'000	**30 June 2010 $'000**
Net profit for the period attributable to Securityholders	**8,925**	53,643
Other comprehensive income:		
Cash flow (loss)/gain on hedges	**(1,604)**	1,900
Share of associates' other comprehensive income:		
- (loss)/gain on hedges	**(27,533)**	21,237
- actuarial loss on defined benefits plan	**(12,130)**	(17,378)
Income tax related to components of other comprehensive income	**12,380**	(1,728)
Other comprehensive income for the period (net of tax)	**(28,887)**	4,031
Total comprehensive income for the period	**(19,962)**	57,674
Net profit attributable to:		
- equity holders of the parent equity	**8,925**	6,915
- non-controlling interests in other Spark Infrastructure Stapled Entities	**-**	46,728
	8,925	53,643
Total comprehensive (loss)/income attributable to:		
- equity holders of the parent entity	**(19,962)**	11,434
- non-controlling interests in other Spark Infrastructure Stapled Entities	**-**	46,240
	(19,962)	57,674
Earnings per Security		
Weighted average number of stapled securities (No'000)	**1,326,734**	1,031,911
Profit before income tax and loan notes interest ($'000)	**68,217**	126,217
Basic earnings per security before income tax and loan notes interest (cents)	**5.14¢**	12.23¢
Earnings used to calculate earnings per security ($'000)	**8,925**	53,643
Basic earnings per security based on net profit attributable to Securityholders (cents)	**0.67¢**	5.20¢

(Diluted earnings per security is the same as basic earnings per security)

Notes to the financial statements are included on pages 21 – 32

Condensed Consolidated Statement of Financial Position as at 30 June 2011

	Note	Consolidated 30 June 2011 $'000	31 December 2010 $'000
Current Assets			
Cash and cash equivalents		**15,940**	89,275
Receivables from associates		**11,141**	29,011
Other current assets		**240**	632
Total Current Assets		**27,321**	118,918
Non-Current Assets			
Investments in associates:			
- investments accounted for using the equity method	4	**1,612,838**	1,612,188
- loans to associates	5	**745,601**	745,601
Total Non-Current Assets		**2,358,439**	2,357,789
Total Assets		**2,385,760**	2,476,707
Current Liabilities			
Payables		**4,056**	8,610
Loan notes interest payable to Securityholders		**46,564**	90,647
Other financial liabilities		**-**	79
Total Current Liabilities		**50,620**	99,336
Non-Current Liabilities			
Loan notes attributable to Securityholders		**836,776**	836,766
Interest bearing liabilities (net of unamortised borrowing costs)		**97,341**	121,815
Deferred tax liabilities		**20,595**	20,082
Other financial liabilities		**2,084**	401
Total Non-Current Liabilities		**956,796**	979,064
Total Liabilities		**1,007,416**	1,078,400
Net Assets		**1,378,344**	1,398,307

Condensed Consolidated Statement of Financial Position as at 30 June 2011 (continued)

	Consolidated	
	30 June 2011 $'000	31 December 2010 $'000
Equity		
Equity attributable to the Parent Entity		
- Issued capital	**1,133,333**	1,133,333
- Reserves	**15,807**	36,203
- Retained earnings	**229,205**	228,771
Total Equity	**1,378,344**	1,398,307

Total Equity Attributable to Securityholders is as follows:

Total Equity	1,378,344	1,398,307
Loan Notes attributable to Securityholders	836,776	836,766
Total Equity and Loan Notes	2,215,120	2,235,073

Notes to the financial statements are included on pages 21 - 32

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2011

	CONSOLIDATED			
	Issued Capital $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2010	429,808	(8,600)	155,002	576,210
Net profit for the period	-	-	53,643	53,643
Cashflow hedges – gain on interest rate swaps	-	1,900	-	1,900
Share of associates' other comprehensive income:				
- gain on hedges	-	21,237	-	21,237
- actuarial loss on defined benefits plan	-	-	(17,378)	(17,378)
Related tax	-	(6,941)	5,213	(1,728)
Total comprehensive income for the period	-	16,196	41,478	57,674
Balance at 30 June 2010	429,808	7,596	196,480	633,884
Balance at 1 January 2011	**1,133,333**	**36,203**	**228,771**	**1,398,307**
Net profit for the period	**-**	**-**	**8,925**	**8,925**
Cashflow hedges – loss on interest rate swaps	**-**	**(1,604)**	**-**	**(1,604)**
Share of associates' other comprehensive income:				
- loss on hedges	**-**	**(27,533)**	**-**	**(27,533)**
- actuarial loss on defined benefits plan	**-**	**-**	**(12,130)**	**(12,130)**
Related tax	**-**	**8,741**	**3,639**	**12,380**
Total comprehensive income for the period	**-**	**(20,396)**	**434**	**(19,962)**
Balance at 30 June 2011	**1,133,333**	**15,807**	**229,205**	**1,378,344**

Notes to the financial statements are included on pages 21 – 32

Condensed Consolidated Statement of Cash Flows for the Half Year Ended 30 June 2011

	Note	Consolidated Half Year Ended 30 June 2011 $'000	Consolidated Half Year Ended 30 June 2010 $'000
Cash Flows from Operating Activities			
Distributions from associates - preferred partnership capital		**34,341**	34,341
Dividend received - associates		**13,720**	955
Interest received - associates		**58,734**	27,359
Interest received - other		**2,106**	2,327
Interest paid - other		**(5,110)**	(13,681)
Management fees		**(3,989)**	(4,279)
Other		**(6,915)**	(3,380)
Net Cash Inflow Related to Operating Activities		**92,887**	43,642
Cash Flows from Investing Activities			
Internalisation payment	10	**(49,000)**	-
Internalisation - payment for net working capital	10	**(2,002)**	-
Internalisation transaction costs		**(1,734)**	-
Repayment of loan from RREEF	10	**(2,500)**	-
Internalisation - Cash acquired as part of net working capital	10	**4,497**	-
Repayment of borrowings by associates		**-**	326
Net Cash Inflow / (Outflow) Related to Investing Activities		**(50,739)**	326
Cash Flows from Financing Activities			
Repayment of external borrowings		**(25,000)**	-
Distributions to Securityholders:			
- Loan notes interest		**(90,483)**	(70,583)
Net Cash Outflow Related to Financing Activities		**(115,483)**	(70,583)
Net Decrease in Cash and Cash Equivalents for the Period		**(73,335)**	(26,615)
Cash and cash equivalents at the beginning of the period		**89,275**	114,349
Cash and Cash Equivalents at the end of the Period [1]		**15,940**	87,734

[1] Subsequent to Internalisation, $5.0 million of cash is required to be held by the Spark Infrastructure RE at all times for Australian Financial Services Licence ("AFSL") purposes (30 June 2010: Nil)

Notes to the financial statements are included on pages 21 – 32

Notes to the Financial Statements for the Half Year Ended 30 June 2011

Note **Contents**

Notes to the Financial Statements for the Half Year Ended 30 June 2011

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 2010 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 2010.

The interim financial report was authorised for issue by the Directors of Spark Infrastructure RE Limited ("Spark RE") as the responsible entity for Spark Trust on 25 August 2011.

Adoption of new and revised Standards

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

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project

The amendments to AASB 2009-5 specify amendments resulting from the IASB's annual improvement project to various Australian Accounting Standards and Interpretations. The application of this standard has not had any material effect on amounts reported in the financial statements.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements project

Except for the amendments to AASB 7 *Financial Instruments: Disclosures* which clarified the required level of disclosures about credit risk and collateral held and provided relief from disclosures previously required regarding renegotiated loans, and AASB 101 *Presentation of Financial Statements* which clarified that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The application of this standard has not had any material effect on amounts reported in the financial statements.

Standards and Interpretations on issue not yet adopted

Certain standards, amendments and interpretations on issue but not yet effective have not been applied in the preparation of this report. The principal standards and amendments of relevance are:

AASB 9 Financial Instruments, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 *Financial Instruments* and its associated amending standards specify new recognition and measurement requirements for financial assets within the scope of AASB 139 *Financial Instruments: Recognition and Measurement.* Broadly, the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the entity qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income.

Notes to the Financial Statements for the Half Year Ended 30 June 2011

1. Summary of Accounting Policies (continued)

Standards and Interpretations on issue not yet adopted (continued)

Spark Infrastructure does not expect that any adjustments will be necessary as a result of applying this revised accounting standard.

Principles of consolidation

The interim financial report of Spark Infrastructure incorporates the financial statements of Spark Trust and entities (including special purpose entities) controlled by Spark Trust. 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 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 ETSA and CHEDHA, 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.

  Substantial changes to external market conditions over the past three years and regulatory reset processes 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.

1. Summary of Accounting Policies (continued)

Critical Accounting Estimates and Judgements (continued)

- *Impairment of Assets (continued)*
  Cashflow projections for a 10 year period are deemed appropriate as electricity distribution assets are long life assets.

  The Australian Energy Regulator ("AER") issued final electricity distribution determinations in relation to ETSA and CHEDHA's two regulated businesses (CitiPower and Powercor) during 2010. The AER has subsequently confirmed that ETSA will be able to recover additional revenue over the current regulatory period, due to the favourable Tribunal appeal outcome regarding the level of ETSA's opening RAB for the current regulatory period together with the outcome of its appeal on gamma.

  The impact of the final determinations for all distribution businesses, together with the appeal outcomes for ETSA, have been used in the impairment testing. No potential impact of CHEDHA's ongoing regulatory appeals have been taken into account in the impairment testing as at 30 June 2011.

- *Working Capital Deficiency*
  The financial statements have been prepared on a going concern basis. Spark Infrastructure currently has a working capital deficiency of $23.299 million as at 30 June 2011 (2010: $401.519 million). Excluding the accrual for the loan note interest owing to Securityholders of $46.564 million, which will be due for payment on 15 September 2011, Spark Infrastructure would have had a surplus working capital balance of $23.265 million. Further distributions are expected to be received from Spark Infrastructure's Asset Companies prior to this amount becoming payable.

  Spark Infrastructure also has funding capacity from committed undrawn finance facilities of $150.000 million as at 30 June 2011.

2. Segment Information

AASB 8 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. Two segments are reported, CHEDHA – which represents the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor), and ETSA – which represents the 49% interest in the electricity distribution business in South Australia.

	CHEDHA		ETSA Utilities		Corporate		Total	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Segment Cashflows								
Net cashflows	**58,734**	27,685	**48,061**	35,296	**(10,904)**	(7,659)	**95,891**	55,322
Net interest paid							**(3,004)**	(11,354)
Total Operating Cashflows[a]							**92,887**	43,968

[a] Includes repayments of borrowings from Associates (CHEDHA) which are considered to be operating cashflows – 2011: Nil (2010: $326,000).

Notes to the Financial Statements for the Half Year Ended 30 June 2011

2. Segment Information (continued)

	CHEDHA		ETSA Utilities		Corporate		Total	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Segment Revenue								
Share of equity accounted profits	**6,415**	18,644	**81,958**	86,958	**-**	-	**88,373**	105,602
Interest income - associates	**40,864**	40,266	**-**	-	**-**	-	**40,864**	40,266
Segment Revenue	**47,279**	58,910	**81,958**	86,958	**-**	-	**129,237**	145,868
Interest revenue							**1,849**	2,476
Total Revenue							**131,086**	148,344
Segment Results								
Segment Contribution	**47,279**	58,910	**81,958**	86,958	**(6,307)**	(8,286)	**122,930**	137,582
Non recurring expenses - Internalisation							**(51,000)**	-
Net interest expense							**(3,713)**	(11,365)
Profit for the period before Loan Note interest and income tax							**68,217**	126,217
Interest on Loan Notes							**(46,400)**	(69,401)
Income tax expense							**(12,892)**	(3,173)
Net profit for the period							**8,925**	53,643

	CHEDHA		ETSA Utilities		Corporate		Total	
	Jun 2011 $'000	Dec 2010 $'000	**Jun 2011 $'000**	Dec 2010 $'000	**Jun 2011 $'000**	Dec 2010 $'000	**Jun 2011 $'000**	Dec 2010 $'000
Segment Assets								
Investment accounted using equity method	**319,250**	322,502	**1,293,588**	1,289,686	**-**	-	**1,612,838**	1,612,188
Loan to Associates	**745,601**	745,601	**-**	-	**-**	-	**745,601**	745,601
Receivables from Associates	**11,141**	29,011	**-**	-	**-**	-	**11,141**	29,011
Other	**-**	-	**-**	-	**240**	632	**240**	632
Total Segment Assets	**1,075,992**	1,097,114	**1,293,588**	1,289,686	**240**	632	**2,369,820**	2,387,432
Unallocated Assets								
- Cash and cash equivalents							**15,940**	89,275
Total Assets							**2,385,760**	2,476,707
Segment Liabilities								
Liabilities	**-**	-	**-**	-	**3,714**	8,188	**3,714**	8,188
Unallocated Liabilities								
- Loan Notes							**836,776**	836,766
- Interest bearing debt							**97,341**	121,815
- Other liabilities							**48,990**	91,549
- Deferred tax liabilities							**20,595**	20,082
Total Liabilities							**1,007,416**	1,078,400

Notes to the Financial Statements for the Half Year Ended 30 June 2011

3. Share of Equity Accounted Profits and Interest

	30 June 2011 $'000	30 June 2010 $'000
Equity Accounted Profits:		
CHEDHA Holdings Ltd ("CHEDHA")	**6,415**	18,644
ETSA Utilities Partnership ("ETSA Utilities")	**81,958**	86,958
	88,373	105,602
Interest income – Associates:		
CHEDHA	**40,864**	40,266
	129,237	145,868

4. Investments Accounted for using the Equity Method

(a) Particulars of Investment in Associates:

Name of entity	Principal activity	Ownership interest %
CHEDHA	Ownership of electricity distribution businesses	49
ETSA Utilities	Ownership of electricity distribution business	49

	30 June 2011 $'000	30 June 2010 $'000
(b) Share of Associates' Profit and Loss:		
Revenue (excluding customer contributions and gifted assets)	**416,588**	379,981
Customer contributions and gifted assets [a]	**52,975**	55,907
Expenses	**(390,733)**	(335,843)
Profit before income tax	**78,830**	100,045
Income tax expense	**(5,235)**	(9,221)
Net Profit for the period	**73,595**	90,824
Additional share of profit from preferred partnership capital [b]	**17,611**	17,611
Additional depreciation/amortisation charge [c]	**(2,833)**	(2,833)
Share of net profits from associates	**88,373**	105,602

[a] Customer contributions and gifted assets are booked as revenue in their entirety upfront by the Asset Companies in accordance with Australian accounting standards. The accounting for customer contributions and gifted assets under the accounting standards requires that the full amount be brought to account upfront as fixed assets and revenue by the Asset Companies, notwithstanding that the assets do not generate any regulatory returns in the future or any additional cash earnings. In turn, this leads to higher equity accounted income being reported by Spark Infrastructure and an increased carrying value of its investment in Associates.

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 (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.

[b] Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in ETSA Utilities, which ensures that Spark Infrastructure shares in 49% of the results of operations from ETSA Utilities.

[c] 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 2011

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

(c) Share of assets and liabilities of Associates

	30 June 2011 $'000	31 December 2010 $'000
Assets		
Current Assets	310,469	236,393
Non-Current Assets	5,173,352	5,079,600
Total Assets	5,483,821	5,315,993
Liabilities		
Current Liabilities	301,449	555,484
Non-Current Liabilities	4,033,956	3,615,477
Total Liabilities	4,335,405	4,170,961
Net assets before ETSA Utilities Preferred Partnership Capital	1,148,416	1,145,032
ETSA Utilities Preferred Partnership Capital	622,300	622,300
Net Assets applicable to Spark Infrastructure	1,770,716	1,767,332

(d) Movement in Carrying Amounts

	30 June 2011 $'000	30 June 2010 $'000
Carrying amount at the beginning of the financial period	1,612,188	1,470,848
Share of profits after income tax	88,373	105,602
Preferred partnership distribution received	(34,341)	(34,341)
Dividends received - associates	(13,720)	(955)
Share of associates' income recognised directly in equity	(39,663)	3,860
Carrying amount at the end of the period	1,612,838	1,545,014

(e) Tax Matters

CHEDHA Holdings Pty Ltd

In December 2010 the Australian Taxation Office ("ATO") advised that their Large Business Audit in relation to the financing structure/ arrangements of the CKI/HEI Electricity Distribution Holdings (Australia) Pty Limited consolidated group (a subsidiary of CHEDHA), has been completed and that certain tax adjustments are required, which are material. The Large Business Audit related to the tax years 31 December 2000 to 31 December 2005 inclusive, which were prior to Spark Infrastructure's acquisition of its 49% interest in CHEDHA.

No determinations or assessments have been issued by the ATO. CHEDHA has sought legal advice. CHEDHA disagrees with the ATO's position and based on all available information is of the opinion that no adjustments are required, and will vigorously defend its position.

Notes to the Financial Statements for the Half Year Ended 30 June 2011

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

ETSA Utilities Partnership

The ATO is also undertaking an audit and is in discussion with ETSA Utilities on a number of matters. The principal matters under discussion relate to the income tax treatment of the rent instalments under the land lease, financing arrangements and the tax treatment of capitalised direct internal labour and motor vehicle costs. The ATO's view is that the arrangements are non-deductible, as outlined in various position papers. ETSA Utilities has obtained advice from its tax advisors that supports its current tax treatments and has responded to these papers disagreeing with the ATO's conclusions. Based on all available information and advice, ETSA Utilities is of the opinion that no adjustments are required, and will vigorously defend its position.

	30 June 2011 $'000	31 December 2010 $'000
5. Loans to Associates		
Loans to associates		
- interest bearing [a]	**745,601**	745,601

[a] 100 year loan to CHEDHA at fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower.

6. Key Management Personnel ("KMP")

KMP are those having the authority and responsibility for directing and controlling the activities of an entity. The remuneration arrangements for the directors are disclosed in the 2010 Annual Financial Report. In addition, subsequent to the Internalisation on 31 May 2011, the Managing Director ("MD") and the CFO of Spark Infrastructure meet the definition of KMP. During the Current Period, the compensation for the directors, Managing Director and CFO included in employee related expenses are as follows:

	$
Directors fees - short term benefits	**499,640**
Directors fees - post employment benefits	**22,381**
MD and CFO - short-term employee benefits (salaries)	**85,817**
MD and CFO - post-employment benefits (superannuation)	**1,267**
	609,105

7. Notes to the Statement of Cash Flows

(a) Cash transactions

Subsequent to Internalisation on 31 May 2011, $5.000 million of cash is required to be held by the Responsible Entity for Australian Financial Services Licence ("AFSL") purposes at all times (30 June 2010: nil).

(b) Committed Finance Facilities	**30 June 2011 $'000**	31 December 2010 $'000
Syndicated unsecured bank loan facilities:		
- Amount used	**100,000**	125,000
- Amount unused	**150,000**	125,000
	250,000	250,000

On 15 June 2011, Spark Infrastructure repaid $25.000 million of senior debt reducing the total drawn debt balance to $100.000 million. The $85.000 million 4-year term loan remains fully drawn (Total loan: $85.000 million) and $15.000 million of the $165.000 million 3-year revolving facility has been drawn.

Committed Finance Facility maturities are:
- September 2013: $165.000 million 3-year revolving facility
- September 2014: $85.000 million 4-year term loan

(c) Bank Guarantee facility	**30 June 2011 $'000**	31 December 2010 $'000
Bank Guarantee facility		
- Amount used	**420**	-
- Amount unused	**-**	-
	420	-

A bank guarantee equivalent to 12 months rent and share of outgoings plus GST has been provided to the Landlord in respect of Spark Infrastructure's office lease.

8. Details Relating to Distributions

	2011 Cents Per Security	2011 Total $'000	2010 Cents Per Security	2010 Total $'000
Distribution Paid:				
Final distribution paid in respect of year ended 31 December 2010, paid on 15 March 2011 (2010: In respect of year ended 31 December 2009, paid on 15 March 2010):				
Interest on loan notes [a]	**6.82**	**90,483**	6.84	70,583
	6.82	**90,483**	6.84	70,583
Distribution Payable:				
Interim distribution in respect of half year ended 30 June 2011 payable 15 September 2011 (2010: In respect of half year ended 30 June 2010, paid on 15 September 2010):				
Interest on loan notes [b]	**3.50**	**46,435**	6.72	69,401
Capital distribution [c]	**1.25**	**16,584**	-	-
	4.75	**63,019**	6.72	69,401

The distributions are unfranked.

[a] Interest for the March 2011 distribution was calculated with reference to the Loan Note face value of $1.25 prior to the restructure approved by Securityholders effective from 31 December 2010

[b] recognised amount

[c] unrecognised amount

9. Commitments, Contingent Liabilities and Contingent Assets

(a) There were no material Contingent Liabilities or Contingent Assets as at 30 June 2011 which have not already been disclosed.

(b) As at 30 June 2011, there were total expenditure commitments of $2.272 million (2010: nil) comprising rental commitments towards office premises located at 259 George Street, Sydney 2000. A new rental lease for premises was signed on 10 May 2011. The term of the lease is 6 years commencing from 1 July 2011. The landlord provided a rental incentive of $0.600 million. Spark Infrastructure has nominated to take some of the incentive as a contribution towards fit-out works, with the remainder as rent abatement over the term of the lease.

10. Internalisation - Acquisition of CKI RREEF JV Holdings Pty Limited

On 31 May 2011 2011, Spark Infrastructure completed the acquisition of all the shares in CKI RREEF JV Holdings Pty Limited (subsequently renamed Spark Infrastructure Holdings No. 4 Pty Limited), which was the holding company of Spark Infrastructure's previous external Manager (Spark Infrastructure Management Limited) and Spark Infrastructure Trust's responsible entity (Spark Infrastructure RE Limited) from CKI and RREEF for a one-off upfront payment of $49.000 million and a payment of $2.002 million for the net working capital balances (i.e. predominantly cash or cash settled balances).

Consideration transferred:

	$'000
Cash	
Internalisation Payment	49,000
Payment for net working capital balances	2,002
	51,002

In addition, Spark Infrastructure incurred one-off transaction costs of $2.000 million.

The Internalisation Payment of $49.000 million and the transaction costs of $2.000 million have been recognised directly in the profit and loss in the Current Period and disclosed as separate items in the Statement of Comprehensive Income.

The assets acquired and liabilities assumed at the date of acquisition were as follows:

	$'000
Current Assets	
Cash	4,497
Receivables	1,468
	5,965
Current Liabilities	
Payables	1,463
Loan from RREEF	2,500
	3,963
Payment for Net Working Capital Balances	**2,002**

10. Internalisation - Acquisition of CKI RREEF JV Holdings Pty Limited (continued)

Net cash outflow arising on acquisition

	$'000
Total Consideration paid	51,002
Less: cash balances acquired	(4,497)
Net cash outflow arising on acquisition	**46,505**
Repayment of Loan from RREEF post-acquisition	2,500
	49,005

Pro-forma impact of acquisition on the results of the Group

Had the Internalisation been effected on 1 January 2011, the underlying profit for the half year attributable to Securityholders from continuing operations would have been $69.245 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future periods. These pro-forma numbers exclude any notional performance fee calculation.

	$'000
Underlying Profit	68,884
Add back: Management fees paid to ex-Manager	3,504
Less: 5 months of self-management expenses (annualised cost $5.000 million)	(2,080)
Less: 5 months of interest income foregone on the $51.000 million Internalisation payments (assuming 5% interest rate)	(1,063)
Pro-forma Underlying Profit	**69,245**

11. 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 consolidated entity, 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 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 15 to 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.

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 directors:

S Johns
Chairman

L Reed
Managing Director

Sydney
25 August 2011

Deloitte.

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

25 August 2011

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 audit review of the financial statements of Spark Infrastructure Trust for the financial half-year ended 30 June 2011, 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

BJ Pollock
Partner
Chartered Accountants

Deloitte.

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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 2011, and the condensed consolidated statement of 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, 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 15 to 33.

Directors' Responsibility for the Half-Year Financial Report

The directors of the trustee company 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 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Spark Infrastructure Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 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
Partner
Chartered Accountants
Sydney, 25 August 2011