Monday, 27 August 2012

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 2012

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2012 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 2012

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 2012

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 2012	30 June 2011

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 2012 $'000
Income and Profit Summary		
Operating Cash Flow	Down 13.8% to	80,069
Total Income	Up 17.3% to	153,714
Profit before Loan Notes Interest and Income Tax	Up 107.9% to	141,849
Net Profit after Income Tax Attributable to the Securityholders	Up 893.8% to	88,701
Earnings (before Loan Notes Interest and Income Tax) per Security		**10.69¢**
Earnings per Security		**6.69¢**
Underlying Income and Profit Summary		
Operating Cash Flow	Down 13.8% to	80,069
Underlying Total Income	Up 17.3% to	153,671
Underlying Profit before Loan Notes Interest and Income Tax	Up 19.0% to	141,806
Underlying Net Profit Attributable to the Securityholders	Up 39.6% to	96,160
Underlying Earnings (before Loan Notes Interest and Income Tax) per Security		**10.69¢**
Operating Cash Flow per Security		**6.04¢**

Results for Announcement to the Market for the Half Year Ended 30 June 2012

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 2012. The following adjustments have been made to the reported half year results in order to calculate the underlying results (2011 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 2012	30 June 2011	**30 June 2012**	30 June 2011
	$'000	$'000	**$'000**	$'000
Underlying result	**112,479**	88,318	**96,160**	68,884
'Mark to Market' gain on value of financial instruments in the Associates results which do not qualify for hedge accounting	**43**	55	**30**	39
Income tax (expense) on items recognised directly in equity in Spark No.2 Group	**-**	-	**(7,489)**	(8,998)
Internalisation Payment	**-**	-	**-**	(49,000)
Internalisation Transaction Costs	**-**	-	**-**	(2,000)
Total Underlying Adjustments	**43**	55	**(7,459)**	(59,959)
Statutory result	**112,522**	88,373	**88,701**	8,925

3. Net Tangible Assets per Security

	30 June 2012 $'000	31 December 2011 $'000
Net Assets	**1,372,321**	1,333,820
Loan Notes attributable to Securityholders	**836,796**	836,786
Net Assets and Loan Notes attributable to Securityholders	**2,209,117**	2,170,606
No. of Securities ('000)	**1,326,734**	1,326,734
Net Tangible Assets per Security ($)	**1.67**	1.64

4. Details of Associates

	Ownership Interest		Contribution to Net Profit	
Equity accounted income:	**2012 (%)**	2011 (%)	**30 June 2012 $'000**	30 June 2011 $'000
CHEDHA Holdings Ltd ("CHEDHA")	**49%**	49%	**(2,126)**	6,415
ETSA Utilities Partnership ("ETSA")	**49%**	49%	**114,648**	81,958
Sub-total			**112,522**	88,373
Interest income:				
CHEDHA Holdings Ltd			**40,338**	40,864
Total			**152,860**	129,237

5. Entities Gained/Lost Control during the Period

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

- SDP Finance Pty Limited
- SDP Holdco 1 Pty Limited
- SDP Holdco 2 Pty Limited
- Spark Infrastructure Holdings No.6 Pty Limited
- SDP Assets Pty Limited
- SDP Holder Pty Limited
- SDP Land Pty Limited

6. Distributions

(Cents per Security – "cps")	**30 June 2012 $'000**	30 June 2011 $'000
Paid:		
Final distribution in respect of year ended 31 December 2011, paid on 15 March 2012 (2011: In respect of year ended 31 December 2010, paid on 15 March 2011):		
- Interest on Loan Notes (2012: 3.55 cps; 2011: 6.82 cps)	**47,099**	90,483
- Capital distribution (2012: 1.70 cps; 2011: nil)	**22,555**	-
Total (2012: 5.25 cps; 2011: 6.82 cps)	**69,654**	90,483
Payable:		
Interim distribution in respect of half year ended 30 June 2012, payable 14 September 2012 (2011: In respect of half year ended 30 June 2011, paid on 15 September 2011):		
- Interest on Loan Notes (2012: 3.52 cps; 2011: 3.50 cps)	**46,701**	46,435
- Capital distribution (2012: 1.73 cps; 2011: 1.25 cps)	**22,953**	16,584
Total (2012: 5.25 cps; 2011: 4.75 cps)	**69,654**	63,019

The above distributions are unfranked.

The record date for determining entitlements to the distribution is 5 September 2012.

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.

Appendix 4D

Results for Announcement to the Market for the Half Year Ended 30 June 2012

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 E Scullin **Chairman**	**R F Francis** **Managing Director**

Sydney
24 August 2012

Directors' Report
for the Half Year Ended 30 June 2012

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 ended 30 June 2012 ("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 Brian Scullin (Chairman)
Mr Rick Francis (appointed Managing Director 31 May 2012)
Ms Cheryl Bart, AO
Mr Andrew Fay
Ms Anne McDonald
Dr Keith Turner
Ms Laura Reed (resigned as Managing Director 31 May 2012)

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.

Directors' Report
for the Half Year Ended 30 June 2012

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

	Half Year Ended 30 June			Change Compared to Underlying 2011	
	Statutory 2012 $'000	**Underlying 2012 $'000**	Underlying 2011 $'000	$'000	%
Interest income from associates	**40,338**	**40,338**	40,864	(526)	(1.3)
Share of equity accounted profits	**112,522**	**112,479**	88,318	24,161	27.4
	152,860	**152,817**	129,182	23,635	18.3
Other income	**854**	**854**	1,849	(995)	(53.8)
Total Income	**153,714**	**153,671**	131,031	22,640	17.3
Management fees	**-**	**-**	(3,504)	3,504	100.0
Senior debt interest	**(4,691)**	**(4,691)**	(5,562)	871	15.7
General and administrative expenses	**(7,174)**	**(7,174)**	(2,803)	(4,371)	(155.9)
Profit before Loan Note Interest	**141,849**	**141,806**	119,162	22,644	19.0
Loan Note Interest ("LNI")	**(46,701)**	**(46,701)**	(46,400)	(301)	(0.6)
Profit before tax	**95,148**	**95,105**	72,762	22,343	30.7
Income tax (expense)/benefit	**(6,447)**	**1,055**	(3,878)	4,933	127.2
Profit Attributable to Stapled Security Holders	**88,701**	**96,160**	68,884	27,276	39.6
Profit before LNI per security	**10.69¢**	**10.69¢**	8.99¢	1.70¢	18.9
Operating Cash Flow	**80,069**	**80,069**	92,887	(12,818)	(13.8)
Net Capital Expenditure – Asset Companies	**368,900**	**368,900**	352,700	16,200	4.6

Directors' Report
for the Half Year Ended 30 June 2012

Underlying Results

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 ("Underlying Adjustments"). The Underlying Adjustments have been presented in accordance with the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 230 "Disclosure of non-IFRS financial information" issued in December 2011. Underlying Adjustments made are consistent between periods and in accordance with this ASIC guidance and the Directors have had these adjustments reviewed by the auditors of Spark Infrastructure. The Directors consider that the underlying results provide users of these reports with a clearer explanation of Spark Infrastructure's operating performance for the period. The following adjustments have been made to the reported results for the half year ended 30 June 2012 (the "Current Period") in order to calculate the underlying results (the half year ended 30 June 2011 (the "Prior Period") 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 2012	30 June 2011	**30 June 2012**	30 June 2011
	$'000	$'000	**$'000**	$'000
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Total Underlying Adjustments	**43**	55	**(7,459)**	(59,959)
Statutory result	**112,522**	88,373	**88,701**	8,925

Underlying Profit

The Underlying Profit before Loan Note Interest for the Current Period increased by 19.0% from $119.162 million to $141.806 million compared to the Prior Period, largely due to higher equity accounted share of profits from the Asset Companies.

Performance of the Asset Companies (100% basis)

In ETSA, earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 23.4% from $333.606 million to $411.513 million. EBITDA excluding customer contributions and gifted assets revenue increased by 30.8% to $350.806 million and prescribed or regulated revenue increased by 31.6% to $408.524 million. This increase was principally due to higher tariffs (Distribution Use of System or "DUoS"), which increased following the start of the new regulatory year on 1 July 2011. The total volume delivered decreased by 0.6% from 5,556 GWh to 5,523 GWh in the Current Period.

ETSA (100% basis)	**30 June 2012 $'000**	30 June 2011 $'000	Variance $'000	Variance %
Distribution Revenue	408,524	310,472	98,052	31.6
Customer Contributions and Gifted Assets	60,707	65,428	(4,721)	(7.2)
Other Revenue	83,303	103,525	(20,222)	(19.5)
Total Revenue	**552,534**	**479,425**	**73,109**	**15.2**
Operating Costs	141,021	145,819	4,798	3.3
EBITDA	**411,513**	**333,606**	**77,907**	**23.4**
EBITDA (excl Customer Contributions & Gifted Assets)	**350,806**	**268,178**	**82,628**	**30.8**

Non-prescribed revenue, which includes customer contributions, semi-regulated meter reading, and the provision of construction and maintenance services to third parties, decreased by 14.8% from $168.953 million to $144.010 million. Customer contributions (including gifted assets) decreased by 7.2% to $60.707 million. Other unregulated revenues decreased by 19.5% to $83.303 million, reflecting a decrease in construction and maintenance activity and lower asset relocation revenues. The Prior Period included significant revenues from the South Road Superhighway and the Bluff Wind farm third party projects.

Directors' Report
for the Half Year Ended 30 June 2012

ETSA's operating expenses decreased by 3.3% in the Current Period to $141.021 million, reflecting the impact of lower construction and maintenance and asset relocation activity, partly offset by increased vegetation management costs.

In CHEDHA, EBITDA decreased by 1.8% from $320.504 million to $314.795 million, reflecting higher regulated DUoS and Advanced Metering Infrastructure ("AMI" smart meter) revenues more than offset by lower customer contributions and unregulated revenues, and higher operating costs. EBITDA excluding customer contributions and gifted assets revenue increased by 2.4% to $284.387 million.

CHEDHA (100% basis)	**30 June 2012 $'000**	30 June 2011 $'000	Variance $'000	Variance %
Distribution Revenue	334,711	306,512	28,199	9.2
AMI Revenue	62,600	59,600	3,000	5.0
Customer Contributions and Gifted Assets	30,408	42,685	(12,277)	(28.8)
Other Revenue	62,100	66,846	(4,746)	(7.1)
Total Revenue	**489,819**	**475,643**	**14,176**	**3.0**
Operating Costs	175,024	155,139	(19,885)	(12.8)
EBITDA	**314,795**	**320,504**	**(5,709)**	**(1.8)**
EBITDA (excl Customer Contributions & Gifted Assets)	**284,387**	**277,819**	**6,568**	**2.4**

During the Current Period, DUoS revenue increased by 9.2% to $334.711 million. Total volume delivered increased by 1.2% from 8,245 GWh to 8,348 GWh. Powercor volumes increased by 3.5% from 5,188 GWh to 5,372 GWh, largely due to growth in small commercial, large low voltage and high voltage segments. CitiPower volumes decreased by 2.6% from 3,057 GWh to 2,976 GWh, reflecting volume decreases in the small commercial and large low voltage segments. Tariffs increased for both Powercor and CitiPower businesses from 1 January 2012 in accordance with the regulatory determinations. The positive impact of successful regulatory appeals by CitiPower and Powercor were not reflected in tariffs or revenue for the Current Period, and are expected to be reflected in tariffs and revenue from 1 January 2013. AMI related revenue increased by 5.0% from $59.600 million to $62.600 million in the Current Period, reflecting the continued rollout of smart meters.

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 by 15.5% from $109.531 million to $92.508 million. Customer contributions and gifted assets revenue declined by 28.8% to $30.408 million. Other non-prescribed revenue decreased by 7.1% from $66.846 million to $62.100 million largely due to lower levels of third party network services activity.

CHEDHA's operating expenses increased by 12.8% to $175.024 million, reflecting cost increases in the operation of the regulated businesses. Additional vegetation management costs were incurred during the Current Period due to new regulations requiring increased clearance space from the network, in relation to which the businesses are currently seeking the approval of additional revenue by the Australian Energy Regulator ("AER"). These increases in the regulated business were partly offset by lower unregulated costs reflecting the lower level of third party activity.

Aggregated Asset Company depreciation and amortisation grew by 5.9% from $186.315 million to $197.224 million, reflecting the increase in the depreciable asset base, including AMI. Net interest expense (excluding subordinated debt) was $207.639 million, 10.7% higher than the Prior Period, reflecting some additional external debt to part finance the ongoing capital investment in the Regulated Asset Base ("RAB"), as well as the pricing impact of refinancing maturing facilities. Interest on subordinated (shareholder) debt decrease by 0.7% from $119.356 million to $118.463 million, reflecting the payment by CHEDHA in the Prior Period of some 2010 deferred interest. Income tax expense (which is a non-cash item) decreased by 65.6% from $10.683 million to $3.672 million primarily due to lower pre-tax profits in CHEDHA.

Capital Expenditure and Regulatory Asset Base ("RAB")

CHEDHA and ETSA continue to invest in the expansion and renewal of their networks, improving asset performance and reliability. During the Current Period, total capital expenditure of $368.900 million (Spark share: $180.761 million) was invested on a net basis, i.e. after deducting customer contributions, an increase of 4.6% from $352.700 million (Spark share: $172.823 million) in the Prior Period. Capital expenditure is added to the RAB of the Asset Companies, which generates increased prescribed revenue into future periods.

The roll out of the AMI programme by CitiPower and Powercor continues, with AMI related capital expenditure of $61.300 million invested during the Current Period, bringing the total capital expenditure to date invested in the AMI programme to $472.000 million, or approximately 75% of the estimated total AMI rollout capital expenditure.

Directors' Report
for the Half Year Ended 30 June 2012

The estimated RAB for CHEDHA as at 30 June 2012 was $4.311 billion (100% basis), an increase of $259 million or 6.4% over December 2011. The estimated RAB for ETSA as at 30 June 2012 was $3.354 billion, an increase of $37 million or 1.1% over December 2011. Spark's aggregate 49% share of the Asset Companies' RAB balances was $3.756 billion, an increase of $145 million or 4.0% over December 2011 and $320 million or 9.3% over the estimate of RAB at 30 June 2011.

Corporate Expenses and Loan Note Interest

General, administrative and employee expenses increased in the Current Period to $7.174 million from $6.307 million in the Prior Period, which included management fees prior to Internalisation in May 2011. Corporate expenses in 2012 included expenses relating to the bid for the Sydney Desalination Plant of $4.614 million, and a benefit of $1.280 million resulting from the reversal of a prior year accrual. Excluding these items, corporate costs have decreased from $6.307 million to $3.840 million.

Interest expense on senior debt decreased in the Current Period by 15.7% from $5.562 million to $4.691 million, reflecting lower drawn senior debt at the Spark level compared to the Prior Period.

Loan note interest payable to Securityholders increased by $0.301 million to $46.701 million for the Current Period, reflecting an additional day's interest due to the leap year in 2012.

Cashflow

During the Current Period, Spark Infrastructure received $90.366 million in distributions from the Asset Companies, down 15.4% from $106.795 million in the Prior Period. Excluding the receipt of $17.579 million of deferred 2010 sub-debt interest which was received by Spark Infrastructure in 2011, distributions from the Asset Companies increased by 1.3%, from $89.216 million to $90.366 million.

Cash outflows for interest paid on senior debt were $4.186 million for the Current Period, 18.1% lower than the Prior Period, reflecting the lower levels of drawn senior debt. Cash inflows from interest received were $0.914 million for the Current Period, $1.192 million lower than the Prior Period reflecting the use of surplus funds to pay for Internalisation in May 2011 and to repay a portion of debt.

Spark Infrastructure's cashflow from operating activities for the Current Period was $80.069 million which was 13.8% lower than the Prior Period of $92.887 million. After excluding the receipt of deferred sub debt interest received in the Prior Period, cashflow from operating activities for the Current Period was 6.4% higher than the Prior Period.

Spark Infrastructure paid a final distribution for the year ended 31 December 2011 of $69.654 million to Securityholders in March 2012, representing 5.25 cps.

Equity and Reserves

Total Equity including Loan Notes attributable to Securityholders increased by $38.511 million during the Current Period to $2.209 billion at 30 June 2012. Net profit increased retained profits by $88.701 million, while other movements net of tax included: unfavourable mark-to-market movements in the value of interest rate derivatives in Spark Infrastructure of $0.942 million and in the Asset Companies of $27.673 million (which act as hedges on interest payable on borrowings) actuarial gains on defined benefit superannuation plans of the Asset Companies of $0.970 million; and a capital distribution paid during the Current Period to Spark Infrastructure securityholders of $22.555 million (1.70 cps). The mark-to-market movements and actuarial gains are non-cash impacts and result from the application of Australian Accounting standards.

Debt, Gearing and Hedging

Spark Infrastructure has $250.000 million of committed debt facilities, comprising a $165.000 million fully undrawn 3-year revolving facility 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. There was no change to drawn and undrawn debt levels since 31 December 2011.

Spark Infrastructure's standalone net gearing ratio was 2.1% after taking into account cash on hand at 30 June 2012 of $38.311 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 net debt of CHEDHA and ETSA, was 58.5% as at 30 June 2012 (31 December 2011: 58.0%).

Spark Infrastructure's net debt to RAB at the Asset Company level was 81.8%, marginally up over the Current Period. ETSA's net debt to RAB was 81.3%, up from 78.4% as at December 2011, reflecting the impact of a lower than expected CPI uplift on the RAB of 1.58% and the timing impact of delayed working capital recoveries in relation to solar feed in tariffs which will start to unwind from

Directors' Report for the Half Year Ended 30 June 2012

1 July 2012. CHEDHA's net debt to RAB was 82.2%, down from 84.0% as at December 2011. The 75% net debt to RAB target for the Asset Companies is still expected to be reached by 2015.

As at 30 June 2012, Spark's standalone interest rate hedge ratio was 100.0% on a gross basis (2011: 85.0%). On a proportionate basis, 95.6% of gross debt (including Asset Company gross debt) was hedged as at 30 June 2012 (2011: 97.4%). This substantially limits the impact of volatility in the movement of interest rates on the financial results of Spark Infrastructure and the Asset Companies. CHEDHA have $145.000 million of forward starting swaps which commenced in July 2012.

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 2012. The discounted cash flow analysis undertaken as part of this review takes into account the current agreed Corporate Plans for the Asset Companies.

Regulatory Appeals Update

On 5 April 2012 the Australian Competition Tribunal ("ACT") issued a Final Decision relating to CitiPower and Powercor's appeal matters pertaining to the value accorded to imputation credits ("Gamma"), an adjustment to the Efficiency carry-over amount, and an error in the calculation of the debt risk premium. The ACT decisions on these matters provided an additional $118.500 million (nominal – Spark share $58.065 million) of revenue in the current five year regulatory period to 2015. It is expected that this additional revenue will be included in the 2013 tariff updates so that recovery will occur across the 3 years from 1 January 2013 to 31 December 2015.

At the same time the ACT rejected CitiPower and Powercor's respective applications for further relief on the basis that the ACT did not have the requisite power to approve the changes set out in their submissions. Following delivery of the ACT's final decision there remains one associated matter outstanding. On 25 June 2012 both CitiPower and Powercor made revised submissions to the AER in relation to recovery of vegetation management costs, which sought an additional $26 million (nominal – Spark share $12.740 million) of revenue in the current regulatory period. The AER published a Draft Decision in relation to this matter on 9 August 2012 in which it approved all of the businesses' proposed incremental expenditure, and is expected to publish a Final Decision during the third quarter of 2012. The outcome of this process is expected to be included in network tariffs from 1 January 2013 together with the additional revenue secured in the ACT's final decision earlier this year.

Regulatory Process Reviews

In September 2011 the AER submitted a proposal to the Australian Energy Markets Commission ("AEMC") to change the National Electricity Rules. A number of these proposed changes would be likely to have an impact on the Asset Companies. These include proposed changes to the calculation of cost of debt, treatment of related party margins and the determination of the RAB, as well as certain changes to the scope and accountability of the AER in making its determinations. The AEMC subsequently embarked on a consultation process in which the Asset Companies and Spark Infrastructure participated.

The AEMC was originally scheduled to release its draft ruling on 30 July 2012, however the draft ruling is now expected later in the third quarter of 2012. Following release of the draft ruling, further submissions from interested parties, including Spark Infrastructure and the Asset Companies will then be provided to AEMC prior to the release of a final ruling, which is expected later in 2012.

Coupled with the Rules review is the Limited Merits Review being considered by the Standing Committee of Energy and Resources ("SCER") Expert Panel. The Panel's Stage 1 Report released in early July 2012 has recommended some limited modifications to the existing regime. The Panel's Stage 2 Report will consider the necessary modifications which will ultimately be considered by the SCER. The Stage 2 Report is due to the SCER on 30 September 2012.

Growth in Regulatory Asset Bases

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 ETSA and 31 December 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, of which approximately 25% remains to be spent. Overall, based on the regulatory determinations, the combined RABs of the Asset Companies are expected to grow by an average of 8% per annum. Assuming that this net growth in

Directors' Report
for the Half Year Ended 30 June 2012

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.

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.

In May 2012, Spark Infrastructure confirmed that it had submitted a bid, which was ultimately unsuccessful, for the Sydney Desalination Plant ("SDP") as part of the sale process run by the NSW State Government. Spark Infrastructure's interest in SDP was based on the uniqueness of the offering and that SDP's risk profile was in line with Spark Infrastructure's long held investment mandate and consistent with its current investments in its electricity distribution businesses. SDP was a regulated asset with very predictable earnings and reliable cashflows under all modes of operation. Had Spark Infrastructure's bid been successful, the asset would have been operated by an experienced asset operator who had been involved in the design and construction of the plant. The transaction would have been yield accretive to Spark Securityholders from day one, and accretive to securityholder value. Transaction costs incurred were $4.614 million, and have been fully expensed in the Current Period.

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. 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 Spark Trust. A final cash distribution of 5.25 cents per security ("cps") was paid on 15 March 2012 in relation to the six months ended 31 December 2011 and comprised 3.55 cps of interest on the Loan Notes and 1.70 cps of capital distributions.

The Directors have reaffirmed distribution guidance for full year 2012 of 10.50 cps, representing an increase of 5% on 2011. In line with that guidance the Board has declared an interim cash distribution of 5.25 cps for the six months ended 30 June 2012, representing a standalone payout ratio of 87.0% for the Current Period. The interim distribution is payable on 14 September 2012, and consists of 3.52 cps interest on Loan Notes for the period and 1.73 cps return of capital. The interim distribution is unfranked and will be made by Spark Infrastructure Trust.

The Directors have determined that the Distribution Reinvestment Plan ("DRP") will remain suspended.

Outlook

The Asset Companies are not yet half way through their respective 5-year regulatory periods. 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.

Directors' Report
for the Half Year Ended 30 June 2012

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 to 2015. Such 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 of the current regulatory periods to 2015.

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 2012 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 31.

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:

B E Scullin
Chairman

R F Francis
Managing Director

Sydney
24 August 2012

Condensed Consolidated Statement of Comprehensive Income for the Half Year Ended 30 June 2012

	Note	Consolidated 30 June 2012 $'000	30 June 2011 $'000
Income from associates:			
- Interest income	3	**40,338**	40,864
- Share of equity profits	3	**112,522**	88,373
		152,860	129,237
Other income – interest		**854**	1,849
Total income		**153,714**	131,086
Management fees – paid to ex-Manager		**-**	(3,504)
Interest expense		**(4,691)**	(5,562)
General and administrative expenses		**(7,174)**	(2,803)
Internalisation Payment	10	**-**	(49,000)
Internalisation Transaction Costs	10	**-**	(2,000)
Profit for the period before loan notes interest and income tax		**141,849**	68,217
Interest expense – loan notes		**(46,701)**	(46,400)
Profit for the period before income tax		**95,148**	21,817
Income tax expense		**(6,447)**	(12,892)
Net profit for the period attributable to Securityholders		**88,701**	8,925

Condensed Consolidated Statement of Comprehensive Income for the Half Year Ended 30 June 2012 (continued)

	Consolidated	
	30 June 2012 $'000	30 June 2011 $'000
Net profit for the period attributable to Securityholders	**88,701**	8,925
Other comprehensive income:		
Cash flow loss on hedges	**(1,346)**	(1,604)
Share of associates' other comprehensive income:		
- loss on hedges	**(39,533)**	(27,533)
- actuarial gain/(loss) on defined benefits plan	**1,386**	(12,130)
Income tax related to components of other comprehensive income	**11,848**	12,380
Other comprehensive income for the period (net of tax)	**(27,645)**	(28,887)
Total comprehensive income/(loss) for the period	**61,056**	(19,962)
Net profit attributable to:		
- equity holders of the parent equity	**88,701**	8,925
	88,701	8,925
Total comprehensive income/(loss) attributable to:		
- · equity holders of the parent entity	**61,056**	(19,962)
	61,056	(19,962)
Earnings per Security		
Weighted average number of stapled securities (No'000)	**1,326,734**	1,326,734
Profit before loan notes interest and income tax ($'000)	**141,849**	68,217
Basic earnings per security before loan notes interest and income tax (cents)	**10.69¢**	5.14¢
Earnings used to calculate earnings per security ($'000)	**88,701**	8,925
Basic earnings per security based on net profit (cents)	**6.69¢**	0.67¢

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

Notes to the financial statements are included on pages 20 – 29

Condensed Consolidated Statement of Financial Position as at 30 June 2012

	Note	Consolidated 30 June 2012 $'000	31 December 2011 $'000
Current Assets			
Cash and cash equivalents		**43,311**	32,901
Receivables from associates		**11,172**	11,233
Other current assets		**940**	634
Total Current Assets		**55,423**	44,768
Non-Current Assets			
Property, Plant and Equipment		**292**	311
Investments in associates:			
- investments accounted for using the equity method	4	**1,549,846**	1,525,438
- loans to associates	5	**745,601**	745,601
Total Non-Current Assets		**2,295,739**	2,271,350
Total Assets		**2,351,162**	2,316,118
Current Liabilities			
Payables		**3,867**	3,702
Loan notes interest payable to Securityholders		**46,701**	47,099
Other financial liabilities		**2,256**	-
Total Current Liabilities		**52,824**	50,801
Non-Current Liabilities			
Payables		**479**	184
Loan notes attributable to Securityholders		**836,796**	836,786
Interest bearing liabilities (net of unamortised borrowing costs)		**83,393**	82,867
Deferred tax liabilities		**594**	5,995
Other financial liabilities		**4,755**	5,665
Total Non-Current Liabilities		**926,017**	931,497
Total Liabilities		**978,841**	982,298
Net Assets		**1,372,321**	1,333,820

Condensed Consolidated Statement of Financial Position as at 30 June 2012 (continued)

	Consolidated	
	30 June 2012 $'000	31 December 2011 $'000
Equity		
Equity attributable to the Parent Entity		
- Issued capital	**1,094,194**	1,116,749
- Reserves	**(76,951)**	(48,336)
- Retained earnings	**355,078**	265,407
Total Equity	**1,372,321**	1,333,820

Total Equity Attributable to Securityholders is as follows:

Total Equity	**1,372,321**	1,333,820
Loan Notes attributable to Securityholders	**836,796**	836,786
Total Equity and Loan Notes	**2,209,117**	2,170,606

Notes to the financial statements are included on pages 20 - 29

Condensed Consolidated Statement of Changes in Equity for the Half Year Ended 30 June 2012

	CONSOLIDATED			
	Issued Capital $'000	Hedging Reserve $'000	Retained Earnings $'000	Total $'000
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	1,378,345
Balance at 1 January 2012	**1,116,749**	**(48,336)**	**265,407**	**1,333,820**
Net profit for the period	**-**	**-**	**88,701**	**88,701**
Cashflow hedges – loss on interest rate swaps	**-**	**(1,346)**	**-**	**(1,346)**
Share of associates' other comprehensive income:				
- loss on hedges	**-**	**(39,533)**	**-**	**(39,533)**
- actuarial gain on defined benefits plan	**-**	**-**	**1,386**	**1,386**
Related tax	**-**	**12,264**	**(416)**	**11,848**
Total comprehensive income for the period	**-**	**(28,615)**	**89,671**	**61,056**
Capital distributions	**(22,555)**	**-**	**-**	**(22,555)**
Balance at 30 June 2012	**1,094,194**	**(76,951)**	**355,078**	**1,372,321**

Notes to the financial statements are included on pages 20 – 29

Condensed Consolidated Statement of Cash Flows for the Half Year Ended 30 June 2012

		Consolidated	
	Note	30 June 2012 $'000	30 June 2011 $'000
Cash Flows from Operating Activities			
Distributions from associates - preferred partnership capital		**34,532**	34,341
Dividend received - associates		**15,435**	13,720
Interest received - associates		**40,399**	41,155
Deferred interest received from 2010 – associates		**-**	17,579
Interest received - other		**914**	2,106
Interest paid - other		**(4,186)**	(5,110)
Management fees		**-**	(3,989)
Other expenses		**(7,025)**	(6,915)
Net Cash Inflow Related to Operating Activities		**80,069**	92,887
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		**-**	(2,500)
Internalisation - cash acquired as part of net working capital		**-**	4,497
Purchase of property, plant and equipment		**(5)**	-
Net Cash Outflow Related to Investing Activities		**(5)**	(50,739)
Cash Flows from Financing Activities			
Repayment of external borrowings		**-**	(25,000)
Distributions to Securityholders:			
- Loan notes interest		**(47,099)**	(90,483)
- Capital distribution		**(22,555)**	-
Net Cash Outflow Related to Financing Activities		**(69,654)**	(115,483)
Net Increase/(Decrease) in Cash and Cash Equivalents for the Period		**10,410**	(73,335)
Cash and cash equivalents at the beginning of the period		**32,901**	89,275
Cash and Cash Equivalents at the end of the Period [1]		**43,311**	15,940

[1] $5.000 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 2011: $5.000 million)

Notes to the financial statements are included on pages 20 – 29

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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 2011 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 2011, 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 Infrastructure RE Limited ("Spark RE") as the responsible entity for Spark Trust on 24 August 2012.

Adoption of new and revised Standards

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

Amendments to AASB 7 'Financial Instruments: Disclosure'
The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The application of this standard has not had any material effect on amounts reported in the financial statements.

Amendments to AASB 101 'Presentation of Financial Statements'
The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify 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.

AASB 1054 'Australian Additional Disclosures'
This Standard contains disclosure requirements that are additional to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees and the reconciliation of net operating cash flow to profit (loss). The application of this standard has not had any material effect on amounts reported in the financial statements.

AASB 2010-5 'Amendments to Australian Accounting Standards'
The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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

Adoption of new and revised Standards (continued)

AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'

The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

AASB 2011-1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project'

The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. 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.

AASB 10 'Consolidated Financial Statements'

AASB 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 Consolidated and Separate Financial Statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee.

AASB 13 'Fair Value Measurement' and related AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'. Replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements and requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs.

AASB 128 'Investments in Associates and Joint Ventures'

AASB 128 supersedes AASB 128 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied and prescribes how investments in associates and joint ventures should be tested for impairment.

AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'

The amendments requires entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments) and require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

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

Notes to the Financial Statements for the Half Year Ended 30 June 2012

1. Summary of Accounting Policies (continued)

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 Utilities Partnership ("ETSA Utilities") and CHEDHA Holdings Ltd ("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.

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

Outcomes, from the successful appeals by ETSA on various matters to the Australian Competition Tribunal ("ACT"), which are now reflected in the pricing since 1 July 2011, have been incorporated in the impairment testing. In January 2012, the ACT also ruled in favour of CitiPower and Powercor in respect of their appeals relating to the value of gamma and an adjustment to the efficiency carry-over amount contained in their respective Regulatory Determinations issued in 2010. The ACT decisions on these matters provide an additional $120.0 million of revenue (Spark share: $58.8 million) in the current five year regulatory period to 2015, with recovery expected to occur over three years from 1 January 2013. This impact has also been incorporated into the impairment testing as at 30 June 2012.

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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. Three segments are reported, CHEDHA – which represents the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor), ETSA Utilities – which represents the 49% interest in the electricity distribution business in South Australia, and Corporate – which represents staff and overhead costs at the Spark corporate level.

	CHEDHA		ETSA Utilities		Corporate		Total	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Segment Cashflows								
Net cashflows	**40,399**	58,734	**49,967**	48,061	**(7,025)**	(10,904)	**83,341**	95,891
Net interest paid							**(3,272)**	(3,004)
Total Operating Cashflows							**80,069**	92,887

	CHEDHA		ETSA Utilities		Corporate		Total	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Segment Revenue								
Share of equity accounted (losses)/profits	**(2,126)**	6,415	**114,648**	81,958	**-**	-	**112,522**	88,373
Interest income - associates	**40,338**	40,864	**-**	-	**-**	-	**40,338**	40,864
Segment revenue	**38,212**	47,279	**114,648**	81,958	**-**	-	**152,860**	129,237
Interest revenue							**854**	1,849
Total Revenue							**153,714**	131,086
Segment Results								
Segment contribution	**38,212**	47,279	**114,648**	81,958	**(7,174)**	(6,307)	**145,686**	122,930
Internalisation payment							**-**	(51,000)
Net interest expense							**(3,837)**	(3,713)
Profit for the period before Loan Note interest and income tax							**141,849**	68,217
Interest on Loan Notes							**(46,701)**	(46,400)
Income tax expense							**(6,447)**	(12,892)
Net profit for the period							**88,701**	8,925

Notes to the Financial Statements for the Half Year Ended 30 June 2012

2. Segment Information (continued)

	CHEDHA		ETSA Utilities		Corporate		Total	
	Jun 2012 $'000	Dec 2011 $'000	**Jun 2012 $'000**	Dec 2011 $'000	**Jun 2012 $'000**	Dec 2011 $'000	**Jun 2012 $'000**	Dec 2011 $'000
Segment Assets								
Investment accounted using equity method	**257,445**	272,756	**1,292,401**	1,252,682	**-**	-	**1,549,846**	1,525,438
Loan to Associates	**745,601**	745,601	**-**	-	**-**	-	**745,601**	745,601
Receivables from Associates	**11,172**	11,233	**-**	-	**-**	-	**11,172**	11,233
Other	**-**	-	**-**	-	**940**	634	**940**	634
Property, Plant & Equipment	**-**	-	**-**	-	**292**	311	**292**	311
Total Segment Assets	**1,014,218**	1,029,590	**1,292,401**	1,252,682	**1,232**	945	**2,307,851**	2,283,217
Unallocated Assets								
Cash and cash equivalents							**43,311**	32,901
Total Assets							**2,351,162**	2,316,118
Segment Liabilities								
Liabilities	**-**	-	**-**	-	**4,052**	3,571	**4,052**	3,571
Unallocated Liabilities								
Loan Notes							**836,796**	836,786
Interest bearing debt (net)							**83,393**	82,867
Other liabilities							**54,006**	53,079
Deferred tax liabilities							**594**	5,995
Total Liabilities							**978,841**	982,298

	30 June 2012 $'000	30 June 2011 $'000
3. Share of Equity Accounted Profits and Interest		
Equity Accounted (Losses)/Profits:		
CHEDHA Holdings Ltd	**(2,126)**	6,415
ETSA Utilities Partnership	**114,648**	81,958
	112,522	88,373
Interest income – Associates:		
CHEDHA	**40,338**	40,864
	152,860	129,237

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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 in Victoria	49
ETSA Utilities	Ownership of electricity distribution business in South Australia	49

	30 June 2012 $'000	30 June 2011 $'000
(b) Share of Associates' Profit and Loss:		
Revenue – distribution and metering	**394,859**	331,526
Revenue - semi regulated and unregulated	**71,247**	83,482
Customer contributions and gifted assets [a]	**44,646**	52,975
Operating revenue	**510,752**	467,983
Revenue - transmission	**131,861**	114,315
	642,613	582,298
Expenses	**(411,291)**	(389,153)
Transmission charges	**(131,861)**	(114,315)
Profit before income tax	**99,461**	78,830
Income tax expense	**(1,799)**	(5,235)
Net Profit for the period	**97,662**	73,595
Additional share of profit from preferred partnership capital [b]	**17,708**	17,611
Additional depreciation/amortisation charge [c]	**(2,848)**	(2,833)
Share of net profits from associates	**112,522**	88,373

[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 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 (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 2012

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

	30 June 2012 $'000	31 December 2011 $'000
(c) Share of assets and liabilities of Associates		
Assets		
Current Assets	**373,202**	268,305
Non-Current Assets	**5,526,066**	5,391,553
Total Assets	**5,899,268**	5,659,858
Liabilities		
Current Liabilities	**632,693**	326,045
Non-Current Liabilities	**4,175,432**	4,269,821
Total Liabilities	**4,808,125**	4,595,866
Net assets before ETSA Utilities Preferred Partnership Capital	**1,091,143**	1,063,992
ETSA Utilities Preferred Partnership Capital	**622,300**	622,300
Net Assets applicable to Spark Infrastructure	**1,713,443**	1,686,292

	30 June 2012 $'000	30 June 2011 $'000
(d) Movement in Carrying Amounts		
Carrying amount at the beginning of the financial period	**1,525,438**	1,612,188
Share of profits after income tax	**112,522**	88,373
Preferred partnership distribution received	**(34,532)**	(34,341)
Dividends received - associates	**(15,435)**	(13,720)
Share of associates' loss recognised directly in equity	**(38,147)**	(39,663)
Carrying amount at the end of the period	**1,549,846**	1,612,838

(e) Tax Matters

ETSA Utilities Partnership

The Australian Taxation Office ("ATO") has completed its tax audits of the ETSA Utilities Partnership and has made adjustments to the income tax treatment of the rent instalments under the land lease, financing arrangements and direct internal labour and motor vehicle costs on self-constructed assets. The ATO's view is that the arrangements are either partially or fully non-deductible or deductible over different time periods, as outlined in various position papers.

During July and August 2012, the ATO adjusted the income of ETSA Utilities Partnership for the years 2000 through to 2010 and issued amended tax assessments to all the ETSA Utilities partners, including Spark Infrastructure Holdings No.2 Pty Limited ("Spark No.2") as the head entity of the relevant tax consolidated group in respect of the 2007 to 2010 income years, disallowing deductions claimed in each of those income years in respect of the matters above and a portion of the subordinated debt interest deductions.

ETSA Utilities has obtained advice that supports the current tax treatments and has responded to these papers disagreeing with the ATO's conclusions. Based on all available information, ETSA Utilities and the partners are of the opinion that no adjustments are required, and will vigorously defend its positions. Objections to all amended assessments for the years 2007 to 2010 will be lodged by Spark No.2 shortly. Notwithstanding the ATO's adjustments, no amount of tax is payable for Spark No.2 from the amended assessments for the 2007 to 2010 years due to the availability of carried forward tax losses.

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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

CHEDHA Holdings Pty Ltd

In December 2010, the 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 Holdings Pty Limited ("CHEDHAH")) and its subsidiaries, had been completed and that certain tax adjustments were required, which are material. The Large Business Audit related to the tax years 31 December 2000 to 31 December 2005 inclusive. No determinations or assessments have been issued by the ATO. The entities have sought legal advice. They disagree with the ATO's position and based on all available information, will vigorously defend their position. The ATO is also currently reviewing a number of matters in respect of the tax years from 31 December 2006.

	30 June 2012 $'000	31 December 2011 $'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. Remuneration arrangements of KMP are disclosed in the annual financial report.

During the Current Period the Managing Director, Laura Reed, retired with effect from 31 May 2012. Rick Francis was appointed as Managing Director and Chief Executive Officer (previously the Chief Financial Officer, "CFO"), and Greg Botham was appointed as CFO with effect from 31 May 2012. A short term incentive of $150,000 was earned by Laura Reed in respect of the period 1 January 2012 to 31 May 2012 and has subsequently been paid on 13 July 2012. No long term incentive amounts were paid during the six months ended 30 June 3012.

7. Notes to the Statement of Cash Flows

(a) Cash transactions

As at 30 June 2012, and at all times during the period, the Responsible Entity of Spark Group held $5.000 million of cash to meet its financial requirements as a holder of an Australian Financial Services Licence ("AFSL") (30 June 2011: $5.000 million).

	30 June 2012 $'000	31 December 2011 $'000
(b) Committed Finance Facilities		
Syndicated unsecured bank loan facilities:		
- Amount used	**85,000**	85,000
- Amount unused	**165,000**	165,000
	250,000	250,000

The $85.000 million 4-year term loan remains fully drawn and the $165.000 million 3-year revolving facility is fully undrawn.

Committed Finance Facility maturities are:

- September 2013: $165.000 million 3-year revolving facility
- September 2014: $85.000 million 4-year term loan

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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

(c) Bank Guarantee facility

	30 June 2012 $'000	31 December 2011 $'000
Bank Guarantee facility		
- Amount used	**420**	420
- Amount unused	**-**	-
	420	420

A bank guarantee of $0.420 million 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

	2012		2011	
	Cents Per Security	**Total $'000**	Cents Per Security	Total $'000
Distribution Paid:				
Final distribution paid in respect of year ended 31 December 2011, paid on 15 March 2012 (2011: In respect of year ended 31 December 2010, paid on 15 March 2011):				
Interest on loan notes [a,b]	**3.55**	**47,099**	6.82	90,483
Capital distribution [c]	**1.70**	**22,555**	-	-
	5.25	**69,654**	6.82	90,483
Distribution Payable:				
Interim distribution in respect of half year ended 30 June 2012 payable 14 September 2012 (2011: In respect of half year ended 30 June 2011, paid on 15 September 2011):				
Interest on loan notes [b]	**3.52**	**46,701**	3.50	46,435
Capital distribution [c]	**1.73**	**22,953**	1.25	16,584
	5.25	**69,654**	4.75	63,019

The distributions are unfranked.

[a] Loan Note 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. After the restructure Loan Notes have a face value of $0.65

[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 2012 which have not already been disclosed.

(b) As at 30 June 2012, there were total expenditure commitments of $2.315 million (2011: $2.272 million) comprising operating leases that relate to the office premises and information technology. Office premises are located at 259 George Street, Sydney 2000. A rental lease for the 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 $0.594 million. Spark Infrastructure has nominated to take some of the incentive as a contribution towards fit-out works, with the remainder as rent abatement on a straight line basis over the term of the lease. The Group does not have an option to purchase the leased premises or assets at the expiry of the lease periods.

Notes to the Financial Statements for the Half Year Ended 30 June 2012

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

On 31 May 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). Transaction costs of $2.000 million were also incurred in relation to the Internalisation of the external management arrangements.

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 Trust will be able to pay its debts as and when they become due and payable; and

(b) in their opinion, the financial statements and notes as set out on pages 14 to 29 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 directors:

B E Scullin
Chairman

R F Francis
Managing Director

Sydney
24 August 2012

Deloitte.

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

24 August 2012

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 2012, 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 2012, 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 30.

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 2012 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.

Deloitte.

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 2012 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*.

Report on the Non-IFRS Financial Information in the Directors' Report

We have reviewed the non-IFRS financial information disclosed as 'Underlying Results' included in page 8 of the directors' report for the half year ended 30 June 2012. The directors of the trustee are responsible for the preparation and presentation of the non-IFRS financial information in accordance with the basis of preparation described in the directors' report in the section entitled 'Underlying Results' on page 8. Our responsibility is to express a conclusion on the non-IFRS financial information, based on our review conducted in accordance with Australian Auditing Standards on Review Engagements.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the non-IFRS financial information disclosed as 'Underlying Results' included in page 8 of the directors' report for the half year ended 30 June 2012, is not prepared, in all material respects, in accordance with the basis of preparation set out in the directors' report in the section entitled 'Underlying Results' on page 8.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock
Partner
Chartered Accountants
Sydney, 24 August 2012