

Tuesday, 24 August 2021

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 2021

I enclose Spark Infrastructure Group's Consolidated Financial Report and Appendix 4D for the six months ended 30 June 2021. An ASX release, investor presentation and fact book are also provided.

Authorised for release by the Board of Directors of Spark Infrastructure.

Yours sincerely,



Jenny Faulkner
General Counsel and Company Secretary

Spark Infrastructure

Appendix 4D

Results for Announcement to the Market for the Half Year Ended 30 June 2021

1. Company Details

Name of entity
SPARK INFRASTRUCTURE comprises <ul style="list-style-type: none"> Spark Infrastructure Trust (Spark Trust) and its Controlled Entities.

Half year ended (Current Period)

30 June 2021

Half year ended (Prior Period)

30 June 2020

	Percentage Change	30 June 2021 A\$'000	30 June 2020 A\$'000
Profit or Loss Summary			
Profit before Loan Note Interest and Income Tax	Down 29.0%	93,912	132,187
Net Profit Attributable to the Stapled Security Holders	Down 56.6%	21,604	49,732
Earnings per Stapled Security before Loan Note Interest and Income Tax	Down 30.4%	5.37¢	7.72¢
Earnings per Stapled Security	Down 57.2%	1.24¢	2.90¢
Net Operating Cash Flow	Up 14.7%	51,561	44,951
Net Operating Cash Flow per Stapled Security	Up 12.6%	2.95¢	2.62¢
Underlying Profit before Loan Note Interest and Income Tax	Down 21.3%	105,663	134,306
Underlying Net Profit Attributable to the Stapled Security Holders	Down 41.8%	29,829	51,215
Underlying Earnings per Stapled Security before Loan Note Interest and Income Tax	Down 23.0%	6.04¢	7.84¢
Underlying Earnings per Stapled Security	Down 42.8%	1.71¢	2.99¢

Spark Infrastructure

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Results for Announcement to the Market for the Half Year Ended 30 June 2021

2. Net Tangible Assets per Security

	30 June 2021 \$'000	31 December 2020 \$'000
Net Assets	1,720,402	1,596,031
Loan Notes attributable to Security Holders	1,111,280	1,097,956
Net Assets and Loan Notes attributable to Security Holders	<u>2,831,682</u>	<u>2,693,987</u>
No. of Securities ('000)	1,754,954	1,738,045
Net Tangible Assets per Security (\$)	\$1.61	\$1.55

3. Details of Associates

Associate	Ownership Interest		Contribution to Net Profit	
	30 June 2021 (%)	30 June 2020 (%)	30 June 2021 \$'000	30 June 2020 \$'000
Equity accounted income:				
Victoria Power Networks Pty Ltd	49.00%	49.00%	30,016	45,492
SA Power Networks Partnership	49.00%	49.00%	50,644	65,578
NSW Electricity Networks Assets Holdings Trust	15.01%	15.01%	1,302	82
NSW Electricity Networks Operations Holdings Trust	15.01%	15.01%	3,722	1,567
Sub-total			85,684	112,719
Interest income:				
Victoria Power Networks Pty Ltd			24,782	24,919
NSW Electricity Networks Operations Holdings Trust			4,207	4,948
Total			114,673	142,586

4. Entities Gained/Lost Control during the Period

Gained Control of:
- Nil
Lost Control of:
- Nil

Spark Infrastructure

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Results for Announcement to the Market for the Half Year Ended 30 June 2021

5. Distributions	30 June 2021		30 June 2020	
	Cents per Security	Total \$'000	Cents per Security	Total \$'000
Distribution Paid:				
Final distribution in respect of the year ended 31 December 2020 paid on 15 March 2021 (2020: final distribution in respect of year ended 31 December 2019, paid on 13 March 2020):				
Interest on Loan Notes	3.55	61,701	3.55	60,309
Capital Distribution	2.95	51,272	3.95	67,105
	6.50	112,973	7.50	127,414
Distribution Payable/Proposed:				
Interim distribution in respect of the year ending 31 December 2021 payable 15 September 2021 (2020: Interim distribution in respect of the year ended 31 December 2020, paid on 15 September 2020):				
Interest on Loan Notes	3.50	61,423	3.50	60,260
Capital Distribution	2.75	48,261	3.50	60,260
	6.25	109,684	7.00	120,520

The final distribution in respect of the year ended 31 December 2020 paid on 15 March 2021 had 2.1 cents per Security ("cps") of franking attached. The interim distribution in respect of the year ending 31 December 2021 payable on 15 September 2021 is expected to have franking attached of approximately 1.5cps. The other distributions above were unfranked.

The record date for determining entitlements to the interim distribution was 8 July 2021.

6. Details of Distribution Reinvestment Plan

The distribution reinvestment plan will not be in operation for the September 2021 distribution.

Spark Infrastructure

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Results for Announcement to the Market for the Half Year Ended 30 June 2021

7. Foreign Entities

Not Applicable

Compliance Statement

Information on Audit or Review

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

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.

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

- N/A -

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

- N/A -

Signed on behalf of the Board:



D McTaggart
Chair



R Francis
Managing Director

24 August 2021



Interim Financial Report 30 June 2021

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

Directors' Report

for the Half Year Ended 30 June 2021

Directors' Report

The Directors of Spark Infrastructure RE Limited present this financial report on the consolidated entity for the half year ended 30 June 2021 (HY2021). In this report, Spark Infrastructure RE Limited is referred to as "Spark RE" or "Company". Spark RE is the responsible entity of Spark Infrastructure Trust, referred to as "Trust". The Trust and its consolidated entities are referred to as "Spark Infrastructure" or "Group".

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

The Principal Activity of Spark Infrastructure

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

The Nature of Securities in Spark Infrastructure

Spark Infrastructure is a stapled structure comprising two elements:

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

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

Binding Offer

During July 2021 Spark Infrastructure announced that it had received a number of conditional and non-binding indicative proposals from a Consortium to acquire all of the ordinary stapled securities in Spark Infrastructure by way of a scheme. The Board of Spark Infrastructure considered that it was in the interests of Spark Infrastructure's securityholders to engage with the Consortium and, after signing a Confidentiality Agreement containing customary disclosure restrictions and standstills, the Board provided the Consortium with the opportunity to conduct due diligence on a non-exclusive basis. The Consortium has now completed due diligence and provided Spark Infrastructure with a binding Offer. Following further discussions Spark Infrastructure entered into a Scheme Implementation Deed with the Consortium on 23 August 2021. Refer Events Occurring after Reporting Date for more information.

Spark Infrastructure's Board of Directors

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

Dr. Douglas McTaggart, Chair
Mr. Rick Francis, Managing Director and Chief Executive Officer
Ms. Anne Brennan
Mr. Andrew Fay
Mr. Miles George
Mr. Greg Martin
Ms. Lianne Buck (appointed 16 April 2021)

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review

Review of Operations – Spark Infrastructure

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

Standalone Operating Cash Flows (\$ Million)	30 June 2021 \$M	30 June 2020 \$M	Change compared to 2020	
			\$M	%
Cash Distributions from Investment Portfolio Businesses				
Victoria Power Networks	68.6	78.4	(9.8)	(12.5)
SA Power Networks	34.3	46.8	(12.5)	(26.7)
TransGrid	6.8	11.6	(4.8)	(41.4)
Total Cash Distributions Received from Investment Portfolio Businesses	109.7	136.8	(27.1)	(19.8)
Net interest (paid)/received	(1.5)	0.4	(1.9)	N/A
Bomen Solar Farm margin	5.3	(0.4)	5.7	N/A
Corporate expenses paid	(8.1)	(7.5)	(0.6)	8.0
Underlying Net Standalone Operating Cash Flows – before tax paid	105.5	129.3	(23.8)	(18.4)
Less tax paid ⁽¹⁾	(27.4)	(19.0)	(8.4)	44.2
Underlying Net Standalone Operating Cash Flows – after tax paid	78.1	110.3	(32.2)	(29.2)
<i>Underlying Adjustments:</i>				
Project and transaction bid costs	(1.5)	(3.3)	1.8	54.5
Interest on historical tax	-	(6.7)	6.7	N/A
Other tax paid ⁽²⁾	(25.0)	(55.3)	30.3	54.8
Net Standalone Operating Cash Flows⁽³⁾	51.6	45.0	6.6	14.7

(1). 2021 tax paid of \$27.4m represents half of the total \$54.8m tax liability in respect of the 31 December 2020 income tax year. 2020 tax paid of \$19.0m represents half of the \$37.9m tax liability in respect of the 31 December 2019 income tax year

(2). 2021 other tax paid of \$25.0m is comprised of:

- \$14.1m relating to instalments for the 31 December 2021 income tax year, with respect to the SIH No.1 and SIH No.2 Tax Consolidated Groups
- \$10.9m relating to the tax paid for the 31 December 2020 income tax year, with respect to the SIH No.1 and SIH No.2 Tax Consolidated Groups

2020 other tax paid of \$55.3m is comprised of:

- \$34.4m relating to a number of historical income tax years (2015-2018) regarding the ongoing tax dispute with the Australian Tax Office (ATO)
- \$6.2m relating to the 31 December 2020 income tax year, and with respect to the SIH No.2 Tax Consolidated Group
- \$14.7m relating to the 31 December 2019 income tax year

(3). Numbers may not add due to rounding

Spark Infrastructure's cash flow from operating activities (referred to as standalone operating cash flow (OCF)) for the first half of 2021 was \$51.6 million an increase of 14.7% on the equivalent 2020 period. Spark Infrastructure has been transitioning over time to being tax-paying. As this transition occurs tax paid between years will vary significantly. Spark Infrastructure is also still due a refund of tax (and related interest) of \$45.0 million which is expected to be received in the second half of 2021. For better comparison period on period, underlying standalone OCF before tax payments (ongoing and historical back-tax) and excluding one-off items such as acquisition and project costs, was \$105.5 million for the period, a decrease of \$23.8 million or 18.4%.

Cash distributions received from investment portfolio businesses

Total distributions received from Victoria Power Networks were \$68.6 million, down \$9.8 million or 12.5% and distributions received from SA Power Networks were \$34.3 million, down \$12.5 million or 26.7%. The distribution reductions from SA Power Networks and Victoria Power Networks were as anticipated and reflect the transition into their new regulatory determinations with lower regulatory revenues from 1 July 2020 and 1 January 2021 respectively.

Total distributions received from TransGrid were \$6.8 million, down \$4.8 million or 41.4%. The decrease was primarily due to TransGrid retaining a portion of operating cash for significant capital expenditure growth related to major Integrated System Plan (ISP) projects and other regulated projects.

Bomen Solar Farm

Construction and commissioning of Bomen Solar Farm was completed in the first half of 2020, hence the first operational results effectively began from 1 July 2020. Accordingly, Bomen Solar Farm has operated for the full six months in 2021, and there were no relevant comparatives.

Spark Infrastructure

Directors' Report

for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Review of Operations – Spark Infrastructure (continued)

Corporate expenses

Spark Infrastructure's recurring corporate expenses increased by \$0.6 million or 8.0% to \$8.1 million during 2021 primarily due to increase in staff costs in order to implement Spark Infrastructure's Value Build renewable growth strategy.

Tax paid

During the first six months of 2021, Spark Infrastructure paid a total of \$52.4 million of income tax, this amount comprised of income tax of both the SIH No.1 and SIH No.2 tax consolidated groups for the 2020 and 2021 income tax years. Of this, \$38.3 million is attributable to the 31 December 2020 income tax year and is net of instalments made in 2020 of \$16.5 million. The remaining \$14.1 million relates to tax instalments in respect of 31 December 2021 income tax year.

Underlying tax paid in the first half of 2021 of \$27.4 million represents half of the tax liability in respect of the 31 December 2020 income tax year (2020 underlying tax paid in the first half of 2020 of \$19.0m represents half of the tax liability in respect of the 31 December 2019 income tax year.)

Prior to the decision of the Full Federal Court regarding Victoria Power Networks and the tax treatment of gifted assets and cash contributions, Spark Infrastructure had settled in full its outstanding liability with the Australian Taxation Office (ATO) in respect of SIH No.2 and its investment in the SA Power Networks Partnership. This settlement was on the basis that the Full Federal Court upheld the decision of the Federal Court for both gifted assets and cash contributions, and was done for capital management purposes.

On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions but found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets. As a consequence, Spark Infrastructure now anticipates a partial refund in respect of prior year taxes paid. It is estimated that this refund will be in the order of \$40 million with a refund of interest in respect of underpayment of prior year taxes anticipated of \$5.0 million.

Distributions to Securityholders and Distribution Reinvestment Plan

Spark Infrastructure pays out distributions which are fully supported by operating cash flows. Operating cash flows are reviewed at both the Spark Infrastructure level as well as on a look-through proportionate basis (i.e. at the investment level). Distribution coverage or payout ratios are reviewed on both an annual basis and across the 5-year regulatory periods under which the investment businesses operate. Within this framework, Spark Infrastructure also manages fluctuations in its working capital.

Spark Infrastructure paid a final distribution for 2020 of \$113.0 million to Securityholders in March 2021, representing 6.5 cents per security (cps).

The Directors have declared an interim distribution for 2021 of 6.25 cps, in line with distribution guidance, which is payable on 15 September 2021 and is expected to have franking attached of approximately 1.5cps.

Spark Infrastructure has a Distribution Reinvestment Plan (DRP) which has been in operation for the past few distributions. The DRP has been used for general corporate purposes, including to part fund growth opportunities in TransGrid and Value Build opportunities (as appropriate). The Directors regularly assess the operation of the DRP and the need for further equity capital, but in light of the Scheme Implementation Deed to acquire all of the ordinary stapled securities in Spark Infrastructure signed on 22 August 2021 (refer Events Occurring after Reporting Date), the DRP will not operate for the interim distribution payable on 15 September 2021.

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)
Review of Operations – Spark Infrastructure (continued)

Financial Performance - Spark Infrastructure

	30 June	30 June	Change Compared to 2020	
	2021	2020	\$M	%
	\$M	\$M	\$M	%
Underlying Profit before Loan Note Interest and Income Tax				
Profit before loan note interest and income tax	93.9	132.2	(38.3)	(29.0%)
<i>Addback</i> Project and transaction bid costs ⁽¹⁾	2.0	2.2	(0.2)	(9.1%)
<i>Addback</i> Interest and tax shortfall penalties ⁽²⁾	(0.8)	8.0	(8.8)	N/A
<i>Addback</i> Unrealised losses/(gains) from derivative instruments – Bomen Solar Farm related	10.5	(8.1)	18.6	N/A
Underlying Profit before Loan Note Interest and Income Tax⁽³⁾	105.6	134.3	(28.7)	(21.4%)

(1) Includes project and transaction bid costs, and Bomen Solar Farm costs incurred before commercial operations commenced

(2) 30 June 2021 includes partial reversal of tax shortfall penalties from prior year. 30 June 2020 includes interest charge of \$6.7m and tax shortfall penalties of \$1.3m on historical tax payments made – refer ATO Tax Matters below for more information

(3) Numbers may not add due to rounding

Financial Position - Spark Infrastructure

Total equity and Loan Notes book value increased by \$137.7 million during HY2021 to \$2,831.7 million.

Net profit after income tax increased retained earnings by \$21.6 million, while Spark Infrastructure's share of the investment portfolio businesses mark-to-market movements on interest rate derivatives and actuarial gains on defined benefit superannuation plans increased retained earnings and reserves by \$131.1 million. Movements in the cash flow hedge reserve increased reserves by \$3.4 million.

Capital distributions totaling \$51.3 million were paid to Securityholders during HY2021 offset by securities and loan notes issued under the March 2021 DRP of \$33.9 million.

Spark Infrastructure had available cash on hand at 30 June 2021 of \$47.6 million, excluding \$5.0 million in cash held to comply with its Australian Financial Services Licence. A total of \$100.0 million of available facilities were drawn down as at 30 June 2021. Spark Infrastructure pays an average margin of 108 basis points above the applicable bank bill swap rate on amounts drawn from these facilities.

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

Spark Infrastructure requires that the assets in its portfolio are fully hedged against currency fluctuations on foreign currency borrowings. In terms of interest rate hedging, as at 30 June 2021, Victoria Power Networks, SA Power Networks and TransGrid had 99%, 92% and 85% of gross debt hedged respectively, with interest rate swaps with terms between one and ten years in place and some fixed rate debt. This substantially limits the impact of volatility in the movement of interest rates on the financial results of these businesses.

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

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses

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

Aggregated Proportional Results (Spark Infrastructure's share)	30 June 2021	30 June 2020	Change Compared to 2020	
	\$M	\$M	\$M	%
Distribution and Transmission Revenue	475.0	510.4	(35.4)	(6.9%)
Other Revenue	83.0	75.3	7.7	10.2%
Total Revenue	558.0	585.7	(27.7)	(4.7%)
Operating Expenses	(164.9)	(157.8)	(7.1)	4.5%
Beon Margin	5.6	3.9	1.7	43.6%
Enerven Margin	6.8	8.4	(1.6)	(19.0%)
EBITDA	405.5	440.2	(34.7)	(7.9%)
Net Finance Expenses	(87.5)	(93.6)	6.1	(6.5%)
EBTDA	318.0	346.6	(28.6)	(8.3%)
Interest on Subordinated Debt	(46.6)	(47.6)	1.0	(2.1%)
Depreciation and Amortisation	(186.2)	(180.2)	(6.0)	3.3%
Tax Expense	(15.6)	(22.3)	6.7	(30.0%)
Net Profit after Tax	69.6	96.5	(26.9)	(27.9%)

Victoria Power Networks

(100% basis)	30 June 2021	30 June 2020	Variance	Variance
	\$M	\$M	\$M	%
Distribution Revenue ⁽¹⁾	434.3	494.7	(60.4)	(12.2)
Advanced Metering Infrastructure (AMI) Revenue	39.6	40.4	(0.8)	(2.0)
Semi-regulated Revenue	31.6	30.1	1.5	5.0
Other Unregulated Revenue	19.0	19.7	(0.7)	(3.6)
Total Revenue (excluding Beon)	524.5	584.9	(60.4)	(10.3)
Operating Expenses (excluding Beon)	(146.6)	(156.2)	9.6	(6.1)
Beon Margin	11.5	7.9	3.6	45.6
EBITDA	389.4	436.6	(47.2)	(10.8)
Depreciation and Amortisation	(164.8)	(161.0)	(3.8)	2.4
Net Finance Expenses	(80.0)	(85.7)	5.7	(6.7)
Interest on Subordinated Debt	(50.6)	(50.9)	0.3	(0.6)
Tax Expense	(29.8)	(43.3)	13.5	(31.2)
Net Profit after Tax	64.2	95.7	(31.5)	(32.9)
Net Capital Expenditure	323.4	311.5	11.9	3.8
RAB	6,858	6,520	338	5.2
Net Debt/RAB (%)	71.9%	71.6%	N/A	0.3%
FFO/Net Debt (%)	13.0%	14.4%	N/A	(1.4%)

(1) Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs. For the period ended 30 June 2021 an amount of \$11.9m was accrued (2020: \$4.3m accrued).

Spark Infrastructure

Directors' Report

for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

Victoria Power Networks (continued)

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

During the half year, there was a 10.3% decrease in regulated, semi-regulated and unregulated revenue at Victoria Power Networks. In October 2020, the AER released a final decision to extend CitiPower's and Powercor's electricity distribution determinations for the 2016-20 regulatory control period for an additional six months from 31 December 2020 albeit applying the new lower rate of return instrument, with a transitional period of 1 January 2021 to 30 June 2021. The businesses new regulatory determinations commenced on 1 July 2021.

Distribution Use of System (DUoS) revenue decreased during the first half of 2021 by 12.2% to \$434.3 million (2020: \$494.7 million). The decrease in DUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. The key impacts relate to a reduction in the regulated rate of return from 5.79% to 4.63% and exclusion of incentive scheme revenue from the Jan-Jun 2021 transitional revenue period.

Included within the allowances for Powercor was an amount for Rapid Earth Fault Current Limiter (REFCL) safety devices being rolled out in 22 high bushfire risk areas in the Powercor network, as part of a State Government-mandated program following on from the 2009 Victorian Bushfire Royal Commission recommendations. REFCLs are a bushfire mitigation technology that work to prevent bushfires starting from fallen powerlines. Powercor is required to install REFCLs at 22 zone substations in Victoria's highest bushfire risk regions within Powercor's network by 1 May 2023.

Powercor is well advanced in the delivery of this program, successfully completing both Tranche 1 and Tranche 2 by 30 April 2021. Delivery of Tranche 3 commenced in May 2021. Tranche 3 will involve seven zone substations in the Powercor network, with some needing significant redevelopment. With this latest milestone for the program, Powercor now has REFCLs in operation at 16 zone substations, covering 14,000km of 22kV network. In the second half of 2021, the REFCL team will construct and commission a further two stations, resulting in 18 REFCL-operational stations by the next fire season, well ahead of schedule.

Revenue from AMI decreased by 2.0% to \$39.6 million in the 2021 half year reflective of the depreciating AMI Regulated Asset Base (RAB).

Victoria Power Networks' semi-regulated revenues grew by 5.0% to \$31.6 million, mainly due to an increase in new connections. The volume of new connections increased 18% compared to previous half driven largely by residential growth in the Powercor network.

Victoria Power Networks' unregulated revenue (excluding Beon) decreased by 3.6% to \$19.0 million in the 2021 half year. The movement is primarily due to a decrease in service level agreement revenue partially offset by one-off proceeds from sale of properties in the 2021 half year.

Regulated, semi-regulated and unregulated operating expenses (excluding Beon)

Operating expenses for Victoria Power Networks decreased by 6.1% to \$146.6 million in 2021. The movement half on half was primarily due to a reduction in staff costs and the timing of vegetation management costs, partially offset by Guaranteed Service Level provisions and higher insurance costs.

Beon Energy Solutions

The Beon Energy Solutions business continues to grow, with unregulated revenue earned by Beon increasing by 37.5% to \$143.2 million in the first half of 2021 due largely to a number of new solar farm projects, the overall margin earned increasing by \$3.6 million to \$11.5 million.

External financing expenses

Victoria Power Networks net finance expenses decreased in HY2021 by \$5.7 million to \$80.0 million. The decrease was principally the result of a \$1.8 million gain on a non-cash credit valuation hedge accounting adjustment recognised in the first half of 2021 (2020: \$3.1 million loss) and lower interest charges on refinanced debt. The credit valuation hedge adjustment is a change to the market value of derivative instruments to account for counterparty credit risk.

Capital expenditure

Continued investment in the augmentation and maintenance of the CitiPower and Powercor networks resulted in a 3.8% increase in net capital expenditure in the first half of 2021 to \$323.4 million. The main drivers for the uplift in capital spend compared to the previous year relates to IT infrastructure relating to the AEMO 5 minute settlement rule change and field services expenditure.

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)
Review of Operations – Investment Portfolio Businesses (continued)

SA Power Networks

(100% basis)	30 June 2021 \$M	30 June 2020 \$M	Variance \$M	Variance %
Distribution Revenue ⁽¹⁾	410.4	430.0	(19.6)	(4.6)
Semi-regulated Revenue	48.5	40.6	7.9	19.5
Unregulated Revenue	8.8	4.8	4.0	83.3
Total Revenue	467.7	475.4	(7.7)	(1.6)
Operating Expenses	(152.2)	(130.9)	(21.3)	16.3
Enerven Margin	13.8	17.1	(3.3)	(19.3)
EBITDA	329.3	361.6	(32.3)	(8.9)
Depreciation and Amortisation	(161.9)	(155.2)	(6.7)	4.3
Net Finance Expenses	(63.7)	(72.2)	8.5	(11.8)
Interest on Subordinated Debt	(35.9)	(36.1)	0.2	(0.6)
Tax Expense	(2.1)	(2.2)	0.1	(4.5)
Net Profit	65.7	95.9	(30.2)	(31.5)
Net Capital Expenditure	161.3	177.1	(15.8)	(8.9)
RAB ⁽²⁾	4,410	4,372	38	0.9
Net Debt/RAB (%)	72.7%	73.8%	N/A	(1.1%)
FFO/Net Debt (%)	16.1%	17.8%	N/A	(1.7%)

(1) Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs. For the period ended 30 June 2021 an amount of \$2.2m was deferred (2020: \$1.0m accrued).

(2) Including public lighting RAB.

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

During the half there was a 1.6% decrease in regulated, semi-regulated and unregulated revenue at SA Power Networks. SA Power Networks commenced its new 5-year regulatory determination on 1 July 2020, hence HY2021 represents 6 months under its new determination. The new regulatory determination has lower revenues for the next 5 years with the regulatory rate of return based on a risk-free rate of 0.9%.

Distribution Use of System (DUoS) revenue decreased during the first half of 2021 by 4.6% to \$410.4 million (2020: \$430.0 million). SA Power Networks was not required to apply an X factor for 2020/21 because the AER set the 2020/21 expected revenue in its Final Determination. The expected revenue for 2020/21 is around 9.4% lower than the approved total annual revenue for 2019/20 in real terms, or 7.3 % lower in nominal terms.

DUoS revenue for the first half of 2021 also included \$13.7 million of STPIS recovery relating to the 2018/19 regulatory year. DUoS revenue for the equivalent 2020 period included \$17.7 million of STPIS recovery relating to the 2017/18 regulatory year.

Semi-regulated revenues were up by 19.5% on 2020 to \$48.5 million. The increase was largely due to council funded replacement of public lighting and increased asset relocation and metering works.

SA Power Networks' unregulated revenue (excluding Enerven) increased by 83.3% to \$8.8 million in the 2021 half year. The movement is primarily due to fire insurance recoveries and timing of diesel fuel tax rebates.

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)
Review of Operations – Investment Portfolio Businesses (continued)
SA Power Networks (continued)

Regulated, semi-regulated and unregulated operating expenses (excluding Enerven)

SA Power Networks operating expenses were \$152.2 million, an increase of 16.3% from 2020. This increase was largely due to increased public lighting and asset relocation works in line with the increase in semi-regulated revenue, additional bushfire provisions of \$3.5 million in 2021 (2020: write back of \$4.5 million in bushfire provisions) and increased labour costs partially offset by an increase in capitalised overheads.

Enerven

Unregulated revenue received by Enerven decreased by \$53.6 million to \$98.1 million (2020: \$151.7 million) in the first half of 2021. The Enerven margin decreased by \$3.3 million driven largely by the SA Water solar initiative nearing completion and lower Electranet maintenance and projects work. Enerven was engaged in deploying solar and battery capability to a significant number of SA Water sites under a framework contract of up to \$300 million in revenue primarily over 2019 and 2020.

Depreciation and Amortisation

Depreciation and amortisation increased by 4.3% to \$161.9 million largely due to the write-down of metering contestability software that was replaced by a new billing system in 2021.

External financing costs

SA Power Networks net finance costs decreased by 11.8% in HY2021 to \$63.7 million. The decrease is primarily due to a \$0.9 million gain on a non-cash credit valuation hedge accounting adjustment recognised in the first half of 2021 (2020: \$4.1 million loss) and lower interest charges on refinanced debt. The credit valuation hedge adjustment is a change to the market value of derivative instruments to account for counterparty credit risk.

Capital expenditure

Net capital expenditure was \$161.3 million in 2021, mainly due to continued investment in the augmentation and maintenance of the South Australian network. This is a decrease of 8.9% compared to 2020 and is mainly attributable to decreased network expenditure in line with the new regulatory determination and timing of business improvement and IT programs.

TransGrid

(100% basis)	30 Jun 2021 \$M	30 Jun 2020 \$M	Variance \$M	Variance %
Transmission Revenue ⁽¹⁾	406.8	381.5	25.3	6.6
Unregulated Revenue	71.2	63.0	8.2	13.0
Other Revenue ⁽²⁾	0.2	(3.8)	4.0	105.3
Total Revenue	478.2	440.7	37.5	8.5
Regulated operating expenses	(82.1)	(81.3)	(0.8)	1.0
Unregulated operating expenses	(41.4)	(32.8)	(8.6)	26.2
EBITDA	354.7	326.6	28.1	8.6
Depreciation and Amortisation	(173.9)	(168.2)	(5.7)	3.4
Net Finance Expenses	(113.8)	(108.2)	(5.6)	5.2
Interest on Subordinate Debt	(28.0)	(33.0)	5.0	(15.2)
Net Profit	39.0	17.2	21.8	126.7
Regulated Capital Expenditure	506.7	204.6	302.1	147.7
Contracted Capital Expenditure	57.4	105.7	(48.3)	(45.7)
Regulated and Contracted Asset Base (RCAB)	8,049	7,317	732	10.0
Net Debt/RCAB ⁽³⁾⁽⁴⁾ (%)	76.9%	79.8%	N/A	(2.9%)
FFO/Net Debt ⁽⁵⁾ (%)	7.4%	7.7%	N/A	(0.3%)

(1) Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs. For the period ended 30 June 2021 an amount of \$32.8m was accrued (2020: \$13.7m accrued).

(2) HY2020 amount of (\$3.8m) relates to negative revaluation of investment property.

(3) Regulated and contracted asset base. RCAB is based on 30 June 2021 estimate.

(4) Net Debt is calculated using gross debt less cash and adjusted for prescribed revenue over/(under) collection and includes Lumea.

(5) Relates to TransGrid Obligor Group.

Spark Infrastructure

Directors' Report

for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Review of Operations – Investment Portfolio Businesses (continued)

TransGrid (continued)

Regulated revenue

TransGrid's Transmission Use of System (TUoS) revenue increased by 6.6% in 2021 to \$406.8 million. TransGrid is mid-way through its current 5-year regulatory period which runs until 30 June 2023. The increase in TUoS revenue was primarily due to annual changes in the inputs used to derive regulatory revenues. Key impacts relate to inflation and X-factors, year on year movement in incentive payments and a bushfire remediation cost pass-through.

- TransGrid's TUoS X-factor, which applied from 1 July 2019, was -0.97% and from 1 July 2020, was -0.17%, resulting in a real increase in revenues before CPI through to 30 June 2021. The inflation rates applying from 1 July 2019 and 1 July 2020 were 1.80% and 1.80% respectively. TUoS revenue increased in half year 2021 by \$8.0 million as a result of the CPI-X adjustments.
- TransGrid's TUoS revenue for the first half 2021 also included \$7.0 million of STPIS benefits relating to the 2019 calendar year. In the first half of 2020, TUoS revenue included \$8.3 million of STPIS benefits relating to the 2018 calendar year.
- Included in TUoS revenue for the first half of 2021 was a \$14.0 million bushfire remediation cost pass-through which was approved by the AER in May 2021.

Unregulated revenue

Unregulated revenue was \$71.2 million, an increase of \$8.2 million on the equivalent 2020 period.

Unregulated revenue includes \$61.5 million (2020: \$54.0 million) of infrastructure services revenue which was mainly derived from transmission connections and line modifications (and associated consulting services) as part of asset relocations. The increase was primarily a result of higher network modifications and infrastructure connections.

Unregulated revenue also included \$7.1 million (2020: \$6.5 million) from telecommunications and \$2.6 million (2020: \$2.5 million) from property services, consistent with the prior year.

Operating expenses

Regulated operating expenses increased by 1.0% to \$82.1 million. Bushfire remediation costs of \$2.4 million were incurred in 2021 (2020: \$9.3 million as a result of damage sustained during the November and December 2019 bushfires). Excluding this amount regulated operating expenses increased by 10.7% due to additional costs associated with the revenue reset proposal and additional maintenance costs.

Unregulated operating expense and other costs were \$41.4 million, an increase of \$8.6 million, mainly due to infrastructure connections and additional project development costs to support the acceleration of TransGrid's rapidly expanding non prescribed connections pipeline, which is delivering increased contracted revenue growth.

Capital expenditure

Capital expenditure was \$564.1 million, an increase of \$253.8 million on the equivalent 2020 period. Regulated capital expenditure increased by \$302.1 million to \$506.7 million mainly due to investment in major augmentation projects including Energy Connect, Powering Sydney's Future, QNI Minor upgrade and VNI upgrade projects. Contracted capital expenditure in HY2021 of \$57.4 million (HY2020: \$105.7 million) was driven by the Wallgrove Battery and Snowy Hydro Network augmentation projects, as well as a number of solar farm connections.

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

External financing expenses

TransGrid's net finance expenses for the first half of 2021 increased by 5.2% to \$113.8 million. The increase is primarily due to increased debt utilisation on existing and new facilities to fund significant capital expenditure commitments on major augmentation projects.

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Bomen Solar Farm

(100% basis)	30 Jun 2021 \$M
PPA Fixed Revenue	5.0
Merchant Electricity Revenue	0.1
Merchant LGC Revenue	0.3
Other Revenue	0.9
Total Revenue	6.3
Operating Expenses	(1.6)
EBITDA	4.7

Construction of Bomen Solar Farm commenced in June 2019 and reached mechanical completion in late January 2020. Energisation was completed on 27 February 2020 and commissioning commenced in late February. Bomen Solar Farm has been able to export 100% of generation since late-June 2020, with all inverters live and operational, after which there were no further restrictions applied to the farm's output.

Our direct investment in renewable generation through Bomen Solar Farm saw us displace more than 68,000 tonnes of carbon dioxide equivalent in the first six months of 2021.

In January 2021 there was a fault to Bomen Solar Farm's 33 kV switchgear at the onsite substation. The fault resulted in Bomen Solar Farm going offline for 20 days. Restoration of the fault is complete and the farm recommenced generation on 31 January 2021. The solar farm is still in the Defect Liability Period under the engineering, procurement and construction (EPC) contract and it was therefore the EPC Contractor's responsibility to arrange for repair and restoration at their cost. The outage resulted in liquidated damages (subject to a cap) being paid by the O&M Contractor under the O&M Contract (in terms of the quarterly Availability Guarantee), which has partially offset the non-material loss of revenue estimated at approximately \$1.0 million.

Notwithstanding the above, Bomen Solar Farm performed well in the first half of 2021, generating total revenues of \$6.3 million (excluding unrealised gains/(losses) on power purchase agreements (PPA)). The performance has been underpinned by the fixed revenues associated with the PPA agreements with Westpac and Flow Power. Bomen Solar Farm generated 84.0 GWh of renewable energy during the period, experienced minimal downtime (outside of the outage mentioned above) and had no other material curtailment or outages.

Operating expenditure has also been in line with expectations.

Power purchase agreements (PPAs)

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

Renewables Pipeline

Spark Renewables, the wholly owned subsidiary of Spark Infrastructure, has a ~2.2GW development portfolio of early stage wind, solar, storage and green hydrogen products. These include the Dinawan Energy Hub, the Bomen Energy Hub as well as a pipeline of other development opportunities

Spark Infrastructure

Directors' Report

for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Impairment Testing

The Directors have undertaken a detailed review of the carrying values of Spark Infrastructure's assets to determine whether there is any indication that those assets have suffered an impairment loss. At 30 June 2021, Directors determined that no indicators of impairment existed for Spark Infrastructure's investments in Victoria Power Networks, SA Power Networks, TransGrid or the Bomen Solar Farm and no impairment testing was undertaken.

Australian Tax Office Matters

As previously disclosed, Victoria Power Networks had a dispute with the ATO in respect of the tax treatment of certain cash contributions and gifted assets made by customers to Victoria Power Networks as part of contractual arrangements with these customers.

The dispute culminated in a hearing in the Federal Court in early December 2018, with the decision of that court subsequently appealed to the Full Federal Court in August 2020. On 22 October 2020, the Full Federal Court handed down its judgement, which confirmed the ATO's view on the tax treatment of certain cash contributions but found in favour of Victoria Power Networks in respect of the tax treatment of certain gifted assets.

In summary, the Federal Court decided that:

- For assets constructed by Victoria Power Networks whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income for tax purposes on receipt. This decision was consistent with the Federal Court decision and confirmed the ATO's view; and
- For assets transferred to Victoria Power Networks from customers (i.e. gifted assets), the receipt of the gifted assets will not give rise to an amount of assessable income (after the offset of any rebate paid by Victoria Power Networks to the customer) to Victoria Power Networks. This decision reversed the decision of the Federal Court and confirms Victoria Power Networks view of the tax treatment of such assets.

As there has been no further appeal by either party, the decision of the Full Federal Court is final in respect of the tax treatment of both cash contributions and gifted assets.

Due to the decision of the Full Federal Court outlined above and the similarities between the factual position of Victoria Power Networks and SA Power Networks there is now sufficient basis for the tax treatment to be finalised. This means the tax treatment of cash contributions remains unchanged from the prior year but the tax treatment of gifted assets is reversed.

As such, a tax receivable has been recognised of \$40.0 million by SIH No.2 as the head entity for the SIH No.2 tax consolidated group for the periods up to and including the year ended 31 December 2020. This reflects the tax refund that is anticipated that SIH No.2 will receive in respect of prior years for overpayment of tax as a consequence of including gifted assets in assessable income. It is also anticipated that SIH No.2 will receive a refund of interest that was paid in respect of underpayment of tax in prior years due to gifted assets being originally judged to be assessable for tax purposes. An interest receivable balance of \$5.0 million has been recognised in this regard. The ATO previously issued shortfall penalty notices for \$1.3 million in respect of the lodgment of prior year income tax returns and the basis upon which such returns were submitted. SIH No.2 objected to these penalty notices and an agreement was reached to pay penalties in the sum of \$540,000.

Victoria Power Networks became a taxpayer in respect of the 31 December 2019 year with tax paid of \$23 million. As a consequence of the litigation outcome Victoria Power Networks anticipates a refund of \$23 million in respect of 31 December 2019. For the FY21 tax year, Victoria Power Networks accessed the Government's COVID -19 economic recovery measures including the temporary expensing of capital expenditure. The anticipated overall impact is timing in nature, which gives rise to lower tax liabilities in the above income years.

As at 30 June 2021, the Spark Infrastructure Group has collectively paid \$177.4 million of income tax, with a refund of \$40 million as discussed above anticipated. The net amount of \$137.4 million represents approximately 7.8 cps of franking credits of which 2.1 cps was attached to the final distribution for 31 December 2020.

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Update on Energy and Regulatory Matters

Regulatory Determinations

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

On 30 April 2021, the AER released its final decision for Victoria Power Networks (CitiPower and Powercor) revenue determination for the regulatory period commencing 1 July 2021 (and transition period between 1 January 2021 and 30 June 2021). Revenue will remain below the past period due to the lower regulated return. However, the final decision included revenue that was higher than the draft decision primarily due to an increase in the risk free rate and inflation (increasing the depreciation allowance) and acceptance of an increase in efficient operating costs that includes higher bushfire insurance premiums.

These processes provide revenue certainty for SA Power Networks and Victoria Power Networks until 30 June 2025 and 30 June 2026 respectively.

In relation to TransGrid, the AER also approved the recovery of \$49.8 million related to the 2019-2020 bushfire season. This will be recovered over three years commencing in the 2022-2023 tariff year.

Contingent project applications (CPAs)

The AER approved TransGrid's CPA for Project EnergyConnect in May 2021. The decision supported a capital cost of \$1,818 million (\$2017-18) for the project with \$61.5 million in revenue to be recovered in the 2022-23 tariff year. The AER also approved the Victoria-NSW interconnector (VNI) in April 2021 supporting the proposed capital cost of \$45 million and enabling \$6.6 million in additional revenue to be recovered in the 2022-23 tariff year.

Energy and regulatory policy

Response to the COVID-19 pandemic

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

Support continued under a new rule (Deferral of Network Charges) that enabled some retailers to defer the payment of network charges for small customers in hardship for 6 months for the period 6 August 2020 to 6 February 2021. This rule intends to support retailers that may be in hardship due to customers in hardship during the COVID-19 economic crisis not paying bills. Where distribution network charges are deferred, transmission network charges can also be deferred. Retailers will be required to pay 3% interest on deferred charges which will not be included in revenue for the purposes of revenue adjustments. This rule does not apply in Victoria.

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

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

Spark Infrastructure

Directors' Report

for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Energy and regulatory policy (continued)

Rate of Return Instrument (RORI) and inflation

The RORI that establishes the regulated rate of return is reviewed every 4 years and the AER has commenced the review for the 2022 RORI to be in place from December 2022. The process to date has included a series of papers providing updated data, outlining issues to be considered and preliminary views on the estimation approach and parameters. An information paper will be released in December 2021 providing an overview of the proposed approach and outcomes of prior working papers. A draft decision is due in mid 2022.

The AER finalised its review of the regulatory treatment of inflation in December 2020. While the RORI remains the governing instrument for the efficient cost of capital, the AER's treatment of inflation can affect the opportunity for a business to receive revenue commensurate with the efficient cost of capital. The AER has revised its method for forecasting expected inflation to match the term of the regulatory period and lengthened the time for reverting to the mid-point of the RBA's target range (2.5%) and the RBA short-term forecasts. This change is most likely to reduce the difference between market expectations of inflation and the AER's forecast and improve the likelihood that returns to equity investors in network businesses will be closer to the allowed regulated return. This change in methodology was adopted for Victoria Power Network's regulatory period commencing 1 July 2021.

AEMO Integrated System Plan (ISP) and the NSW Infrastructure Roadmap

The final rules to make the ISP actionable came into effect on 1 July 2020. These rules attempt to streamline regulatory processes for projects identified in the ISP whilst retaining a cost benefit assessment and supporting alignment between the ISP and the RIT-T. By formalising the role, process, and function of the ISP, the specific rules to apply to 'Actionable' ISP projects will improve the certainty and timing of investment in transmission augmentation on a whole of system basis.

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

The ISP identified more than \$7 billion investment in Actionable ISP Projects in NSW (expected to be delivered by TransGrid) before the end of 2028. This includes VNI Minor, Project EnergyConnect, HumeLink and Central-West Orana REZ transmission link and VNI West (subject to conditions). Importantly, the first major ISP project (Project EnergyConnect) received its final regulatory approvals in May 2021, which supported a capital cost for TransGrid of \$1,818 million (\$2017-18) for the project. Preparatory works are required for Future ISP projects that will support the New England and North-West NSW REZs and supply to Sydney/Newcastle/Wollongong. In late July TransGrid released its Project Assessments Conclusion Report (PACR) for HumeLink. The HumeLink PACR importantly identifies net benefits of \$491 million that will accrue to consumers from its operation.

Support for the investment outlined in the ISP is also provided in the NSW Government's Infrastructure Roadmap released in November 2020 which builds on the Transmission Infrastructure Strategy released in November 2018 and Electricity Strategy released in November 2019. These strategies aim to encourage regional development of REZs, including a plan to deliver the Central-West Orana, New England and South-West REZs, and reduce barriers to investment. The Roadmap, together with the enabling legislation, will support private investment of around \$32 billion in new transmission infrastructure and generation supporting REZs. The NSW government has sought registrations of interest to participate in the New England REZ and consulted on an access scheme to apply in the Central-West Orana REZ aimed to reduce uncertainty and risk for new generators.

Post 2025 National Electricity Market and Renewable energy zones

The past year has been characterised by many reforms guided by the work of the Energy Security Board on reviewing the post 2025 National Electricity Market (NEM) design. The review has included reforms to manage resource adequacy and the orderly exit of thermal plant, develop missing markets for essential system services required in a system transitioning toward more variable non-dispatchable renewable power, integrating demand side participation and distributed energy resources, and implementing access reforms to the transmission system.

The ESB released an Options paper in April 2021 that provided a shortlist of options developed and design work undertaken and categorised a number of reforms as immediate, initial and next. Final advice was provided to NEM Ministers in July 2021.

Various rule change processes to support these reforms are already being implemented or underway. The AEMC has released final rules to facilitate private investment in transmission assets built to connect generation to the shared network whilst retaining separate connection points, and to support two new market ancillary services to help control system frequency and keep the system secure. The final rules supporting the efficient integration of distributed energy resources were made in August 2021 which enable two-way energy flows and supporting pricing and incentive schemes.

Spark Infrastructure

Directors' Report

for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Energy and regulatory policy (continued)

Post 2025 National Electricity Market and Renewable energy zones (continued)

Draft rules have also been made that will clarify the role of Network Service Providers in supporting new services and minimising costs of providing services such as:

- enabling the use of stand-alone power systems by distribution network service providers where it is efficient to do so;
- supporting system strength and the role of TNSP's in providing system strength services, and
- simplifying the connection of storage and hybrids by enabling a single registration as an integrated resource provider rather than two separate registrations for generation and load.

The ESB is also developing rule changes to support a REZ framework in advance of Grid Access reforms. The proposed rule changes will incorporate REZs in the ISP, provide for the role of a jurisdictional planner to develop a detailed and staged development plan for priority REZ and co-ordinate and develop a framework to support staged development of REZs, identify required transmission infrastructure and the location of connection hubs within a REZ. The framework is expected to cover regulated investment and include a REZ specific access regime that provide generators with firm capacity rights. These access issues are also being considered in the NSW process to consider the access scheme to apply to the Central West Orana REZ.

The development of REZs is being further progressed in parallel by state governments through a series of reforms including underwriting support and assurance for transmission connections and new generators, and state based regulatory requirements for investment tests, access, cost recovery and pricing. The state based arrangements are most notably outlined in the NSW Electricity Infrastructure Roadmap and captured in legislation established in both NSW and Victoria.

Events Occurring after Reporting Date

On 15 July 2021 Spark Infrastructure announced that it had received two conditional and non-binding indicative proposals from Ontario Teachers' Pension Plan Board and Kohlberg Kravis Roberts & Co. L.P., on behalf of certain of its affiliated infrastructure investment funds, vehicles and entities managed and/or advised by it or its affiliates, together the Consortium (the "Consortium"), to acquire all of the ordinary stapled securities in Spark Infrastructure by way of a scheme. The proposals included an initial proposal for an implied consideration of A\$2.70 per stapled security and a subsequent revised proposal for an implied consideration of A\$2.80 per stapled security, to be reduced to the extent that Spark Infrastructure pays or declares a distribution to its securityholders prior to the implementation of the proposed transaction. Following the announcement of Spark Infrastructure's first half interim distribution for 2021 of A\$0.0625 per stapled security on 1 July 2021, the implied considerations under the initial proposal and subsequent revised proposal were A\$2.6375 per stapled security and A\$2.7375 per stapled security respectively.

On 28 July 2021 Spark Infrastructure confirmed that it had received a further revised proposal from the Consortium for an all cash consideration of A\$2.95 per stapled security, to be reduced to the extent that Spark Infrastructure pays or declares a distribution to its securityholders prior to the implementation of the proposed transaction. Following the announcement of Spark Infrastructure's first half interim distribution for 2021 of A\$0.0625 per stapled security on 1 July 2021, the implied consideration under the Further Revised Proposal is A\$2.8875 per stapled security. The Consortium provided the further revised proposal following the provision of limited information on Spark Infrastructure's business and its prospects by Spark Infrastructure to the Consortium after the signing of a Confidentiality Agreement, containing customary disclosure restrictions and standstills.

On 10 August 2021 Spark Infrastructure confirmed that it had received a request from the Consortium to engage with Public Sector Pension Investment Board ("PSP Investments") for the purposes of PSP Investments joining that Consortium (together the "Revised Consortium"). It is expected that each of the Revised Consortium parties will provide a one-third contribution to the total equity funding requirement under the proposed transaction.

The Board of Spark Infrastructure considered that it is in the interests of Spark Infrastructure's securityholders to engage further with the Revised Consortium. Accordingly, Spark Infrastructure provided the Revised Consortium with the opportunity to conduct due diligence on a non-exclusive basis.

On 23 August 2021, Spark Infrastructure announced that the Revised Consortium completed due diligence and had provided Spark Infrastructure with a binding Offer in line with the revised proposal received on 28 July 2021. Following further discussions, Spark Infrastructure entered into a Scheme Implementation Deed with the Revised Consortium on 23 August 2021. Under the Scheme Implementation Deed, it is proposed that the Consortium will acquire all of the units in the Spark Infrastructure Trust by means of a Trust Scheme and all of the loan notes issued by Spark RE by means of a Creditors' Scheme, together the Schemes.

If the Schemes are implemented, and subject to being on the register at the appropriate record dates, Securityholders will receive total value of \$2.95 cash per stapled security before franking credits, plus additional consideration if the Schemes have not been implemented by 15 February 2022.

Spark Infrastructure
Directors' Report
for the Half Year Ended 30 June 2021

Operating and Financial Review (continued)

Events Occurring after Reporting Date (continued)

The total value of \$2.95 cash per stapled security comprises:

- i. cash consideration from the Revised Consortium of approximately \$2.7675 per stapled security, plus
- ii. Spark Infrastructure's interim distribution for 2021 of 6.25 cents per stapled security ("cps"), plus
- iii. a franked special distribution expected to be approximately 12.00cps

The special distribution will be franked to the fullest extent possible, which will provide certain Spark Infrastructure Securityholders who can utilise the full benefit of franking credits with an additional benefit of approximately 5.00 cps.

The Spark Infrastructure Board has unanimously recommended that Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and subject to an independent expert concluding (and continuing to conclude) that the Schemes are in the best interests of Securityholders.

The Schemes are subject to approval by Securityholders at Scheme meetings which are expected to be held by the end of 2021.

If the Schemes have not been implemented by 15 February 2022, Spark Infrastructure securityholders will be entitled to additional cash consideration of 1.00cps on 15 February 2022 and approximately 1.00cps per month thereafter, calculated daily, from that date until implementation.

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

Business Outlook

New 5-year regulatory decisions for both SA Power Networks and Victoria Power Networks are in force from 2021. These new regulatory decisions have put downward pressure on revenues for those businesses, largely due to sustained low interest rates affecting regulatory returns and the low inflationary environment. The businesses now have revenue certainty for the next 4-5 years under which to operate. Now that the new determinations are in operation, we expect both businesses to closely review all operating and capital expenditure plans, with a view to minimising any non-essential or discretionary expenditure.

Our strategy remains unchanged, being Value Enhance, Value Build and Value Acquire. We remain committed to growing our contracted renewables business and have built an exciting pipeline of high quality development opportunities. As always, we remain cautious and disciplined in the evaluation of these opportunities given the uncertainty and volatility that currently exists in these markets.

Whilst it appears that we will remain in a low interest rate environment for a while to come, there are signs of a pick-up in inflation. Our regulated revenues are inflation-linked and hence will benefit directly from any increase in inflation in future periods, which enhances the scarcity value of our high quality and essential service infrastructure businesses.

Auditor's Independence Declaration

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

Rounding of Amounts

As permitted by ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:



D McTaggart
Chair



R Francis
Managing Director

Sydney

24 August 2021

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Spark Infrastructure

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
Income from associates:			
- Share of equity accounted profits	3	85,684	112,719
- Interest income	3	28,989	29,867
		114,673	142,586
Revenue - Bomen Solar Farm related	4	6,287	-
Other income – interest		16	430
Total income		120,976	143,016
Interest expense ¹		(2,030)	(7,901)
General and administrative expenses		(8,758)	(6,929)
Project and transaction bid costs		(1,993)	(2,229)
Tax shortfall penalties		762	(1,301)
Operating costs – Bomen Solar Farm related	4	(1,642)	(587)
Depreciation - Bomen Solar Farm related	4	(2,883)	-
Unrealised (losses)/gains from derivative instruments – Bomen Solar Farm related	4	(10,520)	8,118
Profit before Loan Note interest and Income Tax		93,912	132,187
Loan Note interest		(61,284)	(58,758)
Profit before income tax		32,628	73,429
Income tax expense		(11,024)	(23,697)
Net profit after income tax attributable to Securityholders		21,604	49,732

¹ The prior year interest expense (30 June 2020) includes interest charge of \$6.7 million in relation to historical tax payments made.

Spark Infrastructure

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 30 June 2021 (continued)

	30 June 2021 \$'000	30 June 2020 \$'000
Net profit for the period attributable to Securityholders	21,604	49,732
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Share of associates' actuarial gain/(loss) on defined benefits plan	56,214	(5,214)
Items that may be reclassified subsequently to profit or loss:		
- Share of associates' gain/(loss) on hedges	118,536	(84,904)
- Gain/(loss) on cash flow hedges	3,406	(4,613)
Income tax (expense)/benefit related to components of other comprehensive income	(43,607)	21,762
Other comprehensive gain/(loss) for the period	134,549	(72,969)
Total comprehensive income/(loss) for the period attributable to Securityholders	156,153	(23,237)
Earnings per Security		
Weighted average number of stapled securities on issue during the period (No '000)	1,748,190	1,712,669
Profit before Loan Note interest and income tax (\$'000)	93,912	132,187
Basic earnings per security before Loan Note interest and income tax (cents)	5.37¢	7.72¢
Earnings used to calculate earnings per security (\$'000)	21,604	49,732
Basic earnings per security based on net profit (cents)	1.24¢	2.90¢
(Diluted earnings per security is the same as basic earnings per security)		

Spark Infrastructure
Condensed Consolidated Statement of Financial Position
as at 30 June 2021

	Note	30 June 2021 \$'000	31 Dec 2020 \$'000
Current Assets			
Cash and cash equivalents		52,613	36,898
Receivables from associates		6,778	6,835
Tax and interest refund receivable		45,000	45,000
GST receivable		-	697
Other current assets		2,599	3,679
Total Current Assets		106,990	93,109
Non-Current Assets			
Property, plant and equipment	5	170,255	172,599
Derivative instruments – Power Purchase Agreements (PPA)	15	33,319	43,839
Derivative instruments – Interest rate swaps	15	2,048	-
Investments in associates:			
- Investments accounted for using the equity method	6 (e)	2,238,954	2,043,921
- Loans to associates	7	460,598	460,598
- Loan notes to associates	8	237,444	237,444
Total Non-Current Assets		3,142,618	2,958,401
Total Assets		3,249,608	3,051,510
Current Liabilities			
Payables		5,659	5,697
GST Payable		222	-
Interest bearing liabilities	10	-	38,991
Current tax liability		4,845	39,384
Loan Note interest payable to Securityholders		61,423	61,701
Total Current Liabilities		72,149	145,773
Non-Current Liabilities			
Payables		113	648
Derivative instruments – Interest rate swaps		1,379	4,196
Interest bearing liabilities	10	99,225	-
Loan Notes attributable to Securityholders	9	1,111,280	1,097,956
Deferred tax liabilities		245,060	206,906
Total Non-Current Liabilities		1,457,057	1,309,706
Total Liabilities		1,529,206	1,455,479
Net Assets		1,720,402	1,596,031

Spark Infrastructure
Condensed Consolidated Statement of Financial Position
as at 30 June 2021 (continued)

	Note	30 Jun 2021 \$'000	31 Dec 2020 \$'000
Equity			
Equity attributable to the Parent Entity			
- Issued capital	11	701,984	732,887
- Reserves		(154,939)	(247,674)
- Retained earnings		1,173,357	1,110,818
Total Equity		1,720,402	1,596,031

Total Equity attributable to Securityholders is as follows:

Total Equity	1,720,402	1,596,031
Loan Notes attributable to Securityholders	1,111,280	1,097,956
Total Equity and Loan Notes	2,831,682	2,693,987

Spark Infrastructure
Condensed Consolidated Statement of Changes in Equity
for the Half Year Ended 30 June 2021

	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2020	805,884	(178,980)	1,011,504	1,638,408
Net profit after income tax for the half year	-	-	49,732	49,732
Other comprehensive loss for the year, net of income tax	-	(69,274)	(3,695)	(72,969)
Total comprehensive (loss)/income for the year	-	(69,274)	46,037	(23,237)
Movement of share-based payments	-	(392)	-	(392)
Capital distributions	(67,105)	-	-	(67,105)
Contributions of equity (net of issue costs) ⁽¹⁾	31,249	-	-	31,249
Balance at 30 June 2020	770,028	(248,646)	1,057,541	1,578,923
Balance at 1 January 2021	732,887	(247,674)	1,110,818	1,596,031
Net profit after income tax for the half year	-	-	21,604	21,604
Other comprehensive income for the year, net of income tax	-	93,614	40,935	134,549
Total comprehensive income for the year	-	93,614	62,539	156,153
Movement of share-based payments	-	(879)	-	(879)
Capital distributions	(51,272)	-	-	(51,272)
Contributions of equity	20,369	-	-	20,369
Balance at 30 June 2021	701,984	(154,939)	1,173,357	1,720,402

⁽¹⁾ Excludes loan notes issued - see Note 11.

Spark Infrastructure
Condensed Consolidated Statement of Cash Flows
for the Half Year Ended 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
Cash Flows from Operating Activities			
Distributions from associates - preferred partnership capital	2	34,341	34,532
Distributions from associates - other	2	46,370	72,035
Interest received from associates	2	29,047	30,254
Interest received - other		28	441
Interest paid - other		(1,547)	(6,778)
Other expenses		(8,120)	(7,524)
Operating cash flows - Bomen Solar Farm related		5,343	(451)
Project and transaction bid costs		(1,481)	(3,255)
Tax Paid		(52,420)	(74,303)
Net Cash Inflow Related to Operating Activities		51,561	44,951
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(66)	-
Net (purchase)/receipt of property, plant and equipment – Bomen Solar Farm ²		(799)	1,975
Equity investment in TransGrid		(15,310)	-
Net Cash (Outflow)/Inflow Related to Investing Activities		(16,175)	1,975
Cash Flows from Financing Activities			
Payment of external borrowing costs		-	(1,425)
Payment for share issue costs		(92)	(235)
Payment of lease liabilities		(371)	(354)
Proceeds from external borrowings		60,000	140,000
Distributions to Securityholders:			
- Loan Note interest	13	(61,701)	(60,309)
- Trust distribution ³	13	(17,507)	(20,868)
Net Cash (Outflow)/Inflow Related to Financing Activities		(19,671)	56,809
Net Increase in Cash and Cash Equivalents for the Period		15,715	103,735
Cash and cash equivalents at the beginning of the period		36,898	31,400
Cash and Cash Equivalents at the end of the Period ¹		52,613	135,135

¹ Includes \$5,000,000 of cash which is required to be held by Spark Infrastructure RE Limited (Spark RE) at all times for Australian Financial Services Licence (AFSL) purposes (30 June 2020: \$5,000,000).

² HY2020 Includes \$9.0 million refund of GST paid on PPE in prior year, offset by \$7.0 million of PPE purchases in the half year ended 30 June 2020.

³ Net of DRP proceeds of \$33.9 million in HY2021. The HY2020 Trust distribution is net of DRP proceeds of \$46.2 million.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

1. Summary of Accounting Policies

Basis of Preparation and Statement of Compliance

The interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The interim financial report for the half year ended 30 June 2021 (Current Period), is for Spark Infrastructure consisting of Spark Infrastructure Trust (the Trust) and its Controlled Entities (Spark Infrastructure or the Group). This interim financial report does not include all the notes of the type normally included in an annual report. Accordingly, it is recommended that this report be read in conjunction with the 31 December 2020 annual financial report of Spark Infrastructure, together with any public announcements made by Spark Infrastructure during the current period in accordance with any continuous disclosure obligation arising under the *Corporations Act 2001*. The report has been prepared on the basis of historical cost except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of Spark Infrastructure's financial statements for the year ended 31 December 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

This Financial Report has been prepared on a going concern basis.

Spark Infrastructure is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and interim financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

The interim financial report was authorised for issue by the Directors of Spark RE as the responsible entity for the Trust on 24 August 2021.

Adoption of new and revised Standards

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

New and Revised Standard	Requirements and impact assessment
<p>AASB 2020-8 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i></p>	<p>This Standard amends the Standards AASB4, AASB 7, AASB 9, AASB 16 and AASB 139 to help entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements.</p> <p>As a result of these amendments, an entity:</p> <p>(a) will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;</p> <p>(b) will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and</p> <p>(c) will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.</p> <p>The Directors note that the adoption of this amendment does not have a material impact on the half year financial report of the Group.</p>

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

1. Summary of Accounting Policies (continued)

Standards and Interpretations in Issue Not Yet Adopted

New and Revised Standard	Requirements and impact assessment
AASB 17 <i>Insurance Contracts</i>	<p>AASB 17 <i>Insurance Contracts</i> establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.</p> <p>The Directors anticipate that it will not have a material impact on the financial report of the Group in the year of initial application.</p>
Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)	<p>Spark Infrastructure has not incurred any significant upfront configuration or customisation costs in relation to software as a service arrangements (SaaS) to date. The Directors anticipate that the impacts in relation to the IFRS Interpretations Committee (IFRIC) agenda decision will not have a material impact on the financial report of the Group in the year of initial application.</p> <p>The IFRIC agenda decision on Spark Infrastructure's portfolio businesses may have an impact on profit or loss, and as a consequence, Spark Infrastructure's share of equity accounted profits. The portfolio businesses are in the process of assessing the accounting for upfront configuration and customisation costs incurred in implementing, and the on-going costs of SaaS arrangements, in response to the agenda decisions published by the IFRIC clarifying its interpretation of how current accounting standards apply to these types of arrangements. The portfolio businesses expect it is likely that the analysis will be completed over the coming months and the restatement following the change in accounting policy will be presented in the financial report for the year ending 31 December 2021.</p>

2. Segment Information

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

- Victoria Power Networks – the 49% interest in two electricity distribution businesses in Victoria (i.e. CitiPower and Powercor);
- SA Power Networks – the 49% interest in the electricity distribution business in South Australia.
- TransGrid – the 15.01% interest in the electricity transmission business in New South Wales (i.e. NSW Electricity Networks Assets Holdings Trust (NSW Electricity Networks Assets) and NSW Electricity Networks Operations Holdings Trust (NSW Electricity Networks Operations)); and
- Bomen Solar Farm – the 100% interest in the Bomen Solar Farm HoldCo Pty Ltd and Bomen Solar Farm Hold Trust (and its 100% owned subsidiaries Bomen Solar Farm Pty Ltd, Bomen SF Trust and Bomen SF FinCo Pty Ltd).

The segments noted also fairly represent the Group's geographical segments determined by location within Australia.

The following is an analysis of the Group's share of revenue and results from continuing operations by reportable segments.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

2. Segment Information

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Segment Cash Flows										
Distributions from associates – preferred partnership capital	-	-	34,341	34,532	-	-	-	-	34,341	34,532
Distributions from associates – other	43,818	53,481	-	12,250	2,552	6,304	-	-	46,370	72,035
Interest received from associates	24,782	24,919	-	-	4,265	5,335	-	-	29,047	30,254
Net operating cash flows – Bomen Solar Farm related	-	-	-	-	-	-	5,343	(451)	5,343	(451)
Total Segment Contribution	68,600	78,400	34,341	46,782	6,817	11,639	5,343	(451)	115,101	136,370
Net interest paid									(1,519)	(6,337)
Corporate costs									(8,120)	(7,524)
Project and transaction bid costs									(1,481)	(3,255)
Tax paid ⁽¹⁾									(52,420)	(74,303)
Total Operating Cash Flows									51,561	44,951

(1) 2021 tax paid of \$52.4 million is comprised of:

- \$38.3 million is attributable to the 31 December 2020 income tax year.
- \$14.1 million relates to tax instalments in respect of 31 December 2021 income tax year.

2020 tax paid of \$74.3 million is comprised of:

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

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Segment Revenue										
Share of equity accounted profits	30,016	45,492	50,644	65,578	5,024	1,649	-	-	85,684	112,719
Interest income - associates	24,782	24,919	-	-	4,207	4,948	-	-	28,989	29,867
Other Income - Bomen Solar Farm related	-	-	-	-	-	-	899	-	899	-
Revenue from sale of electricity and LGCs	-	-	-	-	-	-	5,388	-	5,388	-
Segment revenue	54,798	70,411	50,644	65,578	9,231	6,597	6,287	-	120,960	142,586
Interest revenue									16	430
Total Revenue									120,976	143,016
Unrealised losses from derivative instruments - PPAs							(10,520)	8,118	(10,520)	8,118
Depreciation - Bomen Solar Farm related							(2,883)	-	(2,883)	-
Segment expenses	-	-	-	-	-	-	(1,642)	(587)	(1,642)	(587)
Segment contribution	54,798	70,411	50,644	65,578	9,231	6,597	(8,758)	7,531	105,915	150,117
Net interest expense									(2,014)	(7,471)
Corporate costs									(7,996)	(8,230)
Project and transaction bid costs									(1,993)	(2,229)
Profit for the year before Loan Note interest and income tax expense									93,912	132,187
Interest on Loan Notes to Securityholders									(61,284)	(58,758)
Income tax expense									(11,024)	(23,697)
Net Profit attributable to Securityholders									21,604	49,732

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000
Segment Assets										
Investments accounted for using the equity method	476,793	431,085	1,342,768	1,240,615	419,393	372,221	-	-	2,238,954	2,043,921
Loans to associates	460,598	460,598	-	-	-	-	-	-	460,598	460,598
Loan notes to associates	-	-	-	-	237,444	237,444	-	-	237,444	237,444
Receivables from associates	4,655	4,655	-	-	2,123	2,180	-	-	6,778	6,835
Derivative financial instruments – PPA	-	-	-	-	-	-	33,319	43,839	33,319	43,839
Property, plant and equipment – Bomen Solar Farm related	-	-	-	-	-	-	169,286	171,262	169,286	171,262
Other current assets	-	-	-	-	-	-	1,453	1,678	1,453	1,678
GST Receivable	-	-	-	-	-	-	-	697	-	697
Total Segment Assets	942,046	896,338	1,342,768	1,240,615	658,960	611,845	204,058	217,476	3,147,832	2,966,274
Unallocated Assets										
Cash and cash equivalents									52,613	36,898
Tax and interest refund receivable									45,000	45,000
Derivative financial instruments – Interest rate swaps									2,048	-
Other current assets									1,146	2,001
Property, plant and equipment									969	1,337
Total Assets									3,249,608	3,051,510

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

2. Segment Information (continued)

	Victoria Power Networks		SA Power Networks		TransGrid		Bomen Solar Farm		Total	
	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000	Jun 2021 \$'000	Dec 2020 \$'000
Segment Liabilities										
Payables	-	-	-	-	-	-	1,203	783	1,203	783
Total Segment Liabilities	-	-	-	-	-	-	1,203	783	1,203	783
Unallocated Liabilities										
Loan Notes attributable to Securityholders									1,111,280	1,097,956
Interest bearing liabilities									99,225	38,991
Tax payable									4,845	39,384
Loan note interest payable									61,423	61,701
Other liabilities									4,791	5,561
Derivative financial instruments – Interest Rate Swaps									1,379	4,196
Deferred tax liabilities									245,060	206,906
Total Liabilities									1,529,206	1,455,479

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

3. Share of Equity Accounted Profits and Interest

	30 June 2021 \$'000	30 June 2020 \$'000
Equity Accounted Profits:		
Victoria Power Networks Pty Ltd	30,016	45,492
SA Power Networks Partnership	50,644	65,578
NSW Electricity Networks Assets ⁽¹⁾	1,302	82
NSW Electricity Networks Operations ⁽¹⁾	3,722	1,567
Total Equity Accounted Profits	85,684	112,719
Interest Income – Associates:		
Victoria Power Networks Pty Ltd	24,782	24,919
NSW Electricity Networks Operations	4,207	4,948
Total Interest Income - Associates	28,989	29,867
Total	114,673	142,586

(1) Together referred to as TransGrid.

4. Bomen Solar Farm

	30 June 2021 \$'000	30 June 2020 \$'000
PPA fixed revenue	4,983	-
Merchant electricity revenue	94	-
Merchant LGC revenue	311	-
Total Revenue from sale of electricity and LGCs	5,388	-
Other revenue	899	-
Total Revenue	6,287	-
Unrealised (loss)/gain on PPA	(10,520)	8,118
Operating costs	(1,642)	(587)
Depreciation	(2,883)	-
Tax benefit/(expense)	5,809	(2,259)
Net (Loss)/Profit after Tax	(2,949)	5,272

Bomen Solar Farm Pty Ltd as trustee of the Bomen Trust has provided a bank guarantee of \$3.0 million to TransGrid on demand under the Project contract and of \$2.5 million to Westpac under the PPA.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

5. Property, plant and equipment

Reconciliation of carrying amount

Non-current	Freehold land	Furniture, Fittings and Equipment	Right of Use Asset	Property, Plant & Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2020					
Cost	7,771	850	2,466	166,261	177,348
Accumulated Depreciation	-	(570)	(1,410)	(2,769)	(4,749)
Net book value at 31 December 2020	7,771	280	1,056	163,492	172,599
Period ended 30 June 2021					
Opening net book value at 1 January 2021	7,771	280	1,056	163,492	172,599
Additions	-	43	-	907	950
Depreciation charge	-	(59)	(352)	(2,883)	(3,294)
Closing net book value at 30 June 2021	7,771	264	704	161,516	170,255
Cost	7,771	893	2,466	167,167	178,297
Accumulated depreciation	-	(629)	(1,762)	(5,651)	(8,042)
Net book value at 30 June 2021	7,771	264	704	161,516	170,255

6. Investments Accounted for using the Equity Method

(a) Investment in Associates:

Name of entity	Principal activity	Ownership interest %		Country of Incorporation/Formation⁽¹⁾
		June 2021	December 2020	
Victoria Power Networks Pty Ltd	Ownership of electricity distribution businesses in Victoria	49.00	49.00	Australia
SA Power Networks	Ownership of an electricity distribution business in South Australia	49.00	49.00	Australia
NSW Electricity Networks Assets Holdings Trust ⁽²⁾	Ownership of electricity transmission assets in New South Wales	15.01	15.01	Australia
NSW Electricity Networks Operations Holdings Trust ⁽²⁾	Ownership of an electricity transmission business in New South Wales	15.01	15.01	Australia

(1) The principal place of business is the same as the country of incorporation.

(2) Together referred to as TransGrid

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

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

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

	30 Jun 2021 \$'000	30 Jun 2021 \$'000	30 Jun 2021 \$'000	30 Jun 2021 \$'000	31 Dec 2020 \$'000	31 Dec 2020 \$'000	31 Dec 2020 \$'000	31 Dec 2020 \$'000
	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets ⁽¹⁾	NSW Electricity Networks Operations
Current assets	509,922	381,296	107,790	400,195	481,859	297,962	126,115	349,076
Non-current assets	8,621,998	6,782,347	8,084,392	4,098,655	8,399,889	6,800,288	7,700,104	4,097,163
Total assets	9,131,920	7,163,643	8,192,182	4,498,850	8,881,748	7,098,250	7,826,219	4,446,239
Current liabilities	1,903,188	497,192	911,884	411,934	1,950,487	376,073	477,070	344,773
Non-current liabilities	5,801,406	4,328,544	5,790,482	2,817,727	5,590,282	4,590,776	6,105,752	2,867,239
Total liabilities	7,704,594	4,825,736	6,702,366	3,229,661	7,540,769	4,966,849	6,582,822	3,212,012
Net assets	1,427,326	2,337,907	1,489,816	1,269,189	1,340,979	2,131,401	1,243,397	1,234,227

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

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

(c) Summarised Financial Performance of Associates (100% basis)⁽¹⁾

	30 Jun 2021 \$'000	30 Jun 2021 \$'000	30 Jun 2021 \$'000	30 Jun 2021 \$'000	30 Jun 2020 \$'000	30 Jun 2020 \$'000	30 Jun 2020 \$'000	30 Jun 2020 \$'000
	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations	Victoria Power Networks	SA Power Networks	NSW Electricity Networks Assets	NSW Electricity Networks Operations
Regulated revenue (including advanced metering)	462,026	410,373	-	373,978	530,875	429,961	-	367,842
Revenue – semi-regulated and unregulated	195,564	155,384	288,867	88,616	150,840	197,078	273,251	76,671
Operating revenue	657,590	565,757	288,867	462,594	681,715	627,039	273,251	444,513
Revenue – transmission (pass-through)	163,969	130,977	-	-	170,484	122,674	-	-
Total Revenue	821,559	696,734	288,867	462,594	852,199	749,713	273,251	444,513
Expenses	(575,671)	(498,036)	(280,194)	(470,690)	(547,039)	(528,887)	(272,704)	(447,776)
Expenses – transmission (pass-through)	(163,969)	(130,977)	-	-	(170,484)	(122,674)	-	-
Profit/(loss) before income tax	81,919	67,721	8,673	(8,096)	134,676	98,152	547	(3,263)
Income tax expense	(26,152)	(2,079)	-	-	(41,980)	(2,227)	-	-
Net profit/(loss)	55,767	65,642	8,673	(8,096)	92,696	95,925	547	(3,263)
Other comprehensive income:								
Gain/(loss) on hedges	124,197	105,773	152,746	7,867	(92,715)	(72,804)	(115,082)	(1,031)
Actuarial gain/(loss) on defined benefit plans	49,301	69,432	-	35,191	(11,355)	(2,388)	-	(993)
Income tax (expense)/benefit related to components of other comprehensive income	(52,049)	-	-	-	31,221	-	-	-
Other comprehensive income/(loss) for the Current Period	121,449	175,205	152,746	43,058	(72,849)	(75,192)	(115,082)	(2,024)
Total comprehensive income/(loss) for the Current Period	177,216	240,847	161,419	34,962	19,847	20,733	(114,535)	(5,287)

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

For the period ended 30 June 2021:

- Victoria Power Networks accrued \$11.9 million (2020 accrued \$6.7 million)
- SA Power Networks deferred \$2.2 million (2020 accrued \$11.5 million)
- TransGrid accrued \$32.8 million (2020 accrued \$13.7 million)

Refer to note 6(d) for the reconciliation to equity accounted profits.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

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

(d) Summarised Financial Performance of Associates (continued)

Reconciliation of the above summarised financial performance to the net profit attributable to Spark Infrastructure from its associates recognised in the financial report:

	30 Jun	30 Jun
	2021	2020
	\$'000	\$'000
Victoria Power Networks net profit applicable to Spark Infrastructure	27,325	45,421
SA Power Networks net profit applicable to Spark Infrastructure	32,165	47,003
Additional share of profits from preferred partnership capital ⁽ⁱ⁾	17,611	17,832
NSW Electricity Networks Assets net profit/(loss) applicable to Spark Infrastructure	1,302	82
NSW Electricity Networks Operations net loss applicable to Spark Infrastructure	(1,215)	(490)
	77,188	109,848
Additional adjustments made to share of equity profits ⁽ⁱⁱ⁾	8,496	2,871
Total	85,684	112,719

(i) Under the partnership agreement, Spark Infrastructure is entitled to an additional share of profit in SA Power Networks, which ensures that Spark Infrastructure shares in 49% of the overall results of operations from SA Power Networks.

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

- Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs. For the period ended 30 June 2021 an amount of \$7.0m was accrued (2020: \$3.3m accrued).
- Depreciation/amortisation of fair value uplift of assets on acquisition; and
- Customer contribution and gifted asset depreciation.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

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

	6 months to 30 Jun 2021 \$'000	12 Months to 31 Dec 2020 \$'000
(e) Movement in Carrying Amounts		
Carrying amount at the beginning of the Current Period	2,043,921	2,165,891
Share of profits after income tax	85,684	205,705
Preferred partnership distribution received – SA Power Networks	(34,341)	(69,826)
Distributions received – SA Power Networks	-	(36,750)
Distributions received – Victoria Power Networks	(43,818)	(121,388)
Distributions received – NSW Electricity Networks Assets	(2,552)	(6,770)
Distributions received – NSW Electricity Networks Operations	-	(6,304)
Capital contribution – NSW Electricity Networks Operations	15,310	6,770
Share of associates' comprehensive income/(loss) recognised directly in equity	174,750	(93,407)
Carrying amount at the end of the Current Period	2,238,954	2,043,921

7. Loans to Associates - interest bearing

	30 Jun 2021 \$'000	31 Dec 2020 \$'000
Victoria Power Networks	460,598	460,598

100-year loan to Victoria Power Networks maturing in 2105, with a fixed interest rate of 10.85% per annum. The loan is repayable at the discretion of the borrower. No amount was repaid by the borrower to Spark Infrastructure during the period.

8. Loan notes to Associates - interest bearing

	30 Jun 2021 \$'000	31 Dec 2020 \$'000
NSW Electricity Networks Operations	237,444	237,444

Loan notes advanced to NSW Electricity Networks Operations at the applicable bank bill interest rate plus a margin of 3.50% per annum. The loan notes are redeemable at the discretion of the issuer, with a maximum maturity in December 2025.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

9. Loan Notes Attributable to Securityholders

	6 months to 30 June 2021 \$'000	12 Months to 31 Dec 2020 \$'000
Balance at beginning of the Current Period	1,097,956	1,072,674
Issue of Loan Notes under Distribution Reinvestment Plan	13,396	25,477
Issue costs associated with Loan Notes	(83)	(215)
Write back of deferred discount ⁽¹⁾	11	20
Balance at end of the Current Period	1,111,280	1,097,956

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

10. Interest bearing Liabilities

	30 Jun 2021 \$'000	31 Dec 2020 \$'000
(a) Committed Finance Facilities		
Bank facilities		
• Amounts used	100,000	40,000
• Amounts unused	300,000	360,000
Total	400,000	400,000

Committed Finance Facility maturities are:

- February 2023: \$110,000,000 3-year revolving facility with Mizuho Bank, Ltd
- February 2023: \$70,000,000 3-year revolving facility with Mitsubishi UFG Financial Group, Inc
- February 2023: \$70,000,000 3-year revolving facility with Sumitomo Mitsui Banking Corporation
- February 2023: \$70,000,000 3-year revolving facility with Westpac Banking Corporation
- February 2023: \$40,000,000 3-year revolving facility with Commonwealth Bank of Australia
- February 2023: \$40,000,000 3-year revolving facility with China Construction Bank Corporation

(b) Interest Bearing Liabilities

Drawn Debt	100,000	40,000
Capitalised refinancing costs	(775)	(1,009)
Total	99,225	38,991

11. Issued Capital

	6 months to 30 Jun 2021 \$'000	12 Months to 31 Dec 2020 \$'000
Balance at beginning of the Current Period	732,887	805,884
Issue of new securities under Distribution Reinvestment Plan	20,369	54,492
Issue costs	-	(124)
Capital distribution ⁽¹⁾	(51,272)	(127,365)
Balance at end of the Current Period	701,984	732,887
Fully Paid Stapled Securities	No.'000	No.'000
Balance at the beginning of the Current Period	1,738,045	1,698,849
Issue of new securities under Distribution Reinvestment Plan	16,909	39,196
Balance at the end of the Current Period	1,754,954	1,738,045

(1) Capital distributions of 2.95 cps on 15 March 2021 (3.50 cps on 15 September 2020 and 3.95 cps on 13 March 2020) were paid to Securityholders during period – refer Note 13.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

12. Related party transactions

The details of ownership interests are provided in Note 6(a). The details of interest receivable and loans provided to associates are detailed in Notes 7 and 8. Details of interest income on these loans are detailed in Note 3. Details of bank guarantee between Bomen Solar Farm Pty Ltd as trustee of Bomen Trust and TransGrid are detailed in Note 4.

Beon Energy Solutions (Beon), owned by Victoria Power Networks, was appointed as engineering, procurement and construction (EPC) contractor and operations and maintenance (O&M) contractor to the Bomen Solar Farm. As at 30 June 2021 Spark Infrastructure had incurred costs of \$0.8 million (HY2020: \$96.8 million) related to EPC which are capitalised as property, plant & equipment and \$0.6 million (HY2020: nil) related O&M for the period to 30 June 2021 which are expensed through the profit or loss statement.

Bomen Solar Farm has connected into TransGrid's high-voltage transmission network providing access to the National Electricity Market, with build, own, operate and maintain (BOOM) services for the grid connection provided by TransGrid for a 30-year term. As at 30 June 2021 Spark Infrastructure had incurred costs of \$0.2 million (HY2020: nil) related to TransGrid services.

13. Details Relating to Distributions

	2021		2020	
	Cents Per Security	Total \$'000	Cents Per Security	Total \$'000

Distribution Paid:

Final distribution paid in respect of year ended 31 December 2020, paid on 15 March 2021 (2020: In respect of year ended 31 December 2019, paid on 13 March 2020):

Interest on Loan Notes	3.55	61,701	3.55	60,309
Capital distribution	2.95	51,272	3.95	67,105
	6.50	112,973	7.50	127,414

Distribution Payable:

Interim 2021 distribution in respect of year ending 31 December 2021, payable on 15 September 2021 (2020: Interim 2020 distribution in respect of year ended 31 December 2020, paid on 15 September 2020):

Interest on Loan Notes	3.50	61,423	3.50	60,260
Capital distribution	2.75	48,261	3.50	60,260
	6.25	109,684	7.00	120,520

The final distribution in respect of the year ended 31 December 2020 paid on 15 March 2021 had 2.1cps of franking attached. The interim distribution in respect of the year ending 31 December 2021 payable on 15 September 2021 is expected to have franking attached of approximately 1.5cps. The other distributions above were unfranked.

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

14. Subsequent events

On 15 July 2021 Spark Infrastructure announced that it had received two conditional and non-binding indicative proposals from Ontario Teachers' Pension Plan Board and Kohlberg Kravis Roberts & Co. L.P., on behalf of certain of its affiliated infrastructure investment funds, vehicles and entities managed and/or advised by it or its affiliates, together the Consortium (the "Consortium"), to acquire all of the ordinary stapled securities in Spark Infrastructure by way of a scheme. The proposals included an initial proposal for an implied consideration of A\$2.70 per stapled security and a subsequent revised proposal for an implied consideration of A\$2.80 per stapled security, to be reduced to the extent that Spark Infrastructure pays or declares a distribution to its securityholders prior to the implementation of the proposed transaction. Following the announcement of Spark Infrastructure's first half interim distribution for 2021 of A\$0.0625 per stapled security on 1 July 2021, the implied considerations under the initial proposal and subsequent revised proposal were A\$2.6375 per stapled security and A\$2.7375 per stapled security respectively.

On 28 July 2021 Spark Infrastructure confirmed that it had received a further revised proposal from the Consortium for an all cash consideration of A\$2.95 per stapled security, to be reduced to the extent that Spark Infrastructure pays or declares a distribution to its securityholders prior to the implementation of the proposed transaction. Following the announcement of Spark Infrastructure's first half interim distribution for 2021 of A\$0.0625 per stapled security on 1 July 2021, the implied consideration under the Further Revised Proposal is A\$2.8875 per stapled security. The Consortium provided the further revised proposal following the provision of limited information on Spark Infrastructure's business and its prospects by Spark Infrastructure to the Consortium after the signing of a Confidentiality Agreement, containing customary disclosure restrictions and standstills.

On 10 August 2021 Spark Infrastructure confirmed that it had received a request from the Consortium to engage with Public Sector Pension Investment Board ("PSP Investments") for the purposes of PSP Investments joining that Consortium (together the "Revised Consortium"). It is expected that each of the Revised Consortium parties will provide a one-third contribution to the total equity funding requirement under the proposed transaction.

The Board of Spark Infrastructure considered that it is in the interests of Spark Infrastructure's securityholders to engage further with the Revised Consortium. Accordingly, Spark Infrastructure provided the Revised Consortium with the opportunity to conduct due diligence on a non-exclusive basis.

On 23 August 2021, Spark Infrastructure announced that the Revised Consortium completed due diligence and had provided Spark Infrastructure with a binding Offer in line with the revised proposal received on 28 July 2021. Following further discussions, Spark Infrastructure entered into a Scheme Implementation Deed with the Revised Consortium on 23 August 2021. Under the Scheme Implementation Deed, it is proposed that the Consortium will acquire all of the units in the Spark Infrastructure Trust by means of a Trust Scheme and all of the loan notes issued by Spark RE by means of a Creditors' Scheme, together the Schemes.

If the Schemes are implemented, and subject to being on the register at the appropriate record dates, Securityholders will receive total value of \$2.95 cash per stapled security before franking credits, plus additional consideration if the Schemes have not been implemented by 15 February 2022.

The total value of \$2.95 cash per stapled security comprises:

- i. cash consideration from the Revised Consortium of approximately \$2.7675 per stapled security, plus
- ii. Spark Infrastructure's interim distribution for 2021 of 6.25 cents per stapled security ("cps"), plus
- iii. a franked special distribution expected to be approximately 12.00cps

The special distribution will be franked to the fullest extent possible, which will provide certain Spark Infrastructure Securityholders who can utilise the full benefit of franking credits with an additional benefit of approximately 5.00 cps.

The Spark Infrastructure Board has unanimously recommended that Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and subject to an independent expert concluding (and continuing to conclude) that the Schemes are in the best interests of Securityholders.

The Schemes are subject to approval by Securityholders at Scheme meetings which are expected to be held by the end of 2021.

If the Schemes have not been implemented by 15 February 2022, Spark Infrastructure securityholders will be entitled to additional cash consideration of 1.00cps on 15 February 2022 and approximately 1.00cps per month thereafter, calculated daily, from that date until implementation.

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

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

15. Financial instruments

Accounting Clarifications and Fair Value

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

(\$'000)	Carrying Amount						Fair Value				
	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2021											
Financial assets measured at fair value											
Interest rate swaps	2,048	-	-	-	-	-	2,048	-	2,048	-	2,048
Power purchase agreements	-	33,319	-	-	-	-	33,319	-	-	33,319	33,319
Financial assets at amortised cost											
Cash and cash equivalents	-	-	-	-	52,613	-	52,613	-	-	-	-
Receivables from associates	-	-	-	-	6,778	-	6,778	-	-	-	-
Tax and interest refund receivable	-	-	-	-	45,000	-	45,000	-	-	-	-
Other receivables	-	-	-	-	1,184	-	1,184	-	-	-	-
Loans to associates	-	-	-	-	460,598	-	460,598	-	-	-	-
Loan notes to associates	-	-	-	-	237,444	-	237,444	-	-	-	-
	2,048	33,319	-	-	803,617	-	838,984	-	2,048	33,319	35,367

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

(\$'000)	Carrying Amount						Total	Fair Value			Total
	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities		Level 1	Level 2	Level 3	
31 December 2020											
Financial assets measured at fair value											
Power purchase agreements	-	43,839	-	-	-	-	43,839	-	-	43,839	43,839
Financial assets at amortised cost											
Cash and cash equivalents	-	-	-	-	36,898	-	36,898	-	-	-	-
Receivables from associates	-	-	-	-	6,835	-	6,835	-	-	-	-
Tax and interest refund receivable	-	-	-	-	45,000	-	45,000	-	-	-	-
Other receivables	-	-	-	-	1,828	-	1,828	-	-	-	-
Loans to associates	-	-	-	-	460,598	-	460,598	-	-	-	-
Loan notes to associates	-	-	-	-	237,444	-	237,444	-	-	-	-
	-	43,839	-	-	788,603	-	832,442	-	-	43,839	43,839

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

(\$'000)	Carrying Amount						Total	Fair Value			Total
	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities		Level 1	Level 2	Level 3	
30 June 2021											
Financial liabilities measured at fair value											
Interest rate swaps	1,379	-	-	-	-	-	1,379	-	1,379	-	1,379
Financial liabilities at fair value											
Trade payables	-	-	-	-	-	5,772	5,772	-	-	-	-
Loan note interest payable	-	-	-	-	-	61,423	61,423	-	-	-	-
Loan notes	-	-	-	-	-	1,111,280	1,111,280	-	-	-	-
Other loans	-	-	-	-	-	99,225	99,225	-	-	-	-
	1,379	-	-	-	-	1,277,700	1,279,079	-	1,379	-	1,379

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

(\$'000)	Carrying Amount						Total	Fair Value			Total
	Fair value - hedging instruments	Mandatorily at FVTPL – others	FVOCI – Debt instruments	FVOCI – Equity instruments	Financial assets at amortised cost	Other financial liabilities		Level 1	Level 2	Level 3	
31 December 2020											
Financial liabilities measured at fair value											
Interest rate swaps	4,196	-	-	-	-	-	4,196	-	4,196	-	4,196
Financial liabilities at fair value											
Trade payables	-	-	-	-	-	5,627	5,627	-	-	-	-
Loan note interest payable	-	-	-	-	-	61,701	61,701	-	-	-	-
Loan notes	-	-	-	-	-	1,097,956	1,097,956	-	-	-	-
Other loans	-	-	-	-	-	38,991	38,991	-	-	-	-
	4,196	-	-	-	-	1,204,275	1,208,471	-	4,196	-	4,196

Spark Infrastructure
Notes to the Financial Statements
for the Half Year Ended 30 June 2021

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values at 30 June 2021 for financial instruments measured at fair value in the statement of financial position, as well as the significant observable inputs used.

Financial instruments measured at fair value

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

ii. Level 3 fair values

The following table presents the changes in level 3 items for the periods ended 30 June 2021 and 31 December 2020:

	Power Purchase Agreement (\$'000)	
	30 Jun 2021	31 Dec 2020
Opening balance	43,839	8,176
Unrealised (losses)/gains recognised in profit and loss	(10,520)	35,663
Closing balance	33,319	43,839

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10% percent is (\$8.567) million and lower by 10% percent is \$8.567 million (profit before tax increase/(decrease)). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

Spark Infrastructure Directors' Declaration

The Directors declare that:

- (a) in their opinion, there are reasonable grounds to believe that Spark Infrastructure Trust will be able to pay its debts as and when they become due and payable; and
- (b) in their opinion, the financial statements and notes as set out on pages 17 – 42 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of Spark Infrastructure Trust.

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

On behalf of the Directors:



D McTaggart
Chair



R Francis
Managing Director

Sydney
24 August 2021

24 August 2021

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

Dear Board Members

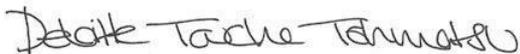
Auditor's Independence Declaration to Spark Infrastructure Trust

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

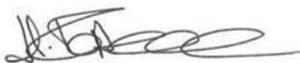
As lead audit partner for the review of the half year financial report of Spark Infrastructure Trust for the half year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



H Fortescue
Partner
Chartered Accountants

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

Conclusion

We have reviewed the half-year financial report of Spark Infrastructure Trust (the "Trust") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 17 to 43.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Spark Infrastructure RE Limited (the "Directors") as responsible entity for the Trust, would be in the same terms if given to the Directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The Directors are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 30 June 2021 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*.

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



DELOITTE TOUCHE TOHMATSU



H Fortescue
Partner
Chartered Accountants
Sydney, 24 August 2021