



SPARK FINANCE LIMITED

Interim financial statements 2019

For the six months ended 31 December 2018

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These interim financial statements do not include all the notes and information normally included in the annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements for the year ended 30 June 2018.

DIRECTORS' REPORT

Spark Finance Limited ('Spark Finance') is a wholly-owned subsidiary of Spark New Zealand Limited ('Spark New Zealand' and together with its subsidiaries, the 'Spark New Zealand Group'). Spark Finance is the principal finance company for the Spark New Zealand Group and was incorporated in 1991.

Spark Finance raises debt funding in New Zealand and internationally. The majority of these funds are then advanced to other members of the Spark New Zealand Group to assist in funding their operations. These entities are all related parties by virtue of their common control. Spark Finance also enters into derivative financial instruments with these companies to manage the foreign exchange risk associated with the operations of the Spark New Zealand Group. These arrangements are matched with similar derivative financial instruments obtained from the external market. Accordingly, its financial performance should be considered in conjunction with the financial performance of the Spark New Zealand Group. A copy of the Spark New Zealand Group's results can be found at investors.sparknz.co.nz.

Spark Finance recorded net earnings for the six months ended 31 December 2018 of \$84 million compared to net earnings of \$84 million for the six months ended 31 December 2017. On 24 August 2018, Spark Finance paid a dividend of 41.5 cents per share or \$366 million to Spark New Zealand Limited.

On 7 September 2018, Spark Finance Limited issued \$125 million of unsecured, unsubordinated fixed rate bonds with an interest rate of 3.37%, maturing on 7 March 2024.

On 31 October 2018, Spark Finance established a new NZ\$100 million committed revolving facility with The Hongkong and Shanghai Banking Corporation Limited, to mature on 30 November 2021.

The directors of Spark Finance consider it to be in a sound financial position and its results to be satisfactory.

On behalf of the Board



David Chalmers
DIRECTOR



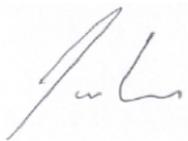
Matthew Sheppard
DIRECTOR

Date 22 February 2019

DIRECTORS' REPORT

Declaration pursuant to Article 3(2)(c) of the Luxembourg Transparency Law dated 11 January 2008

We, David Chalmers and Matthew Sheppard, both directors of Spark Finance Limited (herein after the 'Issuer') hereby declare that, to the best of our knowledge, the financial statements for the period ended 31 December 2018, which have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and performance of the Issuer and that the Directors' report includes a fair review of the development and performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that the Issuer faces.



David Chalmers
DIRECTOR



Matthew Sheppard
DIRECTOR

Date 22 February 2019

Statement of profit or loss and other comprehensive income

		2018	2017
		UNAUDITED	UNAUDITED
FOR THE SIX MONTHS ENDED 31 DECEMBER	NOTE	\$M	\$M
Finance income	2	302	272
Finance expense	2	(185)	(156)
Net finance income		117	116
Other income		-	1
Net earnings before income tax		117	117
Income tax expense		(33)	(33)
Net earnings for the period		84	84
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges net of tax		(14)	(9)
Other comprehensive loss for the period		(14)	(9)
Total comprehensive income for the period		70	75

See accompanying notes to the interim financial statements.

Statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVE	TOTAL EQUITY
UNAUDITED	\$M	\$M	\$M	\$M
Balance at 1 July 2018	883	366	(31)	1,218
Net earnings for the period	-	84	-	84
Other comprehensive loss for the period	-	-	(14)	(14)
Total comprehensive income for the period	-	84	(14)	70
Dividends paid	-	(366)	-	(366)
Balance at 31 December 2018	883	84	(45)	922

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVE	TOTAL EQUITY
UNAUDITED	\$M	\$M	\$M	\$M
Balance at 1 July 2017	883	661	(17)	1,527
Net earnings for the period	-	84	-	84
Other comprehensive loss for the period	-	-	(9)	(9)
Total comprehensive income for the period	-	84	(9)	75
Dividends paid	-	(460)	-	(460)
Balance at 31 December 2017	883	285	(26)	1,142

Statement of financial position

		AS AT 31 DECEMBER 2018 UNAUDITED \$M	AS AT 30 JUNE 2018 AUDITED \$M
	NOTE		
Current assets			
Cash		43	11
Prepayments		1	1
Short-term derivative assets		4	6
Due from other Spark New Zealand Group companies		3,513	3,422
Total current assets		3,561	3,440
Non-current assets			
Due from other Spark New Zealand Group companies		3,499	3,498
Long-term derivative assets		10	10
Deferred tax assets		17	12
Investments in fellow Spark New Zealand Group companies		540	540
Total non-current assets		4,066	4,060
Total assets		7,627	7,500
Current liabilities			
Taxation payable		97	64
Due to other Spark New Zealand Group companies		5,134	4,946
Short-term derivative liabilities		4	6
Debt due within one year	3	448	249
Accrued interest		4	4
Short-term payables		-	1
Total current liabilities		5,687	5,270
Non-current liabilities			
Long-term derivative liabilities		88	64
Long-term debt	3	930	948
Total non-current liabilities		1,018	1,012
Total liabilities		6,705	6,282
Equity			
Share capital		883	883
Reserves		(45)	(31)
Retained earnings		84	366
Total equity		922	1,218
Total liabilities and equity		7,627	7,500

See accompanying notes to the interim financial statements.

On behalf of the Board of Spark Finance Limited



David Chalmers
DIRECTOR



Matthew Sheppard
DIRECTOR

Authorised for issue on 22 February 2019

Statement of cash flows

	2018	2017
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Cash flows from operating activities		
Payments for interest	(25)	(19)
Net cash flows from operating activities	(25)	(19)
Cash flows from investing activities		
Net advances to other Spark New Zealand Group companies	(125)	(116)
Net cash flows from investing activities	(125)	(116)
Cash flows from financing activities		
Proceeds from long-term debt	1,160	651
Repayment of long-term debt	(1,025)	(510)
Proceeds from short-term debt	766	720
Repayment of short-term debt	(719)	(677)
Net cash flows from financing activities	182	184
Net cash flow	32	49
Opening cash position	11	(2)
Closing cash position	43	47

Reconciliation of net earnings to net cash flows from operating activities

	2018	2017
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Net earnings for the period	84	84
Adjustments to reconcile net earnings to net cash flows from operating activities		
Non-cash intercompany income	(302)	(272)
Non-cash intercompany expenses	158	130
Amortisation of discount	2	4
Net realised and unrealised losses on financial instruments	(1)	-
Revaluation of long-term debt in fair value hedge	3	7
Revaluation of derivatives in a fair value hedge	(2)	(3)
Revaluation of other derivatives	-	(1)
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in current taxation	33	33
Movement in receivables and related items	-	(1)
Net cash flows from operating activities	(25)	(19)

Notes to the interim financial statements

Note 1 About this report

These unaudited interim financial statements are for Spark Finance Limited ('Spark Finance') for the six months ended 31 December 2018.

Spark Finance is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

Basis of preparation

The interim financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

The accounting policies adopted are consistent with those followed in the preparation of Spark Finance's annual financial statements for the year ended 30 June 2018. The preparation of the interim financial statements requires management to make judgements, estimates and assumptions. Spark Finance has been consistent in applying the judgements, estimates and assumptions adopted in the annual financial statements for the year ended 30 June 2018 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2018.

Financial instruments are either carried at amortised cost, less any provision for impairment, or fair value. The only significant variances between instruments held at amortised cost and their fair value relates to long-term debt. There were no changes in valuation techniques during the period. Spark Finance's derivatives are classified as being within level 2 of the fair value hierarchy. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the period end date, with the resulting value discounted back to present value.

Adoption of NZ IFRS 15 Revenue from contracts with customers (NZ IFRS 15) and NZ IFRS 16 Leases (NZ IFRS 16)

Spark Finance has adopted NZ IFRS 15 and NZ IFRS 16. As Spark Finance has no revenue from contracts with customers and no lease arrangements, there is no financial impact on adoption.

Note 2 Finance income and expense

	2018	2017
	UNAUDITED	UNAUDITED
SIX MONTHS ENDED 31 DECEMBER	\$M	\$M
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	302	272
Total finance income	302	272
Finance expense:		
Finance expense on long-term debt:		
Foreign Currency Medium Term Notes	5	5
Domestic Notes	14	12
Bank Funding	3	3
Interest expense on loans from other Spark New Zealand Group companies	157	131
Other interest and finance expense	6	5
Total finance expense	185	156

Notes to the interim financial statements

Note 3 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2018	2018
				UNAUDITED	AUDITED
				\$M	\$M
Short-term debt					
Short-term borrowings		Variable	< 1 month	48	-
Commercial paper		Variable	< 5 months	150	149
				198	149
Bank funding					
Bank of New Zealand	100 million NZD	Variable	31/10/2018	-	100
Westpac New Zealand Limited	200 million NZD	Variable	30/11/2020	60	50
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	100	-
MUFG Bank, Ltd	125 million NZD	Variable	30/11/2022	125	125
				285	275
Domestic notes					
250 million NZD		5.25%	25/10/2019	250	250
100 million NZD		4.50%	25/03/2022	102	102
100 million NZD		4.51%	10/03/2023	105	104
125 million NZD		3.37%	07/03/2024	126	-
125 million NZD		3.94%	07/09/2026	124	120
				707	576
Foreign currency Medium Term Notes					
Euro Medium Term Notes - 18 million GBP		5.75%	06/04/2020	34	34
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	154	163
				188	197
				1,378	1,197
Debt due within one year				448	249
Long-term debt				930	948

On 7 September 2018 Spark Finance issued \$125 million of unsecured, unsubordinated fixed rate bonds with a coupon rate of 3.37%, maturing on 7 March 2024. On 31 October 2018 Spark Finance established a new NZ\$100 million committed revolving facility with The Hongkong and Shanghai Banking Corporation Limited, to mature on 30 November 2021.

There have been no other changes in Spark Finance's short-term financing programmes or stand-by facilities since 30 June 2018.

Note 4 Dividends

On 24 August 2018, Spark Finance paid a dividend of 41.5 cents or \$366 million to Spark New Zealand Limited, which was paid through the intercompany current account.

Contact details*Registered office*

The registered office of Spark Finance is:

Level 2
Spark City
167 Victoria Street West
Auckland 1010
New Zealand
Ph +64 4 471 1638 or 0800 108 010

Inquiries

Bondholders with inquiries about transactions, changes of address or interest payments should contact:

Link Market Services Limited
Level 11 Deloitte Centre
PO Box 91976
80 Queen Street
Auckland 1142
Ph +64 9 375 5998 (investor inquiries) or +64 9 375 5999
Fax +64 9 375 5990
enquiries@linkmarketservices.com
linkmarketservices.co.nz

For inquiries about the operating and financial performance of Spark Finance or the Spark New Zealand Group contact:

investor-info@sparknz.co.nz
Investor Relations
Spark Finance Limited
Private Bag 92028
Auckland 1142
New Zealand

Visit the Spark New Zealand website at www.sparknz.co.nz