



SPARK FINANCE LIMITED

Interim financial statements

For the six months ended 31 December 2019

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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 2019.

DIRECTORS' REPORT

Spark Finance Limited ('Spark Finance' or 'the Company') is a wholly-owned subsidiary of Spark New Zealand Limited ('Spark New Zealand' and together with its subsidiaries, the 'Spark New Zealand Group').

Principal activities

The principal activity of Spark Finance is that of a 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 in order to assist in funding their operations.

Principal risks

The key risks to Spark Finance are currency, interest rate, credit and liquidity risks. A summary of these risks and Spark Finance's risk management objectives and policies are set out in note 11 in the Company's annual report, year ended 30 June 2019. The Directors of Spark Finance do not believe there is any significant financial risk to Spark Finance as financial assets are matched by financial liabilities with similar characteristics. Spark Finance enters into derivative financial instruments in order to manage the currency and interest rate risks associated with its borrowings, as well as to manage the currency risk associated with the operations of the Spark New Zealand Group. As the proceeds of debt are advanced to other members of the Spark New Zealand Group, the ability of Spark Finance to meet its obligations under the debt issues depends upon the payment of principal and interest due from other Spark New Zealand Group companies.

Business review

Spark Finance recorded net earnings after tax for the six months ended 31 December 2019 of \$105 million compared to \$84 million for the six months ended 31 December 2018.

The net assets of Spark Finance as at 31 December 2019 were \$911 million compared to \$962 million as at 30 June 2019. The share capital of Spark Finance as at 31 December 2019 is \$883 million (30 June 2019: \$883 million) consisting of 882,872,600 issued and fully paid shares, of which 342,872,600 are ordinary shares. Spark Finance did not acquire any of its own shares during the six months ended 31 December 2019 (31 December 2018: nil).

On 26 August 2019, Spark Finance paid a dividend of 18.0 cents per share or \$159 million to Spark New Zealand Limited via an intercompany advance through a current account (31 December 2018: 41.5 cents per share or \$366 million).

On 18 September 2019, Spark Finance issued A\$125 million of unsecured fixed rate bonds with a coupon rate of 2.6%, maturing on 18 March 2030.

On 25 October 2019, \$250 million of unsecured fixed rate bonds with a coupon rate of 5.25% matured.

The Directors of Spark Finance consider the results of the Company to be satisfactory and the Company to be in a sound financial position.

Spark Finance solely lends to other companies within the Spark New Zealand Group and, 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 for the six months ended 31 December 2019 can be found at investors.sparknz.co.nz.

Based on current expectations, Spark Finance will continue to operate as the principal finance company for the Spark New Zealand Group. Spark Finance does not engage in research and development activities.

On behalf of the Board



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Date: 25 February 2020

DIRECTORS' REPORT

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

We, Stefan Knight 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 2019, 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.



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Date: 25 February 2020

Statement of profit or loss and other comprehensive income

	NOTE	2019 UNAUDITED \$M	2018 UNAUDITED \$M
FOR THE SIX MONTHS ENDED 31 DECEMBER			
Finance income	2	272	302
Finance expense	2	(126)	(185)
Net finance income		146	117
Net earnings before income tax		146	117
Income tax expense		(41)	(33)
Net earnings		105	84
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Cash flow hedges net of tax		3	(14)
Other comprehensive income / (loss)		3	(14)
Total comprehensive income		108	70

See accompanying notes to the financial statements.

Statement of changes in equity

	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVE \$M	TOTAL EQUITY \$M
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019				
Balance at 1 July 2019	883	159	(80)	962
Net earnings	-	105	-	105
Other comprehensive gain	-	-	3	3
Total comprehensive income	-	105	3	108
Dividends paid	-	(159)	-	(159)
Balance at 31 December 2019	883	105	(77)	911

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

Statement of financial position

	NOTE	AS AT 31 DECEMBER 2019 UNAUDITED \$M	AS AT 30 JUNE 2019 AUDITED \$M
Current assets			
Cash		5	-
Prepayments		2	2
Short-term derivative assets		7	3
Due from other Spark New Zealand Group companies		4,400	3,963
Total current assets		4,414	3,968
Non-current assets			
Due from other Spark New Zealand Group companies		2,596	2,708
Long-term derivative assets		26	31
Deferred tax assets		30	31
Investment in fellow Spark New Zealand Group companies		540	540
Total non-current assets		3,192	3,310
Total assets		7,606	7,278
Current liabilities			
Taxation payable		106	64
Due to other Spark New Zealand Group companies		4,906	4,732
Short-term derivative liabilities		18	16
Debt due within one year	3	383	433
Accrued interest		3	4
Short-term payables		-	1
Total current liabilities		5,416	5,250
Non-current liabilities			
Long-term derivative liabilities		115	104
Long-term debt	3	1,164	962
Total non-current liabilities		1,279	1,066
Total liabilities		6,695	6,316
Equity			
Share capital		883	883
Reserves		(77)	(80)
Retained earnings		105	159
Total equity		911	962
Total liabilities and equity		7,606	7,278

See accompanying notes to the financial statements.

On behalf of the Board of Spark Finance Limited



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Authorised for issue on: 25 February 2020

Statement of cash flows

	2019	2018
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Cash flows from operating activities		
Payments for interest	(29)	(25)
Net cash flows from operating activities	(29)	(25)
Cash flows from investing activities		
Net advances to other Spark New Zealand Group companies	(133)	(125)
Net cash flows from investing activities	(133)	(125)
Cash flows from financing activities		
Proceeds from derivatives	134	-
Repayment of derivatives	(135)	-
Proceeds from long-term debt	920	1,160
Repayment of long-term debt	(800)	(1,025)
Proceeds from short-term debt	439	766
Repayment of short-term debt	(391)	(719)
Net cash flows from financing activities	167	182
Net cash flow	5	32
Opening cash position	-	11
Closing cash position	5	43

Reconciliation of net earnings to net cash flows from operating activities

	2019	2018
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Net earnings for the period	105	84
Adjustments to reconcile net earnings to net cash flows from operating activities		
Non-cash intercompany income	(272)	(302)
Non-cash intercompany expenses	94	158
Non-cash tax expense	41	33
Amortisation of discount	3	2
Net realised and unrealised losses on financial instruments	1	(1)
Revaluation of long-term debt in fair value hedge	(16)	3
Revaluation of derivatives in a fair value hedge	15	(2)
Net cash flows from operating activities	(29)	(25)

Notes to the 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 2019.

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 Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and comply 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 2019. 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 2019 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2019.

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.

Certain comparative information has been updated to conform with the current period's presentation.

Note 2 Finance income and expense

	2019	2018
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	272	302
Total finance income	272	302
Finance expense:		
Finance expense on long-term debt:		
Foreign Currency Medium Term Notes	7	4
Domestic Notes	10	14
Bank Funding	2	3
Other Long-term Debt (Forward start swaps)	6	2
Interest expense on loans from other Spark New Zealand Group companies	95	157
Other interest and finance expense	6	5
Total finance expense	126	185

Notes to the financial statements

Note 3 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2019	2019
				UNAUDITED	AUDITED
				\$M	\$M
Short-term debt					
Commercial paper		Variable	< 5 months	199	150
				199	150
Bank funding					
Westpac New Zealand Limited	200 million NZD	Variable	30/11/2020	150	-
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	100	40
MUFG Bank, Ltd	125 million NZD	Variable	30/11/2022	125	100
				375	140
Domestic notes					
250 million NZD		5.25%	25/10/2019	-	250
100 million NZD		4.50%	25/03/2022	102	103
100 million NZD		4.51%	10/03/2023	106	107
125 million NZD		3.37%	07/03/2024	130	130
125 million NZD		3.94%	07/09/2026	131	131
				469	721
Foreign currency Medium Term Notes					
Euro Medium Term Notes - 18 million GBP		5.75%	06/04/2020	34	33
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	172	173
Norwegian Medium Term Notes - 1 billion NOK		3.07%	19/03/2029	169	178
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	129	-
				504	384
				1,547	1,395
Debt due within one year				383	433
Long-term debt				1,164	962

Notes to the financial statements

Note 3 Debt (continued)

On 18 September 2019, Spark Finance issued A\$125 million of unsecured fixed rate bonds with a coupon rate of 2.6% maturing on 18 March 2030.

On 25 October 2019, \$250 million of unsecured fixed rate bonds with a coupon rate of 5.25% matured.

There have been no other changes in Spark Finance's short-term financing programmes or stand-by facilities since 30 June 2019.

Net debt

Net debt at hedged rates, the primary net debt measure Spark Finance monitors, includes long-term debt at the value of hedged cash flows due to arise on maturity, plus short-term debt, less any cash. Net debt at carrying value includes the non-cash impact of fair value hedge adjustments and any unamortised discount.

Net debt at hedged rates is a non-GAAP measure and is not defined in accordance with NZ IFRS but is a measure used by management. A reconciliation of net-debt at hedged rates and net debt at carrying value is provided below:

	AS AT 31 DECEMBER 2019 UNAUDITED \$M	AS AT 30 JUNE 2019 AUDITED \$M
Cash	(5)	-
Short-term debt	199	150
Long-term debt at face value	1,315	1,205
Net debt at face value	1,509	1,355
To retranslate debt balances at swap rates where hedged by currency swaps	25	15
Net debt at hedged rates¹	1,534	1,370
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments ²	31	31
Unamortised discount	(1)	-
Net debt at carrying value	1,564	1,401

¹ Net debt at the value of hedged cash flows due to arise on maturity and includes adjustment to state principal of foreign currency medium term notes at the hedged currency rate.

² Fair value hedge adjustments arise on domestic notes in fair value hedges and foreign currency medium term notes in dual fair value and cash flow hedges. These have no impact on the cash flows to arise on maturity.

Note 4 Dividends

On 26 August 2019, Spark Finance paid a dividend of 18.0 cents per share or \$159 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:

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Inquiries

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

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