



Spark Finance Limited

Half-year Report

For the six months ended 31 December 2015

Directors' report

For the six months ended 31 December 2015

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'). 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. Spark Finance enters into derivative financial instruments to manage the foreign exchange and interest rate risk associated with its borrowings, as well as to manage the foreign exchange risk associated with the operations of the Spark New Zealand Group.

Spark Finance recorded net earnings for the six months ended 31 December 2015 of \$119 million compared to a net earnings of \$126 million for the six months ended 31 December 2014. Spark Finance's earnings were previously volatile due to its exposure to movements in foreign exchange rates on an intercompany loan held on behalf of the Spark New Zealand Group. This intercompany loan was repaid in June 2015, and as a result the net foreign exchange loss for the six months ended 31 December 2015 was nil, compared to a net loss of \$56 million for the six months ended 31 December 2014. For the six months ended 31 December 2015, finance income decreased by \$71 million primarily as the result of a reduction in the interest rate charged on amounts due from other Spark NZ group companies from 10% to 8% on 1 August 2015. On 28 August 2015, Spark Finance paid a dividend of 48.7 cents per share or \$430 million to Spark New Zealand Limited.

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 can be found at investors.sparknz.co.nz.

On behalf of the Board



Jolie Hodson
DIRECTOR



Matthew Sheppard
DIRECTOR

22 February 2016

Directors' report

For the six months ended 31 December 2015

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

We, Jolie Hodson and Matthew Sheppard, both directors of Spark Finance Limited (herein after the 'Issuer') hereby declare that, to the best of our knowledge, the condensed financial statements for the period ended 31 December 2015, 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 income statement 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.



Jolie Hodson
DIRECTOR



Matthew Sheppard
DIRECTOR

22 February 2016

Condensed Interim Income Statement

For the six months ended 31 December 2015

	Notes	Six months ended 31 December	
		2015 Unaudited \$m	2014 Unaudited \$m
Finance income	2	351	422
Finance expense	2	(187)	(169)
Net finance income		164	253
Other incomes	3	1	-
Other expenses	3	-	(57)
Net earnings before income tax		165	196
Income tax expense		(46)	(70)
Net earnings for the period		119	126

Condensed Interim Statement of Comprehensive Income

For the six months ended 31 December 2015

	Six months ended 31 December	
	2015 Unaudited \$m	2014 Unaudited \$m
Net earnings for the period	119	126
Other comprehensive income/(loss) ¹ :		
Cash flow hedges	(4)	(10)
Income tax relating to components of other comprehensive income/(loss)	1	3
Other comprehensive (loss)/income for the period, net of tax	(3)	(7)
Total comprehensive income for the period	116	119

¹ All of these items may be reclassified to profit or loss.

The accompanying notes form part of, and are to be read in conjunction with, these condensed interim financial statements.

Condensed Interim Statement of Changes in Equity

For the six months ended 31 December 2015

Six months ended 31 December 2015 Unaudited	Contributed capital \$m	Retained earnings \$m	Hedge reserve \$m	Total equity \$m
Balance as at 1 July 2015	883	1,176	(8)	2,051
Net earnings for the period	-	119	-	119
Other comprehensive loss for the period	-	-	(3)	(3)
Total comprehensive income/(loss)	-	119	(3)	116
Dividend paid	-	(430)	-	(430)
Balance as at 31 December 2015	883	865	(11)	1,737

Six months ended 31 December 2014 Unaudited	Contributed capital \$m	Retained earnings \$m	Hedge reserve \$m	Total equity \$m
Balance as at 1 July 2014	883	780	-	1,663
Net earnings for the period	-	126	-	126
Other comprehensive loss for the period	-	-	(7)	(7)
Total comprehensive income/(loss)	-	126	(7)	119
Balance as at 31 December 2014	883	906	(7)	1,782

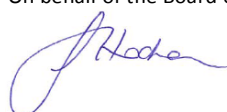
The accompanying notes form part of, and are to be read in conjunction with, these condensed interim financial statements.

Condensed Interim Statement of Financial Position

As at 31 December 2015

		31 December 2015 Unaudited \$m	30 June 2015 Audited \$m
ASSETS			
Current assets:			
Cash		2	44
Prepayments		-	1
Due from other Spark New Zealand Group companies		4,338	4,607
Short-term derivative assets		6	8
Total current assets		4,346	4,660
Non-current assets:			
Due from other Spark New Zealand Group companies		3,008	4,981
Deferred tax asset		4	4
Long-term derivative assets		14	10
Investments		540	540
Total non-current assets		3,566	5,535
Total assets		7,912	10,195
LIABILITIES AND EQUITY			
Current liabilities:			
Income tax payable		164	118
Due to other Spark New Zealand Group companies		5,147	7,298
Short-term derivative liabilities		6	8
Debt due within one year	4	182	150
Accrued interest		6	6
Total current liabilities		5,505	7,580
Non-current liabilities:			
Long-term derivative liabilities		34	22
Long-term debt	4	636	542
Total non-current liabilities		670	564
Total liabilities		6,175	8,144
Equity:			
Share capital		883	883
Reserves		(11)	(8)
Retained earnings		865	1,176
Total equity		1,737	2,051
Total liabilities and equity		7,912	10,195

On behalf of the Board of Spark Finance Limited



Jolie Hodson
DIRECTOR

Authorised for issue on 22 February 2016



Matthew Sheppard
DIRECTOR

The accompanying notes form part of, and are to be read in conjunction with, these condensed interim financial statements.

Condensed Interim Statement of Cash Flow

For the six months ended 31 December 2015

	Six months ended 31 December	
	2015 Unaudited \$m	2014 Unaudited \$m
Cash flows from operating activities		
Interest income	351	422
Interest paid on debt	(184)	(167)
Net cash flows from operating activities	167	255
Cash flows from investing activities		
Net advances to other Spark New Zealand Group companies	(341)	(604)
Net cash flows applied to investing activities	(341)	(604)
Cash flows from financing activities		
Proceeds from long-term debt	400	300
Repayment of long-term debt	(300)	(235)
Proceeds from short-term debt	184	460
Repayment of short-term debt	(152)	(319)
Net cash flows from/(applied to) financing activities	132	206
Net cash flow	(42)	(143)
Net cash at beginning of period	44	150
Net cash position at end of period	2	7

Reconciliation of net earnings to net cash flows from operating activities

	Six months ended 31 December	
	2015 Unaudited \$m	2014 Unaudited \$m
Net earnings for the period	119	126
<i>Adjustments to reconcile net earnings to net cash flows from operating activities</i>		
Amortisation of discount	-	2
Foreign exchange loss	-	56
Revaluation of derivatives	(1)	1
Other	3	-
<i>Changes in assets and liabilities net of effects of non-cash and investing and financing activities</i>		
Increase in current tax payable	46	70
Net cash flows from operating activities	167	255

The accompanying notes form part of, and are to be read in conjunction with, these condensed interim financial statements.

Note 1 Basis of Preparation

These unaudited interim financial statements are for Spark Finance Limited for the six months ended 31 December 2015 and 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 Company 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.

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 2015.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2015. The preparation of the interim financial statements also requires management to make judgements, estimates and assumptions. The Company has been consistent in applying the judgements, estimates and assumptions adopted in the annual financial statements for the year ended 30 June 2015. Critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2015.

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. The Company'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.

The presentation currency of these condensed interim financial statements is New Zealand dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated.

Note 2 Finance income and expense

	Six months ended 31 December	
	2015 Unaudited \$m	2014 Unaudited \$m
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	350	421
Interest income from deposits	1	1
Total finance income	351	422
Finance expense:		
Finance expense on long-term debt:		
- European Medium Term Notes	3	3
- TeleBonds	5	9
- Domestic Notes	9	7
- Bank Funding	3	4
Interest expense on loans from other Spark New Zealand Group companies	164	141
Other interest and finance expense	3	5
Total finance expense	187	169

Note 3 Other income and expenses

	Six months ended 31 December	
	2015 Unaudited \$m	2014 Unaudited \$m
Other income:		
Revaluation of derivatives	1	-
Total other income	1	-
Other expenses:		
Net foreign exchange losses	-	56
Revaluation of derivatives	-	1
Total other expenses	-	57

Administration costs, including audit fees for the period of \$10,691 (31 December 2014: \$10,691, 30 June 2015: \$21,383) have been paid for and recorded by a fellow subsidiary company.

No fees or other remuneration have been paid to the directors by Spark Finance or any related party in respect of services provided by the directors to Spark Finance.

Note 4 Short-term and long-term debt

During the period Spark Finance entered into a NZ\$100 million committed revolving facility with Westpac New Zealand Limited, maturing on 30 November 2016. The facility was undrawn as at 31 December 2015.

Spark Finance issued NZ\$100 million of unsecured, unsubordinated fixed rate bonds ('Bonds') with a coupon rate of 4.51% on 10 December 2015. The Bonds mature on 10 March 2023.

Spark Finance continues to have short-term financing programmes in place: a NZ\$500 million Note Facility, which is undrawn at 31 December 2015 (30 June 2015: same); and a US\$1 billion European Commercial Paper Programme, which is undrawn at 31 December 2015 (30 June 2015: same).

In addition to these short-term financing programmes and the new committed revolving facility outlined above, Spark Finance has a committed stand-by facility of NZ\$200 million (30 June 2015: NZ\$200 million) which was undrawn at 31 December 2015 and a NZ\$100 million committed revolving facility with the Bank of Tokyo Mitsubishi, UFJ Limited of which NZ\$100 million was drawn as at 31 December 2015 (30 June 2015: NZ\$100 million).

	31 December 2015 Unaudited \$m	30 June 2015 Audited \$m
Short term debt	32	-
European Medium Term Notes	87	92
TeleBonds	150	150
Domestic Notes	449	350
Bank funding	100	100
Total Debt	818	692
Debt due within one year	182	150
Debt due greater than one year	636	542
Total Debt	818	692

Note 5 Net tangible assets per security

	31 December 2015 Unaudited \$	31 December 2014 Unaudited \$
Net tangible assets per security	1.97	2.02

Note 6 Dividend

On 28 August 2015, Spark Finance paid a dividend of 48.7 cents per share or \$430 million to Spark New Zealand Limited which was paid through the intercompany current account.

Registered office

The registered office of Spark Finance is:

Level 2
Spark City
167 Victoria Street West
Auckland 1010
New Zealand

Inquiries

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

Link Market Services Limited
PO Box 91976
Auckland 1142
Ph: 09 375 5998 (investor inquiries) or 09 375 5999
Fax: 09 375 5990
NZ Toll Free: 0800 737 100
Email: enquiries@linkmarketservices.com
Website: www.linkmarketservices.co.nz

Inquiries about the operating and financial performance of Spark Finance or the Spark New Zealand Group can be emailed to investor-info@sparknz.co.nz or addressed to:

General Manager Finance and Business Performance
Spark Finance Limited
Private Bag 92028
Auckland 1142
New Zealand

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