



SPARK FINANCE LIMITED

Interim financial statements

For the six months ended 31 December 2021

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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 2021.

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 2021. 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 2021 of \$100 million (31 December 2020: \$105 million).

The net assets of Spark Finance as at 31 December 2021 were \$955 million compared to \$1,032 million as at 30 June 2021. The share capital of Spark Finance as at 31 December 2021 is \$883 million (30 June 2021: \$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 2021 (31 December 2020: nil).

On 27 August 2021, Spark Finance paid a dividend of 23.79 cents per share or \$210 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2020: 24.35 cents per share or \$215 million).

On 30 November 2021, Spark Finance established three Sustainability-Linked Loans totalling \$425 million. These consist of; converting an existing \$200 million facility with Westpac New Zealand, to mature on 30 November 2023; establishing a new \$100 million facility with Commonwealth Bank of Australia, to mature on 30 November 2024; and extending a \$125 million facility with Mitsubishi UFG Financial Group Bank Limited, to mature on 30 November 2025.

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 2021 can be found at investors.sparknz.co.nz/Investor-Centre/.

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.



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Date: 25 February 2022

Statement of profit or loss and other comprehensive income

		2021 UNAUDITED	2020 UNAUDITED
	NOTE	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER			
Finance income	2	212	217
Finance expense	2	(73)	(71)
Net finance income		139	146
Net earnings before income tax		139	146
Income tax expense		(39)	(41)
Net earnings		100	105
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Change in hedge reserves net of tax		33	14
Other comprehensive income		33	14
Total comprehensive income		133	119

See accompanying notes to the interim financial statements.

Statement of changes in equity

		SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVES	TOTAL EQUITY
	NOTE	\$M	\$M	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021					
Balance at 1 July 2021		883	215	(66)	1,032
Net earnings		-	100	-	100
Other comprehensive income		-	-	33	33
Total comprehensive income		-	100	33	133
Dividends paid	4	-	(210)	-	(210)
Balance at 31 December 2021		883	105	(33)	955

		SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVES	TOTAL EQUITY
	NOTE	\$M	\$M	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020					
Balance at 1 July 2020		883	218	(115)	986
Net earnings		-	105	-	105
Other comprehensive income		-	-	14	14
Total comprehensive income		-	105	14	119
Dividends paid	4	-	(215)	-	(215)
Balance at 31 December 2020		883	108	(101)	890

See accompanying notes to the interim financial statements.

Statement of financial position

		AS AT 31 DECEMBER 2021 UNAUDITED \$M	AS AT 30 JUNE 2021 AUDITED \$M
	NOTE		
Current assets			
Cash		16	21
Prepayments		2	2
Short-term derivative assets		4	8
Due from other Spark New Zealand Group companies		3,900	3,768
Total current assets		3,922	3,799
Non-current assets			
Due from other Spark New Zealand Group companies		1,317	1,747
Long-term derivative assets		5	24
Deferred tax assets		13	26
Investment in fellow Spark New Zealand Group companies		540	540
Total non-current assets		1,875	2,337
Total assets		5,797	6,136
Current liabilities			
Taxation payable		121	82
Due to other Spark New Zealand Group companies		2,964	3,551
Short-term derivative liabilities		5	7
Debt due within one year	3	239	359
Accrued interest		2	2
Total current liabilities		3,331	4,001
Non-current liabilities			
Due to other Spark New Zealand Group companies		286	-
Long-term derivative liabilities		58	91
Long-term debt	3	1,167	1,012
Total non-current liabilities		1,511	1,103
Total liabilities		4,842	5,104
Equity			
Share capital		883	883
Reserves		(33)	(66)
Retained earnings		105	215
Total equity		955	1,032
Total liabilities and equity		5,797	6,136

See accompanying notes to the interim financial statements.

On behalf of the Board of Spark Finance Limited



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Authorised for issue on: 25 February 2022

Statement of cash flows

	2021	2020
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Cash flows from operating activities		
Payments for interest	(27)	(26)
Net deposits / (advances) to other Spark New Zealand Group companies	(47)	3
Net cash flows from operating activities	(74)	(23)
Cash flows from financing activities		
Proceeds from long-term debt	3,450	1,660
Repayment of long-term debt	(3,360)	(1,628)
Proceeds from short-term debt	868	971
Repayment of short-term debt	(889)	(944)
Net cash flows from financing activities	69	59
Net cash flow	(5)	36
Opening cash position	21	5
Closing cash position	16	41

Reconciliation of net earnings to net cash flows from operating activities

	2021	2020
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Net earnings for the period	100	105
Adjustments to reconcile net earnings to net cash flows from operating activities		
Non-cash intercompany income	(212)	(217)
Non-cash intercompany expenses	47	45
Non-cash tax expense	39	41
Amortisation of discount	1	1
Net realised and unrealised losses on financial instruments	-	(1)
Revaluation of long-term debt in fair value hedge	(36)	(13)
Revaluation of derivatives in a fair value hedge	35	13
Movement in payables and related items	(1)	-
Movement in amounts with Spark New Zealand Group companies	(47)	3
Net cash flows from operating activities	(74)	(23)

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 2021.

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 2021. 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 2021 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2021. Certain comparative information has been updated to conform with the current year's presentation.

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.

New and amended standards

Spark Finance has adopted amendments issued for New Zealand equivalent to International Financial Reporting Standard ('NZ IFRS') 9 *Financial Instruments* and NZ IFRS 16 *Leases* that address issues arising from the reform of benchmark interest rates. These amendments have not had a material impact on Spark Finance's financial statements.

Note 2 Finance income and expense

	2021	2020
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	212	217
Total finance income	212	217
Finance expense:		
Finance expense on long-term debt:		
Foreign Currency Medium Term Notes	6	4
Domestic Notes	3	4
Bank Funding	1	1
Other Long-term Debt (Forward start swaps)	12	12
Interest expense on loans from other Spark New Zealand Group companies	47	46
Other interest and finance expense	4	4
Total finance expense	73	71

Notes to the financial statements

Note 3 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2021	2021
				UNAUDITED	AUDITED
				\$M	\$M
Short-term debt					
Short-term borrowings		Variable	< 1 month	-	3
Commercial paper		Variable	< 3 months	138	155
				138	158
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	-	100
Mitsubishi UFG Financial Group Bank Limited	125 million NZD	Variable	30/11/2022	-	60
Westpac New Zealand Limited ¹	200 million NZD	Variable	30/11/2023	25	-
Commonwealth Bank of Australia ¹	100 million NZD	Variable	30/11/2024	100	-
Mitsubishi UFJ Financial Group Bank Limited ¹	125 million NZD	Variable	30/11/2025	125	-
				250	160
Domestic notes					
100 million NZD		4.50%	25/03/2022	101	101
100 million NZD		4.51%	10/03/2023	102	104
125 million NZD		3.37%	07/03/2024	125	130
125 million NZD		3.94%	07/09/2026	124	131
				452	466
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	102	106
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	169	177
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	127	132
Norwegian Medium Term Notes - 1 billion NOK ²		3.07%	19/03/2029	168	172
				566	587
				1,406	1,371
Debt due within one year				239	359
Long-term debt				1,167	1,012

¹ These facilities are Sustainability-Linked Loans. Spark Finance will receive lower interest rates if it achieves sustainability targets and higher rates on the loans if it falls short of these targets.

² Norwegian krone

On 30 November 2021, Spark Finance established three Sustainability-Linked Loans totalling \$425 million. These consist of; converting an existing \$200 million facility with Westpac New Zealand, to mature on 30 November 2023; establishing a new \$100 million facility with Commonwealth Bank of Australia, to mature on 30 November 2024; and extending a \$125 million facility with Mitsubishi UFG Financial Group Bank Limited, to mature on 30 November 2025.

There have been no changes in Spark Finance's short-term financing programmes or stand-by facilities since 30 June 2021.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$1,294 million compared to a carrying value of \$1,268 million as at 31 December 2021 (30 June 2021: fair value of \$1,238 million compared to a carrying value of \$1,213 million).

	AS AT	AS AT
	31 DECEMBER	30 JUNE
	2021	2021
	UNAUDITED	AUDITED
	\$M	\$M
Total debt	1,406	1,371
Less short-term debt	(138)	(158)
Total long-term debt (including long-term debt due within one year)	1,268	1,213

Note 4 Dividends

On 27 August 2021, Spark Finance paid a dividend of 23.79 cents per share or \$210 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2020: 24.35 cents per share or \$215 million).

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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