



SPARK FINANCE LIMITED

Interim financial statements

For the six months ended 31 December 2022

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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 2022.

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 10 in the Company's annual report, year ended 30 June 2022. 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 2022 of \$100 million (31 December 2021: \$100 million).

The net assets of Spark Finance as at 31 December 2022 were \$1,003 million compared to \$1,100 million as at 30 June 2022. The share capital of Spark Finance as at 31 December 2022 is \$883 million (30 June 2022: \$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 2022 (31 December 2021: nil).

On 26 August 2022, Spark Finance paid a dividend of 23.22 cents per share or \$205 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2021: 23.79 cents per share or \$210 million).

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 2022 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.

On behalf of the Board

DocuSigned by:

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Stefan Knight
DIRECTOR

DocuSigned by:

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Matthew Sheppard
DIRECTOR

Date: 28 February 2023

Statement of profit or loss and other comprehensive income

SIX MONTHS ENDED 31 DECEMBER	NOTE	2022	2021
		UNAUDITED \$M	UNAUDITED \$M
Finance income	2	217	212
Finance expense	2	(78)	(73)
Net finance income		139	139
Net earnings before income tax		139	139
Income tax expense		(39)	(39)
Net earnings for the period		100	100
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Change in hedge reserves net of tax		8	33
Other comprehensive income for the period		8	33
Total comprehensive income for the period		108	133

See accompanying notes to the interim financial statements.

Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2022	NOTE	SHARE	RETAINED	HEDGE	TOTAL
		CAPITAL \$M	EARNINGS \$M	RESERVES \$M	EQUITY \$M
Balance at 1 July 2022		883	212	5	1,100
Net earnings for the period		-	100	-	100
Other comprehensive income for the period		-	-	8	8
Total comprehensive income for the period		-	100	8	108
Dividends	4	-	(205)	-	(205)
Balance at 31 December 2022		883	107	13	1,003

SIX MONTHS ENDED 31 DECEMBER 2021	NOTE	SHARE	RETAINED	HEDGE	TOTAL
		CAPITAL \$M	EARNINGS \$M	RESERVES \$M	EQUITY \$M
Balance at 1 July 2021		883	215	(66)	1,032
Net earnings for the period		-	100	-	100
Other comprehensive income for the period		-	-	33	33
Total comprehensive income for the period		-	100	33	133
Dividends	4	-	(210)	-	(210)
Balance at 31 December 2022		883	105	(33)	955

See accompanying notes to the interim financial statements.

Statement of financial position

		AS AT 31 DECEMBER 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
	NOTE		
Current assets			
Cash		195	2
Interest receivable		1	-
Short-term derivative assets		2	5
Due from other Spark New Zealand Group companies		4,009	4,263
Total current assets		4,207	4,270
Non-current assets			
Long-term prepayments		1	1
Due from other Spark New Zealand Group companies		1,842	1,842
Long-term derivative assets		32	13
Total non-current assets		1,875	1,856
Total assets		6,082	6,126
Current liabilities			
Taxation payable		119	81
Due to other Spark New Zealand Group companies		3,869	3,373
Short-term derivative liabilities		2	5
Debt due within one year	3	140	261
Accrued interest		8	3
Total current liabilities		4,138	3,723
Non-current liabilities			
Long-term derivative liabilities		95	77
Long-term debt	3	841	1,224
Deferred tax liabilities		5	2
Total non-current liabilities		941	1,303
Total liabilities		5,079	5,026
Equity			
Share capital		883	883
Reserves		13	5
Retained earnings		107	212
Total equity		1,003	1,100
Total liabilities and equity		6,082	6,126

See accompanying notes to the interim financial statements.

On behalf of the Board of Spark Finance Limited

DocuSigned by:



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Stefan Knight

DIRECTOR

DocuSigned by:



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Matthew Sheppard

DIRECTOR

Authorised for issue on: 28 February 2023

Statement of cash flows

	2022	2021
	UNAUDITED	UNAUDITED
	\$M	\$M
SIX MONTHS ENDED 31 DECEMBER		
Cash flows from operating activities		
Receipts from interest	3	-
Payments for interest	(28)	(27)
Net deposits from / (advances to) other Spark New Zealand Group companies	706	(47)
Net cash flows from operating activities	681	(74)
Cash flows from financing activities		
Proceeds from long-term debt	4,715	3,450
Repayment of long-term debt	(5,080)	(3,360)
Proceeds from short-term debt	687	868
Repayment of short-term debt	(810)	(889)
Net cash flows from financing activities	(488)	69
Net cash flow	193	(5)
Opening cash position	2	21
Closing cash position	195	16

Reconciliation of net earnings to net cash flows from operating activities

	2022	2021
	UNAUDITED	UNAUDITED
	\$M	\$M
SIX MONTHS ENDED 31 DECEMBER		
Net earnings for the period	100	100
Adjustments to reconcile net earnings to net cash flows from operating activities		
Non-cash intercompany income	(214)	(212)
Non-cash intercompany expenses	52	47
Non-cash tax expense	39	39
Amortisation of discount	1	1
Non-cash release from hedge reserve	(6)	-
Revaluation of long-term debt in fair value hedge	(18)	(36)
Revaluation of derivatives in a fair value hedge	17	35
Movement in receivables and related items	(1)	-
Movement in payables and related items	5	(1)
Movement in amounts with Spark New Zealand Group companies	706	(47)
Net cash flows from operating activities	681	(74)

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 2022.

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, as appropriate for profit-oriented entities.

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 2022. 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 2022. 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.

Note 2 Finance income and expense

	2022	2021
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	214	212
Interest income on cash	3	-
Total finance income	217	212
Finance expense:		
Net finance expense on long-term debt:		
Foreign Currency Medium Term Notes	14	6
Domestic Notes	9	3
Bank Funding	4	1
Other Long-term Debt ¹	(5)	12
Interest expense on loans from other Spark New Zealand Group companies	52	47
Other interest and finance expense	4	4
Total finance expense	78	73

¹ This is net finance expense on interest rate swaps.

Notes to the financial statements

Note 3 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2022	2021
				UNAUDITED	AUDITED
				\$M	\$M
Short-term debt					
Short-term borrowings		Variable	< 1 month	-	1
Commercial paper		Variable	< 2 months	40	160
				40	161
Bank funding					
Westpac New Zealand Limited ¹	200 million NZD	Variable	30/11/2023	-	140
Commonwealth Bank of Australia ¹	100 million NZD	Variable	30/11/2024	-	100
MUFG Bank, Ltd. ¹	125 million NZD	Variable	30/11/2025	-	125
				-	365
Domestic notes					
100 million NZD		4.51%	10/03/2023	100	100
125 million NZD		3.37%	07/03/2024	121	122
125 million NZD		3.94%	07/09/2026	114	117
100 million NZD ²		4.37%	29/09/2028	100	100
				435	439
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	95	97
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	151	158
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	109	113
Norwegian Medium Term Notes - 1 billion NOK ³		3.07%	19/03/2029	151	152
				506	520
				981	1,485
Debt due within one year				140	261
Long-term debt				841	1,224

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

² This bond is a Sustainability-Linked Bond. The bond includes an interest rate step up depending on the achievement of a sustainability target as at 30 June 2026.

³ Norwegian krone

There have been no changes in Spark Finance's short-term financing programmes, long-term financing programmes or stand-by facilities since 30 June 2022. Net deposits from other Spark New Zealand Group companies were used to repay all bank funding in the period.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$949 million compared to a carrying value of \$941 million as at 31 December 2022 (30 June 2022: fair value of \$1,336 million compared to a carrying value of \$1,324 million).

	AS AT	AS AT
	31 DECEMBER	30 JUNE
2022		
2021		
UNAUDITED		
AUDITED		
\$M		
Total debt	981	1,485
Less short-term debt	(40)	(161)
Total long-term debt (including long-term debt due within one year)	941	1,324

Note 4 Dividends

On 26 August 2022, Spark Finance paid a dividend of 23.22 cents per share or \$205 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2021: 23.79 cents per share or \$210 million).

Contact details

Registered office

The registered office of Spark Finance is:

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New Zealand
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Inquiries

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

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