



# INTERIM FINANCIAL STATEMENTS

FY2023

# 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.

# Statement of profit or loss and other comprehensive income

SIX MONTHS ENDED 31 DECEMBER

	NOTES	2022 UNAUDITED \$M	2021 UNAUDITED \$M
Operating revenues and other gains <sup>1</sup>		2,534	1,890
Operating expenses <sup>1</sup>		(1,492)	(1,352)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	5	1,042	538
Finance income		16	14
Finance expense		(43)	(37)
Depreciation and amortisation		(248)	(257)
Net investment income		(1)	(1)
Net earnings before income tax	4	766	257
Tax income /(expense) <sup>1</sup>		71	(78)
<b>Net earnings for the period</b>	<b>5</b>	<b>837</b>	<b>179</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of long-term investments designated at fair value through other comprehensive income	6	(26)	(3)
<i>Items that may be reclassified to profit or loss:</i>			
Translation of foreign operations		(1)	-
Change in hedge reserves net of tax		5	31
Other comprehensive income for the period		(22)	28
<b>Total comprehensive income for the period</b>		<b>815</b>	<b>207</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		44.7	9.6
Diluted earnings per share (cents)		44.6	9.6
Weighted average ordinary shares (millions)		1,872	1,868
Weighted average ordinary shares and options (millions)		1,875	1,870

See accompanying notes to the interim financial statements.

- 1 These balances have been materially impacted by the Connexa transaction and the Spark Sport provision, see notes 3 and 5 for further details.

## Statement of financial position

	NOTES	AS AT	AS AT
		31 DECEMBER	30 JUNE
		2022	2022
		UNAUDITED	AUDITED
		\$M	\$M
<b>Current assets</b>			
Cash		286	71
Short-term receivables and prepayments		824	839
Short-term derivative assets		-	5
Inventories		108	107
Taxation recoverable		4	1
Assets classified as held for sale		-	198
<b>Total current assets</b>		<b>1,222</b>	<b>1,221</b>
<b>Non-current assets</b>			
Long-term receivables and prepayments <sup>1</sup>		378	197
Long-term derivative assets		32	13
Long-term investments <sup>1</sup>	6	275	212
Deferred tax assets <sup>1</sup>		44	-
Right-of-use assets <sup>1</sup>		531	508
Leased customer equipment assets		77	90
Property, plant and equipment		1,174	1,109
Intangible assets		833	839
<b>Total non-current assets</b>		<b>3,344</b>	<b>2,968</b>
<b>Total assets</b>		<b>4,566</b>	<b>4,189</b>
<b>Current liabilities</b>			
Short-term payables, accruals and provisions		464	460
Taxation payable		-	40
Short-term derivative liabilities		2	1
Short-term lease liabilities <sup>1</sup>		73	52
Debt due within one year	7	148	293
Liabilities classified as held for sale		-	94
<b>Total current liabilities</b>		<b>687</b>	<b>940</b>
<b>Non-current liabilities</b>			
Long-term payables, accruals and provisions		97	64
Long-term derivative liabilities		95	77
Long-term lease liabilities <sup>1</sup>		774	292
Long-term debt	7	852	1,233
Deferred tax liabilities		-	108
<b>Total non-current liabilities</b>		<b>1,818</b>	<b>1,774</b>
<b>Total liabilities</b>		<b>2,505</b>	<b>2,714</b>
<b>Equity</b>			
Share capital		1,111	1,105
Reserves		(375)	(352)
Retained earnings		1,325	722
<b>Total equity</b>		<b>2,061</b>	<b>1,475</b>
<b>Total liabilities and equity</b>		<b>4,566</b>	<b>4,189</b>

See accompanying notes to the interim financial statements.

1 These balances have been materially impacted by the Connexa transaction, see note 3 for further details.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 22 February 2023



Jolie Hodson, Chief Executive

## Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED	SHARE	RETAINED	HEDGE	SHARE-	RE-	FOREIGN	TOTAL
	CAPITAL	EARNINGS	RESERVES	BASED	VALUATION	CURRENCY	
	\$M	\$M	\$M	COMPEN-	RESERVE	TRANSLATION	
	RESERVE			SATION		RESERVE	
	\$M	\$M	\$M	RESERVE	\$M	\$M	\$M
<b>Balance at 1 July 2022</b>	<b>1,105</b>	<b>722</b>	<b>8</b>	<b>5</b>	<b>(343)</b>	<b>(22)</b>	<b>1,475</b>
Net earnings for the period	-	837	-	-	-	-	837
Other comprehensive income/(loss) for the period	-	-	5	-	(26)	(1)	(22)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>837</b>	<b>5</b>	<b>-</b>	<b>(26)</b>	<b>(1)</b>	<b>815</b>
Contributions by, and distributions to, owners:							
Dividends	-	(234)	-	-	-	-	(234)
Supplementary dividends	-	(24)	-	-	-	-	(24)
Tax credit on supplementary dividends	-	24	-	-	-	-	24
Issuance of shares under share schemes	3	-	-	(1)	-	-	2
Other transfers	3	-	-	-	-	-	3
<b>Total transactions with owners for the period</b>	<b>6</b>	<b>(234)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(229)</b>
<b>Balance at 31 December 2022</b>	<b>1,111</b>	<b>1,325</b>	<b>13</b>	<b>4</b>	<b>(369)</b>	<b>(23)</b>	<b>2,061</b>

  

SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED	SHARE	RETAINED	HEDGE	SHARE-	RE-	FOREIGN	TOTAL
	CAPITAL	EARNINGS	RESERVES	BASED	VALUATION	CURRENCY	
	\$M	\$M	\$M	COMPEN-	RESERVE	TRANSLATION	
	RESERVE			SATION		RESERVE	
	\$M	\$M	\$M	RESERVE	\$M	\$M	\$M
<b>Balance at 1 July 2021</b>	<b>1,084</b>	<b>779</b>	<b>(63)</b>	<b>3</b>	<b>(288)</b>	<b>(23)</b>	<b>1,492</b>
Net earnings for the period	-	179	-	-	-	-	179
Other comprehensive income/(loss) for the period	-	-	31	-	(3)	-	28
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>179</b>	<b>31</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>207</b>
Contributions by, and distributions to, owners:							
Dividends	-	(233)	-	-	-	-	(233)
Supplementary dividends	-	(23)	-	-	-	-	(23)
Tax credit on supplementary dividends	-	23	-	-	-	-	23
Dividend reinvestment plan	8	-	-	-	-	-	8
Issuance of shares under share schemes	4	-	-	-	-	-	4
Other transfers	(1)	-	-	-	-	-	(1)
<b>Total transactions with owners for the period</b>	<b>11</b>	<b>(233)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(222)</b>
<b>Balance at 31 December 2021</b>	<b>1,095</b>	<b>725</b>	<b>(32)</b>	<b>3</b>	<b>(291)</b>	<b>(23)</b>	<b>1,477</b>

## Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTES	2022 UNAUDITED \$M	2021 UNAUDITED \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		1,975	1,901
Receipts from interest		16	13
Payments to suppliers and employees		(1,460)	(1,327)
Payments for income tax		(120)	(93)
Payments for interest on debt		(23)	(23)
Payments for interest on leases		(15)	(10)
Payments for interest on leased customer equipment assets		(4)	(3)
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>369</b>	<b>458</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		1	-
Proceeds from sale of business	3	894	-
Proceeds from long-term investments		-	3
Receipts from finance leases		1	2
Payments for, and advances to, long-term investments		(2)	(39)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(246)	(216)
Payments for capitalised interest		(5)	(3)
<b>Net cash flows from investing activities</b>		<b>643</b>	<b>(253)</b>
<b>Cash flows from financing activities</b>			
Net (repayments of)/proceeds from debt		(517)	99
Payments for dividends		(234)	(225)
Payments for leases		(31)	(33)
Payments for leased customer equipment assets		(15)	(25)
<b>Net cash flows from financing activities</b>		<b>(797)</b>	<b>(184)</b>
<b>Net cash flow</b>		<b>215</b>	<b>21</b>
Opening cash position		71	72
<b>Closing cash position</b>		<b>286</b>	<b>93</b>

See accompanying notes to the interim financial statements.

# Notes to the interim financial statements

## NOTE 1 About this report

### Reporting entity

These unaudited interim financial statements are for Spark New Zealand Limited (the 'Company') and its subsidiaries (together 'Spark' or 'the Group') for the six months ended 31 December 2022.

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. The Company is listed on the New Zealand Main Board equity security market and the Australian Securities Exchange.

### 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.

Except for the implementation of the amendment to New Zealand equivalents to International Financial Reporting Standard (NZ IFRS) 16 Leases, the accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2022. The preparation of the interim financial statements requires management to make estimates and assumptions. Spark has been consistent in applying the 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 relate to long-term debt. There were no changes in valuation techniques during the period. Spark's derivatives are held at fair value, calculated

using discounted cash flow models and observable market rates of interest and foreign exchange. This represents a Level 2 measurement under the fair value measurement hierarchy, being inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

At 31 December 2022, capital expenditure amounting to \$466 million (31 December 2021: \$350 million) had been committed under contractual arrangements.

### New and amended standards

Spark has adopted amendments issued for NZ IFRS 16 Leases which add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in NZ IFRS 15 *Revenue from contracts with customers* to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right-of-use it retains. This amendment resulted in the inclusion of an estimate of variable lease payments in the measurement of the lease liability recognised with Connexa Limited (Connexa), see note 3 for the opening leaseback liability balances recognised.

## Notes to the interim financial statements

### NOTE 2 Significant transactions and events for the current period

The following significant transactions and events affected the financial performance and financial position of Spark for the six month period to 31 December 2022:

#### Capital expenditure

- Spark's additions to property, plant and equipment and intangible assets were \$250 million, details of which are available in a separate detailed financials file on the investor section of Spark's website at: [investors.sparknz.co.nz/investor-centre](https://investors.sparknz.co.nz/investor-centre).

#### Dividends

- Dividends paid during the six month period ended 31 December 2022 in relation to the H2 FY22 second-half dividend (ordinary dividend of 12.5 cents per share) totalled \$234 million or 12.5 cents per share.

#### Connexa

- On 14 October 2022, Spark completed the sale of Connexa (formerly TowerCo) to Ontario Teachers' Pension Plan (OTPP) Board and reinvested in a 30% share of the Connexa group, through the holding company FrodoCo Holdings Limited (FrodoCo). A breakdown of the impact on the Group is contained within note 3.
- The intention is to use the proceeds from the sale to; return up to \$350 million to shareholders through an on-market share buy-back (further details are provided in note 10), invest a further \$350 million in future growth opportunities and to offset debt headroom requirements resulting from the increased lease liability from Spark's long-term agreement with Connexa. At 31 December 2022, the excess proceeds had been used to reduce debt with no drawdowns on Spark's bank funding arrangements, commercial paper significantly reduced to \$40 million and \$131 million of cash was held on deposit.

- On 15 December 2022, Spark announced that Connexa reached an agreement with 2degrees Mobile (2degrees), to acquire 2degrees' passive mobile telecommunications tower assets. Spark will not contribute equity to the acquisition, which will result in its shareholding in FrodoCo being diluted from 30% to approximately 17%. The transaction is anticipated to occur by the end of the 2023 calendar year, conditional on Overseas Investment Office and Commerce Commission approval.

#### Spark Sport

- On 16 December 2022, Spark announced that Television New Zealand will become the home for the majority of Spark Sport content, subject to rights holder agreement, from 1 July 2023. As a result, a one-off provision of \$52 million has been recognised in the period, which includes ongoing obligations under content rights agreements that extend to FY28.



## Notes to the interim financial statements

### NOTE 3 Sale of Connexa

During the period Spark sold its subsidiary Connexa which contained its passive mobile tower assets. Under the terms of the transaction, Spark has entered into a 15 year lease agreement with Connexa to secure access to existing and new towers. Spark has also retained a 30% interest in the Connexa group, through the holding company FrodoCo, which is equity accounted for as an investment in associate.

The effect of the disposal to Spark is set out below:

	14 OCTOBER 2022 UNAUDITED \$M
Net cash inflow arising on disposal of subsidiary	911
Less: incremental transaction costs <sup>1</sup>	(17)
<b>Net cash flow on sale of business</b>	<b>894</b>
Property, plant and equipment and intangible assets disposed of	(94)
Sale and leaseback right-of-use asset recognised	40
Sale and leaseback liability recognised	(488)
<b>Investment in the Connexa group</b>	
Investment in associate	89
Loans receivable from FrodoCo	148
Less: unearned revenue <sup>2</sup>	(5)
<b>Net gain on disposal</b>	<b>584</b>

1 These incremental transaction costs include: success fees, legal fees, consultant fees and additional labour costs.

2 Unearned revenue relates to the sale of additional mobile tower assets which are still under construction. This revenue will be recognised when these assets are delivered to Connexa, which is expected to occur within the next 12 months.

### Impact of sale of Connexa on the statement of financial position as at 31 December 2022

The significant balances included within the statement of financial position as at 31 December 2022 as a result of the Connexa transaction were as follows:

	31 DECEMBER 2022 UNAUDITED \$M	DESCRIPTION OF THE BALANCE RELATING TO THE CONNEXA TRANSACTION
Long-term receivables and prepayments	150	Loans receivable from FrodoCo
Long-term investments	87	Investment in associate
Right-of-use assets <sup>1</sup>	41	Sale and leaseback right-of-use asset
Deferred tax assets	126	Deferred tax asset on the lease with Connexa
Short-term lease liabilities <sup>1</sup>	(15)	Short-term portion of sale and leaseback liability
Long-term lease liabilities <sup>1</sup>	(477)	Long-term portion of sale and leaseback liability

1 These balances have increased since the transaction date due to additional sites being leased from Connexa between the transaction date and 31 December 2022.

## Notes to the interim financial statements

### NOTE 3 Sale of Connexa (continued)

#### Deferred tax assets and income tax credit

Due to the difference between the right-of-use assets and lease liabilities recognised at the date of the transaction, a non-cash deferred tax asset of \$126 million was recognised, with a corresponding adjustment to tax income. As noted in the statement of cash flows on page 6, payments for income tax in H1 FY23 were \$120 million (H1 FY22: \$93 million).

#### Assignment of ground leases

As part of the transaction, Spark assigned its ground leases for the mobile sites to be sold to Connexa. As a result, Spark remeasured these lease liabilities to the next right of renewal as at this point these leases will be novated to Connexa. This resulted in a \$51 million reduction of the lease liabilities and right-of-use assets which were held for sale. On the sale of Connexa the right-of-use assets were replaced with finance lease receivables equal to the lease liabilities which were transferred back from held for sale.

### NOTE 4 Segment information

The segment results disclosed are based on those reported to the Chief Executive and are how Spark reviews its performance. Spark's segments are measured based on product margin, which includes product operating revenues and direct product costs. The segment results exclude other gains, labour, operating expenses, finance income and expense, depreciation and amortisation, net investment income and income tax expense, as these are assessed at an overall Group level by the Chief Executive.

SIX MONTHS ENDED 31 DECEMBER	2022			2021		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
UNAUDITED	\$M	\$M	\$M	\$M	\$M	\$M
Mobile	732	(255)	477	678	(241)	437
Voice	122	(51)	71	146	(60)	86
Broadband	313	(164)	149	324	(158)	166
Cloud, security and service management	214	(54)	160	224	(48)	176
Procurement and partners	319	(292)	27	301	(275)	26
Managed data, networks and services	142	(78)	64	140	(75)	65
Other products <sup>1</sup>	104	(55)	49	61	(28)	33
<b>Segment results</b>	<b>1,946</b>	<b>(949)</b>	<b>997</b>	<b>1,874</b>	<b>(885)</b>	<b>989</b>

1 Other products includes revenue from Entelar Group, Qrious, Internet of Things, Spark Sport and exchange building sharing arrangements.

## Notes to the interim financial statements

### NOTE 4 Segment information (continued)

#### Reconciliation from segment product margin to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER	2022	2021
UNAUDITED	\$M	\$M
Segment product margin	997	989
Other gains		
Net gain on sale of Connexa	584	-
Gain on lease modifications and terminations	4	16
Labour	(269)	(263)
Other operating expenses		
Network support costs	(45)	(44)
Computer costs	(57)	(55)
Accommodation costs	(40)	(30)
Advertising, promotions and communication	(33)	(34)
Bad debts	(4)	(3)
Impairment expense	-	(2)
Spark Sport provision	(52)	-
Other	(43)	(36)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,042	538
Finance income		
Finance lease interest income	4	6
Other interest income	12	8
Finance expense		
Finance expense on long-term debt	(22)	(23)
Other interest and finance expenses	(7)	(4)
Lease interest expense	(15)	(10)
Leased customer equipment interest expense	(4)	(3)
Capitalised interest	5	3
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	(114)	(116)
Depreciation - right-of-use assets	(36)	(40)
Depreciation - leased customer equipment assets	(19)	(18)
Amortisation - intangible assets	(79)	(83)
Net investment income		
Share of associates' and joint ventures' net losses	(3)	(1)
Interest income on loans receivable from associates and joint ventures	2	-
<b>Net earnings before income tax</b>	<b>766</b>	<b>257</b>

## Notes to the interim financial statements

### NOTE 5 Non-GAAP measures

Spark uses non-GAAP financial measures that are not prepared in accordance with NZ IFRS. Spark believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the financial performance, financial position or returns of Spark. These measures are also used internally to evaluate performance of products, to analyse trends in cash-based expenses, to establish operational goals and allocate resources. However, they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS, as they are not uniformly defined or utilised by all companies in New Zealand or the telecommunications industry.

#### Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)

Spark calculates EBITDAI by adding back finance expense, depreciation and amortisation and income tax expense and subtracting finance income and net investment income (which includes Spark's share of net profits or losses from associates and joint ventures, interest income on loans receivable from associates and joint ventures and dividend income) to net earnings. A reconciliation of Spark's EBITDAI and adjusted EBITDAI is provided below and based on amounts taken from, and consistent with, those presented in these interim financial statements.

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2022 \$M	2021 \$M
Net earnings for the period reported under NZ IFRS	837	179
Less: finance income	(16)	(14)
Add back: finance expense	43	37
Add back: depreciation and amortisation	248	257
Less: net investment income	1	1
Add back: tax (income)/expense	(71)	78
<b>EBITDAI</b>	<b>1,042</b>	<b>538</b>

#### Adjusted EBITDAI and adjusted net earnings

Spark's policy is to present 'adjusted EBITDAI' and 'adjusted net earnings' when a financial year includes significant items (such as gains, expenses and impairments) individually greater than \$25 million. In the six months ended 31 December 2022 the net gain on sale of Connexa of \$584 million and the one off provision of \$52 million for Spark Sport as described in note 2 were deemed significant items to adjust. There were no significant items to adjust for the six months ended 31 December 2021.

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2022 \$M	2021 \$M
EBITDAI	1,042	538
Less: gain on sale of Connexa	(584)	-
Add: Spark Sport provision	52	-
<b>Adjusted EBITDAI</b>	<b>510</b>	<b>538</b>

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2022 \$M	2021 \$M
Net earnings for the period reported under NZ IFRS	837	179
Less: gain on sale of Connexa	(584)	-
Add: Spark Sport provision	52	-
Less: tax effect of gain on sale of Connexa and Spark Sport provision	(140)	-
<b>Adjusted net earnings</b>	<b>165</b>	<b>179</b>

## Notes to the interim financial statements

### NOTE 6 Long-term investments

		AS AT 31 DECEMBER 2022 UNAUDITED \$M	AS AT 30 JUNE 2022 AUDITED \$M
Measurement basis			
Shares in Hutchison	Fair value through other comprehensive income	79	105
Investment in associates and joint ventures	Equity method	190	101
Other long-term investments	Cost	6	6
		<b>275</b>	<b>212</b>

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and its fair value is measured using the observable bid share price as quoted on the ASX, classified as being within Level 1 of the fair value hierarchy. As at 31 December 2022 the quoted price of Hutchison's shares on the ASX was AUD\$0.055 (30 June 2022: AUD\$0.070). The decrease in fair value of \$26 million is recognised in other comprehensive income (30 June 2022: \$55 million decrease).

Included within investment in associates and joint ventures is \$87 million for Spark's investment in the Connexa group, see note 3 for further details.

#### Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2022 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Adroit Holdings Limited	Associate	New Zealand	47%	Environmental IoT solutions
Flok Limited	Associate	New Zealand	38%	Hardware and software development
FrodoCo Holdings Limited <sup>1</sup>	Associate	New Zealand	30%	A holding company for Connexa
Hourua Limited <sup>2</sup>	Joint Venture	New Zealand	50%	Delivering the Public Safety Network
Pacific Carriage Holdings Limited, Inc.	Associate	United States	41%	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	41%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

<sup>1</sup> Parent company for Connexa.

<sup>2</sup> Spark and Vodafone established Hourua Limited to provide priority cellular services to the Public Safety Network which is the new communications service that will be used by New Zealand's frontline emergency responders.

## Notes to the interim financial statements

### NOTE 7 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2022	2022
				UNAUDITED	AUDITED
				\$M	\$M
<b>Short-term debt</b>					
Commercial paper		Variable	< 2 months	40	160
				40	160
<b>Supplier financing arrangements<sup>1</sup></b>					
Amounts with a term less than six months		8.33%	< 6 months	-	19
Amounts due within one year		Variable	< 2 years	8	14
Amounts due in more than a year		Variable	< 2 years	11	9
				19	42
<b>Bank funding</b>					
Westpac New Zealand Limited <sup>2</sup>	200 million NZD	Variable	30/11/2023	-	140
Commonwealth Bank of Australia <sup>2</sup>	100 million NZD	Variable	30/11/2024	-	100
MUFG Bank, Ltd. <sup>2</sup>	125 million NZD	Variable	30/11/2025	-	125
				-	365
<b>Domestic notes</b>					
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 <sup>3</sup>		4.37%	29/09/2028	100	100
				435	439
<b>Foreign currency Medium Term Notes</b>					
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 <sup>4</sup>		3.07%	19/03/2029	151	152
				506	520
				<b>1,000</b>	<b>1,526</b>
Debt due within one year				148	293
Long-term debt				852	1,233

1 Supplier financing arrangements relate to amounts payable to suppliers on extended payment terms and are therefore considered as debt. Amounts paid under these arrangements are presented in the statement of cashflows within financing activities.

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

3 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.

4 Norwegian krone.

## Notes to the interim financial statements

### NOTE 7 Debt (continued)

There have been no changes in Spark's short-term financing programmes, long-term financing programmes or stand-by facilities since 30 June 2022. Excess proceeds from the Connexa transaction were used to repay all bank funding in the period, see note 3 for further details.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$968 million compared to a carrying value of \$960 million as at 31 December 2022 (30 June 2022: fair value of \$1,359 million compared to a carrying value of \$1,347 million).

	AS AT 31 DECEMBER	AS AT 30 JUNE
	2022	2022
	UNAUDITED	AUDITED
	\$M	\$M
Total debt	1,000	1,526
Less short-term debt	(40)	(179)
<b>Total long-term debt (including long-term debt due within one year)</b>	<b>960</b>	<b>1,347</b>

#### Net debt

Net debt at hedged rates, the primary net debt measure Spark 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	AS AT 30 JUNE
	2022	2022
	UNAUDITED	AUDITED
	\$M	\$M
Cash	(286)	(71)
Short-term debt at face value	40	179
Long-term debt at face value	1,033	1,417
<b>Net debt at face value</b>	<b>787</b>	<b>1,525</b>
To retranslate debt balances at swap rates where hedged by currency swaps	11	(3)
<b>Net debt at hedged rates<sup>1</sup></b>	<b>798</b>	<b>1,522</b>
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments <sup>2</sup>	12	10
Unamortised discount	-	(1)
<b>Net debt at carrying value</b>	<b>810</b>	<b>1,531</b>

1 Net debt at hedged rates is the value of hedged cash flows due to arise on maturity and includes an adjustment to state the 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.

## Notes to the interim financial statements

### NOTE 8 Reconciliation of net earnings to net cash flows from operating activities

SIX MONTHS ENDED 31 DECEMBER	2022	2021
UNAUDITED	\$M	\$M
Net earnings for the period	837	179
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	248	257
Bad and doubtful accounts	5	5
Deferred income tax	(147)	(14)
Share of associates' and joint ventures' net losses	3	1
Impairments	-	2
Gain on lease modifications and terminations	(4)	(16)
Net gain on sale of Connexa	(584)	-
Other	(4)	-
Spark Sport provision	52	-
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(4)	(16)
Movement in inventories	(1)	(29)
Movement in current taxation	(44)	1
Movement in payables and related items	12	88
<b>Net cash flows from operating activities</b>	<b>369</b>	<b>458</b>



# Notes to the interim financial statements

## NOTE 9 Dividends

On 22 February 2023, the Board approved the payment of a first half ordinary dividend of 13.5 cents per share or approximately \$253 million. The dividend will be 100% imputed. In addition, supplementary dividends totalling approximately \$26 million will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Spark will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

	H1 FY23 ORDINARY DIVIDENDS
<b>Dividends declared</b>	
Ordinary shares	13.5 cents
American Depository Shares <sup>1</sup>	42.17 US cents
<b>Imputation</b>	
Percentage imputed	100%
Imputation credits per share	5.2500 cents
Supplementary dividend per share <sup>2</sup>	2.3824 cents
<b>'Ex' dividend dates</b>	
New Zealand Stock Exchange	16/03/2023
Australian Securities Exchange	16/03/2023
American Depository Shares	15/03/2023
<b>Record dates</b>	
New Zealand Stock Exchange	17/03/2023
Australian Securities Exchange	17/03/2023
American Depository Shares	16/03/2023
<b>Payment dates</b>	
New Zealand and Australia	6/04/2023
American Depository Shares	17/04/2023

1 Spark's American Depository Shares, each representing five ordinary Spark shares and evidenced by American Depository Receipts (ADRs), are traded over-the-counter in the United States. This is a Level 1 ADR programme that is sponsored by Bank of New York Mellon. For H1 FY23, these are based on the exchange rate at 17 February 2023 of NZ\$1 to US\$0.6247 and a ratio of five ordinary shares per one American Depository Share. The actual exchange rate used for conversion is determined in the week prior to payment when the Bank of New York performs the physical currency conversion.

2 Supplementary dividends are paid to non-resident shareholders.

### Dividend Reinvestment Plan

The Company has a dividend reinvestment plan under which shareholders can elect to receive dividends in additional shares. For the six months ended 31 December 2022 no shares were issued (31 December 2021: shares with a total value of \$8 million were issued) in lieu of dividends. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows.

The dividend reinvestment plan has been suspended for the H1 FY23 dividend and for the foreseeable future.

## Notes to the interim financial statements

### **NOTE 10** Events occurring after the reporting period

On 22 February 2023, Spark New Zealand Limited announced that it has allocated up to NZ\$350 million to undertake an on-market share buy-back that will commence after the Investor Strategy Briefing on 5 April 2023. The shares will be acquired on the NZX and ASX, at prices that are in line with the prevailing market price from time to time during the period of the buy-back.

Spark reserved the right to vary, suspend without notice, or terminate the buy-back programme at any time.



## **Independent Auditor's Review Report to The Shareholders of Spark New Zealand Limited**

### **Conclusion**

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Spark New Zealand Limited ('the Company') and its subsidiaries ('the Group') which comprise the statement of financial position as at 31 December 2022, and, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 3 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

### **Basis for Conclusion**

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for Spark New Zealand Limited in relation to the regulatory audit, other assurance related services (such as trustee reporting), compliance services and non-assurance services provided to the Corporate Taxpayer Group. These services have not impaired our independence as auditor of the Group. In addition to this, the Chief Executive has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Company and its subsidiaries and this matter has not impacted our independence. Also, partners and employees of our firm deal with Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in the Group.

### **Directors' responsibilities for the interim financial statements**

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the review of the interim financial statements**

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the interim financial statements.

**Restriction on use**

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our engagement, for this report, or for the conclusions we have formed.

A handwritten signature in cursive script that reads "Debitte Limited".

**Jason Stachurski, Partner  
for Deloitte Limited**

Auckland, New Zealand

22 February 2023

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