

Product Disclosure Statement



**For an offer of fixed rate bonds
maturing 10 March 2023
by Spark Finance Limited**

Date: 20 November 2015

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on business.govt.nz/disclose. Spark Finance Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

ARRANGER AND JOINT LEAD MANAGER

JOINT LEAD MANAGER

CO-MANAGER



1. Key Information Summary

What is this?

This is an offer of unsecured unsubordinated fixed rate bonds ("Bonds"). The Bonds are debt securities issued by Spark Finance Limited ("SFL"). You give SFL money, and in return SFL promises to pay you interest and repay the money at the end of the term. If SFL runs into financial trouble, you might lose some or all of the money you invested.

About Spark Group

Spark New Zealand Limited ("SNZL") and the companies that it owns make up the "Spark Group". SFL is the principal financing company for the Spark Group. The Spark Group also consists of Spark New Zealand Trading Limited and other subsidiary companies that are primarily engaged in the supply of telecommunications, information and communications technology ("ICT") and digital services in New Zealand.

Purpose of this offer

The purpose of this offer is to raise money for the general corporate purposes of the Spark Group.

Key terms of the offer	
Description of the debt securities	Unsecured unsubordinated fixed rate bonds.
Term	Approximately 7 years maturing on 10 March 2023.
Interest Rate	<p>The Interest Rate will be fixed for the term of the Bonds.</p> <p>The Interest Rate will be equal to the sum of the Swap Rate (a benchmark interest rate for a term of approximately 7 years) and the Margin. The Interest Rate will be determined on 4 December 2015 by SFL and the Joint Lead Managers following completion of the Bookbuild.</p>
Opening Date	30 November 2015
Closing Date	4 December 2015
Interest Payment Dates	10 March, 10 June, 10 September and 10 December in each year during the term of the Bonds, commencing on 10 March 2016.
Who is responsible for repaying you?	<p>SFL is responsible for paying interest on the Bonds and for the repayment of the Bonds.</p> <p>The Bonds are guaranteed by the Guarantors. The Guarantors are certain members of the Spark Group that are considered to be Material Subsidiaries. As at the date of this PDS the Guarantors are Revera Limited, Spark New Zealand Limited, Spark New Zealand Trading Limited, Telecom Enterprises Limited, Telecom Pacific Limited and TCNZ (United Kingdom) Securities Limited. No other members of the Spark Group guarantee the Bonds.</p> <p>More information on the Guarantee and the Guarantors can be found in section 6 of this PDS (Key features of Bonds).</p>
How you can get your money out early	<p>Neither you nor SFL is able to redeem the Bonds before the Maturity Date. However, SFL may be required to repay the Bonds early if an Event of Default occurs. See section 6 of this PDS (Key features of Bonds) for more information.</p> <p>SFL intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of the Spark Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.</p>

Key terms of the offer

How Bonds rank for repayment	<p>The Bonds will rank equally with SFL's other unsecured and unsubordinated obligations. This means in a liquidation of SFL your rights and claims as a Bondholder:</p> <ul style="list-style-type: none">• will rank after all secured creditors (if any) and creditors preferred by law (e.g. employees up to a cap of \$22,160 each and IRD in respect of certain unpaid taxes);• will rank equally with other Bondholders and with all other unsecured unsubordinated creditors (including holders of other bonds issued under the Trust Deed, the banks that lend money to SFL and trade creditors); and• will rank ahead of holders of subordinated debt (if any - currently there is none) and shares in SFL. <p>The Guarantee from each Guarantor ranks equally with all other unsecured and unsubordinated obligations of that Guarantor.</p> <p>More information on how the Bonds rank for repayment can be found in section 6 of this PDS (Key features of Bonds).</p>
No security	<p>The Bonds are not secured against any asset of SFL. The Guarantee is not secured against any assets of the Guarantors.</p>
Where you can find the Spark Group's financial information	<p>The financial position and performance of the Spark Group are essential to an assessment of SFL's ability to meet its obligations under the Bonds. You should also read section 7 of this PDS (Spark Group's financial information).</p>
Key risks affecting this investment	<p>Investments in debt securities have risks. A key risk is that SFL does not meet its commitments to repay you or pay you interest (credit risk). Section 8 of the PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.</p> <p>The interest rate for these Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.</p> <p>SFL considers that the most significant risk factors are:</p> <ul style="list-style-type: none">• Competitive position - the Spark Group operates in competitive markets in mobile, fixed telecommunications (broadband and voice) and ICT services. The ability and level of price premium the Spark Group can achieve is impacted by the level of market competition and associated impacts on pricing, revenue, margin, and the number of customer connections. From time to time, competitors heavily reduce prices to gain customers and market share. To respond, the Spark Group may need to reduce its prices, or accept the loss of some customers and market share. Where an impact on pricing and number of customers occurs, this will impact revenue and earnings (and ultimately the Spark Group's ability to repay its creditors). The most significant risk is in mobile, which makes up nearly 30% of the Spark Group's revenue (and is growing as a proportion year-on-year).• The move to digital products - the fixed telecommunications and ICT services industries are undergoing rapid and significant change, as new digital products are introduced, and customers move to these products from older, more traditional telecommunications products. The Spark Group has a clear strategy to retain these customers by responding to their changing needs. However, a significant part of the Spark Group's revenue is currently made up of fixed services (although this is reducing as a proportion each year). In particular, the Spark Group has a significant number of consumer, business and wholesale customers using copper-based voice services. If the Spark Group is not able to successfully manage these customers to new digital products, then these customers may be lost with an associated impact on financial performance. Due to the high relative margin of fixed telecommunication products, any acceleration in the rate of fixed margin decline could also materially impact the Spark Group's earnings.

Key terms of the offer

Key risks affecting this investment

- **Reputation** - the Spark Group relies for its revenue on its reputation for delivering high quality telecommunications and ICT services. If the Spark Group is not able to maintain this reputation, for example through network or platform failure, or ICT and data security risks, then it may face a loss of reputation, and an associated loss of customers and earnings.
- **Regulation** - some of the Spark Group's products and services are subject to regulatory oversight, with potential impacts, in particular, on the input cost for fixed telecommunications products. Depending on market or regulatory conditions, the Spark Group may be unable to adjust its prices to offset any increase in regulated input costs. Similarly, future regulatory reviews may result in increased regulation of the Spark Group's fixed and mobile services leading to increased competition and/or a decrease in its revenue.

This summary does not cover all of the risks of investing in the Bonds. You should also read section 6 (Key features of Bonds) and section 8 (Risks of investing) of this PDS.

What is SNZL's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

SNZL has been rated by Standard & Poor's. Standard & Poor's gives ratings from "AAA" through to "CC", excluding ratings attached to entities in default, as set out in the table below.

Credit ratings by Standard & Poor's may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

As at the date of this PDS SNZL has been assigned a long-term credit rating of A- by Standard & Poor's, with a stable outlook. SFL expects the initial credit rating assigned to the Bonds by Standard & Poor's will also be A-. SFL expects Standard & Poor's to assign a credit rating to the Bonds prior to the Issue Date.

Range of Credit Ratings for Standard & Poor's	AAA	AA	A SNZL's credit rating A-/stable	BBB	BB	B	CCC	CC
Summary description of the rating	Capacity to make timely payment				Vulnerability to non-payment			
Standard & Poor's statistics on the rate of default for entities with that rating over a period of at least five years	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	1 in 2	

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Letter from the chairperson of Spark New Zealand Limited's board

Dear Investor

On behalf of the directors of Spark New Zealand Limited ("SNZL"), it is our pleasure to provide you with the opportunity to invest in a new issue of Bonds offered by Spark Finance Limited ("SFL"). SFL is the company in the Spark Group that carries out the borrowing activities for the Spark Group. The Bonds offered by SFL are guaranteed by SNZL and certain other members of the Spark Group.

We are delighted to be offering this opportunity to the New Zealand investing public. SFL is seeking to raise up to \$100 million from the offer and may accept oversubscriptions for up to a further \$50 million. The purpose of this offer is to raise money for the general corporate purposes of the Spark Group.

The Spark Group is New Zealand's largest provider of telecommunications, ICT and digital services, serving millions of New Zealanders and thousands of New Zealand businesses every day. We are the largest provider of fixed telecommunications services, and we have leading positions in mobile and ICT services, contributing to annual revenue of more than \$3.5 billion. Our people work in every region of New Zealand, with stores and business hubs across the country and an extensive fixed and mobile data network to serve our customers. Our core Spark and Spark Digital brands are supported by a number of flanking brands, including Skinny Mobile, Bigpipe (broadband), Lightbox (online entertainment) and Revera (cloud ICT services).

Two years ago, we set out a long-term strategy to transform from a traditional telecommunications company to a winning digital services business, inspired by customers to unleash the potential in all New Zealanders. Our most recent financial results have confirmed that we're on track. Throughout this time the Spark Group has maintained a conservative capital management policy. SNZL has an investment grade long-term credit rating of A- from Standard & Poor's with a stable outlook, and the Bonds are also expected to be rated A-.

The Bonds provide quarterly payments at a fixed interest rate. The interest rate for the Bonds will be announced via NZX and on investors.sparknz.co.nz on or about 4 December 2015. To ensure that an investment in the Bonds meets your needs and that you understand the risks of investing in the Bonds, you should carefully read this product disclosure statement. If you have any questions or if you are interested in investing in the Bonds, please contact your usual authorised financial adviser.

We look forward to your participation in this offer.

Yours faithfully



**Chairman
Spark New Zealand Limited**

2. Key dates and Offer process

Opening Date	30 November 2015
Closing Date	4 December 2015
Rate Set Date	4 December 2015
Issue Date	10 December 2015
Expected date of initial quotation and trading of the Bonds on the NZX Debt Market	11 December 2015
First Interest Payment Date	10 March 2016
Interest Payment Dates	10 March, 10 June, 10 September and 10 December in each year
Maturity Date	10 March 2023
<p>The Opening Date and the Closing Date are indicative only and are subject to change. SFL has the right in its absolute discretion and without notice to open or close the Offer early, to accept late applications, and to extend the Closing Date. If the Closing Date is extended, the Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may be extended accordingly. Any such changes will not affect the validity of any applications received.</p> <p>SFL reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable.</p>	
Who may apply under the Offer	<p>All of the Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, Co-Manager, Primary Market Participants and other approved financial intermediaries, and will be allocated to those persons by SFL in consultation with the Joint Lead Managers.</p> <p>Retail investors should contact any Primary Market Participant for details as to how they may acquire the Bonds. You can find a Primary Market Participant by visiting nzx.com/investing/find_a_participant.</p>

3. Terms of the Offer

Issuer	Spark Finance Limited.
Description	Unsecured unsubordinated fixed rate bonds.
Term	Approximately 7 years maturing on 10 March 2023.
Offer amount	Up to \$100 million, plus up to \$50 million oversubscriptions.
Principal Amount	\$1.00 per Bond.
Issue Price	Each Bond is issued at par (\$1.00 per Bond).
Interest Rate	<p>The Interest Rate will be fixed for the term of the Bonds.</p> <p>The Interest Rate will be the sum of the Swap Rate (a benchmark interest rate for a term of approximately 7 years) on the Rate Set Date plus the Margin.</p> <p>The Margin will be set on the Rate Set Date through the Bookbuild process. The Margin and the Interest Rate for the Bonds will be announced via NZX on or about the Rate Set Date.</p>
Bookbuild	The Joint Lead Managers will conduct a Bookbuild process to assist SFL to determine the Margin. The Bookbuild is expected to take place on 4 December 2015 and will involve selected institutional investors, Primary Market Participants and other parties invited to participate in the Bookbuild process lodging bids indicating the number of Bonds they wish to apply for at a range of interest rates.
Interest Payment Dates	10 March, 10 June, 10 September and 10 December in each year during the term of the Bonds, commencing 10 March 2016.
Interest payments	<p>Interest is payable quarterly in arrear in equal amounts on each Interest Payment Date.</p> <p>If the Bonds are repaid on a date that is not an Interest Payment Date following an Event of Default the interest payable on the date of repayment will be adjusted to reflect the number of days from the previous Interest Payment Date (or the Issue Date if the Bonds are repaid prior to the first Interest Payment Date) to the date of repayment.</p> <p>If an Interest Payment Date is not a Business Day the interest payable on that date will be paid on the next following Business Day and no adjustment will be made to the amount payable as a result of the delay in payment.</p>
Entitlement to payments	Payments on the Bonds will be made to the persons who are the registered holders of the Bonds as at 5pm on the tenth day before the relevant payment date or, if that day is not a Business Day, the preceding Business Day or such other date as is advised by the Securities Registrar to holders of Bonds from time to time.
Guarantee	<p>The Bonds are guaranteed by the Guarantors under the Trust Deed.</p> <p>See section 6 of this PDS (Key features of Bonds).</p>
Ranking of Bonds	<p>The Bonds are unsecured unsubordinated obligations of SFL.</p> <p>The Guarantee is the unsecured unsubordinated obligation of each Guarantor.</p> <p>See section 6 of this PDS (Key features of Bonds).</p>

3. Terms of the Offer

Offer Opening and Closing Dates	See section 2 of this PDS (Key dates and Offer process).
How to apply	<p>Application instructions are set out in section 14 of this PDS (How to apply).</p> <p>SFL reserves the right to refuse all or any part of any application for Bonds under the Offer without giving a reason.</p>
Minimum application amount	\$5,000 and in multiples of \$1,000 thereafter.
Scaling	SFL may scale applications under the Offer at its discretion but will not scale any application to below \$5,000.
Refunds	If SFL does not accept an application (whether because of late receipt or otherwise) or accepts an application under the Offer in part only, all or the relevant balance of the application monies received in respect of that application will be repaid to the applicant (without interest) as soon as practicable and, in any event, within five Business Days of the Issue Date.
No underwriting	The Offer is not underwritten.
Brokerage	Applicants are not required to pay brokerage or any charges to SFL in relation to applications under the Offer. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.
Quotation	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been fully complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. The NZX Debt Market is a licensed market operated by NZX, which is a licensed market operator, regulated under the FMC Act.</p> <p>NZX ticker code SPF560 has been reserved for the Bonds.</p>
Early redemption	Bondholders have no right to require SFL to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs (as described below).
Events of Default	<p>If an Event of Default occurs the Supervisor may in its discretion, and must upon being directed to do so in accordance with the Trust Deed by holders of bonds issued under the Trust Deed, declare the Bonds to be immediately due and payable.</p> <p>Section 6 of this PDS (Key features of Bonds) contains more information on Events of Default.</p>
Further bonds	SFL is able to issue further series of bonds without the consent of Bondholders on such terms and conditions (not being inconsistent with the provisions contained in the Trust Deed) as SFL may from time to time determine.
Selling restrictions	<p>The Offer is subject to the selling restrictions contained in section 10 of this PDS (Selling restrictions).</p> <p>By subscribing for Bonds, each investor agrees to indemnify SFL, the Supervisor, the Arranger, the Joint Lead Managers, the Co-Manager and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the investor breaching the selling restrictions contained in section 10 of this PDS (Selling restrictions).</p>

3. Terms of the Offer

No reliance

This PDS does not constitute a recommendation by the Supervisor, the Arranger, any Joint Lead Manager, the Co-Manager or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Bonds.

The Supervisor, the Arranger, the Joint Lead Managers, the Co-Manager and their respective directors, officers, employees, agents or advisers to the extent allowable by law:

- do not accept any responsibility or liability whatsoever for any loss arising from this PDS or the Disclose register or their contents or otherwise arising in connection with the Offer; and
- have not independently verified the information contained in this PDS or the Disclose register and make no representation or warranty, express or implied, and do not accept any responsibility or liability for, the origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this PDS or the Disclose register.

Each recipient of this PDS must make his, her, or its own independent investigation and assessment of the financial condition and affairs of the Spark Group before deciding whether or not to apply for Bonds.

Governing Law

New Zealand.

Trust Deed

The terms and conditions of the Bonds are set out in the Trust Deed, as supplemented by the Supplemental Trust Deed. Bondholders are bound by, and are deemed to have notice of, the Trust Deed and the Supplemental Trust Deed. If you require further information in relation to any terms and conditions of the Trust Deed or the Supplemental Trust Deed you may obtain a copy of these documents from the Disclose register at business.govt.nz/disclose.

Comparable pricing

To assist you to assess the risk premium of the Bonds, you can refer to nzx.com/markets/NZDX/bonds. This website allows you to compare the yield of the financial products listed on the NZX Debt Market. When comparing the yield of two debt securities it is important to consider all relevant factors (including the credit rating (if any), maturity and the other terms of the relevant debt securities).

4. Spark Group and what it does

Summary

The Spark Group is a major supplier of telecommunications, ICT and digital services in New Zealand. The Spark Group provides a full range of these products and services, including (but not limited to): local, national, international and value-added telephone services; mobile services; data networks; broadband services; internet TV; ICT services; and procurement; cloud computing; equipment sales; home security; and data analytics.

The Spark Group was established in 1987 and privatised in 1990. Since then, it has evolved dramatically. One of the most significant changes was in 2011 when Chorus Limited (a network service provider) demerged from the Spark Group. The demerger resulted in the Spark Group becoming a competitive retailer of telecommunications services and Chorus Limited owning and operating the wholesale access network that retail internet service providers ("ISPs") access. As a retail ISP itself, the Spark Group owns and operates its own internal infrastructure, back-haul and mobile networks and certain networks to support Spark Digital customers and Spark Ventures' customer delivery platform.

In August 2014, Telecom Corporation of New Zealand Limited changed its name to Spark New Zealand Limited to better reflect the company's new direction and the aspirations it has for its place in the life of all New Zealanders. The Spark Group's future is focused on digital communication, entertainment and ICT services delivered over the Spark Group's data networks and the cloud.

SNZL is listed on the NZX Main Board and the Australian Securities Exchange, with a market capitalisation of approximately \$5.8 billion as at 17 November 2015.

Industry

The Spark Group operates primarily in the telecommunications, ICT and digital services markets in New Zealand. The Spark Group has a wide range of competitors across its full range of offerings. The two most significant offerings are mobile and broadband. As at 30 June 2015, the Spark Group had 2.18 million mobile connections and 0.68 million broadband connections. The Spark Group's main competitors in the mobile market are: Vodafone; and 2degrees; and in the broadband market: Vodafone; 2degrees (Snap); Callplus (including Orcon and Slingshot); and other smaller players.

The ICT services market is very fragmented with a large number of competing organisations of varying sizes, including (but not limited to): IBM, Dimension Data, Vodafone, Fujitsu, Kordia and Datacom, ranging down to small ICT service businesses.

The subscription video-on-demand (SVOD) TV market is relatively young; however, there are already a number of competitors, including Netflix NZ, Neon and Quickflix, as well as the traditional competition of linear pay TV operator Sky TV.

Significant Subsidiaries

Significant subsidiary companies of the Spark Group and their activities are as follows:

Name	Country of incorporation	Ownership	Principal Activity	Guarantor?
Spark Finance Limited	New Zealand	100%	A Spark Group finance company	No (Issuer)
Spark New Zealand Limited	New Zealand	100%	Listed parent company	Yes
Spark New Zealand Trading Limited	New Zealand	100%	Provides local, national and international telephone and data services	Yes
Revera Limited	New Zealand	100%	ICT infrastructure and data centre provider	Yes
TCNZ (United Kingdom) Securities Limited	United Kingdom	100%	A Spark Group finance company	Yes
Telecom Enterprises Limited	New Zealand	100%	A holding company	Yes
Telecom Pacific Limited	New Zealand	100%	A holding company	Yes
Appserv Limited	New Zealand	100%	Business cloud services	No
Lightbox New Zealand Limited	New Zealand	100%	Subscription video-on-demand service	No
Telecom 3G (Australia) Limited	New Zealand	100%	A holding company	No

Material Acquisitions & Disposals

As part of the Spark Group's strategy to win the future, the Spark Group acquired 100% of the ordinary shares in Revera Limited, an ICT infrastructure and data centre company, in May 2013.

The Spark Group has also sold businesses that were no longer part of the Spark Group's future, which included the successful divestment of:

- the AAPT business in February 2014, which provided telecommunications services in Australia (including AAPT Limited and PowerTel Limited and their subsidiaries); and
- Telecom Rentals Limited in April 2015, which leased telecommunications equipment.

The Spark Group will continue to assess opportunities to grow its business through mergers and acquisitions as part of its normal operations.

Spark Group Strategy

In 2013 the Spark Group set a clear long-term strategy to transform itself for the digital age. The strategy involves a two phase approach, the first of which was focused on resetting the business.

In this reset phase the focus was on stabilising revenue and margin, and reducing costs. The Spark Group also re-engineered many of its traditional ICT systems to give the Spark Group improved customer-management capabilities. In parallel, the Spark Group has narrowed its focus to the New Zealand market, divesting non-core assets from overseas markets or from businesses that no longer fit with the Spark Group's digital services strategy. A successful Turnaround Programme, to increase efficiency and reduce costs, has enabled the Spark Group to invest in new growth areas such as Lightbox, Qrious and Morepork and to compete harder on price and value. Most visibly, resetting for the future meant rebranding core brands as "Spark".

With the reset phase largely complete, the transformation strategy has transitioned to the second phase, aimed at creating value and growth by driving revenue and margin growth with continuing improvement in unit costs.

There is potential revenue growth in three areas. Firstly, through growth in core existing markets, particularly mobile, broadband and ICT services. Secondly, investing in adjacent or high-growth markets, for example cloud, media, smart living and big data. Thirdly, selective merger and acquisition activity, targeting established revenue streams, new capability or extended scope aligned with the Spark Group's core market strategy.

Long-term efficiency and cost-reduction opportunities will also be sought through: realising the full benefits from the Spark Group's two to three year IT systems re-engineering programme, a greater focus on mobile products, a Digital First programme to accelerate the shift to digital customer self-service, evolving software-based networking technologies and ongoing operational and delivery improvements. In particular, the acceleration of improved customer digital experiences is expected to drive greater brand preference measures and improve customer retention and referrals.

Businesses Within the Spark Group

Spark Home, Mobile & Business (Spark HMB)

Spark HMB provides products, services and support to consumers and small business customers. It provides a full range of services and content, data and voice across fibre and copper broadband, 3G and 4G mobile networks and nationwide WiFi zones. Spark HMB has hundreds of face to face points of presence including Spark retail stores, Spark business hubs and mass market retailers. Spark HMB has customer contact centres in Auckland, Hamilton, Christchurch and Manila and an online response team who provide support to Spark customers in New Zealand and as they roam overseas. The key strategic priorities for Spark HMB are to become #1 in the mobile market, to drive growth in the small business market and to hold market share in the broadband market by creating differentiated products and digital service experiences that customers will value and be prepared to pay for.

Spark Digital

Spark Digital provides digital and ICT solutions for the rapidly evolving needs of business, enterprise and government customers to meet the demands of an increasingly globalised and mobile customer base. Spark Digital has unique experience and capability to deliver digital and ICT solutions in New Zealand and is committed to helping customers gain the competitive advantage that digital solutions can deliver.

Spark Digital's core service offerings include:

- Customer sourcing solutions – hardware and software licensing and procurement;
- Managed mobility services – mobile data and ICT solutions and a connected mobility platform using the Spark Group's 4G mobile network and wireless-based technologies;
- Cloud and hosted services – services leveraging data centres, such as security, as-a-service communications solutions and Revera's market-leading infrastructure as-a-service offerings managed and delivered from both Revera and Spark Digital data centres;

- Managed telecommunications services for voice, data and fibre – network-based voice products and services, including hosted call centre solutions, IP-based networks, IP telephony and videoconferencing; and
- Managed ICT services – managed customer infrastructure, managed storage, security and hosting services.

Spark Ventures

Spark Ventures aims to develop a portfolio of new businesses and services that will create long-term value for the Spark Group by delivering connected digital experiences. Spark Ventures is building a portfolio of ventures and acting as an internal incubator and accelerator for new growth opportunities.

Spark Ventures has already launched Lightbox TV, Qrious data analytics, Morepork home security and invested in Vigil health monitoring and Putti smart applications. Spark Ventures was also responsible for developing the nationwide WiFi network and launching Bigpipe broadband and operated Skinny mobile during its initial growth phase.

Spark Connect

Spark Connect is responsible for developing, maintaining and operating the Spark Group's telecommunications and data networks and ICT systems as well as providing services directly to wholesale customers. Spark Connect also provides many critical support services to the Spark Group, such as billing, credit collections, provisioning, procurement and the management of the Spark Group's buildings and leasehold property.

Spark New Zealand Limited Board of Directors

Mark Verbiest

Chairman & non-executive director, appointed 1 December 2011

Mark's experience in the telecommunications sector extends over more than a decade, including 7½ years on the Spark Group's senior executive team from 2000. Mark is an experienced company director, also serving as Chairman of Transpower New Zealand Limited, a director of ANZ Bank New Zealand Limited and Freightways Limited, Chairman of Willis Bond Capital Partners Limited and Willis Bond General Partner Limited, a member of the Commercial Operations Advisory Board of the New Zealand Treasury and is a former board member of the Financial Markets Authority. He is also a trustee of the Southern Lakes Arts Festival Trust and a consultant to national law firm Simpson Grierson. Mark has a law degree from Victoria University of Wellington.

Paul Berriman

Non-executive director, appointed 1 December 2011

Paul joined the SNZL Board in December 2011, bringing over 25 years of international experience in telecommunications, media and convergence. Paul is the Group Chief Technology Officer of the HKT Trust, the listed telecommunications arm of PCCW. He is primarily responsible for leading the group's product and technology roadmap and strategic development. In 2009, Paul was recognised by the IPTV World Forum with their Special Merit Award for Outstanding Industry Contribution and in 2008 he was listed as one of the Global Telecoms Business Magazine's top 100 "most influential persons in telecoms". Before joining PCCW in 2002, Paul was Managing Director of management consultancy Arthur D. Little in Hong Kong and also held roles in Reuters and several major Hong Kong service providers. Paul holds a Bachelor of Science degree in electro-acoustics from the University of Salford in the United Kingdom and a Master of Business Administration degree from the University of Hong Kong. A Chartered Engineer, he is a current or former member of a number of industry working groups and advisory boards.

Murray Horn

Non-executive director, appointed 1 July 2007

Murray's extensive governance experience spans both the corporate and public sectors. He is currently Chair of Wynyard Group Limited and on the Beijing board of the China Construction Bank. Murray previously held a number of senior executive roles with ANZ Banking Group, including leading the group's New Zealand operations. He was Secretary to the New Zealand Treasury and has served on a number of boards, including the Government's National Health Board and the New Zealand Tourism Board. He has represented New Zealand at the Organisation for Economic Co-operation and Development (OECD), as a governor at the World Bank and as an Alternate Director at the International Monetary Fund. Murray received his doctorate from Harvard University in 1989 and has been awarded a number of academic honours in both New Zealand and the United States. Murray was awarded a Companion of the New Zealand Order of Merit (CNZM) in the 2013 Queen's Birthday Honours.

Ido Leffler

Non-executive director, appointed 1 July 2014

Ido is a West Coast United States based entrepreneur with experience in developing digital brands and has extensive networks in the start-up communities of Silicon Valley and Australasia. Ido is the co-founder and Chief Executive at Yoobi, a school supplies company that engages kids through bright colours, cool designs, and most importantly, cause. For every Yoobi item purchased, Yoobi distributes an item to a classroom in need in the US. He is also co-founder of San Francisco-based Yes To Inc., one of the world's leading natural beauty brands, with distribution in over 25,000 stores in over 20 countries. Ido is also Co-founder of Cheeky, a lifestyle brand redefining the boring paper plate and helping end hunger in the process. With each item purchased, Cheeky helps donate a meal through a partnership with Feeding America. Ido sits on numerous corporate/advisory boards including The United Nations Foundation Global Entrepreneur Council and The Dell Global EIR Advisory Board. Fast Company magazine described Ido as among the 1000 most creative people in business, one of 30 top entrepreneurs under 30 and as one of the top 50 Achieving Australians outside of Australia. Ido is the co-author of the book Get Big Fast and Do More Good described as one of the top five business books to read in 2013. Ido attended the University of Technology Sydney where he earned his Bachelor of Business in Marketing & International Business.

Charles Sitch

Non-executive director, appointed 1 December 2011

Charles joined McKinsey & Company in 1987 and in 2000 became a senior director, primarily working with CEOs and Boards on strategy and operations turnarounds, before retiring in 2010. Since 2006 he has been involved in various new business ventures. A director of SNZL since December 2011, Charles is also a member of the board of Trinity College at Melbourne University and the Robin Boyd Foundation and a committee member of the Melbourne Cricket Club. Charles holds an MBA from Columbia Business School and an LLB and BCom from Melbourne University.

Justine Smyth

Non-executive director, appointed 1 December 2011

Justine joined the Board of SNZL in December 2011. Her background is in finance and business management (with Deloitte and Lion Nathan), and she owns a retail clothing business with brands across Australasia. She is a director of Auckland International Airport Limited, a former board member of the Financial Markets Authority and a former deputy chair of New Zealand Post Limited. She also chairs the New Zealand Breast Cancer Foundation. Justine's experience in governance, mergers & acquisitions, taxation and financial performance of large corporate enterprises and the acquisition, ownership, management and sale of small and medium enterprises underpins her contribution as a Director. Justine has a Bachelor of Commerce from Auckland University and is a Fellow of the New Zealand Institute of Chartered Accountants.

Simon Moutter

Executive director and Managing Director, appointed 13 August 2012

As Managing Director Simon is responsible for the overall leadership, strategic direction and management of the Spark Group, through its various business divisions and the brands that provide digital services to millions of New Zealanders and thousands of New Zealand businesses. Simon led the reinvention of Telecom to Spark New Zealand, to better reflect the new world of digital services in which the business now operates. Simon returned to the business in mid-2012. He has a deep understanding of the industry, having managed most parts of Telecom in previous roles, most recently as Chief Operating Officer during the years 2003-2008. In the intervening years he led Auckland International Airport for a period of four years in which he transformed the customer experience and delivered a significant uplift in its share price. Simon spent 13 years in the electricity and gas industry including as Chief Executive of Powerco (1992-1999). Simon has a Master's degree in Engineering from the University of Canterbury and a Bachelor's degree in Science from Massey University.

Spark New Zealand Limited Leadership Team

The SNZL Leadership Team includes:

Simon Moutter

Managing Director

See page 14

Jolie Hodson

Chief Financial Officer, appointed 4 June 2013

Jolie is the Chief Financial Officer for the Spark Group. Jolie understands the critical role of the finance function in dynamic, competitive markets and during a massive organisational transformation. Jolie focuses on developing clear insight into what customers value, what makes the business more competitive and what delivers value for the Spark Group. Jolie is also responsible for the Skinny mobile and Bigpipe broadband businesses. Prior to joining the Spark Group, Jolie worked for 12 years with the Lion group, Australasia's largest beverages group, in a range of senior financial roles. Most recently, she was Finance Director of the Beer, Spirits & Wine Australia division. Before joining Lion in 2000, Jolie spent eight years with Deloitte's audit division based in Auckland. She gained a Bachelor of Commerce from the University of Auckland and has attended the Strategic Management Programme at Sydney's Macquarie Graduate School of Management.

SNZL's current directors and leadership team, including profiles for other leadership team members, can be found on SNZL's website sparknz.co.nz/about/leadership.

SNZL's directors and leadership team listed in this PDS are current as at the date of this PDS, but may change from time to time.

5. Purpose of the offer

The proceeds of the Offer will be used for the general corporate purposes of the Spark Group. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

SFL carries out the treasury function for the Spark Group. As part of this, SFL receives deposits from, and advances loans to, members of the Spark Group from time to time. The Offer is not being made to obtain funding for any particular member or members of the Spark Group, but will be used by SFL over time in the ordinary course of carrying out its treasury function for the Spark Group.

6. Key features of Bonds

General

A number of the key features of the Bonds are described in section 3 of this PDS (Terms of the Offer). The other key features of the Bonds are described below. Copies of the Trust Deed and the Supplemental Trust Deed are included on the Disclose register at business.govt.nz/disclose. The information in this section is a summary of certain terms of the Trust Deed, including the Guarantee.

Ranking

The Bonds constitute unsecured unsubordinated obligations of SFL. On a liquidation of SFL amounts owing to Bondholders rank equally with all other unsecured unsubordinated obligations of SFL. Amounts owing under the Guarantee constitute unsecured unsubordinated obligations of each Guarantor and on a liquidation of a Guarantor amounts owing to Bondholders under the Guarantee rank equally with all other unsecured unsubordinated obligations of that Guarantor.

The ranking of the Bonds on the liquidation of the Spark Group is summarised in the diagram on page 16.

Ranking on the liquidation of the Spark Group	Example	Indicative amount of existing liabilities and equity of the Spark Group as at 30 June 2015 adjusted for expected issue proceeds	HIGHER RANKING/ EARLIER PRIORITY
Liabilities that rank in priority to the Bonds	Secured creditors and creditors preferred by law (including employees up to a cap of \$22,160 each and IRD for certain unpaid taxes)	\$84m	
Liabilities that rank equally with the Bonds (including the Bonds)	Unsecured unsubordinated obligations (including money owed by the Spark Group to holders of other bonds issued under the Trust Deed, banks that have lent the Spark Group money and trade creditors)	\$1,414m	
Liabilities that rank below the Bonds	Subordinated obligations	\$0m	
Equity	Ordinary shares, reserves and retained earnings	\$1,778m	



The actual amount of liabilities and equity of the Spark Group at the point of its liquidation will be different to the indicative amounts set out in the diagram above.

Basis of preparation of table:

- Amounts in the table above assume \$100 million of Bonds are issued under the Offer and no repayment of further debt is made at the time of issue. This has increased the liabilities that rank equally with the Bonds stated in the 30 June 2015 financial statements by \$100 million.
- Liabilities that rank in priority to the Bonds at 30 June 2015 include:
 - Employee entitlements for unpaid salaries and wages, holiday pay and bonuses and PAYE of \$46.6 million;
 - Amounts owing to Inland Revenue for unpaid Goods and Services Tax of \$22 million; and
 - Customs and Duty payments of \$0.4 million.
- The Spark Group pays most of its creditors on a monthly payment cycle. Some trade creditors retain a security interest in the products they have sold to the Spark Group until they have been paid. At 30 June 2015 the total value of creditors where a creditor retained a security interest was estimated to be \$15 million.

Restrictions on creating further liabilities

Other than for the restrictions on the Guaranteeing Group creating security described on page 17 under "Negative Pledge", there are no restrictions on the Spark Group creating further liabilities that rank equally with, or in priority to, the Bonds on a liquidation of SFL after the Bonds have been issued.

The Spark Group could therefore, at any time after the Issue Date, create further liabilities that rank equally with or in priority to the Bonds. These further liabilities could, for example, be a new series of bonds issued under the Trust Deed or a new borrowing facility with a bank.

Guarantees

The Bonds are guaranteed by the Guarantors under the Trust Deed.

Under the Trust Deed, each Guarantor jointly and severally guarantees to the Supervisor the payment of all amounts owed to Bondholders in respect of the Bonds. There are no limits on the obligations of any Guarantor in respect of the amounts owing under the Guarantee. The obligations of the Guarantors under the Guarantee are unsecured.

Not all members of the Spark Group are required to be Guarantors. Each member of the Spark Group that is considered to be a Material Subsidiary is required to be a Guarantor under the Trust Deed. A Material Subsidiary is a wholly owned subsidiary of SNZL, but excluding:

- a subsidiary:
 - whose profits, before tax and extraordinary items, are not greater than 20% of the consolidated profits, before tax and extraordinary items, of the Spark Group; and
 - whose total tangible assets represent not more than 20% of the total tangible assets of the Spark Group; or
- a subsidiary whose business is restricted to the business of a bank, finance company or other financial intermediary or insurance company, or any subsidiary of any such company.

As at the date of this PDS, the Guarantors are Revere Limited, Spark New Zealand Limited, Spark New Zealand Trading Limited, Telecom Enterprises Limited, Telecom Pacific Limited and TCNZ (United Kingdom) Securities Limited. The Trust Deed contains provisions that allow SNZL to have a Guarantor released from the Guarantee if there are sound commercial reasons for the release or if the Guarantor has ceased to be a Material Subsidiary and if, in each case, the release will not have a materially adverse effect on holders of bonds issued under the Trust Deed generally in the foreseeable future. More information on the Guarantee is contained in clause 9 of the Trust Deed.

Under the Trust Deed, SNZL must ensure that the Guaranteeing Group (being SFL and the Guarantors) meets the following coverage ratios, which are to be tested twice yearly:

- earnings (calculated before interest and tax) of the Guaranteeing Group must be at least 90% of earnings (calculated before interest and tax) of the Spark Group; and
- the total tangible assets of the Guaranteeing Group (excluding balances with other members of the Spark Group) must be at least 70% of total tangible assets of the Spark Group.

For full details of these provisions see clause 12.8 of the Trust Deed.

Negative Pledge

Each Guaranteeing Group member has agreed with the Supervisor that, while any bonds issued under the Trust Deed remain outstanding, none of its assets will be secured. Notwithstanding this restriction, the Guaranteeing Group is permitted to create security, or permit security to exist, over their assets, if:

- the aggregate principal amount secured does not exceed 5% of the total tangible assets of the Spark Group; or
- in certain other limited circumstances set out in the Trust Deed (namely, if the security arises by operation of law, relates to the acquisition of an asset or a project, is already in existence when the relevant asset was acquired, supplements or substitutes an existing permitted security or is made in favour of, or with the consent of, the Supervisor).

For full details of these provisions see clauses 11.2 and 11.3 of the Trust Deed.

Events of Default

The Events of Default are contained in clause 15.1 of the Trust Deed. They include a failure by SFL to make a payment on bonds issued by it under the Trust Deed, a breach by SFL or a Guarantor of a provision in the Trust Deed or the Bonds, and also insolvency-type events that affect SFL or a Guarantor.

If an Event of Default occurs, the Supervisor may in its discretion, and must upon being directed to do so in accordance with the Trust Deed by holders of bonds issued under the Trust Deed, declare the Bonds to be immediately due and payable.

The above is a summary of the Events of Default. For full details of the Events of Default see clause 15.1 of the Trust Deed.

Other relevant information about the Trust Deed

The Trust Deed also contains a number of standard provisions, including relating to:

- the role of the Supervisor and the powers and duties of the Supervisor;
- the process for replacement of the Supervisor;
- the right of the Supervisor to be indemnified; and
- the process for amending the Trust Deed.

7. Spark Group's financial information

This table provides selected financial information about the Spark Group. Full financial statements are available on the offer register at business.govt.nz/disclose. The Spark Group's financial performance and position are critical to SFL's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, you can seek professional advice.

Only some members of the Spark Group are Guarantors of the Bonds. However, the Spark Group's financial position and performance is relevant to the repayment of the Bonds because the ability of SFL to repay the Bonds and the Guarantors to make payment under the Guarantee is dependent on the financial performance of the Spark Group as a whole.

Selected financial information and ratios (\$m)	As reported FY 2013	Adjusted FY 2013*	As reported FY 2014	As reported FY 2015
Operating revenues and other gains	4,189	3,735	3,638	3,531
EBITDA	922	874	936	962
Net profit after tax from continuing operations	238	270	323	375
Net profit after tax from discontinued operations	-	(32)	137	-
Net profit after tax for the year	238	238	460	375
Net cash flows from operating activities	885	885	614	630
Cash and cash equivalents	118	118	208	80
Total assets	3,493	3,493	3,243	3,206
Total debt	976	976	690	692
Total liabilities	2,080	2,080	1,535	1,428
Equity	1,413	1,413	1,708	1,778
Debt/EBITDA	1.06 x	1.12 x	0.74 x	0.72 x
<i>Debt/EBITDA is an indicator of the degree to which an entity has borrowed against earnings. The higher the number, the greater the risk that the entity will not be able to pay off its debts.</i>				
Interest expense	74	74	60	54
EBITDA/interest expense	12.46 x	11.81 x	15.60 x	17.81 x
<i>EBITDA/interest expense is a measure of the ability of an entity to pay interest on borrowings. The lower the number, the greater the risk that the entity will not be able to pay interest.</i>				
<i>* Adjusted FY 2013 - following the sale of the AAPT business in February 2014, certain FY 2013 financial information has been re-presented to show the AAPT financial results as a discontinued operation. This enables enhanced comparability between FY 2013, FY 2014 and FY 2015 for the continuing operations of the Spark Group. More information on this adjustment is contained in note 8 to the FY 2014 financial statements which are contained in the Disclose register at business.govt.nz/disclose.</i>				
<i>EBITDA means net profit after tax plus interest, tax, depreciation, and amortisation as each of those items is determined in accordance with GAAP.</i>				

The table below shows the financial position of SFL and the Guaranteeing Group:

Selected financial information for SFL and the Guaranteeing Group (as at FY 2015) (\$m)				
	SFL	SFL (excluding balances between SFL and other companies in the Spark Group)*	Guaranteeing Group	
Total assets	10,195	607		3,031
Total tangible assets	10,195	607		1,944
Total liabilities	8,144	846		1,389
Total net tangible assets	2,051	(239)		555

*SFL balances are re-presented to exclude all receivables and payables between SFL and other companies in the Spark Group to enable comparison with the Guaranteeing Group, which shows external balances only.

Other limitations, restrictions and prohibitions

There are no financial covenants in the Trust Deed other than the Guaranteeing Group coverage ratios described in section 6 of this PDS (Key features of Bonds).

There are no specific restrictions on the ability of the Spark Group to borrow that result from any agreement entered into by any member of the Spark Group, although the negative pledge undertaking contained in the Trust Deed (as described in section 6 of this PDS) could indirectly affect the Spark Group's ability to borrow. The Spark Group has also entered into various bank facilities and offshore debt programmes that contain negative pledge undertakings on terms that are very similar to the negative pledge in the Trust Deed.

There are no prohibitions or restrictions on SFL entering into transactions with any of its associated persons.

8. Risks of investing

Introduction

This section 8 describes potential risks associated with an investment in the Bonds. This section describes certain:

- general risks associated with an investment in the Bonds; and
- significant specific risks relating to SFL's creditworthiness.

The selection of risks relating to SFL's creditworthiness has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of the directors of SFL as at the date of this PDS. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge over time.

Where practicable, the Spark Group seeks to implement risk mitigation strategies to minimise the exposure to certain of the risks outlined below, although there can be no assurance that such arrangements will fully protect the Spark Group from such risks.

Investors should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Bonds.

This summary does not cover all of the risks of investing in the Bonds.

The statement of risks in this section does not take account of the personal circumstances, financial position or investment requirements of any particular investor. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Bonds in light of his or her individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

General risks

An investment in the Bonds is subject to the general risks that:

- SFL becomes insolvent and is unable to meet its obligations under the Bonds, including the obligations to pay interest on, and repay the Principal Amount of, the Bonds;
- the Guarantors are unable to meet their obligations under the Guarantee if SFL defaults; and
- if Bondholders wish to sell their Bonds before maturity:
 - the price at which they are able to sell their Bonds is less than the amount they paid for the Bonds due to interest rate movements or for other reasons; or
 - they are unable to sell their Bonds at all due to lack of demand or because the Bonds cease to be quoted on the NZX Debt Market.

General risks related to the insolvency of SFL

In the event of the insolvency of SFL, including a liquidation of SFL involving a shortfall of funds, the rights and claims of a Bondholder will rank equally with other Bondholders and equally amongst the rights and claims of other unsecured unsubordinated creditors (including holders of other bonds issued under the Trust Deed, banks that have lent SFL money and trade creditors), but after secured creditors and all creditors preferred by law. In the event of insolvency, there may be a shortfall of funds to pay all amounts ranking ahead of and equally with the Bonds. If this occurs, this would result in Bondholders not receiving a full return of the Principal Amount of the Bonds or any accrued interest that is unpaid at that time.

General risks related to the market for the Bonds

Market price

The price at which Bondholders are able to sell their Bonds may be affected by a number of factors both dependent on, and independent of, the creditworthiness of SFL. These independent factors may include the time remaining to the Maturity Date, the outstanding aggregate Principal Amount of the Bonds, the level of demand for the Bonds offered for sale in the secondary market from time to time, any legal restrictions limiting demand for the Bonds, the availability of comparable securities, the level, direction and volatility of market interest rates and market conditions generally. For example, if market interest rates go up, the market value of the Bonds may go down and vice versa. The factors that are dependent on the creditworthiness of SFL are outlined below (see Specific risks relating to SFL's creditworthiness).

Liquidity

There can be no assurance that a secondary market for the Bonds will develop or of the liquidity of such a market. In the absence of a liquid secondary market for the Bonds, Bondholders may not be able to sell their Bonds readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, within a developed secondary market. Even following the development of a secondary market, and depending on market conditions and other factors, Bondholders seeking to sell relatively small or relatively large amounts of Bonds, may not be able to do so at prices comparable to those that may be available to other Bondholders.

Due to the factors described above, the Bonds may not be readily saleable, their value may fluctuate over time and such fluctuations may be significant and could result in losses to a Bondholder who wishes to sell Bonds prior to the Maturity Date.

Specific risks relating to SFL's creditworthiness

SFL considers that the most significant risk factors are risks that affect the ability of the Spark Group to generate future income and manage its cost base. If the Spark Group is unable to achieve either or both of these, SFL may be unable to repay its creditors, including Bondholders, when obligations fall due.

Bondholders can remain informed about the performance of the Spark Group from a variety of sources such as the Spark Group's annual report, its full and half year results meetings and from independent assessments available in analysts' coverage.

The circumstances that SFL is aware of that exist or are likely to arise that significantly increase the risk that SFL may default on any of its payment obligations under the Bonds are listed below:

Competitive position

The Spark Group operates in competitive markets in its core mobile, fixed telecommunications (broadband and voice) and digital and ICT services. This has associated impacts on pricing, revenue, margin, and number of customer connections. In mobile, the Spark Group competes against two other mobile operators (Vodafone and 2degrees), as well as a number of other retailers with commercial arrangements to lease space on mobile networks. In fixed services, the Spark Group competes against a range of telecommunications providers (with the largest being Vodafone and the CallPlus Group), while in ICT services primary competitors include Datacom and IBM, as well as a host of global and local competitors.

These markets are highly competitive and, from time to time, new or existing competitors aggressively reduce prices to gain customers and market share. To respond, the Spark Group may need to reduce its prices or accept the loss of some customers and market share. For example, in the broadband market the Spark Group's strong position is being challenged by the entry of new competitors (including an energy retailer offering bundled energy and telecommunications products).

It is difficult to anticipate actions by competitors and consequently to assess the likelihood that the Spark Group's financial performance will deteriorate. A significant reduction in price would lead to reduced margins and earnings. In order to impact the creditworthiness of SFL, the financial impact of actions by competitors would need to be significant and sustained. The area of greatest impact on the Spark Group would occur in the mobile portfolio, which makes up nearly 30% of the Spark Group's revenue (and is growing as a proportion year-on-year).

The move to digital products

The fixed telecommunications and ICT services industries are undergoing significant change as new digital products are introduced and customers move to these products from older traditional products. In fixed telecommunications this means customers are moving from voice and data services provided on copper networks to newer services that are typically online and delivered over fibre networks. In ICT services, customers are moving from ICT services based on their premises (with many people involved in providing the service) to new services accessed via laptop, smartphone and tablets, with data and ICT infrastructure hosted offsite 'in the cloud'.

The Spark Group's strategy to respond to these changes is to retain these customers through providing new services that replace traditional products. However, a large part of the Spark Group's revenue is currently made up of traditional telecommunications services (although these are reducing as a proportion of the Spark Group's revenue each year). In particular, the Spark Group has a significant number of consumer, business and wholesale customers using copper-based voice services. The Spark Group is actively launching new products and services that encourage customers to remain with Spark. However, if the Spark Group is not able to successfully manage these customers to new digital products, then these customers may be lost.

The Spark Group, in common with all telecommunications providers, gains new customers each year, as well as losing some to other providers. This risk would only impact SFL's creditworthiness if a much larger number of customers was lost during the transition to digital services than are won. Given the Spark Group has shown consistent growth in broadband connections for a number of years, the likelihood of this occurring is, in the Spark Group's opinion low. The scale of the impact would depend on the scale of the loss; however, given traditional telecommunications services have a higher average margin, this would reduce earnings.

If Spark Digital is unable to successfully deliver or operate its new digital ICT services, its ability to achieve sustainable revenues and margins from its ICT services portfolio may be compromised. This could impair its future financial performance in the government, enterprise and corporate business market segments. ICT services currently make up a small part of the Spark Group's overall revenue and margins are traditionally lower. Therefore, the potential loss of earnings in the near term would be limited. If revenue and margins grow, the potential loss of earnings would increase.

Another impact of digital services is the associated increase in data use on mobile and broadband networks as customers increasingly use new digital applications and services. If the gap between what the Spark Group charges customers for broadband service and the network costs increases to meet data demand there is a risk that the level of margin, and therefore earnings, in these portfolios decreases. Data demand is very likely to continue to rapidly increase. The likely impact on margin and earnings will depend on the Spark Group's ability to monetise this data demand, which is dependent on a range of factors including the level of price competition in the market and potential regulation. However, there would need to be a significant reduction in the effective price achieved per unit of data for this risk to have an impact on SFL's creditworthiness.

Reputation

Significant reputational risks for the Spark Group include:

- Network or platform failures; and/or
- ICT and data security risks.

The Spark Group's products and services are often critical to customers' lives and businesses. If a telecommunications or ICT platform fails, this can have a significant impact on customer experience, impacting the ability to attract or retain customers, and on financial performance. For example, when the Spark Group's mobile XT network experienced a series of outages in 2009, financial performance was impacted.

The Spark Group invests heavily in network and ICT capability to mitigate the risk of failure, investing more than 10% of annual revenue in capital projects. The Spark Group also has a management plan in place to deal with instances of network or platform failure to limit damage. However, the Spark Group cannot predict these failures, and the financial impact could be significant if they led to a sustained loss of service. There is also potential for financial risk to the Spark Group if these failures create losses for customers (with the potential for compensation and/or fines).

The Spark Group's role as a major provider of ICT services also makes it susceptible to cyber-attacks. The reputational consequences of a successful attack may include customer loss, additional investment in ICT security or other internal controls or the imposition of injunctions or punitive measures such as fines, impacting the Spark Group's financial performance. It is not possible to predict whether attacks will occur, and the financial and reputational impact will be dependent on the scale of the attack and the resulting loss it creates for the Spark Group and its customers.

Regulatory environment

Some of the Spark Group's products and services are subject to regulatory oversight, particularly the input cost for fixed telecommunications products. An area of recent regulatory activity has been the setting of regulated prices charged by Chorus (for access to the copper network the Spark Group uses to serve homes and businesses). A final pricing determination is expected in December 2015, which will set applicable prices and provide clarity on whether the price change will be backdated. The price is likely to be higher than the price the Spark Group currently pays. A separate broad regulatory review is currently underway by the New Zealand Government, including a review of the Telecommunications Act 2001, which sets the regulatory framework for New Zealand's telecommunications sector. The review is likely to amend the main telecommunications regulatory framework with effect from 2020, with other amendments likely before then. The impact of the regulatory review on the Spark Group will depend upon the nature of the specific changes implemented. The greatest potential impact to the Spark Group would occur if the input cost for fixed telecommunications products increases significantly and the Spark Group is unable to pass this cost to customers, or if the Spark Group's ability to achieve a return on investment on its mobile network and spectrum investment is reduced by regulatory change impacting the mobile market.

The Commerce Commission is also conducting its five-yearly review of a number of key regulated services, to consider whether they should be removed from the Telecommunications Act 2001 or retained. This review may also result in significant changes to the regulatory access framework, with consequent impact on the Spark Group. Again, the nature and size of that impact will depend on the specific conclusions of that review.

9. Tax

The returns on the Bonds will be affected by taxes. The information in this section relates to New Zealand tax resident Bondholders only, and is based on the law in force at the date of this PDS.

Resident withholding tax (RWT) will be deducted from interest paid to New Zealand tax resident Bondholders at the relevant rate.

There may be other tax consequences for Bondholders from acquiring or disposing of the Bonds, including under the financial arrangements rules in the Income Tax Act 2007.

If you have any questions regarding the tax consequences of investing in the Bonds you should seek advice from a tax adviser.

10. Selling Restrictions

This PDS only constitutes an offer of Bonds to the public in New Zealand and to certain New Zealand and overseas institutional investors. SFL has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

Set out below are specific selling restrictions that apply to an offer of the Bonds in the European Economic Area, the United Kingdom, Australia, Hong Kong, Japan, Singapore and Taiwan. These selling restrictions do not apply to an offer of the Bonds in New Zealand.

These selling restrictions may be modified by SFL and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this PDS comes are, and each Bondholder is, required by SFL and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense. References in this section 10 (Selling restrictions) to the Joint Lead Managers includes the Co-Manager.

Selling Restrictions

Selling Restrictions - European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Joint Lead Manager has agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this PDS to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- a. at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b. at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Joint Lead Manager; or
- c. at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (a) to (c) above shall require SFL or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Bonds so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Selling Restrictions - United Kingdom

Each Joint Lead Manager has agreed that:

- a. Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, the "FSMA") received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to SFL; and
- b. General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Selling Restrictions - Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001) in relation to the Bonds (including the PDS) has been or will be lodged with or registered by the Australian Securities and Investments Commission ("ASIC") or the Australian Securities Exchange Limited. Each Joint Lead Manager has represented and agreed that it:

- a. has not (directly or indirectly) offered, and will not offer for issue or sale and has not invited, and will not invite, applications for issue, or offers to purchase, the Bonds in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

Selling Restrictions

Selling Restrictions - Australia

- b. has not distributed or published, and will not distribute or publish, any draft, preliminary or final form offering memorandum, advertisement or other offering material relating to the Bonds in Australia, unless:
- i. the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding money lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 and Chapter 7 of the Corporations Act 2001 and does not constitute an offer to a "retail client" as defined for the purposes of section 761G of the Corporations Act 2001; and
 - ii. such action complies with all applicable laws, directives and regulations and does not require any document to be lodged with, or registered by, ASIC.

Selling Restrictions - Hong Kong

Each Joint Lead Manager has represented and agreed that:

- a. no Bonds have been, and no Bonds will be, offered or sold in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document, (except for Bonds which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "SFO")), other than:
 - i. to "professional investors" as defined in the SFO and any rules made under the SFO; or
 - ii. in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- b. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Selling Restrictions - Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and each Joint Lead Manager has represented and agreed that it will not offer or sell, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended).

Selling Restrictions - Singapore

The PDS has not been registered as a prospectus with the Monetary Authority of Singapore, and the Bonds will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, the PDS and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Selling Restrictions

Selling Restrictions - Singapore

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
 - to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer in accordance with the conditions referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - where no consideration is or will be given for the transfer;
 - where the transfer is by operation of law;
 - as specified in Section 276(7) of the SFA; or
 - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Selling Restrictions - Taiwan

The Bonds may be made available outside Taiwan for purchase by Taiwan resident investors either directly or through a duly licensed Taiwan intermediary but may not be sold or offered within Taiwan. Any subscriptions of Bonds shall only become effective upon acceptance by SFL outside Taiwan and shall be deemed a contract entered into in the jurisdiction of incorporation of SFL or the relevant Joint Lead Manager, as the case may be.

11. Who is involved?

	Name	Role
Issuer	Spark Finance Limited	Issuer of the Bonds
Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce SFL's obligations under the Bonds
Arranger and Organising Participant	ANZ Bank New Zealand Limited	Provides assistance to SFL with arranging the Offer and has responsibilities to NZX in relation to the quotation of the Bonds
Joint Lead Managers	ANZ Bank New Zealand Limited and Commonwealth Bank of Australia	Assist with the marketing and distribution of the Offer
Co-Manager	Deutsche Craigs Limited	Assists with the marketing and distribution of the Offer
Securities Registrar	Link Market Services Limited	Maintains Register of Bondholders
Solicitors to the Issuer	Russell McVeagh	Provide legal advice to the Spark Group in respect of the Offer
Solicitors to the Supervisor	Buddle Findlay	Provide legal advice to The New Zealand Guardian Trust Company Limited in respect of the Offer

12. How to complain

If you have any problems or concerns about the Bonds, please contact SFL via the contact details in section 15 of this PDS (Contact information) outlining your problems or concerns and SFL will endeavour to resolve the issues through its internal dispute resolution procedures. You may request a copy of these procedures by writing to SFL at the address in section 15 of this PDS (Contact information).

SFL is a member of an external, independent dispute resolution scheme operated by the Financial Dispute Resolution Scheme (FDRS). If SFL has not been able to resolve your issue, you can refer the matter to FDRS by emailing enquiries@fdrs.org.nz, or calling FDRS on 0508 337 337, or by contacting the Complaint Investigation Officer, Financial Dispute Resolution Scheme, Level 9, 109 Featherston Street, Wellington 6011. The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

You may also direct any complaints about the Bonds to the Supervisor at the contact details below.

The New Zealand Guardian Trust Company Limited

Level 2
Dimension Data House
99-105 Customhouse Quay
PO Box 3845
Wellington 6011
Phone number: +64 4 901 5404
Email address: ct-wellington@nzgt.co.nz
Attention: Manager – Corporate Trusts

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing info@fscl.org.nz, or calling FSCL on 0800 347 257, or by contacting the Complaint Investigation Officer, Financial Services Complaints Limited, Level 12, 45 Johnston Street, Wellington 6145. The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website fma.govt.nz.

13. Where you can find more information

Further information relating to SFL and the Bonds is available free of charge on the online Disclose register maintained by the Companies Office. The Disclose register can be accessed at business.govt.nz/disclose. A copy of the information on the Disclose register is also available on request to the Registrar of Financial Service Providers at registrar@fspr.govt.nz. The information contained on the Disclose register includes financial information relating to the Spark Group, a copy of the Trust Deed, Supplemental Trust Deed, a credit rating report from Standard & Poor's in relation to SNZL, material contracts, and other material information (including a summary of your rights to sell the Bonds).

14. How to apply

There is no public pool for the Bonds. This means that if you want to apply for Bonds you must contact a Primary Market Participant or approved financial intermediary. The Primary Market Participant or approved financial intermediary will:

- provide you with a PDS (if you have not already received one);
- explain what you need to do to apply for Bonds; and
- explain what payments need to be made by you (and by when).

15. Contact information

Contact details of the Issuer

Spark Finance Limited
Level 2
Spark City
167 Victoria Street West
Auckland 1010
Private Bag 92028
Auckland 1142
Phone: 0800 737 500

Contact details of the Securities Registrar

Link Market Services Limited
Level 7
Zurich House
21 Queen Street
Auckland 1010
PO Box 91976
Auckland 1142
Phone: +64 9 375 5998

16. Glossary

Arranger	ANZ Bank New Zealand Limited
Bondholder	a person whose name is entered in the Register as a holder of a Bond
Bonds	the bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS
Business Day	a day on which banks are open for the transaction of general banking business in Auckland and Wellington
Co-Manager	Deutsche Craigs Limited
Disclose register	the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose"
Event of Default	has the meaning given to it in clause 15.1 of the Trust Deed, and is summarised in section 6 of this PDS (Key features of Bonds)
FMC Act	Financial Markets Conduct Act 2013
FMC Regulations	Financial Markets Conduct Regulations 2014
generally accepted accounting practice or GAAP	has the meaning given to that term in the FMC Regulations
Guarantee	is described in section 6 (Key features of Bonds), and means the guarantee contained in the Trust Deed that has been entered into by the Guarantors in favour of the Supervisor
Guaranteeing Group	SFL and each of the Guarantors
Guarantors	as at the date of this PDS are: Revera Limited Spark New Zealand Limited Spark New Zealand Trading Limited Telecom Enterprises Limited Telecom Pacific Limited TCNZ (United Kingdom) Securities Limited
ICT	information and communications technology
Interest Payment Dates	10 March, 10 June, 10 September and 10 December in each year during the term of the Bonds, commencing on 10 March 2016
Interest Rate	the rate of interest per annum payable on the Bonds as announced by SFL via NZX and on investors.sparknz.co.nz on or about 4 December 2015
Issue Date	10 December 2015

16. Glossary

Issue Price	\$1.00 per Bond, being the Principal Amount of each Bond
Joint Lead Managers	ANZ Bank New Zealand Limited and Commonwealth Bank of Australia
Listing Rules	the listing rules applying to the NZX Debt Market as amended from time to time
Margin	the rate (expressed as a percentage rate per annum) as determined under the Bookbuild and announced via NZX on or about the Rate Set Date
Material Subsidiary	has the meaning given to that term in the Trust Deed and is summarised in section 6 of this PDS (Key features of Bonds)
Maturity Date	10 March 2023
NZX	NZX Limited
NZX Debt Market	the debt security market operated by NZX
Offer	the offer of Bonds made by SFL pursuant to this PDS
Opening Date	30 November 2015
Organising Participant	ANZ Bank New Zealand Limited
PDS	this product disclosure statement for the Offer dated 20 November 2015
Primary Market Participant	has the meaning given to that term in the Listing Rules
Principal Amount	\$1.00 per Bond
Register	the register in respect of the Bonds maintained by the Securities Registrar
Registrar	the Registrar of Financial Service Providers appointed under section 35 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008
Securities Registrar	Link Market Services Limited
SFL	Spark Finance Limited
SNZL	Spark New Zealand Limited
Spark Group	SNZL and all of its subsidiaries
Standard & Poor's	Standard & Poor's Rating Services, a division of McGraw-Hill Financial, Inc.

16. Glossary

subsidiary	has the meaning given to that term in section 6 of the FMC Act
Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time
Supplemental Trust Deed	the supplemental trust deed dated 16 November 2015 between SFL, SNZL and the Supervisor relating to the Bonds
Swap Rate	the mid market swap rate for an interest rate swap from the Issue Date to the Maturity Date as calculated by the Joint Lead Managers on the Rate Set Date in accordance with market convention with reference to Reuters page ICAPKIWISWAP1 and expressed on a quarterly basis, rounded to 2 decimal places if necessary, with 0.005 being rounded up
Trust Deed	the trust deed dated 25 October 1988 between SNZL and the Supervisor (as amended from time to time)

