



SPARK FINANCE LIMITED

Interim financial statements

For the six months ended 31 December 2020

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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 2020.

DIRECTORS' REPORT

Spark Finance Limited ('Spark Finance' or 'the Company') is a wholly-owned subsidiary of Spark New Zealand Limited ('Spark New Zealand' and together with its subsidiaries, the 'Spark New Zealand Group').

Principal activities

The principal activity of Spark Finance is that of a finance company for the Spark New Zealand Group and was incorporated in 1991. Spark Finance raises debt funding in New Zealand and internationally. The majority of these funds are then advanced to other members of the Spark New Zealand Group in order to assist in funding their operations.

Principal risks

The key risks to Spark Finance are currency, interest rate, credit and liquidity risks. A summary of these risks and Spark Finance's risk management objectives and policies are set out in note 11 in the Company's annual report, year ended 30 June 2020. The Directors of Spark Finance do not believe there is any significant financial risk to Spark Finance as financial assets are matched by financial liabilities with similar characteristics. Spark Finance enters into derivative financial instruments in order to manage the currency and interest rate risks associated with its borrowings, as well as to manage the currency risk associated with the operations of the Spark New Zealand Group. As the proceeds of debt are advanced to other members of the Spark New Zealand Group, the ability of Spark Finance to meet its obligations under the debt issues depends upon the payment of principal and interest due from other Spark New Zealand Group companies.

Business review

Spark Finance recorded net earnings after tax for the six months ended 31 December 2020 of \$105 million (31 December 2019: \$105 million).

The net assets of Spark Finance as at 31 December 2020 were \$890 million compared to \$986 million as at 30 June 2020. The share capital of Spark Finance as at 31 December 2020 is \$883 million (30 June 2020: \$883 million) consisting of 882,872,600 issued and fully paid shares, of which 342,872,600 are ordinary shares. Spark Finance did not acquire any of its own shares during the six months ended 31 December 2020 (31 December 2019: nil).

On 28 August 2020, Spark Finance paid a dividend of 24.35 cents per share or \$215 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2019: 18.0 cents per share or \$159 million).

On 30 November 2020 Spark renewed its \$200 million committed revolving facility with Westpac New Zealand, to mature on 30 November 2023.

The Directors of Spark Finance consider the results of the Company to be satisfactory and the Company to be in a sound financial position.

Spark Finance solely lends to other companies within the Spark New Zealand Group and, accordingly, its financial performance should be considered in conjunction with the financial performance of the Spark New Zealand Group. A copy of the Spark New Zealand Group's results for the six months ended 31 December 2020 can be found at investors.sparknz.co.nz.

Based on current expectations, Spark Finance will continue to operate as the principal finance company for the Spark New Zealand Group. Spark Finance does not engage in research and development activities.

On behalf of the Board



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Date: 25 February 2021

Statement of profit or loss and other comprehensive income

		2020 UNAUDITED	2019 UNAUDITED
	NOTE	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER			
Finance income	2	217	272
Finance expense	2	(71)	(126)
Net finance income		146	146
Net earnings before income tax		146	146
Income tax expense		(41)	(41)
Net earnings		105	105
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Cash flow hedges net of tax		14	3
Other comprehensive income		14	3
Total comprehensive income		119	108

See accompanying notes to the interim financial statements.

Statement of changes in equity

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


	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVE	TOTAL EQUITY
	\$M	\$M	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019				
Balance at 1 July 2019	883	159	(80)	962
Net earnings	-	105	-	105
Other comprehensive income	-	-	3	3
Total comprehensive income	-	105	3	108
Dividends paid	-	(159)	-	(159)
Balance at 31 December 2019	883	105	(77)	911

Statement of financial position

		AS AT 31 DECEMBER 2020 UNAUDITED \$M	AS AT 30 JUNE 2020 AUDITED \$M
	NOTE		
Current assets			
Cash		41	5
Prepayments		2	2
Short-term derivative assets		10	4
Due from other Spark New Zealand Group companies		3,563	3,025
Total current assets		3,616	3,036
Non-current assets			
Due from other Spark New Zealand Group companies		1,747	2,610
Long-term derivative assets		49	61
Deferred tax assets		39	45
Investment in fellow Spark New Zealand Group companies		540	540
Total non-current assets		2,375	3,256
Total assets		5,991	6,292
Current liabilities			
Taxation payable		125	87
Due to other Spark New Zealand Group companies		3,027	3,585
Short-term derivative liabilities		13	6
Debt due within one year	3	256	228
Accrued interest		2	2
Short-term payables		1	-
Total current liabilities		3,424	3,908
Non-current liabilities			
Due to other Spark New Zealand Group companies		280	-
Long-term derivative liabilities		133	154
Long-term debt	3	1,264	1,244
Total non-current liabilities		1,677	1,398
Total liabilities		5,101	5,306
Equity			
Share capital		883	883
Reserves		(101)	(115)
Retained earnings		108	218
Total equity		890	986
Total liabilities and equity		5,991	6,292

See accompanying notes to the interim financial statements.

On behalf of the Board of Spark Finance Limited



Stefan Knight
DIRECTOR



Matthew Sheppard
DIRECTOR

Authorised for issue on: 25 February 2021

Statement of cash flows

	2020	2019
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Cash flows from operating activities		
Payments for interest	(26)	(29)
Net cash flows from operating activities	(26)	(29)
Cash flows from investing activities		
Net deposits / (advances) to other Spark New Zealand Group companies	3	(133)
Net cash flows from investing activities	3	(133)
Cash flows from financing activities		
Proceeds from derivatives	-	134
Repayment of derivatives	-	(135)
Proceeds from long-term debt	1,660	920
Repayment of long-term debt	(1,628)	(800)
Proceeds from short-term debt	971	439
Repayment of short-term debt	(944)	(391)
Net cash flows from financing activities	59	167
Net cash flow	36	5
Opening cash position	5	-
Closing cash position	41	5

Reconciliation of net earnings to net cash flows from operating activities

	2020	2019
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Net earnings for the period	105	105
Adjustments to reconcile net earnings to net cash flows from operating activities		
Non-cash intercompany income	(217)	(272)
Non-cash intercompany expenses	45	94
Non-cash tax expense	41	41
Amortisation of discount	1	3
Net realised and unrealised losses on financial instruments	(1)	1
Revaluation of long-term debt in fair value hedge	(13)	(16)
Revaluation of derivatives in a fair value hedge	13	15
Net cash flows from operating activities	(26)	(29)

Notes to the financial statements

Note 1 About this report

These unaudited interim financial statements are for Spark Finance Limited ('Spark Finance') for the six months ended 31 December 2020.

Spark Finance is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

Basis of preparation

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and comply with the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

The accounting policies adopted are consistent with those followed in the preparation of Spark Finance's annual financial statements for the year ended 30 June 2020. The preparation of the interim financial statements requires management to make judgements, estimates and assumptions. Spark Finance has been consistent in applying the judgements, estimates and assumptions adopted in the annual financial statements for the year ended 30 June 2020 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2020.

Financial instruments are either carried at amortised cost, less any provision for impairment, or fair value. The only significant variances between instruments held at amortised cost and their fair value relates to long-term debt. There were no changes in valuation techniques during the period. Spark Finance's derivatives are classified as being within level 2 of the fair value hierarchy. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the period end date, with the resulting value discounted back to present value.

Note 2 Finance income and expense

	2020	2019
	UNAUDITED	UNAUDITED
	\$M	\$M
FOR THE SIX MONTHS ENDED 31 DECEMBER		
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	217	272
Total finance income	217	272
Finance expense:		
Finance expense on long-term debt:		
Foreign Currency Medium Term Notes	4	7
Domestic Notes	4	10
Bank Funding	1	2
Other Long-term Debt (Forward start swaps)	12	6
Interest expense on loans from other Spark New Zealand Group companies	46	95
Other interest and finance expense	4	6
Total finance expense	71	126

Notes to the financial statements

Note 3 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2020	2020
				UNAUDITED	AUDITED
				\$M	\$M
Short-term debt					
Commercial paper		Variable	< 3 months	256	228
				256	228
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	-	50
MUFG Bank, Ltd	125 million NZD	Variable	30/11/2022	125	100
Westpac New Zealand Limited	200 million NZD	Variable	30/11/2023	57	-
				182	150
Domestic notes					
100 million NZD		4.50%	25/03/2022	102	103
100 million NZD		4.51%	10/03/2023	107	108
125 million NZD		3.37%	07/03/2024	133	135
125 million NZD		3.94%	07/09/2026	137	140
				479	486
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	108	107
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	184	185
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	138	139
Norwegian Medium Term Notes - 1 billion NOK ¹		3.07%	19/03/2029	173	177
				603	608
				1,520	1,472
Debt due within one year				256	228
Long-term debt				1,264	1,244

¹ Norwegian krone

On 30 November 2020 Spark renewed its \$200 million committed revolving facility with Westpac New Zealand, to mature on 30 November 2023.

There have been no changes in Spark Finance's short-term financing programmes or stand-by facilities since 30 June 2020.

Note 4 Dividends

On 28 August 2020, Spark Finance paid a dividend of 24.35 cents per share or \$215 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2019: 18.0 cents per share or \$159 million).

Contact details

Registered office

The registered office of Spark Finance is:

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Inquiries

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

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