



**SPARK FINANCE LIMITED**

# **Interim financial statements**

For the six months ended 31 December 2023

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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 2023.

## DIRECTORS' REPORT

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

### Principal activities

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

### Principal risks

The key risks to Spark Finance are currency, interest rate, credit and liquidity risks. A summary of these risks and Spark Finance's risk management objectives and policies are set out in note 10 in the Company's annual report, year ended 30 June 2023. 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 2023 of \$86 million (31 December 2022: \$100 million).

The net assets of Spark Finance as at 31 December 2023 were \$979 million compared to \$1,089 million as at 30 June 2023. The share capital of Spark Finance as at 31 December 2023 is \$883 million (30 June 2023: \$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 2023 (31 December 2022: nil).

On 25 August 2023, Spark Finance paid a dividend of 20.95 cents per share or \$185 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2022: 23.22 cents per share or \$205 million).

On 27 October 2023, Spark Finance extended the term of its \$200 million committed revolving sustainability-linked loan with Westpac New Zealand by three years, to mature on 30 November 2026.


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 2023 can be found at [investors.sparknz.co.nz/Investor-Centre/](https://investors.sparknz.co.nz/Investor-Centre/).

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

On behalf of the Board

DocuSigned by:



Stefan Knight

DIRECTOR

DocuSigned by:



Matthew Sheppard

DIRECTOR

Date: 29 February 2024

## Statement of profit or loss and other comprehensive income

SIX MONTHS ENDED 31 DECEMBER	NOTE	2023	2022
		UNAUDITED \$M	UNAUDITED \$M
Finance income	2	204	217
Finance expense	2	(84)	(78)
Net finance income		120	139
Net earnings before income tax		120	139
Income tax expense		(34)	(39)
Net earnings for the period		86	100
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Change in hedge reserves net of tax		(11)	8
Other comprehensive income for the period		(11)	8
<b>Total comprehensive income for the period</b>		<b>75</b>	<b>108</b>

See accompanying notes to the interim financial statements.

## Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2023	NOTE	SHARE	RETAINED	HEDGE	TOTAL
		CAPITAL \$M	EARNINGS \$M	RESERVES \$M	EQUITY \$M
Balance at 1 July 2023		883	195	11	1,089
Net earnings for the period		-	86	-	86
Other comprehensive income for the period		-	-	(11)	(11)
<b>Total comprehensive income for the period</b>		-	<b>86</b>	<b>(11)</b>	<b>75</b>
Dividends	4	-	(185)	-	(185)
<b>Balance at 31 December 2023</b>		<b>883</b>	<b>96</b>	-	<b>979</b>

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


See accompanying notes to the interim financial statements.


# Statement of financial position

		AS AT 31 DECEMBER 2023 UNAUDITED \$M	AS AT 30 JUNE 2023 AUDITED \$M
	NOTE		
<b>Current assets</b>			
Cash		41	13
Short-term derivative assets		4	2
Due from other Spark New Zealand Group companies		4,107	3,677
<b>Total current assets</b>		<b>4,152</b>	<b>3,692</b>
<b>Non-current assets</b>			
Long-term prepayments		1	1
Due from other Spark New Zealand Group companies		1,841	1,842
Long-term derivative assets		12	26
<b>Total non-current assets</b>		<b>1,854</b>	<b>1,869</b>
<b>Total assets</b>		<b>6,006</b>	<b>5,561</b>
<b>Current liabilities</b>			
Taxation payable		107	73
Due to other Spark New Zealand Group companies		2,976	3,251
Short-term derivative liabilities		4	4
Debt due within one year	3	501	227
Accrued interest		5	3
<b>Total current liabilities</b>		<b>3,593</b>	<b>3,558</b>
<b>Non-current liabilities</b>			
Long-term derivative liabilities		75	94
Long-term debt	3	1,060	816
Due to other Spark New Zealand Group companies		299	-
Deferred tax liabilities		-	4
<b>Total non-current liabilities</b>		<b>1,434</b>	<b>914</b>
<b>Total liabilities</b>		<b>5,027</b>	<b>4,472</b>
<b>Equity</b>			
Share capital		883	883
Reserves		-	11
Retained earnings		96	195
<b>Total equity</b>		<b>979</b>	<b>1,089</b>
<b>Total liabilities and equity</b>		<b>6,006</b>	<b>5,561</b>

See accompanying notes to the interim financial statements.

On behalf of the Board of Spark Finance Limited

DocuSigned by:  
  
 Stefan Knight  
 91F2B5A267A140A...  
 DIRECTOR

DocuSigned by:  
  
 Matthew Sheppard  
 6AE957455755407...  
 DIRECTOR

Authorised for issue on: 29 February 2024

## Statement of cash flows

	2023	2022
	UNAUDITED	UNAUDITED
	\$M	\$M
<b>SIX MONTHS ENDED 31 DECEMBER</b>		
<b>Cash flows from operating activities</b>		
Receipts from interest	1	3
Payments for interest	(37)	(28)
Net (advances to)/ deposits from other Spark New Zealand Group companies	(432)	706
<b>Net cash flows from operating activities</b>	<b>(468)</b>	<b>681</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	6,410	4,715
Repayment of long-term debt	(6,085)	(5,080)
Proceeds from short-term debt	896	687
Repayment of short-term debt	(725)	(810)
<b>Net cash flows from financing activities</b>	<b>496</b>	<b>(488)</b>
<b>Net cash flow</b>	<b>28</b>	<b>193</b>
Opening cash position	13	2
<b>Closing cash position</b>	<b>41</b>	<b>195</b>

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

	2023	2022
	UNAUDITED	UNAUDITED
	\$M	\$M
<b>SIX MONTHS ENDED 31 DECEMBER</b>		
<b>Net earnings for the period</b>	<b>86</b>	<b>100</b>
Adjustments to reconcile net earnings to net cash flows from operating activities		
Non-cash intercompany income	(203)	(214)
Non-cash intercompany expenses	45	52
Non-cash tax expense	34	39
Amortisation of discount	1	1
Non-cash release from hedge reserve	-	(6)
Revaluation of long-term debt in fair value hedge	21	(18)
Revaluation of derivatives in a fair value hedge	(22)	17
Movement in receivables and related items	-	(1)
Movement in payables and related items	2	5
Movement in amounts with Spark New Zealand Group companies	(432)	706
<b>Net cash flows from operating activities</b>	<b>(468)</b>	<b>681</b>

## 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 2023.

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

#### Basis of preparation

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*, as appropriate for profit-oriented entities.

The accounting policies adopted are consistent with those followed in the preparation of Spark Finance's annual financial statements for the year ended 30 June 2023. 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 2023.

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

	2023	2022
	UNAUDITED	UNAUDITED
	\$M	\$M
<b>SIX MONTHS ENDED 31 DECEMBER</b>		
Finance income:		
Interest income on loans to other Spark New Zealand Group companies	203	214
Interest income on cash	1	3
<b>Total finance income</b>	<b>204</b>	<b>217</b>
Finance expense:		
Net finance expense on long-term debt:		
Foreign Currency Medium Term Notes	21	14
Domestic Notes	11	9
Bank Funding	7	4
Other Long-term Debt <sup>1</sup>	(6)	(5)
Interest expense on loans from other Spark New Zealand Group companies	45	52
Other interest and finance expense	6	4
<b>Total finance expense</b>	<b>84</b>	<b>78</b>

<sup>1</sup> This is net finance expense on interest rate swaps.

## Notes to the financial statements

### Note 3 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT	AS AT
				31 DECEMBER	30 JUNE
				2023	2023
				UNAUDITED	AUDITED
				\$M	\$M
<b>Short-term debt</b>					
Short-term borrowings		Variable	< 1 month	30	-
Commercial paper		Variable	< 4 months	247	90
				277	90
<b>Bank funding</b>					
Commonwealth Bank of Australia <sup>1</sup>	100 million NZD	Variable	30/11/2024	100	100
MUFG Bank, Ltd. <sup>1</sup>	125 million NZD	Variable	30/11/2025	125	-
Westpac New Zealand Limited <sup>1</sup>	200 million NZD	Variable	30/11/2026	200	15
				425	115
<b>Domestic notes</b>					
125 million NZD		3.37%	07/03/2024	124	122
125 million NZD		3.94%	07/09/2026	119	116
100 million NZD <sup>2</sup>		4.37%	29/09/2028	100	100
				343	338
<b>Foreign currency Medium Term Notes</b>					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	99	97
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	156	154
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	115	112
Norwegian Medium Term Notes - 1 billion NOK <sup>3</sup>		3.07%	19/03/2029	146	137
				516	500
				<b>1,561</b>	<b>1,043</b>
<b>Debt due within one year</b>				501	227
<b>Long-term debt</b>				1,060	816

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

<sup>2</sup> This bond is a Sustainability-Linked Bond. The bond includes an interest rate step up if Spark fails to meet its sustainability target as at 30 June 2026.

<sup>3</sup> Norwegian krone.

On 27 October 2023, Spark Finance extended the term of its \$200 million committed revolving sustainability-linked loan with Westpac New Zealand by three years, to mature on 30 November 2026.

There have been no changes in Spark Finance's short-term financing programmes or stand-by facilities since 30 June 2023.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$1,301 million compared to a carrying value of \$1,284 million as at 31 December 2023 (30 June 2023: fair value of \$964 million compared to a carrying value of \$953 million).

	AS AT	AS AT
	31 DECEMBER	30 JUNE
2023		
UNAUDITED		
\$M		
Total debt	1,561	1,043
Less short-term debt	(277)	(90)
<b>Total long-term debt (including long-term debt due within one year)</b>	<b>1,284</b>	<b>953</b>

### Note 4 Dividends

On 25 August 2023, Spark Finance paid a dividend of 20.95 cents per share or \$185 million to Spark New Zealand Limited, which was paid through the intercompany current account (31 December 2022: 23.22 cents per share or \$205 million).

**Contact details**

*Registered office*

The registered office of Spark Finance is:

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Spark City  
167 Victoria Street West  
Auckland 1010  
New Zealand  
Ph +64 4 471 1638 or 0800 108 010

*Inquiries*

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

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For inquiries about the operating and financial performance of Spark Finance or the Spark New Zealand Group contact:

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