



INTERIM FINANCIAL STATEMENTS

FY2022

Interim Financial Statements

For the six months ended 31 December 2021

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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 2021.

Statement of profit or loss and other comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

		2021 UNAUDITED \$M	RESTATED ¹ 2020 UNAUDITED \$M
	NOTE		
Operating revenues and other gains		1,890	1,796
Operating expenses		(1,352)	(1,296)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	5	538	500
Finance income		14	17
Finance expense		(37)	(43)
Depreciation and amortisation		(257)	(262)
Net investment loss		(1)	-
Net earnings before income tax	4	257	212
Income tax expense		(78)	(65)
Net earnings for the period		179	147
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of long-term investments designated at fair value through other comprehensive income		(3)	(51)
<i>Items that may be reclassified to profit or loss:</i>			
Change in hedge reserves net of tax		31	10
Other comprehensive income for the period		28	(41)
Total comprehensive income for the period		207	106
Earnings per share			
Basic and diluted earnings per share (cents)		9.6	8.0
Weighted average ordinary shares (millions)		1,868	1,844
Weighted average ordinary shares and options (millions)		1,870	1,846

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRS Interpretations Committee ('IFRIC') agenda decision, see notes 1 and 3.

Statement of financial position

	NOTES	AS AT 31 DECEMBER	RESTATED ¹ AS AT 30 JUNE
		2021	2021
		UNAUDITED \$M	UNAUDITED ² \$M
Current assets			
Cash		93	72
Short-term receivables and prepayments		751	768
Short-term derivative assets		3	12
Inventories		93	64
Total current assets		940	916
Non-current assets			
Long-term receivables and prepayments		217	271
Long-term derivative assets		5	24
Long-term investments	6	256	227
Right-of-use assets		620	647
Leased customer equipment assets		73	77
Property, plant and equipment		1,177	1,080
Intangible assets		862	858
Total non-current assets		3,210	3,184
Total assets		4,150	4,100
Current liabilities			
Short-term payables, accruals and provisions		537	479
Taxation payable		21	23
Short-term derivative liabilities		3	4
Short-term lease liabilities		66	60
Debt due within one year	7	283	373
Total current liabilities		910	939
Non-current liabilities			
Long-term payables, accruals and provisions		61	60
Long-term derivative liabilities		58	91
Long-term lease liabilities		382	406
Long-term debt	7	1,181	1,030
Deferred tax liabilities		81	82
Total non-current liabilities		1,763	1,669
Total liabilities		2,673	2,608
Equity			
Share capital		1,095	1,084
Reserves		(343)	(371)
Retained earnings		725	779
Total equity		1,477	1,492
Total liabilities and equity		4,150	4,100

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRIC agenda decision, see notes 1 and 3.

2 The balance as at 30 June 2021 was audited except for the restatements as disclosed in note 3 which are unaudited.

On behalf of the Board



Justine Smyth, Chair

Authorised for issue on 23 February 2022



Jolie Hodson, Chief Executive

Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVES	SHARE- BASED COMPEN- SATION RESERVE	RE- VALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2021 - RESTATED¹	1,084	779	(63)	3	(288)	(23)	1,492
Net earnings for the period	-	179	-	-	-	-	179
Other comprehensive income/(loss)	-	-	31	-	(3)	-	28
Total comprehensive income/(loss) for the period	-	179	31	-	(3)	-	207
Contributions by, and distributions to, owners:							
Dividends	-	(233)	-	-	-	-	(233)
Supplementary dividends	-	(23)	-	-	-	-	(23)
Tax credit on supplementary dividends	-	23	-	-	-	-	23
Dividend reinvestment plan	8	-	-	-	-	-	8
Issuance of shares under share schemes	4	-	-	-	-	-	4
Other transfers	(1)	-	-	-	-	-	(1)
Total transactions with owners	11	(233)	-	-	-	-	(222)
Balance at 31 December 2021	1,095	725	(32)	3	(291)	(23)	1,477

SIX MONTHS ENDED 31 DECEMBER 2020 RESTATED ¹ UNAUDITED	SHARE CAPITAL	RETAINED EARNINGS	HEDGE RESERVES	SHARE- BASED COMPEN- SATION RESERVE	RE- VALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2020²	949	870	(120)	2	(212)	(23)	1,466
Net earnings for the period	-	147	-	-	-	-	147
Other comprehensive income/(loss)	-	-	10	-	(51)	-	(41)
Total comprehensive income/(loss) for the period	-	147	10	-	(51)	-	106
Contributions by, and distributions to, owners:							
Dividends	-	(230)	-	-	-	-	(230)
Supplementary dividends	-	(24)	-	-	-	-	(24)
Tax credit on supplementary dividends	-	24	-	-	-	-	24
Dividend reinvestment plan	63	-	-	-	-	-	63
Issuance of shares under share schemes	4	-	-	-	-	-	4
Total transactions with owners	67	(230)	-	-	-	-	(163)
Balance at 31 December 2020	1,016	787	(110)	2	(263)	(23)	1,409

See accompanying notes to the interim financial statements.

- Restated due to implementation of the IFRIC agenda decision, see notes 1 and 3.
- The retained earnings balance at 1 July 2020 has been restated by \$19 million due to the reassessment of useful lives of reacquired rights, as reported as at 30 June 2021. This had no impact on financial performance for the year ended 30 June 2021.

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

		2021	RESTATED ¹
	NOTE	UNAUDITED	UNAUDITED
		\$M	\$M
Cash flows from operating activities			
Receipts from customers		1,901	1,828
Receipts from interest		13	16
Payments to suppliers and employees		(1,327)	(1,321)
Payments for income tax		(93)	(118)
Payments for interest on debt		(23)	(23)
Payments for interest on leases		(10)	(16)
Payments for interest on leased customer equipment assets		(3)	(4)
Net cash flows from operating activities	8	458	362
Cash flows from investing activities			
Proceeds from sale of business		-	8
Proceeds from long-term investments		3	-
Receipts from finance leases		2	2
Payments for, and advances to, long-term investments		(39)	(4)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(216)	(212)
Payments for capitalised interest		(3)	(3)
Net cash flows from investing activities		(253)	(209)
Cash flows from financing activities			
Net proceeds from debt		99	100
Payments for dividends		(225)	(167)
Payments for leases		(33)	(20)
Payments for leased customer equipment assets		(25)	(16)
Net cash flows from financing activities		(184)	(103)
Net cash flow		21	50
Opening cash position		72	53
Closing cash position		93	103

See accompanying notes to the interim financial statements.

1 Restated due to implementation of the IFRIC agenda decision, see notes 1 and 3.

Notes to the interim financial statements

NOTE 1 About this report

Reporting entity

These unaudited interim financial statements are for Spark New Zealand Limited (the 'Company') and its subsidiaries (together 'Spark' or 'the Group') for the six months ended 31 December 2021.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Main Board equity security market and the Australian Securities Exchange.

Basis of preparation

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

Except as amended following the implementation of the IFRIC decision outlined below, the accounting policies adopted are consistent with those followed in the preparation of Spark's annual financial statements for the year ended 30 June 2021. The preparation of the interim financial statements requires management to make estimates and assumptions. Spark has been consistent in applying the estimates and assumptions adopted in the annual financial statements for the year ended 30 June 2021 and critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2021. Certain comparative information has been updated to conform with the current year's presentation.

Financial instruments are either carried at amortised cost, less any provision for impairment, or fair value. The only significant variances between instruments held at amortised cost and their fair value relate to long-term debt. There were no changes in valuation techniques during the period. Spark's derivatives are held at fair value, calculated

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

At 31 December 2021, capital expenditure amounting to \$350 million (31 December 2020: \$223 million) had been committed under contractual arrangements.

Implementation of the IFRIC agenda decision

During the six months ended 31 December 2021, Spark revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements. This was in response to the IFRIC agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The IFRIC decision clarified that because SaaS arrangements are service contracts that provide Spark with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received. Previously Spark had recorded these configuration and customisation costs as part of the cost of an intangible asset and amortised these costs over the useful life of the software assets. A summary of the impact of the change in accounting policy on Spark's interim financial statements is provided in note 3.

New and amended standards

Spark has adopted amendments issued for New Zealand equivalents to International Financial Reporting Standard ('NZ IFRS') 9 *Financial Instruments* and NZ IFRS 16 *Leases* that address issues arising from the reform of benchmark interest rates. These amendments have not had a material impact on the Group's financial statements.

Notes to the interim financial statements

NOTE 2 Significant transactions and events for the current period

The following significant transactions and events affected the financial performance and financial position of Spark for the six month period to 31 December 2021:

Debt (see note 7)

- On 30 November 2021, Spark established three Sustainability-Linked Loans totalling \$425 million. These consist of; converting an existing \$200 million facility with Westpac New Zealand, to mature on 30 November 2023; establishing a new \$100 million facility with Commonwealth Bank of Australia, to mature on 30 November 2024; and extending a \$125 million facility with Mitsubishi UFG Financial Group Bank Limited, to mature on 30 November 2025.

Capital expenditure

- Spark's additions to property, plant and equipment (excluding property, plant and equipment transfers from finance lease receivables of \$81 million) and intangible assets were \$218 million, details of which are available in a separate detailed financials file on the investor section of our website at: investors.sparknz.co.nz/investor-centre.

Dividends

- Dividends paid during the six month period ended 31 December 2021 in relation to the H2 FY21 second-half dividend (ordinary dividend of 12.5 cents per share) totalled \$233 million or 12.5 cents per share, of this \$8 million was settled through the dividend reinvestment plan.

Leases

- On 1 December 2021, Chorus exercised its right of renewal for the Spark exchange buildings lease. This resulted in a combination of lease renewals, lease relinquishments, a new operating lease and an annual price review. In exercising this right Chorus renewed some space and relinquished some space. As a result of these changes, Spark recognised an increase of \$81 million in property, plant and equipment assets for the exchange space it has taken back control of from Chorus. This was offset by a reduction of \$69 million in finance leases no longer receivable from Chorus and a gain of \$12 million reported within other gains for the price increases over the remaining lease term.

Southern Cross Next Cable ('SX NEXT')

- During the six month period ended 31 December 2021, Spark contributed \$37 million of equity to its Southern Cross investment to fund the SX NEXT undersea cable build. Subsequent to 31 December 2021 Spark contributed \$7 million of additional equity.

Acquisitions

- On 22 December 2021, Spark announced that it will be acquiring the remaining 50% of its joint venture, Connect 8, a fibre network construction company. The transaction completed on 31 January 2022.

Notes to the interim financial statements

NOTE 3 Impact of change in accounting policy

As outlined in note 1, the impact of the change in Spark's accounting policy in relation to SaaS arrangements in response to the IFRIC agenda decision on the comparative financials statements is as follows:

	PREVIOUSLY REPORTED AUDITED \$M	CHANGE IN ACCOUNTING POLICY UNAUDITED \$M	RESTATED UNAUDITED \$M
Statement of profit or loss and other comprehensive income			
SIX MONTHS ENDED 31 DECEMBER 2020			
Operating expenses	(1,294)	(2)	(1,296)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	502	(2)	500
Depreciation and amortisation	(263)	1	(262)
Net earnings before income tax	213	(1)	212
Net earnings for the period	148	(1)	147
Earnings per share			
Basic and diluted earnings per share	8.0	-	8.0
Statement of cashflows			
SIX MONTHS ENDED 31 DECEMBER 2020			
Payments to suppliers and employees	(1,319)	(2)	(1,321)
Net cash flows from operating activities	364	(2)	362
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum) and capacity	(214)	2	(212)
Net cash flows from investing activities	(213)	2	(211)
Statement of financial position			
OPENING AS AT 1 JULY 2020			
Intangible assets	843	(10)	833
Total assets	4,358	(10)	4,348
Deferred tax liabilities	61	(2)	59
Total liabilities	2,884	(2)	2,882
Retained earnings	878	(8)	870
Total liabilities and equity	4,358	(10)	4,348
AS AT 30 JUNE 2021			
Intangible assets	871	(13)	858
Total assets	4,113	(13)	4,100
Deferred tax liabilities	84	(2)	82
Total liabilities	2,610	(2)	2,608
Retained earnings	790	(11)	779
Total liabilities and equity	4,113	(13)	4,100

Notes to the interim financial statements

NOTE 3 Impact of change in accounting policy (continued)

Impact of change in accounting policy

The change in Spark's accounting policy in relation to SaaS arrangements in response to the IFRIC agenda decision has reduced EBITDAI, net earnings before tax, and total assets due to such expenses now being recognised as the services are received rather than capitalised as an intangible asset and amortised over the software asset's useful life.

There has been no net impact on Spark's statement of cashflows however it has resulted in the reclassification of the applicable costs incurred from investing to operating activities.

NOTE 4 Segment information

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

Comparative segment results

As reported in H2 FY21, Spark reclassified the comparative segment results to reflect changes in the classification of CCL solutions and cloud-based telephony products and also a reclassification of some voice revenues to managed data, networks and services.

FOR THE SIX MONTHS ENDED 31 DECEMBER	2021			2020		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
UNAUDITED	\$M	\$M	\$M	\$M	\$M	\$M
Mobile	678	(241)	437	651	(244)	407
Voice	146	(60)	86	154	(67)	87
Broadband	324	(158)	166	337	(171)	166
Cloud, security and service management	224	(48)	176	217	(38)	179
Procurement and partners	301	(275)	26	236	(216)	20
Managed data, networks and services	140	(75)	65	140	(68)	72
Other product ¹	61	(28)	33	57	(29)	28
Segment result	1,874	(885)	989	1,792	(833)	959

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

Notes to the interim financial statements

NOTE 4 Segment information (continued)

Reconciliation from segment result to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER	2021	RESTATED 2020
UNAUDITED	\$M	\$M
Segment product margin	989	959
Other gains	16	4
Labour	(263)	(256)
Other operating expenses		
Network support costs	(44)	(44)
Computer costs	(55)	(51)
Accommodation costs	(30)	(32)
Advertising, promotions and communication	(34)	(44)
Bad debts	(3)	1
Impairment expense	(2)	-
Other	(36)	(37)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	538	500
Finance income		
Finance lease interest income	6	6
Other interest income	8	11
Finance expense		
Finance expense on long-term debt	(23)	(21)
Capitalised interest	3	3
Other interest and finance expenses	(4)	(6)
Lease interest expense	(10)	(15)
Leased customer equipment interest expense	(3)	(4)
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	(116)	(124)
Depreciation - right-of-use assets	(40)	(35)
Depreciation - leased customer equipment assets	(18)	(19)
Amortisation of intangibles	(83)	(84)
Net investment loss		
Share of associates' and joint ventures' net losses	(1)	-
Net earnings before income tax	257	212

Notes to the interim financial statements

NOTE 5 Non-GAAP measures

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

Spark's policy is to present 'adjusted EBITDAI' and 'adjusted net earnings' when a financial year includes significant items (such as gains, expenses and impairments) individually greater than \$25 million. There are no adjusting items for the six months ended 31 December 2021 or 31 December 2020.

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

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

SIX MONTHS ENDED 31 DECEMBER	2021	RESTATED 2020
UNAUDITED	\$M	\$M
Net earnings for the period reported under NZ IFRS	179	147
Less: finance income	(14)	(17)
Add back: finance expense	37	43
Add back: depreciation and amortisation	257	262
Add back: net investment loss	1	-
Add back: income tax expense	78	65
EBITDAI	538	500

Notes to the interim financial statements

NOTE 6 Long-term investments

		AS AT 31 DECEMBER 2021 UNAUDITED \$M	AS AT 30 JUNE 2021 AUDITED \$M
Measurement basis			
Shares in Hutchison	Fair value through other comprehensive income	157	160
Investment in associates and joint ventures	Equity method	93	59
Other long-term investments	Cost	6	8
		256	227

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and its fair value is measured using the observable bid share price as quoted on the ASX, classified as being within Level 1 of the fair value hierarchy. As at 31 December 2021 the quoted price of Hutchison's shares on the ASX was AUD\$0.110 (30 June 2021: AUD\$0.110). The decrease in fair value of \$3 million, as a result of changes in foreign exchange rate, has been recognised in other comprehensive income (30 June 2021: \$87 million decrease).

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 31 December 2021 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Connect 8 Limited	Joint Venture	New Zealand	50%	Fibre network construction
Flok Limited	Associate	New Zealand	38%	Hardware and software development
Pacific Carriage Holdings Limited Inc	Associate	United States	40%	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	40%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

Spark sold its remaining investment in PropertyNZ Limited (homes.co.nz) on 1 September 2021.

Notes to the interim financial statements

NOTE 7 Debt

FACE VALUE	FACILITY	COUPON RATE	MATURITY	AS AT 31 DECEMBER 2021	AS AT 30 JUNE 2021
				UNAUDITED \$M	AUDITED \$M
Short-term debt					
Short-term borrowings		Variable	< 1 month	28	3
Commercial paper		Variable	< 3 months	138	155
				166	158
Supplier financing arrangements¹					
Amounts due within one year		Variable	< 3 years	16	14
Amounts due in more than a year		Variable	< 3 years	14	18
				30	32
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	-	100
Mitsubishi UFG Financial Group Bank Limited	125 million NZD	Variable	30/11/2022	-	60
Westpac New Zealand Limited ²	200 million NZD	Variable	30/11/2023	25	-
Commonwealth Bank of Australia ²	100 million NZD	Variable	30/11/2024	100	-
Mitsubishi UFG Financial Group Bank Limited ²	125 million NZD	Variable	30/11/2025	125	-
				250	160
Domestic notes					
100 million NZD		4.50%	25/03/2022	101	101
100 million NZD		4.51%	10/03/2023	102	104
125 million NZD		3.37%	07/03/2024	125	130
125 million NZD		3.94%	07/09/2026	124	131
				452	466
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	102	106
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	169	177
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	127	132
Norwegian Medium Term Notes - 1 billion NOK ³		3.07%	19/03/2029	168	172
				566	587
				1,464	1,403
Debt due within one year				283	373
Long-term debt				1,181	1,030

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

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

3 Norwegian krone

There have been no changes in Spark's short-term financing programmes or stand-by facilities since 30 June 2021. Changes in long-term financing are disclosed in note 2 page 8 of these interim financial statements.

Notes to the interim financial statements

NOTE 7 Debt (continued)

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$1,325 million compared to a carrying value of \$1,298 million as at 31 December 2021 (30 June 2021: fair value of \$1,270 million compared to a carrying value of \$1,245 million).

	AS AT 31 DECEMBER 2021 UNAUDITED \$M	AS AT 30 JUNE 2021 AUDITED \$M
Total debt	1,464	1,403
Less short-term debt	(166)	(158)
Total long-term debt (including long-term debt due within one year)	1,298	1,245

Net debt

Net debt at hedged rates, the primary net debt measure Spark monitors, includes long-term debt at the value of hedged cash flows due to arise on maturity, plus short-term debt, less any cash. Net debt at carrying value includes the non-cash impact of fair value hedge adjustments and any unamortised discount.

Net debt at hedged rates is a non-GAAP measure and is not defined in accordance with NZ IFRS but is a measure used by management. A reconciliation of net debt at hedged rates and net debt at carrying value is provided below:

	AS AT 31 DECEMBER 2021 UNAUDITED \$M	AS AT 30 JUNE 2021 AUDITED \$M
Cash	(93)	(72)
Short-term debt at face value	166	158
Long-term debt at face value	1,298	1,212
Net debt at face value	1,371	1,298
To retranslate debt balances at swap rates where hedged by currency swaps	9	5
Net debt at hedged rates¹	1,380	1,303
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments ²	11	12
Unamortised discount	(1)	(2)
Net debt at carrying value	1,390	1,313

1 Net debt at hedged rates is the value of hedged cash flows due to arise on maturity and includes an adjustment to state the principal of foreign currency medium term notes at the hedged currency rate.

2 Fair value hedge adjustments arise on domestic notes in fair value hedges and foreign currency medium term notes in dual fair value and cash flow hedges. These have no impact on the cash flows to arise on maturity.

Notes to the interim financial statements

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

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2021 \$M	RESTATED 2020 \$M
Net earnings for the period	179	147
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	257	262
Bad and doubtful accounts	5	1
Deferred income tax	(14)	(11)
Share of associates' and joint ventures' net losses	1	-
Impairments	2	-
Other gains	(16)	(4)
Other	-	1
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(16)	24
Movement in inventories	(29)	12
Movement in current taxation	1	(41)
Movement in payables and related items	88	(29)
Net cash flows from operating activities	458	362

Notes to the interim financial statements

NOTE 9 Dividends

On 23 February 2022, the Board approved the payment of a first half ordinary dividend of 12.5 cents per share or approximately \$234 million. The dividend will be 100% imputed in line with the corporate income tax rate. In addition, supplementary dividends totalling approximately \$23 million will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Spark will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

	H1 FY22
	ORDINARY DIVIDENDS
Dividends declared	
Ordinary shares	12.5 cents
American Depositary Shares ¹	41.81 US cents
Imputation	
Percentage imputed	100%
Imputation credits per share	4.8611 cents
Supplementary dividend per share ²	2.2059 cents
'Ex' dividend dates	
New Zealand Stock Exchange	24/03/22
Australian Securities Exchange	24/03/22
American Depositary Shares	24/03/22
Record dates	
New Zealand Stock Exchange	25/03/22
Australian Securities Exchange	25/03/22
American Depositary Shares	25/03/22
Payment dates	
New Zealand and Australia	8/04/22
American Depositary Shares	18/04/22

1 Spark's American Depositary Shares, each representing five ordinary Spark shares and evidenced by American Depositary Receipts (ADRs), are traded over-the-counter in the United States. This is a Level 1 ADR programme that is sponsored by Bank of New York Mellon. For H1 FY22, these are based on the exchange rate at 17 February 2022 of NZ\$1 to US\$0.6689 and a ratio of five ordinary shares per one American Depositary Share. The actual exchange rate used for conversion is determined in the week prior to payment when the Bank of New York performs the physical currency conversion.

2 Supplementary dividends are paid to non-resident shareholders.

Dividend Reinvestment Plan

The Company has a dividend reinvestment plan under which shareholders can elect to receive dividends in additional shares. For the six months 31 December 2021 shares with a total value of \$8 million (31 December 2020: \$63 million) were issued in lieu of dividends. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows.

The dividend reinvestment plan has been retained for the H1 FY22 dividend. Shares issued under the dividend reinvestment plan will be issued at the prevailing market price around the time of issue. The last date for shareholders to elect to participate in the dividend reinvestment plan for the H1 FY22 dividend is 28 March 2022.

Spark's Dividend Reinvestment Plan Offer Document and Participation Notice can be found on Spark's Investor Centre Website investors.sparknz.co.nz



Independent Auditor's Review Report To the Shareholders of Spark New Zealand Limited

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Spark New Zealand Limited ('the Company') and its subsidiaries ('the Group'), which comprise the statement of financial position as at 31 December 2021, and, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 3 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

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

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

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

Directors' responsibilities for the interim financial statements

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

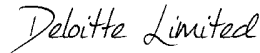
Auditor's responsibilities for the review of the interim financial statements

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

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

Restriction on use

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

The image shows a handwritten signature in black ink that reads "Deloitte Limited". The signature is written in a cursive, flowing style.

**Jason Stachurski, Partner
for Deloitte Limited**

Auckland, New Zealand

23 February 2022

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