living growing making building learning unleashing.

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KEY DATES

Half-year results announcement
18 February 2016

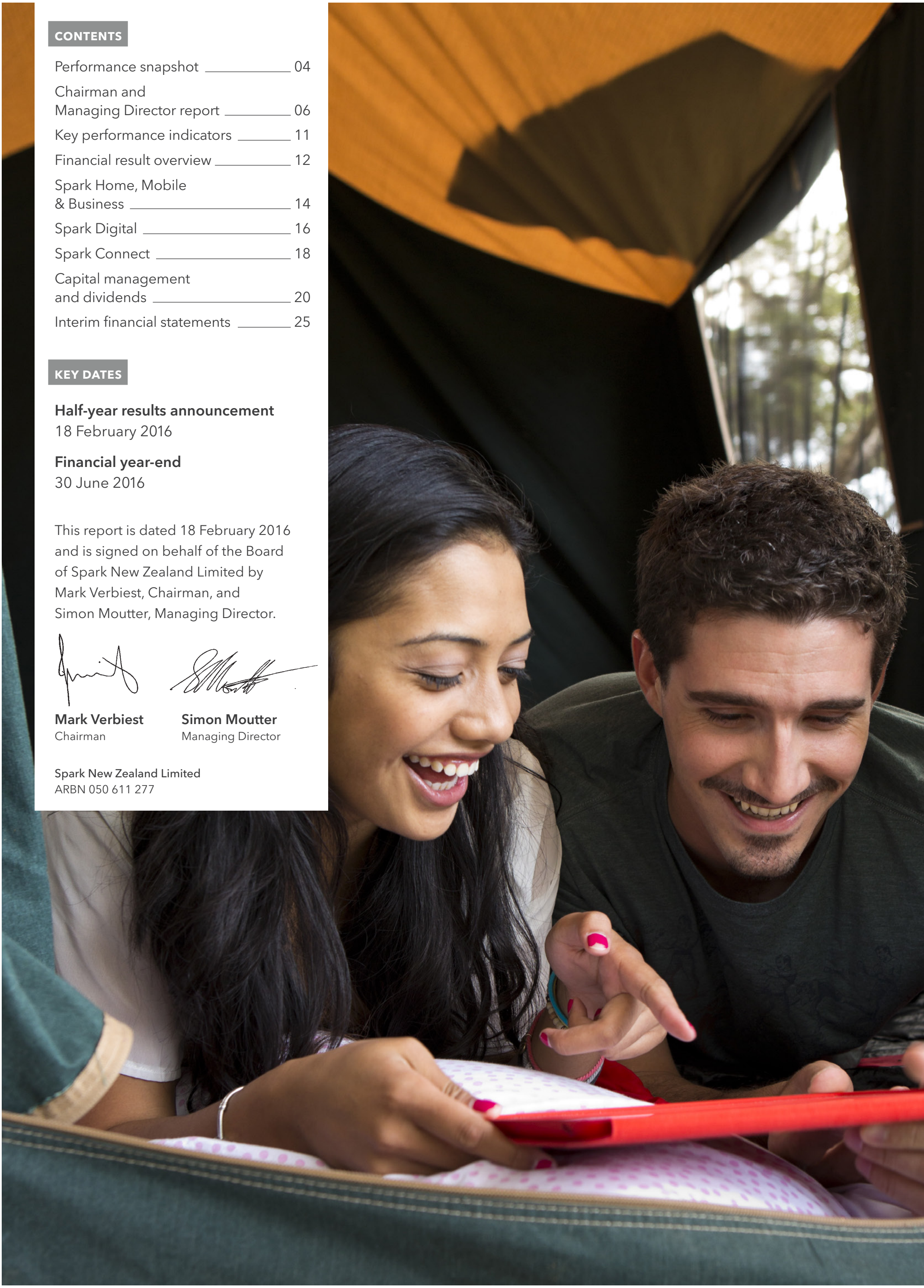
Financial year-end
30 June 2016

This report is dated 18 February 2016 and is signed on behalf of the Board of Spark New Zealand Limited by Mark Verbiest, Chairman, and Simon Moutter, Managing Director.

Mark Verbiest
Chairman

Simon Moutter
Managing Director

Spark New Zealand Limited
ARBN 050 611 277



Each day, more and more New Zealanders are choosing Spark. And we're working harder than ever to help make their lives just a little better, every day.

We believe every New Zealander and New Zealand business has incredible potential. Ready access to world-class technology is critical to unleashing that potential. To keep up with the world, we have to increase the pace at which we adopt technology and make it work for us all.

As a New Zealand company focused on one single awesome country, we're committed to enabling more New Zealanders to grow, make, learn and live a digital future. **Today.**

Growing to deliver the future, today.

Performance snapshot

Operating revenues and other gains $

1,723M

▼ **4.1%** REPORTED ▲ **1.6%** RE-BASED *

Mobile connections

2.212M

▲ **4.6%**

EBITDA $

455M

▲ **4.4%**

Mobile revenue $

563M

▲ **11.7%**

Net earnings $

158M

▲ **7.5%**

Broadband revenue $

339M

▲ **4.6%**

Dividends per share $

12.5 **cents per share**

▲ **3.5 CPS**

IT services revenue $

322M

▲ **9.2%**

Capex $

216M

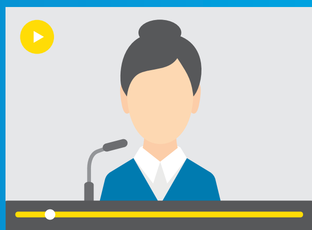
▼ **13.3%****

* Re-based for divestments and regulatory changes, reducing H1 FY15 operating revenues by $106 million and the acquisition of the CCL Group, increasing revenues in H1 FY16 by $5 million.

** Excluding H1 FY15 spectrum purchase.

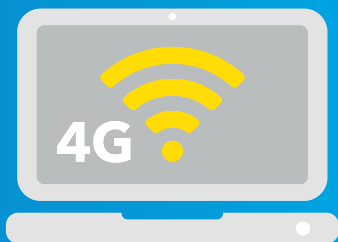
Acquisition of the CCL Group reinforces Spark leadership in Cloud

Givealittle – more than $40 million donations through the platform



Trial of online AGM – an Australasian first

Brand preference measures trending upwards



Launch by Skinny of prepaid wireless broadband

The half-year to December 31 2015 was another big six months for Spark New Zealand.

Performance has continued to improve in line with expectations, with the FY15 return to EBITDA growth reinforced in the first half of FY16.

Mark Verbiest
Chairman

Simon Moutter
Managing Director

Notably, for the first time in many years mobile and IT services revenue growth has more than offset the ongoing decline in landline voice and legacy data products, excluding divestments and changes to regulated wholesale copper network access charges. This demonstrates a successful rebalancing of the company's portfolio.

Operationally, we have continued to execute at pace in an environment where demand for digital services and data is increasing exponentially and where markets are rapidly evolving.

The successful first phase of our transformation – the 'resetting' of Spark as a competitive digital services provider with new and more relevant brands and a stronger customer focus – has led to more New Zealanders choosing Spark as their preferred digital services provider.

Spark New Zealand is already well into the next phase of its strategy, aimed at becoming a brand that more customers love and value, at creating sustainable financial growth, and at making a bigger difference to New Zealand's future success in an increasingly digital world.

Building.

Results

Total operating revenue and other gains decreased by 4.1% to $1,723 million in H1 FY16. However, after re-basing for changes arising from earlier divestments, changes to regulated access charges for Spark Wholesale and the acquisition of the Computer Concepts Group (CCL Group), the underlying total operating revenues and other gains have actually increased by $27 million, or 1.6%.

There has been continued growth in good quality mobile connections, up 4.6%, while – reflecting a strategic shift in focus to higher value customers and offers - mobile revenues grew by $59 million, or 11.7%.

IT services revenue grew by $23 million, or 7.8%, resulting from growth in platform IT, partially offset by a slight decline in traditional IT service revenues. Broadband revenues grew by $15 million, or 4.6%, as we continued to focus on higher value plans.

The tight management of operating costs was maintained, with re-based expenses relatively flat as the increased costs associated with mobile and IT services revenue growth were largely offset by efficiency improvements and the lower regulated access charges.

Earnings before interest, tax expense, depreciation and amortisation (EBITDA) were up 4.4%, while Spark New Zealand's net earnings from continuing operations after tax for H1 FY16 were $158 million, up 7.5% from H1 FY15.

Operational Highlights

The Spark Home, Mobile & Business division had an excellent six months, with a greater focus on customers leading to better commercial outcomes. In particular, a strategic shift of emphasis towards existing customers and the all-of-life services we can offer across mobile and broadband has delivered positive results.

This focus has helped broaden the appeal of our brand and helped Spark to differentiate itself in a competitive market. The performance in mobile has been outstanding, with a focus on driving value continuing to lift mobile revenue.

The broadband market saw ongoing consolidation, most notably with Australian listed company M2 acquiring Callplus and merging with Vocus. However the market remains crowded, with, at last count, more than 80 broadband retail brands competing hard for New Zealand customers.

Spark held its market share at the higher-value end of the broadband market and is significantly outperforming the competition in new fibre orders. Work is needed to shore up a decline in share at the lower value end of the market, with aggressive price-based competition fuelling high rates of churn across the industry.

Major steps have also been taken to address the process for fibre installations, which is driving a trend towards longer and more complex customer calls and putting additional pressure on other aspects of customer service operations. An overhaul of the industry-wide process to streamline fibre installation is well underway.

In addition, Spark has employed an additional 140 customer service agents to help bring wait times for fibre down, bringing the total number of customer service agents at Spark to around 1,200 people and has made improvements to the tools and transparency of information available through our digital channels. These tools include an outage map, which gives a real-time view of any problems on the Spark mobile, broadband or landline networks, and a graphical display, which shows call volumes and service metrics such as wait times. We are determined to continue this work in the second half of this year to get the service experience right for all our customers.

December 2015 also saw Spark take a minority stake in Hawkes Bay broadband company, NOW New Zealand, a regional market ISP with impressive growth ambitions and a great reputation.

As New Zealand goes through the once in a generation migration from old copper technology to fibre and 4G wireless broadband, the ongoing reduction in cost of delivering fixed broadband wirelessly is leading to more options for some customers. In July 2015 we launched rural wireless broadband, making use of our 4G mobile network, which has seen steady uptake. In January this year our value mobile brand Skinny launched a pre-paid wireless broadband product, which is attracting a lot of interest. Increasingly fixed wireless broadband is an option for certain customers, particularly those who don't have acceptable copper network performance in rural areas or urban customers who move home frequently or use modest data volumes.

Spark Digital has now completed its repositioning. This is showing up in terms of improved quality of the business it is contracting for, with a focus on repeatable platform-based services helping generate bottom line benefits. In addition, we have made further lengthy strides in the ICT platform market with total IT services revenue up, and our Cloud and data centres strategy proving successful, highlighted by an excellent performance again from Revera, and reinforced by the recent acquisition of South Island market leader the CCL Group in December 2015.

Adjustments made to the Spark Digital customer delivery model alongside Spark Connect have also helped drive an increase in new business, with a significant number of large enterprise and Government customer contract wins achieved during the period, including KiwiRail, Foodstuffs North Island, New Zealand Racing Board and Genesis Energy. Alongside the successful reappointment as a supplier of the Government's 'Telecommunications-as-a-Service" service framework, Spark Digital has established a firm foundation for growth.

The Spark Ventures innovation team has continued to be a critical innovation engine, creating a portfolio of growth options, some of which have been very successful. The digital capability created has also driven benefits across the entire Spark group. We expect to see Spark move closer over time to Ventures in terms of speed to market, digital capability and delivery model.

In media, we are evolving our strategy to respond to market trends. Lightbox has established a credible position as one of the big players in the New Zealand SVOD market with outstanding content and good market awareness. With the market rapidly evolving and reshaping, we are moving towards a more open platform-based approach that complements our other digital services for customers, and gives us more flexibility as the market continues to change.

Within the rest of the Spark Ventures portfolio, data analytics business Qrious and smart home security business Morepork are gaining traction. Qrious is establishing its leading data analytics capabilities and signing up several large customers with others on the way. Morepork launched in August 2015 and has been steadily building strong brand and product awareness in a very fragmented smart living and security market.

Spark has continued to improve network resiliency and performance to accommodate the phenomenal growth seen in data usage, primarily driven by video. This investment included the ongoing roll out of the 4G mobile network, which now covers over 85% of the New Zealand population, expansion of the single radio access network (RAN) which provides greater flexibility to our mobile network, upgrades to the broadband network gateways (BNGs), continued investment in the optical transport network (OTN) and enhanced video content caching and delivery.

The seamless execution of the IT re-engineering programme was maintained, including a major fibre product release and significant improvements to on-line sales and service capability ahead of the summer holiday period as well as a foundation release to support managed data.

The acceleration of the shift to digital services and products through our Digital First programme continued. Early wins include a series of new or updated apps, one for customers, one for investors and one for staff, while more comprehensive self-service initiatives are well underway.

The half-year saw the lengthy Commerce Commission process to determine the regulated charge for access to the Chorus copper network finally draw to a close. The process did not necessarily run a smooth course, with material fluctuations between the draft determinations in 2014 and 2015 and the final determination in December 2015 effectively meaning the industry ended up back where it started. This unfortunately has led to unexpected and significant increases to the wholesale costs to ISPs, and in turn to retail broadband and landline prices for our customers.

The decision means that New Zealanders pay almost double the median regulated copper lines charges in other comparable countries. It also means that the regulated charges for access to the decades-old Chorus copper network will now significantly exceed access charges for entry-level plans on the new state-of-the-art UFB fibre network.

Looking ahead

For shareholders, we remain pleased with the continued underlying improvement in free cash flow and the improving financial performance of the business. For FY16, the Board's intention is still to pay annual dividends of 22 cents per share and special dividends of 3 cents per share, subject to no material change in outlook. We anticipate the special dividends could continue into FY17 subject to no significant business changes.

The Board would like to again acknowledge the people of Spark New Zealand and their contribution to the turnaround of this business and their unswerving commitment to New Zealand's digital future.

The outstanding network and digital services platform established means we are a more agile, more competitive and more resilient business with a greater capacity to create options. We have improved our executional capability and our focus on customer needs.

We think this foundation gives us an opportunity to do something special for our customers. Technology will have an increasingly powerful role to play for our country, and Spark is absolutely committed to enabling New Zealanders and New Zealand businesses make the most of it. We are looking forward to the rest of the 2016 financial year.

Mark Verbiest
Chairman

Simon Moutter
Managing Director

Key performance indicators

Amounts are for the Spark New Zealand Group operations.

CONTINUING OPERATIONS		H1 FY16	H1 FY15	% CHANGE
Operating revenues and other gains	$M	1,723	1,797	(4.1)%
Operating revenues and other gains – re-based[1]	$M	1,718	1,691	1.6%
Operating expenses	$M	1,266	1,361	(7.0)%
Operating expenses – re-based [1]	$M	1,262	1,250	1.0%
Share of associates' and joint ventures' net (losses)	$M	(2)	–	NM
EBITDA [2]	$M	455	436	4.4%
Depreciation and amortisation expense	$M	224	224	–
Net finance expense	$M	13	12	8.3%
Income tax expense	$M	60	53	13.2%
Net earnings	$M	158	147	7.5%
Capital expenditure – excluding spectrum	$M	216	249	(13.3)%
Capital expenditure – spectrum [3]	$M	–	158	NM
Total mobile connections [4]	(000)s	2,212	2,114	4.6%
Broadband connections [4,5]	(000)s	675	674	0.1%
Employee numbers [6]		5,324	5,618	(5.2)%

1 H1 FY15 operating revenues and other gains have been re-based to reflect the divestments of the international voice business, Spark New Zealand's 60% share of Telecom Cook Islands Limited and Telecom Rentals Limited in H2 FY15, reducing revenue by $71 million, and the regulated change where Chorus now charge a majority of Spark Wholesale's customers directly for access reducing revenue by $35 million. Similarly H1 FY15 operating expenses have been re-based for the divestments ($65 million), access charges ($35 million) and one-off rebrand costs ($11 million). H1 FY16 operating revenues and other gains and operating expenses have also been re-based to exclude the impact of the acquisition of the CCL Group during the period by $5 million and $4 million respectively.

2 Spark New Zealand calculates EBITDA by adding back depreciation, amortisation, finance expenses and income tax expense to net earnings less finance income. EBITDA is a non-Generally Accepted Accounting Practice (GAAP) measure and is not comparable to the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) measure of performance.

3 Capital expenditure related to the purchase of 2x20 MHz of 700 MHz spectrum in H1 FY15.

4 Measure as at 31 December.

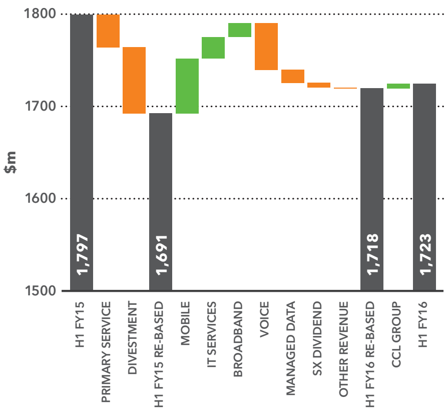
5 Measure relates to broadband connections in the Home, Mobile & Business and Digital business units.

6 FTEs are full-time equivalents, including contractors, and are measured as at 31 December.

Financial result overview

Spark New Zealand's net earnings after tax for H1 FY16 were $158 million, an increase from H1 FY15 of $11 million or 7.5%.

Operating revenue and other gains



Total operating revenue and other gains decreased by $74 million (or 4.1%) to $1,723 million in H1 FY16. However revenues in H1 FY15 included $71 million for the three businesses Spark New Zealand divested in H2 FY15 – the international voice business, Telecom Rentals Limited and the 60% share of Telecom Cook Islands Limited. Additionally, as noted in previous financial reports, since December 2014 there was a regulated change where Chorus now charge a majority of Spark Wholesale's customers directly for access reducing revenue and expenses by $35 million.

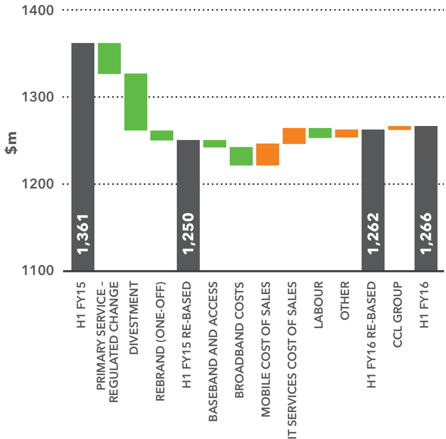
Therefore after re-basing for these items, total operating revenues and other gains have increased by $27 million or 1.6% in line with Spark New Zealand's strategic intent to deliver moderate revenue growth. The key drivers of this increase in revenue were;

- Mobile revenues grew by $59 million, or 11.7%, with a net increase of 98,000 connections since December 2014 taking the total mobile base to 2.21 million connections at 31 December 2015. The revenue growth was driven by higher volumes of handset sales and increased service revenues from a combination of higher usage and the higher mobile base;
- IT services revenue grew by $23 million, or 7.8%, resulting from growth in platform IT services and IT procurement revenues, partially offset by a slight decline in traditional IT service revenues; and
- Broadband revenues grew by $15 million, or 4.6%, as customers shift to higher value plans, partly offset by a loss of connections on lower value plans.

These increases were partly offset by:

- Voice revenues declined $50 million, or 12.9%, in line with previous trends as customer move away from landline based calling;
- Managed data revenues declined by $14 million, or 12.7%, as business and wholesale customers migrate off traditional data products; and
- Other revenue declined by $6 million, or 8.3%, due to lower Southern Cross dividends in H1 FY16.

Operating expenses



Total operating expenses reduced by $95 million, or 7.0%, in H1 FY16. However after adjusting for the impact of the reduction in expenses for the three businesses divested ($65 million in H1 FY15), the regulated changes to wholesale billing ($35 million in H1 FY15), one-off rebrand costs ($11 million in H1 FY15) and the acquisition of the CCL Group ($4 million in H1 FY16), total operating expenses were up 1.0% to $1,262 million. There were a number of movements within this slight increase in overall operating expenses, including;

- higher mobile acquisition costs associated with the strong growth in our customer base;
- increased costs in line with the growth in IT services revenues;
- increased costs associated with the investment in our start-up enterprises such as Lightbox, Qrious and Morepork;
- lower access costs for H1 FY16 in line with the wholesale charges set by the Commerce Commission effective from 1 December 2014; and
- lower net labour costs resulting from efficiency improvements and lower staff levels.

The depreciation and amortisation expense of $224 million was stable year on year as a change in the mix of capital expenditure towards items with a shorter life on average is offset by a reduction from lower levels of capital spend.

Net finance expense increased by $1 million, or 8.3%, to $13 million in H1 FY16. This was due to a combination of $5 million lower interest income following the divestment of the Telecom Rentals business, largely offset by a $4 million reduction in interest expense due to a combination of lower average debt levels and lower interest rates.

The income tax expense increased by $7 million, or 13.2%, to $60 million in H1 FY16 due substantially to the increased earnings in H1 FY16.

A summary of the results of Spark New Zealand's key business units are outlined in the following section. Further details of the H1 FY16 and historical performance are available in a separate financials file on the investor section of our website at: investors.sparknz.co.nz/investor-centre.

Spark Home, Mobile & Business

Spark Home, Mobile & Business financial result

SIX MONTHS ENDED 31 DECEMBER	2015 $M	2014 $M	CHANGE %
Operating revenues and other gains	981	917	7.0%
Operating expenses	(598)	(570)	4.9%
Share of associates' and joint ventures' net (losses)	(3)	–	NM
EBITDA	**380**	**347**	**9.5%**

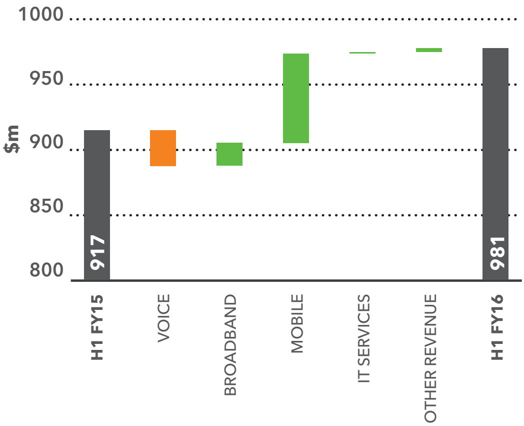
The financial results above include those for Spark Ventures.

Spark Home, Mobile & Business continued to deliver strong revenue and EBITDA growth as we execute performance improvement initiatives in the business, supported by the rebranding, differentiated products and rising customer preference.

Increase in mobile revenue

17.9%

Spark Home, Mobile & Business operating revenues and other gains



Total operating revenue and other gains increased by $64 million, or 7.0%, in H1 FY16. The primary driver of this revenue increase was the strong growth in mobile revenue – an increase of $70 million, or 17.9%, driven by mobile handset sales and higher service revenues, from a combination of increased connection numbers and an increased uptake of higher value plans. Broadband revenues increased as customers also shifted to higher value propositions in line with their increased data needs. These revenue increases were partly offset by a $28 million, or 14.1%, decline in voice revenue in line with historic trends.

This strong revenue growth performance, combined with lower access costs from Chorus, drove an overall increase in EBITDA of $33 million, or 9.5%, in H1 FY16.

H1 FY16 Operational highlights

- Strong mobile growth driven by flexibility with open term plans, great device catalogue and differentiation through our customers being able to access our Wi-Fi network and our music partnership with Spotify;
- Strong growth in high value broadband customers and our market share of new UFB connections, partly offset by a loss in low value connection numbers;
- Launched rural broadband – providing faster broadband access to our rural customers over our 4G mobile network;
- Invested in increased resourcing in our contact centre to further improve customer experience in H2 FY16; and
- Continued our commitment to our existing customers via our Thanks Programme.

Spark Ventures

H1 FY16 Operational highlights

- Skinny delivered further subscriber, ARPU and revenue growth underpinned by Spark New Zealand's mobile network and market leading customer service. Skinny also entered the Broadband market via the soft launch of a new 4G wireless broadband product;
- Bigpipe saw continued growth in subscribers underpinned by further expansion of its UFB footprint and best in class customer satisfaction measures;
- Media strategy evolving as market continues to rapidly take shape, moving towards a broader and more flexible platform-centric approach;
- Qrious revenues grew in H1 FY16, driven by continued product and business development focus across a number of sectors including transport, tourism and events;
- Morepork commercially launched in August 2015 and is already seeing excellent brand recognition and customer satisfaction with a steadily growing customer uptake; and
- The Digital First programme developed and launched new Spark Employee and Investor Relations applications, with both receiving international awards from the Web Marketing Association.

Spark Ventures' financial results are included within the results of Spark Home Mobile & Business as they are not currently material.

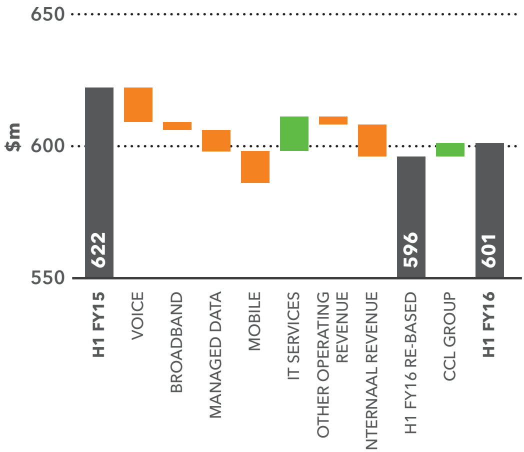
Spark Digital

Spark Digital financial result

SIX MONTHS ENDED 31 DECEMBER	2015 $M	2014 $M	CHANGE %
Operating revenues and other gains	601	622	(3.4)%
Operating expenses	(409)	(432)	(5.3)%
EBITDA	**192**	**190**	**1.1%**

Spark Digital delivered EBITDA growth of $2 million, or 1.1%, in H1 FY16 as it focuses on integrating and delivering telecommunication and platform IT services to customers at a lower cost to serve.

Spark Digital operating revenues and other gains



IT services revenue:

8.7% ▲

(excluding CCL Group revenue)

Total operating revenue and other gains decreased by $21 million, or 3.4%, in H1 FY16. This includes $5 million of IT services revenue following the acquisition of the CCL Group in December 2015. IT services revenues net of CCL Group revenue, grew by $25 million, or 8.7%, with strong growth in platform IT services and procurement revenues of $31 million, being partially offset by a decline in traditional IT services of $6 million. Voice, broadband, managed data and mobile revenues declined in line with previous trends due to a combination of price competition, customers consolidating lines and migration to IP-based services. Internal revenues declined following a change in trading since the divestment of Telecom Rentals Limited. This reduction was offset by a corresponding drop in internal expenses.

Overall EBITDA grew as the decline in revenue and other gains was more than offset by a $23 million decline in operating expenses due to a combination of lower labour from efficiency improvement initiatives and reduced internal expenses, partly offset by increased IT procurement expenses in line with revenue growth.

H1 FY16 Operational highlights

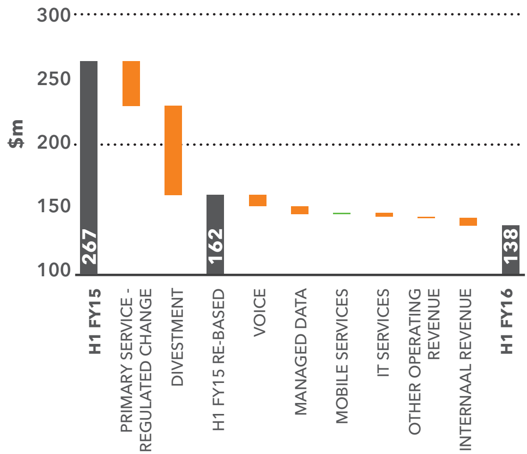
- Successfully appointed as a supplier of the Government's 'Telecommunications-as-a Service' service framework;
- Bolstered the type and scale of Cloud offerings through the acquisition of the CCL Group in December 2015;
- Highly successful first half-year sales results, by concluding significant deals including New Zealand Racing Board, KiwiRail, Genesis Energy and Foodstuffs North Island;
- Implemented a sales automation tool which has significantly improved the efficiency of sales teams to create and finalise customer contracts; and
- Reduced cost base and productivity up through an improved delivery model between Spark Digital and Spark Connect.

Spark Connect

Spark Connect financial result

SIX MONTHS ENDED 31 DECEMBER	2015 $M	2014 $M	CHANGE %
Operating revenues and other gains	138	267	(48.3)%
Operating expenses	(239)	(349)	(31.5)%
Share of associates' and joint ventures' net profits	1	–	NM
EBITDA	**(100)**	**(82)**	**(22.0)%**

Spark Connect continued to rollout 4G mobile network across the country as well as investing in improving network performance to manage the increased customer demand for data. The financial results reflect the business divestments in H2 FY15 and the regulated change to wholesale access billing.



4G mobile coverage to >85% of the population

>85%

Total operating revenue and other gains decreased by $129 million, or 48.3%, in H1 FY16, with most of this decline due to the divestments of the international voice business ($57 million) and our 60% share in Telecom Cook Islands Limited ($13 million), combined with the regulated change to wholesale access billing ($35 million). After adjusting for these, total operating revenue declined by $24 million, or 14.8% as wholesale customers rationalise their legacy voice and data services.

Overall Connect EBITDA declined by $18 million, or 22.0%, with $6 million resulting from the abovementioned business divestments and the residual $12 million resulting from the rationalisation of legacy services by wholesale customers.

H1 FY16 Operational highlights

- Invested to improve network resiliency and performance in the face of significant growth in data usage which is being driven by video;
- This investment included the progressive roll out of 4G (with 4G coverage now over 85% of the population), upgrades to the broadband network gateways, continued investment in the optical transport network (OTN) and video caching;
- Launched new wireless broadband products for rural and Skinny customers, which leverage investments in 4G and spectrum assets;
- Launched wireless WAN service for enterprise customers;
- Seamless execution of IT re-engineering programme which included a major fibre release and significant improvements in on line capability and a foundation release for managed data;
- Migrated the majority of fibre customers onto new voice over fibre product; and
- Continued execution of cost out and efficiency initiatives, including the implementation of an improved delivery model between Spark Digital and Spark Connect.

Capital management and dividends

Cash flows

The following table sets out information regarding Spark New Zealand's cash flows:

SIX MONTHS ENDED 31 DECEMBER	2015 $M	2014 $M	CHANGE %
Net cash flows from operating activities	352	230	53.0%
Net cash flows from investing activities	(292)	(427)	31.6%
Net cash flows from financing activities	(81)	77	NM
Foreign exchange movement	1	1	NM
Net (decrease)/increase in cash	**(20)**	**(119)**	**NM**

NM = Not meaningful

Net cash flows from operating activities

Net cash flows from operating activities increased by $122 million, or 53.0%, in H1 FY16 compared to H1 FY15. The major drivers of this change were:

- an increase in earnings in H1 FY16,
- the impact of timing related reductions in payables in H1 FY15;
- $33 million lower tax payments in H1 FY16; and
- A $10 million increase in Southern Cross dividend receipts due to timing of cash receipts;

Partly offset by:

- Lower interest receipts following the divestment of the Telecom Rentals business.

Net cash flows from investing activities

The net cash outflow from investing activities reduced by $135 million, or 31.6%, in H1 FY16, compared to H1 FY15. The major drivers of this change were a reduction in capital expenditure of $176m, largely due to the purchase in H1 FY15 of the 700 MHz spectrum for $158 million; partly offset by the acquisition of the CCL Group for $50 million in H1 FY16.

Net cash flows from financing activities

The net cash outflow from financing activities was $81 million in H1 FY16, compared to a net inflow of $77 million in H1 FY15. The major drivers of this change were:

- A net increase in short and long-term debt of $132 million compared with a $206 million increase, driven by the $100 million retail bond issues in December 2015;
- An increase in dividend payments of $54 million in H1 FY16 to $202 million, reflecting the increase in dividends per share paid during the year; and
- Cash payments for share buybacks of $11 million in H1 FY16, including $7 million in relation to shares purchased but not paid for at 30 June 2015. There were no share buybacks in H1 FY15.

Capital expenditure

The capital expenditure for Spark New Zealand is shown in the table below.

SIX MONTHS ENDED 31 DECEMBER	2015 $M	2014 $M	CHANGE %
Major programmes			
Optical transport network (OTN) and Carrier Ethernet	21	6	250.0%
Re-engineering of IT systems	42	29	44.8%
Mobile network	58	57	1.8%
Takanini data centre	–	61	NM
Total major programmes	**121**	**153**	**(20.9)%**
Operating capital expenditure			
Southern Cross capacity	9	5	80.0%
Customer growth and retention	86	91	(5.5)%
Total operating capital expenditure	**95**	**96**	(1.0)**%**
Total relating to major programmes and operating expenditure	**216**	**249**	(13.3)%
Mobile spectrum	–	158	NM
Total capital expenditure	**216**	**407**	**(46.9%)**

NM = Not meaningful

Total capital expenditure for H1 FY16 was $216 million, a decrease of $191 million, or 46.9%, on H1 FY15, with H1 FY15 including $158 million investment in 700 MHz spectrum and $61 million for the build of the Takanini data centre.

Major programmes

- Investment in the OTN and Carrier Ethernet programme increased in H1 FY16 to $21 million from $6 million in H1 FY15, with investment focussed on meeting customer demand for services and traffic growth across the network as coverage expands.
- $42 million was invested in H1 FY16 in re-engineering, delivering the fibre release in October 2015, as well as a minor release in pay monthly mobile prior to a major release in H2 FY16. The re-engineering continues to simplify Spark New Zealand's technology and processes, enhancing customer experience.
- $58 million was invested in H1 FY16 in Spark New Zealand's mobile network. This investment continued the deployment of single radio access network (SRAN) and LTE sites. Investment in SRAN/4G has a number of key benefits, including capital efficiency, operating cost reduction, network performance improvement and simplification.

Operating capital expenditure

- Spark New Zealand continued to invest in Southern Cross international cable capacity, with two further tranches purchased for a total of $9 million in H1 FY16. Additional capacity may be purchased as and when required to meet upward trends in customer demand for data.
- Customer retention and growth capital expenditure was broadly consistent with H1 FY15.

Mobile spectrum

- Spark New Zealand did not make any further investment in mobile spectrum in H1 FY16. Spark New Zealand has committed to purchase 2300MHz band mobile spectrum for $9 million from Craig Wireless New Zealand Spectrum Operations Limited and Woosh Wireless Holdings Limited to roll out fixed wireless broadband services. This purchase is subject to Commerce Commission approval.

Liquidity and capital resources

Spark New Zealand's principal sources of liquidity are operating cash flows and external borrowing from established debt programmes and bank facilities.

Spark New Zealand continues to be committed to maintaining an 'A Band' credit rating and its capital management policies are designed to ensure this objective is met. Relevant factors include Spark New Zealand's debt profile, operating outlook, cash flow and cost of capital.

As part of this commitment, Spark New Zealand intends to manage its debt levels to ensure that the ratio of net interest-bearing debt (inclusive of associated derivatives) to EBITDA does not materially exceed 1.1 times on a long-run basis, which for credit rating agency purposes equates approximately to net debt to EBITDA of 1.5 times. The difference between these two ratios is primarily due to the capitalisation of operating leases by credit rating agencies.

As at 31 December 2015 Spark New Zealand had been assigned a long-term credit rating of A-/Stable by Standard & Poor's.

On-market buyback

On 2 June 2015 Spark New Zealand announced its intention to undertake an on-market share buyback of up to 40 million ordinary shares for an aggregate purchase price of up to $100 million during the remainder of the 2015 calendar year. The ordinary shares were acquired on the NZX Main Board, the stock exchange on which Spark New Zealand is listed in New Zealand. The purpose of the on-market share buyback was to move gearing toward a more appropriate level.

During the six month period ended 31 December 2015, Spark New Zealand repurchased 1.4 million of its own shares at a cost of $4 million. This brought the total shares repurchased to 12.4 million shares at a cost of $35 million (representing an average buyback price of $2.80). Shares purchased were cancelled immediately on acquisition.

Dividends

Spark New Zealand pays dividends on a semi-annual basis. An ordinary dividend of 11 cents per share has been declared for H1 FY16. The dividend will be fully imputed for New Zealand tax purposes at the rate of 4.2778 imputation credits per share. A supplementary dividend of 1.9412 cents per share will be paid to non-resident shareholders.

A special dividend of 1.5 cents per share has also been declared for H1 FY16. The dividend will be fully imputed for New Zealand tax purposes at the rate of 0.5833 imputation credits per share. A supplementary dividend of 0.2647 cents per share will be paid to non-resident shareholders.

	H1 FY16 ORDINARY DIVIDENDS	H1 FY16 SPECIAL DIVIDENDS
Ordinary shares	11 cents	1.5 cents
American Depositary Shares	36.48 US cents[1]	4.97 US cents[1]
'Ex' dividend dates		
New Zealand Stock Exchange	17 Mar 2016	17 Mar 2016
Australian Securities Exchange	17 Mar 2016	17 Mar 2016
American Depositary Shares	16 Mar 2016	16 Mar 2016
Record dates		
New Zealand Stock Exchange	18 Mar 2016	18 Mar 2016
Australian Securities Exchange	18 Mar 2016	18 Mar 2016
American Depositary Shares	18 Mar 2016	18 Mar 2016
Payment dates		
New Zealand and Australia	1 April 2016	1 April 2016
American Depositary Shares	8 April 2016	8 April 2016

1 Based on the exchange rate at 15 February 2016 of NZ$1 to US$0.6633 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.

For FY16, subject to there being no material adverse changes in operating outlook, Spark New Zealand anticipates paying an annual ordinary dividend of 22 cents per share and a special dividend of 3 cents per share. It is currently anticipated that the H2 FY16 dividends will be 100% imputed.

Dividend reinvestment plan

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

Non-GAAP measures

This half-year report includes non-GAAP financial measures that are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'). These include:

- **Earnings before interest, income tax, depreciation and amortisation (EBITDA)** – Spark New Zealand calculates EBITDA by adding back depreciation, amortisation, finance expense and income tax expense to net earnings less finance income. EBITDA includes the share of associates and joint ventures net losses.
- **Re-based operating revenues and other gains and re-based operating expenses** – Spark New Zealand has provided re-based operating revenues and other gains and re-based operating expenses to assist with the comparison of current and prior period results. These reflect the divestments of the international voice business, Spark New Zealand's 60% share of Telecom Cook Islands Limited and Telecom Rentals Limited in H2 FY15. Additionally, since December 2014 there was a regulated change where Chorus now charge a majority of Spark Wholesale's customers directly for access, reducing both revenue and expenses. H1 FY15 operating expenses have also been re-based for one-off rebrand costs. H1 FY16 operating revenues and other gains and operating expenses have also been re-based to exclude the impact of the acquisition of the CCL Group during the period.
- **Capital expenditure** – Capital expenditure is the additions to property, plant and equipment and intangible assets, excluding goodwill, acquisitions and other non-cash additions that may be required by NZ IFRS, such as decommissioning costs.
- **Average Revenue per User (ARPU)** – Spark New Zealand calculates ARPU as revenue for the period (for mobile this is only voice and data) divided by an average number of customers.

Spark New Zealand 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 New Zealand but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Further, Spark New Zealand believes these measures provide useful information as they are used internally to evaluate performance of business units, to analyse trends in cash-based expenses, to establish operational goals and allocate resources.

Non-GAAP financial measures reported by Spark New Zealand are not uniformly defined or utilised by all companies in New Zealand or the telecommunications industry. Accordingly, these measures may not be comparable with similarly titled measures used by other companies.

Interim financial statements

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 2015.

Income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER

	NOTES	2015 UNAUDITED $M	2014 UNAUDITED $M
Operating revenues	4	1,723	1,797
Operating expenses	5	(1,266)	(1,361)
Share of associates' and joint ventures' net losses	6	(2)	–
Earnings before interest, income tax, depreciation and amortisation		455	436
Depreciation		(126)	(126)
Amortisation		(98)	(98)
Earnings before interest and income tax		231	212
Finance income		9	14
Finance expense		(22)	(26)
Net earnings before income tax		**218**	**200**
Income tax expense		(60)	(53)
Net earnings for the period		**158**	**147**
Attributable to:			
Equity holders of the Company		158	145
Non-controlling interests		–	2
		158	147
Earnings per share			
Basic and diluted earnings per share (cents)		9	8
Weighted average ordinary shares (millions)		1,830	1,831
Weighted average ordinary shares and options (millions)		1,834	1,835

See accompanying notes to the interim financial statements.

Statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER

	2015 UNAUDITED $M	2014 UNAUDITED $M
Net earnings for the period	158	147
Other comprehensive income[1]		
Items that will not be reclassified to profit or loss:		
Revaluation of long-term investments designated at fair value through other comprehensive income	–	(14)
Items that may be reclassified to profit or loss:		
Translation of foreign operations	2	5
Cash flow hedges	(9)	(8)
Other comprehensive (loss) for the period	(7)	(17)
Total comprehensive income for the period	**151**	**130**
Attributable to:		
Equity holders of the Company	151	128
Non-controlling interests	–	2
	151	130

See accompanying notes to the interim financial statements.

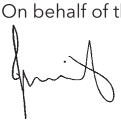
1 Other comprehensive income/(loss) components are shown net of tax.

Statement of financial position

	NOTES	AS AT 31 DECEMBER 2015 UNAUDITED $M	AS AT 30 JUNE 2015 AUDITED $M
Current assets			
Cash		60	80
Short-term derivative assets		1	8
Receivables and prepayments		531	494
Taxation recoverable		2	14
Inventories		81	70
Total current assets		675	666
Non-current assets			
Long-term investments	6	141	133
Long-term receivables and prepayments		181	181
Long-term derivative assets		2	1
Property, plant and equipment		1,108	1,105
Intangible assets		1,161	1,120
Total non-current assets		2,593	2,540
Total assets		**3,268**	**3,206**
Current liabilities			
Short-term payables and accruals		545	555
Taxation payable		1	–
Short-term derivative liabilities		5	–
Short-term provisions		6	12
Debt due within one year	8	182	150
Total current liabilities		739	717
Non-current liabilities			
Deferred tax liabilities		111	124
Long-term derivative liabilities		34	22
Long-term payables and accruals		13	15
Long-term provisions		9	8
Long-term debt	8	636	542
Total non-current liabilities		803	711
Total liabilities		**1,542**	**1,428**
Equity			
Share capital		922	924
Reserves		(375)	(368)
Retained earnings		1,179	1,222
Total equity		**1,726**	**1,778**
Total liabilities and equity		**3,268**	**3,206**

See accompanying notes to the condensed interim financial statements.

On behalf of the Board



Mark Verbiest, Chairman

Simon Moutter, Managing Director

Authorised for issue on 18 February 2016

Statement of changes in equity

SIX MONTHS ENDED 31 DECEMBER 2015 UNAUDITED	SHARE CAPITAL $M	RETAINED EARNINGS $M	HEDGE RESERVE $M	SHARE-BASED COMPENSATION RESERVE $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	TOTAL EQUITY HOLDERS OF THE COMPANY $M	NON-CONTROLLING INTERESTS $M	TOTAL $M
Balance at 1 July 2015	**924**	**1,222**	**(4)**	**10**	**(350)**	**(24)**	**1,778**	**-**	**1,778**
Net earnings for the period	–	158	–	–	–	–	158	–	158
Other comprehensive income/(loss)	–	–	(9)	–	–	2	(7)	–	(7)
Total comprehensive income/(loss) for the period	**-**	**158**	**(9)**	**-**	**-**	**2**	**151**	**-**	**151**
Contributions by, and distributions to, owners:									
Dividends	–	(201)	–	–	–	–	(201)	–	(201)
Supplementary dividends	–	(26)	–	–	–	–	(26)	–	(26)
Tax credit on supplementary dividends	–	26	–	–	–	–	26	–	26
Issuance of shares under share schemes	2	–	–	–	–	–	2	–	2
Shares repurchased	(4)	–	–	–	–	–	(4)	–	(4)
Total transactions with owners	**(2)**	**(201)**	**-**	**-**	**-**	**-**	**(203)**	**-**	**(203)**
Balance at 31 December 2015	**922**	**1,179**	**(13)**	**10**	**(350)**	**(22)**	**1,726**	**-**	**1,726**

SIX MONTHS ENDED 31 DECEMBER 2014 UNAUDITED	$M	$M	$M	$M	$M	$M	$M	$M	$M
Balance at 1 July 2014	**920**	**1,179**	**-**	**5**	**(366)**	**(36)**	**1,702**	**6**	**1,708**
Net earnings for the period	–	145	–	–	–	–	145	2	147
Other comprehensive income/(loss)	–	–	(8)	–	(14)	5	(17)	–	(17)
Total comprehensive income/(loss) for the period	**-**	**145**	**(8)**	**-**	**(14)**	**5**	**128**	**2**	**130**
Contributions by, and distributions to, owners:									
Dividends	–	(165)	–	–	–	–	(165)	–	(165)
Supplementary dividends	–	(22)	–	–	–	–	(22)	–	(22)
Tax credit on supplementary dividends	–	22	–	–	–	–	22	–	22
Dividend reinvestment plan	16	–	–	–	–	–	16	–	16
Issuance of shares under share scheme	–	–	–	3	–	–	3	–	3
Total transactions with owners	**16**	**(165)**	**-**	**3**	**-**	**-**	**(146)**	**-**	**(146)**
Balance at 31 December 2014	**936**	**1,159**	**(8)**	**8**	**(380)**	**(31)**	**1,684**	**8**	**1,692**

See accompanying notes to the condensed interim financial statements.

Statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER

	2015 UNAUDITED $M	2014 UNAUDITED $M
Cash flows from operating activities		
Cash received from customers	1,675	1,767
Interest income	8	13
Dividend income	41	31
Payments to suppliers and employees	(1,294)	(1,468)
Income tax paid	(57)	(90)
Interest expense	(21)	(23)
Net cash flows from operating activities	**352**	**230**
Cash flows from investing activities		
Purchase of business	(50)	(17)
Purchase of long-term investments	(10)	(2)
Purchase of property, plant and equipment and intangibles	(229)	(405)
Capitalised interest paid	(3)	(3)
Net cash flows from investing activities	**(292)**	**(427)**
Cash flows from financing activities		
Proceeds from long-term debt	400	300
Repayment of long-term debt	(300)	(235)
Proceeds from short-term debt	184	460
Repayment of short-term debt	(152)	(319)
Dividends paid	(202)	(148)
Share repurchase – buyback	(11)	–
Payments on finance leases	–	(1)
Receipts on finance leases	–	20
Net cash flows from financing activities	**(81)**	**77**
Net cash flow	**(21)**	**(120)**
Opening cash position	80	208
Foreign exchange movements	1	1
Closing cash position	60	89

See accompanying notes to the condensed interim financial statements.

Reconciliation of net earnings to net cash flows from operating activities

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2015 $M	2014 $M
Net earnings for the period	158	147
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	224	224
Bad and doubtful accounts	13	8
Deferred income tax	(11)	(6)
Other	1	3
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in accounts receivable and related items	(28)	(37)
Movement in inventories	(11)	(10)
Movement in current taxation	13	(31)
Movement in accounts payable and related items	(7)	(68)
Net cash flows from operating activities	**352**	**230**

See accompanying notes to the interim financial statements.

Notes to the interim financial statements

NOTE 1 Basis of preparation

These unaudited interim financial statements are for Spark New Zealand Limited (the Company) and its subsidiaries (together the Group) for the six months ended 31 December 2015 and have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

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 and the address of its registered office is Spark City, 167 Victoria Street West, Auckland 1010, New Zealand.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015. The preparation of the interim financial statements also requires management to make judgements, estimates and assumptions. The Group has been consistent in applying the judgements, estimates and assumptions adopted in the annual financial statements for the year ended 30 June 2015.

Critical accounting policies are the same as those set out in the annual financial statements for the year ended 30 June 2015.

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. The Group'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.

The disaggregation of operating revenues has been changed in the current period to better reflect the nature of services the Group provides to its customers. Operating revenues previously classified as 'Fixed' have been re-presented to allocate its 'Access' and 'Other' components to the appropriate service provided, being Voice or Broadband. Total operating revenues are unchanged. Comparative information has also been re-presented to conform to the current period's presentation.

Notes to the interim financial statements

NOTE 2 Significant transactions and events for the current period

The following significant and one-off transactions and events affected the financial performance and financial position of the Group for the six month period to 31 December 2015:

- Comparative operating revenues are impacted by the divestment of the international voice business, the Group's 60% share of Telecom Cook Islands Limited and Telecom Rentals Limited in H2 FY15, reducing revenue by $71 million, and the regulated change where Chorus now charge the majority of Spark Wholesale's customers direct for access, reducing revenue by $35 million. The related impact on comparative operating expenses from the divestments is $65 million and from the regulated changes to wholesale billing is $35 million.
- The Commerce Commission issued its final determination arising from its reviews of the costs for the regulated Unbundled Copper Local Loop (UCLL) and Unbundled Bitstream Access (UBA) services on 15 December 2015 with costs of $29.75 for UCLL and $11.44 for UBA effective from 16 December 2015 with no backdating. The Group has provided for passing back the appropriate value of its February 2015 retail price increases back to customers.
- On 10 December 2015, the Group issued $100 million of unsecured, unsubordinated fixed rate bonds with a coupon rate of 4.51%, maturing on 10 March 2023.
- The Group acquired 100% of the ordinary shares of Property Leasing Limited, which owns all of the shares in Computer Concepts Limited and The Colocation Company Limited (together, the CCL Group) on 18 December 2015, for cash consideration paid or payable of $50 million. The acquisition has revenue, cost and capital synergies and the preliminary fair value of separately identifiable intangible assets and goodwill are $35 million.
- On 30 November 2015, the Group acquired a 26% holding of NOW New Zealand Limited, a Hawke's Bay based telecommunications company. This investment is classified as an associate.
- The Group's additions to property, plant and equipment and intangible assets were $216 million, details of which are provided on page 21 of this half year report.
- Dividends paid during the six month period ended 31 December 2015 in relation to the H2 FY15 second half dividend were 11 cents per share, totalling $201 million. Dividends paid for the comparative 6 month period ended 31 December 2014 were 9 cents per share, totalling $165 million.
- During the six month period ended 31 December 2015, the Company repurchased 1.4 million of its own shares at a cost of $4 million.

NOTE 3 Segment information

The Group's segment results disclosed are based on those reported to the Managing Director. Segment results are an adjusted EBITDA and measured based on net earnings before depreciation, amortisation, finance income and expenses and income tax expense and other gains and expenses not allocated to segments. None of these excluded items, or assets and liabilities of the Group, are assessed on a segment basis by the Managing Director.

The Group has reclassified the comparative segment results to reflect changes in business unit structures and changes in accountabilities for managing revenues and costs. This includes the reclassification of backhaul expenses previously recognised within the Spark Home, Mobile & Business and Spark Digital business units into Spark Connect and the Group's mobile phone insurance product from the Corporate Centre to Spark Home, Mobile & Business. There is no change to the overall Group reported result as a result of these changes and no other changes to the Group's segments from the 30 June 2015 annual financial statements.

Notes to the interim financial statements

The financial information of each segment is set out below:

SIX MONTHS ENDED 31 DECEMBER 2015 UNAUDITED	SPARK HOME, MOBILE & BUSINESS $M	SPARK DIGITAL $M	SPARK CONNECT $M	TOTAL $M
Voice	171	99	67	337
Broadband	320	19	–	339
Managed data	–	69	27	96
Mobile	461	95	7	563
IT services	6	316	–	322
Other operating revenue	21	–	19	40
Internal revenue	2	3	18	23
Total operating revenue	**981**	**601**	**138**	**1,720**
Segment result	**380**	**192**	**(100)**	**472**

SIX MONTHS ENDED 31 DECEMBER 2014 UNAUDITED	SPARK HOME, MOBILE & BUSINESS $M	SPARK DIGITAL $M	SPARK CONNECT $M	TOTAL $M
Voice	199	112	168	479
Broadband	302	22	–	324
Managed data	–	77	33	110
Mobile	391	107	6	504
IT services	5	286	3	294
Other operating revenue	18	3	33	54
Internal revenue	2	15	24	41
Total operating revenue	**917**	**622**	**267**	**1,806**
Segment result	**347**	**190**	**(82)**	**455**

Reconciliation from segment result to consolidated net earnings before income tax

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2015 $M	2014 $M
Segment result	472	455
Net result of corporate revenue and expenses	(17)	(19)
Depreciation	(126)	(126)
Amortisation	(98)	(98)
Finance income	9	14
Finance expense	(22)	(26)
Net earnings before income tax	**218**	**200**

Notes to the interim financial statements

NOTE 4 Operating revenues

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2015 $M	2014 $M
Voice	337	479
Broadband	339	324
Managed data	96	110
Mobile	563	504
IT services	322	295
Dividend income	26	31
Miscellaneous other	40	54
Total operating revenues	**1,723**	**1,797**

Dividend income includes dividends received from Pacific Carriage Holdings Limited and Southern Cross Cables Holdings Limited which are related parties by way of the Group's 50% shareholding in these companies.

NOTE 5 Operating expenses

SIX MONTHS ENDED 31 DECEMBER UNAUDITED	2015 $M	2014 $M
Payments to telecommunications operators	334	453
Mobile acquisition, procurement and IT services	413	368
Labour	252	271
Other operating expenses		
Direct network costs	38	31
Computer costs	38	37
Accommodation and co-location	47	48
Advertising, promotions and communication	45	46
Bad debts	11	7
Other	88	100
	267	269
Total operating expenses	**1,266**	**1,361**

Notes to the interim financial statements

NOTE 6 Long-term investments

	AS AT 31 DECEMBER 2015 UNAUDITED $M	AS AT 30 JUNE 2015 AUDITED $M
Shares in Hutchison	114	114
Investment in TMT Ventures	1	1
Investment in associates and joint ventures	26	18
	141	**133**

The Group holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and measures its fair value using its observable market share price as quoted on the ASX, classified as being within level 1 of the fair value hierarchy. As at 31 December 2015 the quoted price of Hutchison's shares on the ASX was A$0.079 (30 June 2015: A$0.075).

Investment in associates and joint ventures

The Group's investment in associates and joint ventures at 31 December 2015 consists of the following:

	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
App La Carte Limited (Putti)	Associate	New Zealand	44%	Mobile applications
NOW New Zealand Limited	Associate	New Zealand	26%	Internet service provider
Pacific Carriage Holdings Limited	Associate	Bermuda	50%	A holding company
Southern Cross Cables Holdings Limited	Associate	Bermuda	50%	A holding company
TSM NZ Limited (Semble)	Associate	New Zealand	33%	Mobile payments
Vigil Monitoring Limited	Associate	New Zealand	36%	Healthcare technology
Connect 8 Limited	Joint Venture	New Zealand	50%	Fibre network construction
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development
Lightbox Sport General Partner Limited	Joint Venture	New Zealand	50%	Sports content streaming

Changes in the aggregate carrying amount of the Group's investment in associates and joint ventures is as follows:

	ASSOCIATES		JOINT VENTURES		TOTAL	
SIX MONTHS ENDED 31 DECEMBER	2015	2014	2015	2014	2015	2014
UNAUDITED	$M	$M	$M	$M	$M	$M
Investment at 1 July	7	3	11	–	18	3
Additional investment during the period	7	3	3	–	10	3
Share of net losses	(1)	–	(1)	–	(2)	–
Investment at 31 December	**13**	**6**	**13**	**-**	**26**	**6**

Notes to the interim financial statements

NOTE 7 Acquisitions

On 18 December 2015 the Group acquired 100% of the ordinary shares of Property Leasing Limited, which owns all of the shares in Computer Concepts Limited and The Colocation Company Limited (together, the CCL Group), for cash consideration paid or payable of $50 million.

CCL Group is a South Island based IT infrastructure and professional services company and the acquisition will add further momentum to the growth strategies of Spark Digital and CCL, improving their capabilities, expanding their market reach and deepening the Spark New Zealand Group's Cloud and platform IT services offer, providing revenue, cost and capital synergies.

The preliminary fair value of the net asset acquired is $15 million and preliminary fair value of separately identifiable intangible assets and goodwill are $35 million. The fair value of separately identifiable intangible assets is pending the completion of the valuation of these assets.

CCL Group contributed operating revenues of $5.0 million and earnings before tax of $0.5 million for the period to 31 December 2015. If the acquisition had occurred on 1 July 2015, it is estimated that the contribution to the Group's operating revenues would have been $27 million and earnings before tax would have been $2 million.

NOTE 8 Debt

	AS AT 31 DECEMBER 2015 UNAUDITED $M	AS AT 30 JUNE 2015 AUDITED $M
Short-term debt	32	–
Euro Medium Term Notes	87	92
TeleBonds	150	150
Domestic notes	449	350
Bank funding	100	100
Total debt	**818**	**692**
Debt due within one year	182	150
Debt due greater than one year	636	542

On 10 December 2015, the Group issued $100 million of unsecured, unsubordinated fixed rate bonds with a coupon rate of 4.51%, maturing on 10 March 2023.

On 17 September 2015, the Group entered into a $100 million committed revolving facility with Westpac, maturing on 30 November 2016. The facility was undrawn as at 31 December 2015. See note 17 of Spark New Zealand's Annual Report for the year ended 30 June 2015 for further details on the Group's other debt facilities, the material terms of which are unchanged at 31 December 2015.

Notes to the interim financial statements

NOTE 9 Contingencies and commitments

Effect of outstanding claims

The Group has ongoing claims, investigations and inquiries, none of which it currently believes are expected to have significant effect on the financial position or profitability of the Group. However, the Group cannot reasonably estimate the adverse effect (if any) on the Group if any of the foregoing outstanding claims or inquiries are ultimately resolved against the Group's interests. There can be no assurance that such cases will not have a significant effect on the Group's business, financial condition, position, results of operations or profitability.

Capital commitments

At 31 December 2015, capital expenditure amounting to $147 million (31 December 2014: $112 million) had been committed under contractual arrangements. The capital expenditure commitments principally relate to telecommunications network equipment, Southern Cross capacity and the Tasman Global Access cable. The Group has also committed to purchase 2300MHz band mobile spectrum for $9 million from Craig Wireless New Zealand Spectrum Operations Limited and Woosh Wireless Holdings Limited to roll out fixed wireless broadband services. This purchase is subject to Commerce Commission approval.

NOTE 10 Significant events after balance date

Dividends

On 18 February 2016 the Board approved the payment of a first half ordinary dividend of 11 cents per share or approximately $201 million and a special dividend of 1.5 cents per share or approximately $27 million. The ordinary and special dividends will be fully imputed in line with the corporate income tax rate. In addition, supplementary dividends totalling approximately $30 million will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, the Group will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

Unbundled Copper Local Loop and Unbundled Bitstream Access cost review

The appeals period for the Commerce Commission's final determination of its reviews of the costs for the regulated Unbundled Copper Local Loop and Unbundled Bitstream Access ended on 3 February 2016 and no appeals were lodged. The final determination's costs have therefore been confirmed as taking effect from 16 December 2015, with no backdating.

Independent review report

KPMG

To the shareholders of Spark New Zealand Limited

We have completed a review of the interim financial statements of Spark New Zealand Limited and its subsidiaries ("the Group") on pages 26 to 38 which comprise the statement of financial position as at 31 December 2015, the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the independent 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 review work, this report or any of the conclusions we have formed.

Directors' responsibilities

The directors of Spark New Zealand Limited are responsible for the preparation of interim financial statements in accordance with Generally Accepted Accounting Practice in New Zealand and for such internal control as the directors determine is necessary to enable the preparation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with Generally Accepted Accounting Practice in New Zealand. As the auditor of Spark New Zealand Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs 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). Accordingly we do not express an audit opinion on those financial statements.

Our firm has also provided other services to the group in relation to other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as assurance practitioners of the group. The firm has no other relationship with, or interest in, the group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Group do not present fairly, in all material respects, the financial position of the company as at 31 December 2015, and of its financial performance and its cash flows for the six month period ended on that date, in accordance with Generally Accepted Accounting Practice in New Zealand.

KPMG

18 February 2016
KPMG

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For more information

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