

**Bringing
the
future
faster.**

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BRINGING THE FUTURE FASTER

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This report is dated 21 August 2019 and is signed on behalf of the Board of Spark New Zealand Limited by Justine Smyth, Chair and Charles Sitch, Chair, Audit and Risk Management Committee.

□ Build customer intimacy

We need to understand and anticipate the needs of New Zealanders, and technology enables us to apply these insights to every interaction, helping us serve our customers better.

Read more pages 7 and 14.



Justine Smyth
Chair

Key Dates

Annual Meeting
FY20 half-year results announcement
FY20 year-end results announcement

7 November 2019
19 February 2020
26 August 2020

Charles Sitch
Chair Audit and Risk
Management Committee



□ **Create New Zealand's premier sports streaming business**

Spark Sport is revolutionising how New Zealanders watch their favourite sports events. Great content, seamless experiences, delivered to you where you want to see it and at a time that suits you - either live or on demand.

Read more page 7 and page 19.

□ **Create a wireless future**

New Zealand needs strong, adaptable infrastructure to power our businesses, communities and our people. 5G will be a significant game-changer and will help drive New Zealand's future success. Spark is committed to being at the forefront of the transition to 5G.

Read more page 7 and page 18.

▣ **Grow key markets**

We will continue to grow and set the pace in mobile, broadband, cloud, security and data, enabled by our investment in new technologies and creating a broader range of services and experiences for our customers.

Read more page 7.

▣ **Mature Agile leadership**

We want to unlock greater value and better experiences for our customers. By maturing our Agile leadership we will create a culture where customers are at the centre of what we do and every one of our people knows how they contribute to our purpose and to customer value.

Read more page 7.



A world of game-changing products that will change our landscape.

□ Deliver best cost

Reducing cost while improving our customer experience remains important for our business. We are using ground-breaking technology in artificial intelligence and cognitive learning to give our customers better service and experiences in a much faster timeframe than in the past.

Read more page 8.

□ Lead on sustainability

We want to make a positive contribution to New Zealand, with a particular focus on digital inclusion, treating our people well and fairly, reducing our environmental footprint, behaving ethically and doing our part to help New Zealand prosper.

Read more page 8 and pages 20-25.

Spark performance FY19¹

Operating revenues and other gains \$

3,533M Flat
year-on-year

EBITDAI² \$

1,090M ▲ 11.1% reported
▲ 5.8% adjusted³

Net earnings \$

409M ▲ 12.1% reported
▲ 2.2% adjusted³

Mobile revenue \$

1,271M ▲ 2.7%

Broadband revenue \$

685M ▲ 3.0%

Cloud, security and service management revenue \$

400M ▲ 8.1%

Voice revenue \$

486M ▼ 15.2%

Southern Cross dividends \$

15M ▼ 70.0%

Capital expenditure²\$

417M ▲ 1.0%

Dividends per share

25 cents No change

Total mobile connections

2.515M ▲ 2.3%

Total broadband connections

695K ▼ 0.7%

1 All changes are comparative to restated results for the year ended, or as at, 30 June 2018 following the adoption of NZ IFRS 15 and NZ IFRS 16.

2 Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI), adjusted EBITDAI, adjusted net earnings and capital expenditure are non-Generally Accepted Accounting Practice (non-GAAP)

measures and are not comparable to the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) measures. These measures are defined and reconciled in note 2.5 of the financial statements.

3 Adjusted for \$49 million (or \$35 million net of tax) costs of change incurred in FY18 associated with Spark's Quantum Programme to radically simplify and digitise processes, products and services.

Digitising our customer experience

Use of MySpark increased 18% over the year and we have 5 dedicated service chat bots successfully answering thousands of customer queries each month - speeding up and improving the service for customers.

Opening of New Zealand's first 5G Innovation Lab

The lab is New Zealand's only interactive environment offering hands-on experiences of potential 5G technology. Since opening in November 2018, the lab has hosted more than 2,700 visitors from hundreds of business customers and stakeholder organisations.

Employee engagement

Agile transformation drives strong employee engagement, with eNPS (employee net promoter score) improving considerably, by 9 percentage points over the year.

Future-proofing our technology for customers

The shift from our legacy telephone network to a new IP-based network is continuing at pace, with 25% of exchanges now decommissioned.

Launch of Spark Sport

From a standing start 12 months prior the platform launched in March 2019 and has already streamed about 800 sporting events and over 12,000 hours of linear channels.



Bringing the future faster.



Justine Smyth Chair

Jolie Hodson Chief Executive

Tēnā koutou,

Spark's purpose, which sets our direction and guides our every decision, is to help all of New Zealand win big in a digital world - āwhinatia ngā tangata katoa o Aotearoa, kia matomato te tipu i te ao matihiko. Our business is totally focused on one market - New Zealand. We never lose sight of the reality that we are a small country at the bottom of the world, and digital communications will be crucial if we are to continue our nation's success on the global stage. That is why Spark is focused on its mission of bringing the future faster to New Zealanders. Through seamless customer experiences, delivered over 3G, 4G, (and, soon, 5G) or internet of things technologies, or by encouraging many more New Zealanders to watch their favourite sport via broadband streaming.

Delivering on our strategy

In the 2019 financial year Spark continued to deliver on the key planks of our strategy, which has seen us grow our business in the highly competitive cloud services and mobile categories, hold our broadband position, enter new markets like sports streaming, lead on cost management and continue to transform our Company culture.

Central to our strategy is a commitment to create a wireless future for New Zealanders. We've maintained growth in mobile connections, revenue and average revenue per user (ARPU) over the year, driven by the addition of higher-value propositions for customers such as our new shareable Unlimited plan. Spark significantly outperformed our mobile market competitors, securing over 60% of total FY19 market growth in service and revenue connections. As customers use their mobile phones to do more, many of them are seeking larger data allowances and price certainty - which provides an opportunity for Spark to improve ARPU with the right products and plans.

Spark has led the transition to a wireless future with the number of customers on our fixed wireless broadband and landline products growing by 36,000 over the year to 166,000. These products are easy to set up and, in many cases, deliver a higher-quality experience for customers transferring from old copper lines, while lowering our input costs. The future rollout of our 5G network will enable a step change in our fixed wireless broadband offering.

In a year we implemented and embedded massive change with the move to Agile ways of working, we're pleased to deliver financial results that are on plan. Net earnings were \$409 million, up 12.1% on a reported basis, or 2.2% when the prior year result is adjusted for implementation costs incurred in support of our Quantum business improvement programme. This was despite operating revenues and other gains being flat year-on-year, as growth markets - mobile, broadband, cloud and security - were offset by expected declines in our legacy voice and managed data and networks products.

Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) grew by 11.1% to \$1,090 million on a reported basis (or 5.8% when FY18 is adjusted for Quantum implementation costs) - towards the top end of our guidance range. An important driver of improved earnings was our continued focus on cost, with lower direct product costs and labour expenses.

Market context

Our industry is in a continual state of change and the past financial year has been no exception - with the biggest development being an Infratil-led consortium's purchase of our largest competitor Vodafone New Zealand. We believe competition will remain as intense as ever; Vodafone, in particular, will now have greater flexibility to adjust its strategy and investments to suit the unique features of a New Zealand market. Nonetheless, our focus remains

unchanged - to win in the market by consistently delivering for customers.

We were pleased to see the Commerce Commission's mobile market study preliminary findings that the mobile sector is serving New Zealanders well and not in need of any further regulation at this stage. We look forward to the final findings from the mobile market study being published later this year.

Bringing the future faster to New Zealanders

In the year ahead we have some clear and ambitious strategies.

Build customer intimacy

New Zealanders today expect their experience with businesses of all types to be seamless and relevant. If we are to deliver against these rapidly rising expectations, Spark will need to provide relevant product and customer service experiences across both digital and physical touchpoints. Data can help us to understand and anticipate the needs of New Zealanders, and technology enables us to apply these insights to every interaction, helping us serve our customers better.

Create a wireless future

New Zealand needs strong, adaptable infrastructure to power our businesses, communities and our people, and Spark has been leading the way by investing in our mobile and internet of things networks to provide customers with world-class service and innovative products. We are moving fast towards 5G with the launch of our Innovation Lab and collaboration space in Auckland, extensive planning for the network build and our partnership with Emirates Team New Zealand - which intends to use 5G services from mid-2020 to assist in its defence of the America's Cup yachting trophy. Spark is gearing up to have 5G available as soon as relevant spectrum is available. We are pleased the Government signalled recently it is considering an early, temporary allocation of some spectrum within the 'C Band' earmarked for 5G - as

In a year we implemented and embedded massive change with the move to Agile ways of working, we're pleased to deliver financial results that are on plan.

this would enable rapid delivery of 5G services while the details of the longer-term allocation process are sorted through.

Create New Zealand's premier sports streaming business

The launch in March 2019 of our new streaming service, Spark Sport - from a standing start less than a year prior - was a huge milestone. In the five months since launch Spark Sport's live event performance has rapidly improved and the team is well on the way to successfully deliver the Rugby World Cup (RWC), which kicks off in September 2019. The RWC represents an opportunity to make a step change in adoption of broadband streaming in New Zealand as the importance and visibility of the event makes it the ideal catalyst.

Grow key markets: mobile, broadband, cloud, security and data

In established markets like mobile and broadband, we will continue to innovate where we see an opportunity to offer greater value to our customers - adjusting our product line up accordingly. In the business sector we can be a critical enabler of greater productivity by helping companies transition their current legacy applications and infrastructure to operate effectively in a digital world. As more devices and environments become connected, helping businesses with cyber security is increasingly an area of opportunity for Spark.

Mature Agile leadership

Since we transitioned to Agile ways of working in July 2018 we've seen encouraging signs that Agile is delivering to

Since we transitioned to Agile ways of working in July 2018, we've seen encouraging signs that Agile is delivering to our three objectives of improved employee engagement, faster speed to market and greater customer centricity.

our three objectives of improved employee engagement, faster speed to market and greater customer centricity. For example, our eNPS score, which measures employee engagement, has increased 9 percentage points since the transition. Similarly, using Agile methodologies we have successfully completed the upgrade of Network for Learning's managed network - which delivers broadband to 2,500 New Zealand schools - in just 10 months, with the customer actively engaged in our Agile routines such as daily stand ups. Transitioning to Agile is an ongoing journey - one that will require iteration as we learn more, the environment changes and our customers' needs evolve.

Deliver best cost

Being more productive while improving the customer experience will remain a focus in FY20. Our programme of simplification, digitisation and automation continues to be a crucial means of achieving this. We now have more than 100 bots or automated digital processes. These are performing a range of tasks - from running back-end checks and processes to serving our customers on the front line - freeing up our people. We will also continue to improve high-quality self-service options, such as the Spark App, which are experiencing strong usage growth and reducing demand on traditional service channels such as our customer care centres.

Lead on sustainability

The past 12 months have seen us review and refresh our approach to non-financial performance and reporting. As a purpose

driven organisation, Spark wants to make a positive contribution to New Zealand - and we take our role as a responsible corporate citizen very seriously. We have a new sustainability strategy that focuses on four pillars - fairness and inclusion; environmental protection; a prosperous New Zealand; and trust and transparency. When it comes to fairness and inclusion our Blue Heart programme has evolved beyond its origins as a personal pledge to diversity and inclusion, to become a unifying icon for our wider approach to an inclusive and heart-led culture. Crucial to this cultural transformation has been the integration of Te Ao Māori, recognising the unique role of Māori as New Zealand's tangata whenua. Digital inclusion is another big focus area for us: particularly through the work of Spark Foundation we want to help ensure no New Zealander is left behind in a digital world by removing barriers to connectivity - such as cost and lack of capability. In terms of our environmental footprint our goal is to reduce our greenhouse gas emissions by 25% on 2016 levels by 2025.

Leading Spark into the future

This year saw changes to Spark's Leadership Squad, the most notable of which was the stepping down of Simon Moutter after a highly successful seven-year tenure as Managing Director. We have now formed a new team for the new era ahead of us, and we are energised and excited about the opportunity to bring the future faster to New Zealand.



Justine Smyth
Chair



Jolie Hodson
Chief Executive

A smooth leadership transition



Perhaps the most important job of any Board of Directors is the appointment of the Chief Executive, who will guide the Company into the future and ensure consistent delivery of priorities on behalf of shareholders. At Spark, we have been privileged to have a leader of Simon Moutter's calibre at the helm for the past seven years. Simon has overseen one of New Zealand's most remarkable

business transformations. From the very bold call to change the company name in 2014, to the complete rebuild of Spark's IT stack - which has allowed Spark to transform our customer experience, to building a leading IT and cloud services business, massive growth in mobile and the transformation of Spark to an Agile organisation, his legacy is very significant.

With Simon's departure at the end of June he left a business that is ready to seize future opportunities and manage future challenges.

While we were very sad to say goodbye to Simon, the Board was delighted to announce the appointment of Jolie Hodson to the position of CEO from 1 July 2019. As a Board Chair you don't always have the option of a smooth transition from one leader to the next

but where that option is available, through great succession planning, I believe it is by far the best thing for the business - for its people and its customers.

When Simon informed us of his decision to step down from his role it was clear from Jolie's track record of leadership and delivery over her six years at Spark that she was a stand-out candidate for the role. It is very pleasing for the Board to know that this business, which plays such a pivotal role in the lives of New Zealanders and for New Zealand businesses, will have an exceptional leader into the future.

Justine Smyth
Chair

Our purpose and strategy

Plan on a page

Our plan on a page sets out Spark's purpose, mission, strategic pillars and foundations all in one place. Everything we do seeks to deliver on our overarching purpose: to help all of New Zealand win big in a digital world.

We recently updated our Plan on a Page to reflect our strategic priorities for the year ahead and beyond.

OUR PLAN ON A PAGE

OUR PURPOSE

TO HELP ALL OF NEW ZEALAND WIN BIG IN A DIGITAL WORLD

ĀWHINATIA NGĀ TANGATA KATOĀ O AOTEAROA
KIA MATOMATO TE TIPU I TE AO MATIHIKO

OUR MISSION

BRING THE FUTURE FASTER TO NEW ZEALAND

OUR STRATEGIC PILLARS

BUILD CUSTOMER INTIMACY

CREATE A WIRELESS FUTURE

CREATE NZ'S PREMIER SPORTS STREAMING BUSINESS

GROW KEY MARKETS

MATURE AGILE LEADERSHIP

DELIVER BEST COST

LEAD ON SUSTAINABILITY

OUR FOUNDATIONS

NEW ZEALAND'S BEST CONVERGED DATA NETWORKS AND DIGITAL SERVICES CAPABILITY

A TOP DECILE, INCLUSIVE AND DIVERSE ORGANISATION CULTURE UNDERPINNED BY VALUES:

WE EMPOWER
WHAKAMANA

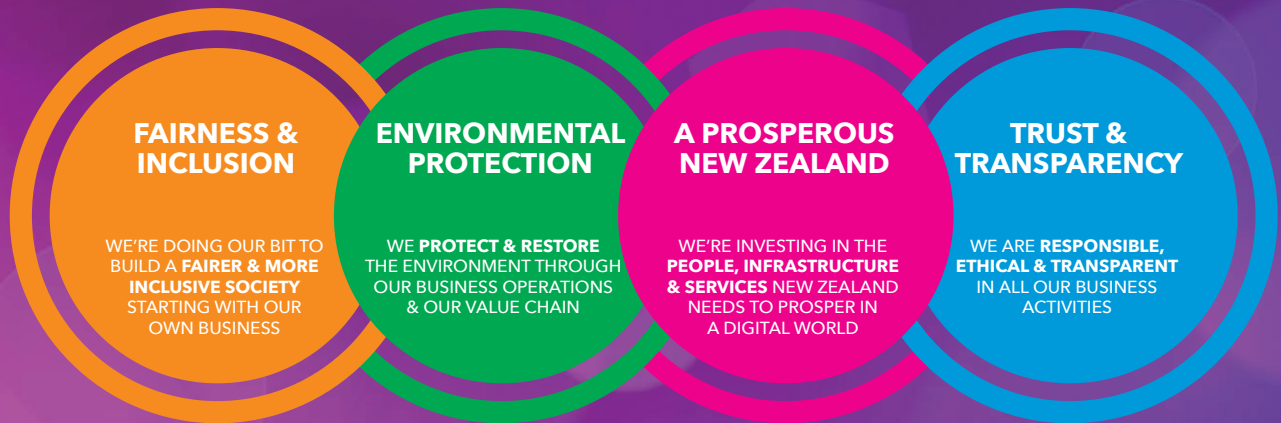
WE SUCCEED TOGETHER
MATOMATO

WE CONNECT
TŪHONO

WE ARE BOLD
MĀIA

Our sustainability strategy

Spark has set itself a goal to be a recognised New Zealand leader in sustainability. This is a big aspiration for our business and we recognise we are at the beginning of our journey. Our sustainability strategy sets out the four focus areas for our non-financial performance, all of which are crucial to us realising our purpose.



About this report

In addition to the published financial statements, Spark's Annual Report provides information on Spark's performance on a number of non-financial matters, including environmental, social and governance (ESG) commitments and related metrics. Our reporting on ESG factors follows NZX Governance Code (2019) recommendations and, for the first time, uses the Global Reporting Initiative (GRI) Standards, the most widely used global sustainability reporting standard.

We have prepared our report in accordance with the GRI Core Option, and have not sought external assurance over the non-financial information in this report.

Through stakeholder engagement, 22 material topics have been identified. The full materiality matrix is set out on page 107 of this report, along with more detail on our stakeholder conversations.

Spark's top material topics in order of priority to our stakeholders are grouped as follows:

1. **Data privacy and security:** Keeping customer data safe, protecting customer privacy and empowering customers to protect themselves against harmful digital communications.
2. **Customer experience:** Delivering a seamless experience for all our customers - from the individual consumer through to corporate clients - whether they are joining us, using our services or solving a problem.
3. **Financial performance:** Delivering consistent earnings growth, sustainable business performance and dividends.
4. **Innovation and investment:** Investing in the people, infrastructure and services that will drive New Zealand's prosperity.
5. **Ethical behaviour:** Adhering to the highest standards of ethics and good corporate governance, with a focus on being transparent with key stakeholders in our business practices.
6. **Future of work:** Facilitating skills transference and the role Spark can play in preparing our employees and New Zealanders more generally for the future of work.
7. **Digital inclusion:** Working to ensure New Zealanders have equitable access and capabilities when it comes to digital technologies.

Our performance¹

Net earnings

\$409M

- ▲ 12.1% reported
- ▲ 2.2% adjusted³

EBITDAI²

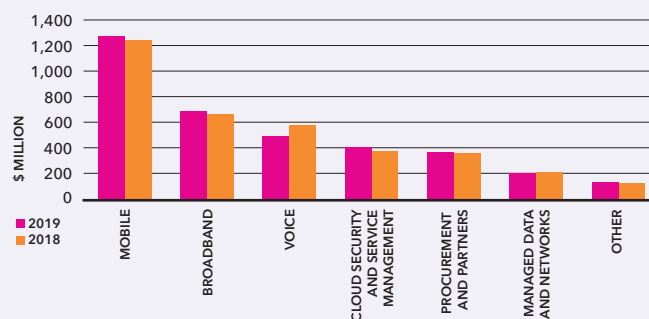
\$1,090M

- ▲ 11.1% reported
- ▲ 5.8% adjusted²

Operating revenues and other gains

- Mobile service revenue growth of \$21 million, or 2.6%, was driven by connection growth and strong take up of Unlimited plans.
- Broadband revenue growth of \$20 million, or 3.0%, was due to price increases on copper plans and removal of customer acquisition credits.
- Voice revenue continued to decline, down \$87 million, as a greater proportion of customers opt for broadband-only service to their homes or businesses and wholesale providers shifted customers to different solutions.
- Cloud, security and service management revenue growth of \$30 million, or 8.1%, reflects strong customer demand for the benefits and flexibility that Cloud-based 'as-a-Service' products offer.
- Procurement and partners revenue growth of \$8 million, or 2.2%, due to strong sales of hardware and licences in CCL.

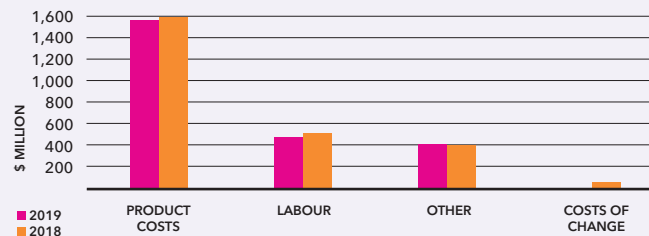
\$3,533M Flat year-on-year



Operating expenses

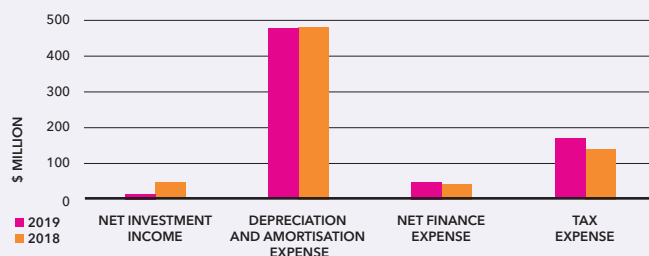
- Products costs decreased \$28 million, or 1.8%, ahead of revenue.
- Labour costs have decreased \$38 million, or 7.4%, following the successful implementation of the Quantum initiatives resulting in 4.2% lower FTE.
- FY18 included \$49 million of costs of change associated with Spark's Quantum performance improvement programme to radically simplify and digitise processes, products and services. No further costs of change were incurred in FY19.

\$2,443M ▼ 4.3%



Other

- Net investment income was \$33 million lower largely due to a decline in Southern Cross dividends, in line with previous guidance.
- Depreciation and amortisation was relatively flat year on year with capital expenditure remaining stable.
- Net finance expense increased \$6 million due to the increase in average debt during the year.
- Tax expense increased by \$30 million in line with the increase in net earnings before tax and the impact of lower net investment income.



1 All changes are comparative to restated results for the year ended, or as at, 30 June 2018 following the adoption of NZ IFRS 15 and NZ IFRS 16.
 2 EBITDAI, adjusted EBITDAI and adjusted net earnings and capital expenditure are non-Generally Accepted Accounting Practice (GAAP) measures and are not comparable to the New Zealand Equivalents to International Financial Reporting

Standards (NZ IFRS) measures. These measures are defined and reconciled in note 2.5 of the financial statements.
 3 Adjusted for the \$49 million costs of change (\$35 million net of tax) incurred in FY18 associated with Spark's Quantum programme to radically simplify and digitise processes, products and services.

Earnings per share

22.3CENTS

▲ 12.1% reported

▲ 2.3% adjusted¹

Dividends per share

25.0CENTS

No change

Cash flows

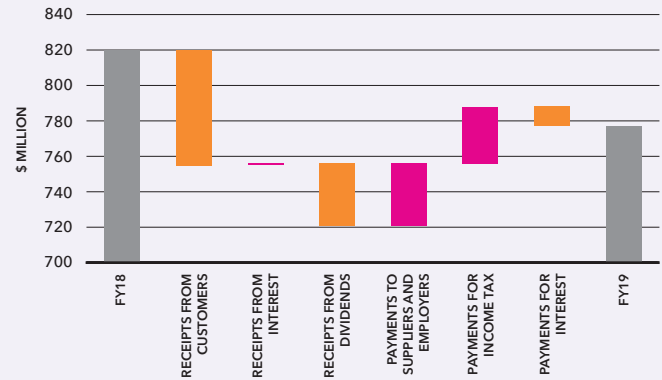
YEAR ENDED 30 JUNE	2019 \$M	2018 \$M
Net cash flows from operating activities	777	820
Net cash flows from investing activities	(426)	(484)
Net cash flows from financing activities	(352)	(333)
Net cash flows	(1)	3

- Operating cash flows decreased \$43 million largely due to lower receipts from customers as a result of higher receivables at year-end, together with a decrease in Southern Cross dividend receipts.
- Lower investing cash outflows were primarily due to no business acquisitions in FY19 compared to \$51 million in FY18.
- Higher financing cash outflows were mostly due to a reduction in debt top-up levels required to support increased dividends.

Operating cash flows

\$777M

▼ 5.2%



Capital expenditure²

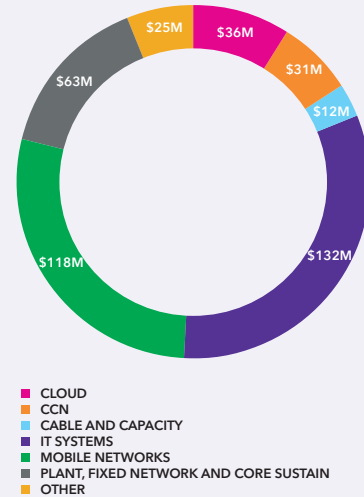
\$417M ▲ 1.0%

Key capital expenditure projects for the year included:

- Continued mobile network investment, including the deployment of the single radio access network (SRAN) and Long-Term Evolution (LTE) sites and significantly increased capacity and coverage for wireless broadband.
- IT systems investment included developments across our products and IT systems to enhance the customer experience, as well as lifecycle investment and licensing for internal IT systems.
- Plant, fixed network and core sustain capital expenditure included investment in Spark's fibre build programme, Optical Transport Network (OTN) and Carrier Ethernet expansion to meet customer demand for services and traffic growth across the network.
- Continued investment in the converged communication network (CCN) that will replace the legacy PSTN network and enable us to deliver IP-based voice services in the future.

Capital expenditure to operating revenues

11.8% FY18 11.7%



¹ Adjusted for the \$49 million costs of change (\$35 million net of tax) incurred in FY18 associated with Spark's Quantum programme to radically simplify and digitise processes, products and services.

² Capital expenditure is a non-GAAP measure and is defined in note 2.5 of the financial statements.

Our customers



Spark IoT solution helps Mainfreight track hazardous containers

Spark's new Internet of Things (IoT) Asset Tracking service gives Kiwi businesses the ability to track valuable assets.

The service is already providing New Zealand's largest freight and logistics company, Mainfreight, with crucial real-time data on the segregation bins it uses to safely transport hazardous goods.

Mainfreight is one of the early New Zealand businesses to have deployed an IoT solution. Chemcouriers, a subsidiary of Mainfreight, is already reaping the benefits of digitally monitoring its workflow and asset utilisation.

Mainfreight's Chief Information Officer Kevin Drinkwater says: "We have over 400 segregation bins that each cost in excess of \$4,000 that would previously go missing or be misplaced, and they are critical to our ability to safely transport hazardous goods.

Before IoT, locating these assets was very much a manual process with the team undertaking stocktakes around our depots, counting bins and sending

reports back to the office. By the time this happened the data was already out of date.

Now we see GPS locations of bins mapped to one dashboard and are alerted in real time when something isn't where it should be or has been stationary for too long.

That's important because it means we can address imbalances in our network that occur because the largest percentage of freight moves south from Auckland.

Knowing where they are, on a continual basis, means we can act quickly to return the equipment.

As it is easy for branches to identify what equipment they have on site we have seen a behavioural improvement in the way the branches deal with the segregation bins.

In summary our Spark IoT solution means that we have improved our logistics planning and our asset network can be rebalanced faster, resulting in more productive asset utilisation and reduced cost as fewer bins are required in circulation."

Spark caters for customers from consumers right through to large enterprises. Across all our services - mobile, broadband, cloud services, digital services and entertainment - we have relevance for almost every New Zealander.

Customer experience

Over the course of FY19 Spark continued to use digitisation and automation to simplify and improve the experience we offer our customers - and the positive reception to our improved digital self-service channels is evidenced by customer behaviour.

In the past 12 months we've seen an 18% increase in use of the Spark App, which gives customers an easy and convenient way to access a range of customer service options without having to call us. In the same period voice interactions with our customer care centres reduced by 39%.

Providing service options for all our customers

We recognise some customers continue to prefer to call us rather than use digital channels - particularly when they have complex problems with their mobile or broadband services. The premium Spark brand continues to offer a high-quality customer care team - both on the phone and over live chat - for those customers who prefer these methods.

We have also continued to invest in our in-store experience, which we know has a big role to play as technology becomes more complex and more ubiquitous.

Connection Promise

Our Connection Promise is a great example of how we have combined digital capabilities with customer insight to come up with a solution that customers genuinely value. In the event of a broadband and/or landline outage, customers who have registered for Connection Promise are eligible for extra data and (for landline customers) free calling on their Spark mobiles over the next seven days. We apply

the data and free calling to their accounts automatically when Connection Promise is activated - and notify them we have done so. We are also able to use the service to support our customers affected by natural disasters who may be forced to leave their homes - as was the case with the Nelson fires earlier this calendar year.

Customer safety

Protecting customers from scams

Email and telephone scammers impersonating Spark are an ongoing problem. Where possible, our security and fraud teams work with law enforcement to identify and shut down scams but this is challenging when scammers are located offshore. The most effective way to keep our customers safe is therefore through education and awareness. Where new scams arise we work proactively with the police and other community groups to publicise the scams and warn our customers about them.

We keep our website (<https://www.spark.co.nz/help/scams-safety/scams/current-scams>) updated with information on scams and we have produced a short leaflet with this information, which we distribute in hard copy to community groups, such as Age Concern to ensure we are reaching those groups who may not think to visit our website.

In late June we launched Spark Call Screen, a home phone that allows customers to screen incoming landline calls and block unwanted callers. When an unknown caller rings on this phone, they must announce their name and the receiver can decide whether to accept or block the call (while saved pre-authorised contacts are put straight through), giving added security to our customers who use landlines.

Online security tools

We offer two online security tools free to Spark Home Broadband customers. These are NetShield, which blocks harmful content on the internet (allowing customers to set their own filters for things like weapons, alcohol and gambling); and McAfee, which protects customers' computers from malware, spyware and other threats.

Electromagnetic fields (EMF)

With 5G becoming a feature of public conversation we have had some customers enquire about electromagnetic fields (EMFs) from cell phones and cell sites and whether there is any impact of these on human health.

In New Zealand a Ministry of Health Interagency Committee reviews local and international research into EMFs and makes recommendations relating to safe exposure levels. This informs government policy, including the New Zealand Standard for radio frequency fields (NZS 2772). In its latest report dated November 2018, the Committee has concluded that the exposure limits specified within NZS 2772 (which are already very conservative as they incorporate large safety factors) are sufficient for 5G technology, noting that existing health effects research already covers the radio spectrum frequency bands anticipated to be used for 5G. The Committee says it will continue to monitor research and update its recommendations if and when required. In August 2019, the United States Federal Communications Commission similarly confirmed that 5G technology does not warrant any changes to its existing stringent EMF exposure standards.

All Spark's cell site infrastructure operates within national and international safety limits, which incorporate substantial safety margins. We design all our mobile cell towers to comply with National Environmental Standards (NES) including NZS 2772. Based on our continuous and robust testing obligations, Spark's cell towers transmit at less than 5% of the exposure limits outlined in NZS 2772.

As part of our obligations to comply with exposure limits Spark has commissioned independent monitoring around our cell sites. You can read more about this programme here. <https://www.health.govt.nz/our-work/radiation-safety/non-ionising-radiation/independent-cellsite-monitoring>.

Marketing and legal compliance

Under Spark's Code of Ethics <https://www.sparknz.co.nz/about/governance> all Spark people are responsible for ensuring we behave ethically and comply fully with all applicable laws and regulations. Spark's Legal Compliance Policy sets out the specific accountabilities that Spark people

have for complying with the law. Spark's people leaders make sure their people have the information and training necessary to meet these standards, and our Digital Trust team supports our people with comprehensive frameworks, tools, training and advice. Every employee is required to complete online training modules on the Code of Ethics and how to apply it, and we reinforce this training through regular one-on-one and broader internal communication across the business.

There were two (related) allegations made by a competitor in the market that a previous asset acquisition had an anti-competitive effect. One allegation was struck out by the High Court and the strike out confirmed by the Court of Appeal, with the Supreme Court subsequently declining to consider further appeal. The other related allegation has been filed in the High Court and is in progress. We do not consider there to be a basis for this second allegation either.

Commerce Commission proceedings

In November Spark pleaded guilty to proceedings brought by the Commerce Commission under the Fair Trading Act 1986, in relation to two separate historical operational and billing issues. These were the incorrect implementation of a 'welcome credit' for some fibre broadband customers during 2016 and a billing implementation issue relating to a 30-day notice period when customers left Spark. Both were system-based errors caused by genuine mistakes with no malicious intent by Spark. Spark was subsequently fined \$675,000 by the District Court in Auckland.

We sincerely regret the impact on customers from these mistakes. Prior to the proceedings we had already applied credits to the accounts of all impacted customers and we have made extensive efforts to return all amounts owed to former customers. We have also fully reviewed how the errors had occurred and taken steps to ensure they do not reoccur.

The Commerce Commission also issued four warning letters to Spark in FY19 concerning various customer communications, billing or operational issues - some of these relating to prior years.

Kupu: take a photo, learn a language

Customer privacy

All Spark staff are required to complete online privacy training and to treat customer information consistently with Spark's Privacy Policy. This includes following Spark's data governance processes and engaging with Spark's privacy and security teams.

Spark's new Privacy Policy <https://www.spark.co.nz/help/other/terms/policies/privacy-policy> sets out our commitment to our customers when it comes to handling their information. It is written to set out transparently what data we collect and how we use that data.

In our policy we:

- Have committed to handling all personal information appropriately in compliance with the Privacy Act 1993 and our customer's expectations;
- Always follow Spark's privacy governance processes and standards for the collection, use and disclosure of personal information; and
- Set out customers' rights and choices in respect to their personal information.

While we track privacy complaints from customers, our focus is on resolving the customer's concerns, and we do not currently capture data in a way that enables us to identify which complaints were substantiated. As such we are not able to provide specific numbers about substantiated complaints in FY19.

However, we are looking at ways to tag these complaints in the future so we can monitor numbers. We do track privacy complaints from regulatory bodies. In FY19 there were no substantiated complaints.

We are also developing data breach reporting capability. There were no significant leaks, thefts or losses of customer data events in FY19.

Spark has set a goal to help revitalise and normalise use of Te Reo Māori. We see the Māori language and culture as special and unique to New Zealand, so we want to play our part in helping Te Reo Māori prosper through the use of digital platforms. To this end, and to coincide with Te Wiki o te Reo Māori, Spark and Te Aka Māori Dictionary launched Kupu, an interactive mobile app that helps people learn Te Reo Māori translations by exploring the objects around them.

To use Kupu users simply take a picture using their mobile phone and Kupu will use image recognition to identify the object in the picture and provide a Te Reo Māori translation for it and any other objects it can detect.

Dr Dean Mahuta, Senior Lecturer at AUT and Māori language researcher at Te Ipukarea, the National Māori Language Institute, was a key advisor on the Kupu project working alongside Te Aka Māori Dictionary and Spark to ensure Kupu showcased Te Reo Māori correctly.

"Using technology and digital platforms is a great way to encourage the use and learning of Te Reo Māori. Te Aka Māori Dictionary has over 300,000 visitors to its website per month, with over 50% of those visitors being new users," said Dr Mahuta.

"There are some amazing resources for learning Te Reo Māori, including books, websites and apps. However, this is the first learning tool to translate pictures in real time. It's an evolution of the resources that are out there. We hope Kupu will get everyone excited about exploring and learning Te Reo Māori, so we're excited to share Kupu with New Zealand."



Kupu uses Google's Cloud Vision product and Artificial Intelligence technology, backed by Te Aka Māori Dictionary data. The app will improve its existing translations with the moderated feedback it receives over time. The project team is also working with Te Aka Māori Dictionary to increase the accuracy of Google Translate.

The app is available for download free from the Google Play Store and the iOS App Store - and to date we've seen more than 160,000 people take more than 2.5 million images.

It was named the supreme winner in Ngā Tohu Reo Māori 2018 (Māori Language Awards) and was a finalist in the Matariki Awards.

"Using technology and digital platforms is a great way to encourage the use and learning of Te Reo Māori. "

Senior Lecturer AUT and Māori language researcher Dr Dean Mahuta

Cloud Managed Network can help hospitality customers prioritise their internet connections for critical business processes, such as EFTPOS, guest WiFi or streaming the Rugby World Cup.



Putting New Zealand's small businesses in the cloud

Spark's new Cloud Managed Network gives small and medium enterprise (SME) customers better visibility, reliability and security for their LAN, WAN and Wi-Fi networks. The network is installed by Spark and any changes required by the customer are managed by Spark.

Customers have read-only access to the cloud management portal to see what's happening with their networks in real time and they also receive automated status alerts. They can view device status, network utilisation, application usage and configuration settings. It is also highly reliable with backup connectivity via the 4G mobile network and has a high level of security - an increasing concern for SMEs, uses connectivity more efficiently and offers a much improved application performance. Changes can also be applied quickly,

over-the-air, by configuring network and security templates in the cloud management portal that are then automatically downloaded when a device next connects to the internet at a customer's site.

To ensure our people could help customers effectively transition to this new technology, at launch we conducted nationwide, in-person training workshops for account managers and solution consultants at 26 Business Hubs.

Connecting with New Zealanders

Our brand and customer campaigns seek to build emotional connections with New Zealanders and show what Spark stands for as a business. Over the year we ran several high-profile, successful and sometimes thought-provoking campaigns.

Highlights included our collaboration with Te Aka Māori Dictionary to launch our Kupu App and 0800 Matariki, in which we shared nine immersive stories behind each star in the Matariki cluster. For Pride Month we continued our partnership with counselling and support service OUTline to tell the story of Hunter, a transgender young person, and his mother Dee. As well as seeking to start a conversation the campaign once again focused on raising awareness of, and funding for, OUTline, with a text to donate number. In the business space our 'What's your driverless car?' campaign asked New Zealand businesses to think about how 5G could enable game-changing technology in their industries.

We continued our successful strategy of building value-added services into our Spark offer, with our Netflix, Spotify and Spark Arena partnerships, and our bundling of Lightbox, a fundamental part of this.

The Skinny brand has continued its success in FY19 launching an unlimited plan and redesigning its online customer experience based on customer feedback. It won two CANSTAR Awards: best telco for Consumer Experience and best telco experience for Small Business.

Managing our customer risks

Intensifying and relentless pressure in our core markets challenges Spark's ability to acquire and retain customers. Mitigations to offset this risk include the Agile operating model and other strategic programmes, like the Customer Experience framework that seek to put speed to market, customer satisfaction and customer service quality at the centre of our business model. Customer interaction and market net promoter scores are closely monitored by the Leadership Squad and used to continuously improve our delivery quality from a customer's perspective.

Our products and technology

Strong, adaptable infrastructure and the best, most relevant products and services are crucial for us realising our mission to bring the future faster to New Zealand.

Mobile

Our strong mobile performance continued over the year, with Spark outperforming our competitors in a tough market. Connections increased by 57,000, service revenues by 2.6% and margins by 5.9%. Our mobile market share is now the highest it has been since 2012. Our launch in November of new Unlimited plans significantly reduced the cost of unlimited mobile data for our customers.

Spark was the first New Zealand mobile provider to support electronic or eSIM technology that will progressively replace physical SIM cards in mobile devices - an essential technology for driving widespread adoption of wearable mobile devices. We have already launched the eSIM for the Samsung Galaxy 4G Watch and we will be launching further functionalities and compatible IoT devices in the coming financial year.

Wireless broadband and voice

The number of customers using wireless broadband or wireless voice increased by 36,000 over the year, bringing the total to 166,000. Wireless broadband remains popular with customers who do not need unlimited data caps and/or super-fast speeds but who do want a high-quality broadband connection. Our numbers suggest wireless broadband and wireless voice customers experience fewer faults than those on copper connections and that where they do have a fault, we are usually able to fix it faster than in the case of copper (where it needs to be escalated to the copper network owner, Chorus, for resolution).

Building a 5G future

With the launch of our 5G innovation lab Spark became the first New Zealand business to showcase this exciting new technology. We have also opened a 5G

5G innovation

Testing New Zealand's first 5G-connected driverless car on Auckland streets.



collaboration space, which will allow us to work closely with Kiwi businesses to test the technical capabilities of 5G and enhance products and experiences.

To raise awareness of how 5G will help transform New Zealand we collaborated with Ohmio Automation to test New Zealand's first 5G-connected driverless car on Auckland streets. The test used Spark's pre-commercial 5G network, available as part of the 5G Innovation Lab. The test and our partnership with Ohmio show the potential of 5G goes far beyond the speed of mobile phones and wireless broadband connections to new ways of living and working.

We are working through the vendor selection for our 5G network build. In late 2018 the New Zealand Government Communications Security Bureau (GCSB) turned down Spark's application to use Huawei equipment as part of that network. We are still working through what possible mitigations we might be able to provide to address the concerns raised by the GCSB and have not yet made any decision on whether or when we should submit a

revised proposal to GCSB. While we see Huawei as a great partner and leading in 5G technology, we will take a multi-vendor approach to 5G. Our rollout plans will not be impacted by decisions beyond our control around Huawei's participation.

The biggest dependency for our 5G network build is now spectrum. Spark is well placed to take part in 5G spectrum allocation and has already secured spectrum on loan for the America's Cup to showcase Kiwi capability to the world.

Fixed line

Broadband

We continued to see a solid performance in broadband with improved revenue and margin growth. The Unplan, launched in October 2018, is the first plan in New Zealand to allow flex in what customers pay based on their monthly data usage.

Closure of PSTN network

Our closure of the legacy PSTN (public switched telephone network) and transition to the new, IP-based CCN (converged communications network) continues at pace. More than 25% of exchanges have now been decommissioned and we have closed down another 100 telephone exchange switches. All wireless and fibre voice customers have now been migrated over to the CCN.

4G high definition (HD) calling

While 3G will continue to be a primary means of delivering voice in the immediate future, 4G HD calling provides fast call set up time and call quality and will enable voice services for new cell sites rolled out as part of the 4G only Rural Broadband Initiative 2 (RBI2). Spark has activated 4G HD calling services on its network - otherwise known as Voice over LTE or VoLTE - and is progressively turning this on for capable handsets.

Wholesale

Our Wholesale business saw a slower rate of decline in the number of PSTN voice connections and revenues than we saw in FY18 and made progress in new, growth areas.

Following the win of Trustpower as a mobile and wireless broadband wholesale customer in late 2018, we have been focused on getting it set up with new capabilities.

We've also had considerable success in our offer of wholesale Internet of Things (IoT) solutions. A highlight of the year was working with Hyundai to install SIM cards in its vehicles which allows Hyundai to provide high quality vehicle data such as mileage and tyre pressure to its customers.

Spark's capacity on the Tasman Global Access (TGA) cable between New Zealand and Australia increased by 128% over the year; supplementing the capacity on the Southern Cross cable. We now have two low latency diverse cable paths across the Tasman for our customers.

Sport and entertainment

Spark Sport

Spark Sport launched in March 2019. In line with our Agile ways of working we launched the service in beta mode and have iteratively developed the product over the past few months - adding functionality, fixing small defects and improving the customer experience. We've also made Spark Sport available as a product for commercial premises, such as pubs and clubs, with premises able to purchase a Rugby World Cup 2019 (RWC) Tournament Pass at consumer pricing.

We now have a range of sports titles available on the platform, including rugby, football, tennis, motorsports, basketball, mixed martial arts, racing, boxing, golf, hockey, e-sports and athletics.

Spark Sport has decided for strategic reasons to form two key partnerships for a successful RWC delivery. TVNZ is our free-to-air partner, showing 12 matches on TV1 - five live and seven delayed. This



Rugby World Cup 2019

Spark Sport will stream live all 48 matches into the homes of New Zealanders, via their broadband connection.

means that households without streaming-ready broadband can still watch the key matches. We have also partnered with SKY TV to provide an alternative distribution model for commercial premises to provide an alternative RWC viewing option for venues that would prefer to use their existing infrastructure.

Looking beyond the RWC we are actively looking to acquire further content and we will continue to develop the platform by adding new functionality and features.

Lightbox

In March 2019 we announced our intention to find media partners to help grow our Lightbox entertainment business. Lightbox is the leading local player in the streaming entertainment market, with more than 355,000 subscribers. It's been a valuable part of our bundled offer to customers but its continued success will require ongoing investment, especially in content. In the meantime the Lightbox service will continue as normal for our customers, and we will keep the market informed as this process progresses.

Cloud

Over the past six years we have worked to successfully establish Spark as a leader in digital and cloud services.

This year we built on the strengths of CCL and Revera by consolidating them under CCL. We are aligning the wider Spark group capability and investment in cloud behind a single go-to-market strategy to evolve our proposition and to make it easier for our customers to engage with us.

We are also establishing a new division called Leaven, to help organisations accelerate cloud and digital transformation. This business will combine the deep local experience within Spark with the global expertise of our partner Cloud Technology Partners (CTP), a Hewlett Packard Enterprise company, to work across the three leading public cloud vendors, helping organisations to adopt these cloud platforms, operate and run applications and work programmes and take advantage of the underlying capabilities to innovate how they work and the services they provide.

Internet of Things

We have now deployed two IoT networks nationwide: LoRa WAN (a low power

network) and Cat M1 (which runs over our 4G mobile network). The benefits of this technology are starting to come through across a range of industries. The asset tracking solution we've delivered to Mainfreight is featured on page 14. We have also provided St John with technology to monitor patients in real time, and we are working with Auckland Transport and other partners to create New Zealand's first 'smart street' on Madden Street in Wynyard Quarter.

In the next few years we expect use of IoT will become status quo for New Zealand businesses - like a good internet connection or suitable cloud platform is today.

Mattr

Mattr is a subsidiary of Spark, established in 2019. It is led by Dr Claire Barber, who was most recently Spark's Product Director, and comprises a team of engineers, scientists and designers who are investigating the creation of new capabilities in response to the disruptive opportunities created by new technology and societal trends.

Mattr's initial focus is in the area of Trust over IP (TOIP). This includes areas such as self-sovereign identity (SSI), IoT, Artificial Intelligence (AI) and distributed architectures. Mattr is based in Auckland, New Zealand but has a strong focus on collaboration with partners - both locally and globally.

Managing our product and technology risks

High-performing and evolving technology infrastructure is vital to Spark's success because it plays a role in our ability to attract and retain customers. Spark's technology units strive to minimise the risk of service impacting events and deliver on our goal of having NZ's best converged data networks and digital services capability by using mature and proven technology management processes. Examples include Network and IT system architecture governance, structured build and release processes, and disciplined operational management processes.

Our people

Spark seeks to employ the best people and to invest in them to bring out their full potential.

Our key people goals are to:

- **Create a diverse pipeline of leaders and employees with a culture of inclusion;**
- **Ensure Spark people are fairly remunerated and incentivised in ways that lead to better customer outcomes;**
- **Ensure Spark has the right skills in our Board and Leadership Squad for the digital future; and**
- **Provide a safe and healthy work environment.**

Blue Heart programme

We launched our ground-breaking Blue Heart programme in 2018 to support Spark's focus on a 'heart-led' approach to diversity and inclusion. To date, more than 3,000 of our people have made personal Blue Heart pledges to support a 'heart-led' approach to diversity and inclusion at Spark.

Since the programme's launch, Blue Heart has evolved beyond a personal pledge to become a unifying icon for our wider approach to an inclusive and heart-led culture. The cultural shift it represents has been crucial for Spark's transition to Agile ways of working, which through the creation of multi-functional autonomous squads, results in people from diverse cultural, ethnic and professional backgrounds working closely together on a daily basis.

Spark's Māori Business Strategy

The Spark Māori Business Strategy - Te Pou Arataki - is about Māori cultural transformation, finding the shared space between Te Ao Māori and our corporate world. It aims to build deeper more authentic partnerships with our stakeholders, our customers and our people. It provides for values-based opportunities for investment in people and communities and aligns very well with our

Agile approach in that it is built on the concept of 'kotahitanga' - collective action and togetherness.

Its strategic pillars are focused upon true partnership with Māori, empowering Māori business through meaningful platforms and incorporating drivers for economic, social, cultural and environmental growth.

It is driven by four purpose statements, growing our Māori talent and knowledge whilst building a team of trusted advisors, working in partnership with Māori to achieve their aspirations, growing trust in our brand to serve Māori and therefore growing our market.

Our partnerships with Māori language institutions Te Taura Whiri and Te Ipukarea strengthened our ability to be authentic in approach, and our customer relationships and engagement with iwi will continue to be a focus for the coming year. Our Board and Leadership Squad continued to build their cultural and linguistic knowledge, with a focus on confidence when using Te Reo Māori either publicly or at internal events.

The focus translated into some highly successful customer and publicly facing initiatives, such as the Kupu App and 0800 Matariki.

The stories were written with guidance from Rangi Matamua, Professor at the University of Waikato and were inspired by his book, *Matariki: The star of the year*. Spark also collaborated with broadcasters Stacey Morrison and Scotty Morrison and tikanga expert Rhonda Tibble.

Spark cultural celebrations

Spark's inclusion programme sets out to ensure that every employee can bring their 'whole self' to work. To this end we continued to recognise and celebrate a range of significant cultural events over the year, including Chinese New Year; Eid al-Fitr; Samoan, Chinese, Cook Island and NZ Sign language weeks; Diwali; and ANZAC Day.

Spark wellbeing

Over the past year a group of Spark people implemented a thriving staff-led programme to create a mentally healthy workplace, which has created a safe and supportive environment, allowing for open conversations about mental health. It aims to help our people better understand and manage their own mental wellbeing, seek help early and signpost their workmates into the right support. The programme has been recognised as a finalist in this year's Diversity Works Awards, which will be announced in late August.

During FY20 we will be implementing a health and wellbeing programme to encourage Spark people to lead healthy lifestyles, and care for ourselves and each other.

Spark Pride

Spark continued its support of the Rainbow community over the year primarily through our support of LGBTQI+ counselling and support service OUTline.

We supported OUTline in a practical sense through our #thankstoyou fundraising campaign, by deploying the PureCloud platform into its organisation, providing additional functionality, reporting and visibility of its callers and potential rostering requirements. We also partnered with OUTline in our participation at the Auckland and Wellington Pride Festivals.

We reaffirmed our Rainbow Tick accreditation over the year with the next annual assessment due during FY20.

Gender diversity

In FY19 we continued pursuing our goals of growing more balanced gender representation at senior levels, taking steps to address the gender pay gap and to ensure diversity and inclusion programmes



are embedded into recruitment and promotion practices.

As we transitioned to Agile ways of working we were presented with a unique opportunity to execute on these goals, with the adoption of new 'Contribution' and 'Accreditation' models.

The Spark Contribution and Accreditation models

The Spark Contribution and Accreditation models are about ensuring our people are remunerated according to the value they contribute to the Company - based on their ability and experience in their chosen area of expertise; their adoption of Spark's values, culture and mindsets; and their customer understanding and commercial acumen. These models give our people a clear description of how they can progress their careers at Spark, and over the past 12 months we've undertaken a thorough process to map our people to a simplified, progressive pay scale that rewards people appropriately based on where they sit within the model for their chosen area of expertise.

At the core of the models is a focus on equality and fairness. We have moved away from handling remuneration using broad ranges based on such things as specific roles, titles, hierarchy and, for management roles, the number of direct reports. The Agile model encourages a flat organisation, fluidity and valuing people's particular 'craft'.

At the end of FY19, 85% of employees who were eligible to be on the Contribution model, and 97% of those on the Accreditation model, had been mapped to a 'pay point' - meaning they were on a specific salary based on their area of expertise and that people assessed to make equal contribution receive equal pay.

Gender diversity at senior levels

As at the report publication date our Board remains 50% female, our Leadership Squad is now 37% female (three out of eight Squad members) and from 1 September 2019 this will rise to 50%. And with the succession of Jolie Hodson to the position of CEO, Spark has become the first large NZX-listed business to have both a female Chair and female CEO.

Our Diversity and Inclusion Policy sets out our framework in this area, see <https://www.sparknz.co.nz/about/governance>.

More information on the make up of our workforce may be found on page 98 of this report.

— Spark's Blue Heart programme supports a 'heart-led' approach to diversity and inclusion.



Spark benefits

Spark employees receive a range of benefits, and the benefits are the same for everyone in the Company, regardless of their position in the business. Benefits are available to all permanent employees - whether part time or full time - but most are not available to temporary employees (fixed term or casual).

They include life, trauma, income protection and medical insurance cover; an employee share scheme; a monthly Spark account credit, Spark store discounts; a flexible working policy; and paid parental leave.

Spark provides a parental leave policy for permanent full time and part time employees, regardless of gender, sexuality, age or whether you are giving birth or adopting a child. If someone has been employed by Spark for a minimum of 12 months then Spark tops up the Government's parental leave payments, so employees receive 80% of their salary for up to 22 weeks.

Health and safety

Spark's health and safety (H&S) strategy is built around four pillars - a strong H&S management framework; a proactive 'owners' approach to the management of critical hazards and associated risks; a culture of empowerment at every level of the organisation to identify and flag H&S risks - and in particular deep engagement

by the Leadership Squad and Board; and a commitment by the business to ensuring the resources and capability are in place to deliver the H&S strategy.

Highlights of the year include independent H&S consultants, Impac, appraising Spark's internally developed Gold Standard, with a very positive review as confirmed by Spark's finalist position in the 2019 Safeguard Industry awards governance section; the Spark H&S team undertaking more than 90 risk assessments across the 46 Spark exchange buildings and mobile/radio sites; achieving Accident Compensation Corporation's tertiary level Accredited Employer Programme; and developing and introducing an online Health and Safety induction programme and injury management, available to all employees.

Spark's total recordable injury frequency rate (TRIFR) for FY19 among Spark employees and contractors was 3.46% (versus 3.17% in FY18). There were no work-related incidents during the year involving serious injury or death.

In FY20 we will focus on systems around Spark's critical H&S risks, such as asbestos, confined spaces, fatigue, driving at work and working at height. We will implement our 'SparkSafe' capital programme for exchange buildings, mobile sites and retail stores and develop and implement H&S roadmaps for units operating to Agile methodologies.

Our environmental impact

Spark is committed to protecting and restoring the environment through our business operations and our value chain. As a founding member of the Climate Leaders Coalition we are committed to business leadership and collective action when it comes to addressing climate change.

Addressing and responding to climate change

In 2016 Spark set an ambitious target to reduce our greenhouse gas emissions (measured in tonnes of CO₂e) by 25% from FY16 levels by 2025.

As a technology business our main source of greenhouse gas emissions is our use of electricity to power our networks and to host our customers' networks in our data centres. Reducing this in the face of steep increases in customer demand for our services every year (requiring more investment in expanding our mobile network in particular to meet demand) is a long-term challenge, and over the past two years we have seen our total greenhouse gas emissions (and our electricity consumption) increase slightly rather than drop on 2016 levels. Our emissions are also influenced by the percentage of renewable energy used by New Zealand's national grid, which in turn is influenced by the weather patterns of a particular year - something that is out of our control.

Energy efficiency

We are very conscious of the challenges in meeting our target but have several major technology and infrastructure projects under way, which are already substantially improving our efficiency when it comes to power use. We are confident that in the medium to long term these projects will help us to bring down our GHG emissions and to meet our 2025 CO₂e target.

These projects include:

- A five-year project, completed in February 2019, to create a single radio access network (SRAN) - essentially

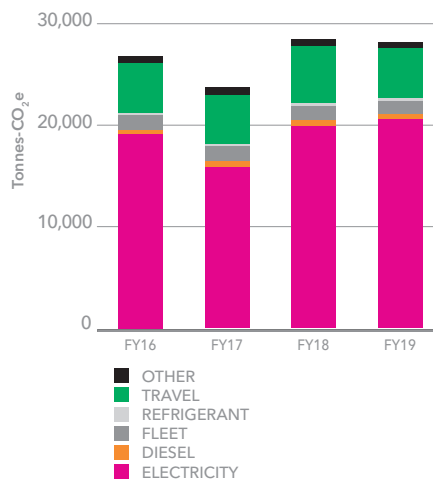
taking mobile equipment from two different providers and consolidating it into one. This has brought a range of energy efficiency benefits. For example, it has allowed us to right-size our air conditioning, DC (direct current) rectifiers and battery lifecycle replacements to match the energy demands of a particular site, and by deploying more temperature-tolerant batteries we've reduced the energy required for temperature control of our equipment; and

- The closure of the legacy public switched telephone network (PSTN) will bring substantial efficiency gains, as well as improve our service for customers. The project is about a quarter of the way complete, and Spark is accelerating our

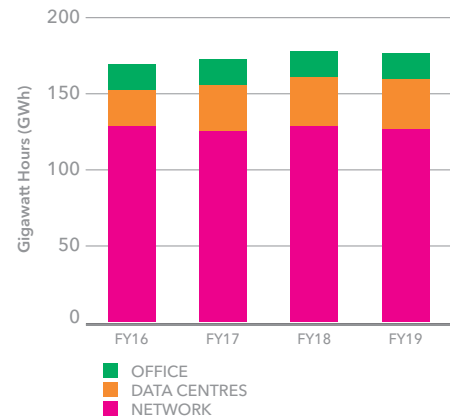
energy reductions forecast in the programme's future. As of June 2019 PSTN equipment had been retired at 170 facilities delivering almost 11 GWh per annum in technology and infrastructure energy reductions.

Across our networks more generally we continually look to operate as efficiently as possible, and we benchmark well against our international peers. In late 2018 Spark engaged global technology leader and consultancy, Bell Labs, to review all our available facility and technology performance measures. The review was completed in February 2019 and found our data centre and network building power usage effectiveness (PUE) to be "very good" and our traffic-vs-power growth ratio vs industry standards to be "outstanding" when measured against our international peers.

GREENHOUSE GAS EMISSIONS BY SOURCE



ELECTRICITY CONSUMPTION



GREENHOUSE GAS EMISSIONS BY SCOPE

Kilotonnes-CO ₂ -equivalents	FY16 BASE	FY17	FY18	FY19	FY16/FY19 INCREASE/ (DECREASE)
Scope 1 & 2 (direct and electricity emissions)	19	16	18	19	0%
Scope 3 (value chain emissions)	8	8	10	9	12%
Total emissions	27	24	28	28	5%

Other sources of emissions

In FY19 we did see a slight drop when compared with FY18 in emissions from our vehicle fleet, company travel, diesel consumption and other sources, such as waste. Refrigerant emissions were unchanged.

We are very conscious of the need to continue improving in these areas. In March 2019 we added 30 Mini Countrymen Plug-in Hybrid Electric Vehicles (PHEV) to our fleet and by December 2019 we will have a total of 79 of these vehicles - making up a third of Spark's core corporate vehicle fleet.

PHEVs are currently the most practical solution for Spark because many of our sales and service staff using the vehicles are required to travel large distances in areas where charging infrastructure is not yet fully available. The expected number of PHEVs in our fleet is less than our original target of 150 EVs or PHEVs by October 2019 - which would have seen our group fleet (including all our fully-owned subsidiaries) reach 30% EV or PHEV. We have found meeting this target very challenging however we remain committed to increasing the number of EVs and higher-range PHEVs in our overall fleet over time and to reporting transparently on this.



As part of our move towards a more sustainable future at Spark, we introduced the Mini Countryman Plug-in hybrid electric vehicle to our fleet.

Adapting to climate change impact

Climate change risk is managed within our existing risk management processes. As managing the risk of network outages and availability of services for customers is core to Spark's business, the risk plan incorporates impacts of weather-related events, such as flooding, drought and wildfires - which we expect to be the biggest risk to our business from climate change. We plan for the physical impact of climate risk at the facility level as part of the budgeting and planning process.

Climate-related regulatory risks are evaluated in our annual business planning process and more frequently on an ad hoc basis as policy developments occur. The Climate Change Response (Zero Carbon) Bill is expected to be enacted later this year and we are monitoring the implications for our business.

Managing our waste

Our approach to managing waste is guided by the four 'Rs' - recover, reuse, resell and recycle. Where possible we apply this approach to all parts of our value chain, whether it is network equipment, operational waste or packaging waste. However, we recognise we have work to do to improve in these areas.

In the coming year we have plans to focus on managing our operational waste and reducing marketing and product packaging - both that are created by us (for example, store bags or the packaging used when sending products to customers) and that are created by our suppliers.

E-waste and network recycling

Spark has a comprehensive programme for managing end-of-life network equipment and technology. This is separated into different waste streams - such as mobile phones, printed circuit boards, copper cables, lead batteries and all types of metals. The different items are sorted, processed by our recycling partners and then some components are sent overseas for recycling, reselling or reusing.

In FY19 Spark recovered a total of 367.1 tonnes of e-waste, made up of 38.2 tonnes of network e-waste and 328.9 tonnes of network metals, cables and batteries. Including the sale of surplus used equipment, Spark generated approximately \$1.4 million from recycling/reuse initiatives, up from \$940,000 in FY18.

Mobile phone recycling

Spark is a member of the Telecommunication Forum's (TCF) RE:MOBILE product stewardship scheme, which aims to recycle or reuse as many of New Zealand's discarded mobile phones (and other pieces of consumer technology, such as modems, home phones and tablets) as possible. To support this scheme, we have put recycling bins in our stores and offices around New Zealand and have publicised the option of recycling to our customers and staff.

The scheme takes the discarded phones and either refurbishes and on-sells them in overseas markets or recycles them - with any profits donated to charity Sustainable Coastlines.

In FY19, 17,500 mobile phones or other devices were reused or recycled through this scheme. This has dropped from 25,400 in FY18 and 33,300 in FY17.

This is partly influenced by an increase in the lifecycle of a device from an average of 2-3 years to 3-4 years, as things like battery life improve. However, we recognise the number of devices recycled through the scheme could and should be higher. Spark has been working with our industry counterparts and the TCF to look at how we can give the scheme a boost in terms of public awareness and in overcoming the barriers consumers feel in recycling their devices. A project to do this at scale, led by the TCF, is under way and will begin in the early part of FY20. Spark has committed to supporting and helping to resource this project. We hope it will drive an uplift in the number of devices recycled in FY20.

Our community involvement

Our work in the community plays a big role in helping us achieve our purpose of helping all of New Zealand win big in a digital world. Charitable trust Spark Foundation, supported by the wider Spark group, takes the lead in shaping and delivering our work in the community, ensuring it aligns with our Company values and all Spark people can be a part of it.

Refreshing our community strategy

Following the work across Spark to redefine the Company purpose Spark Foundation undertook a review of its own purpose and strategy.

This refresh has seen a new vision for the Foundation - that no New Zealander is left behind in a digital world and a new mission - to accelerate equitable access and opportunities. The new strategy links directly with Spark's purpose.

The Foundation's work contributes directly to the "Fairness and Inclusion" focus in Spark's sustainability strategy.

Jump

In collaboration with the Foundation, Spark's major digital inclusion programme - Jump - offers heavily subsidised broadband plans to families with school-aged children who cannot afford commercial broadband.

There are an estimated 35,000 homes with school-aged children who don't have access to the internet due to affordability issues. With classroom learning increasingly going digital this is putting these children at a big disadvantage and we are determined to play a part in building equitable digital access. Jump works through community partners to find families who need the product, as these partners know their communities well and are well placed to determine which families are most in need.

The programme has been running since November 2016 and has seen promising momentum in FY19, with the number of connections increasing to 3,000.

Jump

Our major digital inclusion programme, Jump, provides heavily-subsidised broadband to 3,000 families.



We are now looking at how we can make it a sustainable part of the solution to addressing the digital divide in New Zealand - which will likely involve a public-private partnership. One major learning since launch is that while cost is one barrier to connectivity and digital inclusion, it is not the only barrier. Building capability is also important. Solving the problem will be more complex than simply reducing costs and we are committed to being part of this solution.

Catalytic philanthropy

In allocating funding Spark Foundation takes a strategic partnership approach, focussing on doing a few things well and partnering with organisations whose work is aligned to its mission. These relationships are partnerships rather than being transactional and they usually extend over three to five years. Importantly, the Spark Foundation looks for projects that are catalytic effecting meaningful social impact and systems change. As a corporate foundation it is able to take on more risk than other (particularly publicly funded) organisations and so looks for early and mid-stage programmes. Its funding gives the programmes an opportunity to collect evidence or carry out research to support its model - and therefore to potentially secure more long-term funding sources.

The programmes Spark Foundation currently funds are:

Code Club: A nationwide network of volunteer-led coding clubs for Kiwi kids aged 9-13 years old. It's a fun way for children to learn computer programming and software design. The Code Club wants to grow the number of code clubs around New Zealand and give every Kiwi kid the opportunity to learn to code, no matter who they are or where they live.

The Electric Garden: A solution for teachers of school years 5-8 to deliver digital technologies education to children. The Electric Garden supports digital learning through gardening and develops gardening knowledge through coding.

21C Skills Lab: Has launched the \$20 Boss programme across 30 schools in 2019 with a goal of equipping kids with the



Electric Garden

Helping children learn digital technologies by applying IoT and coding technologies to their school garden.

Givealittle

New Zealanders gave generously to thousands of causes – such as donating \$18,000 to fund vital medical treatment for young Ethan.



knowledge and skills to succeed in a rapidly changing world of work. The Like A Boss programme is an exciting opportunity for secondary school students to build their own people or planet-focused business and develop 21st century skills along the way. Each student is given \$20 of start-up capital and the tools to create, launch and operate their own venture, allowing them to make a difference in and outside of the classroom.

The Digital Natives Academy (DNA): Rotorua-based not-for-profit that inspires young people and their families to create, transform, shape and develop their own digital tools. DNA is a living digital hub where tamariki can learn code, rangatahi can join eSports leagues, whānau can integrate virtual tikanga and kids of all ages can access the latest tech in a safe environment. DNA has just announced a partnership with Riot games (creators of

League of Legends) to pilot a responsible gaming behaviour programme in the Bay of Plenty.

Voluntari.ly: Is a platform currently in development that will connect corporate volunteers with classrooms to help teach technology. From 2020 all schools in New Zealand are expected to teach the Digital Technologies curriculum but this does not mean that teachers are equipped to do so. Voluntari.ly seeks to help solve this problem. Voluntari.ly is a product of the OMGTech group and is currently in alpha mode ready for full launch in January 2020.

Givealittle

In FY19 Givealittle had another strong year of helping to grow generosity in New Zealand. The huge outpouring of grief and support for New Zealand's Muslim communities following the terrorist attacks in Christchurch resulted in more than \$10 million being donated to victims of the attack through the Givealittle platform. Thousands of messages written on the page provided comfort and support to the community affected.

When Spark Foundation acquired Givealittle in November 2012, its vision was to grow a generosity platform that would provide a tangible positive societal impact for New Zealanders. Nearly seven years later, having grown annual donations from \$650,000 to more than \$20 million, the Foundation has achieved that goal. The time is right to look for a new owner who can continue to support Givealittle and develop new services to take the platform to the next level. Spark Foundation is open to a range of potential ownership models.

Any proceeds from a sale will be retained by Spark Foundation for future investment in charitable projects.

Volunteering and Payroll Giving Our approach to staff volunteering

In line with its new strategy Spark Foundation is encouraging Spark staff towards skill and mission-based volunteering. Skill based volunteering means individuals leverage their specialised skills and talents to assist not-for-profits. Mission-based volunteering means volunteering with an organisation whose work aligns with the purpose of Spark to help all of New Zealand win big in a digital world.

To help our people find an appropriate skill or mission-based volunteering opportunity the Foundation has partnered with two platforms – Helptank and Voluntari.ly. We hope that this new approach will help drive both greater uptake of the Spark volunteer day but also greater impact from the volunteering our people do.

Spark Give

Our payroll giving programme, Spark Give, enables our people to donate to schools and charities via their pay, with benefits for doing so. Spark Foundation matches the amount employees donate dollar-for-dollar up to \$500 per employee per annual year. Since this programme was established in July 2011 over \$6 million has been donated to New Zealand schools and charities.

Volunteering results for the year

Total employees eligible for volunteering:	4,565
Total employee participation:	806
Percentage of employee participation:	18%

Spark Give results for the year

Employee donations:	\$ 481K
Spark Foundation's matching:	\$ 221K
Number of employees participating:	735

Our Board

1. Justine Smyth

Chair

Justine joined the Board of Spark New Zealand in December 2011 and became Chair in 2017. She has extensive experience in governance, mergers and acquisitions, taxation and financial performance of large corporate enterprises, as well as actively investing in small and medium enterprises (SMEs), underpins her contribution as a director. Her background is in finance and business management, having been a Partner with Deloitte and Group Finance Director at Lion Nathan. She is currently a director of Auckland International Airport Limited and Chair of The Breast Cancer Foundation New Zealand. Former governance roles include being a Board member of the Financial Markets Authority and Deputy Chair of New Zealand Post Limited. Justine has a Bachelor of Commerce from the University of Auckland and is a Fellow of the New Zealand Institute of Chartered Accountants and a Chartered Fellow of the Institute of Directors.



2. Alison Barrass

Non-executive Director

Alison joined the Board in September 2016. She brings a broad range of skills, including knowledge and expertise in the fast-moving consumer goods (FMCG) sector and in governance, leadership and marketing-led innovation. Her background includes 30 years' experience at major international FMCG companies, including PepsiCo, Kimberley-Clark, Goodman Fielder and Griffins Foods. She is currently a director with GWA Group, Heilala Vanilla, Lewis Road Creamery, Rockit Global and is Chair of Tom & Luke Holdings Limited. Alison was previously Chair of Methven Limited, Chair of the Breast Cancer Research Trust and a director of The Parenting Place. Alison has a Bachelor of Science from the University of Southampton and a Business Diploma in Marketing from the University of Auckland.



3. Paul Berriman

Non-executive Director

Paul joined the Board in December 2011, bringing over 35 years of international experience in telecommunications, media and convergence. Since 2002 he has been Group Chief Technology Officer of the HKT Trust, where he's responsible for leading the group's product and technology roadmap and strategic development. Prior to this he was Managing Director of management consultancy Arthur D. Little in Hong Kong and he has held roles in Reuters and several major Hong Kong service providers. In 2009 Paul was recognised by the IPTV World Forum with its Special Merit Award for Outstanding Industry Contribution and in 2008 he was listed as one of the Global Telecoms Business Magazine's top 100 "most influential persons in telecoms". He is a Chartered Engineer who holds a Bachelor of Science in electro-acoustics from the University of Salford (United Kingdom) and a Masters in Business Administration from the University of Hong Kong. Paul is a Director of Rain Networks in South Africa, Lynx Analytics in Singapore and the global Next Generation Mobile Networks Alliance of mobile network operators.

4. Pip Greenwood

Non-executive Director

Pip joined the Spark Board in April 2018 bringing significant experience in capital markets, mergers and acquisitions, telecommunications and governance. She was formerly interim CEO of Russell McVeagh and a senior partner at the firm, with over ten years' experience on the firm's Board, including time as its Chair. Over the years Pip has advised on many high-profile New Zealand corporate transactions that have changed the face of industries. She was a member of the New Zealand Takeovers Panel from 2007 to 2011 and is a current director of Fisher & Paykel Healthcare, Westpac New Zealand, The a2 Milk Company and a trustee of the Auckland Writers Festival. Pip has a Bachelor of Laws from the University of Canterbury.

5. Ido Leffler

Non-executive Director

Ido joined the Board in June 2014. He brings experience in developing digital brands and extensive networks in the start-up communities of Silicon Valley and Australasia. Ido is the co-founder and Chief Executive Officer at Yoobi, a United States based school supplies company that engages kids through bright colours, cool designs and, most importantly, cause. He is also Co-founder of Yes To Inc - a leading global natural beauty brand; Co-founder and Co-Chair of Brandless - a disruptive consumer packaged goods company; and the Co-Founder of Beach House Group - a global consumer products solutions house. He has a Bachelor of Business from the University of Technology in Sydney.

6. Charles Sitch

Non-executive Director

Charles joined the Board in December 2011. He has more than 20 years' experience in driving business strategy, having worked for McKinsey & Company from 1987, where he became senior director in 2010, primarily working with CEOs and Boards on strategy and operations turnarounds, before retiring in 2010. Since 2006 he has been involved in various new business ventures. Charles is Chairman of the Board of Trinity College at the University of Melbourne. He holds a Masters in Business Administration from Columbia Business School and a Bachelor of Laws and a Bachelor of Commerce from Melbourne University. He is also a Graduate of the Australian Institute of Company Directors.

Our Board

Strategic role of the Board

Spark's Board plays a critical role in helping to guide and test company strategy by engaging in an ongoing conversation with the Leadership Squad around key strategic decisions. These decisions are in relation to the long-term strategic planning and direction of the business, for example, Spark's plans for, and approach to 5G. There may be more specific initiatives that require reference to the Board - for example, the decision to move into the sports streaming market or endorsing the proposal to transition to Agile ways of working.

As the body elected by shareholders to protect and enhance the value of Spark's assets, the Board also has oversight of Spark's financials and the annual and three-year planning processes. Board members engage in robust discussions with management around the strategic direction of the business to test and ensure investment is going towards the things that will deliver the best outcomes for the Company and shareholders. This flows through to Spark's remuneration policies where there is Board involvement in setting targets and hurdles for short-term and long-term incentives.

The Board also has oversight of Spark's non-financial performance - looking at customer experience, environmental, social and governance measures. In FY19 the Board endorsed Spark's new and refreshed Sustainability Strategy.

Part of the Board's non-financial performance oversight has involved a strong focus on improving diversity and inclusion across Spark - and in particular improving a balanced gender representation at senior levels. This has been led by Justine Smyth in her previous role as Chair of the Human Resources and Compensation Committee (HRCC) and more recently in her current role as Board Chair. Ms Smyth and her fellow Board members have ensured diversity and gender equality are true priorities at Spark, have challenged the business to set stretch targets in this regard and have helped lay the foundations for the culture of diversity and inclusion that is now flourishing across the business.

Board changes

During the year we had two changes in the Spark Board.

In May 2019 Alison Gerry resigned as a director and stepped down from the Spark Board with immediate effect. Charles Sitch, who has been a director on the Spark Board since 2011, was announced as the Chair of the Audit and Risk Management Committee (ARMC) following Ms Gerry's departure.

When Simon Moutter resigned as Spark's Managing Director effective from 30 June 2019, he also stepped down from the Spark Board.

Board succession

Spark's Board has an appropriate mix of tenure, skills, diversity and experience. This allows the Board to be ambitious, deliver on those ambitions and enable Spark to tackle the challenges and opportunities of the digital era.

The Board skills matrix on the following page outlines the qualifications, capabilities, geographical location, tenure and gender of each member of the Board.

There is an ongoing Board succession programme, which is focused on finding new directors with relevant skills and experience that complement the diverse perspectives already represented around the table.

Future Director

Spark also supports the Future Directors programme and its first Future Director of 18-months, Nagaja Sanatkumar, was appointed to the Board of NZ Post in March this year. The Spark Board supports the Future Director programme and will consider a further appointment.

Board skills matrix

		Justine Smyth	Alison Barrass	Paul Berriman	Ido Leffler	Charles Sitoh	Pip Greenwood
Qualifications		BCOM, FCA, CFINSD	BSC, DIP BUS, MARKETING	MBA, BSC, CENG	BBS	MBA, LLB, BCOM	LLB
Capability	Definitions of categories of capability						
Strategic knowledge for scale telco/ technology businesses	Experience as a senior executive in, or as a strategy professional advisor to, large telco/ technology businesses.	○		●	○	●	
Financial/ commercial	A strong accounting and finance background, most likely being a chartered accountant, having held the position of CFO in a significant publicly listed company or leadership position in a professional services/advisory firm.	●	○			●	
Risk management /legal/regulatory	Experience in identifying and mitigating both financial and non-financial risks / extensive legal experience/experience with influencing public and regulatory policy decisions and outcomes.			●			●
Customer insight/ retail/brand	Experience as a senior executive responsible for driving customer experience, including by effectively using insights, optimising customer journeys and building brand experience for customers.		●	○	●		
People leadership and culture	Experience as a CEO of a significant publicly listed company or large private stand-alone company. Leadership skills, including the ability to set appropriate organisation culture.		○		●		○
Listed company governance	Listed company Board experience other than Spark, experience with sophisticated governance structures.	●	●			○	○
Capital markets/ capital structure	Strong knowledge of debt and equity capital markets, and experience with mergers and acquisitions/experience dealing with a range of funding sources and capital structuring models.	○					●
Digital/media/ new markets	Experience as a senior executive in, or as a professional advisor to, digital and/or media business or businesses in emerging new markets. Experience in the use of digital channels and the latest innovative and digital technologies.		○	○	○	○	
Geographical location		NZ	NZ	Hong Kong	Australia	Australia	NZ
Tenure (years)		7.7	2.9	7.7	5	7.7	1.3
Gender		F	F	M	M	M	F

KEY: ● HIGH CAPABILITY
○ MODERATE CAPABILITY

The Board has specifically limited High Capability and Moderate Capability to both having a maximum of two areas for each director, to identify the predominant skills of each director.

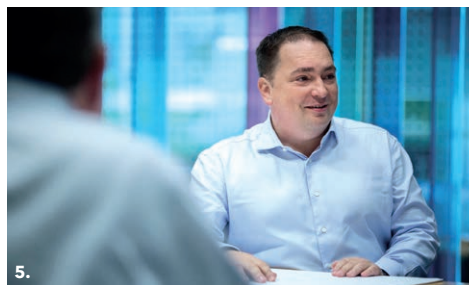
1. Jolie Hodson Chief Executive

As Chief Executive Jolie is responsible for ensuring the Company has a sound strategy and applies her leadership to delivering on that strategy, while building a leadership team around her and a business that is able to adapt to the fast-changing world of digital services. Jolie became CEO on 1 July 2019. Prior to that she was Spark's Customer Director. Jolie joined Spark in 2013 as CFO before becoming CEO Spark Digital in October 2016 - and in both roles played a pivotal part in transforming Spark from a legacy telco to a growing digital service company. Prior to this she worked for 20 years in a range of senior finance roles for the Lion Group and Deloitte. She has a Bachelor of Commerce from the University of Auckland.



2. Melissa Anastasiou General Counsel

Melissa was appointed to the Spark Leadership Squad on 1 July 2018. As General Counsel Melissa leads Spark's legal and compliance functions, providing Spark with strategic legal and commercial guidance, ensuring the business acts lawfully and with the utmost integrity. She has also played a pivotal role in leading out Spark's diversity and inclusion programme. Melissa joined Spark in 2009 and undertook a range of legal roles across the organisation before being appointed as Group General Counsel in 2012. Prior to joining Spark Melissa spent a number of years as a Senior Legal Counsel for UK mobile provider Telefonica O2. She also has extensive experience working for leading corporate law firms in Auckland and the UK. Melissa has a Bachelor of Laws from Victoria University of Wellington.



Our Leadership Squad

3. Matt Bain Marketing Director

Matt was appointed as Spark Marketing Director in November 2018, bringing his outstanding digital marketing and customer experience skills to place the customer right at the centre of Spark's thinking and actions. Matt was previously based in Amsterdam as European Managing Director for agency AKQA – one of the world's leading innovation and brand experience agencies, with responsibility for 500+ employees across five countries. Over an 18-year career Matt has built an impeccable international reputation with some of the world's greatest brands – Nike, Heineken, Mini, Rolls Royce, Siemens, EA Sports, Audi, Phillips, Tommy Hilfiger and KLM amongst others. He holds both a Bachelors and a Masters of Commerce from the University of Auckland.

4. Mark Beder Technology Director

As Technology Director Mark steers the big technology choices and deployments that positions Spark to offer customers New Zealand's best data connectivity experience. This means optimising the huge investments in data networks, mobile, and IT infrastructure to set Spark up for success and growth and enable New Zealand's digital future. Mark became COO in 2016 after joining the business in 2003. Since 2003 he has held several senior roles, including General Manager Value Management with responsibility for Group Procurement, IT and network investment, management of the Chorus relationship and mobile capacity. He has successfully driven major initiatives and innovation, including Spark's Mobile network evolution and the ongoing replacements of the PSTN with a new Converged Communications Network (CCN). Before joining Spark Mark worked as a Senior Manager for Ernst and Young Consulting in Auckland. He has a Bachelor of Commerce from the University of Auckland.

5. David Chalmers Finance Director

As Finance Director David draws on his extensive experience in finance, media and digital business to drive clear insights around what customers value, what makes the business more competitive and what delivers value for Spark in rapidly changing digital markets. His role includes

accountability for framing the key strategic choices for Spark. He joined the Spark Leadership Squad as CFO in October 2016. Prior to Spark David was CFO for Mediaworks, including a period of time as interim CEO. He has held a number of senior financial and general management roles with iSelect Limited, Dulux Group Limited and Macquarie Capital. David has an MBA from INSEAD Business School and a Bachelor of Commerce (Hons) from the University of Melbourne.

6. Grant McBeath Customer Director

As Customer Director Grant is focused on developing clear insight into what customers value. He joined the business in 2013 as General Manager of Sales for the Spark consumer and SMB business. He had a period of six months as acting CEO for Spark Home, Mobile and Business prior to becoming Channel Leader, Consumer and SMB when Spark transitioned to Agile ways of working. Prior to working for Spark Grant held a number of global executive roles at Nokia throughout Asia and other Global roles with Chevron Texaco, Coca-Cola and Cadbury in New Zealand. Grant completed a BCom at Auckland University, with double majors in Marketing and Finance, and also completed his MBA from the Helsinki School of Economics.

7. Joe McCollum Human Resources (HR) Director (until 31 August 2019)

As HR Director Joe understands the critical importance of an organisational culture of success and has been very involved in the cultural shift at Spark. He joined Spark in November 2012 bringing over 30 years' global experience in leading transformational HR initiatives at companies undergoing significant change and operating in rapidly changing markets. He has a diverse background that includes executive leadership positions in the hospitality, music, software and media industries in New Zealand, the UK and elsewhere. This includes as HR Director for Lion Nathan and senior roles at EMI and news media group DMGT, global chemical company ICI and global software provider Misys. Joe also worked in Saudi Arabia for five years in the 1970s as the HR Director for a 4,500-staff hospital company before joining Pepsi initially in Cyprus and then in

the headquarters in New York. He has an MSc in Business Studies from Columbia University.

8. Tessa Tierney Product Director

As Product Director Tessa is responsible for designing and delivering products and service experiences that customers value. She joined Spark in November 2015 and worked in marketing and sales leadership roles before joining the team responsible for successfully transitioning Spark into an Agile organisation in 2017. She is highly regarded as a leading Agile and product development practitioner. Tessa brings to the role more than 16 years of experience in information and communication technologies, having previously held a variety of roles at Vodafone New Zealand. She has a Diploma in Communications Studies from Manukau Institute of Technology.

Heather Polglase

HR Director (from 1 September 2019)

Heather joined Spark in 2013 and has over 20 years international experience as an HR professional, with a proven track record for business transformation, talent management, leadership development and succession planning across a range of industries including FMCG, retail, hospitality, technology and telecommunications. At Spark Heather has held various senior HR positions and delivered a number of critical initiatives, including being a key architect of Spark's Leadership and Development programme to build high performing teams and leaders. Most recently she has been the Lead HR Partner across the Customer and Marketing areas of Spark. Prior to joining Spark Heather was a senior HR leader for almost a decade within Progressive Enterprises then spent two years in Australia leading HR, Strategy & Change Management at Dan Murphy's. She has a Bachelor of Business Studies Degree (Hospitality Management) from Auckland University of Technology.

Our governance and risk management

To achieve Spark's purpose we must successfully execute our business strategy and plan, while maintaining high standards of operational performance and corporate governance.

Maintaining high standards of corporate governance

The Board regularly reviews and assesses Spark's governance structures and processes to ensure that they are consistent with international best practice, in both form and substance.

Spark has complied with the recommendations of the NZX Corporate Governance Code and substantially complied with the principles and recommendations of the ASX Corporate Governance Councils Principles and Recommendations (4th Edition) for the FY19 reporting period. You can read about how we have complied with these recommendations and principles in Spark's Annual Corporate Governance Statement 2019 at <https://www.sparknz.co.nz/about/governance>.

Copies of, and details about, Spark's corporate governance policies, practices and processes can be found on our website at: <https://www.sparknz.co.nz/about/governance>.

Non-financial performance and reporting

In addition to our focus on strong corporate governance Spark seeks to present a clear and transparent assessment of our environmental and social performance over the year. In FY19 we strengthened this by reporting in accordance with GRI standards for the first time. As in previous years we have included a clear description of strategic and operational objectives, and our progress in achieving these objectives, in the front half of this report.

Managing risk

The Managing Risk Policy balances the pursuit of value creating opportunities, with awareness of the challenges to achieving these. It comprises an integrated set of functions and responsibilities spanning the organisation and it leverages other governance elements, such as the empowerment and performance management frameworks.

Spark's Managing Risk Framework (MRF) is benchmarked to COSO ERM 2017, a leading practice external standard for risk management. COSO's ERM framework is structured into five risk management process domains. Each one is supported by explanatory principles. Each domain plays an important role in the management of Spark's business risks. The MRF is assessed each year as part of year-end procedures (typically July) and externally every three years to ensure it is consistent with leading practice. The results and improvement actions from these reviews are agreed with the Audit and Risk Management Committee of the Board.

- **Governance and Culture** - reinforcing the importance of risk management and influencing how people apply the MRF;
- **Strategy and Objective Setting** - integrating risk management into strategy setting and business planning and review;
- **Performance** - maintaining a portfolio view of risks under active management during the pursuit of business objectives;
- **Review and Revision** - identifying and implementing opportunities to continuously improve ERM's capability to improve business performance; and
- **Information, Reporting and Communication** - obtaining and sharing the necessary internal and external information across Spark.

Advancements achieved in FY19

During FY19 we have focused on strategy and objective setting and performance. Achievements include integrating our principal risk process, which captures and analyses Spark's business risks, with the Quarterly Business Review (QBR) process. We reworked our process so the principal risk profile is considered alongside other business performance information (e.g. actual results, forecasts) by the Leadership Squad when setting the objectives for the next business performance period (typically quarters). The principal risk process considers whether Spark has material exposure to environmental and social risks and how it intends to manage them. Spark's new objective of Lead on Sustainability communicates the key activities of Spark's newly launched Sustainability Strategy.

Focus areas for FY20

For FY20 we are going to continue focusing on the strategy and objective setting and performance domains. Planned initiatives include:

- Using risk appetite statements to improve guidance for decision-makers;
- Improving the layout of the principal risk profile so it is more visually appealing; and
- Improving the consistency of risk management practices in the quarterly business review process.

Business continuity and crisis management

The Business Continuity and Crisis Management Policy protects customers from the impact of disruptive events, ensures value-generating activities are resilient and complies with relevant external standards, for example, Civil Defence and 111 obligations.

Spark's framework is benchmarked to ISO 22301 and ISO 22313, which are acknowledged as leading practice standards for business continuity. The core elements of the framework are crisis management, incident and problem management, business continuity plans, network and technology disaster recovery plans, work area recovery sites and readiness and assurance activities.

Advancements of the framework in FY19

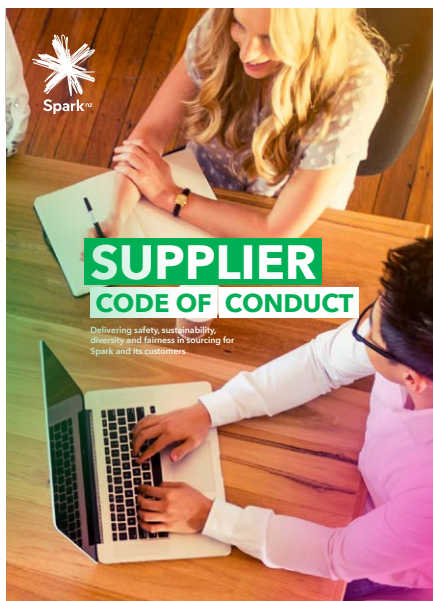
Notable achievements in FY19 include:

- Replacing the platform used for incident and problem management so that we have one system and process for managing customer and internal incidents. Previously there were several non-integrated systems that required manual transfer of information to operate; and
- Testing the Crisis Management Plan to ensure it works following the changes resulting from the Agile operating model. We did this by assembling the Level 1 Crisis Team and running a realistic scenario of events. Improvement feedback was captured by all participants and members of the Spark Board who attended as observers.

Focus areas for FY20

For FY20 we will enhance our crisis management plans to be better prepared for brand reputation damaging events and assuring the ongoing effectiveness of readiness activities. Examples include, improved communication procedures and testing to confirm we have appropriate recovery and business continuity plans for critical business systems and functions.

Our suppliers



We recognise that our suppliers play an important role in helping us deliver outstanding products and services to Spark customers.

We spend more than \$2 billion a year with more than 2,000 direct suppliers (a mixture of local and global businesses) to meet our customers' needs. Our supply chain is complex, as our direct suppliers often have suppliers of their own. We work hard to ensure integrity in our supply chain, using our Supplier Code of Conduct and regular business reviews with key suppliers.

We manage our relationships based on the strategic importance to Spark and our customers. This is split across two management frameworks - Strategic Partnership Management and Strategic Supplier Management. Our Strategic Partnership Management framework is how we partner with suppliers that directly impact our customers. The primary goal is to maintain, grow and seek out partnerships that enable beneficial growth in new and existing markets and provide value-added services to customers. Our Strategic Supplier Management framework allows us to focus on key relationships by building and maintaining world-class services, with cost leadership and resilience as a significant focus.

Spark's Supplier Code of Conduct About the Code

We are committed to sourcing our products and services from suppliers that provide safe working conditions, treat workers with respect and dignity and conduct business ethically and in an environmentally and socially responsible manner. Our Supplier Code of Conduct sets out the minimum standards we expect from all of our suppliers across labour and human rights, health and safety, environmental sustainability and ethical business practices, see <https://www.sparknz.co.nz/suppliers>.

The Code was implemented in FY18, and our initial focus was on aligning our internal procurement practices and developing a comprehensive system to ensure our suppliers understood the purpose and outcomes of having a Code and were adhering to it and a follow-up actions for non-conformities.

Embedding the Code in FY19

In FY19 we have focused on developing and embedding this system, by taking the following actions:

- We worked with our top 100 suppliers by contract value to ensure they are signed up to the Code or they can demonstrate they have and are adhering to an existing Supplier Code that is equivalent to our Code;
- Using the Code as a basis we carried out four comprehensive audits of large, offshore-based suppliers. These were selected from high-risk locations, according to FTSE4Good criteria. Our audits looked in detail at the application of policies and controls and included one physical site inspection;
- We ensured all our significant new suppliers signed up to the Code as part of their onboarding process. In the past financial year, the only suppliers who did not sign up to the code were those for whom it would not be practical because of the nature of the contract - for example if the business is subscribing to a piece of software for a short period of time, and there is no request for proposal (RFP) process involved in selecting it; and

- Where suppliers were unable to meet the requirements of the Code we implemented our process of remediation plans and timeframes. Our suppliers take the Code seriously and we have regular conversations with them about it as part of our business performance reviews. To date this process has worked effectively and there have been no serious breaches identified during FY19.

Further developing procurement practices

In FY20 we will continue to require that all new suppliers sign up to our Code, and we will carry out at least four 'deep dive' audits, including site visits where appropriate.

We are also going beyond the Supplier Code of Conduct to incorporate environmental, social and ethical considerations into our supplier selection processes. This involves including a scored section in our RFP process where we seek information from suppliers on their non-financial performance and credentials. We expect to have these criteria finalised and incorporated into our standard RFP process during FY20.

Leadership and Board remuneration

Spark seeks to remunerate its leaders with competitive salaries, paying in line with the market so we can recruit and retain the best talent. In keeping with our focus on customer experience we incorporate customer satisfaction measures into our performance incentives.

Leadership Squad remuneration

Remuneration mix

The table below shows the FY19 remuneration mix for the Leadership Squad expressed as a percentage of Fixed Remuneration. The Short-Term Incentive (STI) scheme and Managing Director's Performance Equity Incentive (PES), a deferred STI, are expressed at target, which is 50% of the maximum opportunity, and the Long-Term Incentive scheme (LTI) values represent the maximum LTI cash bonus.

Leadership Squad remuneration

Long-Term Incentive	40% of base
Short-Term Incentive	50% of base
Salary	Base

Managing Director remuneration

Long-Term Incentive	71% of base
Performance Equity Incentive	44% of base
Short-Term Incentive	56% of base
Salary	Base

Fixed remuneration

All Spark employee packages - including the Leadership Squad - include a fixed remuneration component that is set based on contribution, experience and market relativities. Fixed remuneration supports the attraction, motivation and retention of highly skilled executives.

Fixed remuneration generally consists of base salary. KiwiSaver generally sits outside of fixed remuneration and as such, KiwiSavers receive employer contributions on top of base salary and cash incentives. A number of Spark-funded benefits - including medical and life insurances - are

also available to eligible employees on top of fixed remuneration.

Short-term incentive schemes

Spark operates a small number of short-term incentive schemes, from monthly and quarterly commission and sales incentive plans, to annual cash-based short-term incentives. Employees in specific sales positions may have a component of their remuneration subject to individual or divisional sales performance targets, such that their total remuneration potential is directly linked to the acquisition and retention of profitable business for Spark.

For senior leaders, including the Leadership Squad, a component of their remuneration package is at risk in the form of an annual cash-based short-term incentive. Spark's STI scheme rewards senior leaders for the achievement of annual performance objectives, with payments awarded from a fixed cash pool that is set based on overall Spark performance against financial and/or non-financial annual performance objectives. Eligibility to participate in the STI scheme is at the discretion of the Company and is targeted at individuals in senior roles who play a significant role in driving the overall performance of Spark.

The STI scheme rules contain a provision that allows Spark to clawback any payments made under the STI scheme, for a period of 12 months following the payment, in the event of a material financial misstatement or should it be found that the participant committed an act of fraud that affected the eligibility to, and amount of, the payment.

FY19 SHORT-TERM INCENTIVE SCHEME OUTCOMES

For FY19 substantively all STI participants shared the same Spark Group targets comprising EBITDAI, Group Gross Labour Cost and Customer Experience measures.

The FY19 Group performance outcome, as approved by the Board, is summarised as follows:

Performance metric	Weighting %	Result
Group EBITDAI	40%	35%
Group Gross Labour Cost	25%	61%
Customer Experience	35%	35%
Total	100%	131%

Based on the above result the total available funding pool for all eligible STI participants across Spark for FY19 was \$7.4 million. Total payments cannot exceed \$7.4 million.

FY20 SHORT-TERM INCENTIVE SCHEME TARGET

The mechanics of the FY20 STI will be similar to FY19. Group results will be the main determinate of the STI pool, with substantially all participants sharing the same Group targets. The FY20 Group targets will be a combination of EBITDAI and Customer Experience as in FY19 and an additional measure based on Spark Sport performance.

Long-term incentive schemes

Spark believes that senior leaders should have part of their remuneration linked to the long-term performance of the Company, so for the Leadership Squad and a select group of senior leaders, a long-term incentive forms part of their remuneration package. In FY19 the Company operated one main scheme - the Spark New Zealand Long Term Incentive Scheme.

FY19 LONG-TERM INCENTIVES

In September 2018 members of the Leadership Squad and selected senior leaders acquired shares under the Spark New Zealand Long Term Incentive Scheme - introduced in FY16. Under the scheme an interest-free employee share loan is provided by the Company for the sole purpose of enabling the employee to acquire restricted shares in Spark - these shares being held in trust for a period of

three years, after which, if the employee remains employed by Spark New Zealand Trading Limited, the company makes payment of a cash bonus to the employee that is used to pay off the remaining loan balance. The shares are unrestricted. Unvested shares are purchased from the employee and the proceeds are used to repay the employee share loan. A performance hurdle applies to all issues of restricted shares under the scheme, creating stronger shareholder alignment for all participants and requiring a minimum level of performance for any value to be delivered to employees. Restricted shares carry full dividend entitlements but dividends are applied to repay the interest-free loan during the restrictive period. Participants are able to exercise any voting rights attached to the shares.

FY19 LONG-TERM INCENTIVE PERFORMANCE MEASURE

Vesting of the FY19 LTI grant (September 2018 grant) is contingent on participants' continued employment with Spark through to September 2021 and the Company achieving a Total Shareholder Return (TSR) performance hurdle. TSR is a measure of share price appreciation and dividends paid over the three-year period of the grant. The target for this hurdle is Spark's cost of equity plus 1% compounding annually.

FY20 LONG-TERM INCENTIVE SCHEME

For FY20 members of the Leadership Squad (including the CEO) and selected senior leaders will be granted options under the new Spark Long Term Incentive Scheme. Under the scheme participants are granted options at the start of the three year vesting period. The number of options granted equals the gross LTI value divided by the volume weighted average price of Spark New Zealand shares for the 20 days prior to the grant date. Subject to satisfaction of the performance hurdle and continued employment, at vesting each option converts to a Spark share based on a zero-exercise price. If the target is not met (or the participant leaves) then the options simply lapse.

FY20 LONG-TERM INCENTIVE PERFORMANCE MEASURE

The performance hurdle for the FY20 LTI grant (September 2019 grant) remains the same as FY19: participants' continued employment with Spark through to September 2022; and the Company achieving a Total Shareholder Return (TSR) performance hurdle. TSR is a measure of share price appreciation and dividends paid over the three-year period of the grant. The target for this hurdle is Spark's cost of equity plus 1% compounding annually.

PERFORMANCE EVALUATION

The CEO will annually review the performance of her direct reports. The evaluation is undertaken using criteria set by the CEO, including the performance of the business, the accomplishment of strategic and operational objectives and other non-quantitative objectives agreed with the HRCC at the beginning of each financial year. The last Leadership Squad evaluations were undertaken during June 2019, with any changes to remuneration being effective 1 July 2019.

Managing Director FY19 remuneration

Page 96 of this report details the actual remuneration paid to the Managing Director, Mr Simon Moutter, for FY19, including short and long-term incentive outcomes.

Managing Director's FY19 remuneration structure

The table below shows the FY19 remuneration mix for the Managing Director expressed as a percentage of base salary. The STI scheme and Performance Equity Incentive (PES), a deferred STI, are expressed at target, which is 50% of the maximum opportunity and the LTI values represent the maximum LTI cash bonus.

Long-Term Incentive	71% of base
Performance Equity Scheme	44% of base
Short-Term Incentive	56% of base
Salary	Base

Managing Director short-term incentive scheme

The Managing Director was eligible for an annual cash-based short-term incentive, subject to the achievement of specific performance objectives set by the Board based on Spark's strategy and business plan for the financial year. The objectives related to EBITDAI, Group Gross Labour Cost and Customer Experience.

Managing Director performance equity scheme

In addition to the cash-based short-term incentive scheme the Managing Director was also eligible for an award of redeemable shares under the Managing Director PES. This scheme essentially acted as a deferred incentive scheme - the value of the award being linked to the same performance objectives that applied to the Managing Director's annual cash-based STI scheme, with the award deferred for a two year period. At the Board's determination, based on the Managing Director's performance against the performance objectives described above (that applied to the Managing Director STI scheme), the value of the award was 123.8% of the Managing Director's target equity incentive value under the PES. This value is used to determine the number of redeemable ordinary shares granted to the Managing Director. The Managing Director is prohibited from disposing of these redeemable ordinary shares for two years - at the end of which the shares will reclassify into ordinary shares.

Managing Director's long-term incentive scheme

For FY19 the Managing Director's annual long-term incentive was granted as restricted shares under the Managing Director's Long-Term Incentive Scheme - the scheme established and first granted in FY16.

The long-term incentive component of the Managing Director's remuneration package is designed to link part of his remuneration

to the long-term performance of Spark and align his interests with those of shareholders, through the grant of restricted shares with a post-allocation performance hurdle.

Performance hurdle

A performance hurdle applies to all long-term incentives made to the Managing Director, including the existing 'in-flight' restricted shares.

This hurdle is agreed by the Board and sets a minimum level of performance that is required to be achieved over the period of each grant, for the long-term incentive to be eligible to vest. For the restricted shares granted in FY17, FY18 and FY19, a performance hurdle of Spark's TSR applies. The target for this hurdle is Spark's cost of equity plus 1% compounding annually.

Spark's TSR must meet or exceed this target over the period of the grant (from the date the restricted shares were granted each year to the date three years after that date) for the restricted shares to vest. If Spark's TSR does not meet this target all of the restricted shares will lapse. Testing to determine whether the TSR performance hurdle has been met will occur at the end of the vesting period of the grant. The Board will receive independent advice to the effect that the performance hurdle has been met, or not met, in determining whether the restricted shares will vest or if the restricted shares will lapse.

Leadership certainty - good leaver provisions

Spark put in place certain 'good leaver provisions' for the Managing Director's PES and LTI Scheme to extend past FY19 on the following terms.

If either the Managing Director or Spark decided that employment was to end on or after 30 June 2019 (and provided the Managing Director did not leave to join a competitor), the PES and LTI Scheme grants would be treated under 'good leaver' circumstances and would remain until the original vesting dates as set out in the original PES and LTI scheme offer letters.

The Board also committed to awarding the Managing Director the PES award that he earned in FY19. This PES award will be granted to the Managing Director in September 2019 in the form of redeemable ordinary shares and will have a two-year vesting period in line with previous grants under this scheme. No other PES or LTI awards will be granted to the Managing Director.

These provisions were to incentivise the Managing Director to remain in the role until at least the conclusion of FY19. The Managing Director ceased employment (via resignation) at the conclusion of FY19, therefore the above 'good leaver provisions' apply.

CEO remuneration Remuneration policy, strategy and governance

CEO Jolie Hodson's remuneration package reflects the scope and complexity of her role and is set by the Board with reference to the remuneration of CEOs of similarly sized organisations.

CEO Remuneration FY20

For FY20 the CEO's remuneration package comprises a fixed cash component, an at-risk short-term incentive and an at-risk long-term incentive (to be awarded under the Spark New Zealand Long Term Incentive Scheme). The construct of the CEO's remuneration package is such that 60% of her remuneration package is at risk. The table below shows the at-target remuneration mix:

Long-term Incentive	75% of base
Short-term Incentive	75% of base
Salary	Base

The CEO is also expected to maintain a holding of Spark shares as set out on page 97 of this report.

Remuneration components

SHORT-TERM INCENTIVE SCHEME

The CEO is eligible for an annual cash-based short-term incentive, subject to the achievement of specific performance objectives set by the Board based on Spark's strategy and business plan for the respective financial year. These objectives will be a combination of financial and non-financial measures. The Board will assess the CEO's performance at the end of the financial year to determine the actual payment value of her short-term incentive, which will be in the range of 0% to 200% of her target value.

LONG-TERM INCENTIVE SCHEME

For FY20 the CEO's annual LTI will be granted as share options under the Spark Long Term Incentive Scheme. Under the scheme the CEO is granted options at the start of the three-year vesting period. The number of options granted equals the gross LTI value divided by the volume weighted average price of Spark shares for the 20 days prior to the grant date. Subject to satisfaction of the performance hurdle and continued employment, at vesting each option converts to a Spark share based on a zero exercise price. If the target is not met (or the participant leaves) then the options simply lapse.

The LTI component of the CEO's remuneration package is designed to link part of her remuneration to the long-term performance of Spark, and align her interests with those of shareholders, through the grant of options with a post-allocation performance hurdle.

Performance hurdle

A performance hurdle applies to LTI made to the CEO. This hurdle is agreed by the Board and sets a minimum level of performance that is required to be achieved over the period of each grant, for the long-term incentive to be eligible to vest. For FY20 a performance hurdle of Spark's TSR applies. The target for this hurdle is Spark's cost of equity plus 1% compounding annually.

Spark's TSR must meet or exceed this target over the period of the grant (from the date the options are granted to the date three years after that date) for the options to vest. If Spark's TSR does not meet this target all of the options will lapse. Testing to determine whether the TSR performance hurdle has been met will occur at the end of the vesting period of the grant. The Board will receive independent advice to the effect that the performance hurdle has been met, or not met, in determining whether the CEO can exercise the options or whether the options will lapse.

CEO termination

Spark may terminate the CEO's employment with three months notice. A payment of nine months base remuneration will be made, plus entitlements for annual performance incentives and long-term incentives subject to the rules relating to these incentives, in the case of termination by Spark, other than for termination for cause.

If there is a change of control that results in the CEO no longer being the CEO of a publicly listed company, then she will be able to terminate her employment with three months' notice and receive payment as if Spark had terminated her employment.

Spark may also terminate the CEO's employment without notice for defined causes, in which case she will receive no further entitlement to any remuneration.

Board remuneration

Remuneration and strategy

The remuneration of directors is reviewed annually by the HRCC - taking account of the Company's size and complexity and the responsibilities, skills, performance and experience of the directors - with recommendations made to the Board for approval. Specialist independent consultants may be engaged from time to time to provide advice and ensure that the remuneration of Spark's directors is appropriate and comparable to that of similar companies in New Zealand and, as relevant, Australia.

Apart from the Managing Director, no director of Spark received compensation in the form of share options or restricted shares, nor did they participate in any bonus or profit-sharing plan. That said, non-executive directors are expected to maintain a holding of Spark shares as set out on page 103 of this report. As is the case for employees directors are required to comply with the Insider Trading Policy when buying or selling Spark shares and any such transactions are disclosed to the market.

Remuneration components

Excluding the former Managing Director (Simon Moutter) no superannuation or retirement allowance was paid to any Spark director during FY19. Spark does not have service contracts with any director (apart from the Managing Director) that provide for any benefits or remuneration in the event that a director's service with Spark is terminated. From FY18 New Zealand-based non-executive directors were eligible for Spark-funded medical insurance. From FY19 non-executive directors were also eligible for Spark-funded life insurance.

Financial statements.

These financial statements were authorised for issue on 21 August 2019 on behalf of the Board by:



Justine Smyth
Chair



Charles Sitch
Chair, Audit and Risk
Management Committee

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Statement of profit or loss and other comprehensive income

YEAR ENDED 30 JUNE

	NOTES	2019 \$M	RESTATED ¹ 2018 \$M
Operating revenues and other gains	2.2	3,533	3,533
Operating expenses	2.3	(2,443)	(2,552)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)		1,090	981
Finance income	2.4	37	35
Finance expense	2.4	(85)	(77)
Depreciation and amortisation	2.4	(477)	(481)
Net investment income	2.4	14	47
Net earnings before income tax		579	505
Income tax expense	6.1	(170)	(140)
Net earnings		409	365
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	3.3	87	(22)
<i>Items that may be reclassified to profit or loss:</i>			
Cash flow hedges net of tax	5.1	(59)	(6)
Other comprehensive income/(loss)		28	(28)
Total comprehensive income		437	337
Earnings per share			
Basic and diluted earnings per share (cents)		22.3	19.9
Weighted average ordinary shares and options (millions)		1,836	1,834

See accompanying notes to the financial statements.

1 Restated for the impact of adoption of NZ IFRS 15 and NZ IFRS 16, see note 1.4.

Statement of financial position

	NOTES	AS AT 30 JUNE 2019 \$M	RESTATED ¹ AS AT 30 JUNE 2018 \$M	RESTATED ¹ AS AT 1 JULY 2017 \$M
Current assets				
Cash		54	55	52
Short-term receivables and prepayments	3.1	755	648	606
Short-term derivative assets	5.1	2	6	-
Inventories	3.2	100	79	94
Taxation recoverable		-	19	-
Total current assets		911	807	752
Non-current assets				
Long-term receivables and prepayments	3.1	291	276	257
Long-term derivative assets	5.1	32	10	7
Long-term investments	3.3	182	98	108
Right-of-use assets	3.4	625	627	603
Leased customer equipment assets	3.5	55	31	29
Property, plant and equipment	3.6	1,012	1,039	1,070
Intangible assets	3.7	987	956	898
Total non-current assets		3,184	3,037	2,972
Total assets		4,095	3,844	3,724
Current liabilities				
Short-term payables, accruals and provisions	4.1	447	481	466
Taxation payable		19	3	2
Short-term derivative liabilities	5.1	14	-	30
Short-term lease liabilities	4.2	31	26	24
Debt due within one year	4.3	433	249	295
Total current liabilities		944	759	817
Non-current liabilities				
Long-term payables, accruals and provisions	4.1	68	34	32
Long-term derivative liabilities	5.1	111	63	45
Long-term lease liabilities	4.2	459	448	423
Long-term debt	4.3	962	948	692
Deferred tax liabilities	6.1	86	109	114
Total non-current liabilities		1,686	1,602	1,306
Total liabilities		2,630	2,361	2,123
Equity				
Share capital		945	941	935
Reserves		(409)	(437)	(406)
Retained earnings		929	979	1,072
Total equity		1,465	1,483	1,601
Total liabilities and equity		4,095	3,844	3,724

See accompanying notes to the financial statements.

1 Restated for the impact of adoption of NZ IFRS 15 and NZ IFRS 16, see note 1.4.

Statement of changes in equity

YEAR ENDED 30 JUNE 2019	NOTE	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVE \$M	SHARE-BASED COMPEN- SATION RESERVE \$M	REVALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
Balance at 1 July 2018		941	979	(26)	2	(390)	(23)	1,483
Net earnings		-	409	-	-	-	-	409
Other comprehensive income/(loss)		-	-	(59)	-	87	-	28
Total comprehensive income/(loss)		-	409	(59)	-	87	-	437
Contributions by, and distributions to, owners:								
Dividends	4.5	-	(459)	-	-	-	-	(459)
Supplementary dividends		-	(42)	-	-	-	-	(42)
Tax credit on supplementary dividends		-	42	-	-	-	-	42
Issuance of shares under share schemes		4	-	-	-	-	-	4
Total transactions with owners		4	(459)	-	-	-	-	(455)
Balance at 30 June 2019		945	929	(85)	2	(303)	(23)	1,465

RESTATE	YEAR ENDED 30 JUNE 2018	NOTES	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVE \$M	SHARE-BASED COMPEN- SATION RESERVE \$M	REVALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
Balance at 30 June 2017			935	1,122	(20)	5	(368)	(23)	1,651
Adjustment on adoption of NZ IFRS 9 (net of tax)	1.4		-	(12)	-	-	-	-	(12)
Adjustment on adoption of NZ IFRS 15 (net of tax)	1.4		-	18	-	-	-	-	18
Adjustment on adoption of NZ IFRS 16 (net of tax)	1.4		-	(56)	-	-	-	-	(56)
Restated balance at 1 July 2017			935	1,072	(20)	5	(368)	(23)	1,601
Net earnings			-	365	-	-	-	-	365
Other comprehensive income/(loss)			-	-	(6)	-	(22)	-	(28)
Total comprehensive income/(loss)			-	365	(6)	-	(22)	-	337
Contributions by, and distributions to, owners:									
Dividends	4.5		-	(458)	-	-	-	-	(458)
Supplementary dividends			-	(50)	-	-	-	-	(50)
Tax credit on supplementary dividends			-	50	-	-	-	-	50
Issuance of shares under share schemes			6	-	-	(3)	-	-	3
Total transactions with owners			6	(458)	-	(3)	-	-	(455)
Balance at 30 June 2018			941	979	(26)	2	(390)	(23)	1,483

See accompanying notes to the financial statements.

Statement of cash flows

YEAR ENDED 30 JUNE

	NOTES	2019 \$M	RESTATED ¹ 2018 \$M
Cash flows from operating activities			
Receipts from customers		3,424	3,489
Receipts from interest		35	34
Receipts from dividends		15	50
Payments to suppliers and employees		(2,483)	(2,518)
Payments for income tax		(135)	(167)
Payments for interest on debt		(45)	(37)
Payments for interest on leases		(30)	(28)
Payments for interest on leased customer equipment assets		(4)	(3)
Net cash flows from operating activities	6.5	777	820
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1	1
Proceeds from sale of business		-	8
Proceeds from long-term investments		2	-
Payments for purchase of business		-	(51)
Payments for, and advances to, long-term investments		(6)	(20)
Payments for purchase of property, plant and equipment, intangibles and capacity		(415)	(414)
Payments for capitalised interest		(8)	(8)
Net cash flows from investing activities		(426)	(484)
Cash flows from financing activities			
Net proceeds from debt	4.4	154	174
Receipts from finance leases		6	5
Payments for dividends		(459)	(458)
Payments for leases		(36)	(37)
Payments for leased customer equipment assets		(17)	(17)
Net cash flows from financing activities		(352)	(333)
Net cash flow		(1)	3
Opening cash position		55	52
Closing cash position		54	55

See accompanying notes to the financial statements.

1 Restated for the impact of adoption of NZ IFRS 15 and NZ IFRS 16, see note 1.4.

Notes to the financial statements: General information

Section 1 General information

1.1 About this report

Reporting entity

These financial statements are for Spark New Zealand Limited (the Company) and its subsidiaries (together 'Spark' or 'the Group').

Spark is a major supplier of telecommunications and digital services in New Zealand. Spark provides a full range of telecommunications, information technology, media and other digital products and services, including: mobile services; voice services; broadband services; internet TV; cloud, security and service management services; procurement and partner services and managed data and networks services.

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 (as an ASX Foreign Exempt Listing) and the address of its registered office is Spark City, 167 Victoria Street West, Auckland 1010, New Zealand.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain investments and financial instruments, as identified in the accompanying notes. These financial statements are expressed in New Zealand dollars, which is Spark's functional and presentation currency. All financial information has been rounded to the nearest million, unless otherwise stated.

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes where an accounting policy choice is provided by NZ IFRS. A policy is also included when it is new, has changed, is specific to Spark's operations, is significant or is material. Where NZ IFRS does not provide an accounting policy choice, Spark has applied the requirements of NZ IFRS but a detailed accounting policy is not included.

New standards adopted in the current year

Early adoption of *Definition of Material* (Amendments to NZ IAS 1 and NZ IAS 8)

Spark has early adopted amendments to NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the definition of 'material' in respect of information in the financial statements. The revised guidance notes that information is material if omitting, misstating or obscuring it could reasonably be

expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. Spark has used this amended definition in determining whether disclosures are material to the financial statements.

Adoption of NZ IFRS 15 *Revenue from contracts with customers* (NZ IFRS 15)

Spark has adopted NZ IFRS 15, which replaces NZ IAS 18 *Revenue* and related interpretations, in the current financial year. The standard requires revenue to be recognised in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

NZ IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfilment costs and revised guidance on determining whether an entity is acting as a principal or an agent.

Spark has elected to transition to NZ IFRS 15 using the full retrospective method, subject to the following practical expedients and exemptions:

1. In respect of completed contracts, Spark has not restated contracts that begin and end within the same annual reporting period or were completed contracts at the beginning of the earliest period presented;
2. In respect of completed contracts that have variable consideration, Spark used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods;
3. For contracts that were modified before the beginning of the earliest period presented, Spark has not retrospectively restated the contract for those modifications. Instead, Spark has reflected the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when: (i) identifying the satisfied and unsatisfied performance obligations; (ii) determining the transaction price; and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations; and
4. For all reporting periods presented before the date of initial application, Spark will not disclose the amount of the transaction price allocated to the remaining performance obligations or provide an explanation of when we expect to recognise that amount as revenue.

A summary of the impact of the new standard on Spark's financial statements is provided in note 1.4. A more detailed explanation of the impact on adoption for each of Spark's revenue categories is included in note 6.7.

1.1 About this report (continued)

Early adoption NZ IFRS 16 Leases (NZ IFRS 16)

Spark has early adopted NZ IFRS 16, which replaces NZ IAS 17 *Leases* and removes the distinction between operating and finance leases for lessees, in the current financial year. NZ IFRS 16 requires Spark to recognise most leases, where Spark is a lessee, on the statement of financial position, similar to the previous finance lease model. This has resulted in the recognition of 'right-of-use' assets and related lease liability balances. Rental payments for leases previously classified as operating leases – including corporate property, mobile cell site and motor vehicle leases – have moved from being included in operating expenses, to depreciation and finance expenses. The impact on net earnings before income tax of an individual lease over its term remains the same, however, the new standard results in a higher interest expense in the early years of a lease and lower in the later years, compared with the previous straight-line expense profile of an operating lease.

On adoption of NZ IFRS 16, Spark has assessed its subleases in relation to excess property to determine whether they are finance or operating leases. A number of these are now classified as finance subleases because they are for the whole remaining term of the head lease.

Spark has elected to transition to NZ IFRS 16 using the full retrospective method, subject to the following practical expedients and exemptions:

1. The recognition exemption for short-term leases (leases with a lease term of up to one year) and leases of low-value assets where appropriate; and
2. The practical expedient that states that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. This practical expedient is applied to all of Spark's contracts entered into before the date of initial application.

A summary of the impact of the new standard on Spark's financial statements is provided in note 1.4.

Retrospective application of NZ IFRS 15 and NZ IFRS 16

All comparative information in these financial statements has been prepared as if NZ IFRS 15 and NZ IFRS 16 had been in effect since 1 July 2017. The accounting policies set out in the notes have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in the financial statements for the year ended 30 June 2018 and for the opening statement of financial position as at 1 July 2017.

Additional information on the adoption of these standards, together with restated results for each half for the year ended 30 June 2018 and the estimated impact for the year ended 30 June 2017, was provided in a market release in December 2018 and is available at: investors.sparknz.co.nz/investor-centre.

1.2 Key estimates and assumptions

The preparation of these financial statements requires management to make estimates and assumptions. These affect the amounts of reported revenues and expenses and the measurement of assets and liabilities as at 30 June. Actual results could differ from these estimates.

The principal areas of judgement and estimation for Spark in preparing these financial statements are found in the following notes:

- Note 2.2 Operating revenues and other gains
- Note 3.1 Receivables and prepayments
- Note 3.4 Right-of-use assets
- Note 3.6 Property, plant and equipment
- Note 3.7 Intangible assets
- Note 4.2 Lease liabilities

The adoption of NZ IFRS 15 and NZ IFRS 16 has resulted in new key estimates and assumptions in relation to revenue from contracts with customers and leases. These are detailed in notes 2.2, 3.1, 3.4 and 4.2.

Notes to the financial statements: General information**1.3 Significant transactions and events in the financial year**

The following significant transactions and events affected the financial performance and financial position of Spark for the year ended 30 June 2019:

Debt programme (see note 4.3)

- On 7 September 2018 Spark issued \$125 million of unsecured, unsubordinated fixed rate bonds with a coupon rate of 3.37%, maturing on 7 March 2024.
- On 31 October 2018 Spark established a new \$100 million committed revolving facility with The Hongkong and Shanghai Banking Corporation Limited, to mature on 30 November 2021.
- On 19 March 2019 Spark issued Norwegian Krone (NOK) 1 billion of 10-year fixed rate notes under Spark's existing Australian debt issuance programme with a coupon rate of 3.07%.

Long-term investments (see note 3.3)

- Following the announcement in August 2017 of the intention for Vodafone Hutchison Australia Pty Limited and TPG Telecom Limited to merge, the quoted price of Spark's investment in Hutchison Telecommunications Australia Limited (a shareholder of Vodafone Hutchison Australia Pty Limited) increased materially. In May 2019 the Australian Competition and Consumer Commission announced it opposed the merger and court proceedings were subsequently lodged by Vodafone Hutchison Australia to challenge this decision. As at 30 June 2019, the fair value of Spark's investment was \$156 million and the increase of \$87 million during the year has been recognised within other comprehensive income.
- Spark's net earnings for the year includes \$1 million from our share of the net losses of associates and joint ventures.

Capital expenditure (see notes 3.4, 3.6 and 3.7)

- Spark's additions to property, plant and equipment, intangible assets and capacity right-of-use assets were \$417 million, details of which are provided in notes 3.4, 3.6 and 3.7 and on page 13 of this annual report.

Dividends (see note 4.5)

- Dividends paid during the year ended 30 June 2019 in relation to the H2 FY18 second-half dividend (ordinary dividend of 11 cents per share and special dividend of 1.5 cents per share) and H1 FY19 first-half dividend (ordinary dividend of 11 cents per share and special dividend of 1.5 cents per share) totalled \$459 million or 25.0 cents per share.

Changes in segments (see note 2.1)

- Spark's segments have changed following the change in organisational operating model in conjunction with the adoption of agile ways of working, which has eliminated the previous business unit structure. Spark's segment results are now measured based on product margin which includes product operating revenues and direct product costs.

1.4 Impact of adoption of NZ IFRS 15 and NZ IFRS 16

The impact of the adoption of NZ IFRS 15, NZ IFRS 16 and the change in disclosure of Spark's long-term investments on the statement of profit or loss for the comparative year ended 30 June 2018 is set out below:

Statement of profit or loss

YEAR ENDED 30 JUNE 2018	PREVIOUSLY REPORTED \$M	ADOPTION OF NZ IFRS 15 \$M	ADOPTION OF NZ IFRS 16 \$M	LONG-TERM INVESTMENTS \$M	RESTATED \$M
Operating revenues and other gains	3,649	(69)	3	(50)	3,533
Operating expenses	(2,657)	39	66	-	(2,552)
Share of associates' and joint ventures' net losses	(3)	-	-	3	-
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	989	(30)	69	(47)	981
Finance income	16	18	1	-	35
Finance expense	(46)	-	(31)	-	(77)
Depreciation and amortisation	(434)	-	(47)	-	(481)
Net investment income	-	-	-	47	47
Net earnings before income tax	525	(12)	(8)	-	505
Income tax expense	(140)	-	-	-	(140)
Net earnings for the year	385	(12)	(8)	-	365
Earnings per share					
Basic and diluted earnings per share (cents)	21.0	(0.7)	(0.4)	-	19.9

Notes to the financial statements: General information**1.4 Impact of adoption of NZ IFRS 15 and NZ IFRS 16 (continued)****Impact of adoption of NZ IFRS 15**

The impact of the adoption of NZ IFRS 15 on the statement of profit or loss primarily relates to:

- The impact of revised guidance in the new standard in relation to the existence of a significant financing component in a contract. The inherent financing component of Spark's interest-free device offers to customers was previously assessed using Spark's incremental borrowing rate, however, NZ IFRS 15 requires the use of an interest rate that would be used in a separate financing transaction between Spark and the customer that reflects their credit characteristics. The application of this rate to the sale of devices sold on repayment plans has resulted in a reduction in device revenue and an increase in interest income recognised over the repayment term.
- The impact of revised guidance in the new standard for determining whether an entity is a principal or agent when delivering goods or services to customers. Spark has assessed that we are an agent in relation to third-party services, such as Spotify and Netflix, and also certain cloud, security and service management contracts, which may incorporate services provided by third parties. This has resulted in a reduction in reported operating revenue and operating expenses but no impact on net earnings.

Impact of adoption of NZ IFRS 16

The adoption of NZ IFRS 16 has had a significant impact on the statement of profit or loss of Spark. The fully retrospective application of NZ IFRS 16 results in the combined depreciation and interest expense for any lease in the early years of its term being higher than the operating expense previously recognised. Spark's long-term corporate property leases (which account for a significant portion of the adjustments under NZ IFRS 16) are generally in the early years of their lease terms and both net earnings before tax and retained earnings therefore decrease following adoption of NZ IFRS 16. The difference over the lives of the leases will be nil and there is no impact on cash flows.

Long-term investments change in disclosure

Spark's long-term investments, as detailed in note 3.3, includes holdings in associate and joint venture companies which are equity accounted and other investments including shares in Hutchison which are measured at fair value through other comprehensive income. Net investment income from long-term investments comprises dividend income (primarily from Southern Cross) and Spark's share of associate and joint venture net profits or losses.

The disclosure of Spark's net investment income from long-term investments has changed from being reported within earnings before finance income and expense, income tax, depreciation and amortisation (EBITDA) to now being recognised in a new 'net investment income' category, reported outside of earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI). This is to better align Spark's disclosure of operating revenue with revenue from contracts with customers, as defined by NZ IFRS 15, and to apply more appropriate focus on the financial performance of the operational activities of the business.

1.4 Impact of adoption of NZ IFRS 15 and NZ IFRS 16 (continued)

The impact of the adoption of NZ IFRS 15 and NZ IFRS 16 on the statement of cash flows for the year ended 30 June 2018 is set out below:

Statement of cash flows

YEAR ENDED 30 JUNE 2018	PREVIOUSLY REPORTED \$M	ADOPTION OF NZ IFRS 15 \$M	ADOPTION OF NZ IFRS 16 \$M	RESTATED \$M
Cash flows from operating activities				
Receipts from customers	3,508	(19)	-	3,489
Receipts from interest	15	19	-	34
Receipts from dividends	50	-	-	50
Payments to suppliers and employees	(2,592)	-	74	(2,518)
Payments for income tax	(167)	-	-	(167)
Payments for interest on debt	(37)	-	-	(37)
Payments for interest on leases	-	-	(28)	(28)
Payments for interest on leased customer equipment assets	-	-	(3)	(3)
Net cash flows from operating activities	777	-	43	820
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1	-	-	1
Proceeds from sale of business	8	-	-	8
Payments for purchase of businesses	(51)	-	-	(51)
Payments for, and advances to, long-term investments	(20)	-	-	(20)
Payments for purchase of property, plant and equipment and intangibles	(414)	-	-	(414)
Payments for capitalised interest	(8)	-	-	(8)
Net cash flows from investing activities	(484)	-	-	(484)
Cash flows from financing activities				
Net proceeds from debt	174	-	-	174
Receipts from finance leases	2	-	3	5
Payments for dividends	(458)	-	-	(458)
Payments for leases	(8)	-	(29)	(37)
Payments for leased customer equipment assets	-	-	(17)	(17)
Net cash flows from financing activities	(290)	-	(43)	(333)
Net cash flow	3	-	-	3
Opening cash position	52	-	-	52
Closing cash position	55	-	-	55

Impact of adoption of NZ IFRS 15

The adoption of NZ IFRS 15 has no impact on Spark's net cash flows from operating, investing or financing activities or the overall net cash flows for the current or restated periods.

The application of an interest rate that would be used in a separate financing transaction between Spark and the customer that reflects their credit characteristics for our 'interest-free' device offer has resulted in a reclassification between cash received from customers and interest receipts.

Impact of adoption of NZ IFRS 16

The adoption of NZ IFRS 16 has had no net impact on Spark's statement of cash flows, however it has resulted in the reclassification of cash flows from lease arrangements. Payments for operating leases under NZ IAS 17 were included within 'payments to suppliers and employees' in operating cash flows. Payments for leases are now split between payments for interest, included in operating cash flows, and payments that reduce the principal balance of a lease liability, included in financing cash flows.

Notes to the financial statements: General information**1.4 Impact of adoption of NZ IFRS 15 and NZ IFRS 16 (continued)**

The impact of the adoption of NZ IFRS 15 and NZ IFRS 16 (and NZ IFRS 9 as adopted in the year ended 30 June 2018) on the opening statement of financial position as at 1 July 2017 is set out below:

Statement of financial position

	PREVIOUSLY REPORTED 30 JUNE 2017 \$M	ADOPTION OF NZ IFRS 9 \$M	ADOPTION OF NZ IFRS 15 \$M	ADOPTION OF NZ IFRS 16 \$M	RESTATED 1 JULY 2017 \$M
Current assets					
Cash	52	-	-	-	52
Short-term receivables and prepayments	610	(9)	14	(9)	606
Inventories	94	-	-	-	94
Total current assets	756	(9)	14	(9)	752
Non-current assets					
Long-term receivables and prepayments	237	(8)	12	16	257
Long-term derivative assets	7	-	-	-	7
Long-term investments	108	-	-	-	108
Right-of-use assets	-	-	-	603	603
Leased customer equipment assets	-	-	-	29	29
Property, plant and equipment	1,070	-	-	-	1,070
Intangible assets	1,153	-	-	(255)	898
Total non-current assets	2,575	(8)	12	393	2,972
Total assets	3,331	(17)	26	384	3,724
Current liabilities					
Short-term payables, accruals and provisions	464	-	1	1	466
Taxation payable	2	-	-	-	2
Short-term derivative liabilities	30	-	-	-	30
Short-term lease liabilities	-	-	-	24	24
Debt due within one year	295	-	-	-	295
Total current liabilities	791	-	1	25	817
Non-current liabilities					
Long-term payables, accruals and provisions	18	-	-	14	32
Long-term derivative liabilities	45	-	-	-	45
Long-term lease liabilities	-	-	-	423	423
Long-term debt	692	-	-	-	692
Deferred tax liabilities	134	(5)	7	(22)	114
Total non-current liabilities	889	(5)	7	415	1,306
Total liabilities	1,680	(5)	8	440	2,123
Equity					
Share capital	935	-	-	-	935
Reserves	(406)	-	-	-	(406)
Retained earnings	1,122	(12)	18	(56)	1,072
Total equity	1,651	(12)	18	(56)	1,601
Total liabilities and equity	3,331	(17)	26	384	3,724

1.4 Impact of adoption of NZ IFRS 15 and NZ IFRS 16 (continued)

Impact of adoption of NZ IFRS 15

The primary changes from adoption of NZ IFRS 15 to Spark's balance sheet are as a result of new guidance for the treatment of contract costs, including costs to obtain a contract and costs to fulfil a contract.

Prior to adoption of NZ IFRS 15, Spark deferred and recognised certain external commission costs over their contract term within operating expense. Such costs generally continue to meet the costs to obtain a contract criterion under NZ IFRS 15, however, we have identified further commission costs that are required to be deferred under the new standard.

Impact of adoption of NZ IFRS 16

The adoption of NZ IFRS 16 has had a significant impact on the statement of financial position of Spark. For the opening restated balance sheet as at 1 July 2017, this includes an increase in total assets by \$384 million and total liabilities by \$440 million, with a \$56 million reduction in retained earnings. The decrease in retained earnings is as a result of the acceleration of lease interest expense in the early years of leases.

There has also been a change in the treatment of equipment leases where Spark acts as the intermediate party (i.e. back-to-back leases) and which also includes an initial sale and leaseback transaction. In combination with new guidance provided by NZ IFRS 15, Spark has assessed that generally the initial sale of the equipment does not result in control being passed to the customer. As a result the equipment is not derecognised following the initial sale and remains as leased customer equipment assets on the statement of financial position. The leaseback is accounted as a financial liability in accordance with NZ IFRS 9 and the sub-lease as either an outwards operating lease or finance lease, depending on its terms.

On adoption of NZ IFRS 16, Spark has also reclassified assets associated with capacity arrangements that were previously recognised within intangible assets to right-of-use assets. For the opening balance sheet as at 1 July 2017, this resulted in a net book value reclassification of \$255 million. Capacity arrangements are generally in the form of an indefeasible right-of-use asset and meet the definition of a lease under NZ IFRS 16. Payments for such arrangements are usually made in whole up front and there is therefore generally no associated lease liability.

Notes to the financial statements: Financial performance information**Section 2 Financial performance information****2.1 Segment information**

The segment results disclosed are based on those reported to the Managing Director and are how Spark reviews its performance.

Spark's segments changed following the change in organisational operating model in conjunction with the adoption of agile ways of working, which eliminated the previous business unit structure. Spark's segment results are now 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 Spark Group level by the Managing Director.

Comparative segment results

Spark has restated the comparative segment results in line with the change in organisational operating model and the adoption of NZ IFRS 15 and NZ IFRS 16.

YEAR ENDED 30 JUNE	2019			2018 RESTATED		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
	\$M	\$M	\$M	\$M	\$M	\$M
Mobile	1,271	(496)	775	1,237	(505)	732
Voice	486	(176)	310	573	(204)	369
Broadband	685	(341)	344	665	(350)	315
Cloud, security and service management	400	(73)	327	370	(55)	315
Procurement and partners	365	(322)	43	357	(317)	40
Managed data and networks	197	(93)	104	207	(96)	111
Other	114	(63)	51	114	(65)	49
Segment result	3,518	(1,564)	1,954	3,523	(1,592)	1,931

Reconciliation from segment product margin to consolidated net earnings before income tax

YEAR ENDED 30 JUNE	2019	RESTATED
	\$M	2018 \$M
Segment product margin	1,954	1,931
Other gains	15	10
Labour	(475)	(513)
Other operating expenses	(404)	(447)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,090	981
Finance income	37	35
Finance expense	(85)	(77)
Depreciation and amortisation	(477)	(481)
Net investment income	14	47
Net earnings before income tax	579	505

2.2 Operating revenues and other gains

The accounting policies specific to Spark's operating revenues, which have changed in the current year as a result of the adoption of NZ IFRS 15, are outlined below:

Contracts with customers

Spark records revenue from contracts with customers in accordance with the five steps in NZ IFRS 15:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price amount to the performance obligations in the contract based on their relative stand-alone selling prices; and
5. Recognise revenue when or as the performance obligation is satisfied.

Spark often provides products and services in bundled arrangements (for example, a broadband modem together with a broadband service). Where multiple products or services are sold in a single arrangement, revenue is recognised in relation to each distinct good or service. A product or service is distinct where, amongst other criteria, a customer can benefit from it on its own or together with other resources that are readily available. Revenue is allocated to each distinct product or service in proportion to its stand-alone selling price and recognised when, or as, control is transferred to the customer.

Where contracts require the customer to commit to a minimum level of service or a minimum monthly payment amount that cannot be decreased without terminating the contract, revenue is allocated to performance obligations using the minimum enforceable rights and obligations and any excess amount is recognised as revenue as it is earned.

Generally, control for products is transferred and revenue recognised at the point in time it is delivered to the customer and for services, control is transferred, and revenue recognised, over time as the service is provided. These services are typically provided, and thus recognised, on a monthly basis. Control of products is typically transferred when the customer has physical possession of the goods. The nature of the various performance obligations in our contracts with customers and when revenue is recognised is outlined below:

PERFORMANCE OBLIGATIONS FROM CONTRACTS WITH CUSTOMERS	TIMING OF SATISFACTION OF THE PERFORMANCE OBLIGATION AND PAYMENT
Mobile services, broadband services, media services, cloud, security and service management services, managed data services and rental of equipment	As the service is provided (usually monthly). Generally billed and paid on a monthly basis.
Usage, other optional or non-subscription services, and pay-per-use services	As the service is provided. Generally billed and paid on a monthly basis.
Fixed modems, mobile handsets and other distinct goods	When control is passed to the customer, generally when the customer takes possession of the goods. For goods sold in packages or on interest-free terms, customers usually pay in equal instalments over 6 to 36 months.
Installation or set-up services (where distinct)	As the service is provided. Generally billed and paid following the provision of the service.

Performance obligations where Spark acts as an agent include some third-party media services and certain cloud, security and service management contracts. Contracts with significant payment terms include those that have goods that were purchased on interest-free payment terms of greater than 12 months.

Notes to the financial statements: Financial performance information**2.2 Operating revenues and other gains (continued)**

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Operating revenues		
Mobile	1,271	1,237
Voice	486	573
Broadband	685	665
Cloud, security and service management	400	370
Procurement and partners	365	357
Managed data and networks	197	207
Other operating revenue	114	114
	3,518	3,523
Other gains		
Gain on sale of long-term investment/business	2	10
Gain on sale of property, plant and equipment	11	-
Gain on lease modifications and terminations	2	-
	15	10
Total operating revenues and other gains	3,533	3,533

Other gains

In the year ended 30 June 2019 other gains includes a \$2 million gain from the sale of Spark's investment in Feenix Communications Limited, \$11 million from the sale of property, plant and equipment (primarily in relation to mobile network equipment) and gains from lease modifications and terminations of \$2 million.

In the year ended 30 June 2018 other gains comprised a gain on sale of \$10 million from the sale of 50% of Connect 8 Limited.

2.2 Operating revenues and other gains (continued)

Key estimates and assumptions

Determining the transaction price

Determining the transaction price of Spark's contracts requires judgement in estimating the amount of revenue we expect to be entitled to for delivering the performance obligations within a contract. The transaction price is the amount of consideration that is enforceable and to which we expect to be entitled in exchange for the goods and services we have promised to our customer. We determine the transaction price by considering the terms of the contract and business practices that are customary within that product, as well as adjusting the transaction price for estimated variable consideration and for any effects of the time value of money. The expected value or most likely amount methods are used to determine variable consideration and any amount where it is determined that it is highly probable a revenue reversal will not subsequently occur is included in the transaction price. In making this determination, consideration is given to the likelihood and potential magnitude of the revenue reversal, as well as factors outside of Spark's influence, the time when the uncertainty is expected to be resolved and Spark's experience with similar types of contracts. Judgement is required to determine the discount rate underlying any time value of money calculations, as well as whether the financing component in a contract is significant. Discounts, rebates, refunds, credits, price concessions, incentives, penalties and other similar items are reflected in the transaction price at contract inception.

Determining the stand-alone selling price and the allocation of the transaction price

Determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations involves judgement. The transaction price is allocated to performance obligations based on the relative stand-alone selling prices of the distinct goods or services in the contract. The best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. If a stand-alone selling price is not directly observable, we estimate the stand-alone selling price taking into account reasonably available information relating to the market conditions, entity-specific factors and the class of customer. In determining the stand-alone selling price, we allocate revenue between performance obligations based on expected minimum enforceable amounts to which Spark is entitled. Any amounts above the minimum enforceable amounts are recognised as revenue as they are earned.

Distinct goods and services

We make judgements in determining whether a promise to deliver goods or services is considered distinct. We account for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the bundled package and if the customer can benefit from it). The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

Timing of satisfaction of performance obligations

We make judgements in determining whether performance obligations are satisfied over time or at a point in time as well as the methods used for measuring progress towards completed satisfaction of performance obligations. Revenue for performance obligations satisfied over time is recognised using the resources consumed by customers method or the time-elapsing method, as these best depict the transfer of goods or services to customers. Revenue for performance obligations satisfied at a point in time is recognised when control of the good or service is transferred to the customer, which is typically when the customer takes possession of the good.

Notes to the financial statements: Financial performance information**2.3 Operating expenses**

YEAR ENDED 30 JUNE	2019	RESTATED
	\$M	2018 \$M
Product costs	1,564	1,592
Labour	475	513
Other operating expenses		
Network support costs	61	62
Computer costs	93	84
Accommodation costs	67	61
Advertising, promotions and communication	87	84
Bad debts	12	16
Impairment expense	3	7
Costs of change	-	49
Other	81	84
	404	447
Total operating expenses	2,443	2,552

Costs of change

Costs of change associated with Spark's Quantum programme totalled \$49 million during the year ended 30 June 2018 and were separately classified within operating expenses in accordance with Spark's policy (outlined in note 2.5) of presenting 'Adjusted EBITDAI' and 'Adjusted net earnings' where significant or unusual items are greater than \$25 million.

Cost of inventories recognised as an expense

The cost of inventories recognised as an expense in relation to broadband modems, mobile devices and other accessories was \$391 million (30 June 2018 Restated: \$393 million).

Lease expenses

Expenses relating to short-term leases and leases of low-value assets were \$6 million (30 June 2018 Restated: \$6 million).

Donations

Donations for the year ended 30 June 2019 were \$2,246,000, comprised of Spark's donation to Spark Foundation of \$2,207,000 and other donations of \$39,000 (30 June 2018: \$2,346,000, comprised of Spark's donation to the Spark Foundation of \$2,321,000 and other donations of \$25,000). Spark made no donations to political parties in the years ended 30 June 2019 or 30 June 2018.

Auditor's remuneration

YEAR ENDED 30 JUNE	2019	RESTATED
	\$'000	2018 \$'000
Audit of financial statements		
Audit and review of financial statements ¹	1,085	1,079
Other services		
Regulatory audit work ²	54	52
Other assurance services ³	121	101
Total fees paid to auditor	1,260	1,232

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

2 Regulatory audit work consists of the audit of telecommunications-related regulatory disclosures and reporting on trust deed requirements and solvency returns.

3 Other assurance services relate to reporting on other compliance services.

2.4 Finance income, finance expense, depreciation, amortisation and net investment income

YEAR ENDED 30 JUNE	NOTES	2019 \$M	RESTATED 2018 \$M
Finance income			
Finance lease interest income		14	14
Other interest income		23	21
		37	35
Finance expense			
Finance expense on long-term debt ¹		(48)	(41)
Lease interest expense	4.2	(30)	(29)
Leased customer equipment interest expense		(4)	(3)
Other interest and finance expenses		(11)	(12)
		(93)	(85)
Plus: interest capitalised ²		8	8
		(85)	(77)
Depreciation and amortisation expense			
Depreciation - property, plant and equipment	3.6	(246)	(263)
Depreciation - right-of-use assets	3.4	(56)	(50)
Depreciation - leased customer equipment assets	3.5	(18)	(16)
Amortisation - intangible assets	3.7	(157)	(152)
		(477)	(481)
Net investment income			
Dividend income		15	50
Share of associates' and joint ventures' net losses	3.3	(1)	(3)
		14	47

1 Includes \$3 million transferred from the cash flow hedge reserve for the year ended 30 June 2019 (30 June 2018: \$3 million).

2 Interest was capitalised on property, plant and equipment and intangible assets under development for the year ended 30 June 2019 at an annualised rate of 4.2% (30 June 2018: 4.6%).

2.5 Non-GAAP measures

Spark uses non-GAAP financial measures that are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (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) greater than \$25 million. There are no adjusting items for the year ended 30 June 2019. In the year ended 30 June 2018 costs of change of \$49 million associated with the Quantum programme were deemed an adjusting item.

Notes to the financial statements: Financial performance information**2.5 Non-GAAP measures (continued)****Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and adjusted 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 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 and adjusted EBITDAI is provided below and based on amounts taken from, and consistent with, those presented in these financial statements.

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Net earnings reported under NZ IFRS	409	365
Less: finance income	(37)	(35)
Add back: finance expense	85	77
Add back: depreciation and amortisation	477	481
Less: net investment income	(14)	(47)
Add back: income tax expense	170	140
EBITDAI	1,090	981
Add: costs of change	-	49
Adjusted EBITDAI	1,090	1,030

Adjusted net earnings

Adjusted net earnings reflects adjusted EBITDAI, together with any adjustments to depreciation and amortisation and net finance expense, whilst also allowing for any tax impact of those items.

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Net earnings reported under NZ IFRS	409	365
Add: costs of change	-	49
Less: tax effect on costs of change	-	(14)
Adjusted net earnings	409	400

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) and additions to capacity right-of-use assets where such additions are paid up front.

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Additions to property, plant and equipment	217	234
Additions to intangible assets	189	163
Additions to capacity right-of-use assets	11	16
Capital expenditure	417	413

Notes to the financial statements: Assets

Section 3 Assets

3.1 Receivables and prepayments

AS AT 30 JUNE	2019 \$M	RESTATED 2018 \$M
Short-term receivables and prepayments		
Trade receivables	335	262
Prepayments	93	72
Short-term unbilled revenue	234	212
Short-term contract assets	15	29
Short-term contract costs	47	46
Short-term finance lease receivables	12	12
Other short-term receivables	19	15
	755	648
Long-term receivables and prepayments		
Long-term unbilled revenue	50	47
Long-term contract costs	81	75
Long-term finance lease receivables	144	141
Other long-term receivables	16	13
	291	276

Amounts are stated at their carrying value, net of expected credit loss allowance provisions. The fair value of finance lease receivables is estimated to be \$255 million (30 June 2018 Restated: \$223 million) and the carrying amount of all other receivables, measured at amortised cost, are approximately equivalent to their fair value because of the short term to maturity.

Contract assets

Contract assets primarily relate to Spark's rights to consideration for performance obligations delivered but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. The following summarises significant changes in those balances:

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Opening balance as at 1 July	29	22
Additions from new contracts with customers, net of terminations and renewals	26	42
Transfer of contract assets to trade receivables	(40)	(35)
Closing balance as at 30 June	15	29

Notes to the financial statements: Assets**3.1 Receivables and prepayments (continued)****Contract costs**

Contract costs include costs to obtain a contract (such as commission costs) and costs to fulfil a contract. These costs are expected to be recovered and are therefore initially deferred and then recognised within operating expenses on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The following summarises significant changes in those balances:

YEAR ENDED 30 JUNE	2019			2018 RESTATED		
	COSTS TO OBTAIN A CONTRACT \$M	COSTS TO FULFIL A CONTRACT \$M	TOTAL \$M	COSTS TO OBTAIN A CONTRACT \$M	COSTS TO FULFIL A CONTRACT \$M	TOTAL \$M
Opening balance as at 1 July	41	80	121	41	81	122
Additions	17	37	54	29	25	54
Amortisation recognised in operating expenses	(21)	(26)	(47)	(29)	(26)	(55)
Closing balance as at 30 June	37	91	128	41	80	121
Short-term contract costs	18	29	47	20	26	46
Long-term contract costs	19	62	81	21	54	75

Key estimates and assumptions

Determining whether costs we incur to obtain or fulfil a contract meet the deferral criteria within NZ IFRS 15 requires us to make significant judgments. Further, where such costs can be deferred, determining the appropriate amortisation period to recognise the costs within operating expenses requires management judgement, including assessing the expected average customer tenure for consumer customers and the expected contract term for enterprise customers.

Expected credit loss allowance provision

Movements in the loss allowance provision are as follows:

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Opening balance as at 1 July	31	32
Charged to operating expenses	19	19
Bad debts recovered	(5)	(2)
Utilised	(15)	(18)
Closing balance as at 30 June	30	31

Spark has applied the simplified approach to providing for expected credit losses, which requires the recognition of a lifetime expected loss provision for trade receivables, unbilled revenue, contract assets, contract costs, finance lease receivables and other receivables. The calculation of the allowance provision incorporates forward-looking information, such as forecasted economic conditions.

3.1 Receivables and prepayments (continued)

The expected credit loss allowance provision has been determined as follows:

	CURRENT \$M	≤ 1 MONTH \$M	> 1 MONTH \$M	TOTAL \$M
AS AT 30 JUNE 2019				
Expected loss rate	2.4%	5.4%	22.7%	3.1%
Gross carrying amount	905	56	22	983
Expected credit loss allowance provision	22	3	5	30
Short-term loss allowance provision	14	3	5	22
Long-term loss allowance provision	8	-	-	8
AS AT 30 JUNE 2018 - RESTATED				
Expected loss rate	2.9%	7.7%	20.0%	3.5%
Gross carrying amount	832	26	25	883
Expected credit loss allowance provision	24	2	5	31
Short-term loss allowance provision	16	2	5	23
Long-term loss allowance provision	8	-	-	8

The composition of the credit loss allowance provision between receivable types is as follows:

	2019 \$M	RESTATED 2018 \$M
AS AT 30 JUNE		
Trade receivables	13	14
Unbilled revenue	10	10
Contract assets and contract costs	2	2
Finance lease receivables	5	5
Expected credit loss allowance provision	30	31

Key estimates and assumptions

The expected credit loss allowance provision is determined based on assumptions about the risk of default and expected loss rates of customers and other counterparties. Spark uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on Spark's past collection history, existing market conditions, as well as forward-looking estimates at the end of the reporting period. Forward-looking estimates include assessment of forecasted changes to interest rates, unemployment rates and gross domestic product in New Zealand.

Notes to the financial statements: Assets**3.1 Receivables and prepayments (continued)****Finance lease receivables**

Spark has a number of leases for space in exchange buildings, including as a lessor for space in Spark exchanges and a lessee for space in Chorus exchanges. These leases include a legal right of offset, as Spark and Chorus settle the payments on a net basis and are therefore shown as a net finance lease receivable on the statement of financial position.

In addition, Spark sub-leases a number of office building floors. Where sub-leases are for the whole of the remaining non-cancellable term of the head lease, these are classified as a finance lease.

The profile of finance lease net receipts is set out below:

AS AT 30 JUNE	2019		2018 RESTATED	
	UNDISCOUNTED \$M	DISCOUNTED \$M	UNDISCOUNTED \$M	DISCOUNTED \$M
Less than one year	13	12	12	12
Between one and five years	67	52	63	48
More than five years	322	92	338	93
Finance lease receivables	402	156	413	153
Less unearned finance income	(246)	-	(260)	-
Present value of finance lease receivables	156	156	153	153
Short-term finance lease receivables		12		12
Long-term finance lease receivables		144		141

The leases with Chorus have multiple rights of renewal and the full lease terms have been used in the calculation of the net financial lease receivable, as it is likely that due to the specialised nature of the buildings, the leases will be renewed to the maximum terms.

3.2 Inventories

AS AT 30 JUNE	2019 \$M	RESTATED 2018 \$M
Goods held for resale	63	64
Content rights inventory	35	13
Maintenance materials and consumables	2	2
Total inventories	100	79

Content rights inventory

Spark enters into contracts for the right to stream digital content for sport and to subscribers of Lightbox. Content rights are stated at the lower of cost and net realisable value, less accumulated amortisation and includes prepaid content which is not yet available for broadcast.

The amortisation of content rights is recognised within operating expenses on a straight-line basis over their licence periods or, for live sports content, over its broadcast period. The content rights amortisation charge for the year ended 30 June 2019 was \$24 million (30 June 2018: \$20 million).

3.3 Long-term investments

	2019 \$M	RESTATED 2018 \$M
AS AT 30 JUNE		
Shares in Hutchison	156	69
Investments in associates and joint ventures	21	21
Other long-term investments	5	8
	182	98

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 market share price as quoted on the ASX, classified as being within level one of the fair value hierarchy. As at 30 June 2019 the quoted price of Hutchison's shares on the ASX was Australian dollars (AUD) \$0.110 (30 June 2018: AUD\$0.047). The increase in fair value of \$87 million is recognised in other comprehensive income (30 June 2018: \$22 million decrease).

Investments in associates and joint ventures

Spark's investments in associates and joint ventures at 30 June 2019 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Connect 8 Limited	Joint Venture	New Zealand	50%	Fibre network construction
Lightbox Sport General Partner Limited	Joint Venture	New Zealand	50%	A holding company
NOW New Zealand Limited	Associate	New Zealand	37%	Internet service provider
Pacific Carriage Holdings Limited	Associate	Bermuda	50%	A holding company
PropertyNZ Limited (homes.co.nz)	Associate	New Zealand	23%	Property data website
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	50%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

All investments in associates and joint ventures are measured using the equity method and none are considered to be individually material. Changes in the aggregate carrying amount of Spark's investments in associates and joint ventures was as follows:

YEAR ENDED 30 JUNE	2019			2018 RESTATED		
	ASSOCIATES \$M	JOINT VENTURES \$M	TOTAL \$M	ASSOCIATES \$M	JOINT VENTURES \$M	TOTAL \$M
Opening balance as at 1 July	10	11	21	13	-	13
Opening value on transfer to equity method	-	-	-	2	8	10
Additional investment during the year	2	1	3	2	3	5
Impairments	-	-	-	(4)	-	(4)
Disposals	(2)	-	(2)	-	-	-
Share of net losses	(1)	-	(1)	(3)	-	(3)
Closing balance as at 30 June	9	12	21	10	11	21

Spark has suspended equity accounting for Pacific Carriage Holdings Limited and Southern Cross Cables Holdings Limited (together Southern Cross) as their carrying values have been reduced to nil. Spark has no obligation to fund Southern Cross' deficits or repay dividends. For the year ended 30 June 2019 Spark's share of Southern Cross profits not recognised due to the existence of historic cumulative Southern Cross deficits was \$57 million (30 June 2018: \$51 million).

Notes to the financial statements: Assets**3.4 Right-of-use assets**

Spark is a lessee for a large number of leases, including:

- Property – Spark leases a number of office buildings and retail stores. These leases generally have rights of renewal that are reasonably certain to be exercised and therefore may have long effective lease terms;
- Capacity arrangements – Spark enters into a number of indefeasible right-of-use capacity arrangements for cable capacity;
- Mobile sites – Spark has entered into a number of agreements to allow the operation of mobile network infrastructure throughout New Zealand; and
- Motor vehicles – Spark leases motor vehicles for use in sales, field operations and maintenance of infrastructure equipment.

Movements in right-of-use assets is summarised below:

YEAR ENDED 30 JUNE 2019	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	TOTAL \$M
Opening net book value	306	254	65	2	627
Additions	5	11	28	-	44
Remeasurements	2	-	8	-	10
Depreciation charge	(26)	(22)	(7)	(1)	(56)
Closing net book value	287	243	94	1	625
AS AT 30 JUNE 2019					
Cost	369	659	110	4	1,142
Accumulated depreciation and impairment losses	(82)	(416)	(16)	(3)	(517)
Closing net book value	287	243	94	1	625

YEAR ENDED 30 JUNE 2018 - RESTATED	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	TOTAL \$M
Opening net book value	279	255	66	3	603
Additions	27	19	4	-	50
Remeasurements	24	-	-	-	24
Depreciation charge	(24)	(20)	(5)	(1)	(50)
Closing net book value	306	254	65	2	627

AS AT 30 JUNE 2018 - RESTATED	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	TOTAL \$M
Cost	362	648	82	4	1,096
Accumulated depreciation and impairment losses	(56)	(394)	(17)	(2)	(469)
Closing net book value	306	254	65	2	627

All capacity additions for the year ended 30 June 2019 were fully paid on control being obtained and therefore deemed capital expenditure as reconciled in note 2.5 (30 June 2018 Restated: \$16 million fully paid and deemed capital expenditure).

Income from sub-leasing right-of-use assets for the year ended 30 June 2019 was \$3 million (30 June 2018 Restated: \$4 million).

3.4 Right-of-use assets (continued)

Key estimates and assumptions

At inception of a contract, Spark uses judgement in assessing whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Spark assesses whether:

- The contract involves the use of an identified asset;
- Spark has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Spark has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, Spark allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Spark recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically assessed for impairment losses and adjusted for certain remeasurements of the lease liability.

3.5 Leased customer equipment assets

Spark acts as the intermediate party (as a lessee and a lessor) in a number of back-to-back lease arrangements for customer premises equipment. Such arrangements may also include an initial sale and leaseback transaction. A sale and leaseback transaction contains a genuine sale if control of an asset is transferred under NZ IFRS 15. For Spark's back-to-back lease arrangements, we have assessed that a sale does not occur as control over the equipment remains with Spark instead of passing to the buyer-lessor.

Spark as the seller-lessee continues to recognise the leased customer equipment asset, which is initially measured at cost. The asset is subsequently depreciated using the straight-line method based on the expected lease term. Movements in leased customer equipment assets are summarised below:

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Opening net book value	31	29
Additions	42	18
Depreciation charge	(18)	(16)
Closing net book value	55	31

AS AT 30 JUNE	2019 \$M	RESTATED 2018 \$M
Cost	100	58
Accumulated depreciation and impairment losses	(45)	(27)
Closing net book value	55	31

Leased customer equipment assets are on-leased to customers under operating leases. Amounts recovered from customers for the year ended 30 June 2019 were \$19 million (30 June 2018 Restated: \$19 million).

Notes to the financial statements: Assets**3.6 Property, plant and equipment**

YEAR ENDED 30 JUNE 2019	TELECOMMUNI-	FREEHOLD LAND	BUILDINGS	OTHER ASSETS	WORK IN PROGRESS	TOTAL
	CATIONS EQUIPMENT AND PLANT					
	\$M	\$M	\$M	\$M	\$M	\$M
Opening net book value	638	60	208	126	7	1,039
Additions	-	-	21	-	196	217
Transfers	146	-	-	52	(198)	-
Impairments	-	-	2	-	-	2
Depreciation charge	(161)	-	(32)	(53)	-	(246)
Closing net book value	623	60	199	125	5	1,012
AS AT 30 JUNE 2019						
Cost	4,035	60	561	649	5	5,310
Accumulated depreciation and impairment losses	(3,412)	-	(362)	(524)	-	(4,298)
Closing net book value	623	60	199	125	5	1,012

YEAR ENDED 30 JUNE 2018 - RESTATED	TELECOMMUNI-	FREEHOLD LAND	BUILDINGS	OTHER ASSETS	WORK IN PROGRESS	TOTAL
	CATIONS EQUIPMENT AND PLANT					
	\$M	\$M	\$M	\$M	\$M	\$M
Opening net book value	678	60	227	100	5	1,070
Additions	-	-	12	-	222	234
Transfers	153	-	-	67	(220)	-
Acquisitions	1	-	-	2	-	3
Disposals	(3)	-	-	-	-	(3)
Impairments	-	-	(2)	-	-	(2)
Depreciation charge	(191)	-	(29)	(43)	-	(263)
Closing net book value	638	60	208	126	7	1,039
AS AT 30 JUNE 2018 - RESTATED						
Cost	3,890	60	544	600	7	5,101
Accumulated depreciation and impairment losses	(3,252)	-	(336)	(474)	-	(4,062)
Closing net book value	638	60	208	126	7	1,039

3.6 Property, plant and equipment (continued)

Joint arrangement

Spark has entered into a joint arrangement in relation to the construction and operation of the Tasman Global Access fibre-optic submarine cable between Australia and New Zealand. As at 30 June 2019 the carrying value of Spark's share of property, plant and equipment and intangible assets in the joint operation was \$33 million (30 June 2018: \$36 million).

Key estimates and assumptions

Spark's property, plant and equipment is measured at cost and depreciation is charged on a straight-line basis over the assets' estimated useful lives. Determining the appropriate useful life of property, plant and equipment requires management judgement, including the expected period of service potential, the likelihood technological advances will make the asset obsolete, the likelihood of Spark ceasing to use it and the effect of government regulation.

The estimated useful lives of Spark's property, plant and equipment is as follows:

Telecommunications equipment and plant

Junctions and trunk transmission systems	10 - 50 years
Switching equipment	5 - 12 years
Customer premises equipment	3 - 5 years
Other network equipment	2 - 25 years
Buildings	9 - 50 years

Other assets

Motor vehicles	6 years
Furniture and fittings	2 - 25 years
Computer equipment	3 - 5 years

The assessment of assets for impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, the discontinuance of services, the expected future cash flows an asset is expected to generate and other changes in circumstances that indicate an impairment exists. Key judgements include rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for valuing future cash flows.

Notes to the financial statements: Assets**3.7 Intangible assets**

YEAR ENDED 30 JUNE 2019	SOFTWARE \$M	SPECTRUM LICENCES \$M	OTHER INTANGIBLES \$M	GOODWILL \$M	WORK IN PROGRESS \$M	TOTAL \$M
Opening net book value	314	179	82	213	168	956
Additions ¹	-	-	-	-	189	189
Transfers	132	-	4	-	(136)	-
Disposals	(1)	-	-	-	-	(1)
Amortisation charge	(133)	(16)	(8)	-	-	(157)
Closing net book value	312	163	78	213	221	987
AS AT 30 JUNE 2019						
Cost	2,071	271	131	261	221	2,955
Accumulated amortisation and impairment losses	(1,759)	(108)	(53)	(48)	-	(1,968)
Closing net book value	312	163	78	213	221	987

1 Total software capitalised in the year ended 30 June 2019 includes \$19 million of internally generated assets.

YEAR ENDED 30 JUNE 2018 - RESTATED	SOFTWARE \$M	SPECTRUM LICENCES \$M	OTHER INTANGIBLES \$M	GOODWILL \$M	WORK IN PROGRESS \$M	TOTAL \$M
Opening net book value	291	194	63	194	156	898
Additions ¹	-	1	-	-	162	163
Transfers	150	-	-	-	(150)	-
Acquisitions	-	-	33	22	-	55
Disposals	-	-	(1)	(3)	-	(4)
Impairments	-	-	(4)	-	-	(4)
Amortisation charge	(127)	(16)	(9)	-	-	(152)
Closing net book value	314	179	82	213	168	956
AS AT 30 JUNE 2018 - RESTATED						
Cost	1,943	271	127	261	168	2,770
Accumulated amortisation and impairment losses	(1,629)	(92)	(45)	(48)	-	(1,814)
Closing net book value	314	179	82	213	168	956

1 Total software capitalised in the year ended 30 June 2018 includes \$56 million of internally generated assets.

Key estimates and assumptions

Intangible assets are amortised over their useful lives on a straight-line basis, except goodwill, which is tested for impairment annually. Determining the appropriate useful life of an intangible asset requires management judgement, including its expected period of service potential, the likelihood technological advances will make it obsolete and the likelihood of Spark ceasing to use it.

The estimated useful lives of Spark intangible assets is as follows:

Software	2 - 8 years
Spectrum licences	17 - 20 years
Other intangible assets	
Customer contracts and brands	5 - 10 years
Other intangible assets	5 - 80 years

3.7 Intangible assets (continued)

Goodwill

Goodwill by cash-generating unit (CGU) is presented below:

AS AT 30 JUNE	2019 \$M	RESTATED 2018 \$M
Mobile	28	28
Cloud, security and service management	167	167
Qrious	5	5
Digital Island	13	13
	213	213

During the years ended 30 June 2019 and 30 June 2018 no impairment arose as a result of the assessment of goodwill. Headroom currently exists in each CGU and, based on sensitivity analysis performed, no reasonably possible changes in the assumptions would cause the carrying amount of the CGUs to exceed their recoverable amounts.

Spark changed its cash-generating units from 1 July 2018 following the change in organisational operating model in conjunction with the adoption of agile ways of working, which eliminated the previous business unit structure. The revised cash-generating units are consistent with the changes to Spark's segment reporting as outlined in note 2.1.

Key estimates and assumptions

Goodwill is assessed annually for impairment by estimating the future cash flows based on Board-approved business plans, with key assumptions being forecast earnings and capital expenditure for each CGU. The forecast financial information is based on both past experience and future expectations of CGU performance. The major inputs and assumptions used in performing an impairment assessment that require judgement include revenue forecasts, operating cost projections, customer numbers and customer churn, discount rates, growth rates and future technology paths.

Nil terminal growth was applied to all CGUs and a pre-tax discount rate of 10.1% was utilised for the year ended 30 June 2019 (30 June 2018: 10.1%).

3.8 Net tangible assets

The calculation of Spark's net tangible assets per share and its reconciliation to the statement of financial position is presented below:

AS AT 30 JUNE	2019 \$M	RESTATED 2018 \$M
Total assets	4,095	3,844
Less intangible assets	(987)	(956)
Less total liabilities	(2,630)	(2,361)
Net tangible assets	478	527
Number of shares outstanding (in millions)	1,836	1,835
Net tangible assets per share	\$0.26	\$0.29

Net tangible assets per share is a non-GAAP financial measure that is not defined in NZ IFRS. Total assets includes right-of-use assets and total liabilities includes lease liabilities.

Notes to the financial statements: Liabilities and equity**Section 4 Liabilities and equity****4.1 Payables, accruals and provisions**

AS AT 30 JUNE	2019 \$M	RESTATED 2018 \$M
Short-term payables, accruals and provisions		
Trade accounts payable	258	283
Revenue billed in advance	84	92
Accrued personnel costs	45	48
Accrued interest	4	4
GST payable	35	24
Short-term sale and leaseback liabilities	14	9
Short-term provisions	3	16
Other accrued expenses	4	5
	447	481
Long-term payables, accruals and provisions		
Long-term sale and leaseback liabilities	43	23
Long-term provisions	4	3
Other long-term payables and accruals	21	8
	68	34

Trade accounts payable and sale and leaseback liabilities are financial instruments and held at amortised cost.

Provisions

Total provisions as at 30 June 2019 were \$7 million (30 June 2018 Restated: \$19 million). New provisions of \$3 million were made during the year (30 June 2018 Restated: \$18 million) and \$15 million of primarily restructuring provisions were utilised or released (30 June 2018 Restated: \$9 million).

The largest portion of the provisions relate to make-good property provisions of \$4 million (30 June 2018 Restated: Largest portion of the provisions related to restructuring provisions of \$11 million).

4.2 Lease liabilities

YEAR ENDED 30 JUNE 2019	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	TOTAL \$M
Opening lease liability balance	406	2	64	2	474
Leases entered into during the year	5	-	28	-	33
Interest expense	25	-	5	-	30
Principal repayments	(44)	-	(11)	(1)	(56)
Remeasurements	2	-	7	-	9
Closing lease liability balance	394	2	93	1	490
Short-term lease liabilities	23	-	7	1	31
Long-term lease liabilities	371	2	86	-	459
Lease liabilities - non-cancellable commitments¹	189	2	37	1	229

YEAR ENDED 30 JUNE 2018 - RESTATED	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	TOTAL \$M
Opening lease liability balance	380	-	64	3	447
Leases entered into during the year	25	2	5	-	32
Interest expense	24	-	4	1	29
Principal repayments	(44)	-	(9)	(2)	(55)
Remeasurements	21	-	-	-	21
Closing lease liability balance	406	2	64	2	474
Short-term lease liabilities	20	-	5	1	26
Long-term lease liabilities	386	2	59	1	448
Lease liabilities - non-cancellable commitments¹	213	2	29	2	246

¹ Relates to the discounted lease liability for future minimum rental commitments for non-cancellable periods of leases, excluding rights of renewal, which are at Spark's option.

Key estimates and assumptions

Spark recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Spark's incremental borrowing rate. Generally, Spark uses its incremental borrowing rate as the discount rate, with adjustments for the type and term of the lease.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that Spark is reasonably certain to exercise; and
- Lease payments in an optional renewal period if Spark is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Spark's estimate of the amount expected to be payable under a residual value guarantee or if Spark changes its assessment of whether it will exercise a purchase or extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Spark has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets. Spark recognises the lease payments associated with these leases within operating expenses on a straight-line basis over their lease terms.

Notes to the financial statements: Liabilities and equity**4.3 Debt**

Debt is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, debt is classified and measured at amortised cost plus, for hedged liabilities that are in a fair value hedging relationship, adjustments for fair value changes attributable to the risk being hedged. Any difference between cost and redemption value (including fair value changes) is recognised in the statement of profit or loss over the period of the borrowings, using the effective interest rate method.

AS AT 30 JUNE				2019	RESTATED 2018
				\$M	\$M
FACE VALUE	FACILITY	COUPON RATE	MATURITY		
Short-term debt					
Commercial paper		Variable	< 5 months	150	149
				150	149
Bank funding					
Bank of New Zealand	100 million NZD	Variable	31/10/2018	-	100
Westpac New Zealand Limited	200 million NZD	Variable	30/11/2020	-	50
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	40	-
MUFG Bank, Ltd	125 million NZD	Variable	30/11/2022	100	125
				140	275
Domestic notes					
250 million NZD		5.25%	25/10/2019	250	250
100 million NZD		4.50%	25/03/2022	103	102
100 million NZD		4.51%	10/03/2023	107	104
125 million NZD		3.37%	07/03/2024	130	-
125 million NZD		3.94%	07/09/2026	131	120
				721	576
Foreign currency Medium Term Notes					
Euro Medium Term Notes - 18 million GBP ¹		5.75%	06/04/2020	33	34
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	173	163
Norwegian Medium Term Notes - 1 billion NOK		3.07%	19/03/2029	178	-
				384	197
				1,395	1,197
Debt due within one year				433	249
Long-term debt				962	948

¹ British pounds sterling.

None of Spark's debt is secured and all debt ranks equally with other liabilities. There are no financial covenants over Spark's debt, however, there are certain triggers in the event of default, as defined in the various debt agreements. There have been no events of default over Spark's debt in the years ended 30 June 2019 and 30 June 2018.

The fair value of long-term debt, including amounts due within one year, (calculated based on the present value of future principal and interest cash flows, discounted at market interest rates at balance date) was \$1,258 million compared to a carrying value of \$1,245 million as at 30 June 2019 (30 June 2018: fair value of \$1,072 million compared to a carrying value of \$1,048 million).

4.4 Capital risk management

Spark manages its capital considering shareholders' interests, the value of Spark's assets and the Company's credit rating. The Board continues to be committed to the Company maintaining a single 'A Band' credit rating and its capital management policies are designed to ensure this objective is met. As part of this commitment Spark manages its debt levels to ensure that the ratio of net debt at hedged rates (being inclusive of associated derivatives) to EBITDAI does not materially exceed 1.4 times on a long-run basis, which, for credit ratings agency purposes, Spark estimates equates approximately to adjusted debt to EBITDA of 1.5 times. The difference between these two ratios is primarily due to the credit rating agency making adjustments for leases and captive finance operations.

As at 30 June 2019 the Company's Standard & Poor's credit ratings for long-term and short-term debt was A- and A-2 respectively, with outlook stable (30 June 2018: same).

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 30 JUNE	2019 \$M	RESTATED 2018 \$M
Cash	(54)	(55)
Short-term debt	150	149
Long-term debt at face value	1,205	1,048
Net debt at face value	1,301	1,142
To retranslate debt balances at swap rates where hedged by currency swaps	15	14
Net debt at hedged rates¹	1,316	1,156
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments ²	31	2
Unamortised discount	-	(2)
Net debt at carrying value	1,347	1,156

1 Net debt at the value of hedged cash flows due to arise on maturity and includes adjustment to state 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.

A reconciliation of movements in net debt is provided below:

YEAR ENDED 30 JUNE 2019	CASH FLOWS				NON-CASH MOVEMENTS			AS AT 30 JUNE 2019
	AS AT 1 JULY 2018	PROCEEDS	PAYMENTS	INTEREST AMORTISATION	FAIR VALUE CHANGES	FOREIGN EXCHANGE MOVEMENT	OTHER	
Cash	(55)	(7,049)	7,050	-	-	-	-	(54)
Short-term debt	149	1,358	(1,361)	4	-	-	-	150
Long-term debt	1,048	2,039	(1,880)	2	38	(1)	(1)	1,245
Derivatives	14	169	(171)	-	-	(6)	-	6
Net debt	1,156	(3,483)	3,638	6	38	(7)	(1)	1,347

YEAR ENDED 30 JUNE 2018 RESTATED	CASH FLOWS				NON-CASH MOVEMENTS			AS AT 30 JUNE 2018
	AS AT 1 JULY 2017	PROCEEDS	PAYMENTS	INTEREST AMORTISATION	FAIR VALUE CHANGES	FOREIGN EXCHANGE MOVEMENT	OTHER	
Cash	(52)	(6,342)	6,339	-	-	-	-	(55)
Short-term debt	155	1,262	(1,273)	4	-	-	1	149
Long-term debt	832	1,287	(1,079)	-	6	2	-	1,048
Derivatives	39	209	(232)	-	-	(2)	-	14
Net debt	974	(3,584)	3,755	4	6	-	1	1,156

Notes to the financial statements: Liabilities and equity**4.5 Equity and dividends****Share capital**

Movements in the Company's issued ordinary shares were as follows:

YEAR ENDED 30 JUNE	2019 NUMBER	RESTATED 2018 NUMBER
Opening shares as at 1 July	1,835,390,783	1,832,843,587
Issuance of shares under share schemes and other transfers	800,798	2,547,196
Closing shares as at 30 June	1,836,191,581	1,835,390,783

All issued shares are fully paid and have no par value. Shareholders of ordinary shares have the right to vote at any general meeting of the Company.

Dividends declared and paid

YEAR ENDED 30 JUNE	2019		2018 RESTATED	
	CENTS PER SHARE	\$M	CENTS PER SHARE	\$M
Previous year second half-year dividend paid	12.5	229	12.5	229
First half-year dividend paid	12.5	230	12.5	229
Total dividends paid in the year	25.0	459	25.0	458
Second half-year dividend declared subsequent to balance date not provided for	12.5	230	12.5	229

Events after balance date

On 21 August 2019 the Board approved the payment of a second-half ordinary dividend of 11.0 cents per share or approximately \$202 million and a special dividend of 1.5 cents per share or approximately \$28 million. The ordinary and special dividend will be 75% imputed. In addition, supplementary dividends totalling approximately \$21 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.

4.5 Equity and dividends (continued)

	H1 FY19 ORDINARY DIVIDENDS	H1 FY19 SPECIAL DIVIDENDS	H2 FY19 ORDINARY DIVIDENDS	H2 FY19 SPECIAL DIVIDENDS
Dividends declared				
Ordinary shares	11.0 cents	1.5 cents	11.0 cents	1.5 cents
American Depositary Shares ¹	37.17 US cents	5.07 US cents	35.32 US cents	4.82 US cents
Imputation				
Percentage imputed	75%	75%	75%	75%
Imputation credits per share	3.2083 cents	0.4375 cents	3.2083 cents	0.4375 cents
Supplementary dividend per share ²	1.4559 cents	0.1985 cents	1.4559 cents	0.1985 cents
'Ex' dividend dates				
New Zealand Stock Exchange	14/03/19	14/03/19	19/09/19	19/09/19
Australian Securities Exchange	14/03/19	14/03/19	19/09/19	19/09/19
American Depositary Shares	14/03/19	14/03/19	19/09/19	19/09/19
Record dates				
New Zealand Stock Exchange	15/03/19	15/03/19	20/09/19	20/09/19
Australian Securities Exchange	15/03/19	15/03/19	20/09/19	20/09/19
American Depositary Shares	15/03/19	15/03/19	20/09/19	20/09/19
Payment dates				
New Zealand and Australia	5/04/19	5/04/19	4/10/19	4/10/19
American Depositary Shares	19/04/19	19/04/19	15/10/19	15/10/19

1 For H2 FY19 these are based on the exchange rate at 16 August 2019 of NZ\$1 to US\$0.6422 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.

Notes to the financial statements: Financial instruments**Section 5 Financial instruments****5.1 Derivatives and hedge accounting**

AS AT 30 JUNE	2019		2018 RESTATED	
	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES
	\$M	\$M	\$M	\$M
Designated in a cash flow hedge	4	(119)	7	(36)
Designated in a fair value hedge	21	-	6	(5)
Designated in a dual fair value and cash flow hedge	6	-	-	(16)
Other	3	(6)	3	(6)
	34	(125)	16	(63)
Short-term derivatives	2	(14)	6	-
Long-term derivatives	32	(111)	10	(63)

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. As at 30 June 2019 and 30 June 2018 no derivative financial assets or derivative financial liabilities have been offset in the statement of financial position. The potential for offsetting of any derivative financial instruments is immaterial.

Hedge accounting

Derivatives are hedge accounted when they are designated into an effective hedge relationship as a hedging instrument. The nature and the effectiveness of the hedge accounting relationship will determine where the gains and losses on remeasurement are recognised.

Derivatives are designated:

- Fair value hedges, where the derivative is used to manage interest rate risk in relation to debt;
- Cash flow hedges, where the derivative is used to manage the variability in cash flows of highly probable forecast transactions; and
- Dual fair value and cash flow hedges, where the derivative is used to hedge the interest rate risk on foreign debt and the variability in cash flows due to movements in foreign exchange rates.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Spark determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors (time to maturity), repricing dates, maturities and notional amounts. Spark assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and Spark's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

5.1 Derivatives and hedge accounting (continued)

Cash flow hedges

Cross-currency interest rate swaps and interest rate swaps are jointly designated in cash flow hedges to manage interest and foreign exchange rate risk on debt. The hedged cash flows will affect Spark's statement of profit or loss and other comprehensive income as interest and principal amounts are repaid over the remaining term of the debt.

Interest rate swaps are designated in cash flow hedges to manage the interest rate exposure of highly probable forecast variable rate debt and aggregate variable interest rate exposures created by swapping local or foreign currency fixed rate debt into variable rate debt.

Electricity hedge contracts are designated in cash flow hedges to reduce electricity price risk from price fluctuations. These hedge contracts establish the price at which future specified quantities of electricity are purchased and settled. Any resulting differential to be paid or received is recognised as a component of electricity costs through the term of the contracts.

Spark also enters into forward exchange contracts to hedge forecast foreign currency purchases, the majority expected to be made within 12 months. The related cash flows are recognised in the statement of profit or loss and other comprehensive income over this period.

A reconciliation of movements in the cash flow hedge reserve, net of tax, is outlined below:

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Opening balance as at 1 July	(26)	(20)
Loss recognised in other comprehensive income	(63)	(13)
Amount reclassified to finance expense	3	3
Amount reclassified to property, plant and equipment/intangible assets and inventory	1	4
Total movements to other comprehensive loss	(59)	(6)
Closing balance as at 30 June	(85)	(26)

Other amounts deferred in equity will be transferred to the statement of profit or loss over the next six years (30 June 2018: seven years). As at 30 June 2019 the cost of hedging reserve was \$1 million (30 June 2018: nil).

Fair value hedges

Interest rate swaps are designated in a fair value hedge to manage interest rate risk in relation to debt. The gain or loss from remeasuring the interest rate swaps and debt at fair value is recognised in the statement of profit or loss and other comprehensive income. During the year ended 30 June 2019 there has been no material ineffectiveness on fair value hedging relationships (30 June 2018: No material ineffectiveness).

Dual fair value and cash flow hedges

Spark has Australian dollar (AUD) and Norwegian Krone (NOK) denominated debt. As part of Spark's risk management policy, cross-currency interest rate swaps (CCIRS) are entered into to convert all of the proceeds of the debt issuances to New Zealand dollars and convert the foreign currency fixed rate of the debt issuance to a New Zealand dollar floating rate. To mitigate profit or loss volatility, the CCIRS were designated into a dual fair value and cash flow hedge relationship. The foreign currency basis element of the CCIRS are excluded from the designation and are separately recognised in other comprehensive income in a cost of hedging reserve.

For fair value hedges, the gain or loss from remeasuring the CCIRS and debt at fair value is recognised in the statement of profit or loss and other comprehensive income. For cash flow hedges, gains or losses deferred in the cash flow hedge reserve will be reclassified to Spark's statement of profit or loss and other comprehensive income as interest and principal amounts are repaid over the remaining term of the debt.

The change in fair value of the hedging instruments relating to the foreign currency basis component of the CCIRS is recognised in other comprehensive income and accumulated in a cost of hedging equity reserve. Subsequently, the cumulative amount is transferred to profit or loss at the same time as the hedged item impacts profit or loss.

Notes to the financial statements: Financial instruments**5.1 Derivatives and hedge accounting (continued)**

The details of the hedging instruments are as follows:

	NOTIONAL AMOUNT OF HEDGING INSTRUMENT	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGING INSTRUMENT		LIFE TO DATE CHANGE IN VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS
			ASSETS	LIABILITIES	
			\$M	\$M	\$M
AS AT 30 JUNE 2019					
Cash flow hedges					
Cross-currency swap	GBP 18m	Derivatives	-	(12)	(12)
Interest rate swaps	NZD 866m	Derivatives	-	(99)	(99)
Forward foreign-exchange contracts	NZD 131m	Derivatives	2	(1)	1
Electricity derivatives	329 GWh	Derivatives	2	(7)	(5)
Fair value hedges					
Interest rate swaps	NZD 390m	Derivatives	21	-	21
Fair value and cash flow hedges					
Cross-currency swaps	AUD 150m	Derivatives	3	-	3
Cross-currency swap	NOK 1b	Derivatives	3	-	3
			31	(119)	(88)
AS AT 30 JUNE 2018 - RESTATED					
Cash flow hedges					
Cross-currency swap	GBP 18m	Derivatives	-	(10)	(10)
Interest rate swaps	NZD 786m	Derivatives	-	(36)	(36)
Forward foreign-exchange contracts	NZD 131m	Derivatives	7	-	7
Fair value hedges					
Interest rate swaps	NZD 265m	Derivatives	6	(5)	1
Fair value and cash flow hedges					
Cross-currency swaps	AUD 150m	Derivatives	-	(6)	(6)
			13	(57)	(44)

5.1 Derivatives and hedge accounting (continued)

The details of hedged items are as follows:

	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGED ITEM		ACCUMULATED AMOUNT OF FAIR VALUE HEDGE ADJUSTMENTS ON THE HEDGED ITEM INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM		LIFE TO DATE CHANGE IN VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS
		ASSETS	LIABILITIES	ASSETS	LIABILITIES	
		\$M	\$M	\$M	\$M	
AS AT 30 JUNE 2019						
Cash flow hedges						
Euro Medium Term Note (GBP 18m)	Long-term debt	-	(33)	-	-	12
Aggregated variable interest rate exposure	-	-	-	-	-	58
Highly probable forecast variable rate debt	-	-	-	-	-	41
Committed foreign exchange transactions	-	-	-	-	-	(1)
Highly probable forecast purchases of electricity	-	-	-	-	-	5
Fair value hedges						
Domestic Notes	Long-term debt	-	(411)	-	(21)	(21)
Fair value and cash flow hedges						
Australian Medium Term Note (AUD 150m)	Long-term debt	-	(173)	-	(18)	(3)
Norwegian Medium Term Note (NOK 1b)	Long-term debt	-	(178)	-	(3)	(3)
		-	(795)	-	(42)	88
AS AT 30 JUNE 2018 - RESTATED						
Cash flow hedges						
Euro Medium Term Note (GBP 18m)	Long-term debt	-	(34)	-	-	10
Aggregated variable interest rate exposure	-	-	-	-	-	9
Highly probable forecast variable rate debt	-	-	-	-	-	27
Committed foreign exchange transactions	-	-	-	-	-	(7)
Fair value hedges						
Domestic Notes	Long-term debt	-	(266)	-	(1)	(1)
Fair value and cash flow hedges						
Australian Medium Term Note (AUD 150m)	Long-term debt	-	(163)	-	(2)	6
		-	(463)	-	(3)	44

Notes to the financial statements: Financial instruments**5.2 Financial risk management****a) Market risk**

Spark is exposed to market risk primarily from changes in foreign currency exchange rates, interest rates and electricity prices. Spark employs risk management strategies, including the use of derivative financial instruments to manage these exposures through a Board-approved treasury policy, which provides the framework within which treasury-related activities are conducted.

Spark monitors the use of derivative financial instruments using well-defined market and credit risk limits and timely reports to senior management. All contracts have been entered into with major creditworthy financial institutions, except electricity hedge contracts, which are generally settled monthly. The risk associated with these transactions is that the fair value or cash flows of financial instruments will change due to movements in market rates, coupled with the cost of replacing these agreements at the current market rates in the event of default by the counterparty.

Currency risk**Nature of the risk**

Currency risk is the risk that eventual New Zealand dollar net cash flows from transactions undertaken by Spark will be adversely affected by changes in foreign currency exchange rates.

Exposure and risk management

Spark's total net exposure (from non-derivative financial instruments) to foreign currency as at 30 June 2019 is \$362 million (30 June 2018: \$203 million). This includes \$175 million long-term debt principal denominated in NOK (30 June 2018: nil), \$157 million long-term debt principal denominated in AUD (30 June 2018: \$163 million) and \$33 million long-term debt denominated in GBP (30 June 2018: \$34 million). The remaining exposure is primarily trade payables and other receivables denominated in United States dollars (USD).

Spark manages currency risk arising from debt not denominated in New Zealand dollars through hedging. Spark's long-term debt issued in NOK, AUD and GBP are fully hedged using cross-currency interest rate swaps to convert these borrowings into a floating rate New Zealand dollar exposure.

Currency risk from capital and operational expenditure in foreign currencies (and related trade payables) has been substantially hedged by entering into forward exchange contracts.

Sensitivity to foreign currency movements

As at 30 June 2019 a movement of 10% in the New Zealand dollar would (after hedging) impact the statement of profit or loss by less than \$1 million (30 June 2018: less than \$3 million) and the statement of changes in equity by less than \$16 million (30 June 2018: less than \$14 million). This analysis assumes a movement in the New Zealand dollar across all currencies and only includes the effect of foreign exchange movements on monetary financial instruments.

Interest rate risk**Nature of the risk**

Interest rate risk is the risk that fluctuations in interest rates impact Spark's cash flows, financial performance or the fair value of its holdings of financial instruments.

Exposure and risk management

Spark is exposed to interest rate risk from its borrowings, which may be issued at floating rates. Spark employs the use of derivative financial instruments to reduce its exposure to fluctuations in interest rates with the objective to minimise the cost of net borrowings and to minimise the impact of interest rate movements on Spark's interest expense and net earnings.

Spark uses cross-currency interest rate swaps to convert foreign currency borrowings into floating-rate New Zealand dollar positions. Interest rate swaps are used to convert certain floating-rate positions into fixed-rate positions and vice versa. As a consequence, Spark's interest rate positions are limited to New Zealand yield curves.

Sensitivity to interest rate movements

As at 30 June 2019 a movement in interest rates of 100 basis points would (after hedging) impact the statement of profit or loss by less than \$1 million (30 June 2018: less than \$1 million) and statement of changes in equity by less than \$59 million (30 June 2018: less than \$46 million).

Electricity price risk**Nature of the risk**

Electricity price risk is the risk that fluctuations in spot electricity prices will impact Spark's financial performance.

Exposure and risk management

Spark is a large consumer of electricity, which exposes it to fluctuations in the market spot price. To reduce its exposure to electricity price risk, Spark has entered into electricity hedge contracts. These contracts establish a fixed price for Spark, with the counterparty topping up or retaining the difference between the spot price and the fixed price over the term of the contract.

Sensitivity to electricity price movements

As at 30 June 2019 a movement of 10% in forward electricity prices would impact the statement of profit or loss and statement of changes in equity (after hedging) by less than \$3 million (30 June 2018: nil).

5.2 Financial risk management (continued)

b) Credit risk

Nature of the risk

Credit risk arises in the normal course of Spark's business on cash, receivables and derivative financial instruments if a counterparty fails to meet its contractual obligations.

Exposure and risk management

Spark is exposed to credit risk if customers and counterparties fail to make payments in respect of:

- Payment of trade and other receivables as they fall due; and
- Contractual cash flows of derivative assets held at fair value.

Spark's assets subject to credit risk as at 30 June 2019 were \$1,041 million (30 June 2018 Restated: \$923 million).

Spark considers the probability of default upon initial recognition of cash, receivables and derivative assets and whether there has been a significant increase in credit risk on an ongoing basis at the end of each reporting period. To assess whether there is a significant increase in credit risk, Spark compares the risk of default occurring on these assets at the reporting date with the risk of default at the date of initial recognition. Available, reasonable and supportive forward-looking information is considered, especially the following indicators:

- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer or counterparty's ability to meet their obligations; and
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

Spark manages its exposure using a credit policy that includes limits on exposures with significant counterparties that have been set and approved by the Board and are monitored on a regular basis. Spark places its cash and derivative financial instruments with high-credit quality financial institutions and does not have significant concentration of risk with any single party.

Concentration of credit risk for trade and other receivables is limited due to Spark's large customer base.

Spark has certain derivative and debt agreements that are subject to bilateral credit support agreements that require Spark or the counterparty to post collateral funds to support the value of certain derivatives. As at 30 June 2019 no collateral was posted (30 June 2018: nil). Letters of credit and guarantees may also be held over some receivable amounts. The carrying amounts of financial assets represent the maximum credit exposure.

c) Liquidity risk

Nature of the risk

Liquidity risk represents Spark's ability to meet its contractual obligations as they fall due.

Exposure and risk management

Spark uses cash and derivative financial instruments to manage liquidity and evaluates its liquidity requirements on an ongoing basis. In general, Spark generates sufficient cash flows from its operating activities to meet its financial liabilities. As at 30 June 2019 current liabilities of \$944 million (including \$283 million of long-term debt that matures within 12 months) were greater than current assets of \$911 million (30 June 2018 Restated: current assets of \$807 million were greater than current liabilities of \$759 million). Positive operating cash flows enable working capital to be managed to meet short-term liabilities as they fall due.

In the event of any shortfalls Spark has the following financing programmes:

- An uncommitted \$500 million Note Facility with \$150 million drawn as at 30 June 2019 (30 June 2018: \$500 million facility, \$150 million drawn);
- An undrawn committed standby facility of \$200 million with a number of creditworthy banks (30 June 2018: \$200 million);
- Committed bank facilities of \$425 million with \$140 million drawn as at 30 June 2019 (30 June 2018: \$425 million facility with \$275 million drawn); and
- Committed bank overdraft facilities of \$15 million with New Zealand banks (30 June 2018: \$15 million).

There are no compensating balance requirements associated with these facilities.

Spark's liquidity policy is to maintain unutilised committed facilities of at least 110% of the next 12 months' forecast peak net funding requirements. Spark's funding policy requires that the maximum amount of long-term debt, excluding short-term debt such as commercial paper, maturing in any 12-month period is not to exceed \$300 million, which has been met.

Notes to the financial statements: Financial instruments**5.2 Financial risk management (continued)****Maturity analysis**

The following table provides an analysis of Spark's remaining contractual cash flows relating to financial liabilities. Contractual cash flows include contractual undiscounted principal and interest payments.

AS AT 30 JUNE 2019	CARRYING AMOUNT \$M	CONTRACTUAL CASH FLOWS \$M	0-6 MONTHS \$M	6-12 MONTHS \$M	1-2 YEARS \$M	2-5 YEARS \$M	5+ YEARS \$M
Non-derivative financial liabilities							
Trade payables	258	258	258	-	-	-	-
Sale and leaseback liabilities	57	70	14	12	19	25	-
Lease liabilities	490	829	29	28	56	154	562
Short and long-term debt	1,395	1,559	419	54	30	539	517
Derivative financial liabilities							
Interest rate swaps (net settled)	105	114	7	10	19	45	33
Electricity derivatives (net settled)	7	7	-	1	4	2	-
Cross-currency interest rate swaps (gross settled)							
Inflows	-	(35)	-	(35)	-	-	-
Outflows	12	48	1	47	-	-	-
Forward exchange contracts (gross settled)							
Inflows	-	(74)	(61)	(11)	(2)	-	-
Outflows	1	75	62	11	2	-	-
	2,325	2,851	729	117	128	765	1,112

AS AT 30 JUNE 2018 - RESTATED	CARRYING AMOUNT \$M	CONTRACTUAL CASH FLOWS \$M	0-6 MONTHS \$M	6-12 MONTHS \$M	1-2 YEARS \$M	2-5 YEARS \$M	5+ YEARS \$M
Non-derivative financial liabilities							
Trade payables	283	283	283	-	-	-	-
Sale and leaseback liabilities	32	42	10	9	11	12	-
Lease liabilities	474	828	27	26	51	147	577
Short and long-term debt	1,197	1,327	267	18	295	429	318
Derivative financial liabilities							
Interest rate swaps (net settled)	47	52	3	4	11	25	9
Cross-currency interest rate swaps (gross settled)							
Inflows	-	(264)	(3)	(5)	(43)	(20)	(193)
Outflows	16	284	4	4	54	21	201
Forward exchange contracts (gross settled)							
Inflows	-	(24)	(24)	-	-	-	-
Outflows	-	24	24	-	-	-	-
	2,049	2,552	591	56	379	614	912

Notes to the financial statements: Other information

Section 6 Other information

6.1 Income tax

Income tax expense

The income tax expense is determined as follows:

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Statement of profit or loss		
Current income tax		
Current year income tax expense	(170)	(148)
Adjustments in respect of prior periods	2	2
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	1	8
Adjustments in respect of prior periods	(3)	(2)
Income tax expense recognised in the statement of profit or loss	(170)	(140)

Reconciliation of income tax expense

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Net earnings before income tax	579	505
Tax at current rate of 28%	(162)	(141)
Adjustments to taxation		
Impact of changes to accounting standards	-	(6)
Non-assessable gains on sale	1	3
Other non-assessable items	(2)	(2)
Tax effects of non-New Zealand profits	(6)	6
Adjustments in respect of prior periods	(1)	-
Total income tax expense	(170)	(140)

Notes to the financial statements: Other information**6.1 Income tax (continued)****Deferred tax assets and liabilities**

Deferred tax assets and liabilities are offset in the statement of financial position and presented as a net deferred tax liability. The movement in the deferred tax assets and liabilities is provided below:

ASSETS/(LIABILITIES)	FIXED ASSETS \$M	LEASES \$M	PROVISIONS & ACCRUALS \$M	OTHER \$M	TOTAL \$M
Opening balance as at 30 June 2018 - Restated	(133)	24	-	-	(109)
Amounts recognised in statement of profit or loss					
Relating to the current period	1	2	(4)	2	1
Adjustments in respect of prior periods	-	-	(2)	(1)	(3)
Amounts recognised in equity relating to the current year	(1)	-	3	23	25
Closing balance as at 30 June 2019	(133)	26	(3)	24	(86)
To be recovered within 12 months	(1)	(3)	-	-	(4)
To be recovered after more than 12 months	(132)	29	(3)	24	(82)
Opening balance as at 30 June 2017	(136)	-	6	(4)	(134)
Adjustment on adoption of NZ IFRS 9	-	-	5	-	5
Adjustment on adoption of NZ IFRS 15	-	-	(7)	-	(7)
Adjustment on adoption of NZ IFRS 16	-	25	(3)	-	22
Balance as at 1 July 2017 - Restated	(136)	25	1	(4)	(114)
Amounts recognised in statement of profit or loss					
Relating to the current period	5	(1)	1	3	8
Adjustments in respect of prior periods	(1)	-	(2)	1	(2)
Acquisitions	-	-	-	(4)	(4)
Amounts recognised in equity relating to the current year	(1)	-	-	4	3
Closing balance as at 30 June 2018 - Restated	(133)	24	-	-	(109)
To be recovered within 12 months	(5)	1	-	-	(4)
To be recovered after more than 12 months	(128)	23	-	-	(105)

Spark has not recognised the tax effect of accumulated unrestricted losses and temporary differences amounting to AUD\$461 million at 30 June 2019 based on the relevant corporation tax rate of Australia (30 June 2018: AUD\$461 million). These losses and temporary differences may be available to be carried forward to offset against future taxable income. However, utilisation is contingent on the production of taxable profits over a significant period and is subject to compliance with the relevant taxation authority requirements.

Spark has a negative imputation credit account balance of \$21 million as at 30 June 2019 due to the timing of dividend and tax payments (30 June 2018: \$45 million negative balance). The imputation credit account had a positive balance as at 31 March 2019 and 31 March 2018.

6.2 Employee share schemes

Spark operates share-based compensation plans that are equity settled as outlined below.

Restricted share schemes

A restricted share scheme was initially introduced for selected employees in September 2001. For new allocations after August 2015 these were replaced by two new restricted share schemes:

- Spark New Zealand Long Term Incentive Scheme; and
- Spark New Zealand Managing Director Long Term Incentive Scheme.

The Spark New Zealand Long Term Incentive Scheme is for the Leadership Squad and senior leaders and delivers one scheme with the same set of rules under one long-term incentive, with a performance hurdle in place. The Spark New Zealand Managing Director Long Term Incentive Scheme replaced the Managing Director performance rights scheme.

Under these restricted share schemes ordinary shares in the Company are issued to Spark Trustee Limited. Participants purchase shares from Spark Trustee Limited with funds lent to them by the Company and which are held on their behalf by Spark Trustee Limited. If the individual is still employed by Spark at the end of the vesting period (generally three years) and applicable performance hurdles are met, the employee is provided a cash bonus, which must be used to repay the loan and the shares are then transferred to the individual. The target for this hurdle is the Company's cost of equity plus 1% compounding annually.

Information regarding shares and options awarded under these schemes is as follows:

YEAR ENDED 30 JUNE	NUMBER OF SHARES	
	2019	2018
Opening balance as at 1 July	1,662,244	2,056,905
Granted	701,852	711,776
Vested	(479,156)	(795,654)
Lapsed	(129,078)	(310,783)
Closing balance as at 30 June	1,755,862	1,662,244
Percentage of total ordinary shares	0.10%	0.09%

The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense, with a corresponding entry in equity. The total charge recognised for these schemes for the year ended 30 June 2019 was \$2 million (30 June 2018: \$2 million). As at 30 June 2019, \$3 million of share scheme awards remain unvested and not expensed (30 June 2018: \$3 million). This expense, measured at its fair value based on a valuation model, will be recognised over the remaining vesting period of the awards.

Spark Share, an employee share purchase programme, does not have a material impact on these financial statements.

Notes to the financial statements: Other information**6.3 Related party transactions**

Related parties of Spark include the associates and joint venture companies listed in note 3.3 and key management personnel detailed below.

Interest of directors in certain transactions

A number of the Company's directors are also directors of other companies and any transactions undertaken with these entities have been entered into on an arm's length commercial basis.

Transactions with associate and joint venture companies

Spark has the following transactions with associates and joint ventures:

- Spark provides network operations and management services to Southern Cross in respect of its operations in New Zealand;
- Spark makes payments to Southern Cross in connection with capacity it has purchased on Southern Cross' network;
- Spark made payments to Southern Cross for operational expenditure relating to cable maintenance; and
- Spark made payments to Connect 8 Limited for fibre and telecommunications construction services.

Balances and amounts in respect of these transactions with associate and joint venture companies are set out in the table below:

AS AT AND FOR THE YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Operating revenues ¹	37	56
Operating expenses	9	8
Capacity acquired and other capital expenditure ²	29	18
Receivables	33	14
Payables	-	4

1 Includes dividend income from Southern Cross of \$15 million for the year ended 30 June 2019 (30 June 2018: \$50 million).

2 As at 30 June 2019 Spark has committed to purchases of \$33 million for cable capacity from Southern Cross (30 June 2018: \$46 million).

Key management personnel compensation

YEAR ENDED 30 JUNE	2019 \$'000	RESTATED 2018 \$'000
Directors' remuneration	1,342	1,280
Salary and other short-term benefits ¹	8,520	7,630
Long-term incentives and share-based compensation ²	2,191	2,168
	12,053	11,078

1 Includes short-term benefits paid on termination.

2 Includes \$1,941,000 share-based compensation and \$250,000 other long-term incentives (30 June 2018: \$2,135,000 share-based compensation and \$33,000 other long-term incentives).

The table above includes remuneration of the Managing Director and the other members of the Leadership Squad, including amounts paid to members of the Leadership Squad who left during the year ended 30 June or were in acting Leadership Squad positions. Like other Spark employees members of the Leadership Squad also receive product and service concessions. In addition, where members of the Leadership Squad are KiwiSaver members, they receive contributions towards their KiwiSaver schemes.

6.4 Subsidiaries

Subsidiaries are all entities over which Spark has control. The significant subsidiary companies of Spark and their activities are as follows:

NAME	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Computer Concepts Limited	New Zealand	100%	IT infrastructure and business cloud services
Digital Island Limited	New Zealand	100%	Business telecommunications provider
Gen-i Australia Pty Limited	Australia	100%	Provides outsourced telecommunications services
Lightbox New Zealand Limited	New Zealand	100%	Subscription video-on-demand service
Qrious Limited	New Zealand	100%	Big data analytics business
Revera Limited	New Zealand	100%	IT infrastructure and data centre provider
Spark Finance Limited	New Zealand	100%	A Group finance company
Spark New Zealand Trading Limited	New Zealand	100%	Provides local, national and international telephone and data services
Spark Retail Holdings Limited	New Zealand	100%	Retailer of telecommunications products and services
TCNZ (Bermuda) Limited	Bermuda	100%	A holding company
Teleco Insurance Limited	Bermuda	100%	A Group insurance company
Telecom New Zealand USA Limited	United States	100%	Provides international wholesale telecommunications services
Telecom Southern Cross Limited	New Zealand	100%	A holding company
Telegistics Limited	New Zealand	100%	Mobile phone repair and equipment distribution

The financial year end of all significant subsidiaries is 30 June.

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

YEAR ENDED 30 JUNE	2019 \$M	RESTATED 2018 \$M
Net earnings for the year	409	365
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	477	481
Bad and doubtful accounts	17	18
Deferred income tax	-	(3)
Share of associates' and joint ventures' net losses	1	3
Impairments	3	10
Other gains	(15)	(10)
Other	7	2
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(122)	(68)
Movement in inventories	(21)	16
Movement in current taxation	35	(23)
Movement in payables and related items	(14)	29
Net cash flows from operating activities	777	820

Notes to the financial statements: Other information**6.6 Commitments and contingencies****Capital and other commitments**

As at 30 June 2019 capital expenditure contracted for, but not yet incurred, was \$249 million (30 June 2018: \$210 million) with \$137 million due in the year ending 30 June 2020. Commitments principally relate to telecommunications network equipment, spectrum rights and cable capacity.

As at 30 June 2019 Spark had other supplier commitments of \$264 million (30 June 2018: \$184 million), with \$199 million due in the year ending 30 June 2020.

Contingencies

No ongoing claims, investigations and inquiries are expected to have a significant effect on Spark's financial position or profitability.

6.7 Additional information on impact of NZ IFRS 15 Revenue from contracts with customers

NZ IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers. The standard requires the apportionment of revenue earned from contracts to individual promises, or performance obligations, on a relative stand-alone selling price basis, based on a five-step model. The material changes on adoption of NZ IFRS 15 by Spark are summarised by revenue type below.

i) Mobile revenue

The majority of Spark's consumer pay-monthly mobile contracts are 'open term', however, some customers have contracts with fixed contract terms, such as 24 months. These contracts generally include device subsidies, which can be applied to the discounted purchase of a handset. Under the previous revenue standard, NZ IAS 18, Spark recognised revenue from arrangements with multiple elements in a manner that is similar to the requirements of NZ IFRS 15, based on previous industry guidance for the telecommunications sector available for these transactions. There has therefore not been a material acceleration of device revenue on adoption of NZ IFRS 15 and this may differ to other telecommunications companies. However, under NZ IFRS 15 revenue is allocated with reference to the stand-alone selling prices and the allocation of revenue to distinct goods or services (performance obligations) varies from the previous allocation, which was based on relative fair value.

Spark provides customers the ability to obtain devices on an 'interest-free' device repayment plan. The inherent financing component of this offer to customers was previously assessed using Spark's incremental borrowing rate, however, NZ IFRS 15 requires the use of an interest rate that would be used in a separate financing transaction between Spark and the customer that reflects their credit characteristics. The application of this rate to the sale of devices sold on repayment plans has resulted in a reduction in device revenue and an increase in interest income recognised over the repayment term.

NZ IFRS 15 provides updated guidance for determining whether an entity is a principal or agent when delivering goods or services to customers. This is applicable for mobile contracts where Spark provides customers the option to obtain free or discounted services that are provided by third parties, such as Spotify, within our mobile contracts. Spark has assessed that under NZ IFRS 15 we are an agent in relation to such services. Spark's previous accounting policy under NZ IAS 18 was to recognise the cost of these extras within operating expenses. However, under NZ IFRS 15 these extras are considered separate performance obligations and revenue is recognised, net of relevant costs, upon delivery to the customer. This has resulted in a reduction in reported operating revenue and operating expenses but no impact on net earnings.

There has been no material change to revenue recognition practices for mobile revenue from enterprise and government customers due to the implementation of NZ IFRS 15.

ii) Broadband revenue

As noted above for mobile revenue, Spark has previously recognised revenue under NZ IAS 18 from arrangements with multiple elements in a manner that is similar to the requirements of NZ IFRS 15. For broadband contracts this included the recognition of revenue on delivery of modems (excluding wireless broadband modems) provided free to new broadband customers, as they are distinct. Revenue was allocated to the modem and the broadband service based on their relative fair value, with the revenue for the broadband service recognised as that service is provided across its contract term. There has not been an acceleration of modem revenue on adoption of NZ IFRS 15 and this may differ to other telecommunications companies. However, as the revenue is now allocated to a customer's broadband contract with reference to the stand-alone selling prices of all performance obligations provided in the contract, the allocation of revenue between revenue types has changed.

Spark's broadband contracts may include offers such as account credits, periods of 'free' service and other incentives. Under NZ IAS 18 Spark previously accounted for such offers as a reduction in broadband service revenue over a customer's contract period. Under NZ IFRS 15 such incentives are generally included within the calculation of the total transaction price for the bundle of goods and services provided in a broadband contract. Revenue is then allocated to each performance obligation based on its relative stand-alone selling price and recognised either at a point in time or over time. This results in incentives generally being allocated to other performance obligations in a broadband contract, such as the modem.

Where Spark provides value-added services, such as Lightbox, as part of a mobile or broadband plan, revenue must be allocated to each component of that offer. Spark has calculated the revised allocation of revenue to each of these components, however, to be consistent with how the business is managed and performance assessed, we have elected to retain allocated revenue within the same product category in which revenues are currently reported. For example, revenue attributable to Lightbox as part of a bundled broadband offer continues to be reported within broadband revenue.

6.7 Additional information on impact of NZ IFRS 15 Revenue from contracts with customers (continued)

As with mobile contracts the updated NZ IFRS 15 guidance for determining whether an entity is a principal or agent is also relevant for Spark's broadband contracts. Broadband contracts can include options to obtain free or discounted services that are provided by third parties, such as Netflix. Spark's previous accounting policy under NZ IAS 18 was to recognise the cost of these extras within operating expenses over the contract term. However, under NZ IFRS 15 these extras are considered separate performance obligations and revenue is recognised, net of relevant costs, upon delivery to the customer. This results in a reduction in reported operating revenue and operating expenses but no impact on net earnings.

iii) Voice

Voice revenue includes revenue from customers with landline-only services, calling and video-conferencing services. Revenue from such contracts under NZ IFRS 15 is generally recognised in a pattern consistent with the previous requirements of NZ IAS 18 and no material changes have resulted from the adoption of NZ IFRS 15.

iv) Cloud, security and service management

Spark provides cloud, security and service management services primarily to large enterprises and government departments. For all contracts Spark determines if the arrangement with a customer creates enforceable rights and obligations. This assessment results in certain Master Service Agreements ('MSAs') signed with enterprise and government customers not meeting the definition of a contract under NZ IFRS 15 and as such the individual service agreements, linked to the MSA, are treated as individual contracts. Each contract may include multiple services, such as data centre services, infrastructure-as-a-service, software-as-a-service, secure connectivity services, data analytics services, IT sourcing and professional services for technology requirements and IT projects.

The contracts may incorporate services provided by third parties, which, based on the updated NZ IFRS 15 guidance for determining whether an entity is a principal or agent when delivering goods or services to customers, has resulted in Spark recognising net proceeds from such transactions. This results in a net reduction in reported operating revenue but no impact on net earnings.

Cloud services, which allow customers to use Spark's infrastructure and hosted software over the contract period without taking possession of the infrastructure or software, are provided on either a subscription or consumption basis. Revenue related to cloud services provided on a subscription basis is recognised rateably over the contract period. Revenue related to cloud services

provided on a consumption basis, such as the amount of storage used in a period, is recognised based on the customer utilisation of such resources. When cloud services require a significant level of integration and interdependency with software and the individual components are not considered distinct, all revenue is recognised over the period in which the cloud services are provided.

Cloud, security and service management contracts frequently include transition projects that do not deliver a distinct good or service to the customer and as such do not qualify as separate performance obligations. For the majority of these contracts the value to the customer is delivered over time, regardless of upfront transition activities. Operating revenue received for these projects, as well as costs incurred to fulfil such contracts, are currently deferred and recognised in revenue and operating expenses respectively over the life of the contract to the extent that they are recoverable. This treatment is consistent with the contract cost requirements of NZ IFRS 15 and there have therefore been no material changes in relation to their accounting treatment.

Some contracts may include the provision of a service, together with a device or other equipment, which meets the definition of an operating lease under NZ IFRS 16 *Leases*. Spark has early adopted NZ IFRS 16 at the same time as NZ IFRS 15 and further details of the impact are outlined in notes 1.1 and 1.4.

v) Procurement and partners

Procurement revenue relates to the procurement of hardware and software on behalf of customers and partner revenue relates to partner-provided IT services. NZ IFRS 15 provides updated guidance for determining whether an entity is a principal or agent when delivering goods or services to customers. Where an agency relationship is identified, the result is Spark recognising net proceeds from such transactions, decreasing operating revenue but with no impact on net earnings. No material changes have resulted from the adoption of the new revenue standard.

vi) Managed data and networks

Managed data and networks revenue includes revenue from the provision of data connectivity for businesses and proactive monitoring and managed services for customer networks. Revenue from such contracts was generally recognised in a pattern consistent with the requirements of NZ IFRS 15 and no material changes have resulted from the adoption of the new revenue standard.

vii) Other operating revenue

Other operating revenue includes revenue from subsidiary companies, such as Qrious, Lightbox and Morepork and other charges to customers. Revenue from such contracts was generally recognised in a pattern consistent with the requirements of NZ IFRS 15 and no material changes have resulted from the adoption of the new revenue standard.



Independent Auditor's Report

To the shareholders of Spark New Zealand Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Spark New Zealand Limited (the company) and its subsidiaries (the group) on pages 38 to 89:

- i. present fairly in all material respects the group's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to regulatory audit, other assurance-related services (such as trustee reporting) and compliance 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 auditor of the group. The firm has no other relationship with, or interest in, the group.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$26 million determined with reference to a benchmark of group earnings before income tax. We chose the benchmark because, in our view, this is a key measure of the group's performance.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

Revenue recognition

Refer to note 2.2 to the financial statements which discloses total revenues of \$3,533 million (2018 restated: \$3,533 million) including:

- Mobile \$1,271 million (2018 restated: \$1,237 million)
- Broadband \$685 million (2018 restated: \$665 million)
- Voice \$486 million (2018 restated: \$573 million)
- Cloud, security and service management \$400 million (2018 restated: \$370 million)

Revenue recognition is considered to be a key audit matter due to the complexity of the revenue recognition accounting standards as applied to the telecommunications industry.

For the year ended 30 June 2019 the group has adopted NZ IFRS 15 *Revenue from Contracts with Customers* using the full retrospective method with prior period comparatives being restated.

Refer to notes 1.1, 1.4 and 6.7 which outline the impact of the transition to NZ IFRS 15.

The adoption of this accounting standard involves key judgements and estimates, principally surrounding:

Revenue arrangements with multiple goods and/or services:

- assessing the length of the contractual term with customers that have a material impact on the timing of revenue and cost recognition;
- identifying the separate performance obligations of bundled arrangements and determining whether they are distinct;
- allocating the transaction price to the performance obligations in bundled arrangements; and

Our audit procedures included:

For the adoption of NZ IFRS 15 *Revenue from Contracts with Customers*:

- assessing the group's basis for the identification of performance obligations and comparing the performance obligations identified, on a sample basis, to the underlying contractual agreements;
- using our technical accounting specialists to review the conclusions reached by management;
- performing tests on the accuracy of transition adjustments arising from the adoption of NZ IFRS 15 on a sample basis; and
- evaluating the disclosures made in the group financial statements against the requirements in NZ IFRS 15 and NZ IAS 8 *Changes in accounting policies*.

For the adoption of NZ IFRS 15, we identified no errors with the identification of performance obligations, transition adjustments or disclosures.

For Mobile, Broadband and Voice products bundled into a single offer:

- reviewing a sample of customer contracts to understand each of the performance obligations in the bundled offering;
- challenging the group's assessment for each performance obligation about whether the customer can benefit from the product or service on its own or together with readily available resources;
- assessing the allocation of the transaction price to the performance obligations by comparing the stand-alone selling price assigned to observed market prices or estimated prices;



The key audit matter

- examining contracts to determine whether Spark is the principal or agent which will impact the reporting of revenue and costs on a gross or net basis.

Contractual arrangements for Cloud, Security and Service Management services offered, involving the design, build and offering of ongoing Information Technology solutions, including 'as a service' offerings:

- identifying the separate performance obligations of bundled transactions and whether those performance obligations are distinct;
- assessing whether the performance obligations are satisfied at a point in time or over time; and
- determining the quantum and timing of contract profit. The latter includes assessing the assumptions underpinning the individual project profitability forecasts over the life of the contract and the recoverability of contract specific assets.

How the matter was addressed in our audit

- examining the stages at which revenue for each performance obligation is recognised; and
- assessing the recognition and timing of costs to acquire and costs to fulfil customer contracts.

For the bundled offerings, we identified no errors with the assessment of each performance obligation in the bundled offerings and reasonable assumptions were used to reflect the stand-alone selling price allocated to each performance obligation.

For contractual arrangements for Cloud, Security and Service Management product offers:

- reviewing a sample of contracts to understand the services the group has contracted to deliver;
- agreeing revenue recognised to a sample of customer contracts and agreed customer contract variations;
- evaluating the timing of revenue recognition applied for each contract reviewed by discussing with and challenging of the project managers, reviewing project summary reports, customer correspondence and historical customer profitability analyses; and
- evaluating the status of implementation of each contract, through discussion with project managers and reviewing project summary reports.

For the Spark Cloud, Security and Service Management contracts, we consider the estimates of projected revenue and costs or the assessments of the stage of completion of the projects to be balanced.

We identified no errors with revenue recognition.

Impact of changes in technology and the group's network strategy on the carrying value of property, plant & equipment and intangible assets

Refer to notes 3.6 and 3.7 to the financial statements.

The group has property, plant & equipment and intangible assets of \$1,999 million (2018 restated: \$1,995 million) with additions during the year of \$406 million (2018 restated: \$397 million).

The capitalisation and carrying value of property, plant & equipment and intangible assets is considered to be a key audit matter due to the significance of the assets to the group's statement of financial position, and due to the level of judgement involved in determining the carrying value of these assets, principally:

Our audit procedures included:

- examining controls surrounding application of accounting policies to capitalise or expense project spend;
- assessing the capitalisation of costs incurred on capital projects, by examining a sample of additions to identify if the spend meets the definition of an asset as per the applicable accounting standards;
- assessing the allocated useful economic lives, by comparing to industry benchmarks and our knowledge of the business and its operations and the technology life-cycles anticipated;

The key audit matter

- the capitalisation or expensing of costs;
- the useful economic lives assigned to the assets capitalised;
- the impact of planned or unexpected replacement technology on the carrying value of property, plant & equipment and intangible assets; and
- accounting for software as a service contracts.

How the matter was addressed in our audit

- assessing the need for accelerated depreciation or impairment of assets, by considering the impact of developments in technology and changes to the group's technology transformation strategy; and
- reviewing a sample of software as a service contracts to determine whether the licensing and delivery model provided by the contracts have been expensed or capitalised as appropriate depending on the terms of each contract.

We found no issues as a result of our audit procedures over the amounts capitalised to property, plant & equipment and intangible assets.

We found asset useful lives used by the group were within an acceptable range when compared to those commonly used in the industry, and appropriately reflected technological developments within the group's intended capital roadmap. We considered the impact of developments in technology and changes to the group's technology transformation strategy on useful lives and carrying value and considered the carrying value to be appropriate.



Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chair and CEO review, Purpose and strategy, Our performance, other content and Other Information which includes disclosures relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

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



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Gates.

For and on behalf of

KPMG
Wellington

21 August 2019

Corporate governance disclosures

Stock exchange listings

Spark's ordinary shares are listed on the NZX and ASX. Spark is admitted to the Official List of ASX as a foreign exempt issuer. As an NZX listed issuer and ASX foreign exempt issuer, Spark complies with NZX Listing Rules and applicable ASX Listing Rules.

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.

Spark Finance Limited, a wholly owned subsidiary of Spark New Zealand Limited, has debt securities listed on the NZX and LuxSE. Details of debt securities issued by Spark Finance Limited can be found in Spark Finance Limited's reports at: <http://investors.sparknz.co.nz/Investor-Centre>.

Director remuneration

The total remuneration available to non-executive directors is fixed by shareholders. The current annual remuneration limit is \$1,630,000 following an increase of \$130,000 approved at the annual meeting held in November 2017.

The fees payable to non-executive directors during FY19 were:

BOARD/COMMITTEE	CHAIR ¹	MEMBER ²
Board of Directors	\$362,500	\$142,800
Audit and Risk Management Committee (ARMC)	\$38,400	\$18,700
Human Resources and Compensation Committee (HRCC)	\$32,900	\$16,500
Nominations and Corporate Governance Committee (NOMs)	-	-

¹ Committee Chair and member fees were not payable to the Chair of the Board. Committee member fees were not payable to committee Chairs.

² Member fees were payable for each committee.

From 1 July 2019 the non-executive directors' fees increased by 1.7% (rounded to the nearest \$100), to be paid out of the current shareholder-approved annual remuneration limit of \$1,630,000.

This increase approximates the average annual CPI increase seen over the last four quarters and is expected to broadly maintain the market positioning outlined in the independent Ernst & Young benchmarking report that was distributed alongside the 2017 Notice of Annual Meeting.

Committee membership as at 30 June 2019 was as follows:

HUMAN RESOURCES AND COMPENSATION COMMITTEE	AUDIT AND RISK MANAGEMENT COMMITTEE	NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE
Alison Barrass (Chair)	Charles Sitch (Chair)	Justine Smyth (Chair)
Ido Leffler	Paul Berriman	Alison Barrass
Justine Smyth	Pip Greenwood	Paul Berriman
	Justine Smyth (ex officio)	Pip Greenwood
		Ido Leffler
		Charles Sitch

The total remuneration received by non-executive directors of Spark during FY19 was as follows:¹

NAME OF DIRECTOR	BOARD FEES	AUDIT & RISK MANAGEMENT COMMITTEE FEES	NOMINATION & CORPORATE GOVERNANCE COMMITTEE FEES	HUMAN RESOURCES AND COMPENSATION COMMITTEE FEES	TOTAL ² REMUNERATION
Justine Smyth	\$362,500	-	-	-	\$362,500
Alison Barrass	\$142,800	-	-	\$32,900	\$175,700
Paul Berriman	\$142,800	\$18,700	-	-	\$161,500
Alison Gerry ³	\$123,969	\$33,336	-	-	\$157,305
Pip Greenwood	\$142,800	\$18,700	-	-	\$161,500
Ido Leffler	\$142,800	-	-	\$16,500	\$159,300
Charles Sitch	\$142,800	\$21,298 ⁴	-	-	\$164,098
Total	\$1,200,469	\$92,034	-	\$49,400	\$1,341,903

1 The figures shown are gross amounts and exclude GST (where applicable) and are rounded to the nearest dollar.

2 This table excludes contributions towards medical and life insurance of a total of \$6,223 for all non-executive directors. Spark meets costs incurred by directors that are incidental to the performance of their duties. This includes providing New Zealand-based directors with mobile phones and a \$120 per month home phone account credit and overseas-based directors with a \$400 per month telephone allowance. Spark also meets the costs of directors' Spark-related travel. As these costs are incurred by Spark to enable directors to perform their duties, no value is attributable to them as benefits to directors for the purposes of the above table.

3 Ms Gerry ceased to be a director on 13 May 2019.

4 Mr Sitch received fees as a member of the ARMC from 1 July 2018 to 13 May 2019 and Chair of the ARMC from 14 May 2019.

Former Managing Director remuneration

The total remuneration earned by, or paid to, the Managing Director, Simon Moutter, for FY19 is as follows:

PERIOD	BASE SALARY ¹	SHORT-TERM INCENTIVE ²	EQUITY INCENTIVE ³	LONG-TERM INCENTIVE ⁴
FY19 actual remuneration	NZ\$1,417,500	NZ\$974,925	NZ\$779,940	NZ\$1,000,000 in the form of 168,907 restricted shares

1 Base salary includes employer contributions towards KiwiSaver and is not at risk. Mr Moutter did not receive any directors' fees.

2 FY19 actual STI was earned in FY19 and will be paid in FY20, as further described in Managing Director STI scheme on page 35 of this report. The gross amount earned in FY18 and paid in FY19 was \$779,625.

3 FY19 actual equity incentive was earned in FY19 and will be awarded in FY20 in the form of redeemable ordinary shares that will reclassify as ordinary shares in September 2021, as further described in Managing Director PES on page 35 of this report. The gross amount earned in FY18 and awarded in FY19 was \$623,700.

4 FY19 actual long-term incentive was granted in FY19 and, subject to specific performance hurdles, will vest in September 2021, as further described in Managing Director LTI on pages 35 and 36 of this report.

The following Managing Director long-term incentives vested in FY19:

GRANT YEAR	SECURITIES	PERFORMANCE PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES TRANSFERRED	VALUE TRANSFERRED ¹
FY16	Restricted Shares	September 2015 - September 2018	Absolute TSR, hurdle - Spark's annual cost of equity + 1% compounding	100% - 3-year TSR result was 57% compared with a 37% target	203,111	NZ\$814,475
Total						NZ\$814,475

1 Represents the NZX listed price of Spark shares on the exercise/transfer date multiplied by the number of shares transferred.

Additionally, Mr Moutter's FY16 Equity Incentive (essentially a deferred STI) vested on 19 September 2018, as the service condition was satisfied. Accordingly, 98,946 redeemable ordinary shares converted to ordinary shares.

Current CEO remuneration

The total anticipated target remuneration expected to be earned or paid in FY20 to the CEO, Jolie Hodson is as follows:

PERIOD	BASE SALARY ¹	SHORT-TERM INCENTIVE ²	LONG-TERM INCENTIVE ³
FY20 anticipated target remuneration	NZ\$1,200,000	NZ\$900,000	NZ\$900,000 in the form of share options

1 Base salary excludes employer contributions towards KiwiSaver and is not at risk.

2 FY20 anticipated target STI Scheme will be earned in FY20 and paid in FY21.

3 FY20 anticipated target LTI Scheme will be granted in FY20 and, subject to performance hurdles, will vest in September 2022.

The CEO is expected to acquire and hold shares that are at least equivalent in value to 25% of the CEO's base salary but ideally would increase this shareholding to 100% of base salary subject to the vesting of shares under any Long-Term Incentive schemes. To fulfil this expectation shares are to be acquired within a four-year period from 1 July 2019.

Other directors' fees

Mr Richard Quince received a director's fee of NZ\$10,000 (excluding GST) for acting as a director of Teleco Insurance (NZ) Limited.

Estera Services (Bermuda) Limited received directors' fees of US\$2,805 in relation to Ms Alison Dyer-Fagundo acting as a director of TCNZ (Bermuda) Limited and US\$2,805 in relation to Ms Alison Dyer-Fagundo acting as a director of Teleco Insurance Limited. These directors' fees increased to US\$2,900 effective 1 January 2019.

Employee remuneration

The table below shows the number of employees and former employees, not being directors of Spark, who, in their capacity as employees, received remuneration and other benefits during FY19 totalling NZ\$100,000 or more.¹

RANGE	CURRENT	FORMER	TOTAL	RANGE	CURRENT	FORMER	TOTAL
\$100,000 - \$110,000	349	23	372	\$330,001 - \$340,000	2	2	4
\$110,001 - \$120,000	343	20	363	\$340,001 - \$350,000	2	2	4
\$120,001 - \$130,000	252	24	276	\$350,001 - \$360,000	3	0	3
\$130,001 - \$140,000	202	9	211	\$360,001 - \$370,000	4	0	4
\$140,001 - \$150,000	150	19	169	\$370,001 - \$380,000	3	1	4
\$150,001 - \$160,000	114	9	123	\$380,001 - \$390,000	1	0	1
\$160,001 - \$170,000	64	6	70	\$390,001 - \$400,000	1	0	1
\$170,001 - \$180,000	54	9	63	\$400,001 - \$410,000	2	0	2
\$180,001 - \$190,000	37	4	41	\$410,001 - \$420,000	1	0	1
\$190,001 - \$200,000	22	3	25	\$420,001 - \$430,000	1	0	1
\$200,001 - \$210,000	30	5	35	\$430,001 - \$440,000	1	0	1
\$210,001 - \$220,000	19	1	20	\$450,001 - \$460,000	2	0	2
\$220,001 - \$230,000	17	6	23	\$460,001 - \$470,000	1	0	1
\$230,001 - \$240,000	19	3	22	\$500,001 - \$510,000	1	0	1
\$240,001 - \$250,000	11	2	13	\$540,001 - \$550,000	1	1	2
\$250,001 - \$260,000	11	2	13	\$590,001 - \$600,000	0	1	1
\$260,001 - \$270,000	12	2	14	\$630,001 - \$640,000	1	0	1
\$270,001 - \$280,000	15	4	19	\$780,001 - \$790,000	1	0	1
\$280,001 - \$290,000	10	1	11	\$910,001 - \$920,000	1	0	1
\$290,001 - \$300,000	3	0	3	\$930,001 - \$940,000	1	0	1
\$300,001 - \$310,000	6	0	6	\$1,100,001 - \$1,110,000	0	1	1
\$310,001 - \$320,000	4	1	5	\$1,160,001 - \$1,170,000	1	0	1
\$320,001 - \$330,000	3	0	3	\$1,240,001 - \$1,250,000	1	0	1
Total					1,779	161	1,940

1. The table includes base salaries, short-term incentives and vested long-term incentives. The table does not include: amounts paid after 30 June 2019 relating to FY19; long-term incentives that have been granted and have yet to vest (based on grant values, the total value of which was \$10 million as at 30 June 2019); product and service concessions received by employees; contributions paid towards health and other insurances; contributions paid to the Government Superannuation Fund (a legacy benefit provided to a small number of employees); and, if the individual is a KiwiSaver member, contributions of 3% of gross earnings towards that individual's KiwiSaver scheme.

Ratio of female to male pay

Spark reports on pay ratio by comparing female and male in like-for-like roles. These can be broken down into four distinct categories:

1. Leadership;
2. People assessed on Contribution Models, as described on page 21 of this annual report;
3. Customer Channels: People primarily assessed on the Accreditation Model, as described on page 21 of this annual report, employed within our Contact Centres and Retail Operations; and
4. Subsidiaries and other.

The following table sets out the ratio of female to male pay as at 30 June 2019.

CATEGORY	NUMBER OF EMPLOYEES IN CATEGORY	PAY RATIO ¹
Leadership	61	-2.6%
Contribution Models	3,008	-1.7%
Customer Channels	1,344	-3.3%
Subsidiaries and other	964	-10.9%
	5,377	

¹ Pay Ratio = (Average female salary - average male salary) divided by average male salary.

Sparks overall pay ratio of average female to average male pay for all 5,377 employees is -18%. A major contributor to this differential is the make-up of New Zealand's technology sector having a significantly higher proportion of males compared to females. Spark has sought to reduce this ratio over time with initiatives such as Women in Technology scholarships and partnering with external technology educators, designed to proactively build a New Zealand-wide pipeline of female technology qualified employees.

Demographics of our workforce

The following table sets out the demographics at different levels of Spark's workforce as at 30 June 2019.¹

	GENDER								AGE					
	FEMALE				MALE				UNDER 30 YEARS OLD		30 - 50 YEARS OLD		OVER 50 YEARS OLD	
	2019 NO.	2019 %	2018 NO.	2018 %	2019 NO.	2019 %	2018 NO.	2018 %	NO.	%	NO.	%	NO.	%
Directors ²	3	43%	4	50%	4	57%	4	50%	0	0%	1	14%	6	86%
Leadership Squad ³	3	43%	2	33%	4	57%	4	67%	0	0%	6	86%	1	14%
Other leadership roles ⁴	18	35%	16	23%	33	65%	54	77%	0	0%	41	80%	10	20%
Overall workforce	1,917	36%	2,157	39%	3,467	64%	3,354	61%	1,224	23%	3,083	57%	1,077	20%

¹ The table includes details of permanent and fixed-term employees of Spark and its directors.

² Ms Gerry ceased to be a director on 13 May 2019.

³ Excludes the Managing Director as he is already included as a director in the figures above. The Leadership Squad is considered 'senior managers' for the purposes of the Financial Markets Conduct Act 2013 and 'senior executives' for the purposes of the ASX Corporate Governance Council's Principles and Recommendations.

⁴ Substantive roles that report directly to members of the Leadership Squad (including the Managing Director).

Starters

The following table sets out new permanent employees who commenced employment with Spark during FY19.

	GENDER		AGE		
	FEMALE	MALE	UNDER 30	30 - 50	50+
Total	419	677	506	534	56
Percentage	38%	62%	46%	49%	5%

Leavers

The following table sets out exiting permanent employees who left employment with Spark during FY19.

	GENDER		AGE		
	FEMALE	MALE	UNDER 30	30 - 50	50+
Total	531	733	421	665	178
Percentage	42%	58%	33%	53%	14%

Parental Leave

Spark provides a parental leave policy for eligible employees, regardless of gender, sexuality, age or whether the employee is giving birth or adopting a child. If an employee has been employed by Spark for a minimum of 12 months then Spark will top up the Government's parental leave payments so the employee receives 80% of their salary for up to 22 weeks. As a guaranteed minimum to the policy Spark ensures that the total amount someone receives, less any Government paid primary carer's payments, will not be less than the equivalent of six weeks of ordinary salary.

Eligibility for parental leave is in accordance with Government legislation.

	FEMALE	MALE ¹
Employees that took parental leave during FY19	83	2
Employees that returned to work during FY19 after taking parental leave	76	2
Employees that reached 12 months of continued service during FY19 after returning to work from parental leave	51	2
Return to work rate ²	90%	100%
Retention rate ³	66%	67%

1 Males that took less than 30 days leave have been excluded.

2 Return to work rate = Total number of employees who did return to work during FY19 after parental leave divided by the total number of employees due to return to work during FY19 after taking parental leave.

3 Retention rate = Total number of employees retained 12 months after returning to work during FY19 following a period of parental leave divided by the total number of employees returning from parental leave in FY18.

Benefits provided to full-time employees that are not provided to temporary or part-time employees

The following table sets out benefits provided to full-time employees during FY19 that are not provided to temporary or part time employees¹.

	FULL-TIME PERMANENT EMPLOYEES	PART-TIME PERMANENT EMPLOYEES	FIXED-TERM/CASUAL EMPLOYEES
Parental leave	Yes	Yes	Yes ²
Insurance cover:			
• Medical	Yes	Yes ³	No
• Life & Terminal Illness			
• Income Protection			
• Trauma			
Spark account credit⁴	Yes	Yes	No
Ability to participate in Spark Share⁵	Yes	Yes	No
Volunteer Day⁶	Yes	Yes	No
Spark Give⁷	Yes	Yes	No ⁸
Eligibility to join Marram⁹	Yes	Yes	No
Eligible for purchased leave¹⁰	Yes	Yes	No

1 Excludes benefits offered to some subsidiaries that differ from Spark's overall benefits suite.

2 Eligibility for parental leave is in accordance with Government legislation.

3 Employees must work at least 15 hours a week to be eligible.

4 Employees with a Spark account will receive a monthly credit of \$120 that can be used towards any Spark products or services.

5 Spark's employee share purchase scheme.

6 The opportunity for Spark employees to take a day of paid volunteer leave.

7 If an employee donates to a charity or to a school directly from their pay then Spark will match the amount dollar-for-dollar, up to a \$500 annual matching cap.

8 Casual employees are ineligible.

9 Marram Trust offers access to accommodation across New Zealand for discounted rates, as well as providing a basic level of healthcare cover.

10 The ability to purchase one additional week of annual leave via a deduction of base salary.

Board and committee meeting attendance for FY19

The Board held eight formal meetings and two special meetings during FY19. The table below shows director attendance at these Board meetings and committee member attendance at committee meetings. Sub-committees of the Board also met regularly throughout the year to consider matters of special importance.

	BOARD	SPECIAL BOARD MEETING	ARMC	HRCC	NOMS
Total number of meetings held	8	2	5	6	4
Alison Barrass	8	2	-	6	4
Paul Berriman	8	2	5	-	4
Alison Gerry ¹	6	2	4		2
Pip Greenwood	8	2	5	-	4
Ido Leffler	8	2	-	4	4
Simon Moutter	8	0	-	-	-
Charles Sitch	8	2	5	-	4
Justine Smyth	8	2	5 ²	6	4

1 Ms Gerry ceased to be a director on 13 May 2019.

2 Ms Smyth attended ARMC meetings in an ex officio capacity.

Director independence and interests

The Board has determined, based on information provided by directors regarding their interests, that at 30 June 2019 Ms Barrass, Mr Berriman, Ms Greenwood, Mr Leffler, Mr Sitch and Ms Smyth were independent. The criteria for determining director independence and conflict of interest may be found in the Board Charter at: <https://www.sparknz.co.nz/about/governance>.

Directors made the following entries in the Interests Register for FY19:

- Directors disclosed, pursuant to section 140 of the Companies Act 1993, interests in the following entities during FY19:

DIRECTOR	ENTITY	RELATIONSHIP
Alison Barrass	Gough Group	Ceased to be a director
	Tom & Luke Holdings Limited	Director and Chair
	Methven Limited	Ceased to be a director
	GWA Group Limited	Director
	Rockit Irongate Limited	Director
Pip Greenwood	Russell McVeagh	Ceased to be Interim CEO and ceased to be Partner
	Westpac New Zealand Limited	Director
	The a2 Milk Company Limited	Director
Ido Leffler	Beach House Group	Ceased to be Chair but remains a director
Charles Sitch	Melbourne Cricket Club	Ceased to be a committee member
	Apiam Animal Health Limited	Ceased to be a Board member

- Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interests in Spark shares during FY19:

NAME	DATE	NATURE OF TRANSACTION	CONSIDERATION	NUMBER OF SHARES
Simon Moutter	2 August 2018	Transfer of ordinary shares to be held in custody for the MJ Taylor Family Trust	Nil	4,169
	24, 27 & 28 August 2018	Sale of ordinary shares	\$579,085.35	150,000
	19 September 2018	Grant of restricted ordinary shares	Services to Spark	168,907
	19 September 2018	Reclassification of redeemable ordinary shares to ordinary shares	Services to Spark	98,946
	19 September 2018	Grant of redeemable ordinary shares	Services to Spark	99,058
	26 September 2018	Unrestricting of restricted ordinary shares	Services to Spark	203,111

- Directors disclosed, for the purposes of section 162 of the Companies Act 1993, insurance effected for Spark's directors and senior managers for the 12-month period from 1 June 2019 and deeds of indemnity provided to all directors and specified senior managers of Spark.

Shareholdings

As at 30 June 2019 there were 1,836,191,581 Spark ordinary shares on issue, each conferring to the registered holder the right to one vote on a poll at a meeting of shareholders on any resolution, held as follows:

SIZE OF HOLDING	NUMBER OF HOLDERS ¹	%	NUMBER OF SHARES	%
1-1,000	12,336	30.82	6,428,571	0.35
1,001-5,000	16,925	42.28	44,075,476	2.40
5,001-10,000	5,837	14.58	43,245,664	2.36
10,001-100,000	4,730	11.82	108,659,743	5.91
100,001 and over	200	0.50	1,633,782,127	88.98
Total	40,028	100.00	1,836,191,581	100.00

¹ Includes 1,755,862 shares on issue held by Spark Trustee Limited on behalf of 40 holders for the Spark Long-Term Incentive Plan (as further described in note 6.2 of the financial statements). There are 603,987 shares on issue held by Spark Trustee Limited on behalf of 845 holders for Spark Share.

As at 30 June 2019 there were 191,016 redeemable ordinary shares on issue held by the Managing Director. Redeemable ordinary shares and shares held under Spark Share have the same voting rights as ordinary shares (but are subject to restrictions regarding disposal). Restricted ordinary shares are issued to Spark employees as part of Spark's LTI schemes. Further information on these schemes is contained in note 6.2 of the financial statements and from page 34 of this report.

The 20 largest registered holders of Spark shares at 30 June 2019 were:

NAME ¹	NUMBER OF SHARES	%
1. HSBC Nominees (New Zealand) Limited ²	423,200,417	23.05
2. HSBC Nominees (New Zealand) Limited ²	251,763,912	13.71
3. JP Morgan Chase Bank	198,461,222	10.81
4. Citibank Nominees (NZ) Limited	135,917,503	7.40
5. HSBC Custody Nominees (Australia) Limited	63,074,918	3.44
6. Accident Compensation Corporation	52,187,589	2.84
7. National Nominees New Zealand Limited	49,821,983	2.71
8. Cogent Nominees Limited	42,966,996	2.34
9. New Zealand Superannuation Fund Nominees Limited	36,756,762	2.00
10. Tea Custodians Limited	32,907,556	1.79
11. Citicorp Nominees Pty Limited	27,896,242	1.52
12. BNP Paribas Nominees NZ Limited ³	25,699,680	1.40
13. FNZ Custodians Limited	23,924,880	1.30
14. National Nominees Limited	21,875,661	1.19
15. BNP Paribas Nominees NZ Limited ³	21,423,484	1.17
16. JP Morgan Nominees Australia Pty Limited	21,113,348	1.15
17. Premier Nominees Limited	20,799,604	1.13
18. JB Were (NZ) Nominees Limited	13,477,847	0.73
19. New Zealand Depository Nominee Limited	11,726,670	0.64
20. Cogent Nominees (NZ) Limited	11,487,294	0.63

¹ The shareholding of New Zealand Central Securities Depository Limited (custodian for members trading through NZClear) has been reallocated to the applicable members.

² Has a different holder identification number to the other HSBC Nominees (New Zealand) Limited entry.

³ Has a different holder identification number to the other BNP Paribas Nominees NZ Limited entry.

According to substantial holder notices, as at 30 June 2019 the substantial holders in Spark were as follows:

NAME	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES ON ISSUE ¹
Blackrock Investment Management (Australia) Limited	137,946,771	7.51
The Vanguard Group, Inc	95,668,054	5.21

¹ Based on issued share capital of 1,836,191,581 as at 30 June 2019.

As at 30 June 2019 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Spark shares as follows:

NAME	RELEVANT INTEREST IN SPARK SHARES AT 30 JUNE 2019	
	NUMBER	% ¹
Alison Barrass	37,200	0.002
Paul Berriman	20,000	0.0011
Pip Greenwood	-	-
Ido Leffler	10,000	0.0005
Simon Moutter	2,541,119 ²	0.1384
Charles Sitch	13,934	0.0008
Justine Smyth	350,201 ³	0.0191

¹ Each percentage stated has been rounded to the nearest 1/1,000th of a percent.

² Includes 1,827,395 ordinary shares, 191,016 redeemable ordinary shares, 518,539 restricted ordinary shares and 4,169 ordinary shares held in custody for the M J Taylor Family Trust.

³ Relevant interest in beneficial ownership of 350,201 ordinary shares held by Miksha Trust.

All non-executive directors are expected to hold Spark shares. Subject to personal circumstances (that should be discussed with the Chair or, in the case of personal circumstances of the Chair, with the Chair of the ARMC, as appropriate), there is an expectation that each non-executive director will purchase and hold an amount of shares that are at least equivalent in value to the non-executive director base member fee as at the date of their appointment or, in the case of directors appointed before 1 July 2017, as at 1 July 2017. Shares are to be purchased within a three-year period from the date of appointment or, in the case of directors appointed before 1 July 2017, within a three-year period from that date. To assess whether this expectation has been met the aggregate purchase price for all shares acquired, less the aggregate sale price for all shares disposed (if any), is used to calculate value.

Subsidiary company directors

The following people held office as directors of subsidiary companies at 30 June 2019. Alternate directors are indicated with an (A).

SUBSIDIARY COMPANY	PRINCIPAL ACTIVITY	CURRENT DIRECTORS	DIRECTORS WHO RETIRED DURING THE YEAR
Computer Concepts Limited	IT infrastructure and Cloud services	M Anastasiou, D Chalmers, J Hodson	
Digilife New Zealand Limited	Home security	D Werder, M Stribling	
Digital Island Limited	Business telecommunications provider	D Chalmers, J Hodson	
Gen-i Australia Pty Limited	Provides outsourced telecommunications services	F Evett, I Hopkins	
Gen-i Limited	Holding company	J Hodson, S Knight	M Anastasiou
Lightbox New Zealand Limited	Subscription video-on-demand service	D Chalmers, M Bain	G McBeath
Qrious Limited	Big data analytics business	D Chalmers, N Morris	
Revera Limited	IT infrastructure and data centre provider	M Anastasiou, D Chalmers, J Hodson	
Spark Finance Limited	Group finance company	M Anastasiou, D Chalmers, M Sheppard, D Werder	
Spark New Zealand Cables Limited	Investment company	M Sheppard, C Fraser	
Spark New Zealand LS Limited	Lightbox Sport limited partnership	D Chalmers, J Hodson	
Spark New Zealand Trading Limited	Provides local, national and international telephone and data services	M Anastasiou, D Chalmers, J Hodson	C Barber, M Beder
Spark Retail Holdings Limited	Retailer of telecommunications products and services	M Anastasiou, D Chalmers	
Spark Trustee Limited	Trustee company	M Anastasiou, D Chalmers	
TCNZ Australia Investments Pty Limited	Australian operations	F Evett, I Hopkins	
TCNZ (Bermuda) Limited	Holding company	D Havercroft, A Dyer-Fagundo, J Wesley-Smith, A Pirie (A), M Stribling (A)	
TCNZ Financial Services Limited	Investment company	M Anastasiou, F Evett	
TCNZ (United Kingdom) Securities Limited	Holding/Investment company	F Evett, M Palmer, J Reader	
Teleco Insurance Limited	Group insurance company	M Beder, A Dyer-Fagundo, D Werder, M Anastasiou (A), F Evett (A)	
Teleco Insurance (NZ) Limited	Mobile phone insurance	D Werder, R Quince	
Telecom Capacity Limited	Holding company	D Chalmers, J Wong	
Telecom Enterprises Limited	Investment company	M Anastasiou, D Chalmers	
Telecom New Zealand (UK) Enterprises Limited	Holding/investment company	F Evett, M Sheppard	
Telecom New Zealand USA Limited	Provides international wholesale telecommunications services	D Werder, J Wong	M Laing
Telecom Pacific Limited	Holding company	M Anastasiou, M Sheppard	
Telecom Southern Cross Limited	Holding company	M Anastasiou, D Chalmers	
Telecom Wellington Investments Limited	Investment company	M Anastasiou, F Evett	
Telegistics Limited	Mobile phone repair and equipment distribution	R Singh, D Reeve, C Fletcher, R Adams	R Morris, S Titherington

External initiatives and membership of associations

External initiatives Spark subscribes to or endorses

- Spark became a founding member of the Climate Leaders Coalition (CLC) in July 2018. CLC is a group of CEOs who collectively have committed to taking voluntary action on climate change by measuring and publicly reporting on their emissions and setting an absolute target for reducing emissions in line with the Paris Agreement.
- Spark has committed to a government-accredited voluntary Product Stewardship scheme for mobile phones, which is actioned by the Re:Mobile initiative (see page 23 of this Report).

Spark was an active member of the following associations in FY19:

New Zealand Internet Task Force

International Telecommunication Union (Radiocommunication Sector membership)

NZ Tech (including Internet of Things Alliance and AI Industry Forum)

Business NZ

Sustainable Business Council

Aotearoa Circle

Global Women

Telecommunications Forum

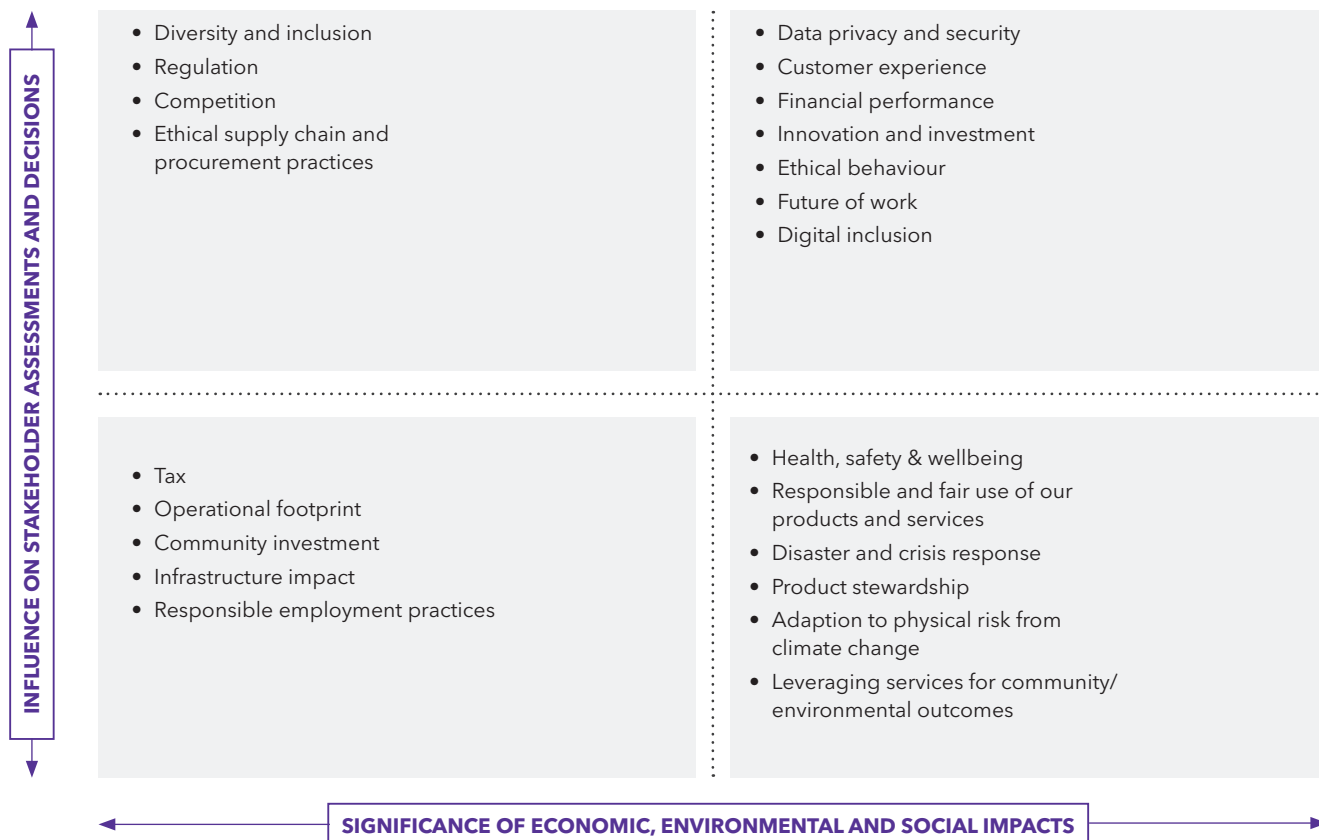
GSM Association (GSMA)

Managing risk framework roles and responsibilities

ACTIVITY PERFORMED	BOARD & ARMC	LEADER-SHIP SQUAD	RISK	LEGAL (DIGITAL TRUST)	ORG UNIT LEADS	CENTRE OF EXCELLENCE LEADS	POLICY OWNERS	ALL SPARK PEOPLE
Approves the Managing Risk Policy	✓							
Monitors the managing risk framework	✓							
Reviews principal risk dashboard (quarterly)	✓							
Performs other items from its charter	✓							
Prepares strategy and annual plan		✓						
QBR process and next 90-day priorities		✓						
Coaches and guides Leads		✓						
Owner for principal risks		✓						
Designs and continuously improves the managing risk framework			✓					
Helps the business apply the framework			✓					
Profiles the principal and next 90-day risks for LS and ARMC			✓					
Helps Leads to capture their risks for the QBR Memo			✓					
Executes Internal Audit plan (objective assurance)			✓					
Designs and continuously improves the empowerment framework				✓				
Creates empowerment & and functional guidance kits				✓				
Oversees essential policies and webpage				✓				
Creates and delivers training modules				✓				
Use the Empowerment and Managing Risk Frameworks					✓			
Understand and adhere with the essential policies					✓			
Maintain view of risks for OKRs and fill in QBR Memo					✓			
Provide input into principal risk process					✓			
Escalate risks to LS or Risk Team (if required)					✓			
Review risk sections in QBR packs across Spark						✓		
Maintain view of risks for their OKRs and fill in QBR						✓		
Support Leads to manage identified risks						✓		
Provide input into principal risks						✓		
Maintain policy and guidance material							✓	
Complete assessments of effectiveness							✓	
Participate in policy owner working groups							✓	
Follow this framework and the essential policies								✓
Make informed decisions after assessing the benefits and risks								✓

Materiality assessment

To prioritise Spark's reporting on sustainability topics we have followed GRI's materiality principle, set out in GRI 101 to identify and prioritise topics which substantively influence the assessments and decisions of stakeholders or have a significant environmental, social or economic impact. Our assessment of material topics included an analysis of stakeholder feedback, a review of industry peers, external expert opinion and Spark's view of topics meeting the GRI materiality principle criteria. Our identification and assessment of material topics is presented in the matrix below.



Stakeholder engagement

Over the year Spark has engaged with a broad range of stakeholders, as detailed in the table below. We also engaged with some stakeholders specifically for the purposes of seeking feedback on this report. In selecting the stakeholders we engaged with, we are guided by the definition set out in GRI 101: “entities or individuals that can reasonably be expected to be significantly affected by the organisation’s activities, products, or services; or whose actions can reasonably be expected to affect the ability of the organisation to implement its strategies or achieve its objectives”.

STAKEHOLDER GROUP	HOW WE ENGAGED
Spark employees	Regular engagement through eNPS (employee net promoter score) methodology. Comprehensive programme of internal communication and engagement from Leadership Squad (through roadshows and online channels). Engagement with cross-section of employees in the preparation of this report.
Shareholders	Regular engagement with investors, including: <ul style="list-style-type: none"> • Semi-annual earnings announcements, together with semi-annual post result investor briefings; • Semi-annual shareholder newsletters; • The Annual meeting, which allows shareholders a chance to ask questions directly of the Spark Board – either in person, on the phone or via an online channel; • Regular offshore investor road shows; and • Periodic investor strategy briefings. We engaged with two large, institutional investors and two sell-side analysts during the preparation of this report to ask for specific feedback on their requirements.
Suppliers	We have ongoing conversations with our suppliers – both informal and formal.
Customers	We seek regular feedback from customers on their experiences with us and their views of Spark as a business through our Net Promoter Score methodology and through our Voice of the Customer programme.
Media	Spark responds to hundreds of media enquiries every year and runs a proactive programme of engagement with key members of New Zealand’s media.
Local communities	Spark engages with local communities affected by our activities, in particular where we are building new network infrastructure.
Community partners	Spark Foundation seeks feedback and input from our community partners on an ongoing basis, including specific feedback as part of our preparation of this report.
Industry organisations	Spark engages with a number of industry organisations, representing the technology community and telecommunications users. We sought specific feedback from industry leaders in the process of preparing this report.

Global Reporting Initiative (GRI) content index

Note: CGS refers to Spark's Annual Corporate Governance Statement, which may be found here <https://www.sparknz.co.nz/about/governance>.

Disclosure	Summary	Page number and/or URL	Omissions and explanations
GRI 102: General disclosures 2016			
102-1	Name of the organisation	44	
102-2	Activities, brands, products and services	14-19, 104	
102-3	Location of headquarters	44	
102-4	Location of operations	87	
102-5	Ownership and legal form	44	
102-6	Markets served	6-9, 14-17	
102-7	Scale of the organisation	4, 12-13, 41, 102-103	Please also see FY19 Detailed Disclosures and FY19 Results Summary documents, at http://investors.sparknz.co.nz/Investor-Centre/
102-8	Information on employees and other workers	98	Spark uses specialist resources and providers to perform some IT services and call centre activities.
102-9	Supply chain	33	
102-10	Significant changes to the organisation and its supply chain		There were no significant changes in FY19.
102-11	Precautionary principle or approach	32	
102-12	External initiatives	105	
102-13	Membership of associations	105	
102-14	Statement from senior decision-maker	6-9	
102-16	Values, principles, standards and norms of behaviour	10, 15, 20-21, 33, CGS Principle 1	
102-18	Governance structure	28-29, 32, CGS Principles 2, 3 and 4	
102-40	List of stakeholder groups	108	
102-41	Collective bargaining statements		In FY19 less than 1% of Spark employees were covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	108	
102-43	Approach to stakeholder engagement	108	
102-44	Key topics and concerns raised	108	
102-45	Entities included in the consolidated financial statements	44, 104	
102-46	Defining report content and topic boundaries	11, 107, 108	
102-47	List of material topics	11, 107	
102-48	Restatements of information	44-45, 47-51	
102-49	Changes in reporting		There were no changes in reporting as FY19 was the first year Spark used GRI standards.
102-50	Reporting period		This report covers the period 1 July 2018 to 30 June 2019.
102-51	Date of most recent report		Spark's most recent report was our 2018 Annual Report published 21 August 2018. We also published our half-year financial results on 20 February 2019.
102-52	Reporting cycle		Spark publishes a full report annually and publishes our financial results twice a year - in August and in February.
102-53	Contact point for questions relating to the report		Investor-info@spark.co.nz
102-54	Claims of reporting in accordance with GRI standards	11	
102-55	GRI content index	109-111	
102-56	External assurance	11	

Disclosure	Summary	Page number and/or URL	Omissions and explanations
GRI 200 Economic Standard Series			
202	Market presence 2016		
103	Management approach 2016	20-21	
202-1	Ratios of standard entry-level wage by gender compared with local minimum wage		In FY19 less than 1% of permanent or fixed term Spark employees were paid minimum wage across New Zealand. The local minimum wage is not variable.
202-2	Proportion of senior management hired from the local community		All Spark's Leadership Squad were either in New Zealand when they were hired or were New Zealanders returning from offshore.
206 Anti-competitive behaviour 2016			
103	Management approach 2016	15	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	15	
GRI 300 Environmental Standard Series			
305	Emissions 2016		
103	Management approach 2016	22-23	
305-1	Direct (Scope 1) emissions	22-23	In collecting activity data to calculate scope 1 and scope 2 emissions, Spark has used: <ul style="list-style-type: none"> - ISO 14064-1 - New Zealand Guidance for Voluntary, Corporate Greenhouse Gas Reporting - The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
305-2	Energy indirect (Scope 2) emissions	22-23	Electricity emissions are calculated based on grid electricity consumption and the transmission and distribution losses emission factor as described in: Ministry for the Environment Measuring Emissions: A Guide for Organisations: 2019 detailed guide. Wellington: Ministry for the Environment.
305-3	Other indirect (Scope 3) emissions	22-23	
308 Supplier environmental assessment 2016			
103	Management approach 2016	33	
308-1	New suppliers that were screened using environmental criteria	33	
308-2	Negative environmental impacts in the supply chain and actions taken	33	
GRI 400 Social Standard Series			
401	Employment 2016		
103	Management approach 2016	20-21	
401-1	New employee hires and employee turnover	99	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	21, 100	
401-3	Parental leave	21, 99	
402 Labour/management practices 2016			
103	Management approach 2016	20-21	
402-1	Minimum notice periods regarding operational changes		Spark consults with employees at least 1 month in advance of implementing significant operational changes.

Disclosure	Summary	Page number and/or URL	Omissions and explanations
GRI 400 Social Standard Series (continued)			
405	Diversity/equal opportunity 2016		
103	Management approach 2016	8, 20-21, 28	
405-1	Diversity of governance bodies and employees	20-21, 28, 98	
405-2	Ratio of basic salary and remuneration of women to men	98	
414	Supplier social assessment 2016		
103	Management approach 2016	33	
414-1	New suppliers that were screened using social criteria	33	
414-2	Negative social impacts in the supply chain and actions taken	33	
417	Marketing and labelling 2016		
103	Management approach 2016	15-16	
417-3	Incidents of non-compliance concerning marketing communications	15-16	
418	Customer privacy 2016		
103	Management approach 2016	15-16	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	15-16	

Glossary

3G	third-generation mobile network as defined by the International Telecommunications Union.
4G	fourth-generation mobile network as defined by the International Telecommunications Union.
5G	fifth-generation mobile network as defined by the International Telecommunications Union.
ADR	an American Depositary Receipt.
ARMC	the Audit and Risk Management Committee.
ARPU	Average Revenue per User
ASX	the Australian Securities Exchange.
CCL	Computer Concepts Limited.
CCN	Converged Communications Network.
Company	Spark New Zealand Limited.
EBITDAI	earnings before finance income and expense, income tax, depreciation, amortisation and net investment income.
EMFs	Electromagnetic fields
eNPS	employee Net Promoter Score and is our measure of employee satisfaction.
GRI	the Global Reporting Initiative.
Group	the Group in relation to these financial statements, which are prepared for Spark New Zealand Limited (the Company) and its subsidiaries (together the Group).
HRCC	the Human Resources and Compensation Committee.
IoT	the Internet of Things.
IFRS	International Financial Reporting Standards.
LTE	Long-Term Evolution.
LTI	Long-Term Incentive, which is part of Spark Leadership Team and Managing Director and CEO remuneration.
NOMs	the Nominations and Corporate Governance Committee.
NPS	Net Promoter Score.
NZ GAAP	Generally Accepted Accounting Practice in New Zealand.
NZ IAS	New Zealand International Accounting Standard.
NZ IFRS	New Zealand Equivalent to International Financial Reporting Standards.
NZX	NZX Limited.
OTN	Optical Transport Network.
PSTN	Public Switched Telephone Network.
RWC	the 2019 Rugby World Cup.
SME	Small and medium enterprise
Southern Cross	Southern Cross Cables group of companies, which consists of two sister companies, Southern Cross Cables Holdings Limited and Pacific Carriage Holdings Limited and their subsidiaries.
SRAN	Single Radio Access Network.
STI	Short-Term Incentive, which is part of Spark Leadership Team and Managing Director and CEO remuneration.
TSR	Total Shareholder Return and is a measure of share price appreciation and dividends paid over a given period.
QBR	Quarterly Business Review

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