

INTERIM REPORT

TEAMTALK 2017

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OUR CUSTOMER DECLARATION

We're not textbook, but our team will do "whatever it takes" to deliver on our promises to you. We know that to improve means making sure we hear what you tell us. We're constantly looking for new technologies and better ways to do things, so that our services are what you want. We're on a journey to earn your trust by being accurate, helpful, and dependable.

FROM THE CHAIRMAN & CHIEF EXECUTIVE

Earlier this month we announced TeamTalk's result for the six months ended 31 December 2016, the first half result for the 2017 financial year. A copy of the Consolidated Interim Financial Statements for the period and a presentation summarising the results and what has been achieved to date are enclosed for your information.

The results saw TeamTalk return to profitability. Profit after tax was \$1.349 million, up from \$1.148 million for the same period last year.

The return to profitability is a direct result of the focus and determination of the board, the new chief executive and senior management to turnaround the company and its financial performance. The improved financial performance demonstrates that TeamTalk's executive team is successfully delivering on the new strategic business plan to increase revenue, reduce costs and capital expenditure, refocus the company and realise TeamTalk's inherent potential.

We can also assure you that there are further material initiatives underway, that will continue to deliver sustainable growth and increase profitability, and which are expected to yield even better results over the next 6-18 months and beyond.

Compared with the corresponding period last year, profit after tax and earnings per share increased 18 percent.

RESULT HIGHLIGHTS

Highlights of the company's performance for the six months ended 31 December 2016, against the same period last year were:

- Net cash flow from the group's operations increased 27.7 percent to \$5.36m from \$4.20m;
- Net debt for the group was down from \$35.47m to \$33.89m;
- Inventory was down 49 percent to \$1.39m from \$2.70m;
- CityLink broadband revenue increased 7 percent to \$7.38m, up from \$6.89m, with EBIT up 14.5 percent at \$2.87m up from \$2.50m;
- TeamTalk Wireless, the national mobile radio network, increased revenue by 4 percent to \$10.61m from \$10.21m, and EBIT was up by 13.4 percent to \$0.93m from \$0.82m; and

- More recently and as announced on 28 February 2017, TeamTalk has agreed the essential terms of a new 3-year banking facility to March 2020 with Westpac New Zealand Limited.

While Farmside has adversely impacted on the company's results since its acquisition, we are addressing this issue head-on. Work began late last year to restructure Farmside which is expected to result in costs being 22 percent less in the second half of this financial year. Furthermore, Farmside's operating costs are expected to be significantly lower in 2018 versus 2017 as a result of our restructuring of the division.

These savings together with the enhanced performance of our mobile radio and broadband network, as well as an expected reduction and deferral of major capital expenditure for the CityLink network in Wellington, mean the company is well-positioned to deliver significantly stronger cash flows for shareholders in 2017 and beyond.

OUTLOOK AND GUIDANCE

TeamTalk is providing guidance for the 12 months to 30 June 2017 in the range of:

- EBIT of \$4.7 million to \$5.2 million;
- Profit after tax of \$2.0 million to \$2.4 million.

We are targeting EBIT for the 12 months to 30 June 2018 to be in the region of \$8.0 million to \$9.5 million and profit after tax to be in the region of \$4.1 million to \$5.6 million. Cost reduction will be a key part of this, with \$2.1 million of cost savings anticipated at Farmside alone.

Debt reduction is targeted at 33 percent from 30 June 2016 to 30 June 2018, with net debt at 30 June 2017 to be around \$31 million.

Your Directors have also undertaken to consider a resumption of dividends in 2018.

SPARK OFFER

This result, with the turnaround plan starting to deliver results with profit after tax up 18 percent, confirms the Board's view that Spark's opportunistic, hostile and highly conditional



proposal at \$0.80c per share undervalues the company and does not represent fair value to our shareholders.

We are unanimously of the view that the Spark offer is inadequate and significantly below fair value for TeamTalk.

It is evident that Spark is attempting to capture the upside benefits of the new TeamTalk business plan for Spark's shareholders, ahead of it being fully implemented and reflected in TeamTalk's share price. Spark will also have the opportunity to capture significant synergy benefits if it were to acquire TeamTalk. Accordingly, the Spark notice of offer is viewed by TeamTalk as being very opportunistic.

We reaffirm our earlier recommendation that shareholders do not sell their shares or enter any commitment to accept an offer from Spark if it proceeds on the basis notified to the market pending further communication from the TeamTalk board.

TEAMTALK'S DIRECTORS ADVISE YOU TO DO NOTHING UNTIL YOU RECEIVE TEAMTALK'S TARGET COMPANY STATEMENT AND RECOMMENDATION.

THERE IS NO ADVANTAGE IN EARLY ACCEPTANCE OF THE SPARK OFFER AND THERE MAY BE DISADVANTAGES. THE SPARK OFFER MUST REMAIN OPEN UNTIL 22 APRIL 2017. IF YOU ACCEPT THE SPARK OFFER BEFORE HEARING THE FULL STORY YOU CANNOT CHANGE YOUR MIND.

Grant Samuel has been appointed to provide an Independent Adviser's Report on the merits of the offer. Their report will provide an independent value range for TeamTalk's shares.

The directors of TeamTalk strongly advise shareholders to TAKE NO ACTION until you have received TeamTalk's Target Company Statement (TCS) which will contain additional and important information to assist you to decide how to respond to Spark's offer. The TCS, together with a recommendation from your directors and the Independent Adviser's Report, will be sent out by 23 March 2017.

Your directors fully understand their responsibility to act in good faith and in the best interests of all our shareholders by maximising the value of all TeamTalk businesses and assets.

If you have any questions about the results or Spark offer, please call TeamTalk's chief executive Andrew Miller. Andrew will be able to answer your questions or direct you to someone who can, his contact details are:

Andrew Miller:

Mobile: +64 27 458 4525

Email: amiller@teamtalk.co.nz

FINALLY

It was our intention to hold a series of shareholder roadshows over the next three months but as you will appreciate, our attention has been focused on the hostile Spark offer and determining the best course of action for shareholders. Once we have clarity around those issues we will be in contact with you regarding shareholder roadshows.

Until you receive the TCS and Grant Samuel's Independent Adviser's Report, we strongly advise you to take no action in relation to the Spark offer.

We thank you for your continued support and look forward to delivering the full value of TeamTalk to our shareholders.

Yours sincerely

Roger Sowry
Chairman,
TeamTalk Limited

Andrew Miller
Chief Executive,
TeamTalk Limited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	NOTE	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
		2016 (Unaudited) \$000's	2015 (Unaudited) \$000's	2016 (Audited) \$000's
Revenue		28,547	28,693	57,295
Operating costs		(17,140)	(17,558)	(38,728)
Gross profit		11,407	11,135	18,567
Other income		393	397	786
Administrative expenses		(9,458)	(8,831)	(17,556)
Results from operating activities		2,342	2,701	1,797
Finance income	8	495	312	322
Finance expenses	8	(983)	(1,405)	(2,549)
Net finance costs		(488)	(1,093)	(2,227)
Profit/(Loss) before income tax		1,854	1,608	(430)
Goodwill impairment		-	-	(1,000)
Profit/(Loss) before income tax		1,854	1,608	(1,430)
Income tax (expense)/credit		(505)	(460)	120
Profit for the period and total comprehensive income attributable to equity holders of the Company		1,349	1,148	(1,310)
Earnings per share				
Basic earnings per share	9	\$0.048	\$0.040	(\$0.046)
Diluted earnings per share	9	\$0.048	\$0.040	(\$0.046)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

GROUP	NOTE	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL EQUITY
		\$000'S	\$000'S	\$000'S	\$000'S
Balance at 1 July 2015		60,266	(36,344)	(119)	23,803
Profit for the period		-	1,148	-	1,148
Total recognised income and expense for the period		-	1,148	-	1,148
Dividends to equity holders	7	-	(1,141)	-	(1,141)
Total transactions with owners		-	(1,141)	-	(1,141)
Balance at 31 December 2015 (Unaudited)		60,266	(36,337)	(119)	23,810

GROUP	NOTE	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL EQUITY
		\$000'S	\$000'S	\$000'S	\$000'S
Balance at 1 July 2015		60,266	(36,344)	(119)	23,803
Profit for the period		-	(1,310)	-	(1,310)
Total recognised income and expense for the period		-	(1,310)	-	(1,310)
Dividends to equity holders	7	-	(2,284)	-	(2,284)
Total transactions with owners		-	(2,284)	-	(2,284)
Balance at 30 June 2016 (Audited)		60,266	(39,938)	(119)	20,209

GROUP	NOTE	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL EQUITY
		\$000'S	\$000'S	\$000'S	\$000'S
Balance at 1 July 2016		60,266	(39,938)	(119)	20,209
Profit for the period		-	(1,349)	-	1,349
Total recognised income and expense for the period		-	(1,349)	-	1,349
Dividends to equity holders	7	-	-	-	-
Total transactions with owners		-	-	-	-
Balance at 31 December 2016 (Unaudited)		60,266	(38,589)	(119)	21,558

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

GROUP	NOTE	AS AT 31 DECEMBER		AS AT 30 JUNE
		2016 (Unaudited) \$000's	2015 (Unaudited) \$000's	2016 (Audited) \$000's
Non-current assets				
Property, plant and equipment		39,227	39,903	36,962
Goodwill		19,796	20,796	19,796
Intangibles		1,404	2,660	1,529
Finance lease receivable		247	148	173
Prepayments		213	380	286
Deferred tax assets		1,420	-	1,228
Total non-current assets		62,307	63,887	59,974
Current assets				
Trade and other receivables		6,044	6,824	7,212
Current tax receivable		-	154	-
Finance lease receivable		181	165	161
Prepayments		1,076	992	974
Inventory		1,383	2,702	1,781
Cash and cash equivalents		1,340	899	522
Total current assets		10,024	11,736	10,650
Total assets		72,331	75,623	70,624
Equity				
Ordinary share capital	7	60,266	60,266	60,266
Retained earnings		(38,589)	(36,337)	(39,938)
Other reserves		(119)	(119)	(119)
Total equity		21,558	23,810	20,209
Non-current liabilities				
Loans and borrowings		-	35,473	33,593
Deferred income		1,088	1,611	1,299
Deferred tax liabilities		-	337	-
Total non-current liabilities		1,088	37,421	34,892
Current liabilities				
Loans and borrowings	13	33,893	-	93
Trade and other payables		10,177	8,714	8,934
Current tax payable		722	-	543
Deferred income		4,644	5,080	5,183
Derivatives		249	598	770
Total current liabilities		49,685	14,392	15,523
Total liabilities		50,773	51,813	50,415
Total equity and liabilities		72,331	75,623	70,624

On behalf of the Board of Directors

Director

1 March 2017



Director

1 March 2017



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

GROUP	NOTE	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
		2016 (Unaudited) \$000's	2015 (Unaudited) \$000's	2016 (Audited) \$000's
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		29,213	28,807	57,256
Net GST receipts/(payments)		99	(102)	1
		29,311	28,705	57,257
Cash applied to:				
Payments to suppliers and employees		(22,457)	(23,456)	(45,029)
Interest expense paid (net of realised FX (gain)/loss)		(983)	(780)	(1,776)
Income tax paid		(508)	(271)	(559)
		(23,948)	(24,507)	(47,364)
Net cash flows from operating activities	11	5,363	4,198	9,893
Cash flows from investing activities				
Cash provided from:				
Interest income received		5	8	13
Finance lease interest income received		34	29	57
Repayment of finance lease receivables		101	103	201
		140	140	271
Cash applied to:				
Acquisition of property, plant and equipment		(4,697)	(2,636)	(5,697)
Acquisition of goods provided on finance leases as lessor		(195)	(152)	(271)
		(4,892)	(2,788)	(5,968)
Net cash flows from investing activities		(4,752)	(2,648)	(5,697)
Cash flows from financing activities				
Cash provided from:				
Proceeds from borrowings		10,265	12,335	17,650
		10,265	12,335	17,650
Cash applied to:				
Repayment of borrowings		(10,058)	(12,269)	(19,464)
Dividends paid		-	(1,141)	(2,284)
		(10,058)	(13,410)	(21,748)
Net cash flows from financing activities		207	(1,075)	(4,098)
Net increase/(decrease) in cash and cash equivalents		818	475	98
Cash and cash equivalents at beginning of year		522	424	424
Cash and cash equivalents at end of period		1,340	899	522

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1 Reporting entity

TeamTalk Limited ("the Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013.

The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 31 December 2016 are unaudited and comprise the Company and its subsidiaries (together referred to as "the Group").

The Group is a profit oriented entity primarily involved in the provision of mobile radio networks, high speed broadband services and ISP services in New Zealand.

2 Statement of compliance and basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. They do not include all of the information required for full financial statements and should be read in conjunction with the consolidated financial statements of the Group as at, and for the year ended, 30 June 2016.

These condensed consolidated interim financial statements of the Group have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Markets Conduct Act 2013.

These condensed consolidated interim financial statements were approved by the Board of Directors on 1 March 2017.

The condensed consolidated interim financial statements are presented in New Zealand dollars (NZD), which is the Group's functional currency and are rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements as at, and for the year ended, 30 June 2016.

4 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

5 Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at, and for the year ended, 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

6 Operating Segments

GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2016	MOBILE RADIO \$000'S	BROADBAND NETWORKS \$000'S	ISP \$000'S	INTER-SEGMENT/ UNALLOCATED \$000'S	TOTAL \$000'S
Operating revenue & other income					
- Sales to customers outside the Group	10,430	7,225	11,285	-	28,940
- Inter-segment sales	175	153	44	(372)	-
Total revenue	10,605	7,378	11,329	(372)	28,940
Costs					
- Costs paid to suppliers outside the Group	(8,279)	(3,386)	(11,208)	-	(22,873)
- Inter-segment costs	369	(374)	(367)	372	-
Total costs	(7,910)	(3,760)	(11,575)	372	(22,873)
EBITDA	2,151	3,839	77	-	6,067
Depreciation and amortisation	(1,225)	(973)	(1,527)	-	(3,725)
Impairment of fixed assets and inventory	-	-	-	-	-
EBIT	926	2,866	(1,450)	-	2,342
Finance income					495
Finance expense					(983)
Net interest					(488)
Profit before income tax					1,854
Income tax expense					(505)
Profit for the period					1,349
Capital expenditure	1,716	684	3,097	-	5,497
Total assets	22,062	35,090	15,179	-	72,331
Total liabilities	8,603	3,660	4,710	33,800	50,773

GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2015	MOBILE RADIO \$000'S	BROADBAND NETWORKS \$000'S	ISP \$000'S	INTER-SEGMENT/ UNALLOCATED \$000'S	TOTAL \$000'S
Operating revenue & other income					
- Sales to customers outside the Group	9,983	6,828	12,279	-	29,090
- Inter-segment sales	226	64	19	(309)	-
Total revenue	10,209	6,892	12,298	(309)	29,090
Costs					
- Costs paid to suppliers outside the Group	(7,958)	(3,371)	(11,349)	-	(22,678)
- Inter-segment costs	301	(287)	(323)	309	-
Total costs	(7,657)	(3,658)	(11,672)	309	(22,678)
EBITDA	2,025	3,457	930	-	6,412
Depreciation and amortisation	(1,209)	(954)	(1,211)	-	(3,374)
Impairment of fixed assets and inventory	-	-	(337)	-	(337)
EBIT	816	2,503	(618)	-	2,701
Finance income					312

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2015	MOBILE RADIO \$000'S	BROADBAND NETWORKS \$000'S	ISP \$000'S	INTER-SEGMENT/ UNALLOCATED \$000'S	TOTAL \$000'S
Finance expense					(1,405)
Net interest					(1,093)
Profit before income tax					1,608
Income tax expense					(460)
Profit for the period					1,148
Capital expenditure	855	929	852	-	2,636
Total assets	22,867	36,017	16,739	-	75,623
Total liabilities	8,913	5,219	2,301	35,380	51,813

GROUP FOR THE TWELVE MONTHS ENDED 30 JUNE 2016	MOBILE RADIO \$000'S	BROADBAND NETWORKS \$000'S	ISP \$000'S	INTER-SEGMENT/ UNALLOCATED \$000'S	TOTAL \$000'S
Operating revenue & other income					
- Sales to customers outside the Group	19,808	13,810	24,463	-	58,081
- Inter-segment sales	455	127	52	(634)	-
Total revenue	20,263	13,937	24,515	(634)	58,081
Costs					
- Costs paid to suppliers outside the Group	(15,779)	(6,580)	(23,080)	-	(45,439)
- Inter-segment costs	595	(577)	(652)	634	-
Total costs	(15,184)	(7,157)	(23,732)	634	(45,439)
EBITDA	4,029	7,230	1,383	-	12,642
Depreciation and amortisation	(2,594)	(1,895)	(4,518)	-	(9,007)
Impairment of fixed assets and inventory	-	-	(2,838)	-	(2,838)
EBIT	1,435	5,335	(5,973)	-	797
Finance income					322
Finance expense					(2,549)
Net interest					(2,227)
Profit before income tax					(1,430)
Income tax expense					120
Profit for the period					(1,310)
Capital expenditure	1,985	1,659	2,053	-	5,697
Total assets	22,031	34,376	14,217	-	70,624
Total liabilities	8,898	3,890	4,127	33,500	50,415

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

7 Capital and reserves

Share capital

The Company has 28,368,994 fully paid no par value shares on issue at balance date (Interim Dec 2015: 28,368,994; Full Year Jun 2016: 28,368,994). All shares have equal rights and rank equally with regard to the Company's residual assets.

Dividends

The following dividends were declared and paid by the Group for the period ended 31 December 2016:

GROUP	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2016 \$000's	2015 \$000's	2016 \$000's
Nil Interim Dividend For 2016 financial year. Final dividend for prior year \$0.04 per qualifying ordinary share. Interim Dividend for 2015 financial year \$0.04 per qualifying ordinary share	-	1,141	1,142
	-	-	1,142
	-	1,141	2,284

8 Finance costs

GROUP	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2016 \$000's	2015 \$000's	2016 \$000's
Interest expense on external borrowings	(978)	(1,055)	(2,040)
Interest income	39	37	70
Net unrealised (loss)/gain on fair value of derivatives	456	(350)	(509)
Net realised (loss)/gain on foreign exchange/derivatives	(5)	275	252
Net finance costs	(488)	(1,093)	(2,227)

9 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of \$1,349,000 and a weighted average number of ordinary shares outstanding of 28,368,994 calculated as follows:

GROUP	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2016 \$000's	2015 \$000's	2016 \$000's
Profit attributable to ordinary shareholders	1,349	1,148	(1,310)

	2016 IN SHARES	2015 IN SHARES	2016 IN SHARES
Weighted average number of ordinary shares			
Issued ordinary shares at start of period	28,368,994	28,368,994	28,368,994
Shares issued during the period	-	-	-
Issued ordinary shares at close of period	28,368,994	28,368,994	28,368,994
Weighted average number of ordinary shares for the period	28,368,994	28,368,994	28,368,994

Basic earnings per share (\$)	0.048	0.040	(0.046)
Diluted earnings per share (\$)	0.048	0.040	(0.046)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

10 Commitments

(a) Operating lease commitments

Leases as lessee

Commitments under non cancellable operating leases are:

GROUP	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2016 \$000's	2015 \$000's	2016 \$000's
Less than one year	1,018	941	1,165
Between one to two years	805	539	861
Between two to five years	742	615	815
	2,565	2,095	2,841

The Group leases a number of premises and vehicles under operating leases.

Premises leases operate under various differing terms, but typically are based around an initial lease period, with 1 or 2 further right of renewal periods. Some premises are leased on an annual basis and others are subject to monthly terms (storage units). Premises leases typically include rent uprates every 2-3 years with such increases reflecting revised valuations of the premises and changes in market conditions.

The vehicle leases typically run for a period of 3 years, with the vehicles returned to the lessor at the end of term.

(b) Capital commitments

At balance date the Group had capital commitments payable within one year of \$218,950 (Dec 2015: \$395,000, Jun 2016: \$2,807,000).

11 Reconciliation of the profit for the period with the net cash flow from operating activities

GROUP	SIX MONTHS ENDED 31 DECEMBER		YEAR ENDED 30 JUNE
	2016 \$000's	2015 \$000's	2016 \$000's
Profit for the period and total comprehensive income after tax	1,349	1,148	(1,310)
Adjustments for:			
Depreciation, amortisation and impairment	3,725	3,711	11,844
(Decrease)/increase in bad debt provision	(11)	(110)	521
Loss/(Gain) on derivatives	(521)	349	(159)
Prepaid services utilisation/(additions)	17	(150)	(62)
Interest income received	(39)	(37)	(70)
Deferred income	(750)	(355)	(564)
Deferred tax movement	(161)	(98)	(1,663)
	2,260	3,310	9,847
Decrease/(increase) in prepayments	(51)	(94)	20
Decrease/(increase) in trade and other receivables	1,178	186	(251)
(Decrease)/increase in income tax payable	148	287	984
Decrease/(increase) in inventory	398	(409)	12
(Decrease)/ increase in trade and other payables	75	(236)	512
Decrease/(increase) in deferred expenses (prepaid IRU)	6	6	79
	1,754	(260)	1,356
Net cash from operating activities	5,363	4,198	9,893

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

12 Related party transactions

Transactions with key management personnel

Key management personnel compensation

Key Group management personnel compensation comprised short-term employee benefits of \$719,423 for the six months ended 31 December 2016 (Interim Dec 2015: \$740,769; Full Year Jun 2016: \$1,722,796). This excludes directors' fees of \$104,369 (Interim Dec 2015: \$89,167; Full Year Jun 2016: \$222,000).

Other transactions with key management personnel

Directors of Group Companies control 0.2% of the voting shares of the Company (Interim Dec 2015: 1.34%; Full Year Jun 2016: 0.2%).

Transactions and balances with related parties

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

Reg Barrett and Tone Borren provided additional services following David Ware's resignation. During the period the fees for these services were \$48,000.

Directors of the subsidiary companies received no directors fees during the period (Interim Dec 2015: nil; Full Year Jun 2016: nil)

In April 2015 the Company entered into an agreement with Armillary Limited whereby Armillary provides the services of Geoff Davis as Finance Director. During the period the fees were \$44,467 (Full Year Jun 2016: \$132,000). This agreement has now concluded.

Elected directors conduct business with the Group in the normal course of their business activities.

There are no outstanding balances with key management personnel at 31 December 2016 (Interim Dec 2015: nil; Full Year Jun 2016: nil).

GROUP ENTITIES SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST %	
		2016	2015
CityLink Limited	New Zealand	100%	100%
BayCity Communications Limited	New Zealand	100%	100%

13 Subsequent Events

1. Subsequent to balance date TeamTalk Group has agreed a new banking facility with partners Westpac New Zealand Limited through to 31st March 2020.

2. On 7 February 2017 Spark New Zealand Limited (Spark NZ) filed a notice of its intention to make a full takeover offer for 100% of the fully paid ordinary shares of the group.

On 8 February the Board recommended that shareholders do not sell their shares pending further communication.

TeamTalk has allowed Spark NZ to undertake limited due diligence and no formal offer has been made.

FINANCIAL CALENDAR

Full Year Result	23 August 2017
Annual Meeting	25 October 2017

TEAMTALK LIMITED CORPORATE DIRECTORY

REGISTERED OFFICE

Level 6, 25 - 27 Cambridge Terrace,
Wellington, New Zealand

HEAD OFFICE

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Wellington, New Zealand
Phone: (04) 802 1470
Fax: (04) 802 1490
www.teamtalk.co.nz

BRANCHES

AUCKLAND

2 Robert Street,
Ellerslie, Auckland
Phone: (09) 580 9282

CHRISTCHURCH

Unit 2, 49 Sir William
Pickering Drive, Burnside,
Christchurch
Phone: (03) 357 3005

SUBSIDIARIES

CITYLINK LIMITED

Level 6, 25 - 27 Cambridge Terrace,
Wellington, New Zealand
Phone: (04) 917 0200
Fax: (04) 385 9004
www.citylink.co.nz

BAYCITY COMMUNICATIONS LIMITED (TRADING AS FARMSIDE)

8 Butler Street,
Timaru, New Zealand
Phone: (03) 687 9727
Fax: (03) 688 1557
www.farmside.co.nz

AUDITORS

KPMG

10 Customhouse Quay,
Wellington, New Zealand

SOLICITORS

Crengle, Shreves & Ratner
105 - 109 The Terrace,
Wellington, New Zealand

BANKERS

Westpac Banking Corporation
10 - 14 Courtenay Place,
Wellington, New Zealand

REGISTRAR

Link Market Services Limited
138 Tancred Street,
Ashburton, New Zealand

