ANNUAL REPORT

TEAMTALK 2017

TeamTalk
HOW WORK GETS DONE

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TEAMTALK DELIVERS NICHE **TELECOMMUNICATIONS SERVICES TO A WIDE RANGE OF CLIENTS ANYWHERE IN NEW ZEALAND.**

TEAMTALK

TeamTalk has been providing and managing mobile radio networks since 1994. We are the leader in the mobile radio network market, providing the only commercial nationwide mobile radio infrastructure across New Zealand. Our customers include transport, construction and security industries amongst others. We also own and operate dedicated networks for emergency services, the largest of these is a nationwide network for Ambulance New Zealand. We also provide services across the network including:

- GPS location.
- Health and safety applications.
- Dispatch services.
- Integration to other networks such as cellular and other conventional networks.

CITYLINK

CityLink owns its own fibre optic based telecommunications networks in the Auckland and Wellington central business districts. Based on these networks we provide some of New Zealand's highest speed and most innovative telecommunications services to business and the telecommunications industry. The company also provides specialist services such as the internet exchanges which are at the heart of New Zealand's internet infrastructure and Wellington's cbdfree citywide Wi-Fi Service.

TeamTalk
HOW WORK GETS DONE

CITYLINK

FROM THE CHAIRMAN

TeamTalk has had a good year as demonstrated by the recently announced annual result for the financial year ended 30 June 2017. Profit after tax was $5.12 million, following a loss of $1.31 million in the previous year.

The return to full-year profitability is the direct result of the focus and determination of the Board, the Chief Executive Andrew Miller and his senior management team to transform the company and its financial performance.

It also delivers on the assurances that we gave to shareholders at the last Annual General Meeting that they could expect better results over the next 6-18 months and beyond.

THE PAST YEAR

At the last Annual General Meeting, we reported that we had received some unsolicited and opportunistic enquiries as to whether parts, or all, of TeamTalk may be for sale. That materialised in an opportunistic hostile bid from Spark to capture the benefits of TeamTalk's transformation before they were realised and to the detriment of shareholders.

The Directors saw the offer as inadequate and significantly below fair value for TeamTalk and our view was subsequently validated by the Independent Adviser's Report prepared by Grant Samuel & Associates, and the company's shareholders.

We very much appreciated the confidence shareholders placed in the company and its future. That support meant the company's executive team led by Andrew Miller could implement our strategy to realise the company's potential and maximise value for TeamTalk shareholder's benefit. Shareholder support for the sale of 70 percent of Farmside to Vodafone New Zealand Limited enabled the company to substantially reduce debt, lower financing costs and fund our capital programme.

STRATEGY

TeamTalk's high-level strategy involves innovation, a quest to achieve better results from the company's assets and working more closely with industry partners.

The sale of a majority stake in Farmside strengthened TeamTalk's relationship with Vodafone and provides downstream benefits including the opportunity to partner, for instance sharing fibre including future upgrades and maintenance costs.

GOVERNANCE

I signalled earlier in the year that we planned to refresh TeamTalk's governance and appoint some new Directors. Work is underway and the Board will be in a position to recommend two new Directors for shareholders consideration soon.

In August TeamTalk Director George Paterson lost his battle with cancer. George joined the TeamTalk Board in late 2012 and bought his customary energy and enthusiasm to the role, together with the skills and experience he had gained in both the professional and commercial sectors.

George was a widely respected and valued member of the TeamTalk Board and a good friend. Our thoughts are with his wife and family.

OUTLOOK AND GUIDANCE

The Directors are pleased to report that guidance for the 12 months to 30 June 2018 builds on the solid result achieved this financial year, as you will see in the Chief Executive's report on page 6.

We are also confident that the company is on track for a resumption of dividends along with reinstatement of the dividend reinvestment option at the end of financial year 2018 subject to results and financial performance.

Priorities for the coming financial year include capital expenditure of between $6.0m - $6.5m, funded from operating cashflow, to invest in digital mobile radio to future-proof that business, strengthening the resilience of our infrastructure across the business, and a further reduction in debt to enhance and secure future profitability."

The transformation of the company is well underway and the uplift in financial performance has created the platform to realise TeamTalk's potential.

On behalf of the Board of Directors,

ROGER SOWRY
Chairman

A TRIBUTE TO **GEORGE PATERSON**

We are all deeply saddened by the passing of Board Director George Paterson on Saturday 26 August 2017 following a battle with cancer.

Apart from his business and governance roles, George's interests centred around his family and motorsport. He was active in the community as a coach of high school cricket and rugby, the former chairman of the Board of Trustees of Adventure School in Whitby, and was a former Councillor of Tairawhiti Polytechnic and Trustee of the Gisborne Palliative Care Service.

George is survived by his wife, Jill, his two sons Mike and Tim, and daughter Emily. Our thoughts are with them.

THE **BOARD**

ROGER SOWRY

INDEPENDENT CHAIRMAN

Roger became Teamtalk's Chairman in August 2014. He also serves as a member of the Electricity Authority, and chairs WelTec and Whitireia Polytechnics. He is currently a partner at Saunders Unsworth Limited.

Roger is Chair of Homecare Medical, a nationwide privately owned Telehealth service. Roger was a Member of Parliament from 1990 to 2005 and held a number of ministerial positions. Roger retired from Parliament in 2005, moving to become Chief Executive of Arthritis New Zealand.

NATHAN YORK

INDEPENDENT DIRECTOR

Nathan has held a number of senior management and governance positions, primarily in the Māori and property sectors, and is currently the Chief Executive Officer at Blue Haven Group and Chair of the Ahu Whenua Trust, Whaiti Kuranui 2D4 Sec1B. He has extensive portolfolio management and property development experience, having delivered a number of nationally recognised projects during his prior involvement at Tainui Group Holdings. Nathan has tribal affiliations to Ngāpuhi, Ngāti Raukawa/Tainui and Ngāti Tūwharetoa.

GEORGE PATERSON

INDEPENDENT DIRECTOR

George has been involved in accounting and finance for over 25 years, first as a chartered accountant in public practice and then as CFO and joint CEO of Southern Capital/ Hirequip Group which was listed on the NZX at the time. George has a broad range of experience in business and IT systems, banking and financing arrangements, business appraisal and valuation and holds directorships with Celtic Services, Mt Work Limited, and Luxon Limited.

TONE BORREN

INDEPENDENT DIRECTOR

Tone has been involved in the telecommunications industry for more than 20 years in roles ranging from heading successful start-up company Mitel, to leading Telecom Wellington, through to turning around the performance of the New Zealand arm of multinational Alcatel. Tone is Chair of Holmes Group Limited and holds directorships in a variety of technology and communications companies such as Shift Limited and Pikselin Limited.

REG BARRETT

INDEPENDENT DIRECTOR

Reg is a Wellington based company director with assignments in both the commercial and government sector in New Zealand and overseas. He is a former CEO of three organisations with Central and Regional government spanning 13 years, a military engineer career spanning 21 years and over 10 years' executive experience with Vodafone. He has had over 25 years' governance experience as both a Chairman and Director of commercial enterprises and specialist knowledge in civil engineering projects, telecommunications, supply chain, land transport and use of technologies as enablers for enterprises.

GEOFF DAVIS

INDEPENDENT DIRECTOR

Geoff has been involved with Teamtalk for over 15 years in a variety of executive and non-executive roles. Prior to this Geoff held a number of finance and investment related roles for corporate and institutional investors on both sides of the Tasman. Geoff is currently an Executive Director at Armillary Limited.


HQT

CHIEF EXECUTIVE'S REPORT

REBUILDING THE FOUNDATIONS

Just over a year ago I was preparing to start my term as Chief Executive of TeamTalk, getting to know the business and excited about the opportunities that lay ahead. The challenges facing the business included, debt at $33.89m, the imminent major capital requirements to address the migration of parts of the CityLink network in Wellington off the city's trolley bus infrastructure, as well as the need to upgrade our radio network. At the same time we were undertaking a major satellite migration programme in Farmside.

This required us to address our capital requirements with a number of strategic initiatives very quickly whilst building a 5-year plan and negotiating a new bank facility to enable us to deliver our company-wide transformation programme.

I am pleased to report that we have now successfully addressed these issues.

The past year has been primarily about effecting change that has allowed us to **'rebuild the foundations'** for future success.

The changes started with building the new leadership team which included appointing a Chief Financial Officer, Jason Bull and a Head of HR and Safety, Mark Finnigan, both new roles to the company. Jason has brought clarity not only to the financials but also the complete commercial awareness that is required of a modern-day CFO and has been instrumental in driving a lot of change.

Mark arrived just in time to rollout the company re-organisation which has brought the company together as 'one team' and encompasses everyone selling and promoting all our solutions and not bound by the traditional broadband or radio divisions. Mark has been critical in bringing about a change in culture, so vital for a company's success that has included a review of all employee contracts and the development of robust policies and procedures both for Safety and HR. Expect to see more success in this area over the next twelve months.

We have managed to successfully **'rebuild our foundations'** whilst also having to deal with an unsolicited approach from Spark which took up over six months of our time from October 2016 through to April 2017.

The upside from this challenge was that it focused the team and provided a catalyst for many conversations with shareholders. Shareholders told us that they want to see the business 'have solid foundations', for it to return to being a successful business, with debt under control, so that when a dividend is re-introduced it is sustainable.

NON-FINANCIAL HIGHLIGHTS

- 5-year strategy and business plan approved by the Board.
- New banking facility to March 2020.
- Sale of 70% of BayCity Communications (Farmside) to Vodafone.
- Deferred capex to transform the CityLink network in Wellington resulting from an agreement with Wellington Cable Car Limited enabling CityLink to stay on their infrastructure until January 2021.
- Capex required to transform the CityLink network is potentially reduced because of our exclusivity arrangements with Powerco to use their ducts.

RESULT HIGHLIGHTS

Our results this year are compared to a re-stated 2016 set of accounts as we no longer include our discontinued operations at Farmside.

- **Net debt** for the group **down 33.9%** to $21.93m.
- Results from Operating activities $7.35m up **8.6%.**
- Net finance costs down $0.6m to $1.6m.
- Earnings per share $0.18.

OUTLOOK

Having **'rebuilt our foundations'** the priority is to now get on with the major infrastructure transformation required to deliver sustainable returns to shareholders and to further reduce debt.

TeamTalk's Capital Expenditure Plan which we revealed earlier this year is focused on two main areas over the next three to four years;

- Transformation of our mobile radio network to Digital,
- Transformation of our fibre network in Wellington.

We believe that a modern Digital radio network has the potential to deliver greater revenues through the provision of additional services to our customers but also by being recognised as a network for resilient communications at the time of crisis. As Grant Samuel commented in their independent valuation report earlier this year "cellular networks do not provide the same level of resilience as mobile radio networks in the event of a natural disaster".

We are continuing to work on other initiatives and partnerships that we believe will assist in delivering sustainable growth and increase profitability and we look forward to updating you on some of these in the near future. Some of these initiatives may well require investment to bring them to market.

GUIDANCE

Looking ahead, TeamTalk reaffirms guidance for the 12 months to 30 June 2018 in the range of:

- Profit after tax of $4.1m to $5.6m; and
- A further reduction of net debt of between 8-12 percent.

The Board is considering a resumption of dividends in October 2018 subject to results and financial performance.

I am excited about the future for TeamTalk and I look forward to engaging with you throughout the next twelve months as we continue to transform the company and put in place more robust infrastructure that will enable us to deliver value for our shareholders.

ANDREW MILLER
Chief Executive

THE LEADERSHIP TEAM

ANDREW MILLER

CHIEF EXECUTIVE OFFICER

Andrew has been Chief Executive of TeamTalk since September 2016 and his pedigree in the global telecoms industry includes five years with Alcatel-Lucent, three of which were as the CEO & Managing-Director of Alcatel-Lucent NZ where he successfully transformed the company. His experience also includes nine years with Orange-France Telecom where he was a key member of their corporate IT&N Operations function.

He has had a variety of different customer development and management roles within business sectors across the globe and he understands the challenges facing the operator today and the complexities of delivering strategic transformation programmes ensuring successful outcomes for the business are achieved.

Andrew is a Director of CityLink Limited, BayCity Communications Limited and serves as the independent Chair for Quanton.

JASON BULL

CHIEF FINANCIAL OFFICER

Jason is a successful commercially minded finance leader who has held a number of senior positions across the telecommunications and logistics sectors including 11 years at Alcatel-Lucent NZ where he held the roles of Chief Financial Officer and GM Business Operations and Transformation. More recently before taking on the CFO role at TeamTalk, Jason was the Finance & Business Operations Manager at Lockheed Martin NZ.

Jason is a firm believer on the linkage between employee engagement and company results and advocates effective leadership driving engagement.

Jason is also a director of CityLink Limited.

MARK FINNIGAN

HEAD OF HUMAN RESOURCES AND SAFETY

Mark has over 20 years experience in Human Resources and Safety nationally and internationally.

Mark started his Human Resources career with Fletcher Challenge Energy before moving to England and working in the banking, and oil and gas industries. Returning to New Zealand in 2001, Mark worked in HR management functions in both the private and public sector, including 10 years at Transpower New Zealand.

In November 2016 Mark was appointed Head of Human Resources and Safety for Teamtalk Group.

KEVIN BROWN

GENERAL MANAGER COMMERCIAL

Kevin has carried out a range of roles in TeamTalk having joined six months after its inception in 1994. These roles have included Marketing Manager, GM Operations & Engineering and GM Commercial. Kevin came from 21 years experience in the telecommunications industry primarily in data communications with seven of those years at Telecom.

JOHN FISCHER

CHIEF TRANSFORMATION OFFICER

John has come from a successful 30-year career in finance, both in NZ and around the world. He has substantial experience in managing and transforming trading businesses in both Banks and Hedge funds as well as innate understanding of financial markets and products. As well as being involved in the transformation of TeamTalk, John has day to day management of the design, delivery, ICT and outside plant teams.

DAVID STRUTHERS

HEAD OF SALES

David has worked in the New Zealand ICT industry for more than 35 years in a variety of Consulting, Marketing and Sales leadership roles. He has guided teams to develop and execute sales and marketing propositions to some of New Zealand's largest enterprise clients and has held management roles in Gen-i and Telecom prior to joining CityLink in March 2009. David was appointed Head of Sales for the TeamTalk Group in February 2017.

AT A **GLANCE**

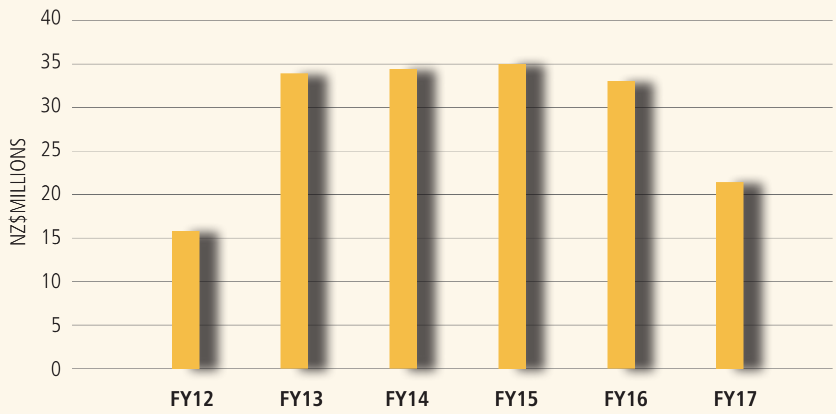
Net Profit after Tax $5.12m
(from a loss of $1.31m in 2016)

Revenue from Continuing Operations up 3.4% on FY16

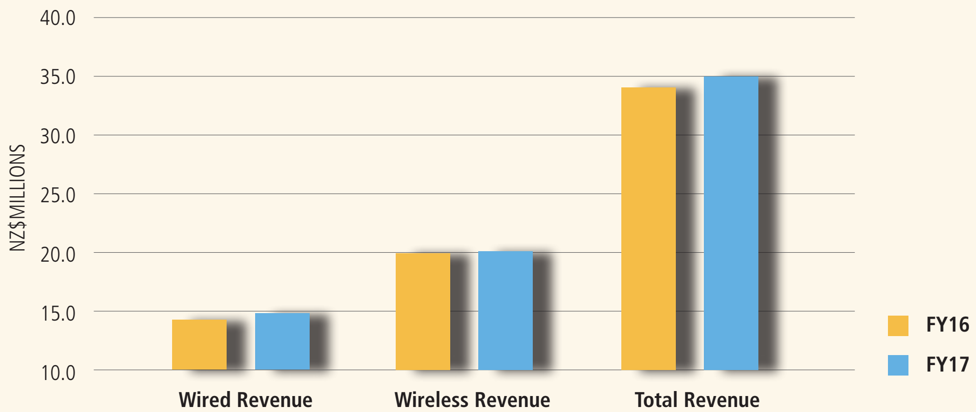
33.9% Reduction in Net Debt

EBITDA from Continuing Operations $11.59m up
from $11.26m in FY16

NET DEBT



GROUP REVENUE – FROM CONTINUING OPERATIONS



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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
Continuing Operations			
Revenue	7	34,047	32,923
Operating costs	8	(15,256)	(15,585)
Gross profit		**18,791**	**17,338**
Other income	7	719	696
Administrative expenses	9	(12,153)	(11,264)
Results from operating activities		**7,357**	**6,770**
Finance income	10	544	67
Finance expenses	10	(2,145)	(2,268)
Net finance costs		**(1,601)**	**(2,201)**
Share of profit of equity accounted investees, net of tax		**(48)**	-
Profit/(Loss) before income tax		**5,708**	**4,569**
Income tax (expense)	11	(408)	(1,463)
Profit from Continuing Operations		**5,300**	**3,106**
Discontinued Operations			
Profit/(Loss) from discontinued operations, net of tax	6	(3,150)	(4,415)
Gain on Sale of Discontinued Operations	6	2,968	-
Profit/(Loss)		**5,118**	**(1,310)**
Attributable to:			
Equity holders of the Company		5,118	(1,310)
Non-controlling interest		-	-
		5,118	**(1,310)**
Earnings per share			
Basic earnings per share	17	$0.180	($0.046)

* Comparative amounts in the statement of comprehensive income has been represented as a result of BayCity Comminications Limited being classified as a discontinued operation in the current year (see note 6)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Group 2017	NOTE	SHARE CAPITAL $000'S	RETAINED EARNINGS & OTHER RESERVES $000'S	TOTAL EQUITY $000'S
Balance at 1 July 2016		**60,266**	**(40,057)**	**20,209**
Profit / (Loss) for the period		-	5,118	5,118
Total comprehensive income for the period		-	5,118	5,118
Contributions by and distributions to owners of the Company				
Dividends to equity holders	16	-	-	-
Total transactions with owners		-	-	-
Balance at 30 June 2017		**60,266**	**(34,939)**	**25,327**

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Group 2016	NOTE	SHARE CAPITAL $000'S	RETAINED EARNINGS & OTHER RESERVES $000'S	TOTAL EQUITY $000'S
Balance at 1 July 2015		**60,266**	**(36,463)**	**23,803**
Profit / (Loss) for the period		-	(1,310)	(1,310)
Total comprehensive income for the period		-	(1,310)	(1,310)
Contributions by and distributions to owners of the Company				
Dividends to equity holders	16	-	(2,284)	(2,284)
Total transactions with owners		-	(2,284)	(2,284)
Balance at 30 June 2016		**60,266**	**(40,057)**	**20,209**

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	GROUP 2017 $000'S	GROUP 2016* $000'S
Non-current assets			
Property, plant and equipment	13	34,162	36,962
Intangible assets and goodwill	14	17,038	21,325
Finance lease receivable	20	229	173
Prepayments		377	286
Derivatives	28(g)	520	-
Equity accounted investees	25	2,552	-
Deferred tax assets	12	-	1,228
Total non-current assets		**54,878**	**59,974**
Current assets			
Trade and other receivables	28(a)	4,301	7,212
Finance lease receivable	20	235	161
Prepayments		619	974
Inventory	15	1,575	1,781
Cash and cash equivalents		2,071	522
Total current assets		**8,802**	**10,650**
Total assets		**63,681**	**70,624**
Equity			
Ordinary share capital	16	60,266	60,266
Retained earnings and other reserves		(34,939)	(40,057)
Total equity		**25,327**	**20,209**
Non-current liabilities			
Loans and borrowings	18	21,000	33,593
Deferred income		920	1,299
Deferred tax liabilities	12	1,918	-
Total non-current liabilities		**23,838**	**34,892**
Current liabilities			
Loans and borrowings	18	3,000	93
Trade and other payables	19	8,068	8,934
Current tax payable		44	543
Deferred income		3,140	5,183
Derivatives	28(h)	264	770
Total current liabilities		**14,516**	**15,523**
Total equity and liabilities		**63,681**	**70,624**
Net tangible assets per share		$0.292	($0.039)

*2016 Statement of Financial Position comprises the make up of the Group as at 30 June 2016.

On behalf of the Board of Directors

Director
23 August 2017

Director
23 August 2017

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
Cash flows from operating activities			
Cash provided from:			
Receipts from customers		34,548	32,942
Net GST receipts/(payments)		(26)	(29)
		34,522	32,913
Cash applied to:			
Payments to suppliers and employees		(23,464)	(22,164)
Interest expense paid (net of realised FX (gain)/loss)		(2,347)	(2,039)
Income tax paid		(1,590)	(669)
		(27,401)	(24,872)
Net cash flows from operating activities	**23**	**7,121**	**8,041**
Cash flows from investing activities			
Cash provided from:			
Interest income received		7	7
Finance lease interest income received		79	67
Repayment of finance lease receivables		201	201
		287	274
Cash applied to:			
Acquisition of property, plant and equipment		(2,983)	(3,191)
Acquisition of non-controlling interest		-	-
Acquisition of goods subject to finance leases		(331)	(270)
		(3,314)	(3,461)
Net cash flows from investing activities		**(3,027)**	**(3,187)**
Cash flows from financing activities			
Cash provided from:			
Proceeds from Sale of subsidiary		10,000	-
Proceeds from borrowings		-	900
		10,000	**900**
Cash applied to:			
Payment of transaction costs			-
Repayment of borrowings		(9,500)	(2,900)
Dividends paid		-	(2,284)
		(9,500)	**(5,184)**
Net cash flows from financing activities		**500**	**(4,284)**
Impact of Discontinued Operations on Continuing Operations		(3,046)	(472)
Net increase/(decrease) in cash and cash equivalents		**1,548**	**98**
Cash and cash equivalents at beginning of year		522	424
Cash and cash equivalents at end of year		**2,071**	**522**

FOR THE YEAR ENDED 30 JUNE 2017

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 financial statements have been prepared in accordance with the requirements of these Acts and the Financial Reporting Act 2013.

The consolidated financial statements of TeamTalk Limited as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as "the Group").

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

2 Basis of preparation

STATEMENT OF COMPLIANCE

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 Tier 1 Companies. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The accounting policies below have been applied consistently to all periods presented in these financial statements.

In accordance with the Financial Markets Conduct Act 2013, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required to be included. As such the consolidated financials now disclose only consolidated results of the Group.

The financial statements were approved by the Board of Directors on 23 August 2017

BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis except that derivatives (interest rate swaps and options) are stated at their fair value.

The financial statements have been prepared on a going concern basis.

FUNCTIONAL AND PRESENTATION CURRENCY

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

USE OF ESTIMATES AND PRESENTATION

The preparation of 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.

The area of most significant estimation uncertainty which requires critical judgements in applying the Group's accounting policies is goodwill. Refer to note 14 - Intangible assets and goodwill. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

RE-PRESENTATION OF 2016 COMPARITIVES

The comparative Statement of Comprehensive Income and Statement of Cashflows has been represented to record the recognition of BayCity Communications as a Discontinued Operation as described in Note 6

3 Significant accounting policies

Accounting Policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies have been applied consistently to all periods in these financial statements

GOODS AND SERVICES TAX

The financial statements have been prepared on a GST exclusive basis, except for receivables and payables which are stated inclusive of GST.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standards and new interpretations that have been issued and are effective for periods beginning on or after 1 July 2016 have not been adopted in these financial statements:

NZ IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018); and

NZ IFRS 9: Financial Instruments (effective 1 January 2018); and

NZ IFRS 16: Leases (effective 1 January 2019).

The impact of these standards and interpretations have not yet been formally assessed.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

DERIVATIVES

The fair value of interest rate swaps and foreign exchange contracts are based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

5 Segment reporting

Segment results that are reported to the CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise the Company's external borrowings from Westpac New Zealand Limited.

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on at least a quarterly basis. As a result of the sale of the majority shareholding of BayCity Communications by the parent company TeamTalk Limited on 01 June 2017, the structure of the internal organisation and the basis of the measurement of the operating segments has changed. Amounts reported for the prior periods have been restated to conform with the current period's presentation. The following summary describes the operations in each of the Group's reportable segments:

Wireless Networks: this segment includes the traditional mobile radio business of TeamTalk Limited along with associated finance leasing, data and GPS tracking products and the wireless broadband business of TeamTalk Limited.

Wired Networks: this segment includes the wired broadband business of CityLink Limited who provides broadband connectivity and ancillary related services to a range of wholesale customers and end users.

ISP: this segment is the BayCity Communications Limited Group which provides ISP and related telecommunications services primarily to rural residential customers.

Information regarding the results of each reportable segment is included below. Revenues, Costs, Assets and Liabilities are measured in accordance with the Group's Accounting Policies in Note 3, as included in the internal management reports that are reviewed by the Group's CEO. Segment EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

5 Segment reporting (continued)

Group 2017	WIRELESS NETWORKS $000'S	WIRED NETWORKS $000'S	ISP (DISCONTINUED OPERATION) $000'S	UNALLOCATED $000'S	TOTAL $000'S
Operating revenue & other income					
- Sales to customers outside the Group	20,167	14,599			34,766
Total revenue	20,167	14,599			34,766
Costs					
- Costs paid to suppliers outside the Group	(16,474)	(6,699)			(23,173)
Total costs	(16,474)	(6,699)			(23,173)
EBITDA	3,693	7,900			11,593
Depreciation and amortisation	(2,338)	(1,898)			(4,236)
Impairment of fixed assets and inventory	-	-			-
EBIT	1,355	6,002			7,357
Share of profit of equity accounted investees, net of tax					(48)
Finance income					544
Finance expense					(2,145)
Net interest					(1,601)
Profit before income tax					5,708
Income tax benefit/(expense)					(408)
Profit from Operations					**5,300**
Profit/(Loss) from discontinued operations, net of tax			(182)		(182)
Profit/(Loss)					**5,118**
Capital expenditure	2,504	1,406			3,910
Total assets	25,397	35,731		2,552	63,680
Total liabilities	9,394	4,960		24,000	38,354

FOR THE YEAR ENDED 30 JUNE 2017

Group 2016	WIRELESS NETWORKS $000'S	WIRED NETWORKS $000'S	ISP (DISCONTINUED OPERATION) $000'S	UNALLOCATED $000'S	TOTAL $000'S
Operating revenue & other income					
- Sales to customers outside the Group	19,808	13,811			33,619
Total revenue	19,808	13,811			33,619
Costs					
- Costs paid to suppliers outside the Group	(15,779)	(6,580)			(22,359)
Total costs	(15,779)	(6,580)			(22,359)
EBITDA	4,029	7,231			11,260
Depreciation and amortisation	(2,594)	(1,895)			(4,490)
Impairment of Fixed Assets and Inventory	-	-			-
Impairment of goodwill	-	-			-
EBIT	1,435	5,335			6,770
Finance income					67
Finance expense					(2,268)
Net interest					(2,201)
Profit before income tax					4,569
Income tax benefit/(expense)					(1,463)
Loss for the period					**3,105**
Profit/(Loss) from discontinued operations, net of tax			(4,415)		(4,415)
Profit/(Loss)					**(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

6 Discontinued Operation

In June 2017, the Group sold 70% of its interest in BayCity Communications Limited (trading as Farmside). Management reached an agreement to sell and this agreement was ratified by Shareholders at a Special meeting held on the 12th April 2017.

Subsequent to the transaction, the Group has continued to purchase from, and provide services to the discontinued operation. Intra-group transactions have been fully eliminated in the consolidated financial results. Post the sale, transactions between the entities are treated as external to the Group

A) RESULTS FROM DISCONTINUED OPERATIONS	11 MONTHS TO 01 JUNE 2017 $000'S	12 MONTHS TO 30 JUNE 2016 $000'S
Revenue	19,817	24,523
elimination of inter-segment revenue	(128)	(52)
External Revenue	19,689	24,471
Expenses	(22,933)	(31,121)
Elimination of expenses related to inter-segment sales	650	652
External expenses	(22,283)	(30,469)
Results from Operating Activities	**(2,594)**	**(5,998)**
Income Tax	(556)	1,583
Results from Operating Activities, Net of Tax	**(3,150)**	**(4,415)**
Gain on Sale of Discontinued Operation	2,968	-
Income Tax on Gain on Sale	-	-
Profit (Loss) from Discontinued Operations, Net of Tax	**(182)**	**(4,415)**
Ordinary and Diluted (Loss) per share	($0.04)	($0.98)

B) EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP	2017 $000's
Property, Plant and Equipment	(3,971)
Goodwill and Intangibles	(4,048)
Inventory	(789)
Trade and Other Receivables	(2,169)
Cash and Cash Equivalents	99
Current and Deferred Tax Asset	(2,893)
Trade and Other Payables	3,619
Net Assets and Liabilities	**(10,152)**
Consideration Received, Satisfied in Cash	
Net Cash Inflows	10,000
Net Derivatives	520
Equity accounted investees	2,600
Gain on Sale of Discontinued Operation	**2,968**

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6 Discontinued Operation (cont)

C) CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS	11 MONTHS TO 01 JUNE 2017 $000'S	12 MONTHS TO 30 JUNE 2016 $000'S
Cash inflows from operating activites	20,164	24,330
Cash applied to operating activities	(18,903)	(22,938)
Net Cash used in operating activities	**1,261**	**1,392**
Cash inflows from investing activites	6	3
Cash applied to investing activities	(4,497)	(1,851)
Net Cash from investing activities	**(4,492)**	**(1,849)**
Cash inflows from funding activites	3,046	472
Cash applied to funding activities	-	-
Net Cash from funding activities	**3,046**	**472**
Net cash flows for the year	**(185)**	**15**

7 Revenue

	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
Revenue from network - on-going fees	30,507	30,389
Installation fees	1,515	1,108
Revenue from co-location facilities	638	687
Hardware Sales	1,387	739
Operating Revenue	**34,047**	**32,924**
Government grants recognised	614	602
Other income	105	94
Other income	**719**	**696**
	34,766	**33,619**

Other revenue includes upfront fees, early termination fees, non-recurring fees and hardware sales.

(i) Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Installation fees are one-off upfront payments made by customers at the commencement of service.

(ii) Services
Revenue includes access and usage charges under service agreements with the Group. The terms of these service agreements range from monthly to 60-month periods. Revenue is recognised when the service is performed.

(iii) IRU Revenue
An Indefeasible Right of Use ("IRU") is an agreement whereby the owner of fibre optic infrastructure sells the right to have unrestricted use and access to certain specific fibres within the network for a specified term. Revenue from IRU agreements is initially treated as deferred income and recognised over the life of the contracts.

(iv) Deferred income
Income received in advance relates to network services (including IRU agreements) and is initially treated as deferred income and recognised over the life of the contracts.

8 Operating Costs

	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
The following items are included in operating costs:		
Depreciation on network assets	3,953	4,033
Telecommunications Development Levy	361	331
Network operating costs	9,341	9,505
Other operating costs	1,602	1,716
	15,256	**15,585**

The Telecommunications Development Levy above uses the following figures in the annual calculation for 2017: gross telecommunications revenue $48,622,000 and payments made to other qualifying liable persons $14,069,000.

9 Administrative expenses

	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
The following items are included in administration expenses:		
Auditor's remuneration to KPMG comprises:		
- Audit of financial statements	133	90
- Regulatory audit work	-	6
- Taxation services	77	26
Depreciation of non-network assets	282	243
Fees paid to directors	278	222
Operating lease costs	112	283
Premises expenses	895	656
Wages and salaries	8,722	7,977
Contributions to Kiwisaver	274	194
Other administration expenses	1,381	1,566
	12,153	**11,264**

Included within the discontinued operation are $45,000 of audit and audit related services and $20,000 of taxation services.

10 Finance income and expense

	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
Interest income on bank deposits	7	10
Net unrealised gain in fair value of derivatives	457	-
Finance lease interest income	80	57
Total finance income	**544**	**67**
Interest expense on external borrowings	(2,145)	(2,039)
Net unrealised loss in fair value of derivatives	-	(229)
Total finance expenses	**(2,145)**	**(2,268)**
Net finance income / (costs)	**(1,601)**	**(2,201)**

11 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(A) INCOME TAX EXPENSE	GROUP 2017 $000'S	GROUP 2016* $000'S
Profit/(Loss) from Continuing Operations before income tax	5,707	(1,430)
Adjustments:		
- Impairment of Subsidiary	-	1,000
- Non-deductible entertainment	24	62
- Other non-assesable income	48	-
- Other non-deductible expenditure	200	22
Taxable (loss)/income	**5,980**	**(346)**
Current period tax expense @ 28% (2016: 28%)	**1,674**	**(97)**
Loss offset from / (to) other group company/discontinued operations	(792)	-
Prior period adjustment	(474)	(23)
Income tax expense/(benefit)	**408**	**(120)**
Comprising:		
Income tax expense	486	1,543
Deferred tax expense		
Origination and reversal of temporary differences	(78)	(1,663)
	(78)	(1,663)
Total income tax expense	**408**	**(120)**

*2016 is the income tax expense for the Group as at 30 June 2016.

(B) RECONCILIATION OF EFFECTIVE TAX RATE	GROUP 2017 %	GROUP 2017 $000'S	GROUP 2016 %	GROUP 2016 $000'S
(Loss)/profit for the period		5,299		(1,310)
Total income tax (benefit)/expense		408		(120)
(Loss)/profit before income tax		**5,707**		**(1,430)**
Income tax using the Company's domestic tax rate	28.0%	1,598	(28.0%)	(400)
Impairment of subsidiary	-	-	19.6%	280
Non-deductible entertainment	0.1%	7	1.2%	17
Other non-assesable income	-	13	-	-
Other non-deductible expenditure	-	56	0.4%	6
Prior period adjustment	(8.3%)	(474)	(1.6%)	(23)
Loss offset (from)/to other group company/ discontinued operations	(13.9%)	(792)	-	-
	7.1%	**408**	**24.5%**	**(120)**

12 Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	ASSETS		LIABILITIES		NET	
	2017 $000'S	2016 $000'S	2017 $000'S	2016 $000'S	2017 $000'S	2016 $000'S
Property, plant and equipment	-	2,970	(2,367)	(2,581)	(2,367)	389
Inventory	-	-	(8)	(102)	(8)	(102)
Intangibles	-	-	-	(417)	-	(417)
Finance lease receivable	-	-	(130)	(94)	(130)	(94)
Trade and other payables	587	768	-	-	587	768
Tax losses recognised	-	684	-	-	-	684
Net tax asset/(liability)	**587**	**4,422**	**(2,506)**	**(3,194)**	**(1,918)**	**1,228**

Movement in temporary differences during the year

Movements in deferred tax assets and liabilities are attributable to the following:

Group 2017	BALANCE 1 JULY 2016 $000'S	RECOGNISED IN P&L $000'S	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000'S	BALANCE 30 JUNE 2017 $000'S
Property, plant and equipment	389	214	(2,970)	(2,367)
Inventory	(102)	(1)	95	(8)
Intangibles	(417)	-	417	-
Finance lease receivable	(94)	(36)	-	(130)
Trade and other payables	768	(99)	(82)	587
Tax loss carry-forwards	684	-	(684)	-
	1,228	**78**	**(3,224)**	**(1,918)**

Group 2016	BALANCE 1 JULY 2015 $000'S	RECOGNISED IN P&L $000'S	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000'S	BALANCE 30 JUNE 2016 $000'S
Property, plant and equipment	(213)	602	-	389
Inventory	(100)	(2)	-	(102)
Intangibles	(798)	381	-	(417)
Finance lease receivable	(74)	(20)	-	(94)
Trade and other payables	568	200	-	768
Tax loss carry-forwards	182	502	-	684
	(435)	**1,663**	**-**	**1,228**

13 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as seperate items (major components) of property, plant and equipment.

$000's Group 2017	TRANSMISSION EQUIPMENT AND NETWORK HARDWARE	ASSETS UNDER CONSTRUCTION	COMPUTER EQUIPMENT	OFFICE EQUIPMENT, FURNITURE AND FITTINGS	LEASEHOLD IMPROVEMENTS	OTHER ASSETS	TOTAL
Cost							
Balance at 1 July 2016	120,271	2,353	4,481	1,311	1,388	112	129,916
Additions	1,608	3,589	104	34	209	-	5,544
Disposals	-	-	(6)	(369)	(522)	-	(897)
Disposal of Discontinued Operation	(15,104)	(138)	(1,395)	(621)	(444)	(12)	(17,702)
Transfers	1,761	(1,761)	-	-	-	-	-
Balance at 30 June 2017	**108,536**	**4,042**	**3,184**	**355**	**630**	**100**	**116,748**
Depreciation and impairment losses							
Balance at 1 July 2016	(87,243)	-	(3,941)	(966)	(796)	(8)	(92,945)
Depreciation for the year	(3,838)	-	(290)	(30)	(78)	-	(4,236)
Disposal of Discontinued Operation	11,837	-	1,227	401	266	9	13,731
Disposals	-	-	5	353	405	-	763
Balance at 30 June 2017	**(79,243)**	**-**	**(2,999)**	**(241)**	**(203)**	**-**	**(82,687)**
Carrying amounts							
At 1 July 2016	33,028	2,353	541	345	592	104	36,963
At 30 June 2017	**29,293**	**4,042**	**185**	**114**	**428**	**100**	**34,162**

Other Assets includes Freehold Property and Motor Vehicles.

13 Property, plant and equipment (cont.)

$000's Group 2016	TRANSMISSION EQUIPMENT AND NETWORK HARDWARE	ASSETS UNDER CONSTRUCTION	COMPUTER EQUIPMENT	OFFICE EQUIPMENT, FURNITURE AND FITTINGS	LEASEHOLD IMPROVEMENTS	OTHER ASSETS	TOTAL
Cost							
Balance at 1 July 2015	116,965	1,993	4,214	1,263	1,362	165	125,962
Additions	194	5,267	268	65	-	-	5,794
Disposals	(1,666)	-	(1)	(17)	-	(53)	(1,737)
Transfers	4,881	(4,907)	-	-	26	-	-
Balance at 30 June 2016	**120,271**	**2,353**	**4,481**	**1,311**	**1,388**	**112**	**129,916**
Depreciation and impairment losses							
Balance at 1 July 2015	(79,938)	-	(3,672)	(878)	(708)	(37)	(85,233)
Depreciation for the year	(7,831)	-	(274)	(99)	(88)	(4)	(8,297)
Impairment loss	(928)	-	-	(9)	-	-	(937)
Disposals	1,454	-	5	20	-	33	1,512
Balance at 30 June 2016	**(87,243)**	**-**	**(3,941)**	**(966)**	**(796)**	**(8)**	**(92,954)**
Carrying amounts							
At 1 July 2015	37,027	1,993	542	385	654	128	40,729
At 30 June 2016	**33,028**	**2,353**	**541**	**345**	**592**	**104**	**36,962**

Impairment loss

The Group reassesses the carrying values of the property, plant and equipment at each reporting period, with a view to ensuring the carrying value does not exceed the recoverable value of the assets. This review has confirmed that there is currently no need for any further impairment adjustment, other than that already recognised in profit or loss in respect of transmission equipment and network hardware.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment

The estimated useful lives for the current and comparative periods are as follows:

- Transmission equipment (Mobile Radio)	12 years
- Network hardware (Broadband and ISP)	2-40 years
- Leasehold improvements	10-20 years
- Office equipment/furniture & fittings	10-12.5 years
- Computer equipment	3-4 years
- Motor vehicles	3-4 years

Depreciation methods, useful lives and residual values are reassessed on a regular basis. There were no changes in the estimated useful lives of any asset class during the financial year.

14 Intangible assets and goodwill

Group	CUSTOMER CONTRACTS & INTANGIBLES $000'S	GOODWILL $000'S	TOTAL $000'S
Carrying value			
Balance at 1 July 2016	1,529	19,796	21,325
Disposals	(1,345)	(2,758)	(4,103)
Amortisation	(184)	-	(184)
Balance at 30 June 2017	**-**	**17,038**	**17,038**
Balance at 1 July 2015	2,909	20,796	23,705
Additions	6	-	6
Amortisation	(485)	-	(485)
Impairment loss	(901)	(1,000)	(1,901)
Balance at 30 June 2016	**1,529**	**19,796**	**21,325**

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Amortisation

Intangible assets other than Goodwill are measured at cost less accumulated depreciation and accumulated impairment losses. These assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.
The estimated useful lives for the current and comparative periods are as follows:

Trademarks	10 years
Capitalised development costs	1.5 - 2 years
Customer contracts and associated relationships	10 years

Impairment testing for cash-generating units containing goodwill

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to goodwill and then on a pro rata basis to all assets.

For the purpose of impairment testing, goodwill is allocated to the Group's operating businesses. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2017 $000'S	2016 $000'S
TeamTalk Limited - Mobile radio & Wireless Broadband	5,386	5,386
CityLink Limited - Broadband business	11,652	11,652
BayCity Communications Limited - Internet service provider	-	2,758
	17,038	**19,796**

The Goodwill for these CGUs is not amortised however it is subject to an annual impairment test whether indications of impairment exist or not. Accordingly the goodwill was tested for impairment at 30 June 2017. A discounted cash flow valuation, on a value-in use basis, was prepared for each business unit using a combination of past experience of revenue growth, operating costs, margins and capital expenditure requirements for that CGU and, where appropriate, external sources of information were also used.

In each case the initial years of future cash flow projections were based on a combination of a continuation of the trends of the 2017 financial year and budgets for the 2018 financial year. Explicit projections were then made for periods of either a further 3 or 4 years. The projections for each CGU reflect the maturity of each business and, where appropriate, expected growth potential. Cash flows beyond those explicit projections have been extrapolated using estimated terminal growth rates appropriate for each CGU. The terminal growth rates do not exceed the long-term average growth rate for the industries in which the CGUs operate. The highest long term growth rate applied is 1.5% (2016: 1.5%).

The rates used ranged from 8.51% - 13.69% (2015: 9.71% - 12.36%). The Wireless Broadband business (Araneo) was amalgamated into TeamTalk at 30 June 2015. Post this amalgamation the goodwill balances were combined and tested for impairment as a single CGU.

This exercise confirmed that there are no impairment issues necessitating a write down of goodwill in respect of CityLink Limited and TeamTalk Limited as in each of those cases the CGU's value was in excess of its carrying value (both at the Group and Company level).

15 Inventory

Inventories are measured at the lower of cost and net realisable value and consist of network components. The cost of inventories is based upon the average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

	GROUP 2017 $000'S	GROUP 2016 $000'S
Radio & Data units	582	368
Satellite network components	-	634
Broadband network components	516	435
Wireless and Mobile Radio network components	477	344
	1,575	**1,781**

In 2017 the Group sold inventory with a carrying value amounting to $725,835 recognised as part of operating costs (2016: $519,254). The remainder is held for use by the Group.

16 Capital and reserves

Share capital

The Company has 28,368,994 fully paid no par value shares on issue at balance date (30 June 2016: 28,368,994). All shares have equal rights and rank equally with regard to the Company's residual assets.

Shares on issue	2017 NUMBER OF SHARES	2016 NUMBER OF SHARES	2017 $000'S	2016 $000'S
Opening balance at 1 July	28,368,994	28,368,994	60,266	60,266
Closing balance at 30 June	**28,368,994**	**28,368,994**	**60,266**	**60,266**

Dividends

The following dividends were declared and paid by the Group for the year ended 30 June:

	2017 $000'S	2016 $000'S
Nil Final dividend for prior financial year (2016: $0.04)	-	1,142
Nil Interim dividend for current financial year (2016: $0.04)	-	1,142
	-	**2,284**

17 Earnings per share

Basic and diluted earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive issues of ordinary shares.

There were no dilutive equity instruments on issue during the year so there is no difference between Basic and Diluted EPS at 30 June 2017 (2016: Nil)

	2017 $000's	2016 RESTATED* $000's
Profit attributable to ordinary shareholders	5,118	(1,310)
	IN SHARES	IN SHARES
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	28,368,994	28,368,994
Number of shares issued during the year	-	-
Issued ordinary shares at 30 June	28,368,994	28,368,994
Weighted average number of ordinary shares for the period	**28,368,994**	**28,368,994**
Weighted average number of ordinary shares for the period (fully diluted)	**28,368,994**	**28,368,994**
Basic earnings per share ($)	**$0.180**	**($0.046)**
Diluted earnings per share ($)	**$0.180**	**($0.046)**

18 Loans and borrowings

	GROUP 2017 $000'S	GROUP 2016 $000'S
(a) Non-current liabilities		
Secured bank loan	21,000	33,500
Other unsecured borrowings	-	93
	21,000	**33,593**
(b) Current liabilities		
Secured bank loan	3,000	-
Other unsecured borrowings	-	93
	3,000	**93**

Term loan repayment schedule
The terms and conditions of outstanding loans are as follows:

Group	NOMINAL INTEREST RATE	YEAR OF MATURITY	FAIR VALUE 2017 $000'S	CARRYING AMOUNT 2017 $000'S	FAIR VALUE 2016 $000'S	CARRYING AMOUNT 2016 $000'S
Secured bank loan	BKBM plus margin	2020	24,000	24,000	33,500	33,500
Other unsecured borrowings			-	-	186	186
Total interest-bearing liabilities			**24,000**	**24,000**	**33,686**	**33,686**

The Company and Group have secured funding facilities with Westpac New Zealand Limited with, at 30 June 2017, a combined limit of $27 million and a maturity of 31 March 2020 (2016: $37.5 million and September 2017).

The secured bank loans are subject to various covenants such as debt coverage and interest coverage. Throughout the year the Company has complied with all debt covenant requirements.

As well as a charge over the Company's assets the secured bank loans are also secured by cross-guarantees from the Company's subsidiaries whereby they each provide a guarantee of the obligations of the Company, and of any other subsidiaries of the Company, to Westpac New Zealand Limited, secured by a first ranking charge over all the assets of each company.

19 Trade and other payables

	GROUP 2017 $000'S	GROUP 2016 $000'S
Trade creditors	1,894	3,000
Employee entitlements	1,083	904
Other payables and accruals	5,091	5,030
	8,068	**8,934**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

20 Finance lease receivable

Group	MINIMUM LEASE PAYMENTS 2017 $000's	INTEREST 2017 $000's	GROSS INVESTMENT IN LEASE 2017 $000's	MINIMUM LEASE PAYMENTS 2016 $000's	INTEREST 2016 $000's	GROSS INVESTMENT IN LEASE 2016 $000's
Less than one year	235	158	393	161	42	203
Between one and five years	232	29	261	176	21	197
	467	187	654	337	63	400
Less impairment of finance lease receivable	(3)			(3)		
Total finance lease receivable	**464**			**334**		

The Group provides a leasing service to its customers for equipment used on the Group's networks. Typically these leases are for a three year period, attracting market interest rates and the goods have relatively low residual values at the end of the term. The residual values are not guaranteed, but historically the Group has found a willing market for the goods at the end of the lease term and expected residual values are met or exceeded.

As the agreements are defined as finance leases, the Group only recognises the interest component of the monthly repayments in profit or loss. The principal portion is applied to the finance lease receivable.

21 Contingent liability

At balance date the Group had no contingent liabilities (2016: $Nil).

22 Commitments

	GROUP 2017 $000'S	GROUP 2016 $000'S
(a) Operating lease commitments		
Leases as lessee		
Commitments under non cancellable operating leases are:		
Less than one year	901	1,165
Between one to two years	748	861
Between two to five years	746	815
	2,395	**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

As at 30 June 2017 the group has $1,117,000 of capital commitments relating to the delivery of services contracted to customers.

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

	NOTE	GROUP 2017 $000'S	GROUP 2016 RESTATED* $000'S
(Loss)/Profit for the period (after tax)		**5,300**	**3,106**
Adjustments for:			
Depreciation, amortisation and impairment	13	4,236	4,488
(Gain)/loss on derivatives		(457)	(229)
Share of profit of equity accounted investees, net of tax		48	-
Prepaid services utilisation / (additions)		(148)	28
(Decrease)/increase in bad debt provision		(97)	77
Interest income/(loss)	10	(86)	74
(Decrease)/increase in deferred income		(282)	(318)
Deferred tax movement	12	(58)	(137)
		3,155	3,983
Decrease/(increase) in prepayments		234	(13)
Decrease/(increase) in trade and other receivables		(621)	(426)
Decrease/(increase) in income tax payable		(955)	926
Decrease/(increase) in deferred expenses (prepaid IRU)		12	12
Decrease/(increase) in inventory		(428)	246
(Decrease)/ increase in trade and other payables		423	206
		(1,335)	952
Net cash from operating activities		**7,120**	**8,041**

24 Related party transactions

SHAREHOLDERS

As at 30 June 2017 the registered shareholder with the largest holding in the Company was Barry William Payne & Brett Gould & Sandra Tui Payne who held 1,222,281 shares or 4.31% of the Company's shares (2016: 1,222,281 shares or 4.31% of the issued shares).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key Group management personnel compensation comprised short-term employee benefits of $1,829,541 for the year ended 30 June 2017 (2016: $1,722,796). This excludes fees paid to directors of $218,000 (2016: $222,000). The compensation during the period includes payments to former employees and reflects the different composition of the management team.

Other transactions with key management personnel

Directors of Group Companies control 0.2% of the voting shares of the Company (2016: 0.2%).

Transactions and balances with related parties

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

Directors of the subsidiary companies received no directors fees during the period (2016: NIL). The directors of the Company received fees totalling $278,000 during the period (2016: $222,000).

Reg Barrett and Tone Borren provided additional services following the resignation of the Managing Director. During the period the fees for these services were $48,000 (2016: $40,000)

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.

Group entities Significant subsidiaries	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%) 2017	 2016	BALANCE DATE	ACTIVITIES
CityLink Limited	New Zealand	100%	100%	30 June	Broadband services

25 Investment in Associate

	GROUP 2017 $000'S	GROUP 2016 $000'S
Interests in associates	2,600	-
Share of profit of equity accounted investees, net of tax	(48)	-
Balance as at 30 June	**2,552**	**-**

On 1 June 2017, the Group's equity interest in it's subsidiary BayCity Communications decreased from 100% to 30%, and BayCity became an associate from that date. The investment in BayCity is treated as an equity accounted investment.

The initial carrying value of the investment at 1 June 2017 was the fair value. To value this the market value of the equity stake was assessed with reference to the BayCity sale transaction and subsequently adjusted using assumptions such as acquisition synergies, control premiums, discounts for a non-controlling interest & risk.

The following table summarises the financial information of BayCity Communications. The information includes the results of BayCity Communications only for the period 1 June 2017 to 30 June 2017, because BayCity became an associate on 1 June 2017.

25 Investment in Associate (cont)

	30 June 2017
Non-Current Assets	7,044
Current Assets	3,151
Non-Current Liabilities	(757)
Current Liabilities	(3,748)
Net Assets	5,690
Group's Share of Net Assets (30%)	1,707
Revenue	1,695
Total comprehensive income (100%)	(162)
Total comprehensive income (30%)	(48)

26 Key suppliers

The Group purchases products and services from a wide range of suppliers. The most significant of which are Spark New Zealand, Chorus, Kordia, Tait Electronics, Motorola, and Tyco. Kordia and Chorus house most of the Company's equipment and provide basic linking services and access to sites on which the Company's equipment is located. Tait Electronics and Motorola manufacture and support some of the key mobile radio equipment and supply the majority of customer handsets. Tyco provides cables and other items for the Broadband business segment.

The Group typically has long term established relationships with each of these suppliers and appropriate commercial contracts are in place. However, the failure of any of these companies to continue to provide services at the required standard and price could have a material impact on the performance of the Group. In particular, there could be a material impact on the performance of the Group if Chorus and Kordia were not to provide access to transmission sites on the current terms.

27 Government grants

In May 2012 a subsidiary signed a contract with the Government to provide wireless broadband services to a number of remote schools around the country. This contract, as part of the Government's Rural Broadband Initiative (RBI), provided the Group with grant funding to help fund the construction of the necessary network infrastructure. Network construction continued throughout the financial period with the last school completed in June 2016.

In April 2014 TeamTalk Limited signed a contract with the Government to provide broadband services to a number of communities on the Chatham Islands. This contract provides the TeamTalk Group with grant funding to help fund the construction of the necessary network infrastructure on the Chatham Islands. Network construction finished in the prior financial period.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

As detailed in note 3 this funding is initially recognised as deferred income and then released to profit and loss on a systematic basis over the expected life of the assets.

	GROUP 2017 $000'S	GROUP 2016 $000'S
Deferred income opening balance at 1 July	1,597	2,089
Remove balance relating to discontinued operations	(63)	-
Government grants received during the year	-	135
Government grants recognised in other income	(614)	(627)
Deferred income closing balance at 30 June	920	1,597
Current	614	639
Non-current	306	958
	920	1,597

28 Financial Instruments

Financial instruments

Exposure to credit, currency, commodity, market and liquidity risks arises in the normal course of the Group's business. The Group manages a number of these risks through negotiated supply contracts.

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade cycle, advances to third parties and through the use of derivative financial instruments.

With the exception of the Group's net interest in finance lease receivables no collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit. Reputable financial institutions are used for investing and cash handling purposes.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. The Group has internal limits in place in order to reduce the exposure to liquidity risk, as well as having committed lines of credit.

Interest rate risk

The Group enters into derivative contracts in the ordinary course of business to manage interest rate risks. A financial risk management team, composed of senior management, provides oversight for risk management and derivative activities.

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank borrowings and finance leases.

The Group's policy is to hedge its long term borrowing by fixing or capping the rates of interest payable in order to provide greater certainty. The Group manages its interest rate risk by using interest rate swaps and interest rate options to hedge floating rate debt.

Other market price risk

The Group is not exposed to substantial other market price risk arising from financial instruments.

QUANTITATIVE DISCLOSURES

(A) CREDIT RISK

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or to avoid a possible past due status.

The Group reviews all overdue debt balances and assesses likelihood of default. Based on this analysis, the Group provides for the potential loss measured in accordance following:

Impairment of receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate i.e. the effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

The maximum exposure to credit risk for trade and other receivables by segment is as follows:

Carrying amount	GROUP 2017 $000'S	GROUP 2016 $000'S
Mobile Radio	2,677	2,737
Broadband	1,625	1,873
ISP	-	2,602
Trade and other receivables	**4,301**	**7,212**

The status of trade receivables at the reporting date is as follows:

Group	GROSS RECEIVABLE 2017 $000'S	IMPAIRMENT 2017 $000'S	GROSS RECEIVABLE 2016 $000'S	IMPAIRMENT 2016 $000's
Trade receivables				
Not past due	3,321	-	5,960	-
Past due 0-30 days	317	-	1,033	-
Past due 31-90 days	134	(47)	338	(163)
Past due > 90 days	138	(138)	197	(153)
Total	**3,910**	**(185)**	**7,528**	**(316)**

(B) LIQUIDITY RISK

The following table sets out the contractual cash flows for all financial liabilities and derivatives.

Group 2017	CARRYING AMOUNT $000'S	CONTRACTUAL CASH FLOWS $000'S	6 MONTHS OR LESS $000'S	6-12 MONTHS $000'S	1-2 YEARS $000'S	2-5 YEARS $000'S
Secured bank loans	24,000	26,627	564	3,498	5,447	17,118
Other unsecured borrowings	-	-	-	-	-	-
Trade and other payables	8,068	8,068	8,068	-	-	-
Total non-derivative liabilities	**32,068**	**34,695**	**8,632**	**3,498**	**5,447**	**17,118**
Net inflow / (outflow):						
Interest rate swaps	(264)	(526)	(184)	(144)	(196)	(2)
Foreign Exchange Forward Rate Agreements	-	-	-	-	-	-
Total derivative inflow / (outflow)	**(264)**	**(526)**	**(184)**	**(144)**	**(196)**	**(2)**

Group 2016	CARRYING AMOUNT $000'S	CONTRACTUAL CASH FLOWS $000'S	6 MONTHS OR LESS $000'S	6-12 MONTHS $000'S	1-2 YEARS $000'S	2-5 YEARS $000'S
Secured bank loans	33,500	37,125	755	711	35,659	-
Other unsecured borrowings	186	186	93	-	93	-
Trade and other payables	8,934	8,934	8,934	-	-	-
Total non-derivative liabilities	**42,620**	**46,245**	**9,782**	**711**	**35,752**	**-**
Net inflow / (outflow):						
Interest rate swaps	(722)	(739)	(190)	(198)	(351)	-
Foreign Exchange Forward Rate Agreements	(48)	(49)	(49)	-	-	-
Total derivative inflow / (outflow)	**(770)**	**(788)**	**(239)**	**(198)**	**(351)**	**-**

(C) INTEREST RATE RISK – REPRICING ANALYSIS

Group 2017 **Fixed & variable rate instruments**	TOTAL $000'S	6 MONTHS OR LESS $000'S	6-12 MONTHS $000'S	1-2 YEARS $000'S	2-5 YEARS $000'S	NON-INTEREST BEARING $000's
Cash and cash equivalents	2,071	2,071	-	-	-	-
Trade and Other receivables	4,301	-	-	-	-	4,301
Finance lease receivables	464	118	113	174	59	-
Secured bank loans	(24,000)	(24,000)	-	-	-	-
Total fixed and variable rate instruments	**(17,163)**	**(21,811)**	**113**	**174**	**59**	**4,301**
Effect of interest rate swaps	24,000	-	14,000	-	10,000	-
Total fixed and variable rate instruments and related derivatives	**6,837**	**(21,811)**	**14,113**	**174**	**10,059**	**4,301**

Group 2016 **Fixed & variable rate instruments**	TOTAL $000'S	6 MONTHS OR LESS $000'S	6-12 MONTHS $000'S	1-2 YEARS $000'S	2-5 YEARS $000'S	NON-INTEREST BEARING $000's
Cash and cash equivalents	522	522	-	-	-	-
Trade and Other receivables	7,212	-	-	-	-	7,212
Finance lease receivables	334	88	73	126	50	(3)
Secured bank loans	(33,500)	(33,500)	-	-	-	-
Other unsecured borrowings	(186)	-	-	-	-	(186)
Total fixed and variable rate instruments	**(25,618)**	**(32,890)**	**73**	**126**	**50**	**7,023**
Effect of interest rate swaps	27,000	3,000	10,000	14,000	-	-
Total fixed and variable rate instruments and related derivatives	**1,382**	**(29,890)**	**10,073**	**14,126**	**50**	**7,023**

(E) CAPITAL MANAGEMENT

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

(F) SENSITIVITY ANALYSIS

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

At 30 June 2017 it is estimated that a general increase of a one percentage point in interest rates would have had an immaterial impact on the Group's profit. Interest rate swaps have been included in this assessment.

28 Financial Instruments (cont)

(G) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

(H) INTEREST RATE SWAPS

The Group has a policy of ensuring that at least 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next two years (see the table above) and have fixed swap rates ranging from 2.48% to 4.90% for the Group. (2016 Group: 3.23% - 4.90%).

The Group's interest rate swaps notional amounts and fair values are presented below.

	GROUP 2017 $000'S	GROUP 2016 $000'S
Interest rate swaps		
Notional contract amount	24,000	27,000
Fair value:		
Assets	-	-
Liabilities	(264)	(722)
Net fair value	**(264)**	**(722)**

(I) OPTIONS

As part of the transaction to sell 70% of the discontinued operation the Group entered into two option contracts.

These options are shown as the net of the assetand the liability in the Statement of Financial Position. These options have been fair valued using a number of criteria such as volatility, risk free investment rate and dividend yield.

	GROUP 2017 $000'S	GROUP 2016 $000'S
Put Option	1,000	-
Call Option	(480)	-
	520	**-**

The net option derivative value is not material for further disclosure.

(J) FAIR VALUES VERSUS CARRYING AMOUNTS

For all financial assets and liabilities the fair values equal the carrying values as shown in the Statement of Financial Position.

Estimation of fair values

The methods used in determining the fair values of financial instruments are discussed in note 4 and below.

Interest rates used for determining fair value

The interest rates used to determine fair value are based on the swap yield curve, at the reporting date, for the outstanding term of the interest rate swaps and were as follows:

	2017	**2016**
Interest rate derivatives	2.48% - 4.90%	2.22% - 2.40%

Fair value hierarchy

Derivative financial instruments carried at fair value can be categorised by valuation method, or hierarchy. The different levels in the hierarchy have been defined as follows:

* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
* Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
* Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The interest rate and foreign currency derivatives are both considered Level 2 instruments in the hierarchy.

All other financial assets and liabilites are classified as Level 1.

There have been no transfers between any levels of classification on the fair value hierarchy (2016: nil).

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, advances to subsidiaries and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A non-derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular transactions relating to purchases and sales of financial assets are accounted for at trade date i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

29 Subsequent Events

There have been no material subsequent events.

Independent Auditor's Report

To the shareholders of TeamTalk Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of TeamTalk Limited (the company) and its subsidiaries (the Group) on pages 2 to 23:

i. present fairly in all material respects the Group's financial position as at 30 June 2017 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 2017;

— the consolidated statements of 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 taxation, regulatory and other assurance engagements relating to the divestment of BayCity Communications Limited. 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 $0.3 million determined with reference to a benchmark of group profit before tax from continuing operations. 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
Divestment of BayCity Communications Limited	
In June 2017 the Group completed the sale of 70% of its stake in BayCity Communications Limited ('BayCity') to Vodafone New Zealand Limited for cash consideration of $10 million. The transaction also included a put and a call option relating to TeamTalk's remaining 30% investment in BayCity. Note 6 to the financial statements discloses the gain on disposal of BayCity as well as the results from and cash flows attributable to the discontinued operations. This has been an area of focus given the significance of disposing a major operating segment, and the complexity and judgement in accounting for this disposal, the retained investment in BayCity and the put and call options.	Our audit procedures on management's calculation of the gain on disposal included; — Reviewing the sale and purchase agreement to understand the key terms and conditions; ; — Agreeing the sale proceeds received to the sale and purchase agreement and cash received; — Utilising our valuation specialists to assess the reasonableness of the fair value of the retained investment in BayCity and the fair value of the put and call options; — Agreeing the net assets disposed to the completion accounts and the closing net asset position; Our audit procedures in relation to the classification of the retained investment in BayCity included reviewing the key terms of the shareholder' agreements, including rights of the investors, governance structures and profit-sharing arrangements, and then comparing these against the accounting standards.
Goodwill impairment assessment	
The Group has goodwill of $17 million (2016: $19.8 million) as disclosed in Note 14 of the consolidated financial statements, which is now allocated across two cash generating units ("CGU") post the sale of BayCity. Goodwill is required to be tested for impairment annually. Valuation of Goodwill is considered to be a key audit matter due to the significance of the asset to the Group's consolidated financial position and that maintaining the full carrying value requires the execution of subjective future scenarios. Market capitalisation of the Group is lower than the carrying value of net assets, however the risk over impairment decreased in the current period with the	Our procedures over both CGUs included the following; — Comparing the methodology adopted in the valuation models to accepted valuation approaches; — Comparing the cash flow forecasts to Board approved budgets; — Comparing the revenue and cost forecasts to historic cash flows, and growth rates achieved; — Using our valuation specialists to assess the reasonableness of the discount rates used for each CGU. — Performing sensitivity analysis and considering a range of likely outcomes for various scenarios; and

The key audit matter	How the matter was addressed in our audit
divestment of BayCity, a business that has been underperforming historically.	— As a cross check, comparing the valuations to the market, using comparable businesses (where available) and their earnings multiples.

Other Information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, Chief Executive's report, and disclosures relating to corporate governance, shareholder information 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.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this Independent Auditor's Report

This 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 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:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx.

This description forms part of our Independent Auditor's Report.

KPMG

Graeme Edwards

For and on behalf of

KPMG
Wellington

23 August 2017

CODE OF CORPORATE GOVERNANCE

TeamTalk is committed to the principles of good corporate governance and believes that sound governance is a vital foundation for the creation of sustainable value for shareholders. The TeamTalk Board has adopted a set of governance practices that go beyond what is legally required with no material differences to the NZX Corporate Governance Best Practice Code. These principles are enshrined in the formal charters adopted by the board and each of its sub-committees and in the Constitution. Sub-committee charters can be found on the TeamTalk website www.teamtalkinvestor.co.nz/governance.

Board Composition and Procedures

The Board comprises six directors of which all six, including the chairman, are independent directors.

The Chairman must always be a non-executive director and may not have the casting vote.

The number of non-executive directors must exceed the number of executive directors and the number of independent directors will reflect, as a minimum, NZSX Listing Rules.

No retirement allowances will be paid to directors.

In order to achieve optimum performance of the board as a whole, individual director and board evaluations are conducted annually.

Under the constitution, one third of the directors are required to retire by rotation and may offer themselves for re-election by shareholders each year.

Board Sub-Committees

The board has three standing sub-committees: Audit & Risk, CityLink Limited and Remuneration. In addition the Nominations sub-committee meets on an as-required basis.

Audit & Risk sub-committee

The Audit sub-committee operates under a separate charter and assists the board with corporate accounting and financial matters as well as taking the lead in risk management matters. The Audit sub-committee has direct communication with independent auditors. The sub-committee is chaired by George Paterson, the other members are Tone Borren, Reg Barrett, Geoff Davis and Roger Sowry (on an ex-officio basis).

Remuneration sub-committee

The Remuneration sub-committee also operates under a separate charter and assists the board in reviewing remuneration policies for the board and senior management. This sub-committee is chaired by Tone Borren, the other members being George Paterson and Roger Sowry (on an ex-officio basis).

Nominations sub-committee

As stated in the Board's own charter, major policy decisions are matters for the Board as a whole. This philosophy underlies the structure of the Nominations sub-committee, which, while operating under its own charter, comprises all of the directors of the Board. The primary task of this sub-committee is the appointment of directors.

To ensure diversity of reporting and contestability of views there will be a regular programme of senior executives presenting directly to the board.

Auditors

Auditors provide no other services to the Company unless approved by the Audit sub-committee.

The same audit partner cannot be responsible for the audit for more than five years.

The Company will not employ persons from its Auditors in any senior position, unless their employment with that audit firm had ceased at least two years earlier.

Insurances

TeamTalk undertakes an annual review of its insurance programme and any residual uncovered risk. TeamTalk has indemnity insurance for officers and directors.

Conflict of Interest Policy

A director is required to disclose to the Board any actual or potential conflict of interest. Except where authorised by the Company's constitution and the NZSX Listing Rules, the conflicted director may not vote at a meeting where the relevant issues are discussed, or be counted in a quorum.

Share Dealing

TeamTalk has adopted a code of conduct applying to the share dealings by directors, officers and employees. Directors and officers are restricted from trading in the periods immediately before the release of the Company's half yearly and annual results, and at any other time if they are in possession of inside information. Employees don't have any periods when they are automatically precluded from trading but they are prohibited from trading if in possession of inside information. All requests for trades in the Company's shares by directors and officers must be approved in advance of any trades.

Board of Directors

Directors holding office during the period were:

TEAMTALK LIMITED	CITYLINK LIMITED
Roger Sowry (Chair)*	Andrew Miller (Chair)[1]
Reg Barrett*	Jason Bull[1]
Tone Borren*	Tone Borren[2]
Geoff Davis*	Geoff Davis[3]
George Paterson*	
Nathan York*	

* Independent Director

[1] Appointed 5 December 2016

[2] Ceased 15 December 2016

[3] Ceased 16 December 2016

Remuneration of Directors

Details of the nature and amount of emoluments paid during the year to each Director or former Director in the Group are as follows:

	FEES ($'000)	SALARY & INCENTIVE REMUNERATION ($'000)	OTHER FEES ($'000)
Parent Company Board			
Roger Sowry	58	-	-
Reg Barrett	35	-	28
Tone Borren	35	-	20
Geoff Davis	20	-	44
George Paterson	35	-	-
Nathan York	35	-	-

Disclosure of Interest

Directors disclosed interests in the following entities as at 30 June 2017, pursuant to section 140 of the Companies Act 1993:

ROGER SOWRY

Entity	Relationship
Saunders Unsworth Limited	Director & Shareholder
Huawei (NZ) Advisory Council	Chairman
Indue NZ advisory board	Member
Homecare Medical (GP) Limited	Chairman
Healthcare NZ	Director
Government Civil Defence Review	Chairman
Linka Investments	Director & Shareholder
Rascality Studio	Director

REG BARRETT

Entity	Relationship
Mobile Intelligence Limited	Chairman
Xlerate Technologies (NZ) Limited	Chairman
Vxceed Technologies (NZ) Limited	Chairman
Domel & Associates	Shareholder
Tactix Marketing (NZ) Limited	Chairman
SW & P (NZ) Ltd	Shareholder and Business Adviser
SW Media LLC	Shareholder and Business Adviser

TONE BORREN

Entity	Relationship
Holmes Solutions Limited	Chairman
Pikselin Limited	Director
SFX 2010 Limited	Director
Shift Limited	Director
YouDo Limited	Chairman
The Tomorrow Project	Chairman

GEOFF DAVIS

Entity	Relationship
Armillary Limited	Employee

GEORGE PATERSON

Entity	Relationship
Celtic Services Limited	Director & Shareholder
Mt Work Limited	Director & Shareholder
Luxson Limited	Director & Shareholder
Light ED Holdings Limited	Director & Shareholder
Ecopoint Limited	Shareholder
Pharmazen Limited	Shareholder
ContainerCo (NZL) Limited	Officer

NATHAN YORK

Entity	Relationship
Ahu Whenua Trust, Whaiti Kuranui 2D4 Sec1B	Chairman
Blue Haven Group	Chief Executive Officer

Relevant Interest in Shares

No disclosures as regards acquisitions or disposals of TeamTalk shares were made by TeamTalk directors during the current year.

Directors' Relevant Interests at 30 June 2017

Director	Number of ordinary shares	Registered Holder(s)
Roger Sowry	10,000	RM Sowry & SA Sowry (jointly)
Reg Barrett	nil	
Tone Borren	47,394	Custodial Services Limited
Geoff Davis	nil	
George Paterson	ni	
Nathan York	nil	

Executive Employees' Remuneration

The following number of Group employees (excluding Directors but including former employees) received total remuneration of at least $100,000 during the accounting period:

	2017	2016
$100,000 - $109,999	3	5
$110,000 - $119,999	9	6
$120,000 - $129,999	3	3
$130,000 - $139,999	4	8
$140,000 - $149,999	5	4
$150,000 - $159,999	5	2
$160,000 - $169,999	-	2
$170,000 - $179,999	1	-
$180,000 - $189,999	-	1
$190,000 - $199,999	-	-
$200,000 - $209,999	-	-
$210,000 - $219,999	1	-
$220,000 - $229,999	1	-
$230,000 - $239,999	-	1
$240,000 - $249,999	-	-
$250,000 - $259,999	1	1
$260,000 - $269,999	-	-
$270,000 - $279,999	2	-
$280,000 - $289,999	-	-
$290,000 - $299,999	1	-

Gender Composition of Directors and Officers

As required by NZSX Listing Rule 10.4.5(j) the following table shows the breakdown of Directors and Officers (defined as the senior executive of the group and any of their direct reports) within each company of the TeamTalk Group. Executive Directors are included in both the count of Directors and Officers.

	DIRECTORS		OFFICERS	
AS AT 30 JUNE 2017	MALE	FEMALE	MALE	FEMALE
TeamTalk Limited	6	-	2	-
BayCity Communications Limited	-	-		-
CityLink Limited	2	-	2	-

	DIRECTORS		OFFICERS	
AS AT 30 JUNE 2016	MALE	FEMALE	MALE	FEMALE
TeamTalk Limited	6	-	3	-
BayCity Communications Limited	2	-	2	-
CityLink Limited	3	-	1	-

SHAREHOLDER INFORMATION

Shareholding

The top 20 shareholders of TeamTalk Limited at 2 August 2017 were:

INVESTOR NAME	ORDINARY SHARES	% ISSUED CAPITAL
Barry William Payne & Brett Gould & Sandra Tui Payne	1,222,281	4.31%
Tuaropaki Communications Limited	1,137,249	4.01%
New Zealand Central Securities Depository Limited	1,016,976	3.58%
FNZ Custodians Limited	723,547	2.55%
Forsyth Barr Custodians Ltd	714,617	2.52%
Jarden Custodians Limited	690,000	2.43%
Sydney Bruce Crowther & Faith Palairet & Stephen Palairet	528,837	1.86%
FNZ Custodians Limited	500,000	1.76%
Selenium Corporation Limited	494,270	1.74%
Brian Winston Jackson	413,381	1.46%
Roy Albert Wilson	400,000	1.41%
Deborah Mary Thomson & Mark James Thomson	398,561	1.40%
Custodial Services Limited	335,690	1.18%
David Hugh Paget Walpole & Erica Julia Walpole	300,000	1.06%
Andrew John Fleck	300,000	1.06%
Ace Finance Limited	298,151	1.05%
Neil Andrew De Wit	282,423	1.00%
Kevin Ivor Brown & Karen Anne Brown	264,426	0.93%
Rio Keith Bond	235,191	0.83%
Richard Barton Adams & Allison Ruth Adams	200,000	0.70%
Donald Ford Franklin	200,000	0.70%
Darlington Investments Ltd	200,000	0.70%
First NZ Capital Securities Limited	187,426	0.66%
		38.90%

Size of Holdings

The details set out below were as at 2 August 2017:

RANGE	NUMBER OF HOLDERS	%	NUMBER OF ORDINARY SHARES	% ISSUED CAPITAL
1-1,000	112	7.60%	82,964	0.29%
1,001-5,000	610	41.41%	1,885,381	6.65%
5,001-10,000	315	21.38%	2,562,679	9.03%
10,001-50,000	353	23.96%	7,837,534	27.63%
50,001-100,000	46	3.12%	3,180,297	11.21%
Greater than 100,000	37	2.51%	12,820,139	45.19%
	1,473	**100.00%**	**28,368,994**	**100.00%**

Substantial Security Holders

Pursuant to section 293 of the Financial Markets Conducat Act 2013, there were, at 30 June 2017, no Substantial Security Holders.

TEAMTALK LIMITED CORPORATE DIRECTORY

REGISTERED OFFICE

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

HEAD OFFICE

Level 6, 25-27 Cambridge Terrace,
Wellington, New Zealand
Phone: (04) 802 1470
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
www.citylink.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

TeamTalk
HOW WORK GETS DONE