



MARKET RELEASE

16 February 2018

Updates to External Reporting

In advance of Spark New Zealand Limited's ("Spark's") FY18 interim results announcement on Wednesday 21 February 2018, Spark has today released restated historical detailed financials to assist analysts in recalibrating their models.

Spark has made a number of improvements to the structure and detail of its externally reported financials:

Segmental reporting

- Segmental reporting has been updated to align with recent changes in internal business unit accountability

IT services revenues

- As indicated at our FY17 results announcement we have reclassified IT services revenues to provide greater insight into the drivers of business performance
- An accompanying presentation has also been released to provide further insight into how to model reclassified Spark Digital revenues

Broadband cost of sales

- As indicated at our FY17 results announcement all broadband related Unbundled Copper Local Loop (UCLL) costs have now been reallocated to 'broadband cost of sales'. This is to align the classification of copper broadband inputs with the existing classification of fibre broadband inputs

Voice connections

- To better align with the definition used for reporting of voice revenues, reported voice connections now include all connection types (including ISDN, VOIP and wireless voice) rather than just those provisioned on the legacy PSTN network

The comparative historical detailed financials have been adjusted to reflect these changes with no impact on the Spark Group result.

Investors and analysts are also invited to attend a presentation to discuss updates to Spark New Zealand Limited's ("Spark's") external reporting. Attendees are able to attend the presentation in person at Spark City, 167 Victoria Street West, Auckland or via teleconference.



To access the teleconference please pre-register by clicking [here](#)

DATE: Friday, 16 February 2018

TIME: 9.00 am (AEDT)

11.00 am (NZDT)

If you would like to join via teleconference, please use the following dial-in numbers:

AUDIO CONFERENCE ID: 9287669

Country	Date	Time	Dial In
New Zealand	16/02/18	11.00am NZDT	0800 667 014
Australia	16/02/18	09.00am AEDT	1800 015 837
USA	15/02/18	5.00pm EST	1844 294 9606
Hong Kong	16/02/18	06.00am HKT	800 967 614
Singapore	16/02/18	06.00am SGT	800 616 2327
Japan	16/02/18	07.00am JST	012 043 2027
UK	15/02/18	10.00pm GMT	0808 234 4636

Please dial into the teleconference 10 minutes before the start of the presentation.

-ENDS-

For media queries, please contact:

Lucy Fullarton

Communications Partner +64 (0) 21 070 6197

For investor relations queries, please contact:

Dean Werder

GM Finance & Performance +64 (0) 27 259 7176



Updates to External Reporting

Investor & Analyst Briefing 16 February 2018

Updates to External Reporting (1/2)

Segmental reporting has been updated to align with recent changes in business unit accountability

Segmental Updates			
Description	Details	From	To
Medium enterprise customers	Medium enterprise customers now serviced by HMB business hubs, to better align service models	Digital	HMB
Interconnection	Change in allocation method for interconnect revenue and costs	Ventures and Wholesale	HMB and Digital
Payphones	Management of payphones and calling card business transferred to Connect and Platforms	HMB	Connect and Platforms
Inbound Roaming	Inbound roaming revenue transferred to Wholesale to align with ownership of international carrier relationships	HMB	Ventures and Wholesale
Data centre costs	Transfer of data centre costs to centralise management of all accommodation expenses	Digital	Connect and Platforms
Service centre costs	Transfer of service desk costs to align with management of associated resources	Digital	Connect and Platforms
Mobility IOT	Management of mobile machine-to-machine products moved to Spark Ventures' Internet of Things unit	Digital	Ventures and Wholesale

Updates to External Reporting (2/2)

Additional disclosure changes have also been made to provide greater insight into the performance of IT services, broadband and voice

Other Disclosure Changes

IT services revenue

As indicated at our FY17 Results Announcement we have reclassified IT services revenues to provide greater insight into the drivers of business performance. Previously reported IT services revenues have now been reclassified into the following categories:

- Procurement and partners
- Cloud, security and service management
- Voice
- Managed data and networks
- Other operating revenues

Previously reported FY17 IT services revenues are reconciled to the new categories below:

		Previous Categories (\$m)			
		Traditional IT	Platform IT	Procurement	Total
New Categories (\$m)	Voice	29	25	-	54
	Managed data and networks	32	11	-	43
	Cloud, security and service management	124	198	2	324
	Procurement and partners	27	-	318	345
	Other operating revenue	2	14	1	17
Total		214	248	321	783

Broadband input costs

As indicated at our FY17 Results Announcement all broadband related Unbundled Copper Local Loop (UCLL) costs have now been reallocated to 'broadband cost of sales'. This is to align the classification of copper broadband inputs with the existing classification of fibre broadband inputs.

Voice connections

To better align with the definition used for reporting of voice revenues, reported voice connections now include all connection types (including ISDN, VOIP and wireless voice) rather than just those provisioned on the legacy PSTN network.



Modelling Spark Digital

Spark's Enterprise and Government Business

Investor & Analyst Briefing 16 February 2018

Spark Digital Overview

Key Facts

- Focused on business segments, starting at businesses with ~100 FTE, up to and including large Enterprise and Government
- Operates in the telecommunications and digital services markets; focused on meeting the needs of businesses
- Major competitors include Vodafone New Zealand, Datacom, Dimension Data and Fujitsu
- Includes revenues from subsidiaries Revera and Computer Concepts Limited (CCL)

Financial breakdown for Spark Digital (restated)

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues				
Mobile	82	84	87	84
Voice	107	109	108	108
Broadband	15	14	14	15
Cloud, security and service management	113	136	150	166
Procurement and partners	149	145	173	167
Managed data and networks	88	84	81	82
Internal revenue	3	3	1	1
	557	575	614	623
Operating expenses				
Labour	94	95	110	101
Other operating expenses	283	274	322	312
Internal expenses	4	5	4	4
	381	374	436	417
EBITDA	176	201	178	206
EBITDA margin	31.6%	35.0%	29.0%	33.1%

Voice

Revenue line	Description	FY17 Revenue	FY17 YoY movement	FY18 to FY20 Aspiration	How to model
Landline only	Access revenues for landline (including POTS, VOIP & ISDN)	\$60m	(8%)	Consistent rate of decline: <ul style="list-style-type: none"> Some variability driven by migration rates as customers shift from legacy access to cheaper VoIP options 	Connections x ARPU
Calling	Calling revenue for landlines (including POTS, VOIP & ISDN)	\$100m	(2%)	Greater rate of decline due to: <ul style="list-style-type: none"> FY17 included strong growth in 0800 calling which is expected to moderate Ongoing migration off landline Shift to unlimited calling plans 	Year on year trends
Video-conferencing	Video and audio conferencing, including Skype for Business and contact centre solutions	\$54m	15%	Moderated rate of growth due to: <ul style="list-style-type: none"> Volume growth in Skype for Business and video conferencing, partially offset by Price pressure and decline in contact centre solutions 	Year on year trends
Other voice	Not material	\$2m	0%	Not material	Not material
Total Voice	As above	\$216m	0%		

Notes

- POTS: Plain Old Telephone Service, refers to the standard analogue copper based telephone service that most homes and businesses have historically used. Excludes VoIP and ISDN
- ISDN: Integrated Services Digital Network, refers to a digital service that allows simultaneous transmission of voice, data and video
- VoIP: Voice over IP

Broadband

Revenue line	Description	FY17 Revenue	FY17 YoY movement	FY18 to FY20 Aspiration	How to model
Total Broadband	Fixed and wireless broadband, includes business broadband as well as managed corporate internet	\$29m	0%	Marginal rate of decline due to: <ul style="list-style-type: none">Customers migrating from legacy managed internet products to cheaper business broadband plans	Connections x ARPU

Managed Data and Networks

Revenue line	Description	FY17 Revenue	FY17 YoY movement	FY18 to FY20 Aspiration	How to model
Managed Data	Services which allow customers to connect to data centres and to connect remote sites together. Includes WAN, carrier ethernet, and DTS	\$120m	(8%)	Consistent rate of decline due to: <ul style="list-style-type: none"> • Ongoing pricing pressure • Increased migration off legacy products and closure of ATM platform • Opportunity to grow connections in mid market 	Year on year trends
Networks	Proactive monitoring and managed services for clients networks	\$43m	5%	Higher rate of growth due to: <ul style="list-style-type: none"> • Strong pipeline of opportunities across Enterprise and Government segments 	Year on year trends
Total Managed Data and Networks	As above	\$163m	(5%)	Smaller rate of decline, as described above	As above

Notes

- WAN - Wide Area Networking: Provides customers with their own private, managed network to securely connect multiple locations in New Zealand or around the world
- Carrier ethernet: Provides a high speed, scalable private and secure WAN connection that caters to applications such as cloud-delivered video conferencing, IP telephony or data centre connections.
- DTS: Provides a reliable connection for transferring large amounts of data at very fast speeds, using a private optical path

Mobile

Revenue line	Description	FY17 Revenue	FY17 YoY movement	FY18 to FY20 Aspiration	How to model
Total Mobile	Mobile usage revenues (including voice, text and data usage) and revenues from device sales	\$171m	3%	Flat to declining due to: <ul style="list-style-type: none"> • Strong pricing pressure impacting ARPU's; and • Ongoing growth in connections; potentially offset by • Growth in device revenues including reductions in subsidies 	Connections x ARPU

Cloud, Security and Service Management

Revenue line	Description	FY17 Revenue	FY17 YoY movement	FY18 to FY20 Aspiration	How to model
Cloud	<p>Includes services such as:</p> <ul style="list-style-type: none"> • Infrastructure as a Service (IaaS*), • Desktop as a Service (DaaS) • Platform as a Service (PaaS*) • Public cloud (e.g. Amazon Web Services, Microsoft Azure) resale • Cloud related consulting and managed services. • Data centre co-location revenue within Spark including Managed Infrastructure. <p>Includes all revenues from Revera and CCL (excluding procurement)</p>	\$316m	27%	<p>Moderated growth due to:</p> <ul style="list-style-type: none"> • Strong growth in a cloud market with relatively low penetration; • Higher growth in security; and • Consistent growth in service management; partially offset by • Pricing pressure from global providers <p>NB: FY17 was the first full year of CCL revenues</p>	Year on year trends
Security	Cyber security services				
Service Management	Managed ICT services provided via service desks for Spark products and third parties				
Total Cloud, Security and Service Management	As above	\$316m	27%	As above	As above

Notes

- IaaS: Provision of virtualised cloud based computing and data centre storage, where the hardware is provided by an external provider
- PaaS: Consistent with IaaS, however the operating system is also managed by an external provider

Procurement & Partners

Revenue line	Description	FY17 Revenue	FY17 YoY movement	FY18 to FY20 Aspiration	How to model
Procurement	Procurement of hardware and software on behalf of customers	\$340m	16%	Moderated rate of growth: <ul style="list-style-type: none"> Procurement revenues can be “lumpy” according to deal flow, but low margin so limited impact on EBITDA Continued growth from Partners as demand for IT services grows in regional areas 	Year on year trends
Partners	Partner provided IT services, primarily in the regions where Spark Digital does not have a presence				
Total Procurement and Partners	As above	\$340m	16%	As above	As above

Disclaimer

This announcement may include forward-looking statements regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of and assumptions made by management along with information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as 'guidance', 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could', 'ambition', 'aspiration' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand, competition in the markets in which Spark New Zealand operates, risks related to the sharing arrangements with Chorus, other factors or trends affecting the telecommunications industry generally and Spark New Zealand's financial condition in particular and risks detailed in Spark New Zealand's filings with NZX and ASX. Except as required by law or the listing rules of the stock exchanges on which Spark New Zealand is listed, Spark New Zealand undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Spark New Zealand

Group result

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues and other gains	1,723	1,774	1,793	1,821
Operating expenses	1,266	1,240	1,320	1,274
Share of associates' and joint ventures' net losses	(2)	(3)	(2)	(2)
EBITDA	455	531	471	545
Depreciation and amortisation expense	224	222	215	215
Net finance expense	13	15	13	13
Net earnings before income tax	218	294	243	317
Tax expense	60	82	65	77
Net earnings for the period	158	212	178	240

EBITDA by business unit

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
EBITDA				
Spark Home, Mobile & Business	417	426	411	442
Spark Digital	176	201	178	206
Spark Connect & Platforms	(192)	(169)	(179)	(169)
Spark Ventures & Wholesale	70	75	63	66
Corporate	(16)	(2)	(2)	-
	455	531	471	545

Connections

	H1 FY16 000's	H2 FY16 000's	H1 FY17 000's	H2 FY17 000's
Mobile connections	2,212	2,293	2,353	2,392
Voice connections ¹	744	713	670	622
Broadband connections				
Copper	615	564	497	431
Fibre	58	99	138	172
Wireless	2	12	40	84
	675	675	675	687

¹ Voice connections now include all voice technology types, including ISDN and VOIP. Connections for prior periods have been updated to ensure consistency.

Voice connections exclude connections where Spark also provide a bundled broadband service, but include all wholesale voice connections (including those where the underlying customer has a bundled broadband service).

Dividends

	H1 FY16	H2 FY16	H1 FY17	H2 FY17
Ordinary dividends (cents per share)	11.00	11.00	11.00	11.00
Special dividends (cents per share)	1.50	1.50	1.50	1.50
	12.50	12.50	12.50	12.50

Spark New Zealand

Operating revenues and other gains by business unit

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues and other gains				
Spark Home, Mobile & Business	1,008	1,025	1,019	1,021
Spark Digital	557	575	614	623
Spark Connect & Platforms	22	23	24	28
Spark Ventures & Wholesale	131	134	120	124
Corporate	26	41	35	46
Eliminations	(21)	(24)	(19)	(21)
	1,723	1,774	1,793	1,821

Group operating revenues and other gains

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues				
Mobile				
Service revenue	371	379	383	398
Other mobile revenue	192	192	205	211
	563	571	588	609
Voice				
Landline only	169	166	155	143
Calling	153	164	142	134
Videoconferencing	24	23	27	27
Other voice revenue	15	14	14	13
	361	367	338	317
Broadband	339	346	344	345
Cloud, security and service management	117	140	154	170
Procurement and partners	152	147	176	169
Managed data and networks	118	111	105	102
Other operating revenue	73	92	88	89
Total operating revenues	1,723	1,774	1,793	1,801
Other gains	-	-	-	20
Total operating revenues and other gains	1,723	1,774	1,793	1,821

Wireless broadband revenues and connections are included in broadband revenues and connections.

Spark New Zealand

Revenue classification changes

Spark has revised some of the categories of operating revenues presented to provide greater insight into the drivers of business performance. This has resulted in the disaggregation of the previously reported 'IT services' revenue category as outlined below:

Revenue type	Services provided	Previous category	New category
Cloud	Includes IaaS, DaaS, PaaS, public cloud resale and related consulting and managed services. Also includes data centre co-location and managed infrastructure.	IT services	Cloud, security and service management
Security	Cyber security services.	IT services	Cloud, security and service management
Service management	IT managed services including service desk, incident management, problem management, change management, configuration management and release management.	IT services	Cloud, security and service management
Procurement	Procurement of hardware and software on behalf of customers.	IT services	Procurement and partners
Partners	Partner provided IT services, primarily in the regions where Spark does not have a presence.	IT services	Procurement and partners
Videoconferencing	Video and audio conferencing, including Skype for Business and contact centre solutions.	IT services	Voice
Networks	Proactive monitoring and managed services for customer networks.	IT services	Managed data and networks
Mobility	Machine to machine revenue.	IT services	Other operating revenue

A reconciliation of the new revenue categories to an equivalent of the previously reported 'IT services' revenue category is provided below:

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Cloud, security and service management	117	140	154	170
Procurement and partners	152	147	176	169
Networks	22	19	20	23
Videoconferencing	24	23	27	27
Other operating revenue	7	7	7	10
Previous IT services revenue category	322	336	384	399

Spark New Zealand

Financial breakdown by business unit - Spark Home, Mobile & Business

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues				
Mobile	467	471	486	506
Voice	186	189	169	152
Broadband	324	332	330	330
Cloud, security and service management	4	4	4	4
Procurement and partners	3	2	3	2
Managed data and networks	3	3	3	2
Other operating revenue	21	24	24	25
	1,008	1,025	1,019	1,021
Operating expenses				
Labour	58	60	70	66
Other operating expenses	519	522	524	496
Internal expenses	14	17	14	17
	591	599	608	579
EBITDA	417	426	411	442
EBITDA margin	41.4%	41.6%	40.3%	43.3%

Analysis & KPI's - Spark Home, Mobile & Business

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Voice revenue by type				
Landline only	89	82	81	72
Calling	86	97	78	71
Other voice revenue	11	10	10	9
	186	189	169	152
Connections	000's	000's	000's	000's
Broadband connections	659	659	659	671
Voice only connections	227	218	203	201

Spark New Zealand

Financial breakdown by business unit - Spark Digital

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues				
Mobile	82	84	87	84
Voice	107	109	108	108
Broadband	15	14	14	15
Cloud, security and service management	113	136	150	166
Procurement and partners	149	145	173	167
Managed data and networks	88	84	81	82
Internal revenue	3	3	1	1
	557	575	614	623
Operating expenses				
Labour	94	95	110	101
Other operating expenses	283	274	322	312
Internal expenses	4	5	4	4
	381	374	436	417
EBITDA	176	201	178	206
EBITDA margin	31.6%	35.0%	29.0%	33.1%

Analysis & KPI's - Spark Digital

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Voice revenue by type				
Landline only	32	33	30	30
Calling	50	52	50	50
Videoconferencing	24	23	27	27
Other voice revenue	1	1	1	1
	107	109	108	108
Connections	H1 FY16 000's	H2 FY16 000's	H1 FY17 000's	H2 FY17 000's
Broadband connections	16	16	16	16
Voice only connections	135	136	132	121

Spark New Zealand

Financial breakdown by business unit - Spark Connect & Platforms

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues				
Mobile	2	3	3	4
Voice	4	3	3	3
Other operating revenue	16	17	18	21
	22	23	24	28
Operating expenses				
Labour	77	70	76	83
Other operating expenses	136	121	127	113
Internal expenses	2	1	-	-
	215	192	203	196
Share of associates' and joint ventures' net profits / (losses)	1	-	-	(1)
EBITDA	(192)	(169)	(179)	(169)

Analysis & KPI's - Spark Connect & Platforms

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Voice revenue by type				
Calling	4	3	3	3

Spark New Zealand

Financial breakdown by business unit - Spark Ventures & Wholesale

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues				
Mobile	12	13	12	15
Voice	64	66	58	54
Managed data and networks	27	24	21	18
Other operating revenue	10	10	11	17
Internal revenue	18	21	18	20
	131	134	120	124
Operating expenses				
Labour	7	6	8	8
Other operating expenses	50	50	48	50
Internal expenses	1	1	-	-
	58	57	56	58
Share of associates' and joint ventures' net losses	(3)	(2)	(1)	-
EBITDA	70	75	63	66
EBITDA margin	53.4%	56.0%	53.0%	53.0%

Analysis & KPI's - Spark Ventures & Wholesale

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Voice revenue by type				
Landline only	48	51	44	41
Calling	13	12	11	10
Other voice revenue	3	3	3	3
	64	66	58	54
Connections	H1 FY16 000's	H2 FY16 000's	H1 FY17 000's	H2 FY17 000's
Voice connections ¹	382	359	335	300
Voice only connections	89	82	76	70
Mobile connections ²	34	35	33	32

¹ Includes all wholesale voice connections (including those where the underlying customer has a bundled broadband service).

² Mobile connections exclude MVNO connections

Spark New Zealand

Financial breakdown by business unit - Corporate

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Operating revenues and other gains				
Other operating revenue	26	41	35	26
Other gains	-	-	-	20
	26	41	35	46
Operating expenses				
Labour	16	14	14	14
Other operating expenses	26	28	21	31
Internal expenses	-	-	1	-
	42	42	36	45
Share of associates' and joint ventures' net losses	-	(1)	(1)	(1)
EBITDA	(16)	(2)	(2)	-

Analysis & KPI's - Corporate

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Southern cross dividends	26	40	35	26

Spark New Zealand

Analysis & KPI's - Mobile (Spark Home, Mobile & Business and Spark Digital)

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Mobile revenue by type				
Mobile service revenue	365	373	376	390
Other mobile revenue ¹	184	182	197	200
	549	555	573	590

	H1 FY16 \$ per month	H2 FY16 \$ per month	H1 FY17 \$ per month	H2 FY17 \$ per month
Average revenue per user (ARPU) - 6 month active				
Total ARPU	28.44	27.89	27.71	27.68
Pay-monthly ARPU	46.55	45.99	45.59	45.88
Prepaid ARPU	11.72	11.87	11.65	11.75

	H1 FY16 000's	H2 FY16 000's	H1 FY17 000's	H2 FY17 000's
Number of mobile connections at period end - 6 month active				
Pay-monthly connections	1,035	1,056	1,085	1,108
Prepaid connections	1,139	1,198	1,231	1,248
Internal connections	4	4	4	4
Total mobile connections	2,178	2,258	2,320	2,360

¹ Other mobile revenue includes handset sales and mobile interconnect

Spark New Zealand

Group expenses

	H1 FY16 \$m	H2 FY16 \$m	H1 FY17 \$m	H2 FY17 \$m
Payments to telecommunications operators ¹				
Baseband and access charges	71	78	74	69
Other intercarrier costs	43	48	47	49
Broadband cost of sales	210	226	223	214
Field services	10	8	7	7
	334	360	351	339
Mobile acquisition, procurement and IT services				
Mobile cost of sales	229	219	222	214
IT services cost of sales	184	177	215	205
	413	396	437	419
Labour	252	245	278	272
Other operating expenses				
Direct network costs	38	31	31	29
Computer costs	38	36	40	42
Accommodation costs	47	45	50	49
Advertising, promotions and communication	45	32	41	28
Bad debts	11	11	9	9
Impairment expense	-	9	2	-
Other	88	75	81	87
	267	239	254	244
Total operating expenses	1,266	1,240	1,320	1,274
Depreciation and amortisation expense				
Depreciation	126	122	122	128
Amortisation	98	100	93	87
	224	222	215	215
Net finance expense				
Finance income	(9)	(9)	(8)	(8)
Finance expense	22	24	21	21
	13	15	13	13

¹ Broadband related Unbundled Copper Local Loop (UCLL) costs have been reclassified from 'baseband and access charges' to 'broadband cost of sales' to align the classification of copper broadband inputs with the existing classification of fibre broadband inputs. Total payments to telecommunications operators remains unchanged.

Group FTE's

	H1 FY16	H2 FY16	H1 FY17	H2 FY17
FTE permanent	5,023	5,241	5,664	5,554
FTE contractors	301	328	279	220
Total FTE	5,324	5,569	5,943	5,774

Spark New Zealand

Group capital expenditure

	H1 FY16	H2 FY16	H1 FY17	H2 FY17
	\$m	\$m	\$m	\$m
Cloud	10	24	22	20
Converged Communications Network (CCN)	-	3	3	12
International cable construction and capacity purchases	21	7	14	20
IT systems	17	42	60	52
Re-engineering of IT systems	42	24	-	-
Mobile network	58	19	69	33
Plant, network and core sustain and resiliency	53	26	36	31
Other	15	20	20	23
Total capital expenditure excluding mobile spectrum	216	165	224	191
Mobile spectrum	-	9	-	-
Total capital expenditure	216	174	224	191

Capital expenditure is presented on an accruals basis.