

Kordia Group Limited

Condensed Consolidated Interim Financial Statements (unaudited)

For the Six Months Ended 31 December 2024

Kordia Group Limited

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Chair's Report

Kordia Group, a leading provider of mission critical connectivity, cyber security and cloud solutions, has reported revenue of \$73m for the half year ended 31 December 2024. The Group's EBITDA was \$9.2m and the company declared a profit after tax of \$0.7m.

Revenues were down slightly by \$3.7m year on year, with EBITDA also \$1.7 m behind, reflecting softening economic conditions and rising costs, as well as costs associated with the reset of a major contract and divestment from a joint venture with Tait Communications.

In 2024, Kordia also completed a strategic review. Kordia is now implementing the findings from this review and executing a transformation programme, ensuring the business operates efficiently and effectively while demonstrating a clear purpose and strategy. This includes ensuring Kordia has an appropriate level of capability, capacity, internal controls and systems to effectively deliver the strategy and manage risks while clarifying lines of responsibility and evolving its legacy operating model. The one-off costs of the strategic review and the subsequent restructuring are also reflected in the financial results.

In January 2025 the board confirmed the permanent appointment of Neil Livingston as CEO. Neil has been acting CEO since April 2024 and led the strategic review, we are very pleased he has accepted the permanent position, and that he will continue to steer the company through its transformation.

Thanks to solid performances by the Maritime and Solutions businesses, as well as continuing demand for cloud and cyber security services, the group is in a steady position to continue the rest of the year. However, market demand will continue to play a role in determining the full year outcome.

Business performance

Overall, Kordia's business units performed well and in line with budget expectations, reflecting the solid underpinning of contracted work and continued demand for managed services.

Kordia's Maritime division renewed a major 10-year contract with Maritime New Zealand, worth \$55m, which sees Kordia continuing to provide safety of life at sea radio communications through our Maritime Operations Centre. Kordia has proudly delivered this service for over 30 years and is pleased to continue our partnership with Maritime NZ to deliver this critical service. The contract also provides for an upgrade of the technology used to deliver the service, as well as maintenance of the VHF coastal radio network.

Across the Tasman, a new 2-year contract with Australian Maritime Safety Association (AMSA) to deliver technical support and logistic services in addition to the current contract to deliver aids to navigation has also contributed to an overall pleasing performance by the maritime division.

Kordia's Solutions business had a strong half driven by a good pipeline of new mission-critical projects, including telecommunications and radio broadcasting infrastructure builds and maintenance across New Zealand. Highlighting the critical work Kordia performs, several engineers and technicians were deployed to assist the Vanuatu government restore essential radio communications following the devastating earthquake impacting the Pacific Island nation in December.

Wholesale has found the market conditions tough with growth expectations not materialising and the loss of a large voice calling customer. Contrary to this, Colocation has benefitted from project work for Two Degrees and Vocus.

Mobile media has performed well, due to an active schedule of live sport including cricket and A-league football. Our media team has been focused on renewing DTT contracts with broadcasters, as well as supporting the upcoming migration of New Zealand's Freeview DTH service to a new satellite.

Growth in Cyber and Cloud has been a key focus for Kordia, and the company continues to meet market demand with best-in-class managed services and expertise. Our contribution to the cyber security industry and role played developing the cyber resilience of New Zealand organisations was recognised at the 2024 iSANZ awards, where Kordia was named Best Security Company in New Zealand.

Demand for Cloud services remains high with a YTD increase in revenue of 32% on the prior year. There continues to be a degree of softness in the cyber consultancy space, due to reduced government spending.

Connectivity continues to be challenging; growing revenue when renewing contracts in a competitive market has been difficult.

Public Safety Network Contract

Prior to year-end, Kordia entered into discussions with Tait International, CIP and NGCC to reset its commercial partnership. The amendments to the contract were signed on the 6th August 2024, and resulted in Kordia divesting its shares in Tait Kordia Joint Venture to Tait International, who have now taken full ownership of the entity contracted to deliver the PSN Land Mobile Radio project.

Tait International will now lead the build and roll out the new LMR network. Kordia will continue to play a supporting role as a subcontractor to the Tait International owned entity.

At 30 June 2024 the assets sold under the reset agreement were disclosed Assets Held for Sale with the majority being settled in cash during August 2024. Additional costs relating to the reset have been incurred in current financial year resulting in lower profits however, this is expected to improve as the building of new sites ramps up.

Kordia Group Limited

Chair's Report (continued)

Our People

Kordia now employs just over 450 people, encompassing a wide range of skillsets and experience across cyber, cloud, connectivity, and mission-critical infrastructure. Kordia's NPS score of 43, which is above industry average, demonstrates the company's strong culture and dedication to providing "The Kordia Experience" to the many private and public organisations that it counts amongst its customers.

Health and safety remain a top priority for Kordia. Ensuring all employees stay safe at work is firmly embedded into the company's ethos. Kordia's TRIFR at the end of the first half was 3.04, which is under our target. The company's leadership remains committed to continuously improving health and safety practices and procedures.

Ensuring Kordia attracts and retains the best talent has been a key focus, and to that end the business has achieved the Gender Tick accreditation in Q2, validating our commitment to building an inclusive workplace for all genders. Our employee engagement score of 78% is further testament to Kordia's focus on producing a positive culture.

Outlook

Kordia is in a good position to grow its position as the New Zealand leader of mission-critical technology services and solutions, to further capture market position in cyber and cloud managed services, and to renew important media contracts and expand new innovative products services to customers.

The market presents some ongoing challenges, with Kordia navigating economic pressures and disruption in the media and government consulting landscape. In addition, the cost to maintain Kordia's critical assets is increasing considerably. However, Kordia's transformation programme will support the company to best navigate these challenges, positioning the business to continue to deliver value.

The outlook is encouraging, however economic conditions will determine the customer demand.

On behalf of the Board,



Sophie Haslem
Chair
27th February 2025

Kordia Group Limited

Condensed Consolidated Income Statement and Other Comprehensive Income

For the Six Months Ended 31 December 2024

Audited		Unaudited	
30/6/24	In thousands of New Zealand dollars	31/12/24	31/12/23
138,767	Revenue - New Zealand	67,441	72,404
8,873	Revenue - Australia	5,468	4,170
1,410	Other Income	-	-
149,050	Total revenue	72,909	76,574
63,430	Direct costs and overheads	28,582	30,166
68,408	Employee and contractor expenses	35,144	35,479
17,212	Earnings before interest, tax, depreciation and amortisation (EBITDA)	9,183	10,929
9,067	Depreciation of property, plant and equipment	4,370	4,957
4,079	Depreciation of right of use assets	1,959	2,051
861	Amortisation of intangibles	524	411
3,751	Finance costs	1,815	1,645
(339)	Finance income	(138)	(191)
191	Share of net loss / (profit) of associates and joint ventures accounted for using the equity method	(7)	-
(398)	(Loss) / Profit before income tax from continuing operations	660	2,056
(737)	Income tax (benefit) / expense	(21)	710
339	Profit for the period attributable to the equity holder	681	1,346
Other Comprehensive Income			
(25)	Foreign currency translation differences	38	(45)
(121)	Effective portion of changes in the fair value of cashflow hedges	152	(252)
34	Tax effect of the effective portion of changes in the fair value of cashflow hedges	(42)	71
(112)	Other comprehensive (loss) for the period	148	(226)
227	Total comprehensive income for the period	829	1,120

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 31 December 2024 (unaudited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
Balance 1 July 2024	87,696	(30,725)	4,900	(34)	61,837
Net profit for the period	-	681	-	-	681
Other comprehensive income					
Foreign currency translation differences	-	-	38	-	38
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	110	110
Total other comprehensive income	-	-	38	110	148
Total comprehensive income/(loss) for the period	-	681	38	110	829
Dividends paid	-	-	-	-	-
Balance 31 December 2024	87,696	(30,044)	4,938	76	62,666

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity (continued)

For the Six Months Ended 31 December 2023 (unaudited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
Balance 1 July 2023	87,696	(30,064)	4,925	53	62,610
Net profit for the period	-	1,346	-	-	1,346
Other comprehensive income					
Foreign currency translation differences	-	-	(45)	-	(45)
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(181)	(181)
Total other comprehensive income	-	-	(45)	(181)	(226)
Total comprehensive income/(loss) for the period	-	1,346	(45)	(181)	1,120
Dividends paid	-	(1,000)	-	-	(1,000)
Balance 31 December 2023	87,696	(29,718)	4,880	(128)	62,730

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity (continued)

For the Year Ended 30 June 2024 (audited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
Balance 1 July 2023	87,696	(30,064)	4,925	53	62,610
Net profit for the period	-	339	-	-	339
Other comprehensive income					
Foreign currency translation differences	-	-	(25)	-	(25)
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(87)	(87)
Total other comprehensive income	-	-	(25)	(87)	(112)
Total comprehensive income/(loss) for the period	-	339	(25)	(87)	227
Dividends Paid	-	(1,000)	-	-	(1,000)
Balance 30 June 2024	87,696	(30,725)	4,900	(34)	61,837

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

Kordia Group Limited

Condensed Consolidated Statement of Financial Position

As at 31 December 2024

Audited 30/6/24	In thousands of New Zealand dollars	Notes	Unaudited	
			31/12/24	31/12/23
Assets				
58,183	Property, plant and equipment		58,957	57,091
16,670	Right of use assets		15,364	18,445
26,863	Intangible assets and goodwill		26,398	26,480
-	Finance lease receivable		-	183
6,640	Deferred tax asset		6,967	3,775
-	Derivative assets		6	-
-	Investment accounted for using equity method	4	-	246
884	Trade and other receivables		783	932
<u>109,240</u>	Total non-current assets		<u>108,475</u>	<u>107,152</u>
5,274	Cash		6,741	4,005
32,371	Trade and other receivables and contract work in progress		30,524	38,571
362	Finance lease receivable		183	351
1,542	Inventories		1,622	7,670
1,398	Taxation receivable		1,952	3,416
3	Derivative assets		113	-
-	Loan to Joint Venture	4	-	475
<u>40,950</u>			<u>41,135</u>	<u>54,488</u>
12,538	Assets held for sale		-	-
<u>53,488</u>	Total current assets		<u>41,135</u>	<u>54,488</u>
<u>162,728</u>	Total assets		<u>149,610</u>	<u>161,640</u>
Equity and Liabilities				
87,696	Share capital		87,696	87,696
4,900	Foreign currency translation reserve		4,938	4,880
(34)	Cashflow hedge reserve		76	(128)
(30,725)	Retained earnings		(30,044)	(29,718)
<u>61,837</u>	Total equity attributable to the equity holder		<u>62,666</u>	<u>62,730</u>
1,235	Trade and other payables and deferred income		1,252	1,200
7,731	Provisions		7,920	7,851
3	Derivative liabilities		-	37
14,016	Lease liabilities		12,851	15,780
43,199	Loans and advances	3	30,200	36,697
<u>66,184</u>	Total non-current liabilities		<u>52,223</u>	<u>61,565</u>
29,831	Trade and other payables and deferred income		30,007	32,707
48	Derivative liabilities		14	141
569	Provisions		584	197
4,259	Lease liabilities		4,116	4,300
<u>34,707</u>	Total current liabilities		<u>34,721</u>	<u>37,345</u>
<u>100,891</u>	Total liabilities		<u>86,944</u>	<u>98,910</u>
<u>162,728</u>	Total equity and liabilities		<u>149,610</u>	<u>161,640</u>

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

Kordia Group Limited

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 31 December 2024

Audited 30/6/24	In thousands of New Zealand dollars	Notes	Unaudited	
			31/12/24	31/12/23
	Cash flows from operating activities			
139,947	Receipts from customers		82,638	68,074
(137,186)	Payments to suppliers and employees		(60,111)	(67,401)
2,761			22,527	673
105	Interest received		63	29
(3,454)	Interest paid		(1,613)	(1,503)
(460)	Taxes paid		(555)	(1,338)
(1,048)	Net cash from/(used in) operating activities		20,422	(2,139)
	Cash flows from investing activities			
589	Proceeds from the sale of property, plant and equipment		5	-
1,410	Proceeds from the sale of land rights		-	-
(11,455)	Acquisition of property, plant and equipment		(5,129)	(5,831)
(722)	Acquisition of intangibles and frequency licences		(48)	(88)
(600)	Advance to Joint Venture	4	875	(200)
-	Proceeds from sale of shares in joint venture		62	-
(1,250)	Acquisition of a business / deferred purchase consideration		-	(1,250)
(12,028)	Net cash from/(used in) investing activities		(4,235)	(7,369)
	Cash flows from financing activities			
15,445	Proceeds from/(repayment of) loans and advances		(12,999)	8,943
(3,871)	Repayment of lease liabilities		(1,912)	(2,017)
341	Proceeds from finance lease assets		178	167
(1,000)	Dividend paid		-	(1,000)
10,915	Net cash from/(used in) financing activities		(14,733)	6,093
(2,161)	Net increase/(decrease) in cash and cash equivalents		1,454	(3,415)
7,432	Cash and cash equivalents at beginning of the period		5,274	7,432
3	Effect of exchange rate fluctuations on cash		13	(12)
5,274	Cash and cash equivalents at end of the period		6,741	4,005

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

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Condensed Consolidated Statement of Cash Flows (continued)

For the Six Months Ended 31 December 2024

Audited 30/6/24	In thousands of New Zealand dollars	Unaudited	
		31/12/24	31/12/23
Reconciliation of net surplus for the period with cash flows from operating activities			
339	Net surplus as per income statement	681	1,346
Add/(deduct) non-cash items:			
9,067	Depreciation of property, plant and equipment	4,370	4,957
4,079	Depreciation of right of use assets	1,959	2,051
861	Amortisation of licences and intangibles	524	411
(37)	Realised foreign currency losses/(gains)	(9)	(1)
(703)	Change in deferred tax/(future income tax benefit)	(356)	2,180
(90)	Movement in provision for doubtful debts	7	(75)
297	Unwind/change in make good	202	143
(47)	Movement in customer acquisition costs	38	(324)
70	Movement in other provisions	(49)	(48)
<u>13,836</u>		<u>7,367</u>	<u>10,640</u>
Items classified as investing activities:			
(455)	(Gain) / loss on disposal of property, plant and equipment	(17)	17
(134)	(Gain) on disposal of right of use assets	-	-
(1,410)	(Gain) on sale of lease rights	-	-
<u>(1,999)</u>		<u>(17)</u>	<u>17</u>
Movements in working capital:			
(6,990)	Receivables, prepayments and contract work in progress	1,902	(13,214)
1,299	Inventories	(80)	(4,829)
4,414	Payables and deferred income	(351)	5,247
(11,608)	Working capital items classified as held for sale	11,601	-
<u>(12,885)</u>		<u>13,072</u>	<u>(12,796)</u>
<u>(1,048)</u>	Net cash flows (used in) / from operating activities	<u>20,422</u>	<u>(2,139)</u>

The notes set out on pages 11 to 13, form part of, and should be read in conjunction with, the Interim Financial Statements.

Kordia Group Limited

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2024

1. Reporting Entity

Kordia Group Limited (the 'Company') is a limited liability company incorporated and domiciled in New Zealand under the Companies Act 1993 and is wholly owned by the Crown. The registered office of the Company is Level 3, 162 Victoria Street, Auckland Central, New Zealand.

The condensed consolidated financial statements presented here are for the reporting entity Kordia Group Limited comprising the Company and its subsidiaries.

The financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the State Owned Enterprises Act 1986.

Statement of Compliance

The Interim Financial Statements have been prepared in accordance with NZ IAS 34, Interim Financial Statements. The consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2024.

The financial statements were authorised for issue by the Directors on 27th February 2025.

The financial statements have been prepared on the basis of historical cost unless otherwise noted within the specific accounting policies.

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the opinion of the Directors, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows have been reflected.

2. Statement of Accounting Policies

The Interim Financial Statements presented here are the condensed consolidated financial statements of the Group comprising Kordia Group Limited and its subsidiaries, for the six months ended 31 December 2024 and 2023. Both periods are unaudited. The audited annual results for the year ended 30 June 2024 are also presented.

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used for the year ended 30 June 2024 and the six months ended 31 December 2023.

The International Accounting Standards board has issued a number of amendments to standards that are effective from 1 January 2024 and 2023. These include Amendment to IAS 1, regarding the disclosure of liabilities as current and non-current specifically where loans are covered by covenants, and Amendments to FRS-44 Disclosure of Fees for Audit Firms' Services. Both of these standard amendments were adopted early so no further adjustments are anticipated. IFRS 18 Presentation and Disclosure of Financial Statements was issued in 2024 but is not yet effective and has not been adopted, effect of the standard on the Groups reports is currently being determined. There are no other new or amendments to standards that are expected to impact the Group and the Group has not applied any standards or amendments to standards and interpretations that are not yet effective.

The Group is generally not subject to significant seasonal or cyclical variations.

Kordia Group Limited

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2024

Audited		Unaudited	
30/6/24	In thousands of New Zealand dollars	31/12/24	31/12/23
3. Loans and Advances			
43,199	Bank loans (unsecured)	30,200	36,697
	Loan facilities are repayable as follows:		
-	Within one year	-	-
-	One to two years	30,200	-
43,199	Two to five years	-	36,697
43,199		30,200	36,697
	<i>Weighted average interest rates:</i>		
6.6%	Bank loans	5.1%	6.59%
6.6%	Bank loans amended for derivatives, line fees and margin	4.0%	5.76%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 and amended and restated from time to time (2023: 29 June 2017), the latest amendment was in June 2023. The facility commits to a maximum amount of NZD50 million (2023: NZD50 million). The syndicated loan is a term facility that is subject to continued compliance with the terms of the loan agreement. Based on the Group's assessed continued compliance with the terms of the loan agreement, the Group has classified the loan as a non-current liability as at 31 December 2024. The loans drawn and facility available is analysed as follows:

	31/12/24				31/12/23			
	Balance Drawn		Available Facility		Balance Drawn		Available Facility	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Tranche A	-	10,200	-	30,000	-	16,697	-	30,000
Tranche B	-	20,000	-	20,000	-	20,000	-	20,000
	-	30,200	-	50,000	-	36,697	-	50,000

On 29 June 2017 a facility agreement was entered into between Kordia and the members of the banking syndicate. The facility is split into two tranches (A and B) with different fee and margin structures. Tranche A is a cash advance facility and tranche B is a term loan facility. There is a right of set off between the tranches of the loan facility. The facility expires on 1 July 2026.

The facility is supported by a negative pledge by the Company and its guaranteeing subsidiaries over their assets and undertakings. The negative pledge restricts the disposal of assets other than in the ordinary course of business or within certain materiality thresholds. Under the negative pledge, each guaranteeing subsidiary may be liable for indebtedness incurred by the Company and other guaranteeing subsidiaries.

The facility is subject to various covenants such as limitations on gearing, interest cover, and coverage (the proportion of the consolidated group that forms the guaranteeing group under the negative pledge). During the 2024 financial year a temporary lift in covenants was obtained from the lenders to May 2025 while working capital associated with the PSN contract are elevated. The Group was in compliance with all covenants for the interim periods ended 31 December 2023 and 2024 and the year ended 30 June 2024.

4. Investment in Joint Venture

On the 6th August 2024 a modification contract was signed, as a result the shares in the joint venture were divested. In the Annual Financial Statement for the year ended 30 June 2024, the investment in joint venture and loan to joint venture were classified as Assets held for sale. The loan to the joint venture was repaid in August 2024 and the shares were settled in November 2024.

5. Related Party Transactions

Kordia Group's transactions with related parties are consistent with prior years. Refer to the 30 June 2024 Financial Statements. All transaction with other Crown Entities, State Enterprises, Government Departments and fellow subsidiary companies are priced on a commercial basis.

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2024

6. Commitments

At 31 December 2024 the Group had capital commitments of \$1.3m (2023: \$1.7m).

7. Contingencies

As part of its contractual obligations with clients, the Group has an undertaking to provide services at a certain level and should this not be achieved, the Group may be liable for contract penalties. It is not possible to quantify what these may be until an event has occurred. The Directors do not expect any liabilities to occur as a result of these contractual obligations.

The Public Safety Network contract includes a performance bond of \$2.5million in the event of non-performance. As with our other contracts, it is not possible to quantify what liability may arise from the cross guarantees until an event has occurred, and the Directors do not expect any liabilities to occur as a result of the cross guarantees or performance obligations.

8. Events Subsequent to Balance Date

There are no other events subsequent to balance date which have a significant effect on the financial statements.