WE ARE MISSION-CRITICAL.

RESILIENT & SECURE COMMUNICATIONS
FOR OVER 65 YEARS

KORDIA GROUP ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

INFRASTRUCTURE

CONNECTIVITY

CYBER SECURITY

WE ARE KORDIA.

CLOUD

COMMUNICATIONS

MARITIME

CONTENTS

PERFORMANCE AT A GLANCE

FOR THE YEAR ENDED 30 JUNE 2023

Kordia's vision is being the leading provider of mission-critical technology – weaving our expertise across cyber security, cloud, connectivity and infrastructure to make our digital world more secure, reliable and resilient.

From transformational networks that will support New Zealand's front line emergency services, through to cyber security defences that keep digital threats at bay, we're focused on delivering the best technical expertise and skills to support customers.

With a growing team of 480+ technology experts, we provide value for businesses in New Zealand, Australia and beyond.

$145M
REVENUE

$27M
EBITDA

$7.3M
NPAT

$144M
TOTAL ASSETS

99.99%
DTT NETWORK
AVAILABILITY

83%
EMPLOYEE
ENGAGEMENT

+53
NET PROMOTER
SCORE

1104
INCIDENTS
AT SEA RESPONDED TO BY OUR
MARITIME
OPERATIONS
CENTRES

GROUP TRIFR
4.22
(GOAL < 5)

MISSION-CRITICAL
TECHNOLOGY EXPERTS

CHAIR & CEO REPORT

FOR THE YEAR ENDED 30 JUNE 2023

KORDIA HAS BEEN AT THE FOREFRONT OF MISSION-CRITICAL TECHNOLOGY FOR OVER 65 YEARS. FROM BROADCASTING AND CONNECTIVITY, THROUGH TO MARITIME SAFETY OF LIFE AND CYBER SECURITY, A COMMON THREAD THAT PULLS THROUGH ALL OUR SERVICES IS THE UNRELENTING FOCUS ON SECURE, RELIABLE, AND RESILIENT TECHNOLOGY TO SUPPORT SOME OF THE MOST VITAL INDUSTRIES AND HIGH-PROFILE ORGANISATIONS IN THE COUNTRY.

This year certainly put our value proposition to the test. Between the unrelenting number of cyber-attacks being leveraged against New Zealand entities, to the disruptive storms that ravaged communities and telecommunications networks, we've demonstrated our resilience and capability to our customers when they've needed us the most.

For the financial year ending 30 June 2023, Kordia delivered revenue of $145m, EBITDA of $27m and a net profit after tax of $7.3m.

Our performance reflects the surging demand for our services and solutions, and our ability to capture growth around these, as revenues lifted $13m year on year.

Softening economic conditions, higher interest rates and rising costs, together with spend directed towards unprecedented weather events and onboarding the Public Safety Network contract, have impacted our profit margins in the current year, with net profit after tax down $2m year on year.

Our performance has been solid and in line with budget. Longer term the business is focused on our success in growth markets like cyber security and cloud, while also ramping up delivery followed by the operation of the Public Safety Network – our long-term project spanning the better part of the next decade.

EXTREME WEATHER AND CYCLONE GABRIELLE

As parts of New Zealand – particularly Auckland, Gisborne and Hawkes Bay – were ravaged by severe flooding and Cyclone Gabrielle, the resiliency of Kordia's network and infrastructure was thrown into stark relief.

Kordia was the only telecommunications company functional in Gisborne on Friday 17 February 2023, and supported other telecommunications companies to get back online by leveraging its Digital Microwave Radio infrastructure. Although parts of the network were hampered by mains power outages and backhaul fibre faults, much of our infrastructure remained operational – built and positioned to withstand the elements.

Both permanent and temporary generators were installed and activated to ensure communications remained operational for lifeline utilities. During the acute phases of the cyclone and in the immediate aftermath, a total of 23 areas were under generator power, running for an unprecedented 1500+ hours.

Our operations and field teams worked tirelessly to restore and maintain network services in affected areas – which was extremely challenging due to power outages and restricted road access. There was a reliance on helicopters to access sites and attend to generators, and Kordia worked collaboratively with industry partners to get equipment and people into affected areas.

Despite the weather events, New Zealand's Digital Television Transmission network availability was maintained at 99.99% for the year. Kordia proved its ability to withstand a major and unprecedented emergency event – a testament to our reputation as a mission-critical provider.

PUBLIC SAFETY NETWORK

In November 2022, the New Zealand government announced the Tait-Kordia Joint Venture, a partnership between Kordia and Tait Communications, had been selected to deliver a key part of the transformational Public Safety Network – a secure digital radio communications network that will provide frontline emergency responders with a mission-critical and highly available communications system. The overall Public Safety Network is estimated to be worth $1.4 billion to build and operate over 9 years.

Kordia's unique experience in building, designing, maintaining, and operating critical networks means we're well versed in how to deliver solutions of critical importance and magnitude. We're thrilled to be able to apply our expertise to this nationally significant project that will benefit the emergency services and all New Zealanders, now and in the future.

We are equally enthused to be partnering with Tait Communications, another New Zealand company that shares our in-depth understanding of critical communications ecosystems, as well as our commitment to providing innovative solutions to enhance emergency services' frontline communications.

OUR MANAGED SECURITY SERVICES GROWTH

Our strategy of keeping customers connected and secure has seen Kordia continue to grow its managed service offering – particularly in the cyber security space.

Revenues were up 67% year on year, reflecting the continued demand for robust solutions to mitigate the risk of cyber-attacks.

Customers, particularly in the enterprise space, are increasingly looking to Kordia to help them monitor and respond to incoming threats. With eyes on glass 24/7, Kordia's security analysts work around the clock to provide our customers with a level of assurance that frees them to focus on their operations.

This year we also brought our Cyber Defence Operations into a new purpose-built facility in our head office – signifying the closer integration of our cyber security offering into Kordia's complementary cloud and connectivity businesses.

STEADY PERFORMANCE FROM KEY BUSINESS UNITS

Our maritime and media businesses have performed well this year. Mobile media supported a high volume of over 570 live events including the Women's Rugby World Cup, All Blacks test matches and the national broadcast of the Matariki public holiday commemoration.

Our maritime business continues to keep mariners safe and secure. Maritime's position as the primary source of operations and technology for marine safety services across Australian and New Zealand waters has been solidified, with the Australian Maritime Safety Authority and the Bureau of Meteorology renewing their long-term contracts. Kordia also monitors registered distress beacons; a lifeline that can summon help in a life-threatening situation.

Combined, our operators answered 1,104 radio communications for incidents at sea, including 154 distress calls. This year, the Maritime Operations Centre in Avalon celebrates a major milestone, with the 30th anniversary of its operations.

Kordia's solutions business, comprised of engineering and field services, had an active 12 months supporting its key customers to install and maintain their critical communications infrastructure.

PEOPLE, CULTURE AND HEALTH AND SAFETY

Keeping our people safe and secure is a priority at Kordia. This comes from an unrelenting focus on ensuring health and safety is at the forefront of our planning, operations, and company culture. We achieved a Total Recordable Injury Frequency Rate of 4.22 which is below our target of 5 and testament to the focus we place on health and safety.

Over 480 people make up the Kordia family, every one of them proud of what they do, passionate about delivering exceptional service and support to our customers. This is reflected in our employee engagement score of 83% for the year and our Net Promoter Score of 53.

Now in its second year, the Kordia Cyber Academy, which commenced in November 2021, supports a pipeline of diverse talent into the cyber security industry. Eight budding cyber professionals graduated from the academy this year.

We're building a robust programme of diversity initiatives to roll out including GenderTick, which we have set a goal to achieve by FY26. Early initiatives to achieve the accreditation have included measuring our gender pay gap and putting strategies in place to achieve a 40:40:20 gender split at senior levels. Currently, we have achieved this at board level.

This, alongside our environmental strategy to achieve carbon neutrality by 2026 and year-on-year reductions of emissions, as well as continuing efforts around health and safety, will formulate the pillars of our ESG strategy.

Linda Robertson, Nicola Riordan, Martin Matthews and Kent Pohio joined as non-executive directors during the year. We would like to thank the departing directors Sheridan Broadbent, Sue O'Connor, Peter Ennis and Tony O'Brien for their valuable contribution during their tenure.

OUTLOOK

Kordia has a strategy to capture growth and utilise its expertise in the delivery of key projects, which will see us continue to produce solid results over the next 12 months.

As the Public Safety Network project delivery ramps up, and we continue to capture demand into our strategic growth areas of cyber security, cloud, and connectivity, the group expects to see revenues and profit grow. As a result, a year-end dividend of $1m has been declared.

The past year has seen Kordia exemplify what makes us a partner of choice for so many public and private organisations as they navigate the digital landscape. We will continually strive to deliver best in class mission-critical technology services and solutions to meet the demands of businesses and organisations in New Zealand, Australia and beyond.

For the Board,

SOPHIE HASLEM
CHAIR - KORDIA GROUP

SHAUN RENDELL
CEO - KORDIA GROUP

BOARD MEMBERS

FOR KORDIA GROUP AS AT 30 JUNE 2023

SOPHIE HASLEM

CHAIR OF THE BOARD

Sophie is a chartered member of the NZ Institute of Directors and has a BCom and Post-Graduate Diploma in Management from the University of Melbourne. Over her executive career, Sophie has worked with a diverse range of companies across New Zealand and Australia developing extensive M&A, innovation and growth strategy experience.

Sophie has held senior positions at Citibank NA, ANZ Investment Bank, Ernst & Young and New Zealand Post. Sophie is also Deputy Chair of CentrePort and an Independent Director of Livestock Improvement Corporation (NZX:LIC), Rangatira Investments, Ngāi Tahu Holdings Corporation, and Payments NZ. Sophie is a member of Kordia's Audit, Risk & Environment and the People, Wellbeing and Safety Committees.

BEN KEPES

DEPUTY CHAIR OF THE BOARD

Ben is a globally recognised expert in cloud computing, enterprise technology and digital transformation.

Ben has consulted to many large international technology vendors and is the technology and business adviser to a variety of organisations. A recipient of the Sir Peter Blake leadership award, Ben currently sits on the boards of a number of organisations in New Zealand including chairing The Ākina Foundation and serving as a board member for Pegasus Health, UniMed, Paenga Kupenga, Cactus Outdoor, Corde Ltd and the Royal Forest and Bird Protection Society.

Ben is a member of Kordia's Audit, Risk & Environment and the People, Wellbeing & Safety Committees.

LINDA ROBERTSON

BOARD MEMBER

Linda has over 20 years' governance experience predominately in the finance and energy sectors across listed, council controlled, government-owned, co-operative and private companies.

Linda is currently Chair of Crown Irrigation Investments and Central Lakes Trust. She is a Director of New Zealand Local Government Funding Agency, Alpine Energy, Horizon Energy Group, Invercargill City Holdings and SBS Bank. Linda is a member of the Risk & Audit Committee and the Capital Markets Advisory Committee for the Treasury, the Audit & Risk Committee for the Office of the Auditor General and Audit New Zealand; and chairs the Audit and Risk Committee for Central Otago District Council. She is a Distinguished Fellow of the Institute of Finance Professionals New Zealand, a Chartered Fellow of the New Zealand IoD, a Fellow of Governance New Zealand and a Graduate Member of the Australian Institute of Company Directors. Linda is the Chair of Kordia's Audit, Risk & Environment Committee.

NEIL LIVINGSTON

BOARD MEMBER

Neil Livingston is an executive and independent director with over 30 years' experience in the technology industry internationally. He has held a number of corporate officer roles at leading private and public organisations, including Ericsson, Vend, Foodcap, Endace, and Provenco Cadmus, and is currently the CEO at technology company Pingar.

Neil brings a strong strategic focus on operational and sales excellence to Kordia's board, as well as a deep understanding of current and future trends in the technology sector. He holds a Diploma in International Management from the University of Arizona, and a Certificate in Company Direction from the New Zealand Institute of Directors. He also completed a Mini MBA at the University of Auckland. Neil is the Chair of Kordia's People, Wellbeing & Safety Committee.

NICOLA RIORDAN

BOARD MEMBER

Nicola Riordan is an experienced senior executive and independent director with over 20 years' international experience in the technology industry. Nicola has a background in scaling high-growth businesses globally including Xero and Skype, and is currently CMO at Fergus. Nicola holds a MA in Strategic Marketing Management, a PgDip in Public Relations and a BBS in Business Studies and IT.

Nicola brings a strategic focus on innovation and growth to the Kordia board. She has a drive to deliver commercial results, a passion for data-driven decision making and a strong empathy for customers. Nicola is a member of Kordia's Audit, Risk & Environment committee.

BOARD MEMBERS CONT.

KENT POHIO

BOARD MEMBER

Kent is an executive and independent director with over 15 years' experience across the energy and agriculture sectors working with a wide range of multinational companies. He is currently a National Asset Manager at Fonterra. Kent brings strategic focus and expertise in asset and risk management to the Kordia Board.

He is an authentic and strategic leader focused on developing high performing teams and boards. Kent is of Ngāi Tahu Ngāti Pikiao and Ngāti Kahungunu descent. He holds a Bachelor of Chemical and Process Engineering as well as a Master of Engineering Management from the University of Canterbury. Kent is a member of Kordia's People, Wellbeing and Safety Committee.

MARTIN MATTHEWS

BOARD MEMBER

Martin has held executive roles as Controller and Auditor-General, Secretary for Transport and CEO of the Ministry for Culture and Heritage. He has a B.A (hons) in Economics, is a Fellow of Chartered Accountants Australia and New Zealand and a member of the Institute of Directors.

Martin is Director of Metservice and Experience Wellington, the Independent Chair of Greater Wellington Regional Council's Finance, Risk and Assurance Committee and a member of the Audit and Risk Committee for Auckland Council. Martin is a member of Kordia's Audit, Risk and Environment Committee.

GOVERNANCE OVERVIEW

The directors are pleased to present an overview of the main governance practices of Kordia.

SHAREHOLDERS

Kordia was established under the State-Owned Enterprises Act 1986 (SOE Act) and incorporated under the Companies Act 1993. As an SOE, Kordia is wholly-owned by the Crown, which is represented by two Shareholding Ministers – the Minister of Finance and the Minister for State-Owned Enterprises. The Treasury, through the Commercial Operations Group, provides the administrative support to the Ministers. The Kordia Board is responsible to the Shareholding Ministers for ensuring effective corporate governance across the group. The Ministers' expectations are stated in the owner's expectations manual (published on the Treasury's website) and in the letters of expectations sent to every SOE each year.

Kordia provides the Shareholding Ministers with quarterly reports outlining performance against the objectives set out in the Statement of Corporate Intent (SCI), half-yearly financial statements, annual business plan and annual report including audited annual accounts. The SCI, half-year report and annual report are tabled in Parliament annually. Shareholding Ministers are also kept up-to-date on a regular basis by management and the Board as part of a 'no surprises' policy.

As a State-Owned Enterprise, Kordia's principal objective is to operate as a successful business. Kordia intends to:

- Provide high quality services and products at market competitive prices;
- Manage its financial assets and liabilities on a prudent basis;
- Make investment and business decisions that protect and add shareholder value;
- Operate an efficient, effective and profitable business and provide a commercial return on the capital employed to the owners;
- Be a great employer and procurer enabling safe workplaces and supply chains, and creating an environment where people can thrive.

THE BOARD

The Board is appointed by the Shareholding Ministers and is currently comprised of 7 non-executive directors. Each director is considered to be independent, in that each is independent of the management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the directors' unfettered and independent judgement. In accordance with the board charter, the Chair takes the leadership role in the conduct of the Board and its relationship with the Shareholding Ministers and other stakeholders. The Chair also has a strong working relationship with the Chief Executive.

The changes to the Board composition of Kordia during the 2022/23 financial year include:

- The end of term of Peter Ennis and Tony O'Brien effective 31 October 2022;
- The appointment of Nicola Riordan (effective 21 September 2022), Linda Robertson (effective 1 November 2022), Kent Pohio (effective 5 April 2023) and Martin Matthews (effective 5 April 2023);
- The promotion of Sophie Haslem to Chair and Ben Kepes to Deputy Chair effective 1 November 2022.

The Board supports the Future Directors programme and appointed its second Future Director, Angela Nash, effective 1 February 2022 for an initial period of 18 months. The appointment has been extended until 31 January 2024.

The Board is responsible to the Shareholding Ministers for guiding and overseeing Kordia's operations and it sets out how the Board discharges its responsibilities and powers.

The Board plays a critical role in helping to guide and test company strategy, by engaging in an ongoing conversation with the Executive around key strategic decisions. These decisions are in relation to the long-term strategic planning and direction of the business, including non-financial performance and our ability to create value in the medium and long term. The Board has oversight of Kordia's financials and the annual and three-year planning processes. Board members engage in robust discussions with management around the strategic direction of the business to test and ensure investment is going towards the things that will deliver the best outcomes for the company and shareholders. The Board has delegated day-to-day management to the Chief Executive.

GOVERNANCE OVERVIEW CONT.

SKILLS MATRIX SUMMARY

Critical skills	Directors with Primary skills: Recognised experts with deep practising experience	Directors with Secondary skills: Consistent ability to identify complex oversights	Directors with Tertiary skills: Broad and general knowledge of subject area
Physical technology infrastructure oversight	-	2 (29%)	5 (71%)
Digital, cloud and cyber security oversight	3 (43%)	1 (14%)	-
Enterprise technology (customer facing) oversight	2 (29%)	1 (14%)	2 (29%)
Strategy oversight	3 (43%)	3 (43%)	1 (14%)
Corporate governance experience	3 (43%)	2 (29%)	-
Risk management oversight	4 (57%)	1 (14%)	2 (29%)
Major projects oversight	3 (43%)	1 (14%)	2 (29%)
Innovation and disruption oversight	3 (43%)	2 (29%)	-
General skills			
Government engagement oversight	1 (14%)	1 (14%)	4 (57%)
Safety oversight	2 (29%)	2 (29%)	3 (43%)
Talent and leadership oversight	2 (29%)	2 (29%)	3 (43%)
Accounting and financial reporting oversight	3 (43%)	1 (14%)	2 (29%)
Mergers, acquisitions and divestments oversight	2 (29%)	2 (29%)	-
Sustainability oversight	1 (14%)	1 (14%)	5 (71%)
Culture, diversity and inclusion oversight	-	3 (43%)	4 (57%)

UNDERLYING SKILL DETAILS:

Physical technology infrastructure oversight - Including: Network, media and broadcast technology, critical communications and infrastructure connectivity, maritime communications and monitoring technology and asset maintenance and planning (including for climate change, sustainability and resilience).

Digital, cloud and cyber security oversight - Including: Digital strategy and transformation, cyber security risks, mitigations and emerging trends and cloud infrastructure and transformation.

Enterprise technology (customer facing) oversight - Including: Leadership roles within medium to large corporates, buying key CIO/CTO/CISO technology or selling to CIO/CTO/CISO buyers and working with significant to large enterprises.

Strategy oversight - Including: The strategic process, broad portfolio-based capital allocation, business planning and budgeting and implementation of strategic measurement / accountability.

Corporate governance experience - Including: Relevant board experience, board / committee leadership, understanding of board processes and procedures and Health and Safety governance.

Risk management oversight - Including: Risk management systems, risk reporting to the board, contract governance and risk management, regulatory risk management and HR, people and safety risks.

Major projects oversight - Including: Substantial and relevant major projects, project based governance, project based risk governance and project based stakeholder management (including government).

Innovation and disruption oversight - Including: Substantial and relevant disruption / industry transformation, emerging technology and skill implications, leading new venture development and changes to value models and industry structure.

Government engagement oversight - Including: Government relations, understanding of the political, policy and regulatory process, communication of policy positions and key government relationships.

Safety oversight - Including: Safety reporting oversight, safety culture oversight, root cause analysis and linkage of safety to KPIs.

Talent and leadership oversight - Including: Leadership development, succession and talent management, organisational culture and diversity initiatives.

Accounting and financial reporting oversight - Including: External and internal audit, the process and preparation of financial statements, the mechanics of financial control and scale appropriate financial systems / processes.

Mergers, acquisitions and divestments oversight - Including: Substantial mergers, acquisitions, and divestments, transaction structuring and deal execution and integration.

Sustainability oversight - Including: Sustainability governance, including strategy, risk and oversight mechanisms, climate change and emissions, human rights and modern slavery and community and social responsibility.

Culture, diversity and inclusion oversight - Including: Organisational culture, early-stage cultural interventions, establishing positive organisational culture, substantial and relevant diversity and inclusion initiatives, diversity and inclusion measurement, reporting, intervention and advocacy and building a culturally safe workspace.

BOARD COMMITTEES

Under the Charter, the Board may establish committees from time-to-time to help the Board focus on specific governance responsibilities in more detail, assist with reporting and make recommendations as appropriate. The Board currently has two committees:

The Audit, Risk and Environment Committee assists the Board in discharging its risk management, accounting and financial reporting responsibilities, including:

- Financial reporting, appointment of auditors, compliance process and controls;
- The risk management framework, and in assessing its effectiveness;
- Strategic risk, and an assessment of the Group's risks and risk appetite;
- Disaster recovery and business contingency plans;
- Environment, Social and Governance (ESG), including oversight of environmental and carbon-reduction initiatives and corporate social responsibility.

The People, Wellbeing and Safety Committee assists the Board in fulfilling its resource governance responsibilities and obligations as an employer, with a particular emphasis on:

- The health, safety and wellbeing of people, and the health and safety strategy;
- The people and culture strategy, including the employee value proposition and organisational culture;
- The employment conditions, remuneration and performance assessment of the Chief Executive.

GOVERNANCE OVERVIEW CONT.

MEETINGS

In the last financial year, the Board met 11 times as scheduled (with additional meetings as required). The Board also holds a strategic planning session each year to consider strategic issues in conjunction with the Chief Executive and the Executive Leadership Team. The Chief Executive attends all Board meetings. Other managers may attend Board meetings in relation to matters specific to their areas of responsibility. Directors have other opportunities, including site visits, for contact with employees.

Board and committee meetings for the year ending 30 June 2023 are set out in the following table. Variations in attendance reflect the changes to Board composition during the year.

	Board meetings	People, Wellbeing & Safety Committee	Audit, Risk & Environment Committee
Number of meetings	**11**	**5**	**4**
Sophie Haslem	10	5	4
Ben Kepes	11	4	4
Neil Livingston	10	4	1
Nicola Riordan	9	-	3
Linda Robertson	6	-	3
Martin Matthews	3	-	1
Kent Pohio	3	1	-
Peter Ennis	4	-	1
Tony O'Brien	4	1	1

RISK MANAGEMENT

Risk management is a key focus for the Board. The Board has overall responsibility for the company's risk management framework. This includes ensuring that the executive risk management policies and procedures are appropriate and that they appropriately identify and manage risks affecting Kordia's business. The company operates under a detailed delegated financial authority structure. KPMG is Kordia's external auditor appointed by the Office of Auditor-General for the current financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The Directors have pleasure in presenting their report, together with the audited Financial Statements of the Group for the year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of telecommunications services (transmission, linking of telecommunications and broadcasting signals as well as design, build, operations and maintenance of transmission networks), cyber security and cloud solutions.

The Directors regard the state of the Group's affairs as satisfactory.

SHAREHOLDING

The Group is wholly owned by His Majesty the King in right of New Zealand (the 'Crown').

The Shareholding Ministers (being Ministers of the Crown who hold the shares in Kordia Group Limited on behalf of the Crown) at balance date were:

Minister of Finance: Hon Grant Robertson

Minister of State Owned Enterprises: Hon Dr Duncan Webb

RESULTS FOR THE YEAR

The Group's consolidated net profit/(loss) after taxation from continuing operations for the year was $7,274,000 (2022: $9,501,000). Taking into consideration the Group's discontinued operation, the overall net profit/(loss) after taxation was $7,274,000 (2022: ($1,612,000)).

DIVIDEND

The Directors recommend a final dividend of $1m for the year ended 30 June 2023 (2022:$2m). In September 2022 the final dividend declared for year ended June 2022 of $2m was paid. Taking into account no interim dividend (2022: nil), the total dividend for the year will be $1m (2022: $2m).

AUDITOR

The Controller and Auditor-General is the auditor of the Group in accordance with Section 19 of the State-Owned Enterprises Act 1986 and has appointed Geoff Lewis of KPMG to act for and on behalf of the Auditor-General, as auditor in respect of the year ended 30 June 2023.

On behalf of the Board

S Haslem Chair	L M Robertson Director	31 August 2023

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2023

The Board and management of Kordia Group Limited are responsible for:

- The preparation of these financial statements and the judgments used in them.
- Establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management these financial statements fairly reflect the financial position, operations and cashflows of Kordia Group Limited for the year ended 30 June 2023.

S Haslem	L M Robertson	
Chair	Director	31 August 2023

OUR OPERATIONS

From our broadcasting roots, Kordia has evolved to become the leading provider of mission-critical technology for New Zealand businesses. From maritime safety of life, through to connectivity, cloud and cyber security, our purpose is to make the digital world more secure, reliable and resilient.

Many of Kordia's customers rely on our "always on" services to support their operations. That's why much of our business is based on a 24/7, 365 day model – so we can keep delivering for our customers around the clock.

Our operations centres are the beating heart of Kordia, and virtually all our solutions are built upon these. In Wellington, our Network Operations Centre (NOC) ensures our network is fully functioning, with engineers on hand to resolve issues and faults in real time.

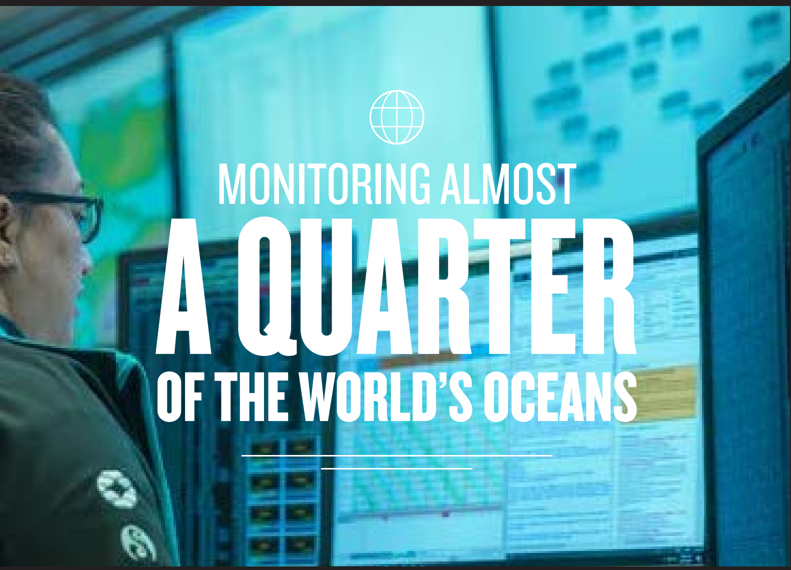
Our Maritime Operations Centres (MOC's) in Canberra and Wellington provide safety of life communications for seafarers across almost a quarter of the world's oceans.

In Auckland, analysts in our Cyber Defence Operations (CDO) have eyes on glass at all hours of the day and night, defending businesses against cyber threats. Lastly, our Managed IT team provide 24 hour service desk availability to troubleshoot urgent IT issues for customers.

Behind our national operations is a diverse team of over 480 experts – from our specialist consultants and our project and provisioning teams; through to our field team, sales, product and corporate; all working together to deliver "The Kordia Experience".


270
NETWORK SITES
INCLUDING 50 LARGE LATTICE TOWERS

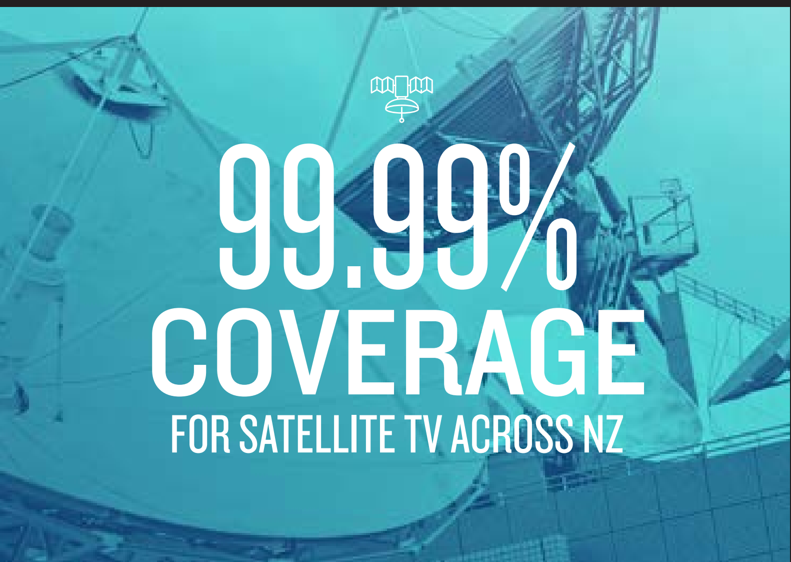

DIVERSE TEAM OF
480+
EXPERTS


MONITORING ALMOST
A QUARTER
OF THE WORLD'S OCEANS


120+
CYBER SECURITY
PROFESSIONALS


24/7
MANAGED IT
SERVICE DESK


FOUR CRITICAL
24/7/365
OPERATIONS
CENTRES

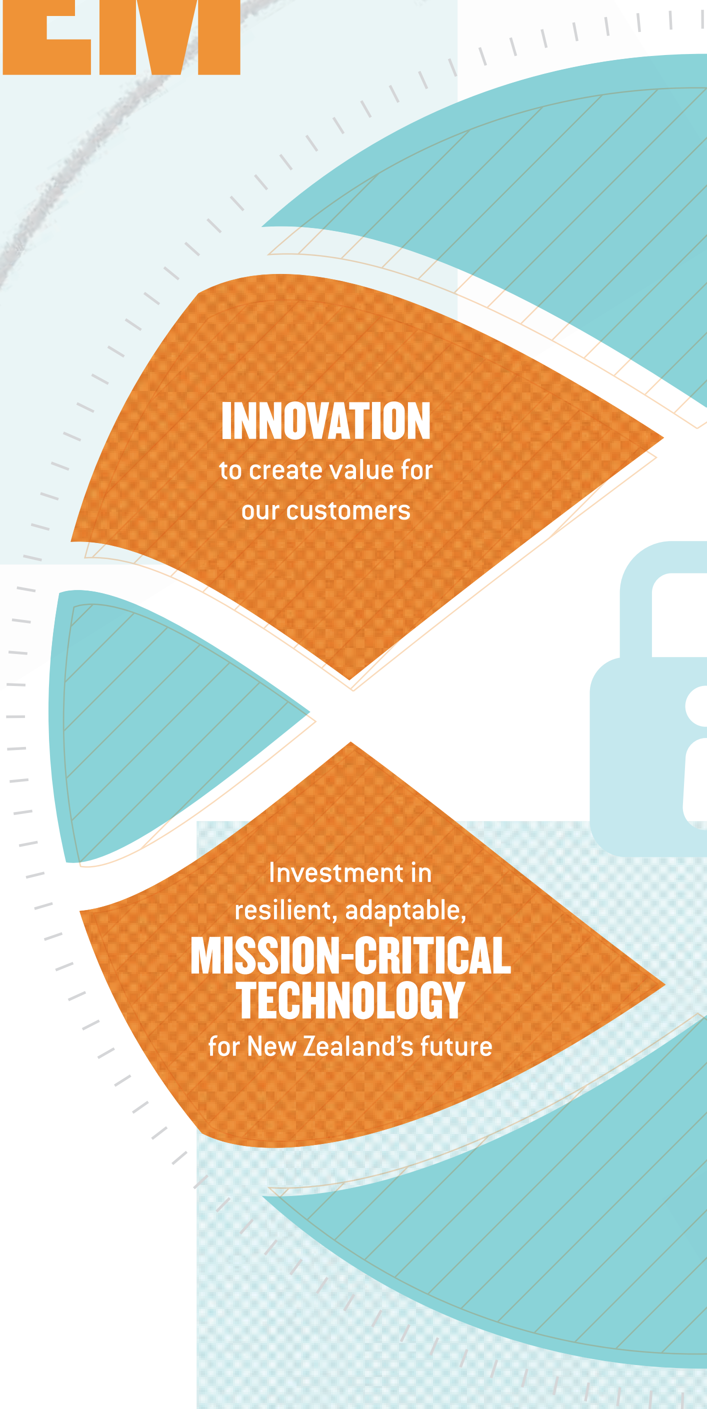

99.99%
COVERAGE
FOR SATELLITE TV ACROSS NZ


DIRECT CONNECTIONS TO
ALL
MAJOR PUBLIC CLOUDS

OUR ECOSYSTEM

Our business model sees us harmonising our strengths and assets to deliver tangible benefits to our wider community, the shareholder and back into our business.

It's through this model that we find our purpose and create value.



OUR CAPITAL INPUTS:

OUR EXPERTISE

(Intellectual capital)

We have specialist telecommunications and technological knowledge, built up over more than 65 years.

OUR NETWORKS AND PLATFORMS

(Manufactured capital)

Our network comprises over 270 sites including 50 large towers up to 121m. The reliability, capacity, capability and efficiency of our network helps us make the digital world work.

OUR PARTNERSHIPS

(Social capital)

Strong, collaborative and valuable partnerships with customers, suppliers, contractors, landowners, and communities across New Zealand, Australia and the rest of the world.

OUR PEOPLE

(Human capital)

A proud, diverse and capable team of experts where people thrive in a safe environment.

OUR ENVIRONMENT

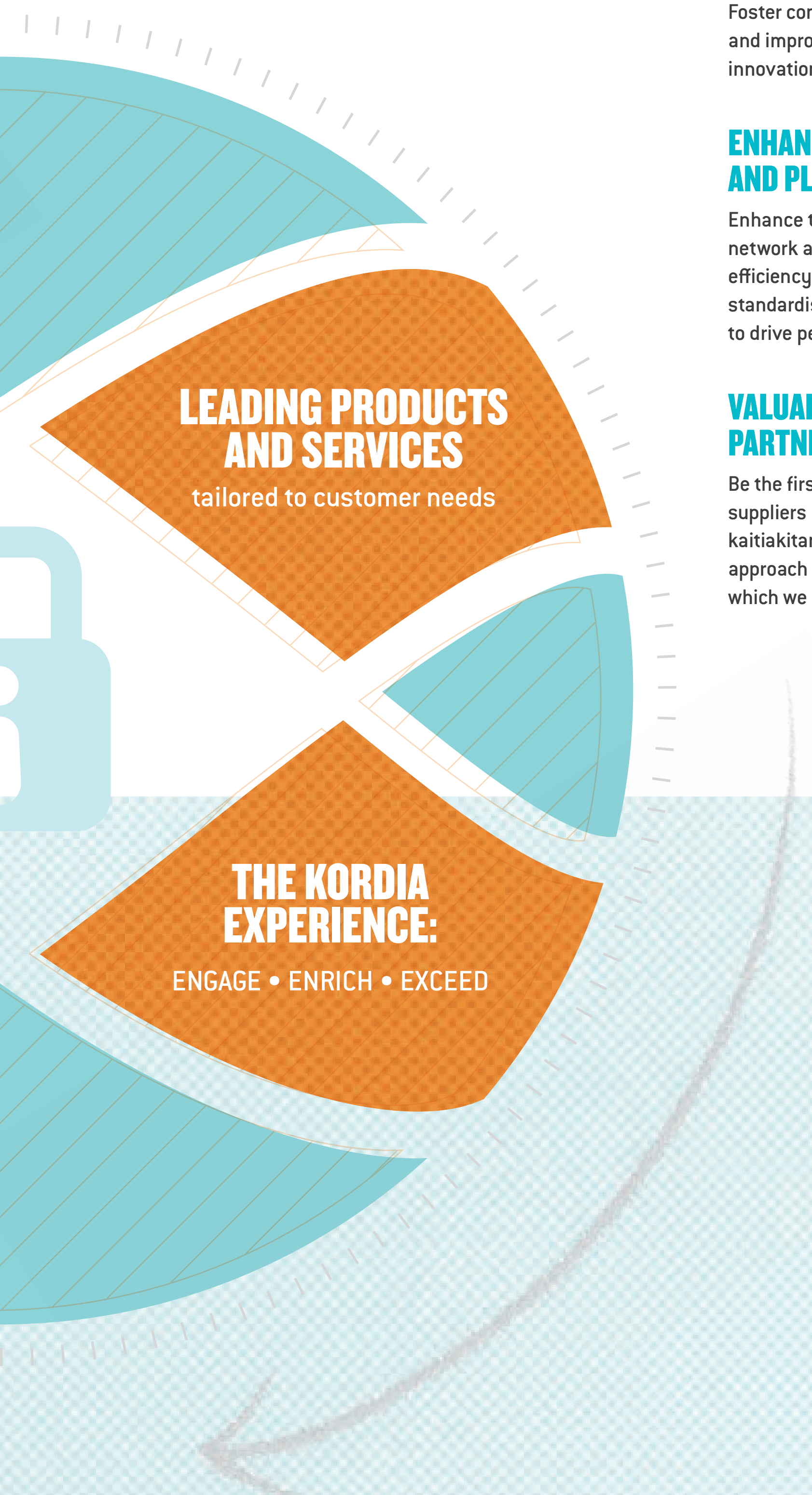
(Natural capital)

We are the kaitiaki (guardian) of the network and the land, air and water in which we operate.

OUR FINANCES

(Financial capital)

We rely on a strong financial base to operate and invest for the future and we employ capital from our shareholder and from debt.



OUR OUTPUTS:

CONNECTED AND SECURE CUSTOMERS

Support our customers in their value creation for New Zealand. Foster continuous performance and improvement, and champion innovation.

ENHANCED NETWORKS AND PLATFORMS

Enhance the productivity of our network and platform through efficiency. Use digitisation, standardisation and automation to drive performance.

VALUABLE PARTNERSHIPS

Be the first choice for customers, suppliers and partners. Take a kaitiakitanga (guardianship) approach to the communities in which we operate.

ENGAGED AND INCLUSIVE TEAMS

Commitment to diversity, inclusion, mental health and wellbeing initiatives. Adopt best practice health and safety to ensure our people get home safely (zero harm).

ENVIRONMENTAL IMPACT

Striving towards our ambitions of zero waste and harm to the environment. Deliver year-on-year improvement of our carbon emissions to achieve carbon neutrality.

FINANCIAL RETURNS

Maximise returns and value to the shareholder. Ensure capital is allocated to high earning activities through appropriate investment strategies.

OUR VISION:

Being the leading provider of mission-critical technology.

OUR PURPOSE:

To make our digital world more secure, reliable and resilient.

OUR VALUES:

Collaborative | Expert | Humble | Trustworthy | Courageous

KEEPING CUSTOMERS CONNECTED, SECURE AND RESILIENT

The digital world is complex to navigate. Business leaders are grappling with challenges like increasing cyber-attacks, digital transformation projects and hybrid working – against a backdrop of economic challenges and a tight IT labour market.

Kordia works as a trusted partner to our customers, ensuring that they have access to the best managed services, technology tools and expert advice to keep their businesses secure and connected. We act as an extension to our customers' internal teams, helping them prioritise and focus on the most important parts of their business.

SD-WAN, VOICE AND **ZERO TRUST** EXPERTS

aura INFORMATION SECURITY | POWERED BY KORDIA

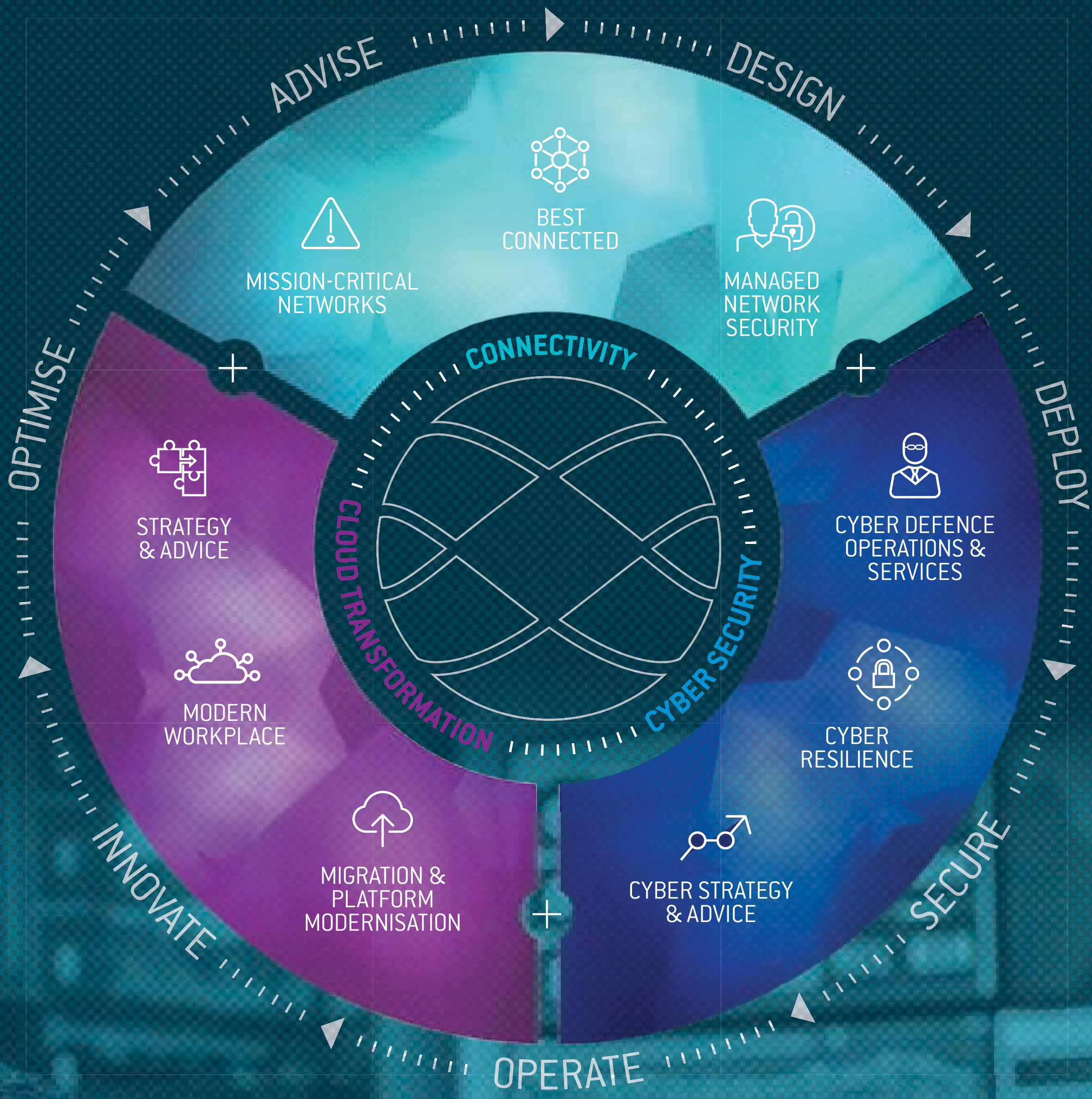
SPECIALIST ADVISORY AND ASSURANCE CONSULTANCY

RESELLERNEWS INNOVATION AWARDS 2022

2 X RESELLER AWARDS WINNERS 2022:

- PARTNER INNOVATION
- SALES EXCELLENCE

'BEST CONNECTED' **TO ALL MAJOR PUBLIC CLOUD PROVIDERS**


ADVISE
DESIGN
DEPLOY
SECURE
OPERATE
INNOVATE
OPTIMISE
BEST CONNECTED
MISSION-CRITICAL NETWORKS
MANAGED NETWORK SECURITY
CONNECTIVITY
STRATEGY & ADVICE
MODERN WORKPLACE
MIGRATION & PLATFORM MODERNISATION
CLOUD TRANSFORMATION
CYBER DEFENCE OPERATIONS & SERVICES
CYBER RESILIENCE
CYBER STRATEGY & ADVICE
CYBER SECURITY

READY TO RESPOND TO CYBER THREATS

With the rising levels of malicious activity aimed at New Zealand businesses, cyber incidents are a case of when, not if, for businesses today.

An incident response plan helps businesses effectively deal with a cyber-attack or breach, mitigating any risk to assets and customers, and ensures they can recover their operations much faster.

Kordia's Incident Response (IR) practice is one of our fastest growing businesses. This year, we supported our own customers, as well as "walk in" businesses, as they dealt with cyber incidents – providing operational and incident control consulting services, and digital forensics.

A large part of our focus is on preparation – ensuring that business and IT leaders have proper IR plans in their organisations, as well as robust testing of these plans to ensure they are fit for purpose.

For two consecutive years, Kordia has hosted an IR conference for customers, bringing together leading organisations together to discuss best practice IR, with practical workshops and learning sessions to upskill business leaders.

INCIDENT RESPONSE 2022

We've also worked closely with the Institute of Directors on IR simulations, to better equip Boards with the right leadership skills to steer their organisation through a cyber crisis.

24/7/365 CYBER DEFENCE OPERATIONS

OVER 120 CYBER SECURITY EXPERTS

2 X FINALIST 2022 ISANZ AWARDS:
- SENIOR CYBER PROFESSIONAL
- BEST CYBER SECURITY TEAM

55%

OF BUSINESSES SURVEYED
WERE SUBJECT TO A
CYBER-ATTACK*

1 OUT OF 5 BUSINESSES
HAVE NO PLAN
TO DEAL WITH A CYBER-ATTACK*

1 IN 4

BUSINESSES ATTACKED SAW
COMMERCIALLY SENSITIVE DATA OR INTELLECTUAL PROPERTY
ACCESSED OR STOLEN*

* Kordia's NZ Business Cyber Security Report, 2023

A HOLISTIC APPROACH TO CLOUD AND IT MANAGED SERVICES

In the dynamic world of business, technology is a catalyst for change and innovation - and underpins all parts of the organisation. Whether operating on a cloud-first model or leveraging 'on-prem' infrastructure, businesses' IT needs are more complex now than ever before. As businesses continue to grow and evolve, IT teams are facing more and more pressures to support key parts of the organisational strategy.

To leverage the best technologies, businesses need a trusted technology partner by their side. In the past twelve months, Kordia has helped a range of customers implement managed cloud, web and Zero Trust services and solutions, in support of better technology outcomes to meet strategic business goals.

CYCLONE GABRIELLE – PUTTING RESILIENCE TO THE TEST

In early 2023, parts of Auckland, Northland, Gisborne and the Hawkes Bay were severely impacted by unprecedented flooding and Cyclone Gabrielle.

The resilience of Kordia's network was put to the test – with our high sites and infrastructure withstanding the major impacts of the storms. Service levels were maintained across the year, with Digital Television Transmission network availability at 99.99%, and all other services within target.

Kordia's network, operations and solutions teams worked tirelessly to keep lifeline communications running. This was made extremely challenging due to restricted road access and power outages.

Collaboration across the industry to get equipment and people into affected areas was a crucial step to getting communication and connectivity services up and running. Kordia leveraged its Digital Microwave Radio infrastructure to support other telecommunications companies.

During the acute phases of the cyclone and the immediate aftermath, a total of 23 areas were under generator power, running for an unprecedented 1500+ hours.

We're now looking at how we can apply the learnings from these unprecedented events to ensure our services continue to be as resilient as possible, strengthening our network from future natural disasters and major weather events.

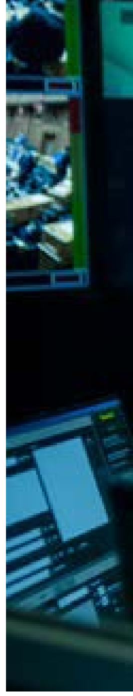
DELIVERING THE PUBLIC SAFETY NETWORK

Tait-Kordia Joint Venture is delivering a secure Land Mobile Radio (LMR) network for the government's new Public Safety Network Te Kupenga Marutau.

The LMR is a key element of the Public Safety Network to create a modern, secure critical communications network for Police, Fire and Emergency NZ, Hato Hone St John and Wellington Free Ambulance.

It will provide frontline emergency responders with an encrypted, secure digital radio network built with sufficient resilience to enable critical communications even in the event of a significant natural disaster.

Kordia will play a significant role in the delivery of the new network, drawing on our expertise and capabilities in mission-critical communications to undertake the design, build, operation and maintenance of the new network.



SAFETY AT SEA

Kordia is trusted to provide critical safety of life communications for almost a quarter of the world's oceans. We designed, built, and now operate HF and VHF networks for an area that spans more than 90 million square kilometres.

ASSISTING THE KAITAKI

On January 28th 2023, the operational team in the Wellington Maritime Operations Centre (MOC) supported a major safety of life at sea incident involving the Interislander ferry Kaitaki.

On its voyage from Picton to Wellington with 864 people onboard, Kaitaki lost all power at 4.55pm and was drifting towards the shore on Wellington's south coast.

The MOC radio operators provided calm, professional communication services as a mass rescue plan was activated and a special response team was stood up. Fortunately, the crew managed to restore power to the ship and by 9pm the Kaitaki was back alongside its berth, safe and secure.

OUR MARITIME OPERATION CENTRES RESPONDED TO 1,104 RADIO COMMUNICATIONS FOR INCIDENTS AT SEA, INCLUDING 154 DISTRESS CALLS.

TAKING PARLIAMENT ON AIR

Since July 2007, Kordia has produced Parliament TV for the New Zealand Government. We're honoured to have extended this contract to 2026.

Broadcasting nationwide via satellite and UHF, the full unedited proceedings of Parliament are captured by eight remote-controlled cameras placed in the debating chamber.

Our media team direct, control cameras and provide subtitles and text from our home at Avalon Studios, to make democracy accessible and viewable to the people of New Zealand.

Over the years, our team have supported Parliament with special broadcasting requirements. During Covid-19 lockdowns, Kordia worked with the Parliament team to provide a Zoom network for Parliament to sit, allowing MPs to sit at their homes and offices, creating a "hybrid house". We also covered the State of Opening of Parliament using our Mobile Media capabilities.

"The Kordia team are thoroughly professional, reliable and approachable. They know their respective fields inside out and, as the eloquent phrase goes, 'get stuff done'."

- GREG COTMORE,
Chamber Operations and Broadcasting
Office of the Clerk of the House of Representatives

THE NEXT GENERATION OF CYBER SECURITY PROFESSIONALS

Creating a pipeline of new talent is something Kordia takes pride in.

The Kordia Cyber Academy is an active measure to support new talent entering New Zealand's cyber security sector. Our second year of the programme was a great success, with eight graduates completing the six-week intensive course.

The Kordia Cyber Academy provides practical, hands-on training in cyber security, led by Kordia's cyber experts. The curriculum covers a wide range of disciplines, including policies and frameworks, vulnerability management, endpoint protection and penetration testing, as well as providing exposure to some of the security tools our teams use.

Former Minister for State-Owned Enterprise Hon. David Clark visited Kordia to congratulate the 2022 graduates of the Kordia Cyber Academy.

This year, we also continued our involvement in the Summer of Tech internship programme, with three interns in Wellington and Auckland undertaking placements with our cyber security consultancy teams.

Scott Bartlett Memorial Scholarship inaugural recipient

Established in 2022, the Scott Bartlett Memorial Scholarship, sponsored by Kordia in association with ASB and the University of Waikato, attracted strong applicants. Psychology and Human Resource Management student Brooklyn Edwards is the inaugural recipient.

The scholarship was established in memory of former Kordia CEO Scott Bartlett, who was an active member of the University Council, a Director of ASB, and an alumnus of the Waikato Management School.

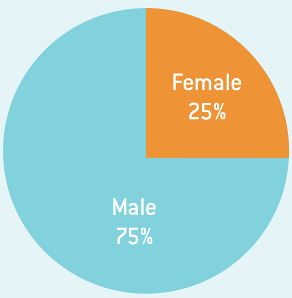
ENGAGED AND INCLUSIVE TEAMS

We aim for the perfect fusion of talented people and the latest information technology innovations to deliver The Kordia Experience (TKE).

Over 480 people make up the Kordia family, every one of them proud of what they do and passionate about delivering exceptional service and support to our customers.

We're committed to fostering a culture of inclusion, ensuring that every one of our employees feels safe, respected, empowered and able to achieve their goals and potential.

Everyone at Kordia embraces our inclusion principles, by treating each other with respect and dignity; and doing our part to ensure the workplace is safe and harmonious.



GENDER DIVERSITY

OVER 33 ETHNICITIES represented amongst our workforce

ETHNIC DIVERSITY

43 YEARS

AVERAGE AGE

83%

EMPLOYEE ENGAGEMENT

ACHIEVING GENDER BALANCE

Women have a significant role to play in the digital workforce, but the technology industry has historically struggled with a lack of female representation. At Kordia, we recognise the benefits of a gender-balanced workforce.

We're taking steps to encourage and support more women to succeed in our organisation, as well as creating an inclusive environment where all people can feel respected and valued, regardless of gender.

We're ensuring gender balance is considered as part of Kordia's talent succession planning. We are aiming for a balanced gender split of 40% women, 40% men and 20% any gender across our leadership teams, which we have achieved at board level.

Our goal is to achieve the GenderTick by FY25. GenderTick recognises businesses that are making progress towards creating a gender inclusive workplace, and provides independent assurance around gender policies and practices.

RECOGNISING AND FOSTERING FEMALE TALENT

Reseller News Women in ICT Awards 2022:
Winner (Rising Star) and 4 x finalists

Reseller News Women in ICT Awards 2023:
Winner (Technical) and 4 x finalists

Women in Security Awards 2022:
Best Volunteer

A CULTURE OF HEALTH AND SAFETY

At Kordia, we continually strive to create an environment that is safe for our people, contractors and visitors. Our number one priority is to achieve a “Zero Harm” workplace –an environment where zero fatalities, zero accidents and zero significant incidents occur.

Our people work in a wide variety of environments - from office and operation centre settings, through to high sites and remote locations across New Zealand and the wider Pacific. That’s why we engage all parts of the business from top to bottom - to ensure everyone understands the importance of workplace safety.

We lead from the front. Our Directors and Leadership teams consistently demonstrate the right way of doing things, engage in safety conversations with our workforce, and develop learnings when things don’t go according to plan.

By focusing on what we are doing right, and reporting opportunities to continuously improve, we bring everyone on the journey with us to creating a robust culture of health, safety and wellness.

HEALTH & SAFETY METRICS – FY23

GROUP TRIFR – 4.22 (Goal <5)

GROUP LTIFR – 1.1 (Goal <2)



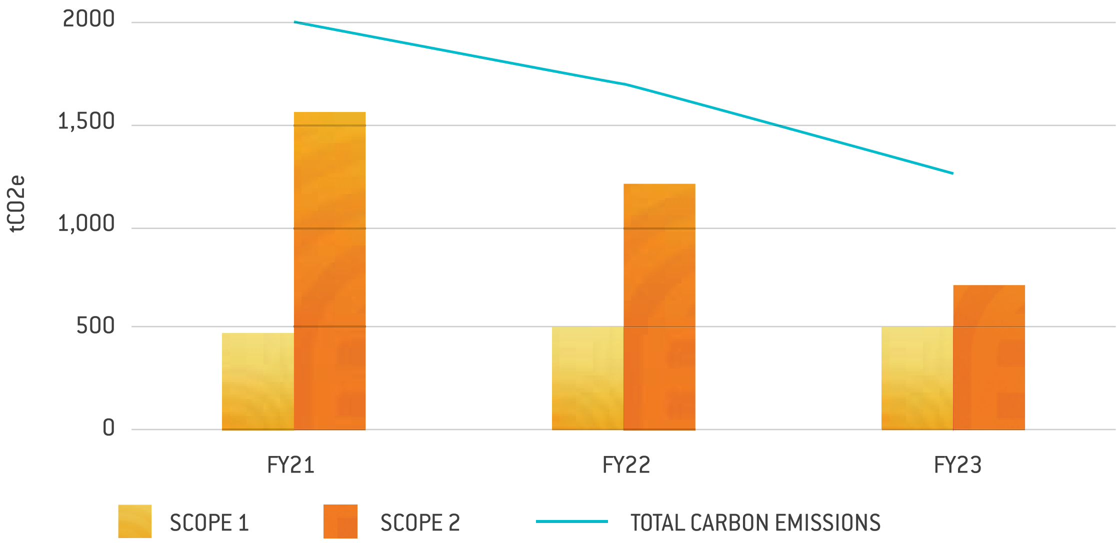
CREATING A SUSTAINABLE KORDIA

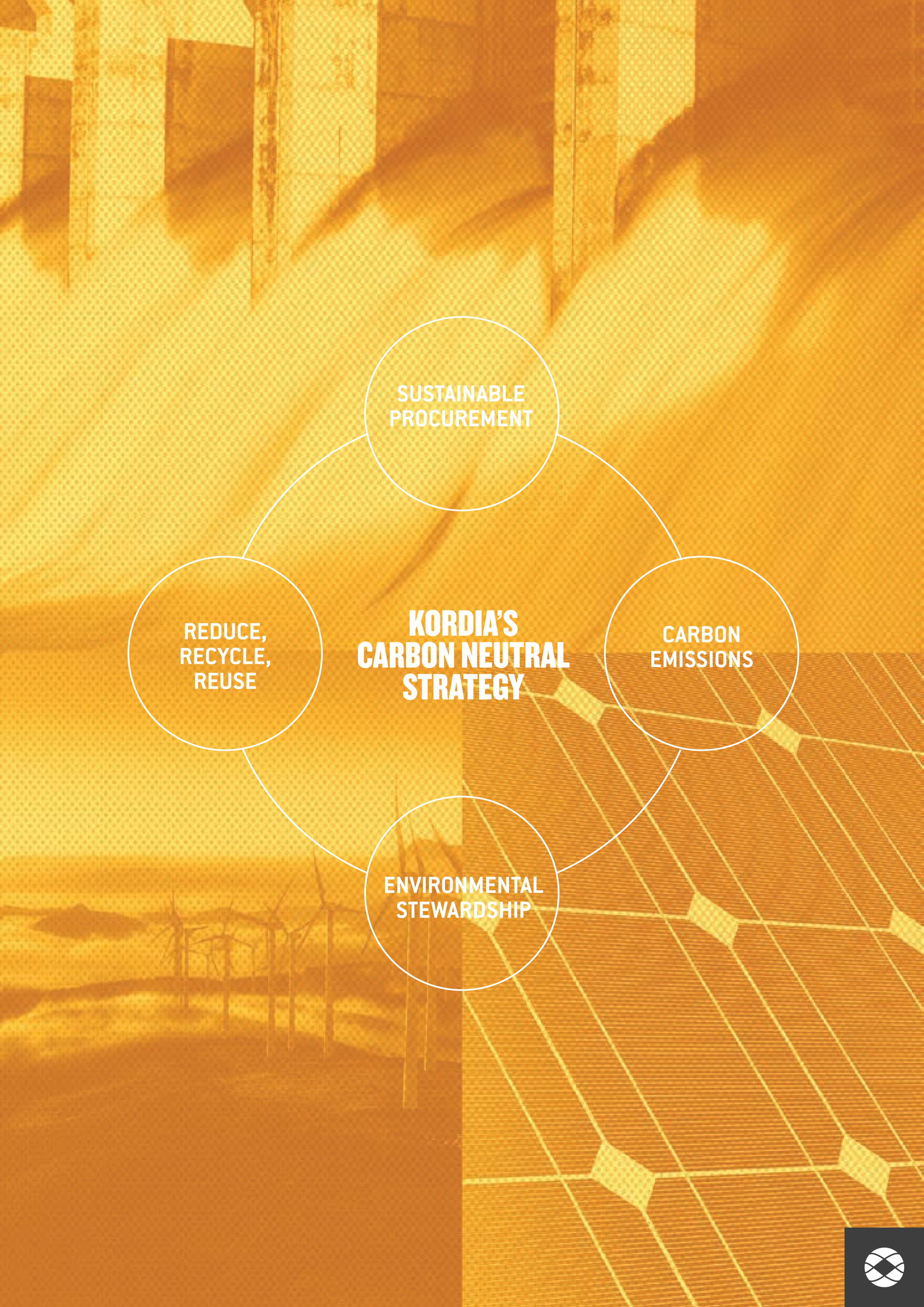
Kordia's goal is to become a carbon neutral business with respect to scope 1 and 2 emissions by FY26.

In the past 12 months, we've switched to a renewable energy provider in New Zealand – which sources nearly all of its electricity from hydrostations and wind farms.

Our emissions have decreased from 2,026 t C02e in FY21 to an estimated 706 t C02e for FY23, a saving of 65%. With some momentum gained in the past 12 months, we're now making strides to achieve year on year improvements with more initiatives in play for FY24.

KORDIA GROUP CARBON EMISSIONS




KORDIA'S CARBON NEUTRAL STRATEGY
SUSTAINABLE PROCUREMENT
CARBON EMISSIONS
ENVIRONMENTAL STEWARDSHIP
REDUCE, RECYCLE, REUSE

KORDIA GROUP LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2023

In thousands of New Zealand dollars	Notes	2023	2022
Continuing operations			
Revenue - New Zealand		**136,520**	122,647
Revenue - Australia		**8,380**	8,791
Total revenue		**144,900**	131,438
Direct costs and overheads	3	**53,960**	42,872
Employee and contractor costs	4	**64,371**	57,391
Earnings before interest, tax, depreciation and amortisation (EBITDA)	30	**26,569**	31,175
Finance income	5	**(282)**	(146)
Finance expense	5	**2,876**	2,528
Depreciation of property, plant and equipment	8	**8,865**	10,595
Depreciation of right of use assets	9	**4,107**	3,992
Amortisation of intangibles	11	**943**	982
Share of net profit of associates and joint ventures accounted for using the equity method	23	**(246)**	-
Profit before income tax from continuing operations		**10,306**	13,224
Income tax expense	6	**3,032**	3,723
Profit for the year from continuing operations		**7,274**	9,501
Loss after tax for the year from discontinued operations	13	**-**	(11,113)
Profit / (Loss) for the year attributable to the equity holder		**7,274**	(1,612)
Other Comprehensive Income			
Foreign currency translation differences		**(157)**	(543)
Reclassification of foreign currency differences on discontinued operations	13	**-**	8,490
Effective portion of changes in the fair value of cashflow hedges		**33**	54
Tax effect of the effective portion of changes in the fair value of cash flow hedges		**(9)**	(15)
Other comprehensive income /(loss) for the period		**(133)**	7,986
Total comprehensive income for the period		**7,141**	6,374

The accompanying notes set out on pages 47 to 77 are to be read as part of these financial statements.


kordia

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total Attributable to Owners
Balance 1 July 2021	**87,696**	**(33,726)**	**(2,865)**	**(10)**	**51,095**
Net profit for the year	-	(1,612)	-	-	(1,612)
Other comprehensive income					
Foreign currency translation differences	-	-	(543)	-	(543)
FCTR reclassified to retained earnings on divestment of Kordia Solutions Pty Ltd	-	-	8,490	-	8,490
Fair value of cashflow hedges transferred to statement of financial performance, net of tax	-	-	-	39	39
Total other comprehensive income	-	-	7,947	39	7,986
Total comprehensive income	**-**	**(1,612)**	**7,947**	**39**	**6,374**
Balance 30 June 2022	**87,696**	**(35,338)**	**5,082**	**29**	**57,469**
Net profit for the year	-	7,274	-	-	7,274
Other comprehensive income					
Foreign currency translation differences	-	-	(157)	-	(157)
Fair value of cashflow hedges transferred to statement of financial performance, net of tax	-	-	-	24	24
Total other comprehensive income	-	-	(157)	24	(133)
Total comprehensive income	**-**	**7,274**	**(157)**	**24**	**7,141**
Transactions with owners					
Dividends	-	(2,000)	-	-	(2,000)
Balance 30 June 2023	**87,696**	**(30,064)**	**4,925**	**53**	**62,610**

The accompanying notes set out on pages 47 to 77 are to be read as part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

In thousands of New Zealand dollars	Notes	2023	2022
Assets			
Property, plant and equipment	8	**56,256**	51,251
Right of use assets	9	**16,399**	17,796
Intangible assets and goodwill	11	**26,803**	26,588
Finance lease receivable	10	**362**	703
Deferred tax asset	14	**5,898**	7,090
Derivative assets		**28**	5
Investment accounted for using equity method	23	**246**	-
Trade and other receivables	16	**901**	840
Total non-current assets		**106,893**	104,273
Cash		**7,432**	11,484
Inventories	15	**2,841**	1,066
Trade and other receivables	16	**25,263**	18,618
Finance lease receivable	10	**341**	322
Proceeds on sale of business	13	**-**	7,451
Taxation receivable		**607**	-
Loan to joint venture	23	**275**	-
Derivative assets		**47**	46
Total current assets		**36,806**	38,987
Total assets		**143,699**	143,260
Equity and Liabilities			
Share capital	7	**87,696**	87,696
Foreign currency translation reserve		**4,925**	5,082
Cashflow hedge reserve		**53**	29
Retained earnings		**(30,064)**	(35,338)
Total equity attributable to the equity holder		**62,610**	57,469
Trade and other payables	17	**1,185**	2,006
Loans and advances	18	**27,754**	23,637
Provisions	20	**8,048**	8,859
Lease liabilities	19	**13,968**	15,055
Total non-current liabilities		**50,955**	49,557
Taxation payable		**-**	1,277
Trade and other payables	17	**25,919**	30,102
Derivative liabilities		**-**	10
Provisions	20	**197**	543
Lease liabilities	19	**4,018**	4,302
Total current liabilities		**30,134**	36,234
Total liabilities		**81,089**	85,791
Total equity and liabilities		**143,699**	143,260

The accompanying notes set out on pages 47 to 77 are to be read as part of these financial statements..

On behalf of the Board

S Haslem
Chair

L M Robertson
Director

31 August 2023

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

In thousands of New Zealand dollars	Notes	2023	2022
Cash flows from operating activities			
Receipts from customers		**139,784**	182,485
Payments to suppliers and employees		**(125,980)**	(159,358)
		13,804	23,127
Interest received		**143**	75
Interest paid		**(2,503)**	(2,100)
Taxes (paid)/refunded		**(3,509)**	(3,537)
Net cash from/(used in) operating activities	29	**7,935**	17,565
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		**-**	13
Acquisition of property, plant and equipment	8	**(15,111)**	(11,747)
Acquisition of intangibles	11	**(1,059)**	(404)
Acquisition of a business	12	**(1,250)**	(6,727)
Proceeds from sale of business	13	**7,451**	4,504
Advance to joint venture		**(275)**	-
Net cash (used in)/from investing activities		**(10,244)**	(14,361)
Cash flows from financing activities			
Proceeds/(repayment) of loans and advances		**4,116**	1,507
Proceeds from finance lease assets		**322**	301
Repayment of finance lease liabilities	19	**(4,176)**	(4,303)
Dividends paid		**(2,000)**	-
Net cash from/(used in) financing activities		**(1,738)**	(2,495)
Net increase/(decrease) in cash and cash equivalents		**(4,047)**	709
Cash and cash equivalents at beginning of year		**11,484**	10,474
Effect of exchange rate fluctuations on cash		**(5)**	301
Cash and cash equivalents at end of year		**7,432**	11,484

The accompanying notes set out on pages 47 to 77 are to be read as part of these financial statements.


MARITIME
NEW ZEALAND

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2023

1. ABOUT THIS REPORT

(A) 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, Auckland 1010, New Zealand.

The financial statements presented here are for the consolidated financial statements of the Group ("the Group"), 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.

For the purposes of financial reporting, the Group is a for-profit public sector entity.

(B) STATEMENT OF COMPLIANCE

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

The financial statements were authorised for issue by the directors on 31 August 2023.

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

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

(C) 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about areas of estimation of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes relating to:

- Measurement of the recoverable amounts of cash-generating units require judgement in regard to future growth and WACC rates – Notes 8 and 11.
- Provisions are dependent on discount rates used and estimate of future costs – Note 20.
- Valuation of financial instruments rely on estimation of future exchange and interest rates – Note 21.
- Deferred tax assets, management applies judgement in assessing the likelihood of future taxable profits and hence the recoverability of deferred tax assets – Note 14.
- Useful life of property, plant, equipment and intangibles – Notes 8 and 11.
- Values of Lease liabilities and right of use assets are determined using a discount rates and term of lease, a decision on likelihood of renewal is based on judgement – Notes 9 and 19.
- Discontinued operations and held for sale are valued based on estimated costs to complete – Note 13.
- Public Safety Network contract involves numerous judgements and estimates see Note 24.

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

2.1 STATEMENT OF ACCOUNTING POLICIES

(A) BASIS OF PREPARING GROUP FINANCIAL STATEMENTS

Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by the Group. Control exists when the Group has the power over investees, exposure or rights to variable returns and ability to use power to affect returns. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Joint Ventures

During the year ended 30 June 2023, the Group formed Tait Kordia JV CO Ltd (JV) in which it has a 50% interest. The contractual arrangement in place does not provide the Group with control but gives all parties collective control of the entity and all decisions regarding activities of the JV require unanimous consent, the rights to the assets and liabilities remains with the JV. The JV is classified as a joint venture and is being equity accounted by the Group.

(B) REVENUE

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point or over time – requires judgement.

Sale of Goods

Revenue is recognised when the customer obtains control of the goods and services. This occurs at a point in time.

Rendering of Services

Services revenue is primarily generated from maintenance and other services supplied to infrastructure assets. Typically, under the performance obligations of service contract, the customer consumes and receives the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

Revenue from variations and claims is recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur.

Construction Revenue

The contractual terms and the way the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Under these performance obligations, our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Therefore, contracted revenue is recognised over time based on stage of completion of a contract.

Variations, claims and incentives are only recognised to the extent they are approved and enforceable under the contract. The amount of revenue is then recognised to the extent that it is highly probable that a significant reversal of revenue will not occur.

Contract Modifications

Revenue in relation to modifications, such as a change in the scope of the contract, is included in the transaction price, when it is approved by the parties to the contract, the modification is enforceable and the amount becomes highly probable.

Revenue in relation to claims and variations, where the Group has an approved enforceable right to payment is only included in the transaction price when the amount claimable becomes highly probable. In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim and stage of negotiations to determine whether the enforceable and "highly probable" threshold has been met.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2023

2.1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Performance Obligations and Contract Duration

Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time.

NZ IFRS 15 requires a granular approach to identify the different revenue streams in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. Revenue will continue to be recognised, on certain contracts over time, as a single performance obligation when the services are part of a series of distinct goods and services that substantially integrated with the same pattern of transfer.

NZ IFRS 15 provides guidance in respect of the term over which revenue may be recognised and is limited to the period for which the parties have enforceable rights and obligations. When the customer can terminate a contract for convenience, the contract term and related revenue is limited to the termination period.

The Group has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component in the period between the transfer of services to the customer and the customer's payment for these services if expected to be one year or less.

Measure of Progress

The Group measures revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. milestones reached). The same method of measuring progress is consistently applied to similar performance obligations.

Loss Making Contracts

Loss making contracts are now recognised under NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets as onerous contracts.

(C) LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in NZ IFRS 16.

As a Lessee

At commencement, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

(D) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, loans receivable, finance leases, dividend income, foreign currency gains and gains on hedging instruments that are recognised in the Statement of Financial Performance. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and leases, unwinding of the discount on provisions, foreign currency losses and losses on hedging instruments that are recognised in the Statement of Financial Performance. All borrowing costs are recognised in the Statement of Financial Performance using the effective interest method.

(E) TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Financial Performance except to the extent 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 the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for 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 following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. 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 dates.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2023

2.1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment losses. Cost includes the cost to acquire the asset and other directly attributable costs incurred to bring the asset to the location and condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in the Statement of Financial Performance. is calculated as the difference between the sale price and the carrying value of the item of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Items of property, plant and equipment that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before reclassification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the Statement of Financial Performance. Gains are not recognised in excess of cumulative impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as incurred.

Depreciation is provided for on a straight-line basis on all tangible items of property, plant and equipment other than freehold land and work in progress, over their estimated useful lives as follows:

Freehold buildings	10 - 40 years
Leasehold improvements	2 - 10 years
Masts and aerials	4 - 25 years
Transmission equipment	3 - 25 years
Furniture and fittings	5 - 10 years
Office equipment	4 - 10 years
Information systems	2.5 - 5 years
Leased information systems	3 - 5 years
Motor vehicles	7 years

Assets under finance leases are initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Group classifies property, plant and equipment as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Property, plant and equipment are not depreciated once classified as held for sale.

(G) INTANGIBLES

Goodwill

Goodwill arises on the acquisition of subsidiaries and businesses and represents the excess of the purchase consideration over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. When the excess is negative (negative goodwill), it is recognised in the Statement of Financial Performance. Subsequently, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted associates, goodwill is included in the carrying amount of the investment.

Research and Development Costs

Research is original and planned investigation undertaken with the prospect of gaining new technical knowledge. Research costs are recognised in the Statement of Financial Performance as incurred. Development expenditure is expenditure on the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products, processes, systems or services. Development expenditure is recognised as an asset when it can be demonstrated that the commercial production of the products, processes, systems or services will commence. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight line basis over the period of expected future benefits.

Software

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets and are amortised from the point at which the asset is ready for use.

Other Intangible Assets

Other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. All other expenditure is recognised in the Statement of Financial Performance as incurred.

Amortisation is recognised in the Statement of Financial Performance on a straight line basis over the estimated useful lives of the intangible assets, from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Frequency licences	5-20 years
Software	3-5 years
Trademarks	5 years

(H) LOANS

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the balance date pursuant to Amendment to NZ IAS 1 (Classification of liabilities as current or non-current) which the Group adopted early.

(I) FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and advances and trade and other payables. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A 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 substantively all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2023

2.1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The Group uses derivative financial instruments within predetermined policies and limits in order to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates. The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, they are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Financial Performance. However, where derivatives qualify for hedge accounting and are designated as cash flow hedges, recognition of any resultant gain or loss are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in the fair value are recognised in the Statement of Financial Performance. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs. The amount recognised in other comprehensive income is transferred to the Statement of Financial Performance in the same period that the hedged item affects profit or loss.

(J) INVENTORIES

Inventories comprise technical stores and customer premises equipment. All inventories are measured at the lower of cost and net realisable value. Cost is based on the weighted average 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.

(K) CONTRACTS WORK IN PROGRESS

Contracts work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contracts work in progress is presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

(L) IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill relating to subsidiaries, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses reduce the carrying amount of assets and are recognised in the Statement of Financial Performance.

The recoverable amount of receivables carried at amortised cost is calculated with a forward looking "expected credit loss" (ECL) method. 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. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

The recoverable amount of a non-financial asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the Statement of Financial Performance. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(M) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. A make-good provision is recognised for the Group's obligation on making-good the leased premises on expiration of the contract. The provision is measured at the present value of the expected cost to be incurred.

(N) EMPLOYEE BENEFITS

A liability for annual leave, long service leave and retirement leave accruing to employees is recognised in the Statement of Financial Position. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The liability for annual leave is measured on an undiscounted basis and expensed as the related service is provided.

(O) FOREIGN CURRENCIES

Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies at balance date are re-translated to the functional currency at the exchange rates ruling at balance date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Exchange differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the Statement of Financial Performance, except as detailed below.

Translation of Foreign Group Entities

The assets and liabilities of foreign entities with functional currencies other than New Zealand dollars, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange ruling at the reporting date. The revenues and expenses of these entities are translated at rates approximating the exchange rates ruling at the date of transactions. Exchange differences arising on translation are taken directly to the foreign currency translation reserve (FCTR). When such an entity is disposed of in part or in full, the relevant amount in the FCTR is transferred to the Statement of Financial Performance.

(P) CONTINGENCIES

Where it is yet to be confirmed whether a present obligation exists, but the likelihood is possible, unless an outflow is deemed remote, a contingent liability is disclosed. Where an inflow of economic benefits is probable, a contingent asset is disclosed. Disclosure includes management's best estimate of the economic effect of the contingent asset or liability.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2023

2.1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(Q) DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- Represent a separate major line of business or geographic area of operations; or
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operation.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative Statement of Comprehensive Income and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(R) DETERMINATION OF FAIR VALUES

Fair values have been determined for measurement and/or disclosure purposes in Note 20 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, excluding contracts work in progress and trade prepayments, is estimated as the present value of future cash flows, at a rate that reflects the credit risk associated with the asset. Trade and other receivables are financial assets categorised at amortised cost.

Trade payables and accruals

The fair value of trade payables and accruals is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Payables are categorised as financial liabilities measured at amortised cost.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and caps is based on broker 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

2.2 IMPACT OF STANDARDS ISSUED NOT YET ADOPTED

The International Accounting Standards board has issued a number of amendments to standards that are effective from 1 January 2023. These include Amendment to IAS 1, regarding to the disclosure of liabilities as current and non-current specifically where loans are covered by covenants, and Amendments to IAS 12 regarding deferred tax on related assets and liabilities arising from a single transaction. Both of these standard amendments were adopted early so no further adjustments are anticipated.

There are no other new or amendments to the standards that are expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

In thousands of New Zealand dollars	Notes	2023	2022
3. DIRECT COSTS AND OVERHEADS INCLUDE:			
Auditor's fees			
- audit services		**235**	204
- other audit related services		**25**	23
Directors' fees		**243**	269
(Gain)/loss on disposal of property, plant and equipment		**139**	24
Impairment (profit)/loss on trade receivables		**(88)**	(11)
Rental costs		**1,997**	1,197
Project material and subcontractor costs		**29,815**	23,255
Direct network costs		**12,143**	12,049
4. EMPLOYEE AND CONTRACTOR COSTS INCLUDE:			
Redundancy		**15**	31
Defined contribution plan		**2,556**	2,230
5. FINANCE INCOME AND EXPENSE			
Interest income on bank deposits and loan receivable		**92**	4
Interest income on finance leases		**51**	70
Realised foreign exchange gain		**41**	-
Unrealised foreign exchange gain		**98**	72
Finance income		**282**	146
Interest expense on loans and borrowings		**1,640**	1,427
Interest expense on lease liabilities		**863**	701
Realised foreign exchange loss		**-**	85
Unwind the discount on provisions	20	**373**	315
Finance expense		**2,876**	2,528
Net finance expense		**2,594**	2,382

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

In thousands of New Zealand dollars		2023	2022
6. INCOME TAX EXPENSE			
Current tax expense		**1,847**	3,657
Adjustment from prior periods		**11**	299
Deferred tax expense/(benefit)	14	**1,174**	(233)
Total income tax expense/(benefit)		**3,032**	3,723
Reconciliation of effective tax rate			
Net profit/(loss) before taxation		**10,306**	13,224
Taxation at 28%		**2,886**	3,703
Adjusted for the tax effect of:			
Difference in subsidiary income tax rates		**11**	10
Non-deductible expenses		**614**	1,310
Under/(over) provided in prior periods		**11**	299
Utilisation tax losses	14	**(490)**	(1,599)
Taxation expense/(benefit)		**3,032**	3,723
Imputation Credit Account			
Imputation credits available to shareholders in future periods		**31,563**	28,609

The Kordia Group Limited consolidated tax group was formed on 1 July 2003 in New Zealand.

7. CAPITAL AND RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences from the translation of the financial statements of foreign operations.

Share Capital	2023	2022
On issue at beginning and end of the year (number of shares)	**1,000**	1,000

All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cashflow Hedge Reserve

The cashflow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions that have not yet occurred.

Dividends

For the year ended 30 June 2023 the Group paid no interim dividend (2022: nil) and a prior year final dividend of $2m (2022: nil).

8. PROPERTY, PLANT AND EQUIPMENT

Work in Progress

Work in progress represents property, plant and equipment which is not yet in service as it is under construction. Property, plant and equipment takes, on average, 1-12 months to construct. The movement in work in progress between June 2022 and June 2023 is due to the capitalisation of transmission equipment which were under construction at June 2022.

Impairment of a Cash-Generating Unit

Given the structural changes that continue to occur in broadcast and media markets, the Directors continue to assess the recoverable amount of the Networks cash-generating unit on an annual basis using a value in use calculation based on a discounted cashflow model for five years from 2023. The cashflow projections are based on the financial budgets approved by management. The assumptions regarding revenue growth and cost increases are based on past experiences and management's expectations of changes in the market and performance of new products. The budgeted EBITDA growth over the 5 years is an average of 4.02% (2022: 3.00%). Management considers the budgets to be reasonable in the current trading environment. Beyond year five, a real growth rate of 0% (2022: 0%) was assumed. A real post tax discount rate of 6.8% (2022: 6.8%) was applied. Bancorp Corporate Finance Limited worked with the Group in determining the weighted average cost of capital.

Based on the assessment at 30 June 2023, the carrying amount of the Network property, plant and equipment was determined to be below the recoverable amount indicating that no impairment is required. This estimate is sensitive to a change in discount rate used, management estimate that an increase in discount rate by 1% from 6.8% to 7.8% would decrease headroom but not significantly enough to impair the asset.

Negative Pledge

A negative pledge in the Group's banking facility restricts the disposal of assets, other than in the ordinary course of business or within certain materiality thresholds.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In thousands of New Zealand dollars	Notes	Land & buildings	Leasehold improvements	Mast and aerials	Transmission equipment
Cost					
Balance at 1 July 2021		**33,282**	**9,974**	**71,572**	**254,609**
Additions		649	23	1,288	9,205
Acquisition of a business	12	-	12	-	-
Transfers		23	-	74	890
Disposals/adjustments		(11)	(2,792)	-	19
Effect of movements in exchange rates		28	40	51	493
Balance at 30 June 2022		**33,971**	**7,257**	**72,985**	**265,216**
Additions		1,262	17	1,500	3,354
Transfers		24	-	175	957
Disposals/adjustments		(134)	(1,241)	-	(981)
Effect of movements in exchange rates		(15)	(21)	(30)	(290)
Balance at 30 June 2023		**35,108**	**6,012**	**74,630**	**268,256**
Depreciation and Impairment Losses					
Balance at 1 July 2021		**(26,965)**	**(4,010)**	**(63,821)**	**(226,885)**
Depreciation for the year		(991)	(419)	(1,237)	(6,771)
Disposals		11	208	-	(39)
Effect of movements in exchange rates		(31)	(34)	(56)	(491)
Balance as at 30 June 2022		**(27,976)**	**(4,255)**	**(65,114)**	**(234,186)**
Depreciation for the year		(643)	(112)	(914)	(6,298)
Disposals / adjustments		134	228	-	847
Effect of movements in exchange rates		15	21	26	299
Balance as at 30 June 2023		**(28,470)**	**(4,118)**	**(66,002)**	**(239,338)**
Carrying amounts					
At 30 June 2022		**5,995**	**3,002**	**7,871**	**31,030**
At 30 June 2023		**6,638**	**1,894**	**8,628**	**28,918**

Furniture & fittings	Office equipment	Motor vehicles	Information systems	Work in progress	Total
1,285	**1,599**	**1,537**	**16,154**	**2,414**	**392,426**
66	261	434	530	(709)	11,747
16	1	-	21	-	50
4	33	6	97	(1,172)	(45)
-	(4)	(5)	64	-	(2,729)
(7)	1	5	218	(2)	827
1,364	**1,891**	**1,977**	**17,084**	**531**	**402,276**
46	(7)	526	1,205	7,208	15,111
3	8	-	211	(1,477)	(99)
(135)	(3)	-	(21)	-	(2,515)
(2)	(1)	(3)	(127)	-	(489)
1,276	**1,888**	**2,500**	**18,352**	**6,262**	**414,284**
(1,023)	**(946)**	**(1,066)**	**(15,015)**	**-**	**(339,731)**
(126)	(148)	(132)	(771)	-	(10,595)
-	3	5	(64)	-	124
7	(1)	(5)	(212)	-	(823)
(1,142)	**(1,092)**	**(1,198)**	**(16,062)**	**-**	**(351,025)**
(41)	(148)	(231)	(478)	-	(8,865)
135	3	-	22	-	1,369
2	-	3	127	-	493
(1,046)	**(1,237)**	**(1,426)**	**(16,391)**	**-**	**(358,028)**
222	**799**	**779**	**1,022**	**531**	**51,251**
230	**651**	**1,074**	**1,961**	**6,262**	**56,256**

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

9. RIGHT OF USE ASSETS

In thousands of New Zealand dollars	Notes	Property	Motor Vehicles	Total
Cost				
Balance at 1 July 2021		**46,584**	**816**	**47,400**
Additions		7,977	118	8,095
Acquisition of a business	12	265	-	265
Disposals		(350)	(426)	(776)
Effects of movements in exchange rates		11	-	11
Balance at 30 June 2022		**54,487**	**508**	**54,995**
Additions		2,638	72	2,710
Disposals		-	(381)	(381)
Balance at 30 June 2023		**57,125**	**199**	**57,324**
Depreciation and Impairment losses				
Balance at 1 July 2021		**(33,353)**	**(619)**	**(33,972)**
Deprecation for the year		(3,772)	(220)	(3,992)
Disposals		350	426	776
Effects of movements in exchange rates		(11)	-	(11)
Balance at 30 June 2022		**(36,786)**	**(413)**	**(37,199)**
Deprecation for the year		(3,981)	(126)	(4,107)
Disposals		-	381	381
Balance at 30 June 2023		**(40,767)**	**(158)**	**(40,925)**
Carrying amounts				
At 30 June 2022		**17,701**	**95**	**17,796**
At 30 June 2023		**16,358**	**41**	**16,399**

Kordia leases approximately 226 properties or parts of properties for the development of telecommunications infrastructure (e.g. telecommunications towers), office and warehouse space. The duration of such lease agreements is typically five to ten years and often has an option of automatic extension for a further term. The rent of the leases vary according to each location however most are indexed annually in line with the consumer price index.

The Group also leases approximately 28 motor vehicles and 1 forklift, with lease terms of up to three years.

Leased assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount less any lease incentives received. The lease term determined by the Group generally comprises the non-cancellable period and option to extend if the Group is reasonably certain to exercise that option.

An impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against the right of use assets that is impaired.

Depreciation of lease assets is calculated using the straight line method to allocate their cost, net of their residual values over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

10. FINANCE LEASES

Finance lease receivables are as follows:

	2023			2022		
In thousands of New Zealand dollars	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**	Minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**373**	**32**	**341**	373	51	322
Between one and five years	**374**	**12**	**362**	747	44	703
	747	**44**	**703**	1,120	95	1,025

The future lease receivables bear interest at 6% (2022: 6%).

Finance leases mainly pertain to network equipment. The leases are for a 132 month period.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

11. INTANGIBLE ASSETS

In thousands of New Zealand dollars	Trademarks	Frequency Licences	Software	Goodwill	Total
Cost					
Balance at 1 July 2021	**125**	**9,512**	**28,227**	**14,486**	**52,350**
Additions	-	125	234	8,955	9,314
Transfers	-	-	45	-	45
Balance at 30 June 2022	**125**	**9,637**	**28,506**	**23,441**	**61,709**
Additions	-	-	1,059	-	1,059
Transfers	-	-	99	-	99
Disposals	-	-	(5)	-	(5)
Balance at 30 June 2023	**125**	**9,637**	**29,659**	**23,441**	**62,862**
Amortisation and Impairment losses					
Balance at 1 July 2021	**(125)**	**(7,789)**	**(26,225)**	**-**	**(34,139)**
Amortisation for the year	-	(181)	(801)	-	(982)
Balance at 30 June 2022	**(125)**	**(7,970)**	**(27,026)**	**-**	**(35,121)**
Amortisation for the year	-	(181)	(762)	-	(943)
Disposals	-	-	5		5
Balance at 30 June 2023	**(125)**	**(8,151)**	**(27,783)**	**-**	**(36,059)**
Carrying amounts					
At 30 June 2022	**-**	**1,667**	**1,480**	**23,441**	**26,588**
At 30 June 2023	**-**	**1,486**	**1,876**	**23,441**	**26,803**

Impairment

Goodwill is tested for impairment annually at the reporting date and whenever there is an indication of impairment. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The recoverable amount is assessed at the level of the cash-generating unit, which is the smallest group of assets generating cash flows independent of other cash-generating units that benefit from the use of the intangible asset.

For the purpose of impairment testing, goodwill is allocated to the Group's relevant subsidiaries or businesses. The aggregate carrying amounts of goodwill of $18,041 (2022: $18,041) has been allocated to the Cyber business unit and $5,400 (2022: $5,400) has been allocated to the Networks business unit.

The recoverable amount of the Cyber business unit was based on a value-in-use calculation. The key assumptions used in the value in use calculations include revenue growth, cost increases and discount rates. A discount rate of 8.1% (2022: 8.0%) was applied to Cyber and was derived from the real post tax weighted average cost of capital. Bancorp Corporate Finance Limited worked with the Group in determining the weighted average costs of capital.

The recoverable amount of the Cyber business unit was calculated using cash flow projections for the five years from 2023 using the financial budgets approved by management. The budgeted EBITDA growth over the 5 years is an average of 10.43% (2022: 8.6%). Beyond year five a real growth rate of 0% (2022: 0%) was assumed. The assumptions regarding revenue growth and cost increases are based on past experiences and management's expectations of changes in the market. Management considers the budgets to be reasonable in the current trading environment.

Based on the assessment at 30 June 2023, the carrying amount of the Cyber intangible was below the recoverable amount indicating that no impairment is required. This estimate is sensitive to a change in discount rate used, management estimate that an increase in discount rate by 1% from 8.1% to 9.1% would decrease headroom but not significantly enough to impair the asset.

Refer to note 8 for the impairment testing of the Networks cash generating unit.

12. ACQUISITION OF A BUSINESS

On 1 July 2021 the Group acquired the business and assets of SecOps NZ Ltd ('SecOps') for cash consideration of $9,228 of which $2,500 was deferred, payable in two instalments on 1st July 2022 and 31st July 2023. SecOps was an Auckland-based company providing cyber security services including managed security services, consulting and assessment, security testing and resourcing services and operates New Zealand's only 24x7x365 ISO/IEC 27001:2013 Cyber Defence Operation Centre. The acquisition allowed the Group to increase its capabilities and product suite. For the year ended 30 June 2023 the first of the deferred payments was made amounting to $1,250.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

13. DISCONTINUED OPERATION

On 10 June 2021, the Board of Directors approved a plan to sell its wholly owned subsidiary Kordia Solutions Pty Ltd. The sale was completed on 31st October 2021. Kordia Solutions Pty Ltd is classified as disposal group held for sale and as a discontinued operation as at 30 June 2022. The results of the disposal group for the comparative year are presented below:

In thousands of New Zealand dollars	2022
Results of Discontinued Operation	
Revenue	52,483
	52,483
Direct costs and overheads	33,450
Employee and contractor costs	20,444
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,411)
Finance expense	17
Depreciation and amortisation expense	1,318
Loss before income tax from a discontinued operation	(2,746)
Income tax benefit	(856)
Loss after income tax	(1,890)
Tax losses impaired	(733)
Reclassification of foreign currency differences on discontinued operations	(8,490)
Loss for the period from discontinued operation	(11,113)
Auditor's fees included in results of discontinued operations	48
Cashflows from/(used in) Discontinued Operation Included in the Group Statement of Cashflows	
Net cashflow used in operating activities	(1,427)
Net cash used in investing activities	-
Net cash from financing activities	-
Net cashflows for the period	(1,427)
Discontinued Operation	
Revenue from contracts with customers – continued operations	131,437
Revenue from contracts with customers – discontinued operations	52,483
Total revenue from contracts with customers	183,920

Kordia Solutions Pty Ltd was sold with an effective date of 31st October 2021 for $10m Australian Dollars, the final payment of $7.4m was received on the 31st July 2022.

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
In thousands of New Zealand dollars	**2023**	2022	**2023**	2022	**2023**	2022
Property, plant and equipment	**3,965**	3,269	**-**	-	**3,965**	3,269
Right of use assets	-	-	**(4,544)**	(4,983)	**(4,544)**	(4,983)
Intangible assets	**-**	-	**(304)**	(224)	**(304)**	(224)
Derivatives	**-**	-	**(21)**	(11)	**(21)**	(11)
Trade and other receivables	**-**	79	**(1,421)**	-	**(1,421)**	79
Inventories	**52**	48	**-**	-	**52**	48
Employee entitlements	**877**	797	**-**	-	**877**	797
Other payables	**1**	13	**-**	-	**1**	13
Provisions	**2,304**	2,677	**-**	-	**2,304**	2,677
Lease liabilities	**4,989**	5,419	**-**	-	**4,989**	5,419
Exchange rate fluctuations	**-**	6	**-**	-	**-**	6
Net tax assets/(liabilities)	**12,188**	12,308	**(6,290)**	(5,218)	**5,898**	7,090

The deferred tax assets/(liabilities) are attributable to the following jurisdictions:

New Zealand	**5,574**	6,539
Australia	**324**	551
Net tax asset	**5,898**	7,090

All movements in deferred tax have been recognised in the Statement of Financial Performance except for ($21) (2022: ($11)) relating to derivatives which have been recognised in the cash flow hedge reserve and $19 (2022: $39) that have been recognised in the foreign currency translation reserve.

In the current financial year tax losses available increased by $196 (2022: -$1,599) leaving tax losses of $22,178 (2022: $21,982) available.

15. INVENTORIES

In thousands of New Zealand dollars	**2023**	**2022**
Inventory	**3,172**	1,397
Provision for write down	**(331)**	(331)
Total inventories	**2,841**	1,066

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

16. TRADE AND OTHER RECEIVABLES

In thousands of New Zealand dollars	2023	2022
Current		
Trade receivables	**12,619**	12,554
Provision for doubtful debts	**(1,186)**	(1,332)
Trade prepayments	**5,796**	3,456
Costs to obtain a contract	**1,222**	992
Contract asset – contract work in progress	**6,489**	2,948
Other receivables	**323**	-
	25,263	18,618
Non-current		
Costs to obtain a contract	**865**	804
Other receivables	**36**	36
	901	840

During the year, the Group utilised $58 (2022: $56) of the provision for doubtful debts and decreased the provision by $88 (2022: $10).

Contract work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. At June 2023, contract work in progress was $6,489 (2022: $2,948).

Deferred income, where billing exceeds recognised revenue, is disclosed in note 17 and amounts to $4,627 (2022: $5,754).

Trade receivables are financial assets categorised at amortised cost.

17. TRADE AND OTHER PAYABLES

In thousands of New Zealand dollars	2023	2022
Current		
Trade payables and accruals	**18,878**	21,812
Contract liability - deferred income	**3,562**	5,131
Employee entitlements	**3,479**	3,159
	25,919	30,102
Non-current		
Trade payables and accruals	**-**	1,250
Contract liability - deferred income	**1,065**	623
Employee entitlements	**120**	133
	1,185	2,006

Payables are categorised as financial liabilities measured at amortised cost.

18. LOANS AND ADVANCES

In thousands of New Zealand dollars	**2023**	**2022**
Bank loans (unsecured)	**27,754**	23,637
Loan facilities are repayable as follows:		
Within one year	**-**	-
One to two years	**-**	23,637
Two to five years	**27,754**	-
	27,754	23,637
Weighted average interest rates:		
Bank loans	**6.6%**	4.6%
Bank loans amended for derivatives, line fees and margin	**4.6%**	4.4%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 and amended and restated from time to time (2022: 29 June 2017), the latest amendment was in June 2023. The facility commits to a maximum amount of NZD50 million (2022: NZD40 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 balance date. The loans drawn and facility available is analysed as follows:

	2023				2022			
	Balance Drawn		**Available Facility**		Balance Drawn		Available Facility	
In thousands of New Zealand dollars	**Current**	**Non-current**	**Current**	**Non-current**	Current	Non-current	Current	Non-current
Tranche A	**-**	**7,754**	**-**	**30,000**	-	23,637	-	40,000
Tranche B	**-**	**20,000**	**-**	**20,000**	-	-	-	-
	-	**27,754**	**-**	**50,000**	-	23,637	-	40,000

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 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). The Group was in compliance with all covenants for the 2022 and 2023 financial years.

Covenant		**2023**	2022
Gearing ratio	Net debt to EBITDA <3.0:1	**1.45:1**	1:1
Interest cover	EBITDA to net interest >3.0 times	**11.2 : 1**	15:1
Coverage ratios	Total assets of guaranteeing group to total assets of the consolidated group >95%	**100%**	100%
	Total EBIT of guaranteeing group to total EBIT of the consolidated group >95%	**100%**	100%

Loans and advances are categorised as financial liabilities measured at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

19. LEASE LIABILITIES

In thousands of New Zealand dollars	Property	Motor Vehicles	Total
Balance at 1 July 2021	**15,072**	**219**	**15,291**
Additions	7,977	118	8,095
Acquisition of a business	271	-	271
Payments	(4,070)	(233)	(4,303)
Effects of movements in exchange rates	3	-	3
Balance at 30 June 2022	**19,253**	**104**	**19,357**
Additions	2,733	72	2,805
Payments	(4,045)	(131)	(4,176)
Balance at 30 June 2023	**17,941**	**45**	**17,986**
Current	4,216	86	4,302
Non-current	15,037	18	15,055
Balance at 30 June 2022	**19,253**	**104**	**19,357**
Current	3,980	38	4,018
Non-current	13,961	7	13,968
Balance at 30 June 2023	**17,941**	**45**	**17,986**
Maturity analysis of contractual undiscounted cashflows			
Less than one year	4,308	90	4,398
One to five years	11,788	18	11,806
More than five years	6,506	-	6,506
Total undiscounted cashflows June 2022	**22,602**	**108**	**22,710**
Less than one year	4,148	41	4,189
One to five years	11,727	6	11,733
More than five years	5,213	-	5,213
Total undiscounted cashflows June 2023	**21,088**	**47**	**21,135**

The lease lability is measured as the present value of the fixed and variable lease payments net of cash lease incentives that are not paid at balance date. Lease payments are apportioned between the finance charge and reduction of the lease liability using the incremental borrowing rate to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for buildings exclude service fees for cleaning and other costs.

Lease modifications are accounted for as a continuation of the existing lease with an effective date of the modification.

20. PROVISIONS

In thousands of New Zealand dollars	**Make good**
Balance at 1 July 2021	**11,898**
Provisions made/(adjusted) during the period	(2,728)
Provisions utilised during the period	(83)
Unwind discount	315
Balance at 30 June 2022	**9,402**
Provisions made/(adjusted) during the period	(1,336)
Provisions utilised during the period	(194)
Unwind discount	373
Balance at 30 June 2023	**8,245**
Current	543
Non-current	8,859
Balance at 30 June 2022	**9,402**
Current	197
Non-current	8,048
Balance at 30 June 2023	**8,245**

Make good

The make-good provision primarily relates to an obligation to return rented sites to their original condition at the end of the lease. The Group expects to utilise approximately 2% of the liability next year.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

21. FINANCIAL INSTRUMENTS

Exposure to foreign currency, interest rate and credit risk arises in the ordinary course of the Group's business. Derivative financial instruments are entered into in order to reduce exposure to fluctuations in foreign exchange rates and interest rates.

(A) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the Group's assets, liabilities and future earnings will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of transactions that are denominated in a currency other than the Group's functional currency. Transactions that typically expose the Group to foreign currency risk include import purchases and purchases of property, plant and equipment. The currencies that give rise to currency risk in which the Group deals are United States and Australian dollars, and European Currency Units. The Group's policy is to manage these risks, as they arise, in accordance with prudent commercial practice.

The Group uses forward and spot foreign exchange contracts to manage these exposures. At balance date the Group has unhedged current assets of AUD460 ($501); EUR20 ($35) and USD29 ($48) (2022: AUD625 ($693) and USD204 ($328)) and current liabilities of AUD75 ($82); EUR53 ($95) and USD125 ($205) (2022: AUD398 ($441) and USD245 ($393)). The Group does not have any other foreign currency monetary assets or liabilities that are not hedged for the lesser of the next twelve months and the period until settlement.

(B) INTEREST RATE RISK

As outlined in Note 18, the Group has a syndicated revolving cash advance facility committed to a maximum amount of NZD50,000, (2022: NZD40,000). At 30 June the drawdown on these facilities was $27,754 (2022: $23,637), to fund on-going activities. The facilities expire on 1 July 2026. The Group has an overdraft facility of $50 (2022: $50) which has a wholesale prime interest rate of 6% (2022: 6%). At 30 June 2023 the drawdown on this facility was nil (2022: nil).

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of New Zealand dollars	**2023**	2022
Fixed rate instruments:		
Financial assets (finance leases)	**703**	1,025
Variable rate instruments:		
Financial liabilities (debt)	**27,754**	23,637

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The maturity analysis below summarises the Group's exposure to liquidity risk on non-derivative financial liabilities.

In thousands of New Zealand dollars	Call	Within One Year	One to Two Years	Two to Five Years	More than Five Years	Contractual Cashflows	Carrying Amount
				2023			
Liabilities and equity							
Payables	-	(25,919)	(1,185)	-	-	(27,104)	(27,104)
Loans and advances	-	(1,841)	(1,841)	(29,600)	-	(33,282)	(27,754)
Total liabilities and equity	-	(27,760)	(3,026)	(29,600)	-	(60,386)	(54,858)

In thousands of New Zealand dollars	Call	Within One Year	One to Two Years	Two to Five Years	More than Five Years	Contractual Cashflows	Carrying Amount
				2022			
Liabilities and equity							
Payables	-	(30,102)	(2,006)	-	-	(32,108)	(32,108)
Loans and advances	-	(1,078)	(23,637)	-	-	(24,715)	(23,637)
Total liabilities and equity	-	(31,180)	(25,643)	-	-	(56,823)	(55,745)

(D) SENSITIVITY ANALYSIS

At 30 June 2023, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's net profit after tax by $194 (2022: $165). At 30 June 2023, it is estimated that a general decrease of one percentage point in interest rates would increase the Group's net profit after tax by $194 (2022: $165). Interest rate swaps have been included in this calculation.

At 30 June 2023, it is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would increase the Group's profit before income tax by approximately $3 (2022: $18). At 30 June 2023, it is estimated that a general decrease of one percentage point in the value of the New Zealand dollar against other foreign currencies would decrease the Group's profit before income tax by approximately $3 (2022: $18). Forward exchange contracts have been included in this calculation.

(E) CREDIT RISK

In the normal course of its business the Group incurs credit risk with amounts deposited with financial institutions and also the extension of credit to trade debtors. The major concentration of credit risk within trade debtors and contract work in progress is the extension of credit to a majority of its customers for transmission services and contracting services. The carrying amounts of financial assets represent the Group's maximum exposure to credit risk.

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 over a certain amount. The group does not normally require collateral in respect of financial assets due to the quality of the financial institutions with which it deals.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

21. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2023		2022	
In thousands of New Zealand dollars	**Gross receivable**	**Impairment**	Gross receivable	Impairment
Not past due	**7,003**	**-**	5,832	-
Past due 0-30 days	**2,757**	**-**	4,107	-
Past due 31-120 days	**1,483**	**(238)**	1,476	(227)
Past due 121-365 days	**1,376**	**(948)**	1,139	(1,104)
Past due more than 1 year	**-**	**-**	-	-
Total	**12,619**	**(1,186)**	12,554	1,331

Trade receivables are reviewed for impairment on a collective basis based on the number of days overdue and taking into account historical experience. Significant trade receivables are reviewed on an individual basis. No individually significant receivables were considered impaired at balance date.

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value measurement: Financial instruments measured and recognised at fair value are derivatives that are designated in hedge relationships. The fair value of these derivatives are level 2 valuations based on accepted valuation methodologies. Interest rate derivatives are calculated by discounting the future principal and interest cashflows at current market interest rates that are available for similar financial instruments. Forward exchange fair value is calculated using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturity of the contract.

Fair value disclosures: The fair values of borrowings used for disclosures are measured by discounting future principal and interest cashflows at the current market interest rate plus an estimated credit margin that are available for similar financial instruments.

The estimated fair value of the Group's financial assets and liabilities are noted below. The purpose of reporting the carrying and fair values is to show the extent to which the Group is carrying an exposure from its foreign exchange and interest rate hedging activities. The table below identifies whether the Group is in a notional gain or loss position as if the Group had closed out the instruments at balance date.

The carrying values of short term financial assets and liabilities are equivalent to their fair values. Short term financial assets include cash, loans to associate, trade and other receivables. Short term financial liabilities include trade and other payables and finance leases. Advances to subsidiaries carrying values are equivalent to their fair values.

	2023		2022	
In thousands of New Zealand dollars	**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and advances payable (classified as amortised cost)	**27,754**	**27,754**	23,637	23,637

As at 30 June 2023, no financial assets or liabilities have been offset in the Statement of Financial Position although they are covered by an ISDA/Master netting agreement.

23. INVESTMENT IN JOINT VENTURE

On 23rd August 2022, Kordia Limited entered a significant multi-year design, build and operate public safety radio communication contract with Crown Infrastructure Partners (CIP) and Next Generation Critical Communications (NGCC). In order to deliver on the contract Kordia partnered with Tait International Limited (Tait). A new New Zealand entity has been set up by Kordia and Tait called Tait Kordia JV Company Ltd (JV) in which each party holds 50% of the shares. The contractual arrangement in place gives all parties collective control of the entity and all decisions regarding activities of the JV require unanimous consent, however the parties have no rights to the assets of the JV and are not liable for the liabilities, therefore the entity is a joint venture and accounted under the equity method.

During the year ended 30 June 2023, Kordia provided an advance of $275 to the JV to fund its operations. The loan is interest free and payable on demand.

In thousands of New Zealand dollars	**2023**	2022
Summarised Balance Sheet of Joint venture		
Current asset		
Cash and cash equivalent	**233**	-
Other current assets	**1,246**	-
Total current assets	**1,479**	-
Non-Current assets	**101**	-
Current liabilities		
Shareholder loans	**550**	-
Other current liabilities	**262**	-
Total current liabilities	**812**	-
Non-current liabilities	**276**	-
Net Assets	**492**	-
Summarised statement of comprehensive income:		
Revenue	**1,563**	-
Depreciation and amortisation	**(4)**	-
Other operating expenses	**(875)**	-
Income tax expense	**(192)**	-
Profit for the year attributable to equity holders	**492**	-
Carrying amount of Investment:		
Balance at 1 July 2022	**-**	-
50% Share of profit for year ended 30 June 2023	**246**	-
Balance at 30 June 2023	**246**	-

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FOR THE YEAR ENDED 30 JUNE 2023

24. PUBLIC SAFETY NETWORK (PSN)

Tait Kordia JV Limited, of which Kordia Limited has a 50% shareholding and subcontract agreement with, has entered a significant multi-year design, build and operate Land Mobile Radio (LMR) contract with Crown Infrastructure Partners (CIP) and Next Generation Critical Communications (NGCC). Both entities are ultimately owned by the Crown. In order to deliver the contract, Kordia partnered with Tait International Limited (Tait International) and together the companies, who are acting as principles under the contract, formed a joint venture company Tait Kordia JV Co Limited - see note 23. As part of the accounting for the contract, the following accounting judgements and estimates were considered:

NZ IFRIC-12 Service Concession Arrangements. The contract falls under this interpretation as the JV (the operator) constructs the infrastructure used to provide a public service and operated and maintains that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement and the arrangement is governed by a contract that sets out its performances. The customer controls the residual interest in the infrastructure at the end of the term of the arrangement. Whilst other Crown owned agencies may join the network at a later date, and Kordia may provide services using the infrastructure to these agencies, no future asset has been created under this interpretation as the addition of other parties would be on separate commercially agreed terms and the amounts are not considered material due to significant uncertainty.

NZ IFRS 15 – Revenue from Contracts with Customers. Under the contract there are multiple performance obligations all of which can be split into two categories: Project Management and Construction. Project management covers tasks such as procurement, project governance, network and build design and project management while construction obligations cover the build of the network sites. Project Management obligations have been reviewed under NZ IFRS 15 and the services have been deemed to be delivered over time. Revenue is therefore recognised over time on a percentage of completion basis, as our performance is creating an asset or enhancing an asset that the customer controls and has no alternative use to Kordia. Revenue recognition on the construction element has been applied in accordance with our revenue policy as disclosed in note 2(b).

25. CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain creditors and market confidence and to sustain future development of the business. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

26. CONTINGENCIES

As part of its contractual obligations with clients, Kordia Limited has an undertaking to provide services at a certain level and should this not be achieved, Kordia Limited 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.

Performance under the public safety radio communication contract by Tait Kordia JV Co limited is guaranteed by Kordia and Tait International jointly and severally, with cross-indemnities between Kordia and Tait. The contract also includes a performance bond of $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.

27. CAPITAL COMMITMENTS

In thousands of New Zealand dollars	**2023**	2022
Capital commitments (including intangible assets) are:		
Within one year	**2,068**	2,468

28. RELATED PARTY TRANSACTIONS

Kordia Group Limited comprises the following significant subsidiaries:

Entity	*Principal activity of entity*	*% holding*	*Country of Incorporation*
Kordia Limited	Telecommunications and transmission services	100%	New Zealand
Kordia New Zealand Limited	Operations and maintenance services	100%	New Zealand
Kordia Pty Limited		100%	Australia

All subsidiaries have balance dates of 30 June.

The Crown is a 100 percent shareholder in Kordia Group Limited. All transactions with other Crown Entities, State Enterprises and Government Departments other than entities included in these consolidated financial statements are comprised of:

Crown Entities, State Enterprises and Government Departments	**Transaction value year ended 30 June**		**Balance outstanding at 30 June**	
In thousands of New Zealand dollars	**2023**	2022	**2023**	2022
Revenue from telecommunications services	**33,969**	31,425	**1,083**	2,692
Direct costs and overheads	**4,362**	3,620	**4**	328

All transactions with Kordia Group and its subsidiary companies are settled in cash within six months of the reporting date. None of the balances are secured.

In addition to the above related party transactions, the Group has transacted with its owner, the Crown. Refer to note 6 (income tax) and note 17 (trade and other payables).

Under the PSN contract Kordia also transacts directly with its joint venture company see note 23, however the ultimate recipients are Crown entities – see note 24.

Transactions with Key Management Personnel (Directors and Key Executives)

In addition to their salaries, the Group also provides non-cash benefits (superannuation and long service leave) to executive officers. Key management personnel compensation comprised:

In thousands of New Zealand dollars	**2023**	2022
Short term employee benefits	**1,467**	1,615
Defined contribution plan	**78**	81
Directors fees	**243**	269
	1,788	1,965

Unpaid amounts relating to the above are $349 (2022: $555).

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

29. RECONCILIATION OF NET SURPLUS FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of New Zealand dollars	Notes	2023	2022
Net surplus/ (deficit) as per Statement of Financial Performance		7,274	(1,612)
Add/(deduct) non-cash items:			
Depreciation of property, plant and equipment	8	8,865	10,595
Depreciation of right of use assets	9	4,107	3,992
Amortisation of licences and intangibles	11	943	982
Realised foreign currency losses/(gains)		(391)	(1,034)
Change in deferred tax/(future income tax benefit)		1,165	(18)
Movement in provision for doubtful debts		(146)	(66)
Movement in other provisions		(415)	97
Unwind/change in make good	20	373	(48)
Movement in customer acquisition costs		(290)	(232)
Reclassification of foreign currency differences on discontinued operations		-	8,490
		21,485	21,146
Items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment		139	24
Working capital items on acquisition		-	228
Working capital items reclassified as held for sale		-	(2,180)
		139	(1,928)
Movements in working capital:			
Receivables, prepayments and contract work in progress		(6,271)	(3,034)
Inventories		(1,775)	(217)
Payables and deferred income		(5,643)	1,598
		(13,689)	(1,653)
Net cash flows from/(used in) operating activities		7,935	17,565

30. NON-GAAP MEASURES

The Group uses EBITDA when discussing financial performance. EBITDA is earnings before interest, tax, depreciation and amortisation. Depreciation and amortisation includes impairment charges recorded in the respective non-current assets. EBITDA is a non-GAAP profit measure and is not recognised or standardised with IFRS. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures in accordance with IFRS. Management believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that market analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in funding, asset age and depreciation policies.

EBITDA has been clearly labelled and presented on the face of the Statement of Financial Performance and is reconciled to profit after tax.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 31st August 2023 the Board of Directors declared a final dividend of $1m for the year ended 30 June 2023.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2023

TO THE READERS OF KORDIA GROUP LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Kordia Group Limited (the "Group"). The Auditor-General has appointed me, Geoff Lewis, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Group on his behalf.

OPINION

We have audited the financial statements of the Group on pages 41 to 77, that comprise the statement of financial position as at 30 June 2023, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2023; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 31 August 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State Owned Enterprises Act 1986.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information obtained at the date of this auditor's report is the Directors' Report, Statement of Responsibility, Statement of Performance and Additional Information, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

INDEPENDENCE

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year 30 June 2023 and subsequently, a Director of the Group is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the Group.

KPMG has also provided other assurance services to the Group. Subject to certain restrictions, partners and employees of KPMG 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 KPMG's independence. KPMG has no other relationship with, or interest in, the Group.

Yours Sincerely

Geoff Lewis
KPMG
On behalf of the Auditor-General
Auckland, New Zealand
31 August 2023

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2023

	Statement of Corporate Intent - Target 2023	2023 Actual	2022 Actual
Financial Performance Targets (Consolidated)			
Shareholder Return			
Dividend yield (dividends/avg commercial value)	4%	**2%**	0%
Return on equity (net profit after tax from continuing operations as a percentage of average shareholders' equity)	14%	**12%**	18%
Total shareholder return ((commercial value end - commercial value beg + dividends)/ commercial value beg)	4%	**13%**	(16%)
Profitability/Efficiency			
Earnings before interest and taxes from continuing operations (EBIT)	$12.7m	**$12.9m**	$15.2m
Group net profit after tax from continuing operations (NPAT)	$7.7m	**$7.3m**	$9.5m
Return on capital employed (EBIT adjusted for IFRS fair value movements/ average capital employed)	17%	**16%**	17%
Operating margin (EBITDAF/Revenue)[a]	20%	**19%**	24%
Leverage/Solvency			
Gearing ratio (net debt/(net debt + shareholders' funds))	29%	**25%**	17%
Interest cover (EBITDA/ net interest)	14	**10**	13
Net Debt/EBITDA	0.8	**1.4**	1.0
Solvency (current assets/current liabilities)	1.1	**1.2**	1.1
Shareholders equity / Total assets	42%	**44%**	40%
Growth			
Capital replacement (Capex/(depreciation and amortisation))	1.7	**1.6**	1.0
Revenue growth (current year revenue less prior year revenue including discontinued operations)	107%	**110%**	107%
EBITDA growth (current year EBITDA less prior year EBITDA)	96%	**86%**	98%
Non - Financial Performance Targets (Consolidated)			
Net promoter score (NPS) [b]	50+	**53**	53
Total recordable injury frequency rate (TRIFR) [c]	<5	**4.22**	2.57
Staff engagement	≥82%	**83%**	82%
Diversity	Achieve GenderTick accreditation by 2025	**On track to achieve by 2025**	
NZ Digital Television Transmission (DTT) network availability (main metro sites measured annually) [d]	99.90%	**99.99%**	99.99%
Develop and grow Kordia Cyber Academy	Yes	**8 Cyber recruits**	-
Carbon emissions [e]	Year on year progress towards carbon neutrality for scope 1 and scope 2 emissions by 2026	**Emissions reduced FY21: 2,026t CO_2e FY22: 1,701t CO_2e FY23: 706t CO_2e**	-

Notes

(a) EBITDAF is the earnings before interest, tax, depreciation, amortisation and fair value movements.

(b) Net Promoter Score (NPS), is a metric used globally to measure customer loyalty and advocacy levels. NPS establishes the likelihood of a customer to recommend a product or service to another person on a scale of 0-10. The overall NPS score is the percentage of customers who are detractors is subtracted from the percentage who are promoters, providing a score between -100 and 100.

(c) The Total Recordable Injury Frequency Rate (TRIFR) is an industry measure of the number of recordable injuries over a period of 12 months per million hours worked. A recordable injury is a work-related injury or illness resulting in an employee or contractor being unable to attend work for a full working day after the day of injury.

(d) The measure of the availability of the DTT network is a measure of the reliability of the DTT network and the performance against customer service level agreements.

(e) Carbon emissions are measured in t CO2e which is the metric tonnes of carbon dioxide.

ADDITIONAL INFORMATION

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was telecommunications services (transmission, linking of telecommunications and broadcasting signals as well as design, build, operations and maintenance of transmission networks).

GENERAL DISCLOSURES

The following disclosure of interests were made to the Board.

DIRECTORS' DISCLOSURES

General disclosures of interest given by the Company pursuant to Section 211 of the Companies Act 1993 as at 30 June 2023 are as follows. Individual shareholdings that are not considered material, and are not relevant to the operations of the Group have not been included.

S HASLEM

CentrePort Limited	Deputy Chair
CentrePort Captive Insurance Limited	Director
CentrePort Properties Limited	Director
Livestock Improvement Corporation	Director
MyRepublic	Shareholder
Ngai Tahu Holdings Corporation Limited	Director
Omphalos Limited	Director/Shareholder
Payments New Zealand Limited	Director
Rangatira Limited	Director

B P KEPES

Akina Consulting Limited	Director
Cactus Outdoor Limited (owner of Albion Clothing Limited)	Director/Shareholder
Corde Limited	Director
Diversity Limited	Director/Shareholder
Open Accounting Data Limited	Shareholder
Paenga Kupenga Limited	Director
Pegasus Health (Charitable) Limited	Director
Pegasus Health Apps Limited	Director
Ridges Irrigators Limited	Director/Shareholder
Ridges Water Limited	Director/Shareholder
Royal Forest & Bird Protection Society of New Zealand Incorporated	Board Member
Supie Limited	Chair
The Akina Foundation	Chair
Thirteen / Three Limited	Director
Umbrella Group Limited	Director/Shareholder
Union Medical Benefits Society Limited	Director

N D LIVINGSTON

FoodCap International Limited	Consultant
Foodstuffs	Consultant
Pingar International Limited	CEO
SEDS Consulting Limited	Director/Shareholder

N E RIORDAN	
Fergus (Fergus.com)	Chief Marketing Officer
Nua Limited	Director / Shareholder
L M ROBERTSON	
Alpine Energy Limited	Director
Aquaheat Facility Services Limited	Director
Aquaheat Fire New Zealand Limited	Director
Aquaheat New Zealand Limited	Director
Caldwell and Levesque Limited	Director
Central Lakes Direct Limited	Director
Central Lakes Trust	Chair
Central Otago District Council	Chair, Audit & Risk Committee
Coollogic Refrigeration Limited	Director
Crown Irrigation Investments Limited	Chair
Horizon Energy Distribution Limited	Director
Horizon Energy Group Limited	Director
Horizon Energy Limited	Director
Horizon Services Limited	Director
Invercargill City Holdings Limited	Director
Invercargill City Property Limited	Director
NETcon Limited	Director
New Zealand Local Government Funding Agency Limited	Director
Office of the Auditor General and Audit New Zealand	Member, Audit & Risk Committee
RML Consulting Limited	Director/Shareholder
The Treasury	Member, Capital Markets Advisory Committee
The Treasury	Member, Audit & Risk Committee
SBS Bank (Southland Building Society)	Director
Fraser Properties Limited	Director
K J POHIO	
Fonterra Co-Operative Group Limited	NZDC National Asset Manager
M T H MATTHEWS	
Auckland Council	Independent Member, Audit & Risk Committee
Experience Wellington	Trustee/Director
Greater Wellington Regional Council	Independent Chair, Finance, Risk & Assurance Committee
Martin Matthews Consulting Limited	Director and Sole Shareholder
Meteorological Service of New Zealand Limited	Director
Mongravia Enterprises Limited	Director and Shareholder
Ohmio Automation Limited	Adviser

CONTINUED

ADDITIONAL INFORMATION

USE OF COMPANY INFORMATION

No notices have been given to the Board under Section 145 of the Companies Act 1993 with regard to the use of company information received by Directors in their capacity as a Director.

DIRECTORS' INDEMNITY INSURANCE

The Company has arranged directors' and officers' liability insurance cover with QBE Insurance (International) Limited for $40 million (2022: $40 million). The 2023 premium (net of GST) was $71,500 (2022: $65,000). This cover is effected for all directors and employees in the Group in respect of directors and officers liability and is in accordance with the Companies Act 1993 and the Company's constitution.

DIRECTORS' REMUNERATION AND BENEFITS

The following persons held the office of director of the Company during the year and received the total amount of remuneration and other benefits shown.

DIRECTOR		COMPANY $
S Haslem (Chair)		73,500
B P Kepes		42,000
N D Livingston		36,000
P M Ennis	Resigned 1/11/2022	12,000
A S J O'Brien	Resigned 1/11/2022	12,000
S Broadbent	Resigned 10/06/2022	2,000
N Riordan	Appointed 21/09/2022	24,000
L Robertson	Appointed 1/11/2022	24,000
M Mathews	Appointed 5/04/2023	8,600
K Pohio	Appointed 5/04/2023	8,600
		242,700

EXECUTIVE REMUNERATION

Kordia's remuneration policy for the Executive Management Team (EMT) is founded on three guiding principles:

- remuneration is aligned to long-term sustainable shareholder value;
- remuneration for individuals will reflect the level of performance and delivery of successful outcomes; and
- simplicity over complexity will be reflected in the design.

Total remuneration of the Executive Team is made up of two components: fixed remuneration and short-term performance incentives. Short term performance incentives are deemed "at risk" because the outcome is determined by performance against a combination of predetermined financial and non-financial objectives, the outcome of which is unable to be determined until year end.

The Board reviews the annual performance appraisal outcomes for all members of the Executive Team. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

Fixed remuneration consists of base salary and benefits such as superannuation. Kordia's policy is to pay fixed remuneration with reference to the fixed pay market median.

Short-Term Incentives (STI) are at risk payments designed to motivate and reward for performance typically in that financial year. The target value of a short term incentive is set annually, usually as a percentage of base salary. For FY23 the relevant target percentage for the executives other than the CEO is 20% to 40% (2022: 20% to 40%) of total fixed salary. The incentive is related to a set of Key Performance Indicators (KPI's) based on business priorities for the next 12 months, with the objective of aligning the Executive Team's focus with the Group's priorities. The Board retains discretion to ensure the final outcome of STI payments fairly reflects performance over the relevant financial year.

The CEO's remuneration consists of fixed remuneration and short term incentive (STI). The target percentage for the CEO's STI is 40% (2022:40%) of total fixed salary. The performance criteria are 50% is based on financial measures such as revenue and NPAT and 50% is based on individual performance measures. During the current year the CEO was paid $622k (2022: $630k) fixed remuneration including superannuation and an accrual of $233k was made for (2022: $273k) STI.

EMPLOYEE REMUNERATION

Employee remuneration includes salary, bonuses, payments for projects, motor vehicles, employer's contributions to superannuation and health schemes, severance and other sundry benefits received in their capacity as employees during the year ended 30 June 2023. Employee remuneration in overseas operations has been converted to New Zealand dollars using the year end exchange rate.

Kordia Group Ltd employees who received total remuneration of greater than $100,000 were in the following bands:

	CONSOLIDATED	
NZD	Current Employees	Former Employees
$100,000 to $110,000	25	4
$110,001 to $120,000	33	4
$120,001 to $130,000	31	3
$130,001 to $140,000	15	-
$140,001 to $150,000	29	2
$150,001 to $160,000	18	1
$160,001 to $170,000	14	-
$170,001 to $180,000	8	2
$180,001 to $190,000	7	-
$190,001 to $200,000	9	-
$200,001 to $210,000	8	2
$210,001 to $220,000	6	1
$220,001 to $230,000	6	-
$230,001 to $240,000	4	-
$240,001 to $250,000	5	-
$250,001 to $260,000	1	-
$260,001 to $270,000	2	-
$270,001 to $280,000	2	-
$280,001 to $290,000	2	-
$300,001 to $310,000	2	-
$310,001 to $320,000	1	-
$320,001 to $330,000	1	-
$330,001 to $340,000	1	-
$340,001 to $350,000	1	-
$360,001 to $370,000	2	-
$380,001 to $390,000	1	-
$440,001 to $450,000	2	-
$460,001 to $470,000	1	-
$470,001 to $480,000	1	-
$540,001 to $550,000	1	-
$810,001 to $820,000	1	-
	240	19

CYBER DEFENCE OPERATIONS.

Kordia's Cyber Defence Operations (CDO) is a physically secure location for our team of cyber security analysts to work from. With multiple controls to defend against incoming threats, the CDO functions 24/7, 365 days a week - so we can focus on keeping our customers data and systems safe and secure around the clock.

- PHYSICAL ACCESS CONTROLS
- NETWORK ENVIRONMENT AIRGAPPED & RESILIENT
- BUSINESS CONTINUITY PLANS
- NETWORK CONTROLS
- ENCRYPTION
- REGULAR EMPLOYEE TRAINING
- ADHERENCE TO ISO 27001 GUIDELINES


AUTHORISED PERSONNEL ONLY
CYBER DEFENCE OPERATIONS (CDO)

KORDIA.CO.NZ