F.21

KEEPING BUSINESSES CONNECTED & SECURE.

CYBER SECURITY | CLOUD | CONNECTIVITY | COMMUNICATIONS

KORDIA GROUP ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

kordia®

CONTENTS

PERFORMANCE AT A GLANCE

FOR THE YEAR ENDED 30 JUNE 2022

$131M
REVENUE

$31M
EBITDA

1096
MARITIME
CALLS FOR ASSISTANCE

$143M
TOTAL ASSETS

82%
EMPLOYEE
ENGAGEMENT

99.99%
DTT NETWORK
AVAILABILITY

2.57 TRIFR

+53 NET
PROMOTER
SCORE











CHAIR & CEO REPORT

FOR THE YEAR ENDED 30 JUNE 2022

THE NAME KORDIA IS DERIVED FROM THE LATIN WORD 'ACCORDIA', MEANING HARMONY. THIS YEAR THE BUSINESS CERTAINLY ILLUSTRATED THE POWER OF HARMONISING PEOPLE AND TECHNOLOGY TO DRIVE INCREDIBLE OUTCOMES.

The past 12 months have brought a renewed clarity and drive towards what we do best; keeping our customers secure and connected.

With new acquisitions being integrated into the business and the changing commercial landscape, our team rose to the challenge of harmonising our various business streams to deliver holistic, best of breed solutions for our customers.

Our results for the year are a welcome indication that we are on the right course. Kordia Group has delivered revenue of $131m for the year ended 30 June 2022, Group EBITDA of $31m, and a net profit after tax of $9.5m from continuing operations.

Continuation and steady management of our core functions, combined with investment in areas where the market growth lies, has proved to be a successful strategy. We've been effective in capturing new business in high-demand areas such as cyber security and cloud, while maximising cross-sell opportunities within our existing base to leverage our full capabilities for our customers.

Without a doubt, we could not have achieved what we have without our incredibly resilient and brilliant workforce. It's testament to the strength of our team that our business units have continued to deliver solid results across the board. With more than 450 experts comprising our operations across New Zealand and Australia, we truly believe we have the best talent in the industry.

WITH MORE THAN 450 EXPERTS COMPRISING OUR OPERATIONS ACROSS NEW ZEALAND AND AUSTRALIA, WE TRULY BELIEVE WE HAVE THE BEST TALENT IN THE INDUSTRY.

DEPARTURE FROM THE AUSTRALIAN CONTRACTING MARKET

This year saw us finalise our exit from the Australian contracting market, with the Group completing the sale of its subsidiary, Kordia Solutions Pty Ltd, on 31 October 2021. With the Australian telecommunications market presenting considerable challenges and difficult conditions for a boutique player like Kordia, the sale places us in a stronger position to invest in and develop our growth areas.

The overall results for the year include 4 months of operating losses and a non-cash reclassification of the foreign currency translation reserve to retained earnings for the discontinued operation.

CONNECTED AND SECURE CUSTOMERS

Cyber security expertise continues to be in great demand, with New Zealand businesses facing growing risks due to the rise of hybrid workplaces and a constantly evolving threat landscape. Continued growth and focus on cyber has once again seen us outperform the market and keep pace with the needs of our customers as they look to a trusted partner to keep their businesses safe and secure.

On 1 July 2021, we bolstered our position as a leading New Zealand cyber security provider with the acquisition of managed security services provider, SecOps NZ. This saw the introduction of a broader range of managed security services and solutions, and allowed us to extend our Cyber Defence Operations, which functions 24/7, 365 days per year. With SecOps NZ joining the fold, our new talent and capability has seen Kordia grow its managed security revenue by 113% over the prior year.

RESPONDING TO A CHALLENGING IT LANDSCAPE

Having a trusted partner capable of navigating the path to digital capability with minimal operational disruptions is key for many businesses. Our cloud consultancy practice supports clients to migrate to the cloud while working through complementary areas of deploying, monitoring, and optimising cloud workloads. Furthermore, with talent shortages and workloads presenting a real crisis for IT teams, our new managed and co-managed IT team has stepped in to alleviate the load from our customers' internal resources.

We have maintained our +50 NPS score which is proof that 'The Kordia Experience' helps us deliver the best possible customer service, even throughout lockdowns and the disruption businesses faced this year.

CYBER SECURITY EXPERTISE CONTINUES TO BE IN GREAT DEMAND, WITH NEW ZEALAND BUSINESSES FACING GROWING RISKS DUE TO THE RISE OF HYBRID WORKPLACES AND A CONSTANTLY EVOLVING THREAT LANDSCAPE.

PEOPLE FIRST

Beyond our commercial interests, this year we spent considerable time creating value in the communities we operate in. Our people and culture strategy has been enhanced to further our goals of achieving a diverse, inclusive, and welcoming workplace underpinned by a strong commitment to health and safety.

Health and safety continues to be a core tenant of our workplace culture. With a commitment to our vision of "Zero Harm", the past year has seen us continue to manage health and safety in a systematic way, taking a proactive approach. Promoting both physical and mental wellbeing within our team was also critical this year, as our employees worked through further Covid related disruptions.

Our leadership and our people understand that safety is everyone's responsibility, and it's through this attitude that we've once again managed to keep our incidents well below target, with a Total Recordable Injury Frequency Rate (TRIFR) over the period of 2.57.

Late last year we launched our first Kordia Cyber Academy, an initiative to train and nurture a new line of cyber security professionals through hands-on industry experience. Delivered by our own cyber security specialists, the first cohort were exposed to a wide mix of information security concepts and scenarios while being introduced to some of the industry's leading tools and practices. After completing the six-week programme, Kordia was able to offer permanent roles to seven graduates, who are now embarking on exciting careers in the cyber security industry.

As a further initiative to support rising talent, Kordia joined forces with ASB and the University of Waikato to launch a new scholarship. This will provide financial support to outstanding students in their final year of study in business management and the sciences. The Scott Bartlett Memorial Scholarship has been established in memoriam of our former CEO, a respected business leader, and former member of the University's Council and ASB's board.

GUARDIANS OF OUR ENVIRONMENT

Creating a sustainable business is also key to Kordia's value proposition, and this year in aid of our ambitions to achieve zero waste and harm to the environment, we've taken steps to quantify and measure our efforts, tying our progress back to the Government's goal for New Zealand to be carbon neutral by 2050.

Reducing our carbon emissions is one of our core initiatives, and this year we began determining our baseline emissions analysis of Scope 1 and 2 emissions.

This will allow us to implement a strategy that will work on reducing our carbon footprint year on year, with a goal of achieving carbon neutrality by FY26.

In tandem, we've begun formalising several existing strategies and practices to reduce, reuse and recycle our assets. This includes recycling site batteries and excess structural material used in our towers, as well as designated organic waste and recycling bins in our offices.

STABILITY IN TRADITIONAL BUSINESS STREAMS

We've maintained a strong foundation through our traditional business units, that have continued to produce solid results this financial year.

This year, we re-signed our DTH customers supporting our 5+5 year commitment on the new Optus Satellite. With DTH providing coverage to 100% of the country, this is a great step to ensuring continued service for those Kiwis who rely on satellite TV broadcast.

Maritime's position as the primary source of operations and technology for marine safety services across Australian and New Zealand waters has been solidified. The Australian Maritime Safety Authority (AMSA) and the Bureau of Meteorology (BOM) named Kordia as their preferred supplier of maritime radio services.

ON THE HORIZON

In June 2022, we farewelled our Chair, Sheridan Broadbent, who served on Kordia's board for eight years. Sophie Haslem, Deputy Chair, has stepped into the role of Acting Chair for the interim.

As a business, we've set ourselves some clear goals to support and enhance the value we offer to the communities we operate in. We're building a robust programme of diversity initiatives to roll out including delivering the GenderTick programme. This, alongside our environmental strategy to be carbon neutral, and continuing efforts around health and safety, will formulate the pillars of our ESG strategy for FY23.

The Group has an optimistic outlook for FY23, as we further consolidate and strengthen our portfolio of services. By leaning into our key areas of cyber, cloud and connectivity we're successfully expanding our managed service capabilities and product set. This primes our business to meet the demands of the market and secure our future growth.

For the Board,

SOPHIE HASLEM
ACTING CHAIR - KORDIA GROUP

SHAUN RENDELL
CEO - KORDIA GROUP

BOARD MEMBERS

FOR KORDIA GROUP AS AT 30 JUNE 2022

SOPHIE HASLEM

ACTING CHAIR OF THE BOARD. CHAIR OF KORDIA'S AUDIT & RISK COMMITTEE

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.

She held senior positions at Citibank NA, ANZ Investment Bank, Ernst & Young and New Zealand Post and is currently Chair of The MetService and Deputy Chair of CentrePort. Sophie is also an Independent Director of Livestock Improvement Corporation (NZX:LIC), Rangatira Investments, Ngai Tahu Holdings Corporation, and Payments NZ.

PETER ENNIS

CHAIR OF KORDIA'S PEOPLE & CULTURE COMMITTEE

Peter Ennis is an experienced senior media and technology executive with extensive international senior leadership experience in media, technology, business development and sales. He heads up a consultancy providing M&A and business optimisation expertise to clients in New Zealand, Australia and the United States.

He is a former CTO and main Board Director of TV3 Group, the Irish national commercial broadcaster. He headed up the technology function in TVNZ, then served as CTO at Al Jazeera Media Network (AJMN) in Qatar, leading all technology and operations for AJMN globally. Most recently Peter was Senior Vice President of Global Services and Delivery at Avid Technology Inc, a US publicly-quoted media technology provider, where he also served on the Executive Leadership Team.

BEN KEPES

MEMBER OF KORDIA'S HEALTH & SAFETY COMMITTEE

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

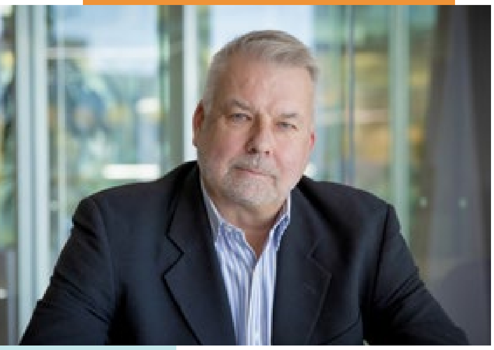
Ben has consulted to many large technology vendors internationally and been called upon as a technology and business adviser to a variety of organisations. A recipient of the Sir Peter Blake leadership award, Ben currently sits on the boards of a number of organisations in New Zealand including chairing The Ākina Foundation and serving as a board member for Pegasus Health, UniMed, Paenga Kupenga and Cactus Outdoor.

TONY O'BRIEN

CHAIR OF KORDIA'S HEALTH & SAFETY COMMITTEE

Tony's marketing and broadcasting career spans many years, holding several key commercial roles at SKY TV plus Director of Communications and Director of Regulatory & Corporate Affairs. Tony has been a member of the Advertising Standards Authority, the Online Media Standards Authority and the Broadcasting Sector Advisory Group for the Digital Television Switchover. He chaired the Government Marketing & Communications Committee from 2010 to 2014.

Tony is a Director of Antarctica New Zealand and a Trustee of the New Zealand Antarctic Research Institute. He was previously a Director of Pacific Cooperation Broadcasting Ltd and served on the Board of the Health Promotion Agency.



NEIL LIVINGSTON

MEMBER OF KORDIA'S PEOPLE & CULTURE COMMITTEE

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 of the technology sector. He holds an International Management Diploma 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.

THE BOARD CURRENTLY HAS THREE STANDING COMMITTEES

AUDIT & RISK COMMITTEE

The Audit & Risk Committee assists the board in fulfilling its responsibilities under the Companies Act 1993 and related legislation. Its terms of reference also cover the role of internal audit and financial risk management.

HEALTH & SAFETY COMMITTEE

The Health & Safety Committee supports the board to comply with its health and safety obligations and to achieve its health and safety goals.

PEOPLE & CULTURE COMMITTEE

The People & Culture Committee assists the board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate levels of remuneration for executives.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The Directors have pleasure in presenting their report, together with the audited Financial Statements of the Group for the year ended 30 June 2022.

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 Her Majesty the Queen 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 David Clark

RESULTS FOR THE YEAR

The Group's consolidated net profit/(loss) after taxation from continuing operations for the year was $9,501,000 (2021: $9,466,000). Taking into consideration the Group's discontinued operation, the overall net profit/(loss) after taxation was ($1,612,000) (2021: ($47,046,000)).

DIVIDEND

The Directors recommend a final dividend of $2,000,000 for the year ended 30 June 2022 (2021: nil). Taking into account no interim dividend (2021: nil), the total dividend for the year will be $2,000,000 (2021: nil).

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 Mark Crawford of KPMG to act for and on behalf of the Auditor-General, as auditor in respect of the year ended 30 June 2022.

On behalf of the Board

S Haslem
Acting Chair

P M Ennis
Director

25 August 2022

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2022

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 2022.

S Haslem	P M Ennis	
Acting Chair	Director	25 August 2022

OUR OPERATIONS

With a heritage of more than 65 years of delivering mission-critical communications, we've continually evolved our capabilities and today our network supports diverse services from TV and radio broadcasts to business connectivity and safety of life at sea.

270
NETWORK SITES
INCLUDING 50
LARGE LATTICE TOWERS

MONITORING ALMOST
A QUARTER
OF THE WORLD'S OCEANS

87% COVERAGE
FOR TERRESTRIAL TV
ACROSS NZ

FOUR
CRITICAL
OPERATIONS CENTRES,
INCLUDING OUR NOC, CDO AND MOCS
IN CANBERRA AND WELLINGTON

450+
EMPLOYEES

99%
COVERAGE
FOR SATELLITE TV ACROSS NZ

100+
CYBER SECURITY
PROFESSIONALS

DIRECT CONNECTIONS TO
ALL
MAJOR PUBLIC CLOUDS

OUR SPECIALIST CAPABILITIES

- MANAGED CYBER SECURITY SERVICES
- MEDIA AND BROADCAST SERVICES
- MARITIME COMMUNICATIONS AND SAFETY OF LIFE
- CYBER SECURITY ADVISORY AND TESTING
- MANAGED IT AND MODERN WORKPLACE
- CLOUD AND DIGITAL TRANSFORMATION
- CONNECTIVITY SOLUTIONS
- FIELD SERVICES AND ENGINEERING

Our national operations are underpinned by a team of over 450 experts, with growing services around cyber security, managed and co-managed IT and cloud, all of which enhances and integrates seamlessly with our connectivity offerings.

THE KORDIA 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 PEOPLE
(Human Capital)

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

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 ENVIRONMENT
(Natural Capital)

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

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 FINANCES
(Financial Capital)

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

OUR VISION:

To become the leading Australasian provider of mission-critical technology.

OUR PURPOSE:

To build connections you can trust; that make our digital world more secure, reliable and resilient.

OUR OUTPUTS:

CONNECTED AND SECURE CUSTOMERS

Support our customers in their value creation for NZ.
Foster continuous performance 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 health and safety practices 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 VALUES:

- Collaborative • Expert • Humble
- Trustworthy • Courageous

CONNECTED & SECURE CUSTOMERS

Every business is mission-critical to us, and every one of our experts is committed to ensuring our customers have the right technology behind them to succeed. Whether it's migrating data to the cloud, responding to rising cyber security threats, or leveraging the best connectivity, Kordia has the expertise and capability to deliver the right solution.

OVER 100 CYBER SECURITY EXPERTS

24/7 365 CYBER DEFENCE OPERATIONS

'BEST CONNECTED' TO ALL MAJOR PUBLIC CLOUD PROVIDERS


kordia

EXPANDING OUR CYBER PORTFOLIO

Cyber threats reached a crescendo during the pandemic, as malicious hackers took advantage of a disrupted workforce and ramped up their activity. In this landscape, many of our customers have expressed the need for greater assurance and added services to better secure their environments.

Kordia operates a 24/7 365 Cyber Defence Operations, staffed by a team of security analysts proactively threat hunting and protecting our customer's businesses and assets. This allows us to manage and respond to cyber security incidents and threats in real time, as well as offer a range of innovative security products and services designed to strengthen our customers' overall security posture.

In the current year, we bolstered our position as a leading New Zealand cyber security provider with the acquisition of managed security provider SecOps NZ. This saw the introduction of a broader range of managed security services and solutions and extended our Cyber Defence Operations.

WHEN IT COMES TO CYBER SECURITY NEW ZEALAND IS NO LONGER VIEWED AS A SAFE HAVEN...

85% of businesses believe we are more, or as at risk, as the rest of the world when it comes to cyber-attacks. A further 79% of businesses agree that cyber-attacks are becoming more frequent and complex. Despite this, less than half have run crisis simulation exercises to assess their ability to respond to a cyber-attack.

This is why alongside defensive measures, Kordia is encouraging businesses to develop a robust plan to deal with a breach or cyber-attack. Through advisory support, as well as a dedicated incident response practice, we're guiding our customers to plan and test their capabilities, giving them more confidence in their ability to manage cyber risk.

Microsoft Partner
Microsoft
Gold Security

24/7 365 CYBER DEFENCE OPERATIONS CENTRE

SUPPORTING THE MODERN WORKPLACE

Today's complex business landscape has given rise to the 'modern workplace' that centres around the need for employees to work anywhere, anytime, on a device that suits them, with robust security end-to-end. To do this effectively, businesses need a trusted technology partner by their side. That's why Kordia acquired Base2, an award-winning modern workplace solution provider.

With talent shortages and Covid-19 putting immense pressure on our customers technical teams, our managed and co-managed IT services have enabled them to run their IT more efficiently. They now have tools and resources to alleviate time consuming tasks so they can focus on key projects and innovation.

"CO-MANAGED IT HAS GIVEN US A LOT MORE CAPACITY TO DO OUR DAY JOBS. WE'VE BEEN ABLE TO GET LEVEL 1 AND LEVEL 2 DESK SUPPORT AND WITHOUT THAT, WE WOULDN'T HAVE HAD THE TIME FOR A LOT OF OTHER KEY PROJECTS."

– DEAN HORSFALL, IT MANAGER, GO BUS

COASTGUARD NEW ZEALAND

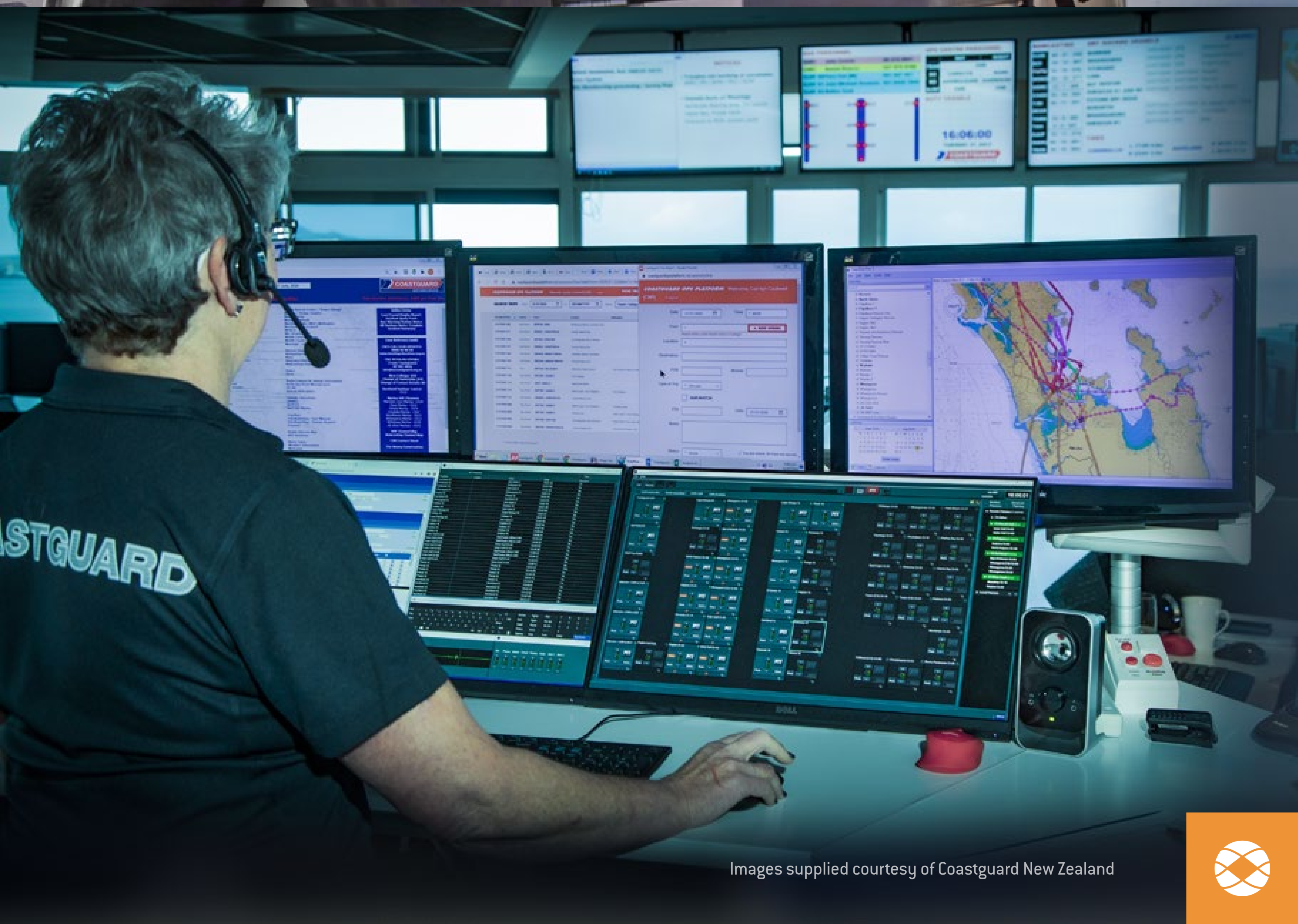
With more than 2,000 volunteers across 63 units spanning from Cape Reinga in the north to Bluff in the south, Coastguard NZ is on the water and in the sky every day on its mission to save lives at sea. Clear, concise and reliable communication channels will always be at the heart of Coastguard New Zealand's operations.

Kordia has been the ideal partner to support Coastguard NZ's communication operations and infrastructure, particularly as it evolved to better meet the needs of the seafaring community.

Over the past year, we've also been supporting Coastguard NZ with their cyber security strategy which includes their response to the increasing number of security challenges.

"Kordia has enabled and supported Coastguard New Zealand's significant technological evolution, which included improving the quality of the VHF network through site infrastructure, monitoring and support. This long-term service delivery partnership has enabled our volunteers to better serve their communities and allow greater synergy with our partners at Maritime New Zealand."

– CALLUM GILLESPIE, CEO OF COASTGUARD NEW ZEALAND.



Images supplied courtesy of Coastguard New Zealand

THE KORDIA NETWORK

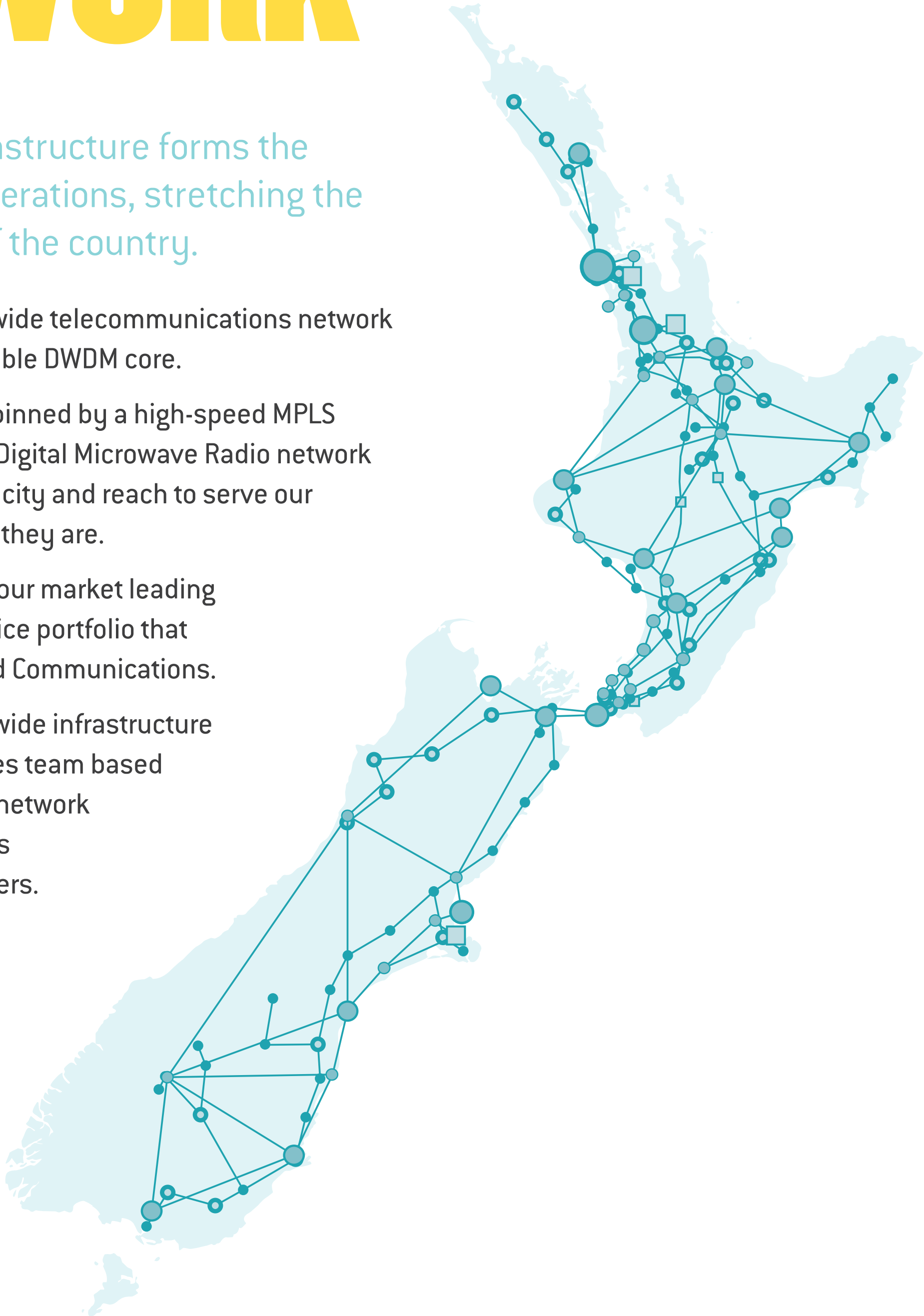
Our network and infrastructure forms the cornerstone of our operations, stretching the length and breadth of the country.

Kordia has a modern nationwide telecommunications network that includes a 9.6Tbps capable DWDM core.

Our fibre services are underpinned by a high-speed MPLS and IP core – plus a diverse Digital Microwave Radio network – meaning we have the capacity and reach to serve our customers, no matter where they are.

Our core network underpins our market leading enterprise connectivity service portfolio that includes SD-WAN and Unified Communications.

Monitored 24/7, with nationwide infrastructure and an in-house field services team based throughout the country, our network provides unparalleled access and diversity for our customers.



CDC DATA CENTRES

As one of the anchor partners of the new CDC data centres, Kordia was one of the first businesses to move live production data into the new hyperscale data centres.

These data centres are the first of their kind in NZ, representing a significant step in cloud computing for our country. Kordia is well placed to enable our customers to take advantage of the benefits of the new hyperscale data centres, helping them migrate, connect to, and secure data and infrastructure, so they can take advantage of the world class cloud solutions on offer.

OPTUS SATELLITE RENEWAL

This year Kordia renewed its satellite agreement with Optus, extending Freeview satellite broadcasting in New Zealand for another decade.

The collective ongoing commitment and investment from leading New Zealand broadcasters in the future of free-to-air has been instrumental in the renewal of this agreement. Our DTH broadcast coverage is available for close to 100% of the country, making it one of the most accessible forms of media for many New Zealanders.

PARTNERING FOR A BETTER TOMORROW

Kordia is entrusted 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.

Our position as the primary source of operations and technology for marine safety services across Australian and New Zealand waters has been further strengthened, with the Australian Maritime Safety Authority (AMSA) and the Bureau of Meteorology (BOM) naming Kordia as the preferred supplier of maritime radio services for the next decade.

TRUSTED TO MANAGE AND OPERATE THE NETWORK PROVIDING VITAL COMMUNICATION SERVICES OVER **90 MILLION SQUARE KMS**

BUILDING CULTURAL COMPETENCY

In January of this year, we introduced a course on Te Ao Māori for Professionals for all employees, giving our people the opportunity to celebrate and develop cultural competency.

The first cohort saw around 80 employees sign up to the 12 month course administered by Education Perfect, which covers a range of topics from Aotearoa New Zealand history to protocol and pronunciation.

KORDIA'S FIRST CYBER SECURITY ACADEMY

This year we launched the Kordia Cyber Academy, an active measure to bolster New Zealand's cyber security sector and nurture Kiwi talent in a rewarding and sought-after profession.

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

The first cohort was a resounding success, with seven graduates transitioning to cyber security professionals, accepting full time employment at Kordia.

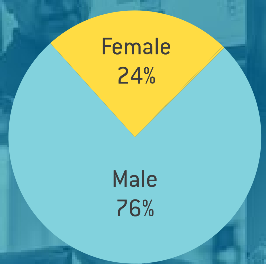
Plans are already underway for the next intake, with the Kordia Cyber Academy set to become an ongoing initiative.

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 450 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. We're committed to fostering a culture of inclusion, ensuring all of our employees feel safe, respected, empowered and able to achieve their goals and potential.

We encourage everyone at Kordia to embrace our inclusion principles by treating each other with respect and dignity. We all do our part to ensure the workplace is safe and harmonious.



GENDER DIVERSITY

OVER 33 DIFFERENT NATIONALITIES

represented across the business

ETHNIC DIVERSITY

Average age has continued to trend downwards

FY20 45 YEARS
FY21 44 YEARS
FY22 43 YEARS

AGE TREND

82%

STAFF ENGAGEMENT

TACKLING GENDER BALANCE IN THE INDUSTRY

The technology sector faces challenges achieving gender balance, and Kordia's Diversity and Inclusion strategy takes into account the contribution women can make in our industry.

We're taking steps to encourage and support women in our organisation, aligning our strategy and initiatives to our "Human Capital" objectives and the UN sustainability goals around gender equality.

We are also working to increase the gender diversity of our employees through external recruitment and continued emphasis on creating a safe and open environment, where all of our people feel valued, respected and empowered.

A CULTURE OF HEALTH & SAFETY

Continuously strengthening our safety culture is everyone's responsibility at Kordia.

Our vision is to maintain a "Zero Harm" workplace; an environment where zero fatalities, zero accidents and zero significant incidents occur.

The key to achieving this is by embedding health and safety deep into our work approach and ensuring everyone, from the CEO to our team in the field, does their part to ensure safer work practices.

GROUP TRIFR: 2.57
(GOAL <5)

GROUP LTIFR: 0.00
(GOAL <2)

CARBON FOOTPRINT

As kaitiaki of the networks, and the sea, air and land we operate in, Kordia places great importance on doing our part to protect and preserve our environment.

Kordia's ambition is to achieve zero waste and harm to the environment, supporting the Government's goal for New Zealand to be carbon neutral by 2050.

This year we began determining our baseline emissions analysis of Scope 1 and 2 emissions. This will allow us to implement a strategy to reduce our carbon footprint year-on-year, with a goal of achieving carbon neutrality by FY26.

Our environmental focus areas include sustainable procurement, carbon emissions, environmental stewardship and efforts to reduce, recycle and reuse.

SOLAR POWER AT CLOUD HILL

As part of our initiative to look for cleaner and greener ways of producing electricity, Kordia has been exploring solar energy as a more sustainable way of powering our sites.

In December 2021, we implemented solar at our Cloud Hill site, near Twizel. Over summer the system was so efficient, it was exporting a reasonable amount of power back into the grid, and in return brought the monthly site power cost down. The system has also been operating well in the winter months, due to a new solar invertor and panel technology.

We're already exploring other sites to convert to solar, as a way for Kordia to reduce both our power consumption and our carbon emissions.

KORDIA GROUP LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

In thousands of New Zealand dollars	Notes	2022	2021
Continuing operations			
Revenue - New Zealand		**122,647**	115,193
Revenue - Australia		**8,791**	7,708
Total revenue		**131,438**	122,901
Direct costs and overheads	3	**42,872**	44,377
Employee and contractor costs	4	**57,391**	46,756
Earnings before interest, tax, depreciation and amortisation (EBITDA)	28	**31,175**	31,768
Finance income	5	**(146)**	(186)
Finance expense	5	**2,528**	2,015
Depreciation of property, plant and equipment	8	**10,595**	11,242
Depreciation of right of use assets	9	**3,992**	3,821
Amortisation of intangibles	11	**982**	1,275
Profit before income tax from continuing operations		**13,224**	13,601
Income tax expense	6	**3,723**	4,135
Profit for the year from continuing operations		**9,501**	9,466
Loss after tax for the year from discontinued operations	13	**(11,113)**	(56,512)
Loss for the year attributable to the equity holder		**(1,612)**	(47,046)
Other Comprehensive Income			
Foreign currency translation differences		**(543)**	121
Reclassification of foreign currency differences on discontinued operations	13	**8,490**	-
Effective portion of changes in the fair value of cashflow hedges		**54**	(14)
Tax effect of the effective portion of changes in the fair value of cash flow hedges		**(15)**	4
Other comprehensive income for the period		**7,986**	111
Total comprehensive income/(loss) for the period		**6,374**	(46,935)

The accompanying notes set out on pages 39 to 71 are to be read as part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total Attributable to Owners
Balance 1 July 2020	**87,696**	**13,320**	**(2,986)**	**-**	**98,030**
Net profit for the year	-	(47,046)	-	-	(47,046)
Other comprehensive income					
Foreign currency translation differences	-	-	121	-	121
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(10)	(10)
Total other comprehensive income	-	-	121	(10)	111
Total comprehensive income	**-**	**(47,046)**	**121**	**(10)**	**(46,935)**
Balance 30 June 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 income statement, 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**

The accompanying notes set out on pages 39 to 71 are to be read as part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

In thousands of New Zealand dollars	Notes	2022	2021
Assets			
Property, plant and equipment	8	**51,251**	52,695
Right of use assets	9	**17,796**	13,428
Intangible assets and goodwill	11	**26,588**	18,211
Finance lease receivable	10	**703**	1,025
Deferred tax asset	14	7,090	6,826
Derivative assets		**5**	-
Trade and other receivables	16	**840**	736
Total non-current assets		**104,273**	92,921
Cash		**11,484**	10,474
Inventories	15	**1,066**	850
Trade and other receivables	16	**18,618**	15,395
Finance lease receivable	10	**322**	301
Proceeds on sale of business	13	7,451	-
Derivative assets		**46**	-
		38,987	27,020
Assets held for sale		-	62,969
Total current assets		**38,987**	89,989
Total assets		**143,260**	182,910
Equity and Liabilities			
Share capital	7	**87,696**	87,696
Foreign currency translation reserve		**5,082**	(2,865)
Cashflow hedge reserve		**29**	(10)
Retained earnings		**(35,338)**	(33,726)
Total equity attributable to the equity holder		**57,469**	51,095
Trade and other payables	17	**2,006**	1,877
Loans and advances	18	**23,637**	22,131
Provisions	20	**8,859**	10,991
Lease liabilities	19	**15,055**	10,750
Total non-current liabilities		**49,557**	45,749
Taxation payable		**1,277**	1,073
Trade and other payables	17	**30,102**	26,338
Derivative liabilities		**10**	14
Provisions	20	**543**	907
Lease liabilities	19	**4,302**	4,541
		36,234	32,873
Liabilities directly associated with assets held for sale		-	53,193
Total current liabilities		**36,234**	86,066
Total liabilities		**85,791**	131,815
Total equity and liabilities		**143,260**	182,910

The accompanying notes set out on pages 39 to 71 are to be read as part of these financial statements..

On behalf of the Board

S Haslem
Acting Chair

P M Ennis
Director

25 August 2022

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

In thousands of New Zealand dollars	Notes	2022	2021
Cash flows from operating activities			
Receipts from customers		**182,485**	234,191
Payments to suppliers and employees		**(159,358)**	(225,419)
		23,127	8,772
Interest received		**75**	90
Interest paid		**(2,100)**	(1,937)
Taxes (paid)/refunded		**(3,537)**	(4,983)
Net cash from/(used in) operating activities	27	**17,565**	1,942
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		**13**	7
Acquisition of property, plant and equipment		**(11,747)**	(11,387)
Acquisition of intangibles	11	**(404)**	(1,486)
Acquisition of a business	12	**(6,727)**	(4,873)
Proceeds from sale of business	13	**4,504**	-
Net cash (used in)/from investing activities		**(14,361)**	(17,739)
Cash flows from financing activities			
Proceeds/(repayment) of loans and advances		**1,507**	16,131
Proceeds from finance lease assets		**301**	281
Repayment of finance lease liabilities	19	**(4,303)**	(7,551)
Net cash from/(used in) financing activities		**(2,495)**	8,861
Net increase/(decrease) in cash and cash equivalents		**709**	(6,936)
Cash and cash equivalents at beginning of year		**10,474**	17,386
Effect of exchange rate fluctuations on cash		**301**	24
Cash and cash equivalents at end of year		**11,484**	10,474

The accompanying notes set out on pages 39 to 71 are to be read as part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2022

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 25 August 2022.

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 significant 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 – Notes 8 and 11.
- Provisions – Note 20.
- Valuation of financial instruments – Note 21.
- Deferred tax assets – Note 14.
- Useful life of property, plant, equipment and intangibles – Notes 8 and 11.
- Lease liabilities and right of use assets – Notes 9 and 19.
- Discontinued operations and held for sale – Note 13.

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. 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.

(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, customers simultaneously receive and consume the benefits as the Group performs. 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 2022

2. 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 Income Statement. 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 Income Statement. All borrowing costs are recognised in the Income Statement using the effective interest method.

(E) TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement 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 2022

2. 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 Income Statement 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 Income Statement. 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 Income Statement 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 Income Statement. 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 Income Statement 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

In April 2021, an IFRIC agenda decision was released which clarified its interpretation of how current accounting standards should be applied when accounting for Software-as-a-Service ("SaaS") cloud computing arrangements. The IFRIC states that as SaaS arrangements are service contracts that provide the right to access a cloud providers application, any customisation or configuration costs should not be capitalised but recognised as an operating cost as the service is received. A review of the SaaS agreements in place was undertaken but no adjustment were identified.

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 Income Statement as incurred.

Amortisation is recognised in the Income Statement 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 2022

2. 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 Income Statement. 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 Income Statement. 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 Income Statement 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 Income Statement.

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 Income Statement. 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 Income Statement, 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 Income Statement.

(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 2022

2. 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 as loans and receivables.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

In thousands of New Zealand dollars	Notes	2022	2021
3. DIRECT COSTS AND OVERHEADS INCLUDE:			
Auditor's fees			
- audit services		**204**	172
- other audit related services		**23**	22
Directors' fees		**269**	291
(Gain)/loss on disposal of property, plant and equipment		**24**	(75)
Impairment loss on trade receivables		**(11)**	775
Rental costs		**1,197**	1,046
Project material and subcontractor costs		**23,255**	23,198
Direct network costs		**12,049**	13,006
4. EMPLOYEE AND CONTRACTOR COSTS INCLUDE:			
Redundancy		**31**	22
Defined contribution plan		**2,230**	1,916
5. FINANCE INCOME AND EXPENSE			
Interest income on bank deposits and loan receivable		**4**	3
Interest income on finance leases		**70**	87
Realised foreign exchange gain		**-**	96
Unrealised foreign exchange gain		**72**	-
Finance income		**146**	186
Interest expense on loans and borrowings		**1,427**	927
Interest expense on lease liabilities		**701**	752
Realised foreign exchange loss		**85**	-
Unrealised foreign exchange loss		**-**	53
Unwind the discount on provisions	20	**315**	283
Finance expense		**2,528**	2,015
Net finance expense		**2,382**	1,829

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

In thousands of New Zealand dollars	2022	2021
6. INCOME TAX EXPENSE		
Current tax expense	**3,657**	4,537
Adjustment from prior periods	**299**	81
Deferred tax (benefit)	**(233)**	(483)
Total income tax expense/(benefit)	**3,723**	4,135
Reconciliation of effective tax rate		
Net profit/(loss) before taxation	**13,224**	13,601
Taxation at 28%	**3,703**	3,808
Adjusted for the tax effect of:		
Difference in subsidiary income tax rates	**10**	12
Non-deductible expenses	**1,310**	234
Under/(over) provided in prior periods	**299**	81
Utilisation tax losses	**(1,599)**	-
Taxation expense/(benefit)	**3,723**	4,135
Imputation Credit Account		
Imputation credits available to shareholders in future periods	**28,609**	25,071

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	2022	2021
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 2022 the Group paid no interim dividend (2021: nil) and a prior year final dividend of $nil (2021: 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 2021 and June 2022 is due to the capitalisation of transmission equipment which were under construction at June 2021.

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 2022. 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. Management considers the budgets to be reasonable in the current trading environment. Beyond year five, a real growth rate of 0% (2021: 0%) was assumed. A real post tax discount rate of 6.8% (2021: 5.6%) 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 2022, 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 the following assumptions:

- An increase of 1 percentage point in the discount rate used would not impair the carrying value of the assets.
- A decrease of 1 percentage point in the terminal growth rate would not impair the carrying value of the assets.

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 2022

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 2020		**33,057**	**12,968**	**71,190**	**258,376**
Additions		227	33	234	7,202
Acquisition of a business		9	-	-	-
Transfers		47	-	144	1,863
Disposals/adjustments		(61)	(1,518)	-	(173)
Effect of movements in exchange rates		3	1	5	86
Impairment - discontinued operation	13	-	(1,510)	(1)	(12,745)
Balance at 30 June 2021		**33,282**	**9,974**	**71,572**	**254,609**
Additions		649	23	1,288	9,205
Acquisition of a business		-	12	-	-
Disposals/adjustments		12	(2,792)	74	909
Effect of movements in exchange rates		28	40	51	493
Balance at 30 June 2022		**33,971**	**7,257**	**72,985**	**265,216**
Depreciation and Impairment Losses					
Balance at 1 July 2020		**(25,822)**	**(5,432)**	**(62,499)**	**(230,761)**
Depreciation for the year		(1,178)	(536)	(1,317)	(7,229)
Depreciation discontinued operation		-	(77)	-	(511)
Disposals		36	601	-	169
Effect of movements in exchange rates		(1)	(4)	(6)	(101)
Impairment - discontinued operation		-	1,438	1	11,548
Balance as at 30 June 2021		**(26,965)**	**(4,010)**	**(63,821)**	**(226,885)**
Depreciation for the year		(991)	(419)	(1,237)	(6,771)
Disposals / adjustments		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)**
Carrying amounts					
At 30 June 2021		**6,317**	**5,964**	**7,751**	**27,724**
At 30 June 2022		**5,995**	**3,002**	**7,871**	**31,030**

Furniture & fittings	Office equipment	Motor vehicles	Information systems	Work in progress	Total
1,439	**2,245**	**1,772**	**38,100**	**3,233**	**422,380**
5	520	352	1,210	1,604	11,387
6	5	-	22	-	42
25	2	-	139	(2,420)	(200)
(9)	(1)	(47)	(107)	-	(1,916)
9	4	6	41	(3)	152
(190)	(1,176)	(546)	(23,251)	-	(39,419)
1,285	**1,599**	**1,537**	**16,154**	**2,414**	**392,426**
66	261	434	530	(709)	11,747
16	1	-	21	-	50
4	29	1	161	(1,172)	(2,774)
(7)	1	5	218	(2)	827
1,364	**1,891**	**1,977**	**17,084**	**531**	**402,276**
(1,113)	**(1,992)**	**(1,386)**	**(35,355)**	**-**	**(364,360)**
(93)	(110)	(118)	(661)	-	(11,242)
(2)	(6)	(56)	(637)	-	(1,289)
9	1	47	107	-	970
(9)	(4)	(8)	(109)	-	(242)
185	1,165	455	21,640	-	36,432
(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)**
262	**653**	**471**	**1,139**	**2,414**	**52,695**
222	**799**	**779**	**1,022**	**531**	**51,251**

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

9. RIGHT OF USE ASSETS

In thousands of New Zealand dollars	Notes	Property	Motor Vehicles	Total
Cost				
Balance at 1 July 2020		51,726	5,796	57,522
Additions		5,813	2,477	8,290
Acquisition of a business	12	202	-	202
Disposals		(4,209)	(1,630)	(5,839)
Effects of movements in exchange rates		33	16	49
Impairment - discontinued operation	13	(6,984)	(5,843)	(12,824)
Balance at 30 June 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**
Depreciation and Impairment Losses				
Balance at 1 July 2020		**(36,838)**	**(4,994)**	**(41,832)**
Deprecation for the year		(3,621)	(200)	(3,821)
Depreciation - discontinued operation		(1,963)	(1,200)	(3,163)
Disposals		4,209	1,630	5,839
Effects of movements in exchange rates		(22)	(14)	(36)
Impairment - discontinued operation		4,882	4,159	9,041
Balance at 30 June 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)**
Carrying amounts				
At 30 June 2021		**13,231**	**197**	**13,428**
At 30 June 2022		**17,701**	**95**	**17,796**

Kordia leases approximately 220 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 30 motor vehicles, 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:

	2022			2021		
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**	**51**	**322**	371	70	301
Between one and five years	**747**	**44**	**703**	1,119	94	1,025
	1,120	**95**	**1,025**	1,490	164	1,326

The future lease receivables bear interest at 6% (2021: 6%).

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

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11. INTANGIBLE ASSETS

In thousands of New Zealand dollars	Trademarks	Frequency Licences	Software	Goodwill	Total
Cost					
Balance at 1 July 2020	**125**	**9,512**	**26,541**	**23,716**	**59,894**
Additions	-	-	1,486	4,900	6,386
Transfers	-	-	200	-	200
Effects of movements in exchange rates	-	-	-	45	45
Impairment – discontinued operation	-	-	-	(14,175)	(14,175)
Balance at 30 June 2021	**125**	**9,512**	**28,227**	**14,486**	**52,350**
Additions	-	125	279	8,955	9,359
Balance at 30 June 2022	**125**	**9,637**	**28,506**	**23,441**	**61,709**
Amortisation and Impairment losses					
Balance at 1 July 2020	**(117)**	**(7,458)**	**(25,289)**	**-**	**(32,864)**
Amortisation for the year	(8)	(331)	(936)	-	(1,275)
Balance at 30 June 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)**
Carrying amounts					
At 30 June 2021	**-**	**1,723**	**2,002**	**14,486**	**18,211**
At 30 June 2022	**-**	**1,667**	**1,480**	**23,441**	**26,588**

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 (2021: $9,086) has been allocated to the Cyber business unit and $5,400 (2021: $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 8.0% (2021: 7.6%) 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 2022 using the financial budgets approved by management. Beyond year five a real growth rate of 0% (2021: 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.

Key Assumptions – Sensitivities; Cyber business unit

• An increase of 1 percentage point in the discount rate used would not impair the carrying value of goodwill.

• A decrease of 1 percentage point in the terminal growth rate would not impair the carrying value of goodwill.

As at 30 June 2021, Kordia Solutions Pty Ltd was classified as held for sale. Immediately before being classified as held for sale, assets were revalued in accordance with relevant NZ IFRS's and written down to the lower of fair value less costs to sell. As such, the goodwill associated with this Cash Generating Unit (CGU) was impaired. Refer to note 13.

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

Acquisition

On 30 April 2021 the Group acquired the business and assets of Base2 ICT Managed Services Ltd ('Base2') for cash consideration of $4,873. Base2 is an Auckland-based company providing modern workplace, network and communication services, cloud solutions and managed IT. The acquisition allows the Group to increase its scale and adjacent capability drive growth and grow returns to the shareholder.

The purchase price exceeded the fair value of tangible assets and liabilities by $4,900, this amount has been allocated to goodwill and is attributable mainly to the skills and technical talent of Base2's work force and the synergies expected to be achieved from integrating the business into the Group.

For the two months ended 30 June 2021, Base2 contributed revenue of $849 and profit of $82 to the Groups' result. If the acquisition had occurred on 1 July 2020, management estimates that consolidated revenue would have been $5,094 and consolidated profit for the year would have been $573.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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. SecOps is 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 allows the Group to increase its capabilities and product suite.

For the year ended 30 June 2022, SecOps contributed revenue of $5,372 and profit of $472 to the Groups' result. As the acquisition occurred on 1 July 2021 these amounts represent the full year contribution to the Group results.

The following table summarises the identifiable assets acquired and liabilities assumed at the date of acquisition:

In thousands of New Zealand dollars	2022
Property, plant and equipment	50
Right of use assets	265
Trade and other receivables	1,426
Trade and other payables	(1,197)
Lease liabilities	(271)
Total identifiable net assets	273
Consideration transferred	6,728
Deferred consideration	2,500
Goodwill recognised	8,955

The goodwill is attributable mainly to the skills and technical talent of SecOps work force, customer relationships and the rapport that SecOps has within the industry. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred acquisition-related costs of $173 on legal fees, valuation fees and due diligence costs. These costs have been included in direct costs and overheads.

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 and in the comparative year. The results of the disposal group for the year are presented below:

In thousands of New Zealand dollars	**2022**	2021
Results of Discontinued Operation		
Revenue	**52,483**	147,837
Other income	**-**	193
	52,483	148,030
Direct costs and overheads	**33,450**	84,623
Employee and contractor costs	**20,444**	60,823
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(1,411)**	2,584
Finance income	**-**	(32)
Finance expense	**17**	292
Depreciation and amortisation expense	**1,318**	4,452
Loss before income tax from a discontinued operation	**(2,746)**	(2,128)
Income tax benefit	**(856)**	(624)
Loss after income tax	**(1,890)**	(1,504)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**-**	(55,008)
Tax losses impaired	**(733)**	-
Reclassification of foreign currency differences on discontinued operations	**(8,490)**	-
Loss for the period from discontinued operation	**(11,113)**	(56,512)
Auditor's fees included in results of discontinued operations	**48**	138

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

13. DISCONTINUED OPERATION (CONTINUED)

In thousands of New Zealand dollars	2022	2021
Cashflows from/(used in) Discontinued Operation Included in the Group Statement of Cashflows		
Net cash used in operating activities	**(1,427)**	(7,902)
Net cash used in investing activities	-	(1,881)
Net cash from financing activities	-	9,026
Net cashflows for the period	**(1,427)**	(757)
Discontinued Operation		
Revenue from contracts with customers – continued operations	**131,437**	122,901
Revenue from contracts with customers – discontinued operations	**52,483**	147,837
Total revenue from contracts with customers	**183,920**	270,738

Impairment of Assets

Immediately before the classification of Kordia Solutions Australia Pty Ltd as held for sale, assets were remeasured in accordance with applicable NZ IFRS's and then written to the lower of fair value less costs to sell as detailed below. The fair value measurement of this disposal group is a level 3 measurement. This was recognised in the discontinued operations in the Statement of Comprehensive Income.

There was no further impairment in the current financial year.

In thousands of New Zealand dollars	2021
Goodwill	14,175
Deferred tax	23,118
Property, plant and equipment	2,987
Right of use assets	3,783
Trade and other receivables	10,441
Inventories	504
Impairment loss recognised on the remeasurement to fair value less costs to sell	55,008

Kordia Solutions Pty Ltd was sold with an effective date of 31st October 2021 for $10m Australian Dollars, the agreement included payment terms that had a final payment due on 31st July 2022.

As at 30th June $4.5m had been received in cash with a amount of $7.4m recorded as a current asset.

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	**2022**	2021	**2022**	2021	**2022**	2021
Property, plant and equipment	**3,269**	3,174	**-**	-	**3,269**	3,174
Right of use assets	**-**	-	**(4,983)**	(3,761)	**(4,983)**	(3,761)
Intangible assets	**-**	-	**(224)**	(526)	**(224)**	(526)
Derivatives	**-**	4	**(11)**	-	**(11)**	4
Trade and other receivables	**79**	-	**-**	(102)	**79**	(102)
Inventories	**48**	54	**-**	-	**48**	54
Employee entitlements	**797**	631	**-**	-	**797**	631
Other payables	**13**	328	**-**	-	**13**	328
Provisions	**2,677**	2,741	**-**	-	**2,677**	2,741
Lease liabilities	**5,419**	4,283	**-**	-	**5,419**	4,283
Exchange rate fluctuations	**6**	-	**-**	-	**6**	-
Net tax assets/(liabilities)	**12,308**	11,215	**(5,218)**	(4,389)	**7,090**	6,826

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

New Zealand	**6,539**	6,061
Australia	**551**	765
Net tax asset	**7,090**	6,826

All movements in deferred tax have been recognised in the Income Statement except for ($11) (2021: ($4)) relating to derivatives which have been recognised in the cash flow hedge reserve, $39 (2021: $36) that have been recognised in the foreign currency translation reserve, and $nil (2021: $nil) recognised in retained earnings on transition to IFRS 16.

As at 30 June 2021, Kordia Solutions Pty Ltd was classified as held for sale. Immediately before being classified as held for sale the assets were revalued in accordance with the relevant NZ IFRS's. Tax losses of A$23,188 (gross A$77,293) were impaired as they are not recoverable. Refer to note 13.

In the current financial year tax losses of A$1,443 were utilised leaving tax losses of A$21,982 available.

15. INVENTORIES

In thousands of New Zealand dollars	2022	2021
Inventory	**1,397**	1,181
Provision for write down	**(331)**	(331)
Total inventories	**1,066**	850

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

16. TRADE AND OTHER RECEIVABLES

In thousands of New Zealand dollars	2022	2021
Current		
Trade receivables	**12,554**	9,877
Provision for doubtful debts	**(1,332)**	(1,398)
Trade prepayments	**3,456**	3,162
Costs to obtain a contract	**992**	870
Contract asset – contract work in progress	**2,948**	2,884
	18,618	15,395
Non-current		
Costs to obtain a contract	**804**	693
Other receivables	**36**	43
	840	736

During the year, the Group utilised $56 (2021: $67) of the provision for doubtful debts and decreased the provision by $10 (2021: increase $775).

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 2022, contract work in progress was $2,948 (2021: $2,884).

Deferred income, where billing exceeds recognised revenue, is disclosed in note 17 and amounts to $5,754 (2021: $5,607).

Trade receivables are financial assets categorised as loans and receivables.

17. TRADE AND OTHER PAYABLES

In thousands of New Zealand dollars	2022	2021
Current		
Trade payables and accruals	**21,812**	20,024
Contract liability - deferred income	**5,131**	5,105
Employee entitlements	**3,159**	1,209
	30,102	26,338
Non-current		
Trade payables and accruals	**1,250**	-
Contract liability - deferred income	**623**	502
Employee entitlements	**133**	1,375
	2,006	1,877

Payables are categorised as financial liabilities measured at amortised cost.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

18. LOANS AND ADVANCES

In thousands of New Zealand dollars	2022	2021
Bank loans (unsecured)	**23,637**	22,131

Loan facilities are repayable as follows:		
Within one year	**-**	-
One to two years	**23,637**	-
Two to five years	**-**	22,131
	23,637	22,131

Weighted average interest rates:		
Bank loans	**4.6%**	2.4%
Bank loans amended for derivatives, line fees and margin	**4.4%**	3%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 and amended and restated from time to time (2021: 29 June 2017), committed to a maximum amount of NZD40 million (2021: 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:

	2022				2021			
	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	**-**	**23,637**	**-**	**40,000**	-	22,131	-	40,000
Tranche B	**-**	**-**	**-**	**-**	-	-	-	-
Tranche C	**-**	**-**	**-**	**-**	-	-	-	-
	-	**23,637**	**-**	**40,000**	-	22,131	-	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 three tranches (A, B and C) with different fee and margin structures. The available facility can be allocated between the tranches as forecasts require. There is a right of set off between the tranches of the loan facility. The facility expires on 1 July 2023.

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 2021 and 2022 financial years.

Covenant		2022	2021
Gearing ratio	Net debt to EBITDA <3.0:1	**1:1**	0.6:1
Interest cover	EBITDA to net interest >3.0 times	**15:1**	17:1
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.

19. LEASE LIABILITIES

In thousands of New Zealand dollars	Property	Motor Vehicles	Total
Balance at 1 July 2020	**17,423**	**847**	**18,270**
Additions	5,813	2,477	8,290
Acquisition of a business	232	-	232
Payments	(6,171)	(1,380)	(7,551)
Effects of movements in exchange rates	10	1	11
Reclassification to liabilities directly associated with assets held for sale	(2,235)	(1,726)	(3,961)
Balance at 30 June 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**
Current	4,395	146	4,541
Non-current	10,677	73	10,750
Balance at 30 June 2021	**15,072**	**219**	**15,291**
Current	4,216	86	4,302
Non-current	15,037	18	15,055
Balance at 30 June 2022	**19,253**	**104**	**19,357**
Maturity analysis of contractual undiscounted cashflows			
Less than one year	4,355	156	4,511
One to five years	8,429	77	8,506
More than five years	4,524	-	4,524
Total undiscounted cashflows June 2021	**17,307**	**233**	**17,541**
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**

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

19. LEASE LIABILITIES (CONTINUED)

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	Total
Balance at 1 July 2020	**13,603**	**13,603**
Provisions made/(adjusted) during the period	(1,014)	(1,014)
Provisions utilised during the period	(73)	(73)
Discontinued operation	(98)	(98)
Unwind discount	283	283
Reclassification to liabilities directly associated with assets held for sale	(803)	(803)
Balance at 30 June 2021	**11,898**	**11,898**
Provisions made/(adjusted) during the period	(2,728)	(2,728)
Provisions utilised during the period	(83)	(83)
Unwind discount	315	315
Balance at 30 June 2022	**9,402**	**9,402**
Current	907	907
Non-current	10,991	10,991
Balance at 30 June 2021	**11,898**	**11,898**
Current	543	543
Non-current	8,859	8,859
Balance at 30 June 2022	**9,402**	**9,402**

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 6% of the liability next year.

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 AUD625 ($693) and USD204 ($328) {2021: AUD616 ($679) and USD162 ($231)} and current liabilities of AUD398 ($441) and USD245 ($393) {2021: AUD419 ($464) and USD239 ($341)}. 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 NZD40,000 (2021: NZD40,000). At 30 June the drawdown on these facilities was $23,637 (2021: $22,131), to fund on-going activities. The facilities expire on 1 July 2023. The Group has an overdraft facility of $50 (2021: $50) which has a wholesale prime interest rate of 6% (2021: 6%). At 30 June 2022 the drawdown on this facility was nil (2021: nil).

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

In thousands of New Zealand dollars	**2022**	2021
Fixed rate instruments:		
Financial assets (finance leases)	**1,025**	1,326
Variable rate instruments:		
Financial liabilities (debt)	**23,637**	22,131

(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.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

21. FINANCIAL INSTRUMENTS (CONTINUED)

				2022			
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
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)

				2021			
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
Liabilities and equity							
Payables	-	(26,338)	(1,877)	-	-	(28,215)	(28,215)
Loans and advances	-	(522)	(522)	(22,131)	-	(23,176)	(22,131)
Total liabilities and equity	-	(26,860)	(2,399)	(22,131)	-	(51,391)	(50,346)

(D) SENSITIVITY ANALYSIS

At 30 June 2022, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's net profit after tax by $165 (2021: $155). At 30 June 2022, it is estimated that a general decrease of one percentage point in interest rates would increase the Group's net profit after tax by $165 (2021: $155). Interest rate swaps have been included in this calculation.

At 30 June 2022, 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 $18 (2021: $242). At 30 June 2022, 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 $18 (2021: $242). 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 to major telecommunications companies in Australia. As there are a limited number of major telecommunications companies in Australia, there is a concentration of credit risk. 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.

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

In thousands of New Zealand dollars	2022 Gross receivable	2022 Impairment	2021 Gross receivable	2021 Impairment
Not past due	**5,832**	**-**	4,079	-
Past due 0-30 days	**4,107**	**-**	2,449	-
Past due 31-120 days	**1,476**	**(227)**	1,944	(181)
Past due 121-365 days	**1,139**	**(1,104)**	1,177	(989)
Past due more than 1 year	**-**	**-**	228	(228)
Total	**12,554**	**(1,331)**	9,877	(1,398)

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.

In thousands of New Zealand dollars	2022 Carrying value	2022 Fair value	2021 Carrying value	2021 Fair value
Loans and advances payable (classified as amortised cost)	**23,637**	**23,637**	22,131	22,131

As at 30 June 2022, 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. 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.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

24. 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.

25. CAPITAL COMMITMENTS

In thousands of New Zealand dollars	**2022**	2021
Capital commitments (including intangible assets) are:		
Within one year	**2,468**	2,394

26. RELATED PARTY TRANSACTIONS

Kordia Group Limited comprises the following significant subsidiaries:

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

All subsidiaries have balance dates of 30 June.

Kordia Solutions Pty Limited was sold on 31st October 2021.

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 on a commercial basis and comprised:

Crown Entities, State Enterprises and Government Departments	**Transaction value year ended 30 June**		**Balance outstanding at 30 June**	
In thousands of New Zealand dollars	**2022**	2021	**2022**	2021
Revenue from telecommunications services	**31,425**	28,473	**2,692**	1,257
Direct costs and overheads	**3,620**	3,204	**328**	343

All transactions with Kordia Group and its subsidiary companies are priced on a commercial basis and 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 have transacted with its owner, the Crown. Refer to note 6 (income tax) and note 17 (trade and other payables).

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	**2022**	2021
Short term employee benefits	**1,615**	2,648
Defined contribution plan	**81**	137
Directors fees	**269**	291
	1,965	3,076

Unpaid amounts relating to the above are $555 (2021: $542).

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

In thousands of New Zealand dollars	Notes	2022	2021
Net surplus/ (deficit) as per income statement		**(1,612)**	(47,046)
Add/(deduct) non-cash items:			
Depreciation of property, plant and equipment	8	**10,595**	11,242
Depreciation of right of use assets	9	**3,992**	3,821
Amortisation of licences and intangibles	11	**982**	1,275
Realised foreign currency losses/(gains)		**(1,034)**	99
Change in deferred tax/(future income tax benefit)		**(18)**	22,792
Movement in provision for doubtful debts		**(66)**	708
Movement in other provisions		**97**	(66)
Unwind/change in make good		**(48)**	283
Movement in customer acquisition costs		**(232)**	(109)
Discontinued operations		**-**	4,387
Reclassification of foreign currency differences on discontinued operations		**8,490**	-
		21,146	(2,614)
Items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment		**24**	(75)
Working capital items on acquisition		**228**	(40)
Working capital items reclassified as held for sale		**(2,180)**	(5,163)
		(1,928)	(5,278)
Movements in working capital:			
Receivables, prepayments and contract work in progress		**(3,034)**	47,437
Inventories		**(217)**	2,326
Payables and deferred income		**1,598**	(39,929)
		(1,653)	9,834
Net cash flows from/(used in) operating activities		**17,565**	1,942

28. 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 Income Statement and is reconciled to profit after tax.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

29. COVID19

Covid19 has been unprecedented in terms of its impact on health, wellbeing, the economy and the way we all go about daily life. Like all businesses, Kordia has been affected by Covid19. The cancellation of sports events impacted the Mobile Media business revenue. The Solutions business saw work put on hold by customers or access to sites restricted. However, as the Group was considered an essential service provider in both New Zealand and Australia, and business continuity plans were successfully deployed, the impact has been minimised.

Throughout 2021 and 2022 both New Zealand and Australia have been in and out of lockdown. In both New Zealand and Australia, Kordia is an essential service provider. It is acknowledged, however, that there is significant uncertainty in how Covid19 will impact the New Zealand and Australian economies and Kordia in the future. The level of inherent valuation judgement has increased as a result of the Covid19 pandemic. Assumptions around forecasting future work volumes in New Zealand and Australia require a significant amount of judgement and so an appropriate level of prudence, in relation to estimates and judgements, was used based on all information available to the Group at the time of preparing these financial statements.

30. EVENTS AFTER THE BALANCE SHEET DATE

On 25th August 2022 the Board of Directors declared a final dividend of $2m for the year ended 30 June 2022.

On 23rd August 2022, a joint venture company in which the Group has a 50% interest entered a significant multi-year design, build and operate public safety radio communication contract with a related Crown-owned entity. The Group's subsidiary, Kordia Ltd, is a guarantor of the joint venture company's obligations under the contract.

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 2022

TO THE READERS OF KORDIA GROUP LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Kordia Group Limited (the "Group"). The Auditor-General has appointed me, Mark Crawford, 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 33 to 71, that comprise the statement of financial position as at 30 June 2022, the income statement, statement of comprehensive income, 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 2022; 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 25 August 2022. 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 Standards 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit and audit related services we have carried out an engagement to review the ASIC audit lodgement relief application prepared by Management, which is compatible with those independence requirements. Other than the audit related services and the review of the ASIC audit lodgement relief application engagement, we have no relationship with or interests in the Group.

Yours Sincerely

M.B. Crawford

Mark Crawford
KPMG
On behalf of the Auditor-General
Auckland, New Zealand
25 August 2022

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2022

	Statement of Corporate Intent [a] - Target 2022	2022 Actual	2021 Actual
Financial Performance Targets (Consolidated)			
Shareholder Return			
Dividend yield (dividends/avg commercial value)	5%	**0%**	0%
Return on equity (net profit after tax from continuing operations as a percentage of average shareholders' equity)	7%	**18%**	13%
Total shareholder return ((commercial value end - commercial value beg + dividends)/ commercial value beg)	(8%)	**(16%)**	(25%)
Profitability/Efficiency			
Earnings before interest and taxes from continuing operations (EBIT)	$11.9m	**$15.2m**	$15.4m
Group net profit after tax from continuing operations (NPAT)	$7.3m	**$9.5m**	$9.5m
Return on capital employed (EBIT adjusted for IFRS fair value movements/ average capital employed)	9%	**17%**	14%
Operating margin (EBITDAF/Revenue)	12%	**24%**	12%
Leverage/Solvency			
Gearing ratio (net debt/(net debt + shareholders' funds))	15%	**17%**	19%
Interest cover (EBITDA/ net interest)	18.7	**13.0**	17
Net Debt/EBITDA	1.1	**1.0**	0.8
Solvency (current assets/current liabilities)	1.7	**1.1**	0.8
Growth			
Capital replacement (Capex/(depreciation and amortisation))	1.2	**1.0**	1.0
Revenue growth (current year revenue less prior year revenue including discontinued operations)	$8.9m	**$8.5m**	$47.7m
EBITDA growth (current year EBITDA less prior year EBITDA)	$1.2m	**($0.6m)**	$3.9m
Non - Financial Performance Targets (Consolidated)			
Net promoter score (NPS) [b]	50	**53**	62
Total recordable injury frequency rate (TRIFR) [c]	<5	**2.57**	2.73
Staff engagement	82%	**82%**	82%
NZ Digital Television Transmission (DTT) network availability (main metro sites measured annually) [d]	99.9%	**99.99%**	100%

Notes

(a) The 2022 Statement of Corporate Intent was prepared on the basis that Kordia Solutions Australia Pty Limited was a continuing operation and excluded the Base2 and SecOps acquisitions.

(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.

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 2022 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 Properties Limited	Director
Livestock Improvement Corporation	Director
MyRepublic	Shareholder
Ngai Tahu Holdings Corporation Limited	Director
Omphalos Limited	Director
Payments New Zealand Limited	Director
Rangatira Limited	Director
The Meteorological Service of New Zealand Limited	Chair
P M ENNIS	
Avid Technology Inc	Shareholder
B P KEPES	
Akina Consulting Limited	Director
Cactus Outdoor Limited (owner of Albion Clothing Limited)	Director/Shareholder
Diversity Limited	Director/Shareholder
Open Accounting Data Limited	Shareholder
Paenga Kupenga Limited	Director
Pegasus Health (Charitable) Limited	Director
Ridges Irrigators Limited	Director/Shareholder
Ridges Water Limited	Director/Shareholder
The Akina Foundation	Chair
Thirteen / Three Limited	Director
Umbrella Group Limited	Director/Shareholder
Union Medical Benefits Society Limited	Director
N D LIVINGSTON	
SEDS Consulting Limited	Director/Shareholder
A S J O'BRIEN	
A O'Brien & Associates Limited	Director/Shareholder
Antarctica New Zealand	Director
Reset New Zealand Limited	Director

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 (2021: $40 million). The 2022 premium (net of GST) was $65,000 (2021: $42,525). 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 A Broadbent (Chair)	Resigned 20 June 2022	66,000
S Haslem (Acting Chair)		45,000
P M Ennis		36,000
D T Havercroft	Resigned 31 July 2021	3,000
B P Kepes	Appointed 19 July 2021	36,000
N D Livingston	Appointed 1 March 2022	13,800
S T O'Connor	Resigned 31 May 2022	33,000
A S J O'Brien		36,000
		268,800

CONTINUED

ADDITIONAL INFORMATION

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 FY22 the relevant target percentage for the executives other than the CEO is 20% to 40% (2021: 15% 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% (2021:40%) of total fixed salary. The performance criteria are 50% is based on Company NPAT and 50% is based on individual performance measures. During the current year the CEO was paid $630k fixed remuneration including superannuation and $273k STI. In the prior financial year the CEO was paid $264k fixed remuneration and $100k STI following his appointment on 1st February 2021.

The former CEO held the position until retiring on 28th October 2020. In the prior financial year he was paid $610k fixed remuneration and $36k 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 2022. Employee remuneration in overseas operations has been converted to New Zealand dollars using the year end exchange rate.

Aside from the Chief Executive, which is disclosed above, 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	26	1
$110,001 to $120,000	26	3
$120,001 to $130,000	20	2
$130,001 to $140,000	12	1
$140,001 to $150,000	17	1
$150,001 to $160,000	15	-
$160,001 to $170,000	3	1
$170,001 to $180,000	9	-
$180,001 to $190,000	6	-
$190,001 to $200,000	6	1
$200,001 to $210,000	7	-
$210,001 to $220,000	8	-
$220,001 to $230,000	2	-
$230,001 to $240,000	3	-
$240,001 to $250,000	4	-
$250,001 to $260,000	4	-
$260,001 to $270,000	1	-
$270,001 to $280,000	3	-
$290,001 to $300,000	1	-
$310,001 to $320,000	1	-
$320,001 to $330,000	1	-
$350,001 to $360,000	1	-
$370,001 to $380,000	2	-
$400,001 to $410,000	1	-
$430,001 to $440,000	1	-
$440,001 to $450,000	1	-
$460,001 to $470,000	1	-
$490,001 to $500,000	1	-
	183	10

NOTES

KEEPING BUSINESSES CONNECTED & SECURE.

Our purpose is to build connections that our customers can trust; making their digital world more secure, reliable and resilient.

Leveraging our expertise across cloud, cyber security and connectivity, we take a holistic approach to securing businesses.

From strategy and implementation, through to managed solutions, consulting and building secure connections, our team are on the frontline of keeping businesses safe and secure.

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