

Kordia Group Limited

Condensed Consolidated Interim Financial Statements (unaudited)

For the Six Months Ended 31 December 2022

Kordia Group Limited

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Kordia Group Limited

Chair's Report

Kordia Group, a leading provider of mission critical connectivity, cyber security and cloud solutions has reported revenue of \$69m for the half year ended 31 December 2022. The Group's EBITDA was \$13m and the company posted a profit after tax of \$3.6m.

Kordia had an active and promising start to FY23, reflected by revenue growth of \$5m year on year. Performance highlights included selection to deliver part of the transformational new Public Safety Network, and expansive growth in managed cyber security as market demand soared. The Group is in a strong position to continue its solid performance for the rest of the year.

Business Performance

Our business continues to deliver solid results across the board, despite balancing changing economic conditions and the lingering impacts of Covid-19. Key to this has been our success in capturing new business in cyber security, as well as maximising cross-sell opportunities within our existing base of customers.

Growth in cyber security has been a key part of the company's strategy and our robust performance in this area has helped mitigate the expected decline in traditional media revenues. Market demand continues to be strong, particularly around managed security offerings, evident by a year-on-year increase of 92%.

Mobile Media had a strong start to the year driven by a large number of sporting events taking place across the country including the Women's Rugby World Cup. Our Solutions business has delivered a pleasing performance and our Maritime business continues to keep mariners safe and secure.

A unifying component across all parts of our business is our relentless focus on our customers. We have maintained our +50 NPS score which is proof that 'The Kordia Experience' helps us deliver the best possible customer service.

Public Safety Network

On 23rd August 2022 the Tait-Kordia Joint Venture (a joint venture between Tait Communications and Kordia) was selected by the government to build and manage the Land Mobile Radio network component of the new Public Safety Network, Te Kupenga Marutau.

The Public Safety Network is a modern, secure communications network for Police, Fire and Emergency NZ, Hato Hone St John and Wellington Free Ambulance being developed on their behalf by Next Generation Critical Communications. Complementary to the Public Safety Network's cellular service, the Land Mobile Radio network provides frontline emergency responders with an encrypted, secure digital radio network.

Since contract signing, Kordia and Tait Communications have been busy establishing the Tait-Kordia Joint venture and its processes and systems, with Kordia focused on delivery to the Joint Venture through high level system design, site surveys, and other preliminary work. Kordia will be drawing from many parts of the business to deliver this project – from our field services, through to networks and engineering design – leveraging our strategy of delivering a full solution to our customers.

Our People

The safety of our people is always a priority at Kordia, and our team has continued to keep incident numbers low, reporting a LTIFR of 2.37. As with most businesses, Covid and illness over winter presented some disruption, particularly in the consultancy space, as schedules flex around the availability of both clients and employees.

Over the last quarter we have supported several cultural and fundraising initiatives, including Blue September, Māori Language week and Diversity and Inclusion events. These location-based events serve to balance flexible working with face-to-face interaction, encouraging a culture of collaboration.

Creating value

Beyond commercial interests, this year Kordia spent considerable time creating value in the communities it operates in.

We're building a robust programme of diversity initiatives to roll out including GenderTick. This, alongside our environmental strategy to achieve carbon neutrality, and continuing efforts around health and safety, will formulate the pillars of our ESG strategy.

Now in its second year, the Kordia Cyber Academy which commenced in December 2022, supports a pipeline of diverse talent into the cyber security industry. Eight budding cyber professionals graduated from the academy this year.

On the 9th of November, Hon Dr David Clark, Minister for State Owned Enterprise, visited our Cyber Defence Operations and met with some of our academy students. The Minister was also given an overview of the various cyber security services and consulting we deliver to keep our customers' organisations safe and secure.

Outlook for the remaining FY23

After recent years of acquisition, Kordia is now in an exceptionally strong position to offer a comprehensive range of services and solutions. We continue to innovate and evolve to meet the demands of our customers, by harmonising our expertise across cloud, cyber security and connectivity.

Kordia Group Limited

Chair's Report (continued)

With delivery now underway for the Public Safety Network, Kordia has proved yet again that our unique blend of skills and experience in mission critical technology differentiates us from the pack, allowing us to win defining projects that will add immeasurable value to New Zealanders.

With an unwavering focus on meeting our customers needs, I'm confident that the Group has a strong outlook, and will continue to seamlessly deliver best in class solutions to market.



On behalf of the Board,
Sophie Haslem
Chair

23rd February 2023

Kordia Group Limited

Condensed Consolidated Income Statement and Other Comprehensive Income

For the Six Months Ended 31 December 2022

Audited		Unaudited		
30/6/22	In thousands of New Zealand dollars	Notes	31/12/22	31/12/21
Continuing Operations				
122,647	Revenue - New Zealand		64,385	59,218
8,791	Revenue - Australia		4,272	4,320
<u>131,438</u>	Total revenue		<u>68,657</u>	<u>63,538</u>
42,872	Direct costs and overheads		23,167	20,200
57,391	Employee and contractor expenses		32,431	28,318
<u>31,175</u>	Earnings before interest, tax, depreciation and amortisation (EBITDA)		<u>13,059</u>	<u>15,020</u>
10,595	Depreciation of property, plant and equipment		4,908	5,317
3,992	Depreciation of right of use assets		2,043	2,071
982	Amortisation of intangibles		109	521
2,528	Finance costs		1,305	1,234
146	Finance income		175	57
<u>13,224</u>	Profit/(loss) before income tax from continuing operations		<u>4,869</u>	<u>5,934</u>
3,723	Income tax expense/(benefit)		1,312	1,474
<u>9,501</u>	Profit/(loss) from continuing operations		<u>3,557</u>	<u>4,460</u>
Discontinued Operations				
(11,113)	Profit/(loss) after tax from discontinued operations	4	-	(11,113)
<u>(1,612)</u>	Profit/(loss) for the period attributable to the equity holder		<u>3,557</u>	<u>(6,653)</u>
Other Comprehensive Income				
(543)	Foreign currency translation differences		(165)	(1,037)
8,490	Reclassification of foreign currency differences on discontinued operations	4	-	8,490
54	Effective portion of changes in the fair value of cashflow hedges		(102)	(4)
(15)	Tax effect of the effective portion of changes in the fair value of cashflow hedges		28	1
<u>7,986</u>	Other comprehensive income/(loss) for the period		<u>(239)</u>	<u>7,450</u>
<u>6,374</u>	Total comprehensive income/(loss) for the period		<u>3,318</u>	<u>797</u>

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

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 31 December 2022 (unaudited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
Balance 1 July 2022	87,696	(35,338)	5,082	29	57,469
Net profit for the period	-	3,557	-	-	3,557
Other comprehensive income					
Foreign currency translation differences	-	-	(165)	-	(165)
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(74)	(74)
Total other comprehensive income	-	-	(165)	(74)	(239)
Total comprehensive income/(loss) for the period	-	3,557	(165)	(74)	3,318
Dividends paid	-	(2,000)	-	-	(2,000)
Balance 31 December 2022	87,696	(33,781)	4,917	(45)	58,787

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

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity (continued)

For the Six Months Ended 31 December 2021 (unaudited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
Balance 1 July 2021	87,696	(33,726)	(2,865)	(10)	51,095
Net profit for the period	-	(6,653)	-	-	(6,653)
Other comprehensive income					
Foreign currency translation differences	-	-	(1,037)	-	(1,037)
Reclassification of foreign currency differences on discontinued operations	-	-	8,490	-	8,490
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(3)	(3)
Total other comprehensive income	-	-	7,453	(3)	7,450
Total comprehensive income/(loss) for the period	-	(6,653)	7,453	(3)	797
Balance 31 December 2021	87,696	(40,379)	4,588	(13)	51,892

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

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity (continued)

For the Year Ended 30 June 2022 (audited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
Balance 1 July 2021	87,696	(33,726)	(2,865)	(10)	51,095
Net profit for the period	-	(1,612)	-	-	(1,612)
Other comprehensive income					
Foreign currency translation differences	-	-	(543)	-	(543)
Reclassification of foreign currency differences on discontinued operations	-	-	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/(loss) for the period	-	(1,612)	7,947	39	6,374
Balance 30 June 2021	87,696	(35,338)	5,082	29	57,469

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

Kordia Group Limited

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

Audited 30/6/22	In thousands of New Zealand dollars	Notes	Unaudited	
			31/12/22	31/12/21
	Assets			
51,251	Property, plant and equipment		52,445	53,281
17,796	Right of use assets		17,308	11,621
26,588	Intangible assets and goodwill		26,600	26,844
703	Finance lease receivable		535	866
7,090	Deferred tax asset		7,231	7,663
5	Derivative assets		3	-
840	Trade and other receivables		923	662
<u>104,273</u>	Total non-current assets		<u>105,045</u>	<u>100,937</u>
11,484	Cash		4,768	4,481
18,618	Trade and other receivables and contract work in progress		23,809	28,674
322	Finance lease receivable		331	311
1,066	Inventories		1,188	860
7,451	Proceeds on sale of business		-	-
46	Derivative assets		14	-
-	Loan to Joint Venture	5	150	-
<u>38,987</u>	Total current assets		<u>30,260</u>	<u>34,326</u>
<u>143,260</u>	Total assets		<u>135,305</u>	<u>135,263</u>
	Equity and Liabilities			
87,696	Share capital		87,696	87,696
5,082	Foreign currency translation reserve		4,917	4,588
29	Cashflow hedge reserve		(45)	(13)
(35,338)	Retained earnings		(33,781)	(40,379)
<u>57,469</u>	Total equity attributable to the equity holder		<u>58,787</u>	<u>51,892</u>
2,006	Trade and other payables and deferred income		725	1,976
8,859	Provisions		8,821	11,477
15,055	Lease liabilities		14,517	8,755
23,637	Loans and advances	3	-	29,118
<u>49,557</u>	Total non-current liabilities		<u>24,063</u>	<u>51,326</u>
30,102	Trade and other payables and deferred income		31,235	26,340
-	Loans and advances	3	16,151	-
1,277	Taxation payable		171	703
10	Derivative liabilities		79	17
543	Provisions		601	537
4,302	Lease liabilities		4,218	4,448
<u>36,234</u>	Total current liabilities		<u>52,455</u>	<u>32,045</u>
<u>85,791</u>	Total liabilities		<u>76,518</u>	<u>83,371</u>
<u>143,260</u>	Total equity and liabilities		<u>135,305</u>	<u>135,263</u>

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

Kordia Group Limited

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 31 December 2022

Audited 30/6/22	In thousands of New Zealand dollars	Notes	Unaudited	
			31/12/21	31/12/21
	Cash flows from operating activities			
182,485	Receipts from customers		70,019	116,224
(159,358)	Payments to suppliers and employees		(61,373)	(111,774)
<u>13,127</u>			<u>8,646</u>	<u>4,450</u>
-	Dividends received		-	1
75	Interest received		77	38
(2,100)	Interest paid		(1,155)	(1,002)
(3,537)	Taxes paid		(2,569)	(2,683)
<u>17,565</u>	Net cash from/(used in) operating activities		<u>4,999</u>	<u>804</u>
	Cash flows from investing activities			
13	Proceeds from the sale of property, plant and equipment		-	1
4,504	Proceeds from the sale of a business		7,451	1,336
(11,747)	Acquisition of property, plant and equipment		(5,746)	(5,870)
(404)	Acquisition of intangibles and frequency licences		(484)	(199)
-	Advance to Joint Venture	5	(150)	-
(6,727)	Acquisition of a business / deferred purchase consideration		(1,250)	(6,727)
<u>(14,361)</u>	Net cash from/(used in) investing activities		<u>(179)</u>	<u>(11,459)</u>
	Cash flows from financing activities			
1,507	Proceeds from/(repayment of) loans and advances		(7,487)	6,987
(4,303)	Repayment of lease liabilities		(2,180)	(2,358)
301	Proceeds from finance lease assets		159	148
-	Dividend paid		(2,000)	-
<u>(2,495)</u>	Net cash from/(used in) financing activities		<u>(11,508)</u>	<u>4,777</u>
709	Net increase/(decrease) in cash and cash equivalents		(6,688)	(5,878)
10,474	Cash and cash equivalents at beginning of the period		11,484	10,474
301	Effect of exchange rate fluctuations on cash		(28)	(115)
<u>11,484</u>	Cash and cash equivalents at end of the period		<u>4,768</u>	<u>4,481</u>

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

Kordia Group Limited

Condensed Consolidated Statement of Cash Flows (continued)

For the Six Months Ended 31 December 2022

Audited 30/6/22	In thousands of New Zealand dollars	Unaudited	
		31/12/22	31/12/21
Reconciliation of net surplus for the period with cash flows from operating activities			
(1,612)	Net surplus as per income statement	3,557	(6,653)
Add/(deduct) non-cash items:			
10,595	Depreciation of property, plant and equipment	4,543	5,317
3,992	Depreciation of right of use assets	2,043	2,071
982	Amortisation of licences and intangibles	474	521
(1,034)	Realised foreign currency losses/(gains)	(105)	(910)
(18)	Change in deferred tax/(future income tax benefit)	(151)	(839)
(66)	Movement in provision for doubtful debts	39	(55)
(48)	Unwind/change in make good	150	148
(232)	Movement in customer acquisition costs	(116)	(163)
97	Movement in other provisions	(220)	(27)
8,490	Reclassification of foreign currency differences on discontinued operations	-	8,490
<u>21,146</u>		<u>10,214</u>	<u>7,900</u>
Items classified as investing activities:			
24	Loss/(gain) on disposal of property, plant and equipment	5	1
228	Working capital items on acquisition	-	228
(2,180)	Working capital items reclassified as held for sale/divested	-	(2,180)
<u>(1,928)</u>		<u>5</u>	<u>(1,951)</u>
Movements in working capital:			
(3,034)	Receivables, prepayments and contract work in progress	(5,095)	(2,366)
(217)	Inventories	(121)	(10)
1,598	Payables and deferred income	(4)	(2,769)
<u>(1,653)</u>		<u>(5,220)</u>	<u>(5,145)</u>
<u>17,565</u>	Net cash flows from operating activities	<u>4,999</u>	<u>804</u>

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

Kordia Group Limited

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2022

1. Reporting Entity

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

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

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

Statement of Compliance

The Interim Financial Statements have been prepared in accordance with NZ IAS 34, Interim Financial Statements. The consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2022.

The financial statements were authorised for issue by the Directors on 23rd February 2023.

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

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

Estimates and Judgements

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

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

2. Statement of Accounting Policies

The Interim Financial Statements presented here are the condensed consolidated financial statements of the Group comprising Kordia Group Limited and its subsidiaries, for the six months ended 31 December 2022 and 2021. Both periods are unaudited. The audited annual results for the year ended 30 June 2022 are also presented.

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used for the year ended 30 June 2022 and the six months ended 31 December 2022.

During the six months ended 31 December 2022, the Group formed Tait Kordia JV CO Ltd (JV) in which it has a 50% interest. The contractual agreement does not provide the Group with control and the rights to the assets and liabilities remain with JV. JV is classified as a joint venture and is being equity accounted by the Group.

The Group has not applied any standards, amendments to standards and interpretations that are not yet effective.

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

Kordia Group Limited

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2022

Audited		Unaudited	
30/6/22	In thousands of New Zealand dollars	31/12/22	31/12/21
3. Loans and Advances			
23,637	Bank loans (unsecured)	16,151	29,118
Loan facilities are repayable as follows:			
-	Within one year	16,151	-
23,637	One to two years	-	29,118
-	Two to five years	-	-
<u>23,637</u>		<u>16,151</u>	<u>29,118</u>
<i>Weighted average interest rates:</i>			
4.6%	Bank loans	6.29%	2.7%
4.4%	Bank loans amended for derivatives, line fees and margin	4.24%	3.7%

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. The Group remains compliant with all terms of the facility, however the loan has been disclosed as a current liability as at 31 December 2022 as the facility expires on 1st July 2023. The loans drawn and facility available is analysed as follows:

	31/12/22				31/12/21			
	Balance Drawn		Available Facility		Balance Drawn		Available Facility	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Tranche A	16,151	-	40,000	-	-	29,118	-	40,000
Tranche B	-	-	-	-	-	-	-	-
Tranche C	-	-	-	-	-	-	-	-
	<u>16,151</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>29,118</u>	<u>-</u>	<u>40,000</u>

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 interim periods ended 31 December 2021 and 2022 and the year ended 30 June 2022.

4. Discontinued Operation

On 10 June 2021, the Board of Directors approved a plan to sell its wholly owned subsidiary Kordia Solutions Pty Ltd. In the audited 30 June 2021 and June 2022 accounts, Kordia Solutions Pty Ltd was classified as a disposal group and held for sale as a discontinued operation. Refer to note 13 of the 30 June 2022 Financial Statements.

The sale of Kordia Solutions Pty Ltd completed on 31 October 2021 with proceeds receivable over the subsequent 9 months. At 30 June 2022 \$7.4m was still owing for the sale which was received in August 2022.

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2022

5. Investment in Joint Venture

On 23rd August 2022, Kordia Limited entered a significant multi-year design, build and operate public safety radio communication contract with Crown Infrastructure Partners (CIP) and Next Generation Critical Comms (NGCC). In order to deliver on the contract Kordia partnered with Tait International Limited (Tait). A new entity has been set up by Kordia and Tait called Tait Kordia JV Company Ltd (JV) in which each party holds 50% of the shares.

During the six months ended 31 December 2022, Kordia provided an advance of \$150k to the JV to fund its operations. The loan is interest free and payable on demand, to the extent possible without the JV failing a solvency test.

6. Going Concern

At 31 December 2022 the bank loans are disclosed as a current liability as the facility expires on 1 July 2023. Negotiation of an extended facility has commenced and management are confident it will be renewed prior to 1 July 2023. The financial statements have therefore been prepared on a going concern basis.

7. Related Party Transactions

Kordia Group's transactions with related parties are consistent with prior years. Refer to the 30 June 2022 Financial Statements. All transaction with other Crown Entities, State Enterprises, Government Departments and fellow subsidiary companies are priced on a commercial arms length basis.

8. Commitments

At 31 December 2022 the Group had capital commitments of \$5,262 (2021: \$3,646).

9. Contingencies

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

10. Events Subsequent to Balance Date

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