

Kordia Group Limited

Condensed Consolidated Interim Financial Statements (unaudited)

For the Six Months Ended 31 December 2023

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 a revenue of \$77m for the half year ended 31 December 2023. The Group's EBITDA was \$10.9m and the company posted a profit after tax of \$1.3m.

The results reflect the solid performance of Kordia's business units, with revenues growing \$8m year on year. EBITDA is \$2m lower year on year, due to softening economic conditions and rising costs across our business, coupled with costs associated with the delivery of the Public Safety Network (PSN) project.

Thanks to a strong performance in Cyber and Cloud, and traditional business units continuing to deliver as expected, the group is in a strong position to continue the rest of the year.

Business performance

Growth in Cyber and Cloud has been a key focus for Kordia, and the company continues to meet market demand with best-in-class solutions and expertise.

Revenues have lifted in Managed Security and Cloud by 25% and 57% year-on-year respectively, demonstrating the business's ability to capture new growth and leverage cross-sell opportunities within Kordia's existing customer base.

There continues to be a degree of softness in the cyber consultancy space, due to early signs of economic slowdown.

Kordia's Solutions business had a very strong start to FY24 driven by a good pipeline of new mission-critical projects. The Maritime businesses traded in line with expectations, reflecting the solid underpinning of contracted work.

The Mobile Media division had an active year to date, thanks to a robust schedule of sporting events, such as Summer of Cricket and the Women's Football World Cup.

Through the Tait-Kordia joint venture, Kordia has delivered mission-critical communications infrastructure services for the Land Mobile Radio component of the new Public Safety Network, Te Kupenga Marutau. The project has incurred elevated working capital and associated costs.

As a result of elevated working capital requirements across the group, a half year dividend has not been declared.

Our People

Kordia now employs over 490 people, encompassing a wide range of skillsets and experience across cyber, cloud, connectivity, and mission-critical infrastructure.

The excellent employee engagement score of 83% and NPS score of 54 demonstrates the company's strong culture and dedication to providing "The Kordia Experience" to the many private and public organisations that it counts amongst its customers.

Health and safety remains a top priority for Kordia. Ensuring all employees stay safe at work is firmly embedded into the company's ethos. Kordia's TRIFR at the end of the first half was 4.07, which is under our target. The company's leadership remains committed to continuously improving health and safety practices and procedures.

Kordia's people were recognised in recent industry awards, with notable wins at the Reseller News Innovation Awards and the Women in Security Awards. A senior cyber professional was also named a finalist in the iSANZ awards, recognising excellence in the information security industry.

Creating Value

Kordia continues to create value for the communities and industries it operates in. In November, Kordia renewed its Cyber Academy initiative to develop new talent, supporting the development of New Zealand's much needed pool of skilled cyber security specialists. This year seven budding professionals were placed into internships within Kordia's cyber security division.

To encourage a diverse and inclusive workplace, on 1 July 2023 Kordia introduced new parental benefits to support employees as they embark on their parenthood journey. This includes salary top ups of parental leave payments, additional leave for primary and secondary carers, and continuity of KiwiSaver contributions. These initiatives form part of Kordia's commitment to achieving the Gender Tick accreditation.

Outlook

Kordia is in a good position to capture market demand around managed services, and a comprehensive breadth of mission-critical technology services and solutions to offer customers.

Cyber and cloud are key areas for Kordia, with the company delivering pleasing revenue growth in both areas and the company is well resourced to provide for customers in this area.

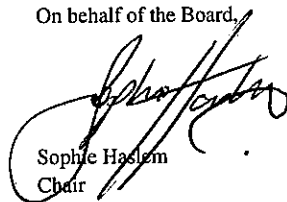
The outlook is encouraging, however economic conditions will determine the customer demand.

Kordia Group Limited

Chair's Report (continued)

As the business meets market demands for holistic cyber security and cloud services, Kordia can expect to continue to perform.

On behalf of the Board,



Sophie Haslem
Chair

29th February 2024

Kordia Group Limited

Condensed Consolidated Income Statement and Other Comprehensive Income

For the Six Months Ended 31 December 2023

Audited		Unaudited	
30/6/23	In thousands of New Zealand dollars	31/12/23	31/12/22
136,520	Revenue - New Zealand	72,404	64,385
8,380	Revenue - Australia	4,170	4,272
<u>144,900</u>	Total revenue	<u>76,574</u>	<u>68,657</u>
53,960	Direct costs and overheads	30,166	23,167
64,371	Employee and contractor expenses	35,479	32,431
<u>26,569</u>	Earnings before interest, tax, depreciation and amortisation (EBITDA)	<u>10,929</u>	<u>13,059</u>
8,865	Depreciation of property, plant and equipment	4,957	4,543
4,107	Depreciation of right of use assets	2,051	2,043
943	Amortisation of intangibles	411	474
2,876	Finance costs	1,645	1,305
(282)	Finance income	(191)	(175)
(246)	Share of net profit of associates and joint ventures accounted for using the equity method	-	-
<u>10,306</u>	Profit before income tax from continuing operations	<u>2,056</u>	<u>4,869</u>
3,032	Income tax expense	710	1,312
<u>7,274</u>	Profit for the period attributable to the equity holder	<u>1,346</u>	<u>3,557</u>
Other Comprehensive Income			
(157)	Foreign currency translation differences	(45)	(165)
33	Effective portion of changes in the fair value of cashflow hedges	(252)	(102)
(9)	Tax effect of the effective portion of changes in the fair value of cashflow hedges	71	28
<u>(133)</u>	Other comprehensive (loss) for the period	<u>(226)</u>	<u>(239)</u>
<u>7,141</u>	Total comprehensive income for the period	<u>1,120</u>	<u>3,318</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 2023 (unaudited)

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

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

Kordia Group Limited

Condensed Consolidated Statement of Changes in Equity (continued)

For the 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 Year Ended 30 June 2023 (audited)

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	-	7,274	-	-	7,274
Other comprehensive income					
Foreign currency translation differences	-	-	(157)	-	(157)
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	24	24
Total other comprehensive income	-	-	(157)	24	(133)
Total comprehensive income/(loss) for the period	-	7,274	(157)	24	7,141
Dividends Paid	-	(2,000)	-	-	(2,000)
Balance 30 June 2023	87,696	(30,064)	4,925	53	62,610

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 2023

Audited 30/6/23	In thousands of New Zealand dollars	Notes	Unaudited	
			31/12/23	31/12/22
	Assets			
56,256	Property, plant and equipment		57,091	52,445
16,399	Right of use assets		18,445	17,308
26,803	Intangible assets and goodwill		26,480	26,600
362	Finance lease receivable		183	535
5,898	Deferred tax asset		3,775	7,231
28	Derivative assets		-	3
246	Investment accounted for using equity method	4	246	-
901	Trade and other receivables		932	923
106,893	Total non-current assets		107,152	105,045
7,432	Cash		4,005	4,768
25,263	Trade and other receivables and contract work in progress		38,571	23,809
341	Finance lease receivable		351	331
2,841	Inventories		7,670	1,188
607	Taxation receivable		3,416	-
47	Derivative assets		-	14
275	Loan to Joint Venture	4	475	150
36,806	Total current assets		54,488	30,260
143,699	Total assets		161,640	135,305
	Equity and Liabilities			
87,696	Share capital		87,696	87,696
4,925	Foreign currency translation reserve		4,880	4,917
53	Cashflow hedge reserve		(128)	(45)
(30,064)	Retained earnings		(29,718)	(33,781)
62,610	Total equity attributable to the equity holder		62,730	58,787
1,185	Trade and other payables and deferred income		1,200	725
8,048	Provisions		7,851	8,821
-	Derivative liabilities		37	-
13,968	Lease liabilities		15,780	14,517
27,754	Loans and advances	3	36,697	-
50,955	Total non-current liabilities		61,565	24,063
25,919	Trade and other payables and deferred income		32,707	31,235
-	Loans and advances	3	-	16,151
-	Taxation payable		-	171
-	Derivative liabilities		141	79
197	Provisions		197	601
4,018	Lease liabilities		4,300	4,218
30,134	Total current liabilities		37,345	52,455
81,089	Total liabilities		98,910	76,518
143,699	Total equity and liabilities		161,640	135,305

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 2023

Audited 30/6/23	In thousands of New Zealand dollars	Notes	Unaudited	
			31/12/23	31/12/22
	Cash flows from operating activities			
139,784	Receipts from customers		68,074	70,019
(125,980)	Payments to suppliers and employees		(67,401)	(61,373)
<u>13,804</u>			<u>673</u>	<u>8,646</u>
143	Interest received		29	77
(2,503)	Interest paid		(1,503)	(1,155)
(3,509)	Taxes paid		(1,338)	(2,569)
<u>7,935</u>	Net cash from/(used in) operating activities		<u>(2,139)</u>	<u>4,999</u>
	Cash flows from investing activities			
7,451	Proceeds from the sale of a business		-	7,451
(15,111)	Acquisition of property, plant and equipment		(5,831)	(5,746)
(1,059)	Acquisition of intangibles and frequency licences		(88)	(484)
(275)	Advance to Joint Venture	4	(200)	(150)
(1,250)	Acquisition of a business / deferred purchase consideration		(1,250)	(1,250)
<u>(10,244)</u>	Net cash from/(used in) investing activities		<u>(7,369)</u>	<u>(179)</u>
	Cash flows from financing activities			
4,116	Proceeds from/(repayment of) loans and advances		8,943	(7,487)
(4,176)	Repayment of lease liabilities		(2,017)	(2,180)
322	Proceeds from finance lease assets		167	159
(2,000)	Dividend paid		(1,000)	(2,000)
<u>(1,738)</u>	Net cash from/(used in) financing activities		<u>6,093</u>	<u>(11,508)</u>
(4,047)	Net increase/(decrease) in cash and cash equivalents		(3,415)	(6,688)
11,484	Cash and cash equivalents at beginning of the period		7,432	11,484
(5)	Effect of exchange rate fluctuations on cash		(12)	(28)
<u>7,432</u>	Cash and cash equivalents at end of the period		<u>4,005</u>	<u>4,768</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 2023

Audited	In thousands of New Zealand dollars	Unaudited	
30/6/23		31/12/23	31/12/22
Reconciliation of net surplus for the period with cash flows from operating activities			
7,274	Net surplus as per income statement	1,346	3,557
Add/(deduct) non-cash items:			
8,865	Depreciation of property, plant and equipment	4,957	4,543
4,107	Depreciation of right of use assets	2,051	2,043
943	Amortisation of licences and intangibles	411	474
(391)	Realised foreign currency losses/(gains)	(1)	(105)
1,165	Change in deferred tax/(future income tax benefit)	2,180	(151)
(146)	Movement in provision for doubtful debts	(75)	39
373	Unwind/change in make good	143	150
(290)	Movement in customer acquisition costs	(324)	(116)
(415)	Movement in other provisions	(48)	(220)
<u>21,485</u>		<u>10,640</u>	<u>10,214</u>
Items classified as investing activities:			
139	Loss/(gain) on disposal of property, plant and equipment	17	5
<u>139</u>		<u>17</u>	<u>5</u>
Movements in working capital:			
(6,271)	Receivables, prepayments and contract work in progress	(13,214)	(5,095)
(1,775)	Inventories	(4,829)	(121)
(5,643)	Payables and deferred income	5,247	(4)
<u>(13,689)</u>		<u>(12,796)</u>	<u>(5,220)</u>
<u>7,935</u>	Net cash flows from operating activities	<u>(2,139)</u>	<u>4,999</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 2023

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 2023.

The financial statements were authorised for issue by the Directors on 29th February 2024.

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 2023 and 2022. Both periods are unaudited. The audited annual results for the year ended 30 June 2023 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 2023 and the six months ended 31 December 2022.

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

The International Accounting Standards board has issued a number of amendments to standards that are effective from 1 January 2023 and 2024. These include Amendment to IAS 1, regarding to the disclosure of liabilities as current and non-current specifically where loans are covered by covenants, and Amendments to IAS 12 regarding deferred tax on related assets and liabilities arising from a single transaction. Both of these standard amendments were adopted early so no further adjustments are anticipated. There are no other new or amendments to the standards that are expected to impact the Group and 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 2023

Audited		Unaudited	
30/6/23	In thousands of New Zealand dollars	31/12/23	31/12/22
3. Loans and Advances			
27,754	Bank loans (unsecured)	36,697	16,151
	Loan facilities are repayable as follows:		
-	Within one year	-	16,151
-	One to two years	-	-
27,754	Two to five years	36,697	-
<u>27,754</u>		<u>36,697</u>	<u>16,151</u>
	<i>Weighted average interest rates:</i>		
6.6%	Bank loans	6.59%	6.29%
4.6%	Bank loans amended for derivatives, line fees and margin	5.76%	4.24%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 and amended and restated from time to time (2022: 29 June 2017), the latest amendment was in June 2023. The facility commits to a maximum amount of NZD50 million (2022: NZD40 million). The syndicated loan is a term facility that is subject to continued compliance with the terms of the loan agreement. Based on the Group's assessed continued compliance with the terms of the loan agreement, the Group has classified the loan as a non-current liability as at 31 December 2023. In the prior year the loan was classified as current as the facility was due to expire on 1st July 2023. The loans drawn and facility available is analysed as follows:

	31/12/23				31/12/22			
	Balance Drawn		Available Facility		Balance Drawn		Available Facility	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Tranche A	-	16,697	-	30,000	16,151	-	40,000	-
Tranche B	-	20,000	-	20,000	-	-	-	-
	-	<u>36,697</u>	-	<u>50,000</u>	<u>16,151</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 two tranches (A and B) with different fee and margin structures. Tranche A is a cash advance facility and tranche B is a term loan facility. There is a right of set off between the tranches of the loan facility. The facility expires on 1 July 2026.

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

The facility is subject to various covenants such as limitations on gearing, interest cover, and coverage (the proportion of the consolidated group that forms the guaranteeing group under the negative pledge). The Group was in compliance with all covenants for the interim periods ended 31 December 2022 and 2023 and the year ended 30 June 2023.

4. Investment in Joint Venture

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

As at 31 December 2023, Kordia has provided an advance of \$475k (2022: \$150k) to the JV to fund its operations. The loan is interest free and payable on demand.

Kordia Group Limited

Notes to the Interim Financial Statements (continued)

For the Six Months Ended 31 December 2023

5. Going Concern

At 31 December 2022 the bank loans were disclosed as a current liability as the facility expired on 1 July 2023. An extension to the facility was finalised in June 2023 and expires in July 2026 so for the six months ended 31 December 2023 the loan has been classified as non-current. In both years the financial statements have been prepared on a going concern basis.

6. Related Party Transactions

Kordia Group's transactions with related parties are consistent with prior years. Refer to the 30 June 2023 Financial Statements. All transaction with other Crown Entities, State Enterprises, Government Departments and fellow subsidiary companies are priced on a commercial arms length basis.

7. Commitments

At 31 December 2023 the Group had capital commitments of \$1,666 (2022: \$5,262).

8. 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.

Performance under the public safety radio communication contract (PSN) by Tait Kordia JV Co Limited is guaranteed by Kordia and Tait International jointly and severally, with cross-indemnities between Kordia and Tait. The contract also includes a performance bond of \$5million in the event of non-performance. As with our other contracts, it is not possible to quantify what liability may arise from the cross guarantees until an event has occurred, and the Directors do not expect any liabilities to occur as a result of the cross guarantees or performance obligations.

9. Events Subsequent to Balance Date

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