

**Kordia Group Limited****Condensed Consolidated Interim Financial Statements (unaudited)****For the Six Months Ended 31 December 2021**

# Kordia Group Limited

## Condensed Consolidated Interim Financial Statements (unaudited)

For the Six Months Ended 31 December 2021

---

	<i>Page</i>
Chair's Report	2
Condensed Consolidated Income Statement and Other Comprehensive Income	3
Condensed Consolidated Statement of Changes in Equity	4-6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Cash Flows	8-9
Notes to the Interim Financial Statements	10-12

# 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 \$63.5m for the half year ended 31 December 2021. The Group's EBITDA was \$15m and the company posted a profit after tax of \$4.5m.

2021 was a year of significant change for the Group with the execution of several strategies which place Kordia in a strong position for the future. Acquisitions in our strategic areas of Cyber Security and Cloud are already enabling us to accelerate our growth and deliver more value for our customers

Our business units continue to deliver solid results across the board despite challenging conditions. We've been successful in capturing new business in high-demand areas such as cyber and cloud while maximising cross-sell opportunities within our existing base to leverage our full capabilities for our customers. The growth in Cyber has been a key part of the company's strategy and has helped mitigate the expected decline in media and voice revenues.

### Cyber Security

Cyber Security continues to perform well. Market demand has been strong, particularly around managed security offerings. The Group's consultancy business maintains high utilisation and a strong pipeline.

On the 1st of July 2021, Kordia acquired cyber and information security company SecOps, a specialist provider of managed security services. The acquisition of talent and capability has seen Kordia grow its managed security offering.

High profile attacks over the past 12 months on New Zealand businesses has shown that as a country we are just as susceptible to cyber threats as the rest of the world. Being able to offer a more comprehensive set of security solutions will help our customers better navigate the threat landscape.

Delivering market-leading customer service via 'The Kordia Experience' remains a core focus and differentiator for the company, with a Net Promoter Score of over 50%, which is well above the industry average.

### Mission Critical Services

During the period the company has renewed several key Media and Maritime customers, including Direct to Home(DTH) customers 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.

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

### Discontinued Australian operations

On 31 August 2021, Kordia entered into a Share Sale Agreement for the sale of its Australian subsidiary, Kordia Solutions Pty Ltd. Completion occurred on 31 October 2021.

### Our People

Developing new and existing talent will be key to sustaining high performance into the future. Developing great opportunities for our people is a significant focus for the organisation, including initiatives like the Kordia Cyber Academy. Strengthening diversity across our business also requires continued focus.

The Kordia Cyber Academy advances ICT professionals in their cyber and information security careers, and helps address New Zealand's skills shortages in the sector. The inaugural cohort started in November, and following graduation, a number accepted full time roles with Kordia.

Health, safety and wellbeing is a priority at Kordia. For the period, the company's LTIFR score was zero, meaning that there were no lost time injuries. As Covid-19 lingers, the company continues to prioritise the safety and wellbeing of our people, offering flexibility and adaptability through a range of avenues to our employees.

### Looking Ahead

2022 will be a year of consolidation with a focus on profitable, above-market growth for Kordia Group, leveraging the company's unique services ecosystem.

Kordia has some exciting opportunities ahead in the next 12 months. Expect to see the business play an instrumental role in transformational initiatives that will combine our experience in building and maintaining critical communication networks with our contemporary expertise in cloud and cyber security.

Kordia is all about connections you can trust, enabling a more secure, reliable and resilient digital world. With strengthened capabilities in managed security and IT services, we're in an excellent position to offer holistic solutions across connectivity, cloud and cyber. Our people are passionate about delivering exceptional service to our customers, and we'll be leveraging our full expertise to play a bigger role in our customers' success journeys.

On behalf of the Board of Directors,

Sheridan Broadbent  
Chair  
Kordia Group



25 February 2022

# Kordia Group Limited

## Condensed Consolidated Income Statement and Other Comprehensive Income

For the Six Months Ended 31 December 2021

Audited			Unaudited	
30/6/21	In thousands of New Zealand dollars	Notes	31/12/21	Represented 31/12/20
<b>Continuing Operations</b>				
115,193	Revenue - New Zealand		59,218	57,226
7,708	Revenue - Australia		4,320	4,111
122,901	Total revenue		63,538	61,337
44,377	Direct costs and overheads		20,200	22,230
46,756	Employee and contractor expenses		28,318	23,463
31,768	Earnings before interest, tax, depreciation and amortisation (EBITDA)		15,020	15,644
11,242	Depreciation of property, plant and equipment		5,317	5,676
3,821	Depreciation of right of use assets		2,071	2,018
1,275	Amortisation of intangibles		521	446
2,015	Finance costs		1,234	881
186	Finance income		57	58
13,601	<b>Profit/(loss) before income tax from continuing operations</b>		5,934	6,681
4,135	Income tax expense/(benefit)		1,474	1,896
9,466	<b>Profit/(loss) from continuing operations</b>		4,460	4,785
<b>Discontinued Operations</b>				
(56,512)	Profit/(loss) after tax from discontinued operations	4	(11,113)	243
(47,046)	<b>Profit/(loss) for the period attributable to the equity holder</b>		(6,653)	5,028
<b>Other Comprehensive Income</b>				
121	Foreign currency translation differences		(1,037)	(390)
-	Reclassification of foreign currency differences on discontinued operations	4	8,490	-
(14)	Effective portion of changes in the fair value of cashflow hedges		(4)	(28)
4	Tax effect of the effective portion of changes in the fair value of cashflow hedges		1	8
111	<b>Other comprehensive income/(loss) for the period</b>		7,450	(410)
(46,935)	<b>Total comprehensive income/(loss) for the period</b>		797	4,618

The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements. The comparative information is represented due to a discontinued operation. Refer to note 4.

# Kordia Group Limited

## Condensed Consolidated Statement of Changes in Equity

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
<b>Balance 1 July 2021</b>	87,696	(33,726)	(2,865)	(10)	51,095
Net profit for the period	-	(6,653)	-	-	(6,653)
<b>Other comprehensive income</b>					
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
<b>Total comprehensive income/(loss) for the period</b>	-	(6,653)	7,453	(3)	797
<b>Balance 31 December 2021</b>	87,696	(40,379)	4,588	(13)	51,892

The notes set out on pages 10 to 12, 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 2020 (unaudited)**

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
<b>Balance 1 July 2020</b>	<b>87,696</b>	<b>13,320</b>	<b>(2,986)</b>	<b>-</b>	<b>98,030</b>
Net profit for the period	-	5,028	-	-	5,028
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	(390)	-	(390)
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(20)	(20)
Total other comprehensive income	-	-	(390)	(20)	(410)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>5,028</b>	<b>(390)</b>	<b>(20)</b>	<b>4,618</b>
<b>Balance 31 December 2020</b>	<b>87,696</b>	<b>18,348</b>	<b>(3,376)</b>	<b>(20)</b>	<b>102,648</b>

*The notes set out on pages 10 to 12, 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 2021 (audited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
<b>Balance 1 July 2020</b>	<b>87,696</b>	<b>13,320</b>	<b>(2,986)</b>	<b>-</b>	<b>98,030</b>
Net profit for the period	-	(47,046)	-	-	(47,046)
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	121	-	121
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(10)	(10)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>(10)</b>	<b>111</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(47,046)</b>	<b>121</b>	<b>(10)</b>	<b>(46,935)</b>
<b>Balance 30 June 2021</b>	<b>87,696</b>	<b>(33,726)</b>	<b>(2,865)</b>	<b>(10)</b>	<b>51,095</b>

The notes set out on pages 10 to 12, 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 2021

Audited 30/6/21	In thousands of New Zealand dollars	Note	Unaudited 31/12/21	31/12/20
<b>Assets</b>				
52,695	Property, plant and equipment		53,281	58,713
13,428	Right of use assets		11,621	13,694
18,211	Intangible assets and goodwill		26,844	26,556
1,025	Finance lease receivable		866	1,178
6,826	Deferred tax asset		7,663	18,802
736	Trade and other receivables		662	706
92,921	<b>Total non-current assets</b>		100,937	119,649
10,474	Cash		4,481	16,172
15,395	Trade and other receivables and contract work in progress		28,674	73,082
301	Finance lease receivable		311	291
850	Inventories		860	2,957
27,020			34,326	92,502
62,969	Assets held for sale	4	-	-
89,989	<b>Total current assets</b>		34,326	92,502
182,910	<b>Total assets</b>		135,263	212,151
<b>Equity and Liabilities</b>				
87,696	Share capital		87,696	87,696
(2,865)	Foreign currency translation reserve		4,588	(3,376)
(10)	Cashflow hedge reserve		(13)	(20)
(33,726)	Retained earnings		(40,379)	18,348
51,095	<b>Total equity attributable to the equity holder</b>		51,892	102,648
1,877	Trade and other payables and deferred income		1,976	1,879
10,991	Provisions		11,477	13,044
-	Derivative liabilities		-	13
10,750	Lease liabilities		8,755	10,784
22,131	Loans and advances	3	29,118	17,765
45,749	<b>Total non-current liabilities</b>		51,326	43,485
26,338	Trade and other payables and deferred income		26,340	58,732
1,073	Taxation payable		703	1,483
14	Derivative liabilities		17	14
907	Provisions		537	660
4,451	Lease liabilities		4,448	5,129
32,878			32,045	66,018
53,193	Liabilities directly associated with assets held for sale	4	-	-
86,066	<b>Total current liabilities</b>		32,045	66,018
131,815	<b>Total liabilities</b>		83,371	109,503
182,910	<b>Total equity and liabilities</b>		135,263	212,151

The notes set out on pages 10 to 12, 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 2021

Audited 30/6/21	In thousands of New Zealand dollars	Unaudited	
		31/12/21	31/12/20
	<b>Cash flows from operating activities</b>		
234,190	Receipts from customers	116,224	116,145
(225,418)	Payments to suppliers and employees	(111,774)	(113,711)
8,772		4,450	2,434
-	Dividends received	1	-
90	Interest received	38	47
(1,937)	Interest paid	(1,002)	(809)
(4,983)	Taxes paid	(2,683)	(3,556)
1,942	Net cash from/(used in) operating activities	804	(1,884)
	<b>Cash flows from investing activities</b>		
7	Proceeds from the sale of property, plant and equipment	1	-
-	Proceeds from the sale of a business	1,336	-
(11,387)	Acquisition of property, plant and equipment	(5,870)	(7,167)
(1,486)	Acquisition of intangibles and frequency licences	(199)	(36)
(4,873)	Acquisition of a business	(6,727)	-
(17,739)	Net cash from/(used in) investing activities	(11,459)	(7,203)
	<b>Cash flows from financing activities</b>		
16,131	Proceeds from/(repayment of) loans and advances	6,987	11,765
(7,551)	Repayment of lease liabilities	(2,358)	(3,962)
281	Proceeds from finance lease assets	148	138
8,861	Net cash from/(used in) financing activities	4,777	7,941
(6,936)	Net increase/(decrease) in cash and cash equivalents	(5,878)	(1,146)
17,386	Cash and cash equivalents at beginning of the period	10,474	17,386
24	Effect of exchange rate fluctuations on cash	(115)	(68)
10,474	Cash and cash equivalents at end of the period	4,481	16,172

The notes set out on pages 10 to 12, 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 2021

Audited		Unaudited	
30/6/21	In thousands of New Zealand dollars	31/12/21	31/12/20
	<b>Reconciliation of net surplus for the period with cash flows from operating activities</b>		
(47,046)	<b>Net surplus as per income statement</b>	<b>(6,653)</b>	<b>5,028</b>
	<b>Add/(deduct) non-cash items:</b>		
11,242	Depreciation of property, plant and equipment	5,317	6,307
3,821	Depreciation of right of use assets	2,071	3,608
1,275	Amortisation of licences and intangibles	521	446
99	Realised foreign currency losses/(gains)	(910)	(80)
22,792	Change in deferred tax/(future income tax benefit)	(839)	(814)
708	Movement in provision for doubtful debts	(55)	171
283	Unwind/change in make good	148	134
(109)	Movement in customer acquisition costs	(163)	(76)
(66)	Movement in other provisions	(27)	(27)
4,387	Discontinued operations	-	-
-	Reclassification of foreign currency differences on discontinued operations	8,490	-
(2,614)		<b>7,900</b>	<b>14,697</b>
	<b>Items classified as investing activities:</b>		
(75)	Loss/(gain) on disposal of property, plant and equipment	1	27
(40)	Working capital items on acquisition	228	-
(5,163)	Working capital items reclassified as held for sale/divested	(2,180)	-
(5,278)		<b>(1,951)</b>	<b>27</b>
	<b>Movements in working capital:</b>		
47,437	Receivables, prepayments and contract work in progress	(2,366)	(9,706)
2,326	Inventories	(10)	219
(39,929)	Payables and deferred income	(2,769)	(7,121)
9,834		<b>(5,145)</b>	<b>(16,608)</b>
1,942	<b>Net cash flows from operating activities</b>	<b>804</b>	<b>(1,884)</b>

The notes set out on pages 10 to 12, 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 2021

---

#### 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 2021.

The financial statements were authorised for issue by the Directors on 25 February 2022.

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 2021 and 2020. Both periods are unaudited. The audited annual results for the year ended 30 June 2021 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 2021 and the six months ended 31 December 2021.

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 2021

Audited 30/6/21	In thousands of New Zealand dollars	Unaudited	
		31/12/21	31/12/20
<b>3.</b>	<b>Loans and Advances</b>		
22,131	Bank loans (unsecured)	<b>29,118</b>	17,765
	Loan facilities are repayable as follows:		
-	Within one year	-	-
-	One to two years	<b>29,118</b>	-
22,131	Two to five years	-	17,765
<b>22,131</b>		<b>29,118</b>	<b>17,765</b>
	Weighted average interest rates:		
2.4%	Bank loans	<b>2.7%</b>	2.08%
3.0%	Bank loans amended for derivatives, line fees and margin	<b>3.7%</b>	2.62%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 amended and restated from time to time, committed to a maximum amount of NZD 40 million (20120: AUD 40 million). The loans drawn and facility available is analysed as follows:

	31/12/21				31/12/20			
	Balance Drawn		Available Facility		Balance Drawn		Available Facility	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Tranche A	-	<b>29,118</b>	-	<b>40,000</b>	-	17,765	-	40,000
Tranche B	-	-	-	-	-	-	-	-
Tranche C	-	-	-	-	-	-	-	-
	<b>-</b>	<b>29,118</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>17,765</b>	<b>-</b>	<b>40,000</b>

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 2020 and 2019 and the year ended 30 June 2021.

#### 4. 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 expected to be completed within a year from June 2021 and it was considered highly probable. In the audited 30 June 2021 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 2021 Financial Statements.

The sale of Kordia Solutions Pty Ltd completed on 31 October 2021 with proceeds receivable over the subsequent 9 months. Trading performance up to completion is reflected in the discontinued operations line in the Income Statement. At completion foreign currency differences relating to the discontinued operation have been reclassified from equity to profit or loss in accordance with NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

# Kordia Group Limited

## Notes to the Interim Financial Statements (continued)

### For the Six Months Ended 31 December 2021

Audited 30/6/21	In thousands of New Zealand dollars	Unaudited	
		31/12/21	31/12/20
<b>4.</b>	<b>Discontinued Operation (continued)</b>		
	<b>Results of Discontinued Operation</b>		
147,837	Revenue	52,483	76,451
193	Other income	-	-
148,030		52,483	76,451
84,623	Direct costs and overheads	33,450	44,084
60,823	Employee and contractor costs	20,444	29,705
2,584	Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,411)	2,662
(32)	Finance income	(70)	(16)
292	Finance expense	88	104
4,452	Depreciation and amortisation expense	1,318	2,221
(2,128)	<b>Profit/(loss) before income tax from a discontinued operation</b>	(2,747)	353
(624)	Income tax expense/(benefit)	(124)	110
(1,504)	<b>Profit/(loss) after income tax</b>	(2,623)	243
(55,008)	Impairment loss recognised on the remeasurement to fair value less costs to sell	-	-
-	Reclassification of foreign currency differences on discontinued operations	(8,490)	-
(56,512)	<b>Profit/(loss) for the period from discontinued operation</b>	(11,113)	243

#### 5. Acquisition of a Business

On 1 July 2021, the Group acquired the business and assets of SecOps NZ Ltd, a managed security company. SecOps NZ Ltd's results are included in the Consolidated Income Statement for the six months ended 31 December 2021.

#### 6. Commitments

At 31 December 2021 the Group had capital commitments of \$3,646 (2020: \$2,857).

#### 7. Contingencies

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

#### 8. Events Subsequent to Balance Date

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

