MAKING OUR DIGITAL WORLD MORE SECURE, RELIABLE AND RESILIENT.

CYBER SECURITY | CLOUD | CONNECTIVITY | COMMUNICATIONS

KORDIA GROUP ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

kordia®

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CHAIR & CEO REPORT

FOR THE YEAR ENDED 30 JUNE 2021

This has been a watershed year for Kordia Group for many reasons. In December 2020 we lost our much loved and respected CEO, colleague, and friend Scott Bartlett to cancer. In addition, COVID-19 raged around the world, affecting the wellbeing of our customers, our people and our economies, compounding already difficult trading issues for our Australian contracting operations. During this time, we have taken pause to reflect upon purpose, sustainability and our long-term goals. This has driven us to implement a strategic exit from the Australian contracting market, enabling Kordia Group to accelerate further the growth opportunities in our core business.

There has been a lot to celebrate in the past 12 months. We welcomed Shaun Rendell as Group CEO, we grew our business through a series of strategic acquisitions and we cemented Kordia Group's position as a leading player in the cyber security, cloud and managed solutions space. Kordia Group continues to delight its customers as a leader in mission-critical technology services with our NPS tracking at +60 for the year. Our strengthened risk control framework and focus on preventing high potential incidents has continued to reduce risk in the work that we do, with very pleasing health, safety and wellbeing improvements noted across our business.

We want to thank all our wonderful people on both sides of the Tasman who have achieved so much this year. They have worked hard through three acquisitions and significant new business wins – calling out our indomitable field crews who have worked relentlessly during COVID-19 lockdown conditions to keep critical networks safe. We also want to thank outgoing Kordia Group Chair, John Quirk, for the exceptional guidance and support he has provided to the business over the past 10 years.

GROUP RESULTS

Kordia Group has delivered revenue of $123m for the year ended 30 June 2021, Group EBITDA of $32m and a net profit after tax of $9.5m from continued operations with an overall net loss after tax including discontinued operations of $47m.

The overall result factors in a one-off non-cash write-off of $55m, which resulted from the Group's decision to divest its Australian contracting business, Kordia Solutions Australia (KSA), in order to focus on further developing the high-growth areas of the business. On a business-as-usual basis, Kordia Group would have earned revenue of $271m for the year ended 30 June 2021, with EBITDA of $34m for the year.

While the Group results have been impacted by the KSA held-for-sale position, we note the NPAT from continuing operations of the remaining business is tracking well. We expect this pattern will continue and increase owing to the Group's decision to sell KSA.

KORDIA GROUP CONTINUES TO DELIGHT ITS CUSTOMERS AS A LEADER IN MISSION-CRITICAL TECHNOLOGY SERVICES WITH OUR NPS TRACKING AT +60 FOR THE YEAR.

EXITING THE AUSTRALIAN CONTRACTING MARKET

Kordia Group acquired KSA in 2005, with the business operating as a specialist service contractor to larger players in the Australian telco market. This sector has undergone significant change over the past few years, with asset owners consolidating their service contracts and competitors amalgamating through acquisition. In a market where scale matters, conditions have become increasingly challenging – particularly for smaller, boutique players like KSA.

Ultimately, the Board faced a difficult decision to scale up significantly and take on major costs to compete with larger players or to exit the market completely. Following an in-depth strategic review of the long-term viability of the business unit, the Group made the decision to sell KSA.

The decision to divest our Australian contracting business has resulted in a significant non-cash write off. We acknowledge the seriousness of this impact in these results, which was taken to place the Group in a stronger position to invest in and develop our core proposition – managing mission-critical networks and services for our customers. This will enable us to focus on high growth business areas including cyber security and network services such as cloud, modern workplace solutions and connectivity. These areas are experiencing unprecedented demand and growth.

GREAT PEOPLE, GREAT WORK

At the heart of everything Kordia does is its people.

Through recent acquisitions Kordia Group has boosted its capability and grown its incredible team in areas where expert advice and support is in hot demand. The Group is aware that one of the biggest challenges we face over the coming year is acquiring, building and retaining thriving talent – particularly in the cyber security and cloud consulting space where demand outstrips supply.

We have numerous initiatives to address this, including a strong focus on tertiary partnerships and fostering the next generation of technology, cyber security and cloud super stars.

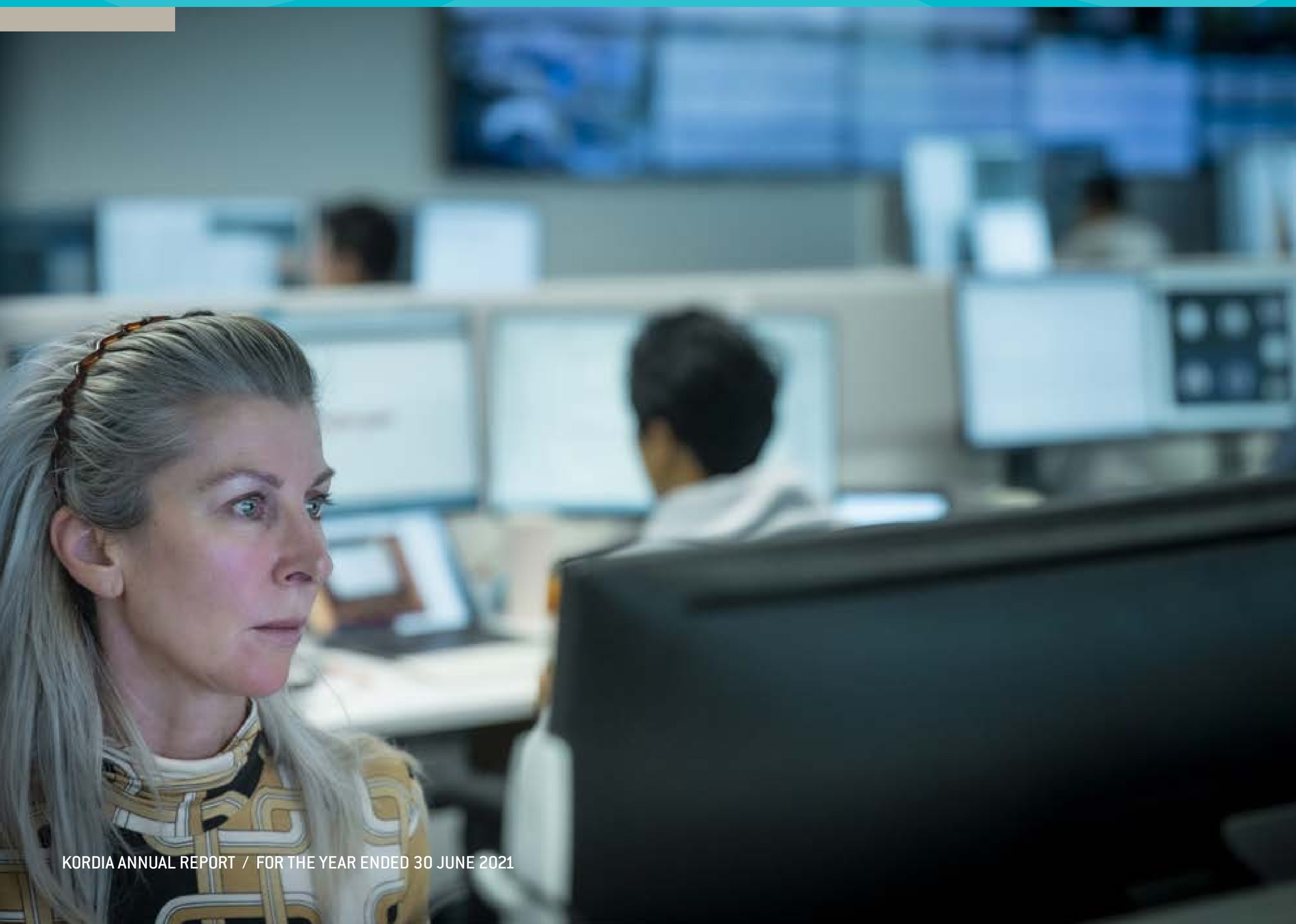
We look to invest more deeply in innovative ways to build talent within our business in the future. This will include continued support for our Cyber Academy and the Scott Bartlett Women in Technology Scholarship, established in 2018.

Ensuring the health, safety, and wellbeing of our teams remains a top priority for Kordia.

Our key objectives of Zero Harm and Get Home Safely create a positive working environment and ensures employee health, safety and wellbeing. Kordia uses an accredited, integrated Quality, Work Health and Safety and Environmental Management System to drive continuous improvement. Our workplace health and safety champions, the Kordia 'Hard Hats', continue to drive a highly engaged and ambitious programme of safety culture and continuous improvement within our entire value chain.

HIGH PROFILE RANSOMWARE ATTACKS ON NEW ZEALAND ORGANISATIONS HAVE CREATED INSATIABLE DEMAND FOR EXPERT CYBER SECURITY ADVICE AND SUPPORT.

THIS HAS POWERED KORDIA'S CYBER SECURITY DIVISION TO EXCEPTIONALLY STRONG GROWTH.



UNPRECEDENTED DEMAND FOR CYBER SECURITY SUPPORT

High profile ransomware attacks on New Zealand organisations have created insatiable demand for expert cyber security advice and support. This has powered Kordia's cyber security division to exceptionally strong growth.

Demand for our Managed Security Services grew 58 percent year-on-year and our independent cyber security consultancy, Aura Information Security, also experienced strong growth in the wake of increasing ransomware attacks.

The Group strategically acquired Base2 in April 2021 and leading Managed Security Services provider, SecOps NZ, immediately following the reporting period in July 2021. This has further cemented our reputation as an industry leader for cyber security, support and monitoring. Recently, the Group received Microsoft Gold Security Partner Status in New Zealand, something only a select number of security providers have achieved.

Our growing capability means we're ideally placed to meet future demand.

THE YEAR THE CLOUD TOOK CENTRE STAGE

COVID-19 accelerated business cloud migration and digital transformation. It's now more important than ever to have reliable connectivity and the ability to work remotely and collaboratively.

Kordia's decision to acquire cloud migration experts, EMRGE, in early 2020 has already delivered immense value. There is high demand for digital transformation strategies built with risk management top of mind. Supported by Kordia and Aura Information Security, EMRGE ensures businesses move into the cloud securely.

With the expertise of our team in hot demand, it's becoming increasingly apparent that Kordia's strategy to combine, build and develop our cloud capability with risk management at its core hits a sweet spot in the market.

MISSION-CRITICAL NETWORKS – RELIABILITY AT THE CORE

Both our New Zealand and Australian Maritime Operations Centres were incredibly busy over the past year.

Kordia operates and manages the Canberra Maritime Operations Centre and the New Zealand Maritime Operations Centre on behalf of the Australian Maritime Safety Authority and Maritime New Zealand respectively. Collectively, we responded to more than 1026 distress calls, monitoring almost a quarter of the world's oceans.

We're proud of the role Kordia plays in helping keep people safe at sea and that our customers trust us to keep their critical communications up and running. They choose us not only because of our experience and proven track record, but also because of our top-class managed security capability which adds an extra layer of defence against a growing number of cyber threats.

MEDIA – SUPPORTING OUR CUSTOMERS THROUGH INNOVATION

Media remains a critical service in New Zealand, especially in times of uncertainty when hundreds of thousands of Kiwis turn to broadcast media to stay informed. Kordia has a great responsibility to support our customers as they give New Zealanders access to the information and entertainment they seek during the pandemic.

Kordia continues to support its media customers as they innovate and respond to industry changes prompted by the challenges presented by other mediums such as internet streaming.

GROUP OUTLOOK

In the past year Kordia Group has seen immense progress. On the back of several key acquisitions, we are in a strong position to make the most of what the market demands in cyber, cloud, and managed solutions. The sale of KSA has put us in a better position for future growth as we strengthen our position as a market leader in mission-critical technology.

We are proud to be a 100 percent New Zealand owned and operated business that is committed to keeping its businesses connected and secure online. For this reason, Kordia's focus remains on providing the best service, advice, products and support to those organisations that have come to rely so heavily on technology that enables connectivity, collaboration and innovation.

SHAUN RENDELL
CEO - KORDIA GROUP

For the Board,

SHERIDAN BROADBENT
CHAIR - KORDIA GROUP

HEALTH, SAFETY & CULTURE

FOR THE YEAR ENDED 30 JUNE 2021

At Kordia, the health, safety and wellbeing of our people is paramount. This is why we strive for '**ZERO HARM**' in all three aspects and are continuously looking for ways to improve our systems and processes.

HEALTH AND SAFETY IS IN OUR DNA

Everyone plays an active role in keeping themselves, their colleagues, and the public safe. Our people carry out a wide range of potentially hazardous tasks, all in a COVID-19 environment. As a result, the Group is highly focused on actively monitoring and managing each of our critical risks.

We have a strong culture of hazard and near miss reporting and recently completed an 18-month process of harmonising health and safety policies across the Group. As well as maintaining LTIFR and TRIFR well within target levels, over the past year Kordia also successfully renewed several key certifications, including Quality, Health & Safety and Environmental ISO accreditations.

Our leaders walk the talk. We have a solid programme of health and safety walks, conducted by Board members, the Executive team and senior managers. We are also incredibly grateful for the input of our employee health and safety representatives, the 'Hard Hats'.

GROUP TRIFR - 3.06
GROUP LTIFR - 0.45

INCREASING DIVERSITY

At Kordia we believe it's the unique blend of experience, knowledge and skills of our team that truly sets us apart. It's for this reason we celebrate diversity and respect the things that make our people different – whether that be age, gender, ethnicity, sexual orientation, experience, education, disability, religion or culture. We also know that when people feel included and valued, they shine – both personally and professionally.

By removing barriers to success, ensuring everyone has a voice, and empowering our team to bring their best selves to work, we can help drive greater collaboration and ultimately better outcomes for Kordia and its customers.

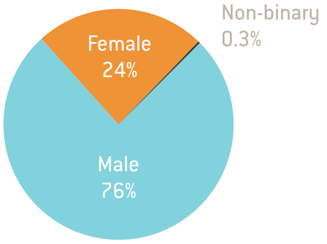
OUR D&I STRATEGY FOCUSES ON THREE KEY INITIATIVES:

DRIVE AWARENESS
To increase awareness of D&I and equip our people with relevant tools.

ATTRACT & RETAIN
To increase and support diversity through the talent pipeline.

CELEBRATE & SHARE
To celebrate diversity and share success stories across the business.

AGE, GENDER & ETHNIC DIVERSITY AT KORDIA



GENDER DIVERSITY

30 OVER 30 DIFFERENT NATIONALITIES
represented across the business

ETHNIC DIVERSITY

Average age has continued to trend downwards

FY20 = 45 YEARS
FY21 = 44 YEARS

AGE TREND

HELPING OUR PEOPLE NAVIGATE NEW WAYS OF WORKING

Throughout the COVID-19 pandemic, we've placed an even bigger focus on employee wellbeing, ensuring our team has the support and tools they need to stay connected and navigate their new working environment in the best way possible. This includes providing access to EAP services, and training QHSE and HR teams as 'Mental Health First Aiders'.

WE ARE KORDIA

BOARD MEMBERS

FOR KORDIA GROUP AS AT 30 JUNE 2021

SHERIDAN BROADBENT

CHAIR OF THE BOARD. CHAIR OF KORDIA'S HEALTH & SAFETY COMMITTEE

Sheridan Broadbent is a business consultant and independent director with a career in senior executive roles in infrastructure, technology and energy in New Zealand, Australia and the South Pacific. She has been a director of Kordia since 2014, is presently Deputy Chair of the New Zealand Business Leaders' Health and Safety Forum and an independent director of safety technology provider Cloudsource (SaferMe). She has previously been on the board of Transpower Ltd, Timberlands Ltd and was an Interim Board Member of Waka Kotahi NZTA.

Sheridan is the former Chief Executive of lines company Counties Power, a former executive of Genesis Energy and held executive positions with Downer Group in New Zealand and Australia. She is a graduate member of the Australian Institute of Company Directors, a chartered member of the New Zealand Institute of Directors, a member of Global Woman Inc, a member of the Te Runanga o te Ngati Maru and a graduate of the Harvard Business School Advanced Management Program. Sheridan holds a BCom in International Business from the University of Auckland.

SOPHIE HASLEM

DEPUTY 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), Oyster Property Group and Rangatira Investments.

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 and technology. He heads up a media and technology consultancy providing M&A and business optimisation expertise to clients in New Zealand and overseas.

He is a former CTO, Operations Director and main Board Director of the 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, heading up all technology and operational aspects of 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.

DAVID HAVERCROFT

MEMBER OF KORDIA'S PEOPLE & CULTURE COMMITTEE

David Havercroft's career in the technology industry has spanned more than 35 years. Previously COO and CTO of Spark New Zealand, David is a director on a number of New Zealand company boards including Connect 8, Southern Cross Cables and KiwiWealth.

With a track record in designing and leading complex business and information technology transformation programmes, David's focus on strategic and radical change within companies makes him a valued advisor to Kordia Group's Board.

SUE O'CONNOR

MEMBER OF KORDIA'S AUDIT & RISK COMMITTEE

Sue is an experienced business leader who has served as a Chair, Director and senior business leader with ASXTop10 and global unlisted companies as well as high profile statutory authorities and not for profits. Sue is known for her board leadership, commercial acumen and using her expertise in technology, net zero transitions, utilities and ESG to deliver sustained value to companies, communities and the environment.

She is currently Chair of Yarra Valley Water and a Director of Mercer Superannuation and ClimateWorks Australia and President of Bush Heritage Australia. Her 25+ year executive leadership career in the technology sector included 13 years as a senior executive at Telstra Corporation.

NICOLA MITCHELL

FUTURE DIRECTOR

Nicola Mitchell is an experienced senior executive with a background in scaling high-growth technology businesses globally. She has a drive to deliver commercial results, a passion for data-driven decision making and a strong empathy for customers.

She focuses on helping businesses succeed internationally through a combination of marketing, product, sales and data. She holds a Masters in Strategic Marketing Management and is currently GM of Digital Performance and Growth at Xero.

As a Future Director, Nicola is invited to attend meetings and Committee meetings, although she does not participate in decision-making.

TONY O'BRIEN

MEMBER 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 and 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 Digital Switchover Marketing and Communications Committee from 2011 to 2013. 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.

THE BOARD CURRENTLY HAS THREE STANDING COMMITTEES

AUDIT & RISK COMMITTEE

The Audit & Risk Committee assists the board in fulfilling its responsibilities by providing recommendations, counsel and information concerning its accounting and reporting responsibilities under the Companies Act 1993 and related legislation. Its terms of reference also cover the role of internal audit and financial risk management.

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.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The Directors have pleasure in presenting their report, together with the audited Financial Statements of the Group for the year ended 30 June 2021.

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).

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 for the year was $9,466,000 (2020: $13,679,000). Taking into consideration the Group's discontinued operation, the overall net profit/(loss) after taxation was ($47,046,000) (2020: 9,623,000).

DIVIDEND

The Directors recommend no final dividend for the year ended 30 June 2021 (2020: nil). Taking into account no interim dividend (2020: nil), the total dividend for the year will be nil (2020: 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 2021.

On behalf of the Board

S A Broadbent
Chair

S Haslem
Director

26 August 2021

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

S A Broadbent
Chair

S Haslem
Director

26 August 2021

CONNECTIVITY

BEST CONNECTED

FOR ANY BUSINESS, HAVING FAST, RELIABLE, AND SECURE NETWORK CONNECTIVITY IS CRITICAL.

With its own nationwide network, an in-house team of expert engineers and technicians, and partnerships with all the major cloud providers, Kordia is trusted to keep some of New Zealand's most well-known brands 'best-connected', something it does through a wide range of services and solutions.

COMPLETE TECHNOLOGY SOLUTIONS
FOR NEW ZEALAND BUSINESSES

CYBER SECURITY

A HOLISTIC APPROACH TO CYBER SECURITY

AT KORDIA, WE BELIEVE THAT INNOVATION AND TECHNOLOGY GO HAND-IN-HAND. THAT'S WHY WE'RE COMMITTED TO CREATING A SAFE ONLINE SPACE IN WHICH NZ BUSINESSES CAN CREATE, INNOVATE, FLOURISH AND THRIVE.

Microsoft Partner
Gold Security
Microsoft

MORE THAN 75 CYBER EXPERTS

24/7/365 CYBER DEFENCE CENTRE

INDUSTRY LEADING SOLUTIONS

INCIDENT RESPONSE SUPPORT

CYBER SECURITY

DEFENDING BUSINESSES AGAINST A GROWING NUMBER OF CYBER-THREATS

PENETRATION TESTING

RED TEAM TESTING

SECURE CODE REVIEW

VIRTUAL SECURITY OFFICER

MOBILE TESTING

WI-FI TESTING

AURA'S HIGHLY SKILLED TEAM PROVIDE A WIDE RANGE OF SERVICES TO GOVERNMENT AND ENTERPRISE CLIENTS, FROM PENETRATION TESTING AND SECURITY AUDITS, THROUGH TO EMPLOYEE TRAINING AND VIRTUAL SECURITY OFFICER SERVICES.

aura INFORMATION SECURITY

POWERED BY KORDIA

CREST

MORE THAN HALF

OF NZ BUSINESSES WERE **SUCCESSFULLY TARGETED BY RANSOMWARE ATTACKS** OVER THE PAST 12 MONTHS*

20%

SAID THESE ATTACKS CAUSED **SERIOUS DISRUPTION TO THEIR BUSINESS***

*Aura Information Security Market Research, 2020

CLOUD

HELPING BUSINESSES EMBRACE THE CLOUD

THE TEAM AT KORDIA'S SPECIALIST CLOUD CONSULTANCY, EMRGE, ARE EXPERTS IN DELIVERING MISSION-CRITICAL INFRASTRUCTURE AND CLOUD TECHNOLOGY PROJECTS TO ENTERPRISE CUSTOMERS, PROVIDING STRATEGIC PLANNING, ARCHITECTURE, DESIGN, IMPLEMENTATION AND MANAGED SERVICES.

As a Microsoft Azure Gold partner, they specialise in workload transformation to Azure, with notable skill in containerisation, microservices, application modernisation and DevOps practices.

Microsoft Partner
Microsoft

Gold Cloud Platform
Gold Security
Gold DevOps
Gold Cloud Productivity

EMRGE®

POWERED BY KORDIA

CLOUD STRATEGY & DESIGN

CONTAINERS & KUBERNETES

DEV OPS FRAMEWORK

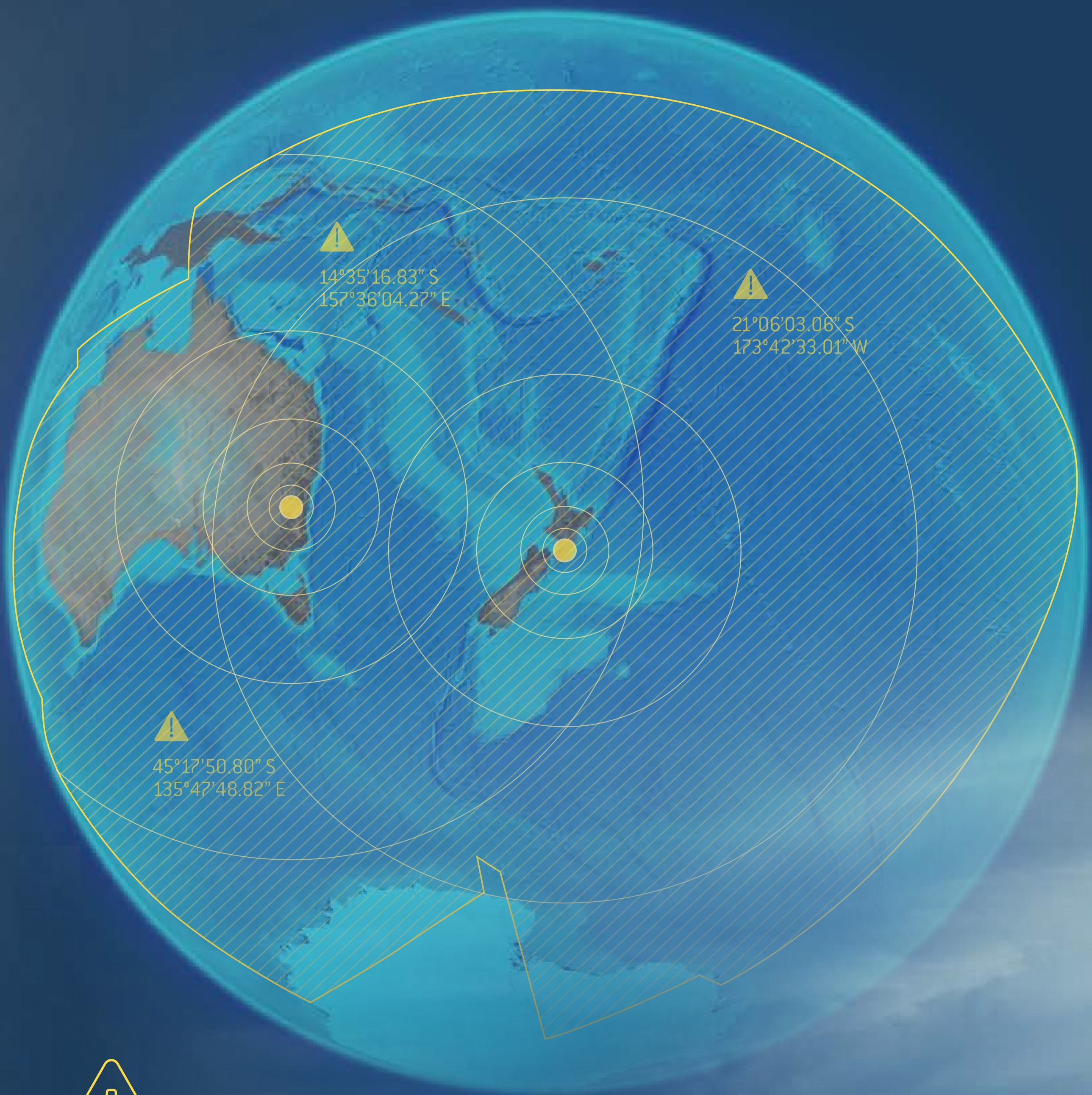
APPLICATION MODERNISATION

MARITIME

GUARDIANS OF THE OCEANS

FOR MORE THAN TWO DECADES KORDIA HAS BEEN TRUSTED TO MANAGE AND OPERATE THE NETWORK THAT PROVIDES VITAL COMMUNICATION SERVICES TO ALMOST A QUARTER OF THE WORLD'S OCEANS. THIS SERVICE IS PROVIDED BY A DEDICATED TEAM OF EXPERTS FROM OUR 24/7 MARITIME OPERATION CENTRES LOCATED IN CANBERRA, AUSTRALIA, AND WELLINGTON, NEW ZEALAND.

The COVID-19 pandemic has significantly changed the way people work and continuity of operations is of critical importance to our Maritime customers. Over the past year Kordia has demonstrated its ability to effectively execute on its pandemic response plan, which was developed in 2008, to ensure continuity of operations.



LAST YEAR OUR TWO MARITIME OPERATION CENTRES ON BOTH SIDES OF THE TASMAN RESPONDED TO

1026 CALLS FOR ASSISTANCE

FROM MARINERS IN DISTRESS, POTENTIALLY SAVING THE LIVES OF THOUSANDS OF PEOPLE ON BOARD THOSE VESSELS IN NEED OF URGENT HELP.

KORDIA SOLUTIONS

CONNECTING LOCAL BUSINESSES TO FUTURE TECHNOLOGIES

5G NETWORKS USE HIGHER-FREQUENCY RADIO WAVES, WHICH HAVE A SHORTER PHYSICAL RANGE. THESE SIGNALS DO NOT READILY PENETRATE BUILDINGS AND OTHER OBSTACLES. SO, WHEN ONE OF NEW ZEALAND'S HOTTEST ADDRESSES NEEDED TO DEPLOY A 5G READY IN-BUILDING COVERAGE SOLUTION AS A CORE COMPONENT OF ITS 'READY FOR WORK' DESIGN, THEY TURNED TO KORDIA SOLUTIONS NEW ZEALAND (KSNZ).

While the project rollout became somewhat challenging owing to timing and COVID-19, the KSNZ team worked closely with the client to create safe areas so work could progress while protecting team members. This was done by introducing cleaning stations and having the team always wear the correct Personal Protective Equipment.

Furthermore, global supply chain disruptions affected the delivery of key equipment required to meet a tight schedule. Fortunately, suppliers went the extra mile to manufacture and ship the equipment and Kordia had excellent support from a local logistics company which fast-tracked the gear through customs.

Overall, Kordia was able to go from design to completion in just 50 days, which given the circumstances was incredible.

The result is a 5G-ready building that offers any individual visiting Commercial Bay unimpeded access to cellular services, regardless of which telco operator their device connects to.

BRINGING 5G CONNECTIVITY TO COMMERCIAL BAY

Standing 180 metres tall, the new PwC Tower at Commercial Bay offers approximately 130,000 square metres of premium office space for up to 10,000 people.

Photograph courtesy of Precinct Properties NZ

KORDIA SOLUTIONS

ENGINEERING EXPERTISE – CHANNEL 9 TOWER REMOVAL

FOLLOWING MORE THAN A YEAR OF DETAILED PLANNING, KORDIA SOLUTIONS AUSTRALIA SUCCESSFULLY COMPLETED THE INITIAL PHASE OF DISMANTLING THE CHANNEL 9 TOWER AT WILLOUGHBY IN SYDNEY, NSW, IN AUGUST 2021. THIS PHASE INVOLVED REDUCING THE TOWER HEIGHT FROM 233M TO 125M, SIGNIFICANTLY CHANGING THE SYDNEY SKYLINE.

The project was planned and executed by Kordia Solutions New Zealand and Australia. It involved detailed methodology and engineering design on each step of the removal process.

Across 22 engineered lifts, Kordia expertly removed approximately 110m of the tower, including the top antenna stack, ladders and various platforms. There were over 10 different lifting and rigging configurations matching the load criteria.

Safety was paramount on this project, with Kordia deploying multiple layers of catch netting and specialist rigging equipment. Among the tools used were custom designed and fabricated cruciform shaped catch bags that were installed below each leg splice during the separation works to provide further protection from dropped objects.

The Kordia Solutions Australia team will resume the final phase of removal later in 2021.

Photograph courtesy of Mirvac.

TAKING NEW ZEALAND TO THE WORLD

OUR BROADCAST MEDIA TEAM IS RESPONSIBLE FOR GETTING LIVE FOOTAGE OF ALMOST EVERY MAJOR SPORTING EVENT IN NEW ZEALAND TO TV SCREENS THROUGHOUT NZ AND THE WORLD. KORDIA IS ALSO CALLED UPON TO DO THE SAME FOR MAJOR EVENTS IN THE WIDER PACIFIC REGION.

With the market undergoing constant change, Kordia is committed to helping its broadcast media customers as they innovate and respond to industry changes.

KORDIA GROUP LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

In thousands of New Zealand dollars	Notes	2021	Represented 2020
Continuing operations			
Revenue - New Zealand		**115,193**	111,513
Revenue - Australia		**7,708**	7,942
Total revenue		**122,901**	119,455
Direct costs and overheads	3	**44,377**	44,387
Employee and contractor costs	4	**46,756**	43,336
Earnings before interest, tax, depreciation and amortisation (EBITDA)	28	**31,768**	31,732
Finance income	5	**(186)**	(386)
Finance expense	5	**2,015**	1,591
Depreciation of property, plant and equipment	8	**11,242**	11,006
Depreciation of right of use assets	9	**3,821**	3,845
Amortisation of intangibles	11	**1,275**	962
Profit/(loss) before income tax from continuing operations		**13,601**	14,714
Income tax expense/(benefit)	6	**4,135**	1035
Profit/(loss) for the year from continuing operations		**9,466**	13,679
Profit/(loss) after tax for the year from discontinued operations	13	**(56,512)**	(4,056)
Profit/(loss) for the year attributable to the equity holder		**(47,046)**	9,623

The accompanying notes set out on pages 33 to 65 are to be read as part of these financial statements.
The comparative information is represented due to a discontinued operation. See note 13.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

In thousands of New Zealand dollars	**2021**	2020
Profit/(loss) for the year attributable to the equity holder	**(47,046)**	9,623
Foreign currency translation differences	**121**	258
Effective portion of changes in the fair value of cashflow hedges	**(14)**	(3)
Tax effect of the effective portion of changes in the fair value of cashflow hedges	**4**	1
Other comprehensive (loss)/income for the year	**111**	256
Total comprehensive income/(loss) for the year attributable to the equity holder	**(46,935)**	9,879

The accompanying notes set out on pages 33 to 65 are to be read as part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total Attributable to Owners
Balance 1 July 2019	**87,696**	**5,134**	**(3,244)**	**2**	**89,588**
Adjustment on initial application of IFRS 16, net of tax	-	(1,437)	-	-	(1,437)
Adjusted balance 30 June 2019	**87,696**	**3,697**	**(3,244)**	**2**	**88,151**
Net profit for the year	-	9,623	-	-	9,623
Other comprehensive income					
Foreign currency translation differences	-	-	258	-	258
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(2)	(2)
Total other comprehensive income	-	-	258	(2)	256
Total comprehensive income	**-**	**9,623**	**258**	**(2)**	**9,879**
Balance 30 June 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**

The accompanying notes set out on pages 33 to 65 are to be read as part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

In thousands of New Zealand dollars	Notes	2021	2020
Assets			
Property, plant and equipment	8	**52,695**	58,020
Right of use assets	9	**13,428**	15,690
Intangible assets and goodwill	11	**18,211**	27,030
Finance lease receivable	10	**1,025**	1,326
Deferred tax asset	14	**6,826**	18,032
Trade and other receivables	16	**736**	644
Total non-current assets		**92,921**	120,742
Cash		**10,474**	17,386
Inventories	15	**850**	3,176
Trade and other receivables	16	**15,395**	63,534
Finance lease receivable	10	**301**	281
Derivative assets		**-**	40
		27,020	84,417
Assets held for sale	13	**62,969**	-
Total current assets		**89,989**	84,417
Total assets		**182,910**	205,159
Equity and Liabilities			
Share capital	7	**87,696**	87,696
Foreign currency translation reserve		**(2,865)**	(2,986)
Cashflow hedge reserve		**(10)**	-
Retained earnings		**(33,726)**	13,320
Total equity attributable to the equity holder		**51,095**	98,030
Trade and other payables	17	**1,877**	1,904
Derivative liabilities		**-**	9
Loans and advances	18	**22,131**	6,000
Provisions	20	**10,991**	13,025
Lease liabilities	19	**10,750**	11,701
Total non-current liabilities		**45,749**	32,639
Taxation payable		**1,073**	2,218
Trade and other payables	17	**26,338**	65,095
Derivative liabilities		**14**	30
Provisions	20	**907**	578
Lease liabilities	19	**4,451**	6,569
		32,873	74,490
Liabilities directly associated with assets held for sale	13	**53,193**	-
Total current liabilities		**86,066**	74,490
Total liabilities		**131,815**	107,129
Total equity and liabilities		**182,910**	205,159

The accompanying notes set out on pages 33 to 65 are to be read as part of these financial statements.

On behalf of the Board

S A Broadbent
Chair

S Haslem
Director

26 August 2021

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

In thousands of New Zealand dollars	Notes	2021	2020
Cash flows from operating activities			
Receipts from customers		**234,191**	201,759
Receipt from Manatū Taonga, Ministry for Culture and Heritage	17	**-**	17,060
Payments to suppliers and employees		**(225,418)**	(177,511)
		8,772	41,308
Dividends received		**-**	2
Interest received		**90**	327
Interest paid		**(1,937)**	(1,795)
Taxes (paid)/refunded		**(4,983)**	(3,763)
Net cash from/(used in) operating activities	27	**1,942**	36,079
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		**7**	8
Acquisition of property, plant and equipment		**(11,387)**	(9,694)
Acquisition of intangibles	11	**(1,486)**	(530)
Acquisition of a business	12	**(4,873)**	-
Net cash (used in)/from investing activities		**(17,739)**	(10,216)
Cash flows from financing activities			
Proceeds/(repayment) of loans and advances		**16,131**	(14,648)
Proceeds from finance lease assets		**281**	260
Repayment of finance lease liabilities	19	**(7,551)**	(7,495)
Net cash from/(used in) financing activities		**8,861**	(21,883)
Net increase/(decrease) in cash and cash equivalents		**(6,936)**	3,980
Cash and cash equivalents at beginning of year		**17,386**	13,267
Effect of exchange rate fluctuations on cash		**24**	139
Cash and cash equivalents at end of year		**10,474**	17,386

The accompanying notes set out on pages 33 to 65 are to be read as part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2021

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 26 August 2021.

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 2021

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 2021

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.

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) 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.

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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2021

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(I) 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.

(J) 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.

(K) 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.

(L) 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.

(M) 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.

(N) 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.

(O) 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 2021

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(P) 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.

(Q) 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.

(R) STANDARDS AND INTERPRETATIONS ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2021. These have been assessed for applicability to the Group and the Directors have concluded that they will not have a significant impact on future financial statements except for amendments to NZ IAS 1 Classification of Liabilities as Current or Non Current that was early adopted by the Group in the current year to ensure the classification of the debt continues to reflect the maturity of the facility agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

In thousands of New Zealand dollars	Notes	2021	2020
3. DIRECT COSTS AND OVERHEADS INCLUDE:			
Auditor's fees			
- audit services		**172**	159
- other audit related services		**22**	23
Directors' fees		**291**	297
(Gain)/loss on disposal of property, plant and equipment		**(75)**	22
Impairment loss on trade receivables		**775**	431
Rental costs		**1,046**	703
Project material and subcontractor costs		**23,198**	24,037
Direct network costs		**13,006**	13,390
4. EMPLOYEE AND CONTRACTOR COSTS INCLUDE:			
Redundancy		**22**	70
Defined contribution plan		**1,916**	1,761
5. FINANCE INCOME AND EXPENSE			
Interest income on bank deposits and loan receivable		**3**	211
Interest income on finance leases		**87**	102
Realised foreign exchange gain		**96**	-
Unrealised foreign exchange gain		**-**	71
Dividend income		**-**	2
Finance income		**186**	386
Interest expense on loans and borrowings		**927**	625
Interest expense on lease liabilities		**752**	657
Realised foreign exchange loss		**-**	19
Unrealised foreign exchange loss		**53**	-
Unwind the discount on provisions	20	**283**	290
Finance expense		**2,015**	1,591
Net finance expense		**1,829**	1,205

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

In thousands of New Zealand dollars	**2021**	2020
6. INCOME TAX EXPENSE		
Current tax expense	**4,537**	10,868
Adjustment from prior periods	**81**	62
Deferred tax (benefit)	**(483)**	(6,592)
Future tax depreciation on buildings	**-**	(3,303)
Total income tax expense/(benefit)	**4,135**	1,035
Reconciliation of effective tax rate		
Net profit/(loss) before taxation	**13,601**	14,714
Taxation at 28%	**3,808**	4,120
Adjusted for the tax effect of:		
Difference in subsidiary income tax rates	**12**	30
Non-deductible expenses	**234**	126
Future tax depreciation on buildings	**-**	(3,303)
Under/(over) provided in prior periods	**81**	62
Taxation expense/(benefit)	**4,135**	1,035
Imputation Credit Account		
Imputation credits available to shareholders in future periods	**25,071**	20,330

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

In March 2020, the New Zealand Government announced a reinstatement of tax depreciation on buildings with a life of 50 years or more. This change is effective from the 30 June 2021 income year. The change in tax legislation has resulted in an increase in the Group's net deferred tax asset of $3,303 in 2020.

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	**2021**	2020
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 2021 the Group paid no interim dividend (2020: nil) and a prior year final dividend of $nil (2020: 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 2020 and June 2021 is due to the capitalisation of transmission equipment which were under construction at June 2020.

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 2021. 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% (2020: 0%) was assumed. A real post tax discount rate of 5.6% (2020: 5.1%) 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 2021, the carrying amount of the Network property, plant and equipment was determined to be below with 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 2019		**32,955**	**11,791**	**70,566**	**252,372**
Additions		266	1,386	478	5,144
Transfers		44	-	108	571
Disposals/adjustments		(246)	(265)	-	(335)
Reclassifications		17	(17)	-	-
Effect of movements in exchange rates		21	73	38	624
Balance at 30 June 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**
Depreciation and Impairment Losses					
Balance at 1 July 2019		**(24,891)**	**(5,006)**	**(61,147)**	**(223,032)**
Depreciation for the year		(1,157)	(632)	(1,334)	(7,439)
Disposals		234	272	-	314
Effect of movements in exchange rates		(8)	(66)	(18)	(604)
Balance as at 30 June 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	13	-	1,438	1	11,548
Balance as at 30 June 2021		**(26,965)**	**(4,010)**	**(63,821)**	**(226,885)**
Carrying amounts					
At 30 June 2020		**7,235**	**7,536**	**8,691**	**27,615**
At 30 June 2021		**6,317**	**5,964**	**7,751**	**27,724**

Furniture & fittings	Office equipment	Motor vehicles	Information systems	Work in progress	Total
1,388	**2,100**	**1,651**	**36,347**	**1,821**	**410,991**
31	99	198	960	2,453	11,015
36	46	-	112	(1,041)	(124)
(22)	(26)	(95)	(9)	-	(998)
-	-	-	-	-	-
6	26	18	690	-	1,496
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**
(1,044)	**(1,851)**	**(1,334)**	**(33,397)**	**-**	**(351,702)**
(85)	(138)	(129)	(1,348)	-	(12,262)
21	24	94	9	-	968
(5)	(27)	(17)	(619)	-	(1,364)
(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)**
326	**253**	**386**	**2,745**	**3,233**	**58,020**
262	**653**	**471**	**1,139**	**2,414**	**52,695**

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

9. RIGHT OF USE ASSETS

In thousands of New Zealand dollars	Notes	Property	Motor Vehicles	Total
Cost				
Balance at 1 July 2019		-	-	-
Transition to IFRS 16		45,553	6,030	51,583
Additions		6,633	686	7,319
Disposals		(597)	(971)	(1,568)
Effects of movements in exchange rates		137	51	188
Balance at 30 June 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**
Depreciation and Impairment Losses				
Balance at 1 July 2019		-	-	-
Transition to IFRS 16		(31,853)	(4,564)	(36,417)
Deprecation for the year		(5,484)	(1,316)	(6,800)
Disposals		597	959	1,556
Effects of movements in exchange rates		(98)	(73)	(171)
Balance at 30 June 2020		**(36,838)**	**(4,994)**	**(41,832)**
Deprecation for the year		(3,621)	(200)	(3,821)
Depreciation - discontinued operation	13	(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)**
Carrying amounts				
At 30 June 2020		**14,888**	**802**	**15,690**
At 30 June 2021		**13,231**	**197**	**13,428**

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 160 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:

	2021			2020		
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	**371**	**70**	**301**	367	86	281
Between one and five years	**1,119**	**94**	**1,025**	1,491	165	1,326
	1,490	**164**	**1,326**	1,858	251	1,607

The future lease receivables bear interest at 6% (2020: 6%).

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11. INTANGIBLE ASSETS

In thousands of New Zealand dollars	Notes	Trademarks	Frequency Licences	Software	Goodwill	Total
Cost						
Balance at 1 July 2019		**125**	**9,512**	**26,387**	**22,889**	**58,913**
Additions		-	-	30	500	530
Transfers		-	-	124	-	124
Effects of movements in exchange rates		-	-	-	327	327
Balance at 30 June 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	13	-	-	-	(14,175)	(14,175)
Balance at 30 June 2021		**125**	**9,512**	**28,227**	**14,486**	**52,350**
Amortisation and Impairment losses						
Balance at 1 July 2019		**(92)**	**(7,066)**	**(24,744)**	**-**	**(31,902)**
Amortisation for the year		(25)	(392)	(545)	-	(962)
Balance at 30 June 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)**
Carrying amounts						
At 30 June 2020		**8**	**2,054**	**1,252**	**23,716**	**27,030**
At 30 June 2021		**-**	**1,723**	**2,002**	**14,486**	**18,211**

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 $nil (2020: $14,130) has been allocated to Kordia Solutions Pty Limited, $9,086 (2020: $9,086) has been allocated to the Cyber business unit and $5,400 (2020: $500) 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 7.6% (2020: 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 2021 using the financial budgets approved by management. Beyond year five a real growth rate of 0% (2020: 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 has been 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.

In the prior year, the recoverable amount of Kordia Solutions Pty Ltd was based on a value in use calculation. The key assumptions used in the calculations included revenue growth, cost increases and discount rates. A discount rate of 6.1% was applied to this CGU derived from the real post tax weighted average cost of capital. The recoverable amount was calculated using cashflow projections for the five years from 2020 using the financial budgets approved by management. Beyond year five, a real growth rate of 0% was assumed. Sensitivities around an increase in the discount rate of 1% or a decrease in the terminal growth rate did not impair the carrying value of goodwill attributed to the Kordia Solutions Pty Ltd CGU.

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

Acquisition

On 31 January 2020 the Group acquired the business and assets of Emerging Technology Partners Limited (ETP), a provider of cloud technology products to enterprise customers, providing strategic planning, architecture, design, implementation, and managed services. The acquisition is expected to provide the Group an increased market share through expanding its existing product offering.

There were no tangible assets associated with acquisition. As such, the purchase price of $500 has been recorded as goodwill.

In the five months to 30 June 2020, ETP contributed revenue of $514. If the acquisition had occurred on 1 July 2019, management estimates that the consolidated group revenue would have been $225 for the year. For the year ended 30 June 2021, ETP contributed revenue of $1,881.

12. ACQUISITION OF A BUSINESS

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

12. ACQUISITION OF A BUSINESS (CONTINUED)

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

In thousands of New Zealand dollars	2021
Property, plant and equipment	42
Right of use assets	202
Trade and other receivables	540
Inventories	3
Trade and other payables	(582)
Lease liabilities	(232)
Total identifiable net assets	(27)
Consideration transferred	4,873
Goodwill recognised	4,900

The goodwill 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. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred acquisition-related costs of $73 on legal 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 is expected to be completed within a year from the reporting date and is considered highly probable. Kordia Solutions Pty Ltd is classified as a disposal group held for sale and as a discontinued operation as at 30 June 2021. The results of the disposal group for the year are presented below:

In thousands of New Zealand dollars	2021	2020
Results of Discontinued Operation		
Revenue	**147,837**	103,531
Other income	**193**	272
	148,030	103,803
Direct costs and overheads	**84,623**	55,812
Employee and contractor costs	**60,823**	49,251
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2,584**	(1,260)
Finance income	**(32)**	(266)
Finance expense	**292**	498
Depreciation and amortisation expense	**4,452**	4,211
Loss before income tax from a discontinued operation	**(2,128)**	(5,703)
Income tax benefit	**(624)**	(1,647)
Loss after income tax	**(1,504)**	(4,056)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(55,008)**	-
Loss for the period from discontinued operation	**(56,512)**	(4,056)
Auditor's fees included in results of discontinued operations	**138**	142
Cashflows from/(used in) Discontinued Operation Included in the Group Statement of Cashflows		
Net cash used in operating activities	**(7,902)**	3,521
Net cash used in investing activities	**(1,881)**	(1,291)
Net cash from financing activities	**9,026**	6,413
Net cashflows for the period	**(757)**	8,715

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

13. DISCONTINUED OPERATION (CONTINUED)

In thousands of New Zealand dollars	2021	2020
The Major Classes of Assets and Liabilities as Held for Sale at 30 June 2021 are as follows:		
Assets		
Trade and other receivables	**69,962**	
Inventories	**2,007**	
Assets held for sale	**62,969**	
Liabilities		
Trade and other payables	**36,892**	
Provisions	**803**	
Deferred tax	**11,537**	
Lease liabilities	**3,961**	
Liabilities directly associated with assets held for sale	**53,193**	
Net assets directly associated with the disposal group	**9,776**	

The foreign currency translation reserve of $9,077 will be recycled to the income statement on disposal of the disposal group.

Revenue from contracts with customers - continued operations	**122,901**	119,455
Revenue from contracts with customers - discontinued operations	**147,837**	103,531
Total revenue from contracts with customers	**270,738**	222,986

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 1 measurement. This was recognised in the discontinued operations in the Statement of Comprehensive Income.

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**

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	**2021**	2020	**2021**	2020	**2021**	2020
Property, plant and equipment	**3,174**	1,884	**-**	-	**3,174**	1,884
Right of use assets	**-**	-	**(3,761)**	(4,605)	**(3,761)**	(4,605)
Intangible assets	**-**	-	**(526)**	(107)	**(526)**	(107)
Derivatives	**4**	-	**-**	-	**4**	-
Trade and other receivables	**-**	-	**(102)**	(10,289)	**(102)**	(10,289)
Inventories	**54**	109	**-**	-	**54**	109
Employee entitlements	**631**	2,178	**-**	-	**631**	2,178
Other payables	**328**	1,012	**-**	-	**328**	1,012
Provisions	**2,741**	3,881	**-**	-	**2,741**	3,881
Lease liabilities	**4,283**	5,419	**-**	-	**4,283**	5,419
Tax losses	**-**	18,550	**-**	-	**-**	18,550
Net tax assets/(liabilities)	**11,215**	33,033	**(4,389)**	(15,001)	**6,826**	18,032

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

New Zealand	**6,061**	6,025
Australia	**765**	12,007
Net tax asset	**6,826**	18,032

All movements in deferred tax have been recognised in the Income Statement except for $4 (2020: ($1)) relating to derivatives which have been recognised in the cash flow hedge reserve, $36 (2020: $127) that have been recognised in the foreign currency translation reserve, and $nil (2020: ($572)) recognised in retained earnings on transition to IFRS 16.

In the prior year gross tax losses of $61,833 were recognised on the basis of forecasted operating earnings set out in the Group strategic plan. The Directors considered it probable that future taxable profits would be available against which the recognition of tax losses can be utilised, subject to certain conditions.

As at 30 June 2021, Kordia Solutions Pty Ltd has been 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 $23,188 (gross $77,293) were impaired as they are not recoverable. Timing differences of $11,537 have been reclassified as held for sale. Refer to note 13.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15. INVENTORIES

In thousands of New Zealand dollars	2021	2020
Inventory	**1,181**	3,743
Provision for write down	**(331)**	(567)
Total inventories	**850**	3,176

16. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	**9,877**	22,724
Provision for doubtful debts	**(1,398)**	(690)
Trade prepayments	**3,162**	4,276
Costs to obtain a contract	**870**	865
Contract asset – contract work in progress	**2,884**	36,359
	15,395	63,534
Non-current		
Costs to obtain a contract	**693**	592
Other receivables	**43**	52
	736	644

During the year, the Group utilised $67 (2020: $176) of the provision for doubtful debts and increased the provision by $775 (2020: $431).

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 2021, contract work in progress was $2,884 (2020: $36,359).

Deferred income, where billing exceeds recognised revenue, is disclosed in note 17 and amounts to $5,607 (2020: $7,580).

Trade receivables are financial assets categorised as loans and receivables.

17. TRADE AND OTHER PAYABLES

In thousands of New Zealand dollars	**2021**	2020
Current		
Trade payables and accruals	**20,222**	40,145
Contract liability - deferred income	**5,105**	7,015
Contract liability – media industry support	**-**	11,373
Employee entitlements	**1,209**	6,562
	26,338	65,095
Non-current		
Trade payables and accruals	**-**	154
Contract liability - deferred income	**502**	565
Employee entitlements	**1,375**	1,185
	1,877	1,904

Payables are categorised as financial liabilities measured at amortised cost.

On 23 April 2020, the New Zealand Government announced a financial support package for the New Zealand media industry to help them through the impacts of Covid19. As part of the package, Manatū Taonga, Ministry for Culture and Heritage funded television and radio transmission fees for six months from May 2020. The Group received $17,060 from Manatū Taonga, Ministry for Culture and Heritage to apply to each broadcasters transmission fees for six months from May 2020. As at June 2021 none (2020: $11,373) remains unearned as it is in respect of transmission fees for the period July to October 2020.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

18. LOANS AND ADVANCES

In thousands of New Zealand dollars	2021	2020
Bank loans (unsecured)	**22,131**	6,000

Loan facilities are repayable as follows:		
Within one year	**-**	-
One to two years	**-**	-
Two to five years	**22,131**	6,000
	22,131	6,000

Weighted average interest rates:		
Bank loans	**2.4%**	1.3%
Bank loans amended for derivatives, line fees and margin	**3%**	1.9%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 and amended and restated from time to time (2020: 29 June 2017), committed to a maximum amount of NZD40 million (2020: NZD40 million). The loans drawn and facility available is analysed as follows:

	2021				2020			
	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	**-**	**22,131**	**-**	**40,000**	-	6,000	-	40,000
Tranche B	**-**	**-**	**-**	**-**	-	-	-	-
Tranche C	**-**	**-**	**-**	**-**	-	-	-	-
	-	**22,131**	**-**	**40,000**	-	6,000	-	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, including Kordia Solutions Australia Pty Ltd.

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 2020 and 2021 financial years.

Covenant		**2021**	2020
Gearing ratio	Net debt to EBITDA <3.0:1	**0.6:1**	0.2:1
Interest cover	EBITDA to net interest >3.0 times	**17:1**	21:1
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	Notes	Property	Motor Vehicles	Total
Balance at 1 July 2019		-	-	-
Transition to IFRS 16		16,912	1,621	18,533
Additions		6,633	686	7,319
Payments		(6,052)	(1,443)	(7,495)
Variable lease payments (rent concession)		(156)	-	(156)
Effects of movements in exchange rates		86	(17)	69
Balance at 30 June 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	13	(2,235)	(1,726)	(3,961)
Balance at 30 June 2021		**15,072**	**219**	**15,291**
Current		5,933	636	6,569
Non-current		11,490	211	11,701
Balance at 30 June 2020		**17,423**	**847**	**18,270**
Current		4,395	146	4,541
Non-current		10,677	73	10,750
Balance at 30 June 2021		**15,072**	**219**	**15,291**
Maturity analysis of contractual undiscounted cashflows				
Less than one year		6,304	668	6,972
One to five years		9,510	222	9,732
More than five years		4,191	-	4,191
Total undiscounted cashflows June 2020		**20,005**	**890**	**20,895**
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		**17,308**	**233**	**17,541**

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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.

In March and April 2020, the Group received rent concessions, in the form of one off reduced rental charges, from it landlords due to the impacts of Covid19. These have been accounted for as a negative variable lease payment thereby reducing the lease liability and charge to the Income Statement. No rent concessions were received in the current year.

20. PROVISIONS

In thousands of New Zealand dollars	Notes	Warranty	Make good	Total
Balance at 1 July 2019		**262**	**12,297**	**12,559**
Provisions made/(adjusted) during the period		-	1,092	1,092
Provisions utilised during the period		(264)	(85)	(349)
Effect of movement in exchange rate		2	29	31
Unwind discount		-	270	270
Balance at 30 June 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	13	-	(803)	(803)
Balance at 30 June 2021		**-**	**11,898**	**11,898**
Current		-	578	578
Non-current		-	13,025	13,025
Balance at 30 June 2020		**-**	**13,603**	**13,603**
Current		-	907	907
Non-current		-	10,991	10,991
Balance at 30 June 2021		**-**	**11,898**	**11,898**

Warranties

The provisions for warranties relate mainly to design and build contracts. The provision is based on estimates made from historical data.

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 8% 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. The remainder of this note pertains to the continuing operations only.

(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 AUD616 ($679) and USD162 ($231) {2020: AUD827 ($886) and USD487 ($758)} and current liabilities of AUD419 ($464) and USD239 ($341) {2020: AUD1,151 ($1,233) and USD106 ($166)}. 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 (2020: NZD40,000). At 30 June the drawdown on these facilities was $22,131 (2020: $6,000), to fund on-going activities. The facilities expire on 1 July 2023. The Group has an overdraft facility of $50 (2020: $50) which has a wholesale prime interest rate of 6% (2020: 6%). At 30 June 2021 the drawdown on this facility was nil (2020: nil).

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

In thousands of New Zealand dollars	**2021**	2020
Fixed rate instruments:		
Financial assets (finance leases)	**1,326**	1,607
Variable rate instruments:		
Financial liabilities (debt)	**22,131**	6,000

(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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

21. FINANCIAL INSTRUMENTS (CONTINUED)

	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)

	2020						
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	-	(65,095)	(1,904)	-	-	(66,999)	(66,999)
Loans and advances	-	(79)	(79)	(6,079)	-	(6,237)	(6,000)
Total liabilities and equity	-	(65,174)	(1,983)	(6,079)	-	(73,236)	(72,999)

(D) SENSITIVITY ANALYSIS

At 30 June 2021, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's net profit after tax by $155 (2020: $42). At 30 June 2021, it is estimated that a general decrease of one percentage point in interest rates would increase the Group's net profit after tax by $155 (2020: $42). Interest rate swaps have been included in this calculation.

At 30 June 2021, 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 $242 (2020: $31). At 30 June 2021, 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 $242 (2020: $31). 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	2021 Gross receivable	2021 Impairment	2020 Gross receivable	2020 Impairment
Not past due	**4,079**	**-**	16,191	-
Past due 0-30 days	**2,449**	**-**	4,063	-
Past due 31-120 days	**1,944**	**(181)**	2,019	(335)
Past due 121-365 days	**1,177**	**(989)**	348	(262)
Past due more than 1 year	**228**	**(228)**	103	(93)
Total	**9,877**	**(1,398)**	22,724	(690)

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	2021 Carrying value	2021 Fair value	2020 Carrying value	2020 Fair value
Loans and advances payable (classified as amortised cost)	**22,131**	**22,131**	6,000	6,000

As at 30 June 2021, 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 2021

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	**2021**	2020
Capital commitments (including intangible assets) are:		
Within one year	**2,394**	2,013

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		100%	Australia

All subsidiaries have balance dates of 30 June.

The Crown is a 100 percent shareholder in Kordia Group Limited. All transactions with other Crown Entities, State Enterprises and Government Departments other than entities included in these consolidated financial statements are 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	**2021**	2020	**2021**	2020
Revenue from telecommunications services	**28,473**	28,484	**1,257**	1,234
Direct costs and overheads	**3,204**	3,666	**343**	4

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	**2021**	2020
Short term employee benefits	**2,648**	2,533
Defined contribution plan	**137**	117
Directors fees	**291**	297
	3,076	2,947

Unpaid amounts relating to the above are $542 (2020: $579).

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

In thousands of New Zealand dollars	Notes	2021	2020
Net surplus/ (deficit) as per income statement		**(47,046)**	9,623
Add/(deduct) non-cash items:			
Depreciation of property, plant and equipment	8	**11,242**	12,262
Depreciation of right of use assets	9	**3,821**	6,800
Amortisation of licences and intangibles	11	**1,275**	962
Realised foreign currency losses/(gains)		**99**	281
Change in deferred tax/(future income tax benefit)		**22,792**	(5,088)
Movement in provision for doubtful debts		**708**	255
Movement in other provisions		**(66)**	24
Variable lease payments (rent concessions)		**-**	(156)
Unwind/change in make good		**283**	270
Movement in customer acquisition costs		**(109)**	215
Discontinued operations		**4,387**	-
		(2,614)	25,448
Items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment		**(75)**	22
Working capital items on acquisition		**(40)**	-
Working capital items reclassified as held for sale		**(5,163)**	-
		(5,278)	22
Movements in working capital:			
Receivables, prepayments and contract work in progress		**47,437**	(15,030)
Inventories		**2,326**	(1,385)
Payables and deferred income		**(39,929)**	27,024
		9,834	10,609
Net cash flows from/(used in) operating activities		**1,942**	36,079

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 2021

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.

On 23 April 2020, the New Zealand Government announced a financial support package for the New Zealand media industry to help them through the impacts of Covid19. As part of the package, ManatĐ Taonga, Ministry for Culture and Heritage funded television and radio transmission fees for six months from May 2020. The Group received $17,060 from Manatū Taonga, Ministry for Culture and Heritage to apply to each broadcasters transmission fees for six months from May 2020. This had a material impact on the cashflow for the prior year as disclosed in the Statement of Cashflows. At 30 June 2021, none (2020: $11,373) remains unearned. Refer to note 17.

Throughout 2020 and 2021 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 and 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 26 August 2021 the Board of Directors declared no final dividend for the year ended 30 June 2021.

On 1 July 2021, the Group acquired the business and assets of SecOps NZ Ltd, a managed security company. At balance date the purchase contract was subject to a number of conditions precedent. The acquisition has been funded out of existing loan facilities. As the acquisition is a non-adjusting event, SecOps NZ Ltd has not been included in this years' Group financial statements.

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


kordia

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021

TO THE READERS OF KORDIA GROUP LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 27 - 65, that comprise the statement of financial position as at 30 June 2021, 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 2021; 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 26 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. 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.

Other than the audit and other audit related services, we have no relationship with or interests in the Group.

Yours Sincerely

M.K. Crawford

Mark Crawford
KPMG
On behalf of the Auditor-General
Auckland, New Zealand
26 August 2021

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

	Statement of Corporate Intent [a] - Target 2021	2021 Actual	2020 Actual
Financial Performance Targets (Consolidated)			
Shareholder Return			
Dividend yield (dividends/avg commercial value)	3%	**0%**	0%
Return on equity (net profit after tax from continuing operations as a percentage of average shareholders' equity)	6%	**13%**	10%
Total shareholder return ((commercial value end - commercial value beg + dividends)/ commercial value beg)	9%	**(25%)**	15%
Profitability/Efficiency			
Earnings before interest and taxes from continuing operations (EBIT)	$9.1m	**$15.4m**	$10.4m
Group net profit after tax from continuing operations (NPAT)	$5.1m	**$9.5m**	$9.6m
Return on capital employed (EBIT adjusted for IFRS fair value movements/ average capital employed)	9%	**14%**	9%
Operating margin (EBITDAF/Revenue)	14%	**12%**	14%
Leverage/Solvency			
Gearing ratio (net debt/(net debt + shareholders' funds))	7%	**19%**	(13%)
Interest cover (EBITDA/ net interest)	17	**17**	21
Net Debt/EBITDA	0.9	**0.6**	0.2
Solvency (current assets/current liabilities)	1.5	**0.8**	1.1
Growth			
Capital replacement (Capex/(depreciation and amortisation))	1.1	**1.0**	Not reported
Revenue growth (current year revenue less prior year revenue including discontinued operations)	$8.9m	**$47.7m**	Not reported
EBITDA growth (current year EBITDA less prior year EBITDA including discontinued operations)	$2.4m	**$3.9m**	Not reported
Non - Financial Performance Targets (Consolidated)			
Net promoter score (NPS) [b]	50+	**62**	50
Total recordable injury frequency rate (TRIFR) [c]	<5	**3.06**	2.86
NZ Digital Television Transmission (DTT) network availability (main metro sites measured annually) [d]	99.9%	**100%**	100%

Notes

(a) The 2020 actuals and the 2021 Statement of Corporate Intent was prepared on the basis that Kordia Solutions Australia Pty Limited was a continuing operation. The 2021 actuals above have been prepared on the continuing operations and exclude the impact of the discontinued operation except for revenue growth and EBITDA growth.

(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 2021 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 A BROADBENT	
Transpower New Zealand Limited	Director
Breach Consulting Limited	Director/Shareholder
Spruce Goose Aerospace Limited	Director/Shareholder
Figured Limited	Shareholder
Cloudsource Holidings Ltd	Director
Business Leaders' Health and Safety Forum	Board Member

S HASLEM	
Rangatira Limited	Director
The Meteorological Service of New Zealand Limited	Chair
CentrePort Limited	Deputy Chair
CentrePort Properties Limited	Director
Omphalos Limited	Director
Oyster Property Group Ltd	Director
Livestock Improvement Corporation	Director
MyRepublic	Shareholder

P M ENNIS	
Greystones Limited	Director/Shareholder
Avid Technology Inc	Shareholder

D T HAVERCROFT	
Connect8 Limited	Director
Southern Cross Cables Limited	Director
Reflect Limited	Director
KiwiWealth	Director
Spark NZ Limited	Shareholder
Chorus Limited	Shareholder
Nyriad Limited	Shareholder
Kode Biotech Limited	Shareholder
Technology Advisory Boards for Westpac and ANZ	Member

S T O'CONNOR

Yarra Valley Water	Chair
Mercer Superannuation	Director
ClimateWorks Australia	Director
Monash Sustainable Development Institute	Advisory Council Member
Bush Heritage Australia	President

A S J O'BRIEN

A O'Brien & Associates Limited	Director/Shareholder
New Zealand Antarctic Institute	Trustee
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 (2020: $40 million). The 2021 premium (net of GST) was $42,525 (2020: $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 $
J E Quirk	Resigned 30 April 2021	60,000
S A Broadbent (Chair)		49,500
S Haslem		37,500
P M Ennis		36,000
D T Havercroft		36,000
S T O'Connor		36,000
A S J O'Brien		36,000
		291,000

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 three components: fixed remuneration, short-term performance incentives and long-term performance incentives. Short and long 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 FY21 the relevant target percentage for the Chief Executive is 40% (2020: 40%) and for all the other executives it is 15% to 40% (2020: 15% to 35%). 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.

Long-Term Incentives (LTI) are designed to provide a competitive, performance-based incentive aligned to the Group's profitability that drives exceptional and sustainable high performance and retains key executive employees. For FY21 the relevant target percentage for the Chief Executive is 20% (2020: 20%) of base salary. Under the LTI plan, performance is measured annually against a profit based target with payment due 12 months after it has been earnt.

A summary of the Chief Executive's remuneration earned in respect of the years ended 30 June 2020 and 30 June 2021 is as follows:

	Fixed Remuneration		Pay for Performance		**Total Remuneration**
	Salary	Benefits	STI	LTI	**(NZD)**
FY21 – new CEO (effective 1 February 2021)	$251,167[1]	$12,599[2]	$100,000	-	**$363,737**
FY21 – retiring CEO (effective 28 October 2020)	$563,133[1]	$46,816[2]	$36,217	-	**$646,166**
FY20	$629,486[1]	$45,511[2]	$191,880	$124,302	**$991,179**

Note 1: Actual salary paid includes holiday pay paid as per New Zealand legislation, sick leave and higher duties allowances.
Note 2: Benefits include superannuation

A breakdown of the Chief Executives pay for performance (FY21) is as follows:

	Description	Performance Measures
STI	Set at 40% of total fixed salary remuneration. Based on a combination of key financial and non financial performance measures.	50% based on Company NPAT and Net debt measures. 50% Based on individual measures.
LTI	Set at 20% of total fixed salary remuneration. Payable 12 months after year end.	Based on Group NPAT financial measures.

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 2021. 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 (including those in the discontinued operation) 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	68	7
$110,001 to $120,000	65	3
$120,001 to $130,000	63	4
$130,001 to $140,000	51	3
$140,001 to $150,000	51	2
$150,001 to $160,000	22	-
$160,001 to $170,000	26	-
$170,001 to $180,000	19	-
$180,001 to $190,000	15	-
$190,001 to $200,000	9	-
$200,001 to $210,000	9	-
$210,001 to $220,000	10	-
$220,001 to $230,000	7	-
$230,001 to $240,000	7	-
$240,001 to $250,000	7	-
$250,001 to $260,000	2	-
$260,001 to $270,000	4	-
$270,001 to $280,000	2	-
$280,001 to $290,000	2	-
$300,001 to $310,000	1	-
$310,001 to $320,000	2	-
$320,001 to $330,000	2	-
$330,001 to $340,000	2	-
$340,001 to $350,000	2	-
$380,001 to $390,000	3	-
$390,001 to $400,000	1	-
$400,001 to $410,000	1	-
$520,001 to $530,000	1	-
	454	19

NOTES

MANAGED SECURITY SERVICES.

When it comes to cyber-security, the best defence is a good offense. That's where Kordia comes in. Our goal is to provide complete security visibility and up-to-the-minute threat intelligence using our specialist security monitoring tools backed up 24/7 by our team of security specialists.

- REAL-TIME THREAT INTELLIGENCE
- 24/7 DEFENCE CENTRE
- SPECIALIST MONITORING TOOLS


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