BROADCAST & COMMUNICATIONS

BUSINESS TELECOMMUNICATIONS NETWORKS

CYBER SECURITY

SAFETY OF LIFE

2018 ANNUAL REPORT

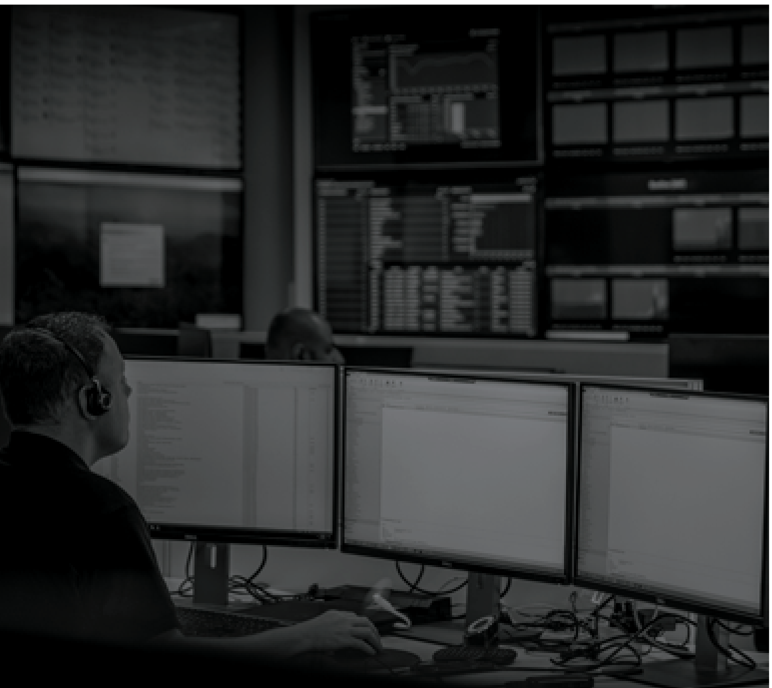
kordia®

CYBER SECURITY

BROADCAST & COMMUNICATIONS

SAFETY OF LIFE

BUSINESS TELECOMMUNICATIONS NETWORKS



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CHAIR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Kordia Group made a strong return to profitability in the year ended 30 June 2018, posting a revenue of $217m.

This figure represents year-on-year growth of eight percent over the $201m reported in FY17. The company's earnings before interest, tax, depreciation and amortisation (EBITDA) is $27m, and the company reports a full year profit after tax of $5.7m.

An interim dividend of $1m was paid in March 2018 with a final dividend of $2.963m payable on 30 September 2018, bringing the total dividend for the period to $3.963m.

The Group's net debt is $3.3m and on the back of a profitable year, the balance sheet remains strong.

The success of the past year is due to consistent performance and growth experienced across all divisions of the business (Solutions, Cyber Security, Networks and Maritime) in both Australia and New Zealand.

In a competitive market, Kordia has positioned its offerings well to meet market demand with strong and in some cases unique value propositions. It is particularly pleasing that every division has done well, contributing to an eight percent year-on-year revenue increase.

Kordia Group's commitment to innovation is evident in several successes in the period under review. In New Zealand, the Networks division successfully launched Software-Defined Wide Area Networking (SD-WAN) to the market and has established itself as a cornerstone in the rollout of dedicated Internet of Things (IoT) networks.

In Australia, the Solutions division won a significant contract to provide a mobile phone jamming solution at the New South Wales Goulburn Correctional Complex and upgrade existing technology at Lithgow Correctional Complex.

Across both countries, the Solutions division has completed large-scale small-cell deployments for mobile operators as a precursor to 5G mobile network technology.

Kordia's Maritime business successfully completed the Marine Distress Emergency Monitoring Service (MDEMS) project for coastal communications in Victoria. In addition, Kordia began work on a significant upgrade to Coastguard Northern Region's critical communication systems.

The Australian Cyber business continues to expand, with an increased presence in Melbourne and Sydney to deliver on our customers' need for Kordia's Aura Information Security division.

Our people are a cornerstone of Kordia's capability and the company continues its focus on attracting and retaining the right people.

The professionalism and commitment to customer service from our people has resulted in Kordia consistently achieving Net Promoter Scores (NPS) greater than 50, significantly ahead of industry averages. It is due to the contribution of every employee that the company has performed so well this year, and I thank our team for their efforts.

CONCLUSION

Kordia Group has a rich 60-year-plus history of designing, delivering and operating complex technology solutions. Through strategic investment and organic growth, the company has established a formidable combination of complimentary business units offering in-demand solutions and services. Kordia Group is therefore well positioned to participate in future growth opportunities and continue delivering sound shareholder returns.

JOHN QUIRK
CHAIR OF THE BOARD - KORDIA GROUP

Kordia Group's commitment to innovation is evident in several successes in the period under review. In New Zealand, the Networks division successfully launched Software-Defined Wide Area Networking (SD-WAN) to the market and has established itself as a cornerstone in the rollout of dedicated Internet of Things (IoT) networks.

JOHN QUIRK, CHAIR OF THE BOARD - KORDIA GROUP

CEO'S REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Another year, another constant. Change. While this was certainly a strong theme for Kordia Group over the past year, the same could also be said of the industry we operate in and during the past 12 months we've seen change that has brought both challenges and opportunities to our business.

As a company that started in broadcast more than 60 years ago, Kordia Group is highly experienced in the art of evolution. This means our team is well placed to embrace the constant march of technological advancements, trends, market shifts and evolving customer needs. It also means we're able to front foot change and, in many cases, take on a leadership role.

It's this ability to adapt to changing market needs and trends that has contributed to a successful year for our business and a positive result for our shareholder.

NETWORKS A STAR PERFORMER

Our New Zealand Networks business was a star performer over the past year and, with several projects now complete, is well positioned for a strong start to the new financial year. Not only has our Networks division taken on a leadership approach in the roll out and adoption of the Internet of Things (IoT) in New Zealand, it has also played a significant role in introducing Software-Defined Wide Area Networks (SD-WAN) to businesses. All while continuing to provide innovative, best-in-breed technology solutions to our customers and securing Net Promoter Scores (NPS) that far exceed the industry average.

CYBER GROWTH CONTINUES

With cyber-attacks continuing to rise, our Cyber business also continues to flourish as more and more businesses look for a trusted partner to help them navigate what can only be described as a minefield of online threats.

Over the past year Kordia Group's independent security division, Aura Information Security, has experienced significant growth at 32 percent – a number we expect will increase over the coming year. While this growth can be attributed to many things, in my view it comes down to one thing – Aura's people. With a team of more than 30 hand-selected security experts, located on both sides of the Tasman, Aura is fast becoming the 'go-to' for business, media and industry looking for expert advice and support.

Over the past year, members of Aura's team were invited to present their research at major information security events all around the world. While there where many other successes, the icing on the cake was seeing Aura win the highly coveted iSANZ Best Security Company of the Year Award.

KORDIA SOLUTIONS

Although the Australian contracting environment remains volatile, our Solutions team continues to win its share of business and our team is fast becoming the supplier of choice when it comes to the rollout of new technologies such as 5G.

In 2018, the team was awarded two significant projects by Corrective Services NSW for three years to design, install and test a new mobile phone jamming system at Goulburn Correctional Complex, and upgrade existing technology at Lithgow Correctional Complex. Work on this began in 2017 and will continue into 2018.

MARITIME

Kordia's Maritime team also made some significant advancements in the past year thanks to the commencement of Coastguard Northern Region's VHF Network upgrade project in New Zealand and the completion of the Marine Distress Emergency Monitoring Service (MDEMS) – known as Marine Radio Victoria – for the Victorian Government. This around-the-clock service, powered by Kordia, will provide mariners with a constant, reliable communications network that keeps those at sea in touch with each other and land-based personnel.

MEDIA

Our Media division continues to perform well, and with several significant re-signs of long-term contracts now complete, is on solid footing for the coming year. With formal announcements regarding the introduction of a digital playout facility at our Avalon-based studios, as well as the commencement of a 4K Ultra High Definition (UHD) free-to-air television demonstration for Auckland, our team continues to push the boundaries in encouraging the adoption of new technologies that will help reshape the New Zealand media eco-system.

> Over the past year, members of Aura's team were invited to present their research at major information security events all around the world. While there where many other successes, the icing on the cake was seeing Aura win the highly coveted iSANZ Best Security Company of the Year Award.
>
> SCOTT BARTLETT, CEO - KORDIA GROUP

OUR PEOPLE

A matter that's particularly close to my heart is our people, and their safety. Kordia Group operates with a 'Zero Harm' policy and for this reason is continuously looking for ways to improve our working environment, as well as our internal policies and processes. Last year, the Group reduced its TRIFR by almost 20 percent.

In addition, we continue to focus on living our core values 'We are: collaborative, trustworthy, humble, courageous, experts' and it's particularly pleasing to see that much of the customer feedback I see coming through in our Net Promoter Scores (NPS) uses one or more of these five attributes to describe our people and the work we do.

CONCLUSION

While the past financial year has brought many challenges, it has also yielded many positives – all of which have allowed the Group to end the year on a high, with a good result for our shareholder and a solid footing for the coming financial year.

At Kordia Group, our vision is to become the leading Australasian provider of mission-critical technology – looking back on the past year, we're making good on this and I thank our teams for all they have done to help us achieve our vision and I look forward to the year ahead.

SCOTT BARTLETT
CEO - KORDIA GROUP

KORDIA GROUP

BOARD MEMBERS

JOHN QUIRK

CHAIR OF THE BOARD. MEMBER OF KORDIA'S PEOPLE & CULTURE COMMITTEE AND KORDIA'S AUDIT & RISK COMMITTEE

John Quirk is actively involved in governance, investment, M&A and strategy activities across the New Zealand ICT sector. Throughout his career, John has held several key leadership roles including Chairman, CEO and Managing Director. John has extensive experience in high growth, high tech companies.

He is currently Chairman of FrameCAD Group, Farm-IQ Systems, SMX Limited, Clearpoint Group, WhereScape Software and Cumulo9 Ltd.

John is a Chartered Member of the NZ Institute of Directors.

SHERIDAN BROADBENT

DEPUTY CHAIR OF THE BOARD. CHAIR OF KORDIA'S HEALTH & SAFETY COMMITTEE AND KORDIA'S PEOPLE & CULTURE COMMITTEE

Sheridan Broadbent (BCom, Advanced Management Program, Harvard Business School) is an experienced ICT, utilities and energy executive having held senior positions with Downer in New Zealand and Australia, Genesis Energy and most recently as Chief Executive for Counties Power.

She is an independent Director for Transpower and Timberlands and is the Chair of smart meter analytics start up, Ampli.

Sheridan is also the Secretary of the Business Leaders' Health and Safety Forum, a Chartered Member of the Institute of Directors and an inaugural graduate of the IOD-administered Future Directors scheme.

PAUL ADAMS

MEMBER OF KORDIA'S HEALTH & SAFETY COMMITTEE AND KORDIA'S AUDIT & RISK COMMITTEE

Paul Adams (CNZM), is a Chartered Fellow of the Institute of Directors, and a member of the Institute of Professional Engineers. He is Group Chairman of Carrus Group and Managing Director of Carrus Corporation, a property development and ownership group.

Paul has built a successful career in civil engineering contracting and is also well regarded for his philanthropic activities. He is a Trustee of Te Aho O Te Kura Pounamu and is also Patron of the Te Tuinga Whanau Support Services Trust and Waipuna Hospice.

SOPHIE HASLEM

CHAIR OF KORDIA'S AUDIT & RISK COMMITTEE

Sophie Haslem is a Chartered Member of the Institute of Directors and has a BCom and Post-Graduate Diploma in Management from the University of Melbourne.

Over her 20 year executive career, Sophie has worked with a diverse range of companies in both New Zealand and Australia; and has built a strong background in corporate finance and strategy consulting. Previous roles she has held include senior positions within Citibank NA, ANZ Investment Bank, Ernst & Young and New Zealand Post.

Sophie is currently Chair of the Akina Foundation and Deputy Chair to Metservice Limited. She is currently a Director of CentrePort Limited, Rangatira Limited, Magritek Limited, and Rainbows End Theme Park Limited.

PETER ENNIS

MEMBER OF KORDIA'S PEOPLE & CULTURE COMMITTEE

Peter Ennis (I. Eng MIET, MBA) is an experienced senior media executive with extensive international experience in media and broadcast operations, technology, distribution, business development and sales. Peter headed up the operations, technology and digital media functions of the TV3 Group, the Irish national commercial broadcaster, where he was also a main board director.

After moving to New Zealand in 2009, Peter headed up the technology function at TVNZ before a stint in Qatar, where he served on the executive board of Al Jazeera as Executive Director of Technology and Broadcasting, charged with the delivery of Al Jazeera's content across six continents and online.

Peter is now Senior Vice President of Global Services and Delivery for Avid Technology Inc, a leading provider of audio and video technology for media organisations and independent professionals.

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 2018

The Directors have pleasure in presenting their report, together with the audited Financial Statements of the Group for the year ended 30 June 2018.

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 Winston Peters

RESULTS FOR THE YEAR

The Group's consolidated net profit/(loss) after taxation for the year was $5,662,000 (2017: ($1,154,000)).

DIVIDEND

The Directors recommend a final dividend for the year ended 30 June 2018 of $2,963,000 (2017: Nil). Taking into account an interim dividend of $1,000,000 (2017: Nil), the total dividend for the year will be $3,963,000 (2017: 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 Malcolm Downes of KPMG to act for and on behalf of the Auditor-General, as auditor in respect of the year ended 30 June 2018.

On behalf of the Board

J E Quirk Chair	S Haslem Director	30 August 2018

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2018

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.

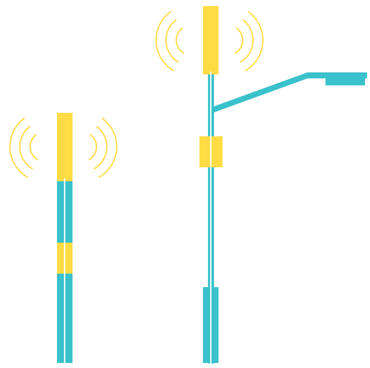
In the opinion of the Board and management these financial statements fairly reflect the financial position, operations and cashflows of Kordia Group Limited for the year ended 30 June 2018.

J E Quirk
Chair

S Haslem
Director

30 August 2018

ENABLING HIGH-SPEED MOBILE



IN AUSTRALIA, KORDIA ARE CONSIDERED TO BE EXPERTS IN SMALL CELLS DELIVERY.

Small Cells are the precursor to 5G technology. Over the last 12 months, Kordia has played a pivotal role for key technology partners and some of the largest mobile carriers throughout Australia, working alongside them to help bring high-speed mobile strategies to life.

WE ARE CURRENTLY DESIGNING AND INSTALLING

1000s

OF SMALL CELL SYSTEMS IN AUSTRALIA AND NEW ZEALAND

HELPING TO TAKE ORGANISED CRIMINAL ACTIVITY OUT OF PLAY

KORDIA SOLUTIONS HAS BEEN CONTRACTED BY CORRECTIVE SERVICES NSW FOR THREE YEARS TO DESIGN, INSTALL AND TEST A NEW MOBILE PHONE JAMMING SYSTEM AT GOULBURN CORRECTIONAL COMPLEX, AS WELL AS UPGRADE EXISTING TECHNOLOGY AT LITHGOW CORRECTIONAL COMPLEX.

Both mobile phone jamming systems will utilise the latest generation equipment that emits a low power jamming signal which prevents mobile devices inside the prison from successfully connecting to nearby phone towers without affecting users nearby the prison.

MEDIA & BROADCAST

DELIVERING LIVE FOOTAGE WITHOUT FAIL

OUR MEDIA TEAM HAS BEEN RESPONSIBLE, AND STILL IS, FOR GETTING LIVE FOOTAGE OF ALMOST EVERY MAJOR SPORTING EVENT IN NEW ZEALAND TO TV SCREENS THROUGHOUT THE COUNTRY; AND THE WORLD.

But we don't just do sport. Kordia's Media team offers a wide range of services beyond traditional broadcast and radio - from transmission, linking, data & connectivity to web-streaming of live events and more.

BROADCASTING GROUND BREAKING SURGERY, IN REAL-TIME, TO VIEWERS AROUND THE WORLD _

RECENTLY, KORDIA'S EXPERT TEAM DELIVERED ITS FIRST EVER LIVE-LINK OF OPEN-HEART SURGERY TO MEDICAL EXPERTS AND RESEARCHERS LOCATED ALL AROUND THE GLOBE.

CYBER SECURITY

IT'S ESTIMATED THAT THERE WILL BE A GLOBAL SHORTAGE OF 2 MILLION CYBER SECURITY EXPERTS AS SOON AS NEXT YEAR (2019)*

*ISACA

DEVELOPING NEW ZEALAND'S CYBER DEFENCE FORCE

ADVISE

PROTECT

INSIGHT & RESPONSE

To help address the global skills shortage, Aura is partnering with a range of local tertiary providers to offer scholarships, work experience and career guidance.

Over the past year alone, Aura launched two cyber security scholarships, introduced a new Professor of Cyber Security position in partnership with Waikato University; and hosted several interns as part of the Summer of Tech initiative.

WORKING WITH BUSINESS TO REDUCE CYBER RISK

OUR EXPERTS WORK ALONGSIDE GOVERNMENT AND BUSINESSES ON BOTH SIDES OF THE TASMAN TO HELP ENSURE THEIR SECURITY DEFENCES CAN WITHSTAND A GROWING NUMBER OF ONLINE RISKS. OUR WORK SPANS CONSULTING, VIRTUAL SECURITY OFFICER (VSO), PENETRATION TESTING, CODE REVIEW, EDUCATION & TRAINING; AND MORE.

Aura is a 'Primary Supplier' on all five categories within the DIA ICT Security & Related Services panel; and is also one of two CREST certified security providers in New Zealand.

US$1.745 TRILLION

Economic losses from cyber-attacks in Asia Pacific is costing the region US$1.745 trillion – 7% of its entire GDP, a recent report commissioned by Microsoft reveals.

MORE THAN HALF

of NZ businesses believe they are at risk of cyber-attacks*

ALMOST 25%

of NZ businesses said they were directly impacted by the NotPetya / WannaCry ransomware attacks in 2017*

*Kordia Survey of 225 IT decision makers, September 2017.

NETWORKS

200+

Kordia has more than 200 sites, including 50 large lattice transmission towers up to 121m high, throughout New Zealand.

CONNECTIVITY IS IN OUR DNA

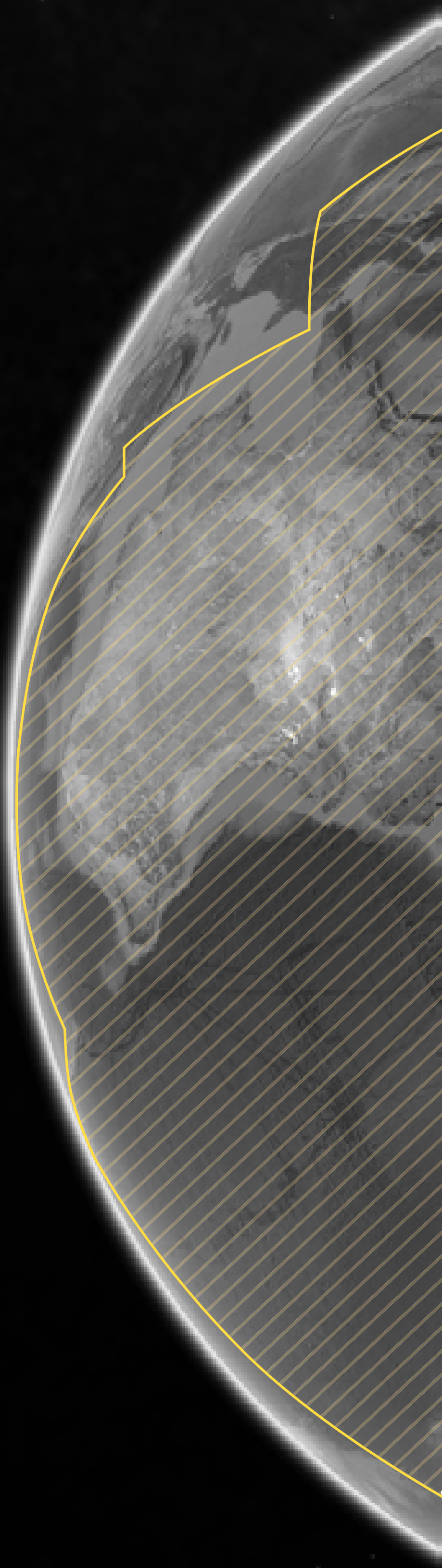
KORDIA OPERATE A NETWORK SPANNING THE LENGTH AND BREADTH OF THE COUNTRY - FROM KAITAIA TO INVERCARGILL AND THE CHATHAM ISLANDS. THIS NETWORK IS MONITORED 24/7, 365 DAYS PER YEAR, FROM OUR NATIONAL OPERATIONS CENTRE (NOC).

MARITIME

SAFETY OF LIFE AT SEA

WE OPERATE AND MANAGE THE NETWORK THAT PROVIDES VITAL COMMUNICATIONS SERVICES TO ALMOST A QUARTER OF THE WORLD'S OCEANS

This is a role our team is incredibly proud to play. Last year our experts responded to more than 300 distress calls from boaties and mariners in need. Kordia has two Maritime Operations Centres (MoC) – one in Avalon (NZ) and one in Canberra (AU).



KORDIA IS ALSO WORKING WITH COASTGUARD NORTHERN REGION TO UPGRADE ITS KEY COMMUNICATIONS SYSTEMS.

WE RUN THE NETWORK WHICH
MONITORS APPROXIMATELY

50 MILLION SQUARE KM'S

THAT'S ALMOST

1/4

OF THE WORLD'S OCEANS

Image Landsat / Copernicus. Date SIO, NOAA, U.S. Navy, NGA, GEBCO

IOT

THE INTERNET OF THINGS BRINGS UNIMAGINED OPPORTUNITIES

WORK SMARTER

INCREASE PRODUCTIVITY

KEEP TRACK OF ITEMS

MONITOR THINGS

KORDIA BELIEVES THAT FOR EVERY BUSINESS THERE IS AN IOT USE CASE... IT JUST HASN'T BEEN DISCOVERED YET.

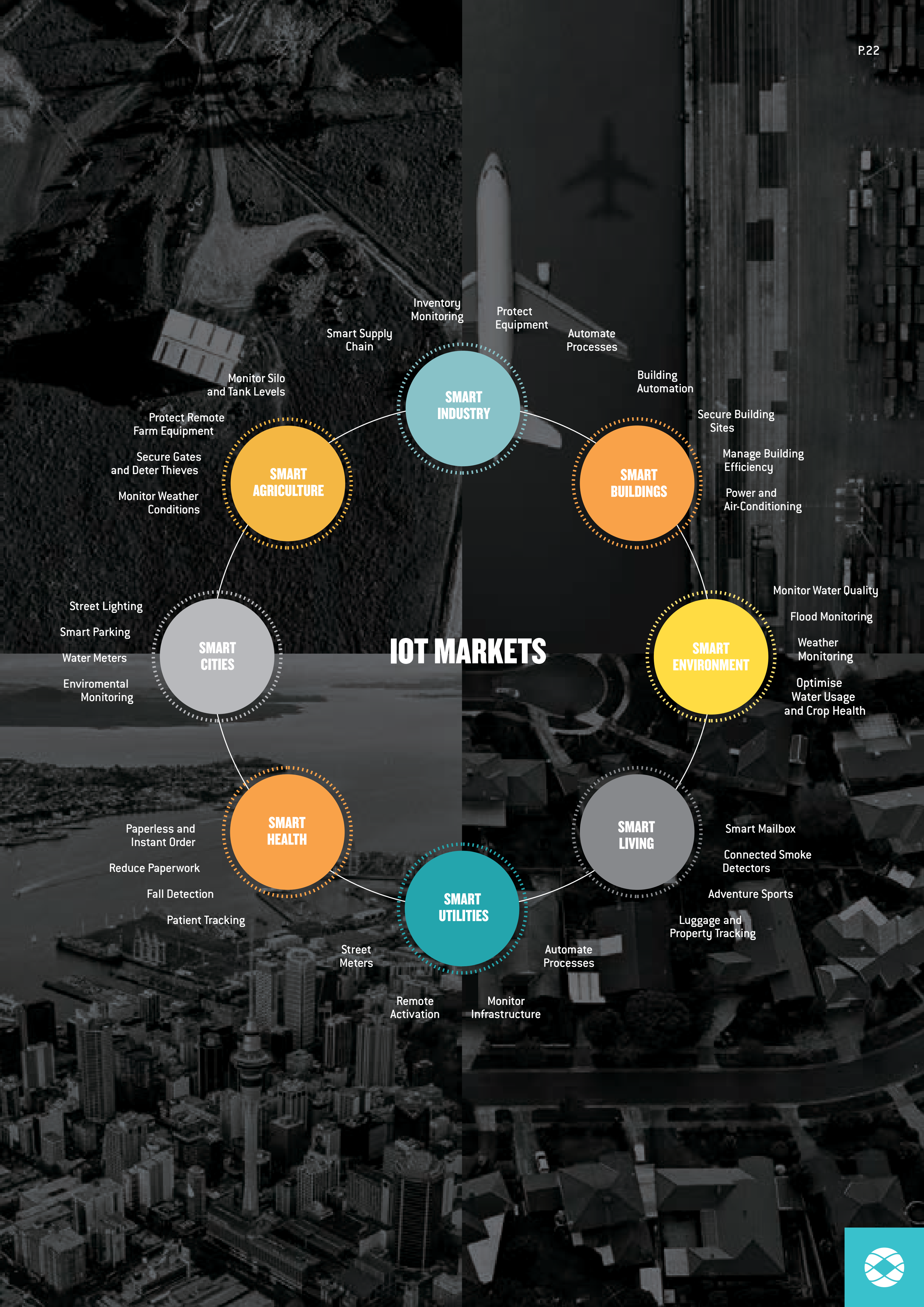
IoT opens up a range of previously unimagined opportunities for businesses to gain critical insight and control to help them work smarter, increase productivity, better manage resources and enhance customer experience.

'BETTER USE OF IOT ACROSS AGRICULTURE COULD PROVIDE MORE THAN $570 MILLION FOR THE ECONOMY.'

- NZ IOT ALLIANCE

OVER $2 BILLION OF POTENTIAL ECONOMIC BENEFITS COULD FLOW FROM APPLICATION OF IOT ACROSS KEY SECTORS OF THE NEW ZEALAND ECONOMY.

- NZ IOT ALLIANCE


IOT MARKETS
SMART INDUSTRY
Inventory Monitoring
Protect Equipment
Automate Processes
Smart Supply Chain
SMART BUILDINGS
Building Automation
Secure Building Sites
Manage Building Efficiency
Power and Air-Conditioning
SMART ENVIRONMENT
Monitor Water Quality
Flood Monitoring
Weather Monitoring
Optimise Water Usage and Crop Health
SMART LIVING
Smart Mailbox
Connected Smoke Detectors
Adventure Sports
Luggage and Property Tracking
SMART UTILITIES
Automate Processes
Monitor Infrastructure
Remote Activation
Street Meters
SMART HEALTH
Paperless and Instant Order
Reduce Paperwork
Fall Detection
Patient Tracking
SMART CITIES
Street Lighting
Smart Parking
Water Meters
Enviromental Monitoring
SMART AGRICULTURE
Monitor Silo and Tank Levels
Protect Remote Farm Equipment
Secure Gates and Deter Thieves
Monitor Weather Conditions

KORDIA GROUP LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of New Zealand dollars	Notes	**2018**	2017
Revenue (telecommunications services)		**217,236**	200,914
Direct costs and overheads	3	**99,919**	92,082
Employee and contractor costs	4	**90,295**	90,647
Earnings before interest, tax, depreciation and amortisation (EBITDA)	25	**27,022**	18,185
Finance income	5	**739**	571
Finance expense	5	**1,649**	1,171
Depreciation and amortisation expense	8, 9	**18,395**	19,318
Profit/(loss) before income tax		**7,717**	(1,733)
Income tax expense/(benefit)	6	**2,055**	(579)
Profit/(loss) for the year attributable to the equity holder		**5,662**	(1,154)

The accompanying notes set out on pages 30 - 53 are to be read as part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of New Zealand dollars	**2018**	2017
Profit/(loss) for the year attributable to the equity holder	**5,662**	(1,154)
Foreign currency translation differences	**(187)**	(43)
Effective portion of changes in the fair value of cashflow hedges	**25**	178
Tax effect of the effective portion of changes in the fair value of cashflow hedges	**(7)**	(53)
Ineffective portion of changes in the fair value of cashflow hedges	**-**	41
Tax effect of the ineffective portion of changes in the fair value of cashflow hedges	**-**	(12)
Other comprehensive (loss)/income for the year	**(169)**	111
Total comprehensive income/(loss) for the year attributable to the equity holder	**5,493**	(1,043)

The accompanying notes set out on pages 30 - 53 are to be read as part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of New Zealand dollars	Notes	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total Attributable to Owners
Balance 1 July 2016		**87,696**	**11,105**	**(2,325)**	**(163)**	**96,310**
Net loss for the year		-	(1,154)	-	-	(1,154)
Other comprehensive income						
Foreign currency translation differences		-	-	(43)	-	(43)
Effective portion of changes in fair value of cashflow hedges, net of tax		-	-	-	14	14
Fair value of cashflow hedges transferred to income statement, net of tax		-	-	-	140	140
Total other comprehensive income		-	-	(43)	154	111
Total comprehensive income		**-**	**(1,154)**	**(43)**	**154**	**(1,043)**
Transactions with owners						
Dividends	7	-	(7,500)	-	-	(7,500)
Balance 30 June 2017		**87,696**	**2,448**	**(2,368)**	**(9)**	**87,767**
Net profit for the year		-	5,662	-	-	5,662
Other comprehensive income						
Foreign currency translation differences		-	-	(187)	-	(187)
Effective portion of changes in fair value of cashflow hedges, net of tax		-	-	-	14	14
Fair value of cashflow hedges transferred to income statement, net of tax		-	-	-	4	4
Total other comprehensive income		-	-	(187)	18	(169)
Total comprehensive income		**-**	**5,662**	**(187)**	**18**	**5,493**
Transactions with owners						
Dividends	7	-	(1,000)	-	-	(1,000)
Balance 30 June 2018		**87,696**	**7,110**	**(2,555)**	**9**	**92,260**

The accompanying notes set out on pages 30 - 53 are to be read as part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

In thousands of New Zealand dollars	Notes	2018	2017
Assets			
Property, plant and equipment	8	**62,771**	67,468
Intangible assets and goodwill	9	**28,175**	28,284
Finance lease receivable	18	**1,867**	2,107
Deferred tax asset	10	**12,604**	11,507
Trade and other receivables	12	**628**	-
Total non-current assets		**106,045**	109,366
Cash		**15,740**	16,957
Inventories	11	**1,555**	1,321
Trade and other receivables	12	**41,855**	40,342
Asset held for sale	8	**943**	-
Finance lease receivable	18	**240**	214
Derivative assets		**12**	5
Total current assets		**60,345**	58,839
Total assets		**166,390**	168,205
Equity and Liabilities			
Share capital	7	**87,696**	87,696
Foreign currency translation reserve		**(2,555)**	(2,368)
Cashflow hedge reserve		**9**	(9)
Retained earnings		**7,110**	2,448
Total equity attributable to the equity holder		**92,260**	87,767
Trade and other payables	13	**4,122**	3,956
Derivative liabilities		**-**	6
Loans and advances	14	**19,056**	18,767
Provisions	15	**8,781**	7,812
Total non-current liabilities		**31,959**	30,541
Taxation payable		**411**	430
Trade and other payables	13	**40,996**	48,572
Derivative liabilities		**-**	52
Provisions	15	**764**	843
Total current liabilities		**42,171**	49,897
Total liabilities		**74,130**	80,438
Total equity and liabilities		**166,390**	168,205

The accompanying notes set out on pages 30 - 53 are to be read as part of these financial statements.

On behalf of the Board

J E Quirk
Chair

S Haslem
Director

30 August 2018

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of New Zealand dollars	Notes	2018	2017
Cash flows from operating activities			
Receipts from customers		**204,012**	203,453
Payments to suppliers and employees		**(187,920)**	(181,881)
		16,092	21,572
Dividends received		**3**	2
Interest received		**736**	556
Interest paid - other		**(1,053)**	(815)
Taxes (paid)/refunded		**(2,826)**	(5,962)
Net cash from/(used in) operating activities	21	**12,952**	15,353
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		**54**	39
Acquisition of property, plant and equipment		**(12,360)**	(15,077)
Acquisition of intangibles	9	**(508)**	(1,517)
Net cash (used in)/from investing activities		**(12,814)**	(16,555)
Cash flows from financing activities			
Proceeds/(repayment) of loans and advances		**(739)**	18,643
Proceeds from finance lease assets		**214**	196
Dividends paid		**(1,000)**	(7,500)
Net cash from/(used in) financing activities		**(1,525)**	11,339
Net increase/(decrease) in cash and cash equivalents		**(1,387)**	10,137
Cash and cash equivalents at beginning of year		**16,957**	6,820
Effect of exchange rate fluctuations on cash		**170**	-
Cash and cash equivalents at end of year		**15,740**	16,957

The accompanying notes set out on pages 30 - 53 are to be read as part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018

1. REPORTING ENTITY

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

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.

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 30 August 2018.

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.

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 9.
- Provisions – Note 15.
- Valuation of financial instruments – Note 16.
- Deferred tax assets – Note 10.
- Useful life of property, plant, equipment and intangibles – Notes 8 and 9.

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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018

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 from the sale of transmission and maintenance services is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs and possible return of goods can be estimated reliably.

Revenue from the sale of design and build services is recognised in the Income Statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

(C) LEASES

Consolidated Entity as the Lessee

Group entities lease certain land and buildings, motor vehicles, plant and equipment and information systems.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is 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. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised in the Group's statement of financial position. Operating lease payments are included in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis.

Consolidated Entity as the Lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(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.

(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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

(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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(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 as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted. 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) 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.

(O) FOREIGN CURRENCIES

Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies at balance date are re-translated to the functional currency at the exchange rates ruling at balance date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Exchange differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the Income Statement, except as detailed below.

Translation of Foreign Group Entities

The assets and liabilities of foreign entities with functional currencies other than New Zealand dollars, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange ruling at the reporting date. The revenues and expenses of these entities are translated at rates approximating the exchange rates ruling at the date of transactions. Exchange differences arising on translation are taken directly to the foreign currency translation reserve (FCTR). When such an entity is disposed of in part or in full, the relevant amount in the FCTR is transferred to the Income Statement.

(P) DETERMINATION OF FAIR VALUES

Fair values have been determined for measurement and/or disclosure purposes in Note 17 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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(Q) STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations are not yet effective for the period ended 30 June 2018 and have not been applied in preparing these consolidated financial statements. The Directors expect to adopt the standards and interpretations in the period in which they become effective:

- NZ IFRS 9 *Financial Instruments.* NZ IFRS 9 (2014), published in July 2014 replaces the existing guidance in NZ IAS 39 *Financial Instruments: Recognition and Measurement.* NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. This standard is effective for the Group from 1 July 2018.

  The Group has completed an initial assessment of the potential impact of the adoption of NZ IFRS 9 on its consolidated financial statements. So far, the Group does not expect any significant impact.

- NZ IFRS 15 *Revenue from Contracts With Customers.* NZ IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognised. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. This standard is effective for the Group from 1 July 2018.

  The Group has completed an initial assessment of the potential impact of the adoption of NZ IFRS 15 on its consolidated financial statements:

  (i) Agency

  The Group has determined that it acts in the capacity of an agency for certain transactions. Under IFRS 15, the assessment will be based on whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of the good. The Group has performed an initial assessment and expects that revenue and direct costs and overheads will be lower. Had the standard been in effect for the year ended 30 June 2018, both Revenue and Direct Costs in the Income Statement would be lower by $2.56 million.

  (ii) Incremental Costs of Obtaining a Contract

  Incremental costs are those that would not have been incurred if the contract had not been obtained. Under IFRS 15, such costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Group has performed an initial assessment and expects that $1.577 million of incremental costs will be deferred to the balance sheet on application of the standard.

  (iii) Transition

  The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 30 June 2019 using the modified retrospective approach to those contracts not complete. As a result, the Group will apply the requirements of IFRS 15 to the most current period presented in the financial statements and recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings. Comparative periods will be presented under the existing revenue standard.

- NZ IFRS 16 *Leases.* NZ IFRS 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets. The standard uses a control model for the identification of leases as opposed to service contracts. This standard is effective for the Group from 1 July 2019.

  The Directors anticipate that NZIFRS 16 *Leases* will have a material impact on the financial statements of the Group in the period of initial application as the net asset position of the Group will change, however a detailed analysis of this standard is in progress.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of New Zealand dollars	Notes	2018	2017
3. DIRECT COSTS AND OVERHEADS INCLUDE:			
Auditor's fees			
- audit services		**292**	284
- other audit related services		**13**	13
Directors' fees		**227**	263
Gain/(loss) on disposal of property, plant and equipment		**(265)**	542
Impairment loss on trade receivables		**237**	288
Rental and operating lease costs		**9,116**	8,970
Project material and subcontractor costs		**64,091**	57,682
Direct network costs		**12,484**	12,130
Fair value losses on de-designated swaps		**(43)**	41
4. EMPLOYEE AND CONTRACTOR COSTS INCLUDE:			
Redundancy		**682**	2,496
Defined contribution plan		**5,206**	5,452
5. FINANCE INCOME AND EXPENSE			
Interest income on bank deposits and loan receivable		**606**	414
Interest income on finance leases		**130**	142
Unrealised foreign exchange gain		**-**	13
Dividend income		**3**	2
Finance income		**739**	571
Interest expense on loans and borrowings		**1,055**	631
Net interest expense on financial assets designated at fair value through the income statement		**18**	163
Unrealised foreign exchange loss		**10**	-
Realised foreign exchange loss		**215**	14
Unwind the discount on provisions	15	**351**	363
Finance expense		**1,649**	1,171
Net finance expense		**910**	600

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

In thousands of New Zealand dollars	2018	2017
6. INCOME TAX EXPENSE		
Current tax expense	3,002	2,738
Adjustment from prior periods	(32)	66
Deferred tax (benefit)	(915)	(3,383)
Total income tax expense/(benefit)	2,055	(579)
Reconciliation of effective tax rate		
Net profit/(loss) before taxation	7,717	(1,733)
Taxation at 28%	2,161	(485)
Adjusted for the tax effect of:		
Difference in subsidiary income tax rates	(424)	(217)
Non-deductible expenses	350	57
Under/(over) provided in prior periods	(32)	66
Taxation expense/(benefit)	2,055	(579)
Imputation Credit Account		
Imputation credits available to shareholders in future periods	15,152	12,713

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

7. CAPITAL AND RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences from the translation of the financial statements of foreign operations.

Share Capital

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 2018 the Group paid an interim dividend of $1,000 (2017: Nil), and no prior year final dividend (2017: $7,500).

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 2017 and June 2018 is due to the capitalisation of information system and mast assets which were under construction at June 2017 and transmission equipment which is under construction at June 2018.

Impairment of a Cash-Generating Unit

On 16 September 2010, the Government announced that the date for switch-over to digital television was to commence from September 2012, with completion by late 2013. This announcement caused the Group to reassess the recoverable amount of its Networks cash-generating unit which undertakes transmission services including linking of telecommunications and broadcasting signals. For the year-ended 30 June 2011 a pre-tax impairment loss of $29,054 was recognised in the Income Statement.

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 2018. 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% (2017: 0%) was assumed. A real post tax discount rate of 6.6% (2017: 6.6%) was applied. Bancorp Corporate Finance Limited worked with the Group in determining the weighted average cost of capital.

Based on the assessment at 30 June 2018, the carrying amount of the Network property, plant and equipment was determined to be in line with the recoverable amount indicating that no further impairment or reversal of the previously recognised 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.

Asset Held for Sale

On 29 June 2018 Kordia acquired 9.7 hectares of land. Kordia has a transmission site on the acquired land. Kordia has agreed in principle with another party to subdivide the section, retain the transmission site land and sell the residual land to the other party. At 30 June 2018 the residual land has been classified as held for sale.

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In thousands of New Zealand dollars	Land & buildings	Leasehold improvements	Mast and aerials	Transmission equipment
Cost				
Balance at 1 July 2016	**30,295**	**9,974**	**67,855**	**239,391**
Additions	631	535	461	6,973
Transfers	102	-	135	387
Disposals/adjustments	(1)	(2,466)	(206)	(1,011)
Effect of movements in exchange rates	-	124	-	92
Balance at 30 June 2017	**31,027**	**8,167**	**68,245**	**245,832**
Additions	1,837	584	1,117	4,919
Transfers	927	-	1,555	372
Asset held for sale	(943)	-	-	-
Disposals/adjustments	-	263	(279)	(1,939)
Reclassifications	110	-	-	97
Effect of movements in exchange rates	29	106	50	1,009
Balance at 30 June 2018	**32,987**	**9,120**	**70,688**	**250,290**
Depreciation and Impairment Losses				
Balance at 1 July 2016	**(21,962)**	**(3,990)**	**(56,776)**	**(202,142)**
Depreciation for the year	(798)	(841)	(1,454)	(9,946)
Disposals	-	1,601	206	959
Effect of movements in exchange rates	-	(136)	-	(53)
Balance as at 30 June 2017	**(22,760)**	**(3,366)**	**(58,024)**	**(211,182)**
Depreciation for the year	(1,005)	(744)	(1,644)	(10,244)
Disposals	-	27	261	1,912
Effect of movements in exchange rates	1	(107)	(1)	(926)
Balance as at 30 June 2018	**(23,764)**	**(4,190)**	**(59,408)**	**(220,440)**
Carrying amounts				
At 30 June 2017	**8,267**	**4,801**	**10,221**	**34,650**
At 30 June 2018	**9,223**	**4,930**	**11,280**	**29,850**

Furniture & fittings	Office equipment	Motor vehicles	Information systems	Work in progress	Total
1,403	**2,126**	**1,711**	**30,939**	**2,461**	**386,155**
1	63	66	2,598	4,037	15,365
23	15	-	1,313	(2,303)	(328)
(8)	(5)	(126)	(19)	-	(3,842)
(3)	2	2	71	(3)	285
1,416	**2,201**	**1,653**	**34,902**	**4,192**	**397,635**
56	94	176	1,854	2,284	12,921
15	20	3	1,221	(4,236)	(123)
-	-	-	-	-	(943)
-	(9)	(106)	(74)	-	(2,144)
(110)	-	-	(97)	-	-
8	53	30	1,024	1	2,310
1,385	**2,359**	**1,756**	**38,830**	**2,241**	**409,656**
(828)	**(1,807)**	**(1,164)**	**(27,287)**	**-**	**(315,956)**
(87)	(116)	(162)	(3,432)	-	(16,836)
8	5	101	19	-	2,899
3	(1)	1	(88)	-	(274)
(904)	**(1,919)**	**(1,224)**	**(30,788)**	**-**	**(330,167)**
(65)	(127)	(165)	(3,174)	-	(17,168)
-	5	100	56	-	2,361
(8)	(52)	(24)	(794)	-	(1,911)
(977)	**(2,093)**	**(1,313)**	**(34,700)**	**-**	**(346,885)**
512	**282**	**429**	**4,114**	**4,192**	**67,468**
408	**266**	**443**	**4,130**	**2,241**	**62,771**

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

9. INTANGIBLE ASSETS

In thousands of New Zealand dollars	Trademarks	Frequency Licences	Software	Goodwill	Total
Cost					
Balance at 1 July 2016	**125**	**9,512**	**24,638**	**22,926**	**57,201**
Additions	-	-	1,517	-	1,517
Transfers	-	-	328	-	328
Disposals	-	-	(1,153)	-	(1,153)
Effects of movements in exchange rates	-	-	(47)	40	(7)
Balance at 30 June 2017	**125**	**9,512**	**25,283**	**22,966**	**57,886**
Additions	-	-	508	-	508
Transfers	-	-	123	-	123
Disposals	-	-	(33)	-	(33)
Effects of movements in exchange rates	-	-	-	494	494
Balance at 30 June 2018	**125**	**9,512**	**25,881**	**23,460**	**58,978**
Amortisation and Impairment losses					
Balance at 1 July 2016	**(17)**	**(5,878)**	**(21,863)**	**-**	**(27,758)**
Amortisation for the year	(25)	(395)	(2,062)	-	(2,482)
Disposals	-	-	591	-	591
Effects of movements in exchange rates	-	-	47	-	47
Balance at 30 June 2017	**(42)**	**(6,273)**	**(23,287)**	**-**	**(29,602)**
Amortisation for the year	(25)	(396)	(806)	-	(1,227)
Disposals	-	-	26	-	26
Balance at 30 June 2018	**(67)**	**(6,669)**	**(24,067)**	**-**	**(30,803)**
Carrying amounts					
At 30 June 2017	**83**	**3,239**	**1,996**	**22,966**	**28,284**
At 30 June 2018	**58**	**2,843**	**1,814**	**23,460**	**28,175**

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 $14,374 (2017: $13,880) has been allocated to Kordia Pty Limited and $9,086 (2017: $9,086) has been allocated to the Aura business unit.

The recoverable amount of Kordia Pty Limited and Subsidiary and Aura 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 6.8% (2017: 7.2%) was applied to Kordia Pty Limited and subsidiary and 10.1% (2017: 10.3%) was applied to Aura and was derived from the real post tax weighted average cost of capital. The year-on-year change in discount rate for Kordia Pty Limited and Subsidiary reflects a decrease in asset beta which has been assessed by way of comparable companies. The year-on-year change in discount rate for Aura reflects a decrease in the risk free rate. Bancorp Corporate Finance Limited worked with the Group in determining the weighted average costs of capital.

The recoverable amount for Kordia Pty Limited and Aura was calculated using cash flow projections for the five years from 2018 using the financial budgets approved by management. Beyond year five a real growth rate of 0% (2017: 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; Kordia Pty Limited and Aura

• 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.

10. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
In thousands of New Zealand dollars	**2018**	2017	**2018**	2017	**2018**	2017
Property, plant and equipment	**-**	-	**(321)**	(311)	**(321)**	(311)
Intangible assets	**-**	-	**(201)**	(170)	**(201)**	(170)
Derivatives	**-**	3	**(3)**	-	**(3)**	3
Trade and other receivables	**-**	-	**(4,671)**	(4,199)	**(4,671)**	(4,199)
Inventories	**111**	23	**-**	-	**111**	23
Employee entitlements	**2,330**	2,194	**-**	-	**2,330**	2,194
Other payables	**2,740**	6,056	**-**	-	**2,740**	6,056
Provisions	**2,704**	2,454	**-**	-	**2,704**	2,454
Tax losses	**9,915**	5,457	**-**	-	**9,915**	5,457
Net tax assets/(liabilities)	**17,800**	16,187	**(5,196)**	(4,680)	**12,604**	11,507

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

In thousands of New Zealand dollars	**2018**	2017
New Zealand	**1,964**	1,872
Australia	**10,640**	9,635
Net tax asset	**12,604**	11,507

All movements in deferred tax have been recognised in the Income Statement except for $7 (2017: $65) relating to derivatives which have been recognised in the cash flow hedge reserve and $187 (2017: $nil) that have been recognised in the foreign currency translation reserve.

Gross tax losses of $33,050 (2017: $18,190) have been recognised on the basis of forecasted operating earnings set out in the Group strategic plan. The Directors consider it probable that future taxable profits will be available against which the recognition of tax losses can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

11. INVENTORIES

In thousands of New Zealand dollars	2018	2017
Inventory	**2,038**	1,512
Provision for write down	**(483)**	(191)
Total inventories	**1,555**	1,321

12. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	**19,857**	20,620
Provision for doubtful debts	**(581)**	(649)
Trade prepayments	**4,587**	4,446
Contract work in progress	**17,992**	15,925
	41,855	40,342
Non-current		
Other receivables	**628**	-

During the year, the Group utilised $305 (2017: $97) of the provision for doubtful debts and increased the provision by $237 (2017: $288).

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 2018, contract work in progress was 17,992 (2017: $15,925). Deferred income, where billing exceeds recognised revenue, is disclosed in note 13 and amounts to $8,366 (2017: $18,687).

Trade receivables are financial assets categorised as loans and receivables.

13. TRADE AND OTHER PAYABLES

Current		
Trade payables and accruals	**26,707**	24,149
Deferred income	**7,806**	18,319
Employee entitlements	**6,483**	6,104
	40,996	48,572
Non-current		
Trade payables and accruals	**1,878**	2,032
Deferred income	**560**	368
Employee entitlements	**1,684**	1,556
	4,122	3,956

Payables are categorised as financial liabilities measured at amortised cost.

14. LOANS AND ADVANCES

In thousands of New Zealand dollars	**2018**	2017
Bank loans (unsecured)	**19,056**	18,767

Loan facilities are repayable as follows:		
Within one year	**-**	-
One to two years	**-**	-
Two to five years	**19,056**	18,767
	19,056	18,767

Weighted average interest rates:		
Bank loans	**3.2%**	2.6%
Bank loans amended for derivatives, line fees and margin	**4.5%**	4.0%

The loan facilities comprise a syndicated revolving cash advance facility, dated 29 June 2017 (2017: 29 June 2017), committed to a maximum amount of $30 million (2017: $30 million). The loans drawn and facility available is analysed as follows:

	2018				2017			
	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	**-**	**-**	**-**	**-**	-	-	-	-
Tranche B	**-**	**19,056**	**-**	**30,000**	-	18,767	-	30,000
	-	**19,056**	**-**	**30,000**	-	18,767	-	30,000

On 29 June 2017 (2017: 29 June 2017) a facility agreement was entered into between Kordia and the members of the banking syndicate. The facility is split into two tranches (A and B) with different fee and margin structures. The available facility can be allocated between Tranche A and Tranche B as forecasts require. There is a right of set off between the tranches of the loan facility. The facility expires on 1 July 2020.

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

The facility is subject to various covenants such as limitations on gearing, interest cover, minimum shareholders' funds 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 2017 and 2018 financial years.

Covenant		**2018**	2017
Gearing ratio	Net debt to EBITDA <3.0:1	**0.1:1**	0.1:1
Interest cover	EBITDA to net interest >3.0 times	**30:1**	30:1
Minimum shareholder funds	> $70 million	**$92m**	$88m
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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

15. PROVISIONS

In thousands of New Zealand dollars	Warranty	Make good	Total
Balance at 1 July 2016	1,913	9,181	11,094
Provisions made/(adjusted) during the period	-	(637)	(637)
Provisions utilised during the period	(1,725)	(520)	(2,245)
Effect of movement in exchange rate	69	11	80
Unwind discount	-	363	363
Balance at 30 June 2017	**257**	**8,398**	**8,655**
Provisions made/(adjusted) during the period	**-**	**560**	**560**
Provisions utilised during the period	**-**	**(74)**	**(74)**
Effect of movements in exchange rate	**10**	**43**	**53**
Unwind discount	**-**	**351**	**351**
Balance at 30 June 2018	**267**	**9,278**	**9,545**
Current	257	586	843
Non-current	-	7,812	7,812
Balance at 30 June 2017	257	8,398	8,655
Current	**267**	**497**	**764**
Non-current	**-**	**8,781**	**8,781**
Balance at 30 June 2018	**267**	**9,278**	**9,545**

Warranties

The provisions for warranties relate mainly to design and build contracts. The provision is based on estimates made from historical data. The Group expects to utilise or reassess approximately 100% of the liability next year.

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 5% of the liability next year.

16. FINANCIAL INSTRUMENTS

Exposure to foreign currency, interest rate and credit risk arises in the ordinary course of the Group's business. Derivative financial instruments are entered into in order to reduce exposure to fluctuations in foreign exchange rates and interest rates.

(A) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the Group's assets, liabilities and future earnings will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of transactions that are denominated in a currency other than the Group's functional currency. Transactions that typically expose the Group to foreign currency risk include import purchases and purchases of property, plant and equipment. The currencies that give rise to currency risk in which the Group deals are United States and Australian dollars, and European Currency Units. The Group's policy is to manage these risks, as they arise, in accordance with prudent commercial practice.

The Group uses forward and spot foreign exchange contracts to manage these exposures. At balance date the Group has unhedged current assets of AUD1,271 ($1,377) {2017: AUD849 ($890), USD136 ($186)} and current liabilities of AUD405 ($441), USD97 ($144) and EUR58 ($99) {2017: USD459 ($483) and USD31 ($42)}. 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 14, the Group has a syndicated revolving cash advance facility committed to a maximum amount of $30,000 (2017: $30,000). At 30 June the drawdown on these facilities was $19,056 (2017: $18,767), to fund on-going activities. The facilities expire on 1 July 2020.

The Group has an overdraft facility of $50 (2017: $50) which has a wholesale prime interest rate of 6% (2017: 6%). At 30 June 2018 the drawdown on this facility was nil (2017: nil).

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

In thousands of New Zealand dollars	**2018**	2017
Fixed rate instruments:		
Financial assets (finance leases)	**2,107**	2,321
Variable rate instruments:		
Financial liabilities (debt)	**19,056**	18,767

(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.

				2018			
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	**-**	**(40,267)**	**(4,122)**	**-**	**-**	**(44,389)**	**(44,389)**
Loans and advances	**-**	**(606)**	**(606)**	**(19,106)**	**-**	**(20,318)**	**(19,056)**
Total liabilities and equity	**-**	**(40,873)**	**(4,728)**	**(19,106)**	**-**	**(64,707)**	**(63,445)**

				2017			
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	-	(48,572)	(3,956)	-	-	(52,528)	(52,528)
Loans and advances	-	(488)	(488)	(19,296)	-	(20,272)	(18,767)
Total liabilities and equity	-	(49,060)	(4,444)	(19,296)	-	(72,800)	(72,172)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

16. FINANCIAL INSTRUMENTS (CONTINUED)

(D) SENSITIVITY ANALYSIS

At 30 June 2018, it is estimated that a general increase of one percentage point in interest rates would increase the Group's equity by approximately nil (2017: nil) and decrease net profit after tax by $133 (2017: $94). At 30 June 2018, it is estimated that a general decrease of one percentage point in interest rates would decrease the Group's equity by approximately nil (2017: nil) and increase net profit after tax by $133 (2017: $94). Interest rate swaps have been included in this calculation.

At 30 June 2018, 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 $11 (2017: $76). At 30 June 2018, 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 $11 (2015: $76). 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:

	2018		2017	
In thousands of New Zealand dollars	**Gross receivable**	**Impairment**	Gross receivable	Impairment
Not past due	**13,441**	**-**	15,351	(69)
Past due 0-30 days	**3,682**	**(48)**	3,572	(249)
Past due 31-120 days	**1,659**	**(111)**	1,303	(129)
Past due 121-365 days	**72**	**(185)**	394	(202)
Past due more than 1 year	**274**	**(237)**	-	-
Total	**19,128**	**(581)**	20,620	(649)

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.

17. 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.

	2018		2017	
In thousands of New Zealand dollars	**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and advances payable (classified as amortised cost)	**19,056**	**19,056**	18,767	18,767

As at 30 June 2018, no financial assets or liabilities have been offset in the Statement of Financial Position although they are covered by an ISDA/Master netting agreement.

18. FINANCE LEASES

Finance lease receivables are as follows:

	2018			2017		
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	**356**	**116**	**240**	344	130	214
Between one and five years	**1,473**	**310**	**1,163**	1,456	374	1,082
More than five years	**747**	**43**	**704**	1,120	95	1,025
	2,576	**469**	**2,107**	2,920	599	2,321

The future lease receivables bear interest at 6% (2017: 6%).

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

19. 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 is subject to capital requirements from its lenders which requires the Group to have minimum shareholder funds of $70m (2017: $70m) and at balance date the group was in compliance with this covenant. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

20. 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.

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

In thousands of New Zealand dollars	Notes	2018	2017
Net surplus/ (deficit) as per income statement		**5,662**	(1,154)
Add/(deduct) non-cash items:			
Depreciation	8	**17,168**	16,836
Amortisation of licences and intangibles	9	**1,227**	2,482
Realised foreign currency losses/(gains)		**(518)**	109
Hedging losses net of payment made to exit		**(43)**	41
Change in deferred tax/(future income tax benefit)		**(752)**	(3,390)
Movement in provision for doubtful debts		**(68)**	191
Movement in other provisions		**(74)**	(2,245)
Unwind/change in make good		**351**	363
		22,953	13,233
Items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment		**(265)**	542
		(265)	542
Movements in working capital:			
Receivables, prepayments and contract work in progress		**(2,073)**	11,794
Inventories		**(234)**	177
Payables and deferred income		**(7,429)**	(10,393)
		(9,736)	1,578
Net cash flows from/(used in) operating activities		**12,952**	15,353

22. LEASE COMMITMENTS

Commitments under non-cancellable operating leases are:		
Within one year	**12,667**	12,523
One to five years	**26,139**	32,727
Later than five years	**1,155**	2,380
	39,961	47,630

The group leases property, plant and equipment under operating leases. The leases typically run for a period of between 1 and 5 years, with an option to renew the lease after that date, with the exception of a lease of satellite transponder capacity to April 2022. Certain lease agreements provide for an increase in payments every 2 to 3 years to reflect market rentals.

23. 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 at arm's length 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	**2018**	2017	**2018**	2017
Revenue from telecommunications services	**27,006**	24,265	**1,207**	2,436
Direct costs and overheads	**2,918**	2,839	**86**	123

All transactions with Kordia Group and its subsidiary companies are priced on an arm's length 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).

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	**2018**	2017
Short term employee benefits	**2,431**	2,135
Defined contribution plan	**115**	114
Directors fees	**227**	263
	2,773	2,512

Unpaid amounts relating to the above are $855 (2017: $669).

24. CAPITAL COMMITMENTS

Capital commitments (including intangible assets) are:		
Within one year	**732**	868

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

25. 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.

26. EVENTS AFTER THE BALANCE SHEET DATE

On 30 August 2018 the Board of Directors declared a final dividend of $2,963 for the year ended 30 June 2018.

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

REPORT OF THE AUDITOR-GENERAL

FOR THE YEAR ENDED 30 JUNE 2018

TO THE READERS OF KORDIA GROUP LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Kordia Group Limited (the Group). The Auditor-General has appointed me, Malcolm Downes, 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 25 to 53, that comprise the statement of financial position as at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of accounting policies 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 2018; 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 30 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, 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 comprises the information on pages 1 to 24 and pages 57 to 61, 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 our work, 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 (revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Group.

Malcolm Downes
KPMG
On behalf of the Auditor-General
Auckland, New Zealand
30 August 2018

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

	Statement of Corporate Intent - Target 2018	2018 Actual	2017 Actual
Financial Performance Targets (Consolidated)			
Return on equity (net profit after tax as a percentage of average shareholders' equity)	5%	**6.3%**	(1.3%)
Earnings before interest and taxes (EBIT)	$7.1m	**$8.6m**	($1.1m)
Group net profit after tax (NPAT)	$4.7m	**$5.7m**	($1.2m)
Shareholders' equity	$86m	**$92.3m**	$87.8m
Capital structure (shareholders' equity to total assets)	57%	**56%**	52%
Commercial value (enterprise value)	$140m	**$145m**	$140m
Commercial value of the Crown's investment (enterprise value - net debt)	$120m	**$142m**	$138m
Total shareholder return ((commercial value end - commercial value beg + dividends)/commercial value beg)	(5%)	**3%**	(1%)
Dividend yield (dividends/avg commercial value)	3%	**1%**	5%
Dividend payout (dividend paid/(net cashflow from operating activities – depreciation and amortisation expense))	(28%)	**(18%)**	(189%)
ROE adjusted for IFRS fair value movements and asset revaluations (NPAT adjusted for IFRS fair value movements (net of tax)/average share capital + retained earnings)	5%	**6%**	(1.2%)
Return on capital employed (EBIT adjusted for IFRS fair value movements/average capital employed)	7%	**8%**	(1%)
Operating margin (EBITDAF/Revenue)	12%	**12%**	9%
Gearing ratio (net debt/(net debt + shareholders' funds))	19%	**4%**	2%
Interest cover (EBITDA/net interest)	53	**30**	30
Solvency (current assets/current liabilities)	1.5	**1.4**	1.2
Revenue per FTE	$370k	**$322k**	$306k

	Statement of Corporate Intent - Target 2018	2018 Actual	2017 Actual
Non - Financial Performance Targets (Consolidated)			
Staff engagement index [a]	63%	**63%**	63%
Group lost time injury frequency rate (LTIFR) [b]	<2	**1.14**	2.43
NZ Digital Television Transmission (DTT) network availability (main metro sites measured annually) [c]	99.9%	**99.9%**	99.9%
Net promoter score [d]	+45	**50**	

Notes

(a) The staff engagement index measures the engagement and attitude of our employees. Staff engagement is measured as we consider that the more engaged our staff the better the organisational results.

(b) The Lost Time Injury Frequency Rate (LTIFR) is an industry measure of the number of Lost Time Injuries over a period of 12 months per million hours worked. A Lost Time Injury (LTI) 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 the injury.

(c) 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.

(d) 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.

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 2018 are as follows. Individual shareholdings that are not considered material, and are not relevant to the operations of the Group have not been included.

J E QUIRK	
Kordia Limited	Director
Kordia New Zealand Limited	Director
SMX Limited	Chair/Shareholder
Wherescape Software Limited	Chair
FrameCAD Holdings Limited	Chair
Quirk International Limited	Director/Shareholder
FarmIQ Systems Limited	Chair
Howard & Company Ventures Limited	Director/Shareholder
Clearpoint Limited	Chair
Cumulo9 Limited	Director
S HASLEM	
Rangatira Limited	Director
The Meteorological Service of New Zealand Limited	Deputy Chair
Magritek Limited	Director
Magritek Holdings Limited	Director
Rainbows End Theme Park Limited	Director
New Zealand Experience Limited	Director
CentrePort Limited	Director
CentrePort Properties Limited	Director
CentrePort Property Management Limited	Director
Harbour Quays Property Limited	Director
The Akina Foundation	Chair
Omphalos Limited	Director
S A BROADBENT	
Transpower New Zealand Limited	Director
Breach Consulting Limited	Director/Shareholder
Spruce Goose Aerospace Limited	Director/Shareholder
Figured Limited	Shareholder
Ampli Limited	Chair
Timberlands Limited	Director
UMS NZ Limited	Advisory Board Chair
Business Leaders' Health and Safety Forum	Board Member

P H ADAMS	
Carrus Corp Limited	Chair
Accessible Properties NZ Limited	Chair
Waipuna Hospice Building Committee	Chair
Waipuna Hospice	Patron
Denarau Resort Management Limited	Director
Te Tuinga Whanau Support Services Trust	Patron
20 x privately owned land development companies	Managing Director
P M ENNIS	
Avid Technology Inc	Senior Vice President

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 $20 million. The 2018 premium (net of GST) was $20,475 (2017: $20,475). 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 (Chair)		72,000
S Haslem		36,000
G F Sumner	Resigned 30 September 2017	9,000
S A Broadbent		37,500
P H Adams		36,000
P M Ennis		36,000
		226,500

CONTINUED

ADDITIONAL INFORMATION

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 2018. Employee remuneration in overseas operations has been converted to New Zealand dollars using the year end exchange rate.

	CONSOLIDATED	
NZD	Current Employees	Former Employees
$100,000 to $110,000	47	3
$110,001 to $120,000	58	6
$120,001 to $130,000	46	3
$130,001 to $140,000	45	5
$140,001 to $150,000	19	1
$150,001 to $160,000	24	1
$160,001 to $170,000	18	-
$170,001 to $180,000	8	1
$180,001 to $190,000	13	-
$190,001 to $200,000	7	-
$200,001 to $210,000	7	1
$210,001 to $220,000	4	-
$220,001 to $230,000	7	1
$230,001 to $240,000	4	-
$240,001 to $250,000	5	-
$250,001 to $260,000	3	1
$260,001 to $270,000	3	-
$270,001 to $280,000	1	-
$280,001 to $290,000	1	1
$290,001 to $300,000	2	-
$300,001 to $310,000	2	-
$310,001 to $320,000	3	-
$320,001 to $330,000	1	-
$330,001 to $340,000	2	-
$350,001 to $360,000	1	-
$370,001 to $380,000	1	-
$380,001 to $390,000	1	-
$410,001 to $420,000	2	-
$440,001 to $450,000	1	-
$560,001 to $570,000	1	-
$640,001 to $650,000	1	-
$1,000,001 to $1,010,000	1	-
	339	24

NOTES

KORDIA.CO.NZ

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Image Landsat / Copernicus. Data SIO, NOAA, U.S. Navy, NGA, GEBCO