kordia®

From STRENGTH to STRENGTH

KORDIA ANNUAL REPORT FOR THE
YEAR ENDED 30 JUNE 2015

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CHAIR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2015

KORDIA DELIVERS OUTSTANDING PROFIT RESULT

Welcome to Kordia Group's annual report for the financial year ended 30th June 2015. It has been a 12 months of outstanding financial and operational performance delivering above target results.

Kordia Group has reported a 2015 profit of $9.2m, beating its profit forecast by nearly 400 per cent. The business has had a stellar year in both New Zealand and Australia, with both operations over-performing. The group's EBITDA was $38m, a 193 per cent increase over the prior year.

In addition, Kordia has cut net debt nearly 80 per cent to $12.5m from $60.4m at the beginning of the financial year.

Kordia now has the strongest balance sheet in its history and is well positioned to deliver returns to the shareholder and invest for the future.

Kordia Group has a rich history of delivering complex communications technology and producing innovative design solutions. This year saw the group continue to lead the way with technology solutions for an expanding diversity of clients.

SOME HIGHLIGHTS OF THE YEAR ENDED 30.6.15:

- Managing the broadcasting of the FIFA U-20 World cup to 100 countries around the world with an audience of 170 million people.
- The launch of Video Web Streaming services for NZ Parliament TV with automatic device responsive formatting for the end user.
- Solutions provider in the Adelaide Oval with the first MIMO high speed network Stadium solution, which was then used for the IC Cricket World Cup.
- Delivering telecommunications services and building infrastructure for the APLNG Queensland coal gas seam project which is one of the most significant energy projects being undertaken in Australia.

KORDIA GROUP HAS REPORTED A 2015 PROFIT OF $9.2M, BEATING ITS PROFIT FORECAST BY NEARLY 400 PER CENT.

Kordia Group revenues for the year to 30 June 2015 totalled $248m, with an EBITDA of $38m (2014 $13m) delivering an NPAT for the year at $9.2m versus a target of $1.9m.

Consistent with this year's Statement of Corporate Intent, Kordia Group has declared no dividend will be payable in respect of the financial year 30th June 2015.

The fact the 2015 results far exceed the business' Statement of Corporate Intent is attributable to a range of factors.

Throughout Australia and New Zealand the company's performance has been outstanding. Kordia New Zealand, under the direction of CEO Scott Bartlett, grew its telco revenues by more than 30 per cent. Our media business has also had a buoyant year, with the addition of online streaming services and growth in FM radio. Our mission critical solutions strategy is driving growth and positioning the business well for the future.

Under the leadership of CEO Ken Benson in Kordia Solutions Australia, there has been a considerable focus on cutting costs, reducing risk and re-focusing the Australian business, to improve financial performance. The focus has been on margin, securing large profitable multi-year contracts and improving the level of secured revenue. Kordia Solutions Australia is entering the FY16 year with eight times the carryover revenues compared to last year.

The board and management have maintained focus on our strategy and have driven performance to deliver a result for this year and beyond.

We are committed to being a good employer, and our people are an integral part of our business. Staff engagement is our key measure of how well we are doing, and this year engagement was at 70%.

Maintaining a safe workplace is a high priority for the board and management. This year we improved our Lost Time Injury Frequency Rate measure to 3.33.

As confirmation of our good process, during the year KSA became accredited under the Australian Government Building and Construction WHS Accreditation Scheme. They achieved the accreditation after a single audit, a result that few companies achieve first time around.

Kordia is well placed to reap the benefits of this year's strong result. FY16 has started well and the group is in a good position with the strongest balance sheet in Kordia's history, strong leadership in place and a clear focus on strategy.

Lorraine Witten

CHAIR OF THE BOARD

KORDIA GROUP BOARD MEMBERS

Lorraine Witten

CHAIR OF THE BOARD

Lorraine Witten (BMS Hons, CA) is a chartered fellow of the New Zealand Institute of Directors and a member of Chartered Accountants Australia and New Zealand. She has extensive experience in the telco and ICT sector, with 25 years experience in senior management and finance roles and 20 years in director roles.

For the past 10 years Lorraine has been an entrepreneur leading high growth businesses. She is currently Managing Director of the company she founded in 2007, Simply Security Limited.

Lorraine is also Chair of Star Now Limited and Director of Wellington Regional Development Agency Limited.

John Quirk

DEPUTY CHAIR OF THE BOARD

John Quirk is a partner in strategic investment and advisory company Howard & Company. John has extensive business and governance experience in high growth, high tech companies. He has held key leadership roles including Chairman, CEO and Managing Director in a number of iconic ICT companies.

He is currently Chairman of Wherescape Software Ltd, FrameCAD Group and SMX Limited. He is a Director of Private Flight Global Ltd and an advisor to the Boards of Clearpoint, Merlot.aero and Code Blue.

John is a chartered member of the Institute of Directors and is the Chair of Kordia Group's People and Culture Committee.

John Allen

John Allen has worked in technology-based positions for 25 years. His career includes senior roles with Panasonic before joining Kordia in its previous incarnation as BCL in 1994 where he was Auckland-based sales manager.

John later assisted in a restructuring that saw today's Networks business moved to Auckland and the number of maintenance centres around New Zealand reduced from twelve to five. John left BCL to take up a management role in data communications.

His latest role was Director of Technology at MediaWorks, covering radio, television and corporate IT engineering and television operations. John was a member of the Freeview Board and has served on a number of industry organisations including the Broadcast Sector Group that worked with the Government to achieve digital switch over.

Rachel Farrant

Rachel Farrant (BCom, Post Graduate Diploma – Finance & Management, CA (NZICA)) is a partner at BDO Wellington and has over 20 years experience in chartered accountancy and business advisory services.

Rachel's other board experience includes Director and Audit Committee Member – Fulton Hogan Group Limited; Trustee and Audit Committee Chair – Wellington Museum Trust; and Chair of the Central Region General Practitioners Fees Review Committee.

Rachel is the Chair of Kordia Group's Audit and Risk Committee.

Graeme Sumner

Graeme Sumner (BCom, MBA, MAICD) is a highly experienced Managing Director specialising in developing and expanding companies in a broad range of sectors and across a number of geographical regions.

Previous roles have included being the Chief Executive Officer and Managing Director of Service Stream Ltd, Chief Executive Officer of Transfield Services (New Zealand) Limited and Managing Director of Siemens Limited in New Zealand.

He served in senior positions at IBM, Telecom New Zealand, Contact Energy, New Zealand Post and its subsidiary companies, SkyRoad and Kiwimail. Graeme was also the Chairman of New Zealand Post's joint venture airfreight company, AirPost Limited.

Graeme is the Chair of Kordia Group's Health and Safety Committee.

Sheridan Broadbent

Sheridan Broadbent (BCom, Harvard Business School Advanced Management Program, CMInstD) is an experienced telecommunications and infrastructure industry professional, having worked in business development and major operational roles in the sectors for many years throughout New Zealand, Australia and the South Pacific.

Sheridan is the Chief Executive of Franklin-based electricity lines company Counties Power, and has held Executive positions with Genesis Energy, Downer EDI (Australia), and led Downer EDI Engineering in New Zealand.

Sheridan is on the steering group of the Business Leaders' Health and Safety Forum, a chartered member of the Institute of Directors and an inaugural graduate of the Institute-administered Future Directors' Scheme.

Sheridan is a member of Kordia Group's Health and Safety Committee.

Bryan Hemi

Bryan Hemi (BE (Civil), MBA) is an experienced company director, with a background in ICT and a range of governance and consulting experience and expertise.

Bryan is a director of Governance Online Limited, Healthwest Limited and advisor to iTools Online Limited. Bryan was previously a director of Quotable Value and Chair of Property IQ (a joint venture between Quotable Value and RP Data), Chair of Aotearoa Credit Union, and a Trustee of Workbase. Prior to that Bryan was CEO of PIPC NZ.

Bryan is a member of Kordia Group's Audit and Risk Committee.

BOARD COMMITTEES

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 AND CULTURE COMMITTEE

The People and Culture Committee assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate levels of remuneration for executives.

HEALTH AND SAFETY COMMITTEE

The Health and 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 2015

The Directors have pleasure in presenting their report, together with the audited Financial Statements of the Group for the year ended 30 June 2015.

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:

Hon Bill English	Minister of Finance
Hon Todd McClay	Minister of State Owned Enterprises

RESULTS FOR THE YEAR

The Group's consolidated net profit after taxation for the year was $9,234,000 (2014: $8,641,000 loss).

DIVIDEND

The Directors recommend no final dividend for the year ended 30 June 2015. Taking into account the nil interim dividend, the total dividend for the year will be nil (2014: nil).

AUDITOR

The Controller and Auditor-General is the auditor of the Group in accordance with Section 19 of the State Owned Enterprises Act 1986 and has appointed Mark Crawford of KPMG to act for and on behalf of the Auditor-General, as auditor in respect of the year ended 30 June 2015.

On behalf of the Board

LM Witten

Rachel Farrant

L M Witten Chair	R H Farrant Director	27 August 2015

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2015

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 2015.

L M Witten
Chair

R H Farrant
Director

27 August 2015

For over sixty years, we've been on a rich, rewarding journey.

1960
We introduce television as an entertainment medium on January 28.

1969
Moon landing transfixes nation. Signals sent from lunar module to Earth, back up to satellite, down to NZ, then via NZ terrestrial to viewers' homes.

1973
We bring Live Colour TV to New Zealand - just in time for the 1974 Commonwealth Games in Christchurch.

1982
Stereo Radio revolutionises the mass music experience with the introduction of Frequency Modulated (FM) broadcasts.

1992
'Safety of life at sea' service begins for Maritime New Zealand. High sites originally built for TV broadcasts carry VHF radio to ships.

Kordia has an exceptional track record of leading the way in communications technology. The launching of the internet to the New Zealand rural sector – in partnership with Fonterra and Telecom in 2002 – is just another example of our vision and expertise.

1994
Company gains ISO9001 accreditation for quality management.

2002
Internet launched to the rural sector in partnership with Fonterra and Telecom

2009
Company enters new era, moving from wholesale broadcast and telecommunications to serving New Zealand's businesses directly.

2011
Full services maintained during Christchurch earthquake. In the same year Kordia faultlessly delivers all 48 games of the Rugby World Cup.

2013
TV broadcasts go 100% digital as Kordia continues to pioneer new technologies.

2014
Kordia enters managed security and cloud services market.

Kordia's platform provides a solid end-to-end solution removing the complexity of streaming video.

On May 11, Kordia announced the launch of its new video web streaming platform, signing Parliament as the first customer followed by various broadcasters, content providers and large enterprises.

The platform leverages the latest in multi-device video transcoding technology, ensuring the correct streaming profile is automatically applied to each end user based on screen size and connection speed / access method.

The streaming platform provides an end-to-end solution to remove all the complexity of delivering video feeds to the internet. Customers find the process simple, they provide us a video input and from there we do all the specialised processing to deliver the video stream to the Internet, and on to the viewers.

The simplicity and quality of the service is evident in the success already enjoyed by Parliament, now able to transform the user experience. We stream Parliament TV to end users and automatically adapt the format to suit different devices – including support for Parliament's new mobile device app.

Parliament has already received very positive feedback with users tweeting their appreciation at the ease of use compared to the former system.

Dedicated to safeguarding our clients networks and infrastructure from attacks. That's what we do.

Our managed security services protect our clients networks from unauthorised access and internet security threats.

Broadcasting a great television product destined for 170 million passionate football fans? No problem.

At the start of the year host Broadcast Services and EBU signed off a proposal for Kordia to manage the broadcasting of the FIFA U-20 World Cup's 52 games in New Zealand, an even bigger job than the 2011 Rugby World Cup.

Kordia Content Services organised and managed, and in many instances built up the required services including the Broadcast Operations Centre in TVC. We planned and installed the additional equipment on site and provided back-up services to all venues throughout the tournament.

The operations centre had up to 4 venues feeding in, with up to three simultaneous matches feeding out to Geneva where it was broadcast to around 100 countries with a global TV audience of 170 million. Material was also brought in over the Kordia/EBU circuits to assist with the highlights editing TVNZ provided. The first game took place on the 30 May and the final on 20 June.

52 GAMES ACROSS SEVEN VENUES

Kordia managed the broadcast of 52 games across 7 venues, an even bigger job than the 2011 Rugby World Cup.

Expertise delivers complex and unforgiving large scale infrastructure re-purposing project.

Broadcast Australia on behalf of the Australian Government initiated an ambitious project to free up television spectrum to accommodate additional spectrum required by mobile phone networks across Australia.

Kordia successfully executed a detailed project program for hundreds of frequency channel changes and modifications to television antenna systems and towers conforming to an unforgiving timeline with field work being undertaken day and night by both Kordia Australia and Kordia New Zealand field resources.

81 SITES ACROSS AUSTRALIA

Engaged by Broadcast Australia, Kordia have undertaken the installation of 81 sites, 14 of which are 'high power'.

Replacement of 33,000 computers nationwide without disrupting banking operations? Too easy.

Westpac Bank Australia, in association with ICT partner IBM and the help of national technical field services supplier – Kordia, embarked on a major computer upgrade project that required the replacement of 33,000 computers without impacting on banking operations or customers.

The swap-outs were carefully executed each night over a period of nine months and across 857 branch sites and 80 corporate locations nationally, involving the installation of new personal computers, thin clients, laptops and monitors, configuring them with Westpac software and coordinating the migration of user profiles from Windows XP to the bank's new Windows7 environment.

Delivering the highest quality of industry practice and best of breed solutions.

As the trusted partner to design and supply telecommunications services and build infrastructure for APLNG, Kordia is delivering critical services and infrastructure to one of the most significant energy and resources projects being undertaken in Australia.

The APLNG Queensland coal seam gas project brings together a joint venture between three industry leaders in the fields of coal seam gas and liquefied natural gas production to deliver coal seam gas from the Surat Basin to an LNG plant at Curtis Island near Gladstone, Queensland.

Kordia has successfully designed and built infrastructure and supplied telecommunications services deployed across a remote 14,700 square km area north-west of Brisbane to service the extensive and robust communications and control systems needs for the project and production phases. The end-to-end telecommunications solution scope incorporated network design formulation, engineering, procurement, construction, commissioning and handover.

The APLNG project deliverables included but were not limited to the design, installation and commissioning of:

29 communications towers from 20m to 70m in height.

10 solar hybrid power systems plus 45 DC power systems.

40 digital microwave radio links and 38 SDH fibre optical multiplexers.

2 data hubs comprising network firewalls, data storage and virtual servers.

5 operations centres including gateways, voice and call loggers and Operation Systems.

1 optical control and monitoring network linking wellheads to Processing facilities.

52 Digital Trunked Voice Mobile Radio base station repeater sites.

21 wireless broadband base stations for wireless telemetry servicing 250 wellheads.

Fast delivery of high speed network successfully implemented in time for Cricket World Cup Stadium.

In October 2014, Kordia began a four-stage project to deliver a Hybrid DAS IBC system for the newly developed Adelaide Oval.

Kordia was proud to be the solution leader in working with Telstra as the lead carrier to deliver the first Multiple-Input-Multiple-Output (MIMO) Stadium solution in Australia. Tasked with the overall construction, commissioning and management of this project, to be completed before the ICC World Cup, Kordia ensured timeframes were met. By working in round the clock shifts, 24 hours a day, only taking off Christmas Day until the build was successfully completed in time. All this hard work paid off as Kordia completed the commissioning and optimising of the Active System two days ahead of schedule.

The first real test of the site came on the Saturday 24th January 2015, when the cricket Big Bash League Semi-finals attracted a record crowd of 52,000 to the grounds. During this event, Telstra's test team confirmed a very successful trial and observed spectacular data speeds with one test recording over 100Mbps. At the completion of the project, Kordia were praised by the customer and other stake-holders for our end-to-end delivery of this site.

24x7

Kordia ensured timeframes were met, by working in round the clock shifts, 24 hours a day.

100 MBPS

Spectacular speed of over 100Mbps recorded in one of Telstra's trial tests.

Towering above.

Design and construction of one very high and cyclone proof communications tower a great success for the Western Australian economy.

The Gorgon gas project is a natural gas project in Western Australia, involving the development of the gas fields, subsea gas-gathering infrastructure, and a liquefied natural gas plant on Barrow Island. The project required a 120m high, heavy duty communications tower to support the telecommunications needs of the project and communications needs of remote workers.

Global engineering specialist Kentz was contracted to Chevron as the main telecommunications infrastructure provider. Kentz subcontracted the design, procure and construct of the critical 120m Communications Main Mast to Kordia. Kordia was selected for these works based on its proven expertise in designing and constructing significant steel structures in both the telecommunication and broadcasting industries.

Kordia is proud to have been part of the Gorgon Project and that its engineering and construction expertise resulted in the delivery of the communications main mast works to the agreed schedule.

120 METRES HIGH

At 120 metres in height and located 50km off the coast this site specific structure was designed to withstand cyclonic wind conditions.

The KORDIA GROUP LIMITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

In thousands of New Zealand dollars	Notes	2015	2014
Revenue (telecommunications services)		**248,004**	301,363
Direct costs and overheads	3	**111,511**	162,975
Employee and contractor costs	4	**98,503**	125,444
Earnings before interest, tax, depreciation and amortisation (EBITDA)	26	**37,990**	12,944
Finance income	5	**1,043**	1,599
Finance expense	5	**3,809**	5,860
Depreciation and amortisation expense	8, 9	**21,957**	21,636
Profit/(loss) before income tax		**13,267**	(12,953)
Income tax expense/(benefit)	6	**4,033**	(4,312)
Profit/(loss) for the year attributable to the equity holder		**9,234**	(8,641)

The accompanying notes set out on pages 26 - 52 are to be read as part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

In thousands of New Zealand dollars	**2015**	2014
Profit/(loss) for the year attributable to the equity holder	**9,234**	(8,641)
Foreign currency translation differences	**475**	(1,347)
Effective portion of changes in the fair value of cashflow hedges	**269**	1,373
Tax effect of the effective portion of changes in the fair value of cashflow hedges	**(78)**	(388)
Ineffective portion of changes in the fair value of cashflow hedges	**54**	475
Tax effect of the ineffective portion of changes in the fair value of cashflow hedges	**(15)**	(133)
Other comprehensive income for the year	**705**	(20)
Total comprehensive income for the year attributable to the equity holder	**9,939**	(8,661)

The accompanying notes set out on pages 26 - 52 are to be read as part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total Attributable to Owners
Balance 1 July 2013	**87,696**	**8,249**	**(769)**	**(1,751)**	**93,425**
Net loss for the year	-	(8,641)	-	-	(8,641)
Other comprehensive income					
Foreign currency translation differences	-	-	(1,347)	-	(1,347)
Effective portion of changes in fair value of cashflow hedges, net of tax	-	-	-	2,798	2,798
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(1,471)	(1,471)
Total other comprehensive income	-	-	(1,347)	1,327	(20)
Total comprehensive income	**-**	**(8,641)**	**(1,347)**	**1,327**	**(8,661)**
Transactions with owners					
Dividends	-	(4,000)	-	-	(4,000)
Balance 30 June 2014	**87,696**	**(4,392)**	**(2,116)**	**(424)**	**80,764**
Net profit for the year	-	9,234	-	-	9,234
Other comprehensive income					
Foreign currency translation differences	-	-	475	-	475
Effective portion of changes in fair value of cashflow hedges, net of tax	-	-	-	316	316
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(86)	(86)
Total other comprehensive income	-	-	475	230	705
Total comprehensive income	**-**	**9,234**	**475**	**230**	**9,939**
Balance 30 June 2015	**87,696**	**4,842**	**(1,641)**	**(194)**	**90,703**

The accompanying notes set out on pages 26 - 52 are to be read as part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

In thousands of New Zealand dollars	Notes	**2015**	2014
Assets			
Property, plant and equipment	8	**72,560**	82,417
Intangible assets and goodwill	9	**23,695**	25,067
Finance lease receivable	19	**2,498**	64
Deferred tax asset	10	**7,050**	8,216
Total non-current assets		**105,803**	115,764
Cash		**1,587**	4,623
Inventories	11	**1,844**	1,477
Trade and other receivables	12	**62,359**	83,221
Loans receivable	18	**-**	9,950
Loans and advances	14	**5,949**	-
Finance lease receivable	19	**171**	1,653
Derivative assets	16	**85**	-
Taxation receivables		**-**	833
Total current assets		**71,995**	101,757
Total assets		**177,798**	217,521
Equity and Liabilities			
Share capital	7	**87,696**	87,696
Foreign currency translation reserve		**(1,641)**	(2,116)
Cashflow hedge reserve		**(194)**	(424)
Retained earnings		**4,842**	(4,392)
Total equity attributable to the equity holder		**90,703**	80,764
Trade and other payables	13	**4,130**	5,053
Derivative liabilities	16	**293**	1,040
Deferred tax liability	10	**-**	54
Loans and advances	14	**20,000**	40,132
Provisions	15	**6,052**	6,333
Total non-current liabilities		**30,475**	52,612
Taxation payable		**1,095**	654
Trade and other payables	13	**52,425**	55,714
Derivative liabilities	16	**67**	119
Provisions	15	**3,033**	2,823
Loans and advances	14	**-**	24,835
Total current liabilities		**56,620**	84,145
Total liabilities		**87,095**	136,757
Total equity and liabilities		**177,798**	217,521

The accompanying notes set out on pages 26 - 52 are to be read as part of these financial statements.

On behalf of the Board

L M Witten
Chair

R H Farrant
Director

27 August 2015

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

In thousands of New Zealand dollars	Notes	2015	2014
Cash flows from operating activities			
Receipts from customers		277,511	304,668
Payments to suppliers and employees		(222,082)	(287,974)
		55,429	16,694
Dividends received		4	4
Interest received		953	1,595
Interest paid - other		(3,488)	(5,514)
Interest paid - finance lease		-	(1)
Taxes (paid)/refunded		(1,419)	(1,833)
Net cash from/(used in) operating activities	20	51,479	10,945
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		31	196
Acquisition of property, plant and equipment		(11,901)	(14,298)
Acquisition of intangibles	9	(461)	(6,998)
Net cash (used in)/from investing activities		(12,331)	(21,100)
Cash flows from financing activities			
Proceeds/(repayment) of loans and advances		(54,170)	13,475
Repayment of finance lease liabilities		-	(33)
Proceeds from finance lease assets		1,863	1,388
Proceeds from loans receivable		9,950	-
Dividends paid		-	(4,000)
Net cash from/(used in) financing activities		(42,357)	10,830
Net increase/(decrease) in cash and cash equivalents		(3,209)	675
Cash and cash equivalents at beginning of year		4,623	4,114
Effect of exchange rate fluctuations on cash		173	(166)
Cash and cash equivalents at end of year		1,587	4,623

The accompanying notes set out on pages 26 - 52 are to be read as part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

1. REPORTING ENTITY

Kordia Group Limited (the 'Company') is a limited liability company incorporated and domiciled in New Zealand under the Companies Act 1993 and is wholly owned by the Crown. The registered office of the Company is Level 3, 162 Victoria Street, Auckland Central, 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 27 August 2015.

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.

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 operations services rendered 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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(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.

(F) PROPERTY, PLANT AND EQUIPMENT (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.

(G) INTANGIBLES

Goodwill

Goodwill arises on the acquisition of subsidiaries 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
Development costs	5 years
Software	3-5 years

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

CONTINUED

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

2. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(N) FOREIGN CURRENCIES

Transactions

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

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

Translation of Foreign Group Entities

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

(O) CONTINGENCIES

Where it is yet to be confirmed whether a present obligation exists, but the likelihood is possible, unless an outflow is deemed remote, a contingent liability is disclosed. Where an inflow of economic benefits is probable, a contingent asset is disclosed. Disclosure includes management's best estimate of the economic effect of the contingent asset or liability.

(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, 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.

(P) DETERMINATION OF FAIR VALUES (CONTINUED)

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.

(Q) STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations are not yet effective for the period ended 30 June 2015 and have not been applied in preparing these consolidated financial statements:

- 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.
- 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 Directors expect to adopt the above standards and interpretations in the period in which they become effective. The Directors anticipate that the above standards and interpretations will have no material impact on the financial statements of the Group or Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

In thousands of New Zealand dollars	**2015**	2014
3. DIRECT COSTS AND OVERHEADS INCLUDE:		
Auditor's fees		
- audit services	**305**	314
- other audit related services	**12**	12
Directors' fees	**297**	261
Loss/(gain) on disposal of property, plant and equipment	**156**	521
Loss/(gain) on disposal of intangibles	**-**	99
Impairment/(reversal) loss on trade receivables	**202**	(497)
Rental and operating lease costs	**9,967**	11,370
Project material and subcontractor costs	**75,365**	121,088
Direct network costs	**13,504**	13,901
Fair value losses on de-designated swaps	**211**	475
4. EMPLOYEE AND CONTRACTOR COSTS INCLUDE:		
Redundancy	**1,150**	7,086
Defined contribution plan	**5,603**	7,558
5. FINANCE INCOME AND EXPENSE		
Interest income on bank deposits and loan receivable	**671**	1,219
Interest income on finance leases	**282**	376
Unrealised foreign exchange gain	**86**	-
Dividend income	**4**	4
Finance income	**1,043**	1,599
Interest expense on loans and borrowings	**3,025**	4,535
Net interest expense on financial assets designated at fair value through the income statement	**385**	958
Unrealised foreign exchange loss	**-**	78
Realised foreign exchange loss	**31**	-
Interest expense on finance leases	**-**	1
Unwind the discount on provisions	**368**	288
Finance expense	**3,809**	5,860
Net finance expense	**2,766**	4,261

In thousands of New Zealand dollars	**2015**	2014
6. INCOME TAX EXPENSE		
Current tax expense	**3,336**	720
Adjustment from prior periods	**93**	40
Deferred tax (benefit)/expense	**604**	(5,072)
Total income tax (benefit)/expense	**4,033**	(4,312)
Reconciliation of effective tax rate		
Net profit/(loss) before taxation	**13,267**	(12,953)
Taxation at 28%	**3,715**	(3,627)
Adjusted for the tax effect of:		
Difference in subsidiary income tax rates	**146**	(436)
Non assessable income	**(5)**	(566)
Non-deductible expenses	**84**	277
Under/(over) provided in prior periods	**93**	40
Taxation expense/(benefit)	**4,033**	(4,312)
Imputation Credit Account		
Imputation credits available to shareholders in future periods	**11,413**	9,125

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

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 2015 the Group paid no interim dividend (2014: nil) and a prior year final dividend of nil (2014: $4m).

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 2014 and June 2015 is due to the capitalisation of transmission equipment assets which were under construction at June 2014.

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.

The Networks cash-generating unit undertakes transmission services including linking of telecommunications and broadcasting signals.

The recoverable amount of the Networks cash-generating unit is based on a value in use calculation using a discounted cashflow model for five years from 2015. The cashflow projections are based on the financial budgets approved by management, adjusted for impact of earlier than anticipated digital switch-over. 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% (2014: 0%) was assumed. A real post tax discount rate of 7.3% (2014: 8.2%) was applied. Bancorp Corporate Finance Limited worked with the Group in determining the weighted average cost of capital.

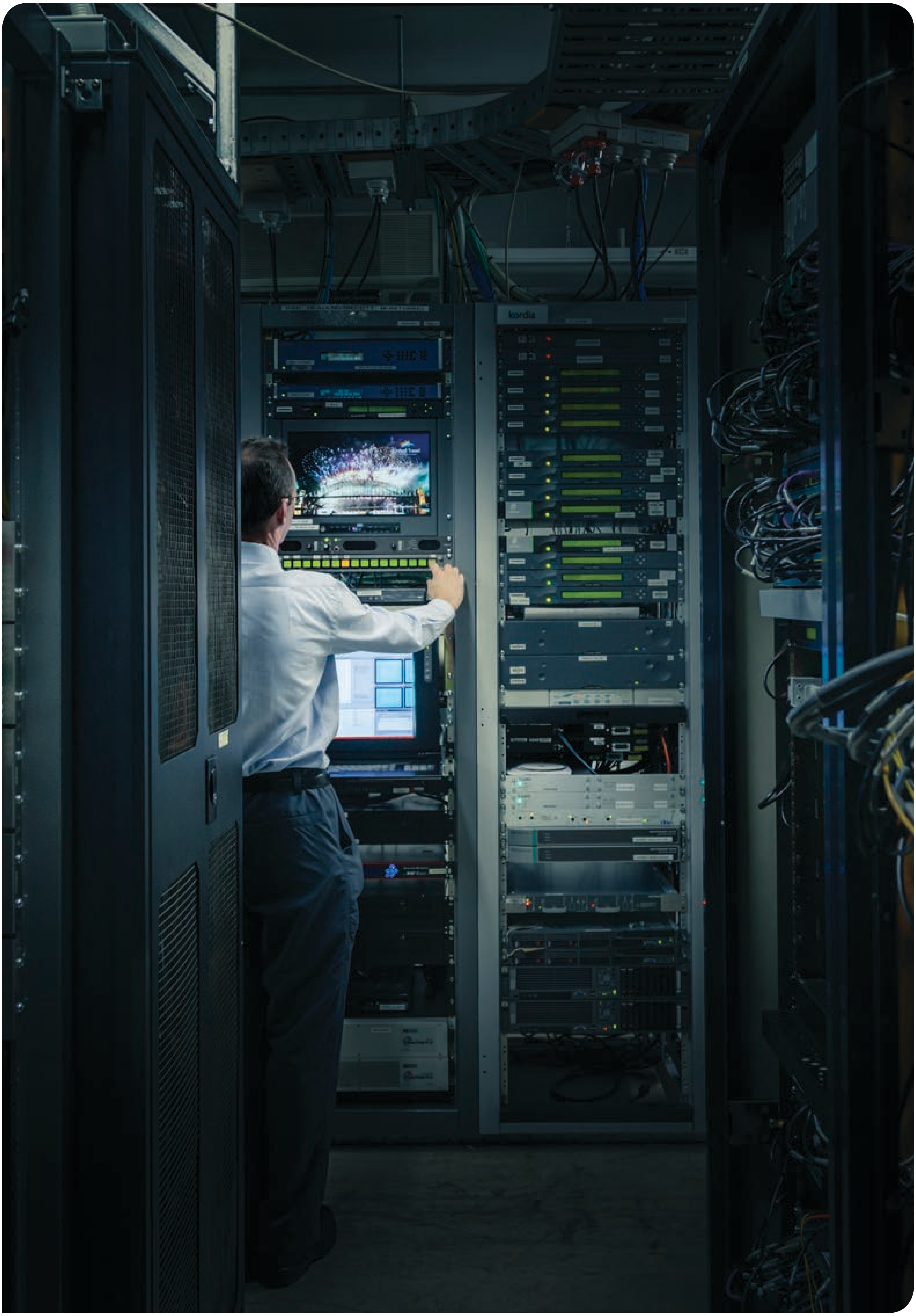
For the year-ended 30 June 2011 a pre-tax impairment loss of $29,054 was recognised in the Income Statement and allocated to the property, plant and equipment assets ($26,699), intangible assets ($999) and an additional make-good provision ($1,356) constituting the cash-generating unit.

Based on the assessment at 30 June 2015, 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.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CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 2013	**31,252**	**12,421**	**74,287**	**238,677**
Additions	783	2,522	437	9,222
Transfers	-	-	43	334
Disposals	(1,902)	(1,905)	(8,056)	(17,402)
Effect of movements in exchange rates	-	(824)	(2)	(2,822)
Balance at 30 June 2014	**30,133**	**12,214**	**66,709**	**228,009**
Additions	161	478	745	6,147
Transfers	-	-	1	463
Disposals	(329)	(1,461)	(22)	(4,687)
Effect of movements in exchange rates	-	347	1	1,251
Balance at 30 June 2015	**29,965**	**11,578**	**67,434**	**231,183**
Depreciation and Impairment Losses				
Balance at 1 July 2013	**(21,270)**	**(7,879)**	**(57,490)**	**(192,665)**
Depreciation for the year	(926)	(1,374)	(3,628)	(10,303)
Disposals	1,602	2,051	7,994	17,081
Effect of movements in exchange rates	-	471	-	2,533
Balance as at 30 June 2014	**(20,594)**	**(6,731)**	**(53,124)**	**(183,354)**
Depreciation for the year	(851)	(1,475)	(2,250)	(11,515)
Disposals	263	1,661	18	2,222
Effect of movements in exchange rates	-	(286)	-	(1,178)
Balance as at 30 June 2015	**(21,182)**	**(6,831)**	**(55,356)**	**(193,825)**
Carrying amounts				
At 30 June 2014	**9,539**	**5,483**	**13,585**	**44,655**
At 30 June 2015	**8,783**	**4,747**	**12,078**	**37,358**

Furniture & fittings	Office equipment	Motor vehicles	Information systems	Work in progress	Total
1,888	**2,200**	**1,589**	**32,910**	**3,844**	**399,068**
327	123	220	2,111	1,351	17,096
-	2	-	2,844	(3,663)	(440)
(749)	(155)	(269)	(4,271)	-	(34,709)
(53)	(154)	(53)	(1,871)	(248)	(6,027)
1,413	**2,016**	**1,487**	**31,723**	**1,284**	**374,988**
31	32	320	975	3,222	12,111
-	-	-	32	(554)	(58)
(14)	(2)	(182)	(1,584)	(628)	(8,909)
23	71	20	1,356	-	3,069
1,453	**2,117**	**1,645**	**32,502**	**3,324**	**381,201**
(1,389)	**(1,943)**	**(1,383)**	**(28,470)**	**-**	**(312,489)**
(171)	(52)	(79)	(2,404)	-	(18,937)
643	124	267	4,229	-	33,991
41	156	45	1,618	-	4,864
(876)	**(1,715)**	**(1,150)**	**(25,027)**	**-**	**(292,571)**
(124)	(56)	(116)	(2,965)	-	(19,352)
12	2	175	1,572	-	5,925
(23)	(71)	(14)	(1,071)	-	(2,643)
(1,011)	**(1,840)**	**(1,105)**	**(27,491)**	**-**	**(308,641)**
537	**301**	**337**	**6,696**	**1,284**	**82,417**
442	**277**	**540**	**5,011**	**3,324**	**72,560**

CONTINUED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

9. INTANGIBLE ASSETS

In thousands of New Zealand dollars	Goodwill	Development Costs	Frequency Licences	Software	Others	Total
Cost						
Balance at 1 July 2013	**15,668**	**454**	**6,871**	**22,905**	**664**	**46,562**
Additions	-	-	2,636	3,922	-	6,558
Transfers	-	-	-	440	-	440
Disposals	-	(454)	-	(2,555)	(664)	(3,673)
Effects of movements in exchange rates	(1,489)	-	-	-	-	(1,489)
Balance at 30 June 2014	**14,179**	**-**	**9,507**	**24,712**	**-**	**48,398**
Additions	-	-	15	446	-	461
Transfers	-	-	-	58	-	58
Disposals	-	-	(10)	(289)	-	(299)
Effects of movements in exchange rates	676	-	-	56	-	732
Balance at 30 June 2015	**14,855**	**-**	**9,512**	**24,983**	**-**	**49,350**
Amortisation and Impairment losses						
Balance at 1 July 2013	**-**	**(454)**	**(4,748)**	**(18,340)**	**(664)**	**(24,206)**
Amortisation for the year	-	-	(344)	(2,355)	-	(2,699)
Disposals	-	454	-	2,456	664	3,574
Balance at 30 June 2014	**-**	**-**	**(5,092)**	**(18,239)**	**-**	**(23,331)**
Amortisation for the year	-	-	(398)	(2,207)	-	(2,605)
Disposals	-	-	10	270	-	280
Effects of movements in exchange rates	-	-	-	1	-	1
Balance at 30 June 2015	**-**	**-**	**(5,480)**	**(20,175)**	**-**	**(25,655)**
Carrying amounts						
At 30 June 2014	**14,179**	**-**	**4,415**	**6,473**	**-**	**25,067**
At 30 June 2015	**14,855**	**-**	**4,032**	**4,808**	**-**	**23,695**

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 $14,855 (2014: $14,179) has been allocated to Kordia Pty Limited.

The recoverable amount of Kordia Pty Limited and subsidiary 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 8.3% (2014: 8.6%) was applied and was derived from the real post tax weighted average cost of capital. The year-on-year change in discount rates reflect a decrease in the risk free rate and a decrease in asset betas which have been assessed by way of comparable companies. Bancorp Corporate Finance Limited worked with the Group in determining the weighted average costs of capital.

The recoverable amount for Kordia Pty Limited was calculated using cash flow projections for the five years from 2015 using the financial budgets approved by management. Beyond year five a real growth rate of 0% (2014: 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

- 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	**2015**	2014	**2015**	2014	**2015**	2014
Property, plant and equipment	**-**	-	**(977)**	(1,836)	**(977)**	(1,836)
Intangible assets	**-**	-	**(578)**	(614)	**(578)**	(614)
Derivatives	**84**	172	**-**	-	**84**	172
Trade and other receivables	**-**	-	**(11,219)**	(11,376)	**(11,219)**	(11,376)
Inventories	**71**	63	-	-	**71**	63
Employee entitlements	**2,007**	2,106	**-**	-	**2,007**	2,106
Other payables	**6,789**	4,323	**-**	-	**6,789**	4,323
Provisions	**2,600**	2,614	**-**	-	**2,600**	2,614
Tax losses	**8,273**	12,710	**-**	-	**8,273**	12,710
Net tax assets/(liabilities)	**19,824**	21,988	**(12,774)**	(13,826)	**7,050**	8,162

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

In thousands of New Zealand dollars	**2015**	2014
New Zealand	**866**	(54)
Australia	**6,184**	8,216
Net tax asset	**7,050**	8,162

All movements in deferred tax have been recognised in the Income Statement except for ($93) (2014: ($520)) relating to derivatives which have been recognised in the cash flow hedge reserve and ($416) (2014: $35) that have been recognised in the foreign currency translation reserve.

Gross tax losses of $27,577 (2014: $42,367) 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 2015

11. INVENTORIES

In thousands of New Zealand dollars	**2015**	2014
Inventory	**2,099**	1,704
Provision for write down	**(255)**	(227)
Total inventories	**1,844**	1,477

12. TRADE AND OTHER RECEIVABLES

Trade receivables	**20,237**	40,896
Provision for doubtful debts	**(384)**	(637)
Trade prepayments	**3,200**	3,026
Contract work in progress	**39,306**	39,936
Trade trade and other receivables	**62,359**	83,221

During the year the Group utilised $455 (2014: $188) of the provision for doubtful debts and released $202 (2014: $497) of the provision to the Income Statement.

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 2015, contract work in progress was $39,306 (2014: $39,936). Deferred income, where billing exceeds recognised revenue, amounted to $20,165 (2014: $14,912).

Trade and other receivables are financial assets categorised as loans and receivables.

13. TRADE AND OTHER PAYABLES

Current		
Trade payables and accruals	**27,158**	34,536
Deferred income	**19,860**	14,484
Employee entitlements	**5,407**	6,694
	52,425	55,714

Non-current		
Trade payables and accruals	**2,452**	3,182
Deferred income	**305**	428
Employee entitlements	**1,373**	1,443
	4,130	5,053

Payables are categorised as financial liabilities measured at amortised cost.

14. LOANS AND ADVANCES

In thousands of New Zealand dollars	**2015**	2014
Bank loans (unsecured)	**14,051**	64,967
Loan facilities are repayable as follows:		
Within one year	**(5,949)**	24,835
One to two years	**20,000**	40,132
Two to four years	**-**	-
	14,051	64,967
Weighted average interest rates:		
Bank loans	**2.1%**	3.8%
Bank loans amended for derivatives, line fees and margin	**5.9%**	6.0%

The loan facilities comprise a syndicated revolving cash advance facility, dated 21 March 2012, committed to a maximum amount of $70 million (2014: $92 million). The loans drawn and facility available is analysed as follows:

	2015				2014			
	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	**-**	**-**	**-**	**-**	14,835	-	15,000	-
Tranche C	**-**	**20,000**	**-**	**20,000**	10,000	-	27,000	-
Tranche D	**13,515**	**-**	**40,000**	**-**	-	39,344	-	40,000
Tranche E	**(19,464)**	**-**	**10,000**	**-**	-	788	-	10,000
	(5,949)	**20,000**	**50,000**	**20,000**	24,835	40,132	42,000	50,000

On 21 March 2012 a facility agreement was entered into between Kordia and the members of the banking syndicate. The facility was split into five tranches with different expiry and renewal dates, as well as fee and margin structures. Tranches A and B have subsequently been reduced to nil. Tranche E is a working capital facility which enables the Group to manage its cashflow on a daily basis. Funding levels are actively managed with tranches renewed or repaid as forecasts require. There is a right of set off between the tranches of the loan facility.

The Board is of the opinion, there is minimal liquidity risk because the split of funding between current and non-current is a conscious decision to be in line with the Group's treasury policy which stipulates progressive expiry/renewal dates for debt facilities. The facility has a portion of one year debt to take advantage of lower bank margins and commitment fees and this has been used in preference to the longer dated and more expensive tranches, hence the balance drawn as current in the table above.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

14. LOANS AND ADVANCES (CONTINUED)

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 2014 and 2015 financial years.

Covenant		**2015**	2014
Gearing ratio	Net debt to EBITDA <3.0:1 (2014: <3.85:1)	**0.3:1**	2.8:1
Interest cover	EBITDA to net interest >3.0 times	**13.7:1**	5.0:1
Minimum shareholder funds	> $70 million	**$91m**	$81m
Coverage ratios	Total assets of guaranteeing group to total assets of the consolidated group >95%	**>95%**	>95%
	Total EBIT of guaranteeing group to total EBIT of the consolidated group >95%	**>95%**	>95%

Loans and advances are categorised as financial liabilities measured at amortised cost.

15. PROVISIONS

In thousands of New Zealand dollars	**Warranty**	**Make good**	**Total**
Balance at 1 July 2013	773	7,636	8,409
Provisions made during the period	751	2,358	3,109
Provisions utilised during the period	(773)	(1,579)	(2,352)
Effect of movement in exchange rate	(74)	(224)	(298)
Unwind discount	-	288	288
Balance at 30 June 2014	**677**	**8,479**	**9,156**
Provisions made during the period	1,037	209	1,246
Provisions utilised during the period	(677)	(1,108)	(1,785)
Effect of movements in exchange rate	24	76	100
Unwind discount	-	368	368
Balance at 30 June 2015	**1,061**	**8,024**	**9,085**
Current	677	2,146	2,823
Non-current	-	6,333	6,333
Balance at 30 June 2014	**677**	**8,479**	**9,156**
Current	1,061	1,972	3,033
Non-current	-	6,052	6,052
Balance at 30 June 2015	**1,061**	**8,024**	**9,085**

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 24% 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 AUD492 ($554) and USD40 ($59) {2014: AUD963 ($1,044), USD368 ($420)} and current liabilities of USD92 ($136) and EUR50 ($82) {2014: AUD474 ($510), USD125 ($143)}. 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 $70 million (2014: $92 million). At 30 June the drawdown on these facilities was $14 million (2014: $65 million), to fund on-going activities. $50 million of the facilities expire 30 September 2015 and $20m of the facilities expire on 30 September 2016.

The Group has an overdraft facility of $50 (2014: $50) which has a wholesale prime interest rate of 6% (2014: 6%). At 30 June 2015 the drawdown on this facility was nil (2014: nil).

It is Group policy to manage its interest rate exposure in accordance with prudent commercial practice. The Group enters into interest rate swaps to convert a portion of its interest rate exposure from floating to fixed. The swaps mature over the next 2 years. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of New Zealand dollars	**2015**	2014
Fixed rate instruments:		
Financial assets (finance leases)	**2,669**	1,717
Variable rate instruments:		
Financial assets (forward covers at fair value)	**85**	-
Financial assets (loans receivable)	**-**	9,950
Financial liabilities (debt)	**14,051**	64,967
Financial liabilities (swaps at fair value)	**360**	1,159

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

				2015			
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	-	(52,425)	(4,130)	-	-	(56,555)	(56,555)
Loans and advances	-	-	(20,266)	-	-	(20,266)	(14,051)
Total liabilities and equity	-	(52,425)	(24,396)	-	-	(76,821)	(70,606)

				2014			
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	-	(55,714)	(5,053)	-	-	(60,767)	(60,767)
Loans and advances	-	(27,304)	(40,512)	-	-	(67,816)	(64,967)
Total liabilities and equity	-	(83,018)	(45,565)	-	-	(128,583)	(125,734)

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

				2015		
In thousands of New Zealand dollars	Carrying amount	Within One Year	One to Two Years	Two to Five Years	More than Five Years	Contractual Cashflows
Interest rate swaps:						
Liabilities	(360)	(205)	(175)	(14)	-	(394)
Forward exchange contracts:						
Assets	85	67	-	-	-	67
	(275)	(138)	(175)	(14)	-	(327)

				2014		
In thousands of New Zealand dollars	Carrying amount	Within One Year	One to Two Years	Two to Five Years	More than Five Years	Contractual Cashflows
Interest rate swaps:						
Liabilities	(1,153)	(467)	(381)	(415)	-	(1,263)
Forward exchange contracts:						
Liabilities	(6)	(6)	-	-	-	(6)
	(1,159)	(473)	(381)	(415)	-	(1,269)

(D) SENSITIVITY ANALYSIS

At 30 June 2015, it is estimated that a general increase of one percentage point in interest rates would increase the Group's equity by approximately $118 (2014: $126) and decrease net profit after tax by $61 (2014: $666). At 30 June 2015, it is estimated that a general decrease of one percentage point in interest rates would decrease the Group's equity by approximately $29 (2014: $140) and increase net profit after tax by $61 (2014: $710). Interest rate swaps have been included in this calculation.

At 30 June 2015, 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 $50 (2014: $134 decrease). At 30 June 2015, 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 $50 (2014: $134 increase). Forward exchange contracts have been included in this calculation.

The Group has specific forward exchange contracts representing specific hedges against exposures for capital expenditure and inventory purchases. At balance date, these hedges would have given rise to a realised gain of $85 (2014: $6 loss) had the Group closed the contracts out. None (2014: nil) of these gains were included in the Income Statement.

(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.

Following the sale of Orcon Limited on 31 March 2013, the Group had a loan receivable from the purchaser. Refer to Note 18. This loan was received during the current year.

	2015		2014	
In thousands of New Zealand dollars	**Gross receivable**	**Impairment**	Gross receivable	Impairment
Not past due	**12,839**	**(14)**	23,717	-
Past due 0-30 days	**5,698**	**(45)**	10,800	(77)
Past due 31-120 days	**933**	**(44)**	5,451	(331)
Past due 121-365 days	**743**	**(263)**	891	(204)
Past due more than 1 year	**24**	**(18)**	37	(25)
Total	**20,237**	**(384)**	40,896	(637)

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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.

	2015		2014	
In thousands of New Zealand dollars	**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and advances payable[1]	**14,051**	**14,051**	64,967	64,967
Financial derivatives liability[2]	**360**	**360**	1,159	1,159
Financial derivatives asset[2]	**85**	**85**	-	-
Loans receivable[1]	**-**	**-**	9,950	9,950

Classification:
(1) Amortised cost
(2) Fair value hedge

Financial derivatives includes interest rate swaps and forward foreign exchange contracts.

The methods used to estimate the fair values for interest rate swaps, forward foreign exchange contracts and loans and advances (> 1 year) are discussed in note 2(p).

As the fair value hedge derivatives are all in hedged relationships, the fair value change may be taken to the cash flow hedge reserve. The fair value change of the swap that is not in a hedge relationship is taken to the Income Statement. Only the effective portion of a cash flow designated hedging relationship that meets NZIAS 39's documentation and effectiveness requirements may be taken to the cash flow hedge reserve. The fair value change of swaps that are in an ineffective cash flow hedge relationship or a fair value hedge relationship is taken to the Income Statement.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In thousands of New Zealand dollars	Level 1	Level 2	Level 3	Total
30 June 2015				
Derivative financial liabilities	-	(360)	-	(360)
Derivative financial assets	-	85	-	85
	-	(275)	-	(275)
30 June 2014				
Derivative financial liabilities	-	(1,159)	-	(1,159)
	-	(1,159)	-	(1,159)

There have been no transfers between levels during the year ended 30 June 2015 (2014: no transfers).

As at 30 June 2015, 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. LOANS RECEIVABLE

In thousands of New Zealand dollars	2015	2014
Loans receivable are as follows:		
Within one year	-	9,950
One to two years	-	-
Two to four years	-	-
	-	9,950

The loans bear interest at current market rates. Interest is receivable quarterly. The loans were fully received on 2 July 2014.

19. FINANCE LEASES

Finance lease receivables are as follows:

	2015			2014		
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	**327**	**156**	**171**	1,800	147	1,653
Between one and five years	**3,258**	**760**	**2,498**	65	1	64
	3,585	**916**	**2,669**	1,865	148	1,717

The future lease receivables bear interest at 6% (2014: 15%).

Finance leases mainly pertain to network equipment (2014: customer premises equipment). The leases are for a 132 month period (2014: 28 months).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

In thousands of New Zealand dollars	Notes	**2015**	2014
Net surplus/ (deficit) as per income statement		**9,234**	(8,641)
Add/(deduct) non-cash items:			
Depreciation	8	**19,352**	18,937
Amortisation of licences and intangibles	9	**2,605**	2,699
Unrealised foreign currency losses/(gains)		**2,240**	(3,796)
Hedging losses net of payment made to exit		**(624)**	475
Change in deferred tax/(future income tax benefit)		**1,340**	(5,572)
Movement in provision for doubtful debts		**(253)**	(685)
Movement in other provisions		**(748)**	(1,600)
Unwind/change in make good		**368**	288
		33,513	2,105
Items classified as investing activities:			
Loss/(gain) on disposal of property, plant and equipment		**156**	521
Loss/(gain) on disposal of intangibles		**-**	99
		156	620
Movements in working capital:			
Receivables and prepayments		**21,948**	627
Inventories		**(367)**	(142)
Payables		**(3,771)**	7,735
		17,810	8,220
Net cash flows from/(used in) operating activities		**51,479**	10,945

21. LEASE COMMITMENTS

Commitments under non-cancellable operating leases are:		
Within one year	**12,591**	15,118
One to five years	**32,840**	36,116
Later than five years	**13,549**	19,833
	58,980	71,067

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.

22. CAPITAL COMMITMENTS

Capital commitments (including intangible assets) are:		
Within one year	**1,834**	2,274

23. CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain creditors and market confidence and to sustain future development of the business. The Group is subject to capital requirements from its lenders which requires the Group to have minimum shareholder funds of $70m (2014: $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.

24. CONTINGENCIES

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

25. RELAT ED 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	**2015**	2014	**2015**	2014
Revenue from transmission services	**21,022**	22,967	**710**	1,190
Direct costs and overheads	**1,974**	2,203	**75**	4

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	**2015**	2014
Short term employee benefits	**2,297**	2,104
Defined contribution plan	**65**	51
Directors fees	**297**	261
	2,659	2,416

Unpaid amounts relating to the above are $785 (2014: $286).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

26. 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 comparitive 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.

27. EVENTS AFTER THE BALANCE SHEET DATE

On 27 August 2015 the board of directors approved no final dividend for the year ended 30 June 2015.

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


DTA

REPORT OF THE AUDITOR-GENERAL

FOR THE YEAR ENDED 30 JUNE 2015

TO THE READERS OF KORDIA GROUP LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Kordia Group Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor-General has appointed me, Mark Crawford, using the staff and resources of KPMG, to carry out the audit of the financial statements of the group consisting of Kordia Group Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group') on her behalf.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Group on pages 21 to 52, that comprise the statement of financial position as at 30 June 2015, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015 and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 27 August 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand, New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

M.S. Crawford.

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

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2015

	Statement of Corporate Intent - Target 2015	2015 Actual	2014 Actual
Financial Performance Targets (Consolidated)			
Return on equity (net profit after tax as a percentage of average shareholders' equity)	2.5%	**10.8%**	(9.9%)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	$31.1m	**$38.0m**	$12.9m
Earnings before interest and taxes (EBIT)	$7.1m	**$16.0m**	($8.7m)
Group net profit after tax (NPAT)	$1.9m	**$9.2m**	($8.6m)
Shareholders' equity	$78.5m	**$90.7m**	$81m
Capital structure (shareholders' equity to total assets)	46%	**51%**	38%
Commercial value (enterprise value)	$175m	**$155m**	$175m
Commercial value of the Crown's investment (enterprise value - net debt)	$118m	**$143m**	$115m
Total shareholder return ((commercial value end - commercial value beg + dividends)/ commercial value beg)	3%	**24%**	(10%)
Dividend yield (dividends/avg commercial value)	0%	**0%**	3%
Dividend payout (dividend paid/(net cashflow from operating activities – depreciation and amortisation expense))	0%	**0%**	37%
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)	3%	**10.7%**	(9.1%)
Return on capital employed (EBIT adjusted for IFRS fair value movements/average capital employed)	5%	**13%**	(5%)
Operating margin (EBITDAF/Revenue)	12%	**15%**	4%
Gearing ratio (net debt/(net debt + shareholders' funds))	31%	**12%**	43%
Interest cover (EBITDA/ net interest)	7.3	**13.7**	5.0
Solvency (current assets/current liabilities)	1.7	**1.27**	1.2
Revenue Performance Targets (Consolidated)			
Kordia Networks	$72.4m	**$74.9m**	$73.7m
Kordia Solutions	$191.5m	**$180.2m**	$232.2m
Corporate elimination	($2.8m)	**($7.1m)**	($4.5m)
Total revenue	$261.1m	**$248.0m**	$301.4m
Revenue per FTE	$318k	**$371k**	$426k

	Statement of Corporate Intent - Target 2015	2015 Actual	2014 Actual
Non - Financial Performance Targets (Consolidated)			
Staff engagement index [a]	71%	**70%**	70%
Group lost time injury frequency rate (LTIFR) [b]	<5	**3.33**	4.02
NZ Digital Television Transmission (DTT) network availability (main metro sites measured annually) [c]	99.9%	**99.99%**	99.9%
Number of significant RMA non-compliances [d]	Nil	**Nil**	Nil

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) A measure of Kordia's compliance with its Resource Management Act consents. Significant means those incidents which are more than minor and for which it is appropriate to notify the consent authority (over and above standard notification of minor consent non compliances).

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 2015 are as follows. Individual shareholdings that are not considered material, and are not relevant to the operations of the Group have not been included.

L M WITTEN	
Kordia Limited	Director
Kordia Pty Limited	Director
Kordia Solutions Pty Limited	Director
Kordia New Zealand Limited	Director
Star Now Limited	Chair
Simply Security Limited	Director/Shareholder
Open Cloud Limited	Trustee/Shareholder
Wellington Regional Economic Development Agency	Director
J E QUIRK	
Kordia Limited	Director
Kordia New Zealand Limited	Director
SMX Limited	Chair/Shareholder
Wherescape Software Limited	Chair
Merlot Aero Limited	Chair
Service Plus Limited	Chair
Quirk International Limited	Director/Shareholder
Private Flight Global Limited	Director
Howard & Company Ventures Limited	Director/Shareholder
Clearpoint Limited	Advisor
Code Blue Limited	Advisor
B D HEMI	
Governance Online Ltd	Director/Shareholder
HealthWEST Limited	Director
R H FARRANT	
BDO Wellington Limited	Director/Shareholder
Fulton Hogan Group Limited	Director
Wellington Museum Trust	Trustee
G F SUMNER	
Advanced Braking Technology Limited	Managing Director
New Zealand Trade and Enterprise	Advisor
S A BROADBENT	
Counties Power Limited	Chief Executive
Breach Consulting Limited	Director/Shareholder
Spruce Goose Aerospace Limited	Director/Shareholder

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 2015 premium (net of GST) was $20,475 (2014: $20,771). 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.

		COMPANY
DIRECTOR		$
L M Witten (Chair)		72,000
J E Quirk		45,000
J H Allen		36,000
B D Hemi		36,000
R H Farrant		36,000
G F Sumner		36,000
S A Broadbent	Appointed 1 July 2014	36,000
		297,000

CONTINUED

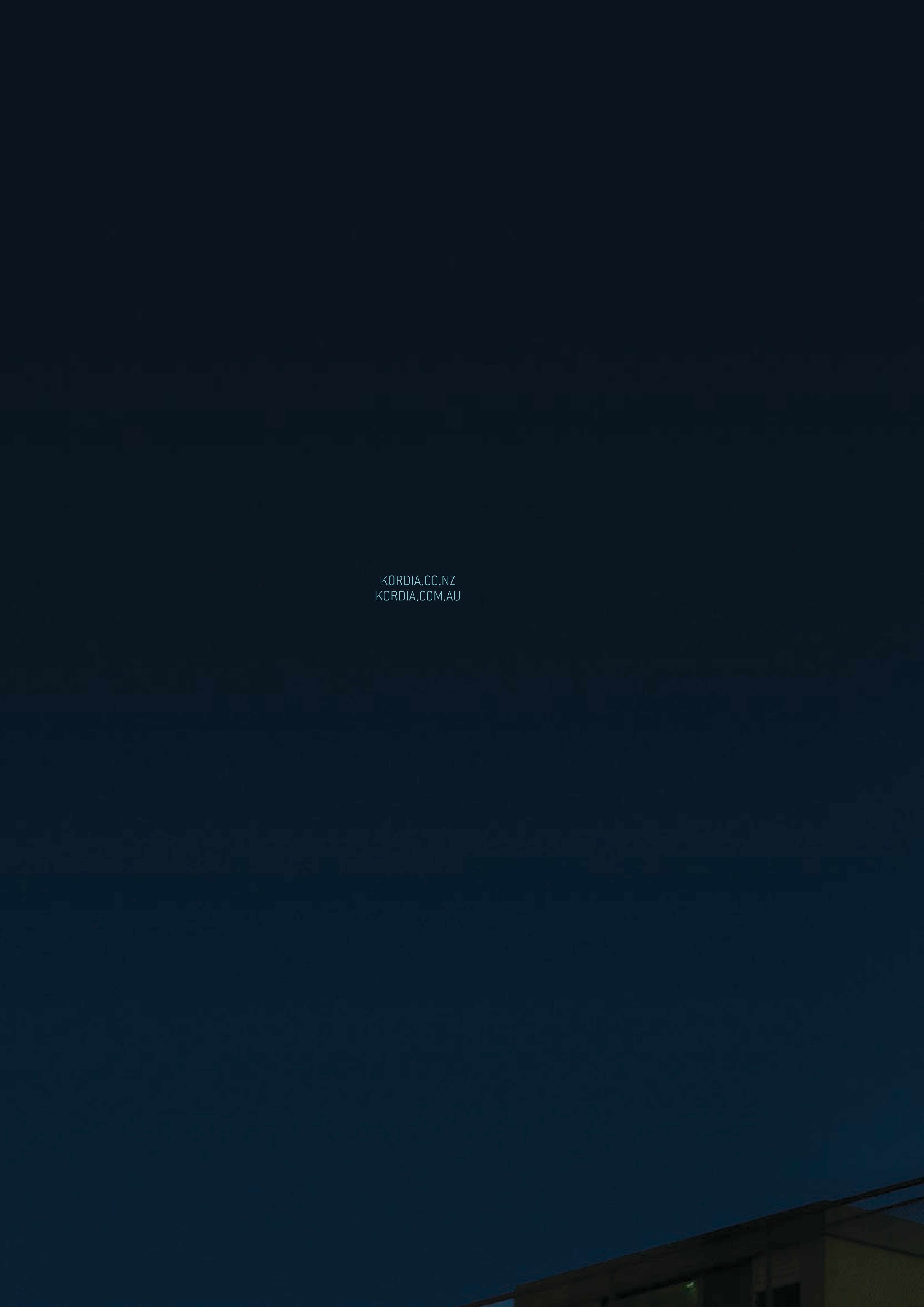
ADDITIONAL INFORMATION

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 2015. Employee remuneration in overseas operations has been shown separately in the table below and the for consolidated total, it has been converted to New Zealand dollars using the year end exchange rate.

	CONSOLIDATED	
NZD	Current Employees	Former Employees
$100,000 to $110,000	58	9
$110,001 to $120,000	56	4
$120,001 to $130,000	52	3
$130,001 to $140,000	18	6
$140,001 to $150,000	25	3
$150,001 to $160,000	22	3
$160,001 to $170,000	19	2
$170,001 to $180,000	17	3
$180,001 to $190,000	16	4
$190,001 to $200,000	6	2
$200,001 to $210,000	11	1
$210,001 to $220,000	4	1
$220,001 to $230,000	1	-
$230,001 to $240,000	7	-
$240,001 to $250,000	6	-
$250,001 to $260,000	3	-
$260,001 to $270,000	3	-
$270,001 to $280,000	4	1
$280,001 to $290,000	5	-
$290,001 to $300,000	1	-
$300,001 to $310,000	3	-
$310,001 to $320,000	1	-
$320,001 to $330,000	-	-
$330,001 to $340,000	-	-
$340,001 to $350,000	1	-
$360,001 to $370,000	1	-
$370,001 to $380,000	3	-
$380,001 to $390,000	2	-
$430,001 to $440,000	-	1
$440,001 to $450,000	-	1
$550,001 to $560,000	1	-
$560,001 to $570,000	1	-
$620,001 to $630,000	-	-
$700,001 to $710,000	3	-
$960,001 to $970,000	-	-
$1,080,001 to $1,090,000	1	-
	351	44

	AUSTRALIAN OPERATIONS	
AUD	Current Employees	Former Employees
$100,000 to $110,000	37	3
$110,001 to $120,000	26	5
$120,001 to $130,000	21	5
$130,001 to $140,000	16	4
$140,001 to $150,000	16	2
$150,001 to $160,000	12	3
$160,001 to $170,000	11	5
$170,001 to $180,000	4	1
$180,001 to $190,000	8	2
$190,001 to $200,000	3	-
$200,001 to $210,000	6	-
$210,001 to $220,000	8	-
$220,001 to $230,000	2	-
$230,001 to $240,000	2	-
$240,001 to $250,000	5	1
$250,001 to $260,000	5	-
$260,001 to $270,000	-	-
$270,001 to $280,000	1	-
$280,001 to $290,000	-	-
$290,001 to $300,000	-	-
$300,001 to $310,000	-	-
$310,001 to $320,000	-	-
$320,001 to $330,000	2	-
$330,001 to $340,000	1	-
$340,001 to $350,000	1	-
$360,001 to $370,000	-	-
$370,001 to $380,000	-	-
$380,001 to $390,000	-	1
$430,001 to $440,000	-	-
$440,001 to $450,000	-	-
$550,001 to $560,000	-	-
$560,001 to $570,000	-	-
$620,001 to $630,000	3	-
$700,001 to $710,000	-	-
$960,001 to $970,000	1	-
$1,080,001 to $1,090,000	-	-
	191	32



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