

**Kordia Group Limited**

**Condensed Consolidated Interim Financial Statements  
(unaudited)**

**For the Six Months Ended 31 December 2014**

# Kordia Group Limited

## Condensed Consolidated Interim Financial Statements (unaudited)

### For the Six Months Ended 31 December 2014

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# Kordia Group Limited

## Chair's Report

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### Kordia Group

The Kordia Group has improved profitability over the same period in the prior year, due to improved results in both the Australian and New Zealand businesses. The Group EBIT for the half year was a profit of \$1.7m compared to a loss of (\$3.5m) for the equivalent period the prior year. The Australian business delivered a significant proportion of the year-on-year improvement (representing a significant turnaround in that business). The New Zealand business performed ahead of budget and improved EBIT by 12% year-on-year.

Group revenue was \$121.9m for the half year compared with \$133.9m for the equivalent period last year. Revenues in New Zealand are favourable to budget and higher than last year due to increased digital television services and additional project revenues. Revenues in Australia are lower than for the prior year as the focus has been on gross margin and return to profitability. Large contract wins in Australia in the first half are expected to flow through to revenue and EBIT in the second half and in subsequent periods.

Group net debt is at a record low of \$36.1m, which is \$1.8m favourable to budget. Gearing is at 30.8%. The favourable variance to budget is due to improvements in working capital especially in Australia (+\$12m in the half year). The Group net debt has reduced by \$20m since June 2014 and continues to be a focus of the Board.

Capex spend of \$3.8m is \$6.7m favourable to budget. Management continues to focus on optimising capex to improve working capital and financial performance. The Group will experience higher capex in the second half than in the first half, but capex will remain favourable to full year budget.

### Kordia Australia

The Australian business has been successful in securing some large multi-year services contracts, significantly increasing the level of secured revenue for FY16 and subsequent periods, and decreasing risk within the business.

There has also been considerable focus on cutting costs and re-focusing the Australian business in the period. The cost base and headcount has reduced during the first half as the business has been right-sized to improve financial performance. The focus has been on margin and return to profitability with some low margin work completed or discontinued. This has negatively impacted the top-line revenue number on a year-on-year basis, but has brought material improvements in EBIT.

### Kordia New Zealand

The New Zealand business has again exceeded its budgeted revenue and EBIT targets for the half year, with year-on-year growth. The network business has performed well. This is despite the failure of the Sommet television channel and resulting loss in revenue and EBIT from that customer.

The business has had some significant successes in winning new business for its telecommunications services to complement above-budget performance in its broadcast and carrier services businesses. Kordia continues to support Parliament Television by providing television broadcast services and commences web-streaming of Parliamentary proceedings in March.

The New Zealand Solutions business has completed its recovery from the effects of analogue switch-off one year ahead of schedule and is ahead of budget both in revenue and EBIT.

### Dividends

Consistent with the disclosure in the Statement of Corporate Intent (SCI), the Group has declared no interim dividend.



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L M Witten  
27 February 2015

# Kordia Group Limited

## Condensed Consolidated Income Statement

### For the Six Months Ended 31 December 2014

Audited		Unaudited	
30/6/14	In thousands of New Zealand dollars	31/12/14	31/12/13
301,363	Revenue	<b>121,874</b>	159,688
162,975	Direct costs and overheads	<b>56,919</b>	84,361
125,444	Employee and contractor expenses	<b>51,451</b>	68,102
<u>12,944</u>	Earnings before interest, tax, depreciation and amortisation (EBITDA)	<u><b>13,504</b></u>	<u>7,225</u>
1,599	Finance income	<b>414</b>	843
5,860	Finance costs	<b>2,199</b>	2,894
21,636	Depreciation and amortisation expense	<b>11,561</b>	10,464
<u>(12,953)</u>	<b>(Loss)/profit before income tax</b>	<u><b>158</b></u>	<u>(5,290)</u>
(4,312)	Income tax (benefit)/expense	<b>58</b>	(1,508)
<u><u>(8,641)</u></u>	<b>(Loss)/profit for the period attributable to the equity holder</b>	<u><u><b>100</b></u></u>	<u><u>(3,782)</u></u>

*The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.*

# Kordia Group Limited

## Condensed Consolidated Statement of Comprehensive Income

### For the Six Months Ended 31 December 2014

Audited		Unaudited	
30/6/14	In thousands of New Zealand dollars	31/12/14	31/12/13
(8,641)	<b>(Loss)/profit for the period attributable to the equity holder</b>	<b>100</b>	(3,782)
(1,347)	Foreign currency translation differences	<b>150</b>	(1,513)
1,373	Effective portion of changes in the fair value of cashflow hedges	<b>(58)</b>	1,040
(388)	Tax effect of the effective portion of changes in the fair value of cashflow hedges	<b>16</b>	(294)
475	Ineffective portion of changes in the fair value of cashflow hedges	<b>211</b>	14
(133)	Tax effect of the ineffective portion of changes in the fair value of cashflow hedges	<b>(59)</b>	(4)
<u>(20)</u>	<b>Other comprehensive (loss)/income for the period</b>	<u><b>260</b></u>	<u>(757)</u>
<u>(8,661)</u>	<b>Total comprehensive (loss)/income for the period</b>	<u><b>360</b></u>	<u>(4,539)</u>

*The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.*

## Kordia Group Limited

### Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 31 December 2014 (unaudited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
<b>Balance 1 July 2014</b>	87,696	(4,392)	(2,116)	(424)	80,764
Net profit for the period	-	100	-	-	100
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	150	-	150
Effective portion of changes in fair value of cashflow hedges, net of tax	-	-	-	191	191
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(81)	(81)
Total other comprehensive income	-	-	150	110	260
<b>Total comprehensive loss for the period</b>	-	100	150	110	360
<b>Balance 31 December 2014</b>	87,696	(4,292)	(1,966)	(314)	81,124

## Kordia Group Limited

### Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 31 December 2013 (unaudited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
<b>Balance 1 July 2013</b>	87,696	8,249	(769)	(1,751)	93,425
Net loss for the period	-	(3,782)	-	-	(3,782)
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	(1,513)	-	(1,513)
Effective portion of changes in fair value of cashflow hedges, net of tax	-	-	-	951	951
Fair value of cashflow hedges transferred to income statement, net of tax	-	-	-	(195)	(195)
Total other comprehensive income	-	-	(1,513)	756	(757)
<b>Total comprehensive income for the period</b>	-	(3,782)	(1,513)	756	(4,539)
<b>Transactions with owners</b>					
Dividends	-	(4,000)	-	-	(4,000)
<b>Balance 31 December 2013</b>	87,696	467	(2,282)	(995)	84,886

The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.

# Kordia Group Limited

## Condensed Consolidated Statement of Changes in Equity

### For the Year Ended 30 June 2014 (audited)

In thousands of New Zealand dollars	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Cashflow Hedge Reserve	Total
<b>Balance 1 July 2013</b>	87,696	8,249	(769)	(1,751)	93,425
Net loss for the year	-	(8,641)	-	-	(8,641)
<b>Other comprehensive income</b>					
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)
<b>Total comprehensive income for the year</b>	-	(8,641)	(1,347)	1,327	(8,661)
<b>Transactions with owners</b>					
Dividends	-	(4,000)	-	-	(4,000)
<b>Balance 30 June 2014</b>	<b>87,696</b>	<b>(4,392)</b>	<b>(2,116)</b>	<b>(424)</b>	<b>80,764</b>

The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.

# Kordia Group Limited

## Condensed Consolidated Statement of Financial Position

As at 31 December 2014

Audited 30/6/14	In thousands of New Zealand dollars	Note	Unaudited	
			31/12/14	31/12/13
<b>Assets</b>				
82,417	Property, plant and equipment		<b>75,640</b>	82,855
25,067	Intangible assets		<b>23,563</b>	22,962
-	Loans receivable		-	7,500
64	Finance lease receivable		-	922
8,216	Deferred tax assets		<b>8,962</b>	4,806
	<b>Total non-current assets</b>		<b>108,165</b>	119,045
4,623	Cash		<b>4,615</b>	3,625
83,221	Trade and other receivables and contract work in progress		<b>60,314</b>	91,753
-	Taxation receivables		-	933
9,950	Loans receivable		-	2,500
1,653	Finance lease receivable		<b>922</b>	1,535
-	Derivative assets		<b>1</b>	6
1,477	Inventories		<b>1,628</b>	1,543
101,757	<b>Total current assets</b>		<b>67,480</b>	101,895
217,521	<b>Total assets</b>		<b>175,645</b>	220,940
<b>Equity and Liabilities</b>				
87,696	Share capital		<b>87,696</b>	87,696
(2,116)	Foreign currency translation reserve		<b>(1,966)</b>	(2,282)
(424)	Cashflow hedge reserve		<b>(314)</b>	(995)
(4,392)	Retained earnings		<b>(4,292)</b>	467
80,764	<b>Total equity attributable to the equity holder</b>		<b>81,124</b>	84,886
5,053	Trade and other payables and deferred income		<b>4,470</b>	5,903
1,040	Derivative liabilities		<b>252</b>	917
6,333	Provisions		<b>6,362</b>	5,060
54	Deferred tax liability		-	-
40,132	Loans and advances	3	<b>18,495</b>	25,472
52,612	<b>Total non-current liabilities</b>		<b>29,579</b>	37,352
55,714	Trade and other payables and deferred income		<b>39,614</b>	57,865
654	Taxation payable		<b>594</b>	262
119	Derivative liabilities		<b>168</b>	580
2,823	Provisions		<b>2,383</b>	2,765
24,835	Loans and advances	3	<b>22,183</b>	37,230
84,145	<b>Total current liabilities</b>		<b>64,942</b>	98,702
136,757	<b>Total liabilities</b>		<b>94,521</b>	136,054
217,521	<b>Total equity and liabilities</b>		<b>175,645</b>	220,940

The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.



# Kordia Group Limited

## Condensed Consolidated Statement of Cash Flows

### For the Six Months Ended 31 December 2014

Audited 30/6/14	In thousands of New Zealand dollars	Unaudited	
		31/12/14	31/12/13
	<b>Cash flows from operating activities</b>		
304,668	Receipts from customers	<b>140,794</b>	148,207
(287,974)	Payments to suppliers and employees	<b>(122,631)</b>	(142,672)
16,694		<b>18,163</b>	5,535
4	Dividends received	<b>3</b>	1
1,595	Interest received	<b>411</b>	842
(5,514)	Interest paid - other	<b>(2,181)</b>	(2,550)
(1)	Interest paid - finance lease	<b>-</b>	(1)
(1,833)	Taxes paid	<b>(340)</b>	(1,557)
10,945	Net cash from/(used in) operating activities	<b>16,056</b>	2,270
	<b>Cash flows from investing activities</b>		
196	Proceeds from sale of property, plant and equipment	<b>18</b>	142
(14,298)	Acquisition of property, plant and equipment	<b>(3,624)</b>	(7,523)
(6,998)	Acquisition of intangibles and frequency licences	<b>(210)</b>	(3,274)
(21,100)	Net cash from/(used in) investing activities	<b>(3,816)</b>	(10,655)
	<b>Cash flows from financing activities</b>		
13,475	Proceeds from/(repayment of) loans and advances	<b>(22,983)</b>	11,452
1,388	Proceeds from finance lease assets	<b>795</b>	648
-	Proceeds from loan receivable	<b>9,950</b>	-
(33)	Repayment of finance lease liabilities	<b>-</b>	(33)
(4,000)	Dividends paid	<b>-</b>	(4,000)
10,830	Net cash from/(used in) financing activities	<b>(12,238)</b>	8,067
675	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2</b>	(318)
4,114	<b>Cash and cash equivalents at beginning of the period</b>	<b>4,623</b>	4,114
(166)	Effect of exchange rate fluctuations on cash	<b>(10)</b>	(171)
4,623	<b>Cash and cash equivalents at end of the period</b>	<b>4,615</b>	3,625

*The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.*

# Kordia Group Limited

## Condensed Consolidated Statement of Cash Flows (continued)

### For the Six Months Ended 31 December 2014

Audited		Unaudited	
30/6/14	In thousands of New Zealand dollars	31/12/14	31/12/13
<b>Reconciliation of net surplus for the period with cash flows from operating activities</b>			
(8,641)	<b>Net surplus/(deficit) as per income statement</b>	<b>100</b>	(3,782)
<b>Add/(deduct) non cash items:</b>			
18,937	Depreciation	<b>10,322</b>	9,349
2,699	Amortisation of licences and intangibles	<b>1,239</b>	1,115
(3,796)	Unrealised foreign currency losses/(gains)	<b>(429)</b>	(4,084)
(5,572)	Change in deferred tax/(future income tax benefit)	<b>(1,054)</b>	(2,000)
(685)	Movement in provision for doubtful debts	<b>371</b>	447
288	Unwind/change in make good	<b>190</b>	130
475	Hedging losses	<b>(624)</b>	14
(1,600)	Movement in other provisions	<b>(529)</b>	(413)
<u>2,105</u>		<u><b>9,586</b></u>	<u>776</u>
<b>Items classified as investing activities:</b>			
521	Loss/(gain) on disposal of property, plant and equipment	<b>(4)</b>	496
99	Loss/(gain) on disposal of intangibles	<b>-</b>	-
<u>620</u>		<u><b>(4)</b></u>	<u>496</u>
<b>Movements in working capital:</b>			
627	Receivables and prepayments	<b>23,370</b>	(9,137)
(142)	Inventories	<b>(151)</b>	(208)
7,735	Payables	<b>(16,745)</b>	10,343
<u>8,220</u>		<u><b>6,474</b></u>	<u>998</u>
<u>10,945</u>	<b>Net cash flows from operating activities</b>	<u><b>16,056</b></u>	<u>2,270</u>

*The notes set out on pages 10 to 12, form part of, and should be read in conjunction with, the Interim Financial Statements.*

# Kordia Group Limited

## Notes to the Interim Financial Statements (continued)

### For the Six Months Ended 31 December 2014

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#### 1. Reporting Entity

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

The condensed consolidated financial statements presented here are for the reporting entity Kordia Group Limited comprising the Company and its subsidiaries.

The financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the State Owned Enterprises Act 1986.

From 1 April 2014, the new Financial Reporting Act 2013 has come into force replacing the Financial Reporting Act 1993. This is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014. This is effective for the Company's 30 June 2015 year end.

#### Statement of Compliance

The Interim Financial Statements have been prepared in accordance with NZ IAS 34, Interim Financial Statements. The consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2014.

The financial statements were authorised for issue by the directors on 27 February 2015.

The financial statements have been prepared on the basis of historical cost unless otherwise noted within the specific accounting policies.

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

#### Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the opinion of the Directors, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows have been reflected.

#### 2. Statement of Accounting Policies

The Interim Financial Statements presented here are the consolidated financial statements of the Group comprising Kordia Group Limited and its subsidiaries, for the six months ended 31 December 2014 and 2013. Both periods are unaudited. The audited annual results for the year ended 30 June 2014 are also presented.

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used for the year ended 30 June 2014 and the six months ended 31 December 2013.

The Group has not applied any standards, amendments to standards and interpretations that are not yet effective.

The Group is generally not subject to significant seasonal or cyclical variations.

# Kordia Group Limited

## Notes to the Interim Financial Statements (continued)

### For the Six Months Ended 31 December 2014

Audited		Unaudited	
30/6/14	In thousands of New Zealand dollars	31/12/14	31/12/13
<b>3. Loans and Advances</b>			
64,967	Bank loans (unsecured)	<b>40,678</b>	62,702
Loan facilities are repayable as follows:			
24,835	Within one year	<b>22,183</b>	37,230
40,132	One to two years	<b>18,495</b>	25,472
<u>64,967</u>		<u><b>40,678</b></u>	<u>62,702</u>
<i>Weighted average interest rates:</i>			
3.8%	Bank loans	<b>3.7%</b>	3.7%
6.0%	Bank loans amended for derivatives, line fees and margin	<b>5.5%</b>	6.5%

The loan facilities comprise a syndicated revolving cash advance facility, dated 21 March 2012, committed to a maximum amount of \$70 million (2013: \$102 million). The loans drawn and facility available is analysed as follows:

	31/12/14				31/12/13			
	Balance Drawn		Available Facility		Balance Drawn		Available Facility	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Tranche A	-	-	-	-	-	-	-	-
Tranche B	-	-	-	-	12,230	-	15,000	-
Tranche C	-	<b>18,495</b>	-	<b>20,000</b>	25,000	-	37,000	-
Tranche D	<b>32,393</b>	-	<b>40,000</b>	-	-	37,228	-	40,000
Tranche E	<b>(10,210)</b>	-	<b>10,000</b>	-	-	(11,756)	-	10,000
	<u><b>22,183</b></u>	<u><b>18,495</b></u>	<u><b>50,000</b></u>	<u><b>20,000</b></u>	<u>37,230</u>	<u>25,472</u>	<u>52,000</u>	<u>50,000</u>

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 was used in preference to the longer dated and more expensive longer term tranches, hence the balance drawn as current in the table above.

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 interim periods ended 31 December 2014 and 2013 and the year ended 30 June 2014.

# Kordia Group Limited

## Notes to the Interim Financial Statements (continued)

### For the Six Months Ended 31 December 2014

Audited		Unaudited	
30/6/14	In thousands of New Zealand dollars	31/12/14	31/12/13
<b>4. Commitments</b>			
71,067	Operating lease commitments	<b>63,229</b>	76,268
2,274	Capital commitments	<b>597</b>	3,316

Operating lease commitments comprise property related commitments for office space and operational sites, and commitments to Optus for satellite transponder capacity through to 2022.

#### 5. Contingencies

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

The Company makes advances to its subsidiary companies. The Company's loan facility comprises a syndicated revolving cash advance facility committed to a maximum amount of \$70 million (2013: \$102 million). The facility is supported by a negative pledge by the Company and its guaranteeing subsidiaries over their assets and undertakings. Under the negative pledge, each guaranteeing subsidiary may be liable for indebtedness incurred by the Company and other guaranteeing subsidiaries. The Company considers the negative pledge in the individual subsidiaries financial statements to be an insurance contract. Such contracts and cross guarantees are treated as a contingent liability and only recognised as a liability if a payment becomes probable.

#### 6. Events Subsequent to Balance Date

On 27 February 2015 the Board of Directors declared no interim dividend (2013: \$nil).

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