

2022 KORDIA STATEMENT OF CORPORATE INTENT.

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AT KORDIA, OUR PURPOSE IS TO:

**BUILD CONNECTIONS YOU CAN
TRUST, THAT MAKE OUR DIGITAL
WORLD MORE SECURE, RELIABLE
AND RESILIENT.**

By harmonising our Networks, Cyber Security, Solutions and Maritime capability, we bring a unique approach to building, operating, maintaining and protecting critical technology that enhances the communities we live and work in.

KORDIA GROUP COMPRISES:



KORDIA NETWORKS & CYBER

Kordia Group provides a comprehensive range of connectivity, cloud and cyber security solutions to organisations throughout Australia, New Zealand and the wider Pacific. Kordia's Cyber division is underpinned by a Security Operations Centre (SOC), which proactively monitors our network, and those of our customers, for cyber threats in real-time. Kordia also owns Aura Information Security, a leading provider of cyber security solutions to New Zealand corporates and government, and EMRGE, a specialist cloud consultancy. Both operate as independent divisions of Kordia Group.

In New Zealand, Kordia owns and operates its own network, which provides 24/7 monitored connectivity services for customers across a wide range of industries. Through its Media division, Kordia is also the primary free-to-air broadcast television and radio provider for New Zealand.



KORDIA SOLUTIONS

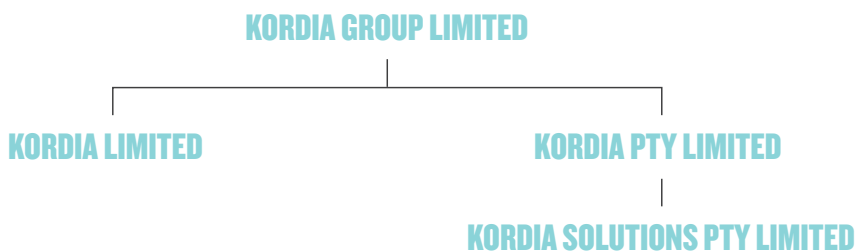
Kordia Solutions are experts in the design, build and management of complex communications systems for organisations in Australia, New Zealand and the wider Pacific. Its team of expert engineers and technicians are considered to be the 'go to' for customers across many industries including Telecommunications, Government, Utilities and Industrial and Infrastructure Private Network owners.



KORDIA MARITIME

With mission-critical technology at the core of all we do, Kordia's Maritime division forms a key part of the operation, and management of, key safety of life services on both sides of the Tasman. Our network, and our team of operators, is responsible for ensuring critical communications capability for more than a quarter of the world's oceans.

KORDIA GROUP LIMITED ("KORDIA") HAS THE FOLLOWING OPERATING SUBSIDIARIES:



AT KORDIA, OUR VISION IS TO BE:

THE LEADING AUSTRALASIAN PROVIDER OF MISSION-CRITICAL TECHNOLOGY.

Kordia is a mission-critical technology business that provides a wide range of technology solutions, support and advice, designed to help its customers succeed in what is a rapidly-evolving market.

At the core of all we do is our people – a team of more than 700 talented people who are experts in engineering, network design and management, connectivity, cloud, cyber security and more.

The principal objective of Kordia is to be a commercially successful business. As such, it is required to be a profitable and efficient business whilst ensuring it is a good employer and a good corporate citizen.

KORDIA INTENDS TO:

- + **PROVIDE HIGH QUALITY SERVICES AND PRODUCTS AT MARKET COMPETITIVE PRICES;**
- + **MANAGE ITS FINANCIAL ASSETS AND LIABILITIES ON A PRUDENT BASIS;**
- + **MAKE INVESTMENT AND BUSINESS DECISIONS THAT PROTECT AND ADD SHAREHOLDER VALUE;**
- + **OPERATE AN EFFICIENT, EFFECTIVE AND PROFITABLE BUSINESS AND PROVIDE TO THE OWNERS A COMMERCIAL RETURN ON THE CAPITAL EMPLOYED.**
- + **BE A GREAT EMPLOYER AND PROCURER ENABLING SAFE WORKPLACES AND SUPPLY CHAINS, AND CREATING AN ENVIRONMENT WHERE PEOPLE CAN THRIVE.**

In pursuing the objective to increase the value of shareholder investment, Kordia will take a medium to long-term view appropriate to the nature of the business and its assets. Kordia will pursue policies designed to maximise the net present value of future earnings, based on a long-term perspective of those earnings.





THE AGREED SCOPE OF FUNCTIONS AND ACTIVITIES OF KORDIA IS THE:

- + **OWNERSHIP, MAINTENANCE AND OPERATION OF TELECOMMUNICATIONS, BROADCAST AND PRIVATE NETWORKS IN NEW ZEALAND AND AUSTRALIA.**
- + **PROVISION OF A RANGE OF SERVICES, APPLICATIONS AND CONTENT OVER ITS INFRASTRUCTURE.**
- + **DELIVERY OF DESIGN, BUILD, OPERATION, AND MAINTENANCE SERVICES TO TELECOMMUNICATIONS, BROADCAST AND PRIVATE COMPANIES IN NEW ZEALAND, AUSTRALIA AND INTERNATIONALLY.**
- + **PROVISION OF CONSULTANCY SERVICES IN THE TECHNOLOGY, MEDIA AND TELECOMMUNICATIONS, CLOUD, CYBER SECURITY, AND MODERN WORKPLACE SPACE IN NEW ZEALAND, AUSTRALIA AND INTERNATIONALLY.**
- + **PROVISION OF BROADCASTING, TELECOMMUNICATIONS, CYBER SECURITY, CLOUD AND CONNECTIVITY SERVICES BOTH DIRECTLY AND INDIRECTLY TO END USERS.**

In undertaking its activities, the Board of Kordia notes that from time to time it might be necessary to both buy and sell assets and raise equity to achieve its objectives.



SOCIAL RESPONSIBILITIES AND COMMUNITY INTEREST

Kordia is conscious of the impact it has on the environment, and the wider community in which it operates, and has sustainability as a core focus. Kordia's Corporate Social Responsibility (CSR) programme focuses on our ambition of Zero Waste and Harm to the Environment.

Our Group aim is to become a leading participant in environmental responsibility, supporting the Government's goal for New Zealand to be carbon neutral by 2050. The key pillars of our environmental strategy are:



SUSTAINABLE PROCUREMENT
To make smart procurement choices



CARBON EMISSIONS
To relentlessly pursue energy and fuel efficiency



ENVIRONMENTAL STEWARDSHIP
Use a Kaitiakitanga (guardianship) approach to the use of our environment



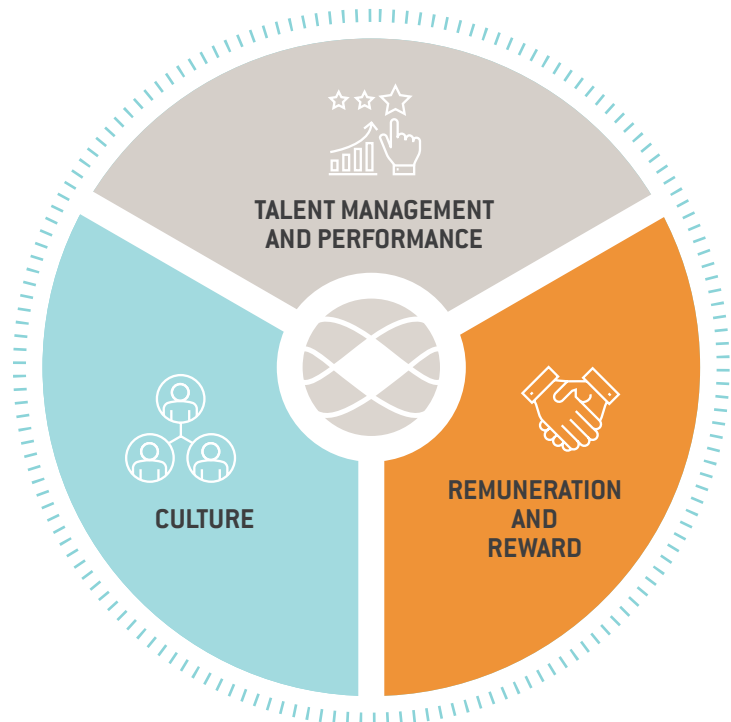
REDUCE, RECYCLE & REUSE
To ensure materials are recovered, repurposed or recycled at the end of their life

With a strong focus on diversity and inclusion, Kordia is committed to investing in the communities it operates in and is focused on aligning these social investments with its vision.

Kordia comprises a diverse team of experts, trusted to deliver quality services and solutions. We are courageous, we are trustworthy, and we believe in taking a collaborative approach to all we do.

Kordia has a strategy in place that is designed to foster a culture of diversity and inclusion, ensuring that the composition of our workforce is reflective of the community within which we operate, and that every one of our employees feels safe, respected, empowered and able to achieve their goals and potential.

THE KEY PILLARS OF OUR PEOPLE AND CULTURE STRATEGY ARE:



GOOD EMPLOYER

At Kordia, it's all about our people. This is what sets us apart. It's for this reason Kordia operates as a Good Employer as defined in the SOE Act. Kordia has a commitment to ensuring it:

- Benchmarks all remuneration against the prevailing market and remunerate accordingly.
- Works closely with employees, and their nominated representatives if appointed, in the negotiation of their employment contracts.
- Conducts regular training sessions for all employees in the areas of compliance with legislation covering health and safety.
- Continues the emphasis on maintaining a safe working environment for all staff.
- Invests in the training and development needs of its staff.
- Provides employees with the opportunity of participating in a company-wide performance management system.
- Is an equal opportunity employer, encouraging diversity and inclusion in the workplace. By removing barriers to success, ensuring everyone has a voice, and empowering our team to bring their true selves to work, we can drive greater collaboration and ultimately better outcomes for Kordia and its customers.
- Provides effective and current employee assistance programmes and employee information services.
- Offers employees the opportunity to participate in a subsidised superannuation scheme.



PERFORMANCE TARGETS

Kordia aims to maintain and increase shareholder value. To achieve this, Kordia targets a rate of return on equity (net trading profit after tax as a percentage of average shareholders' funds) of at least 10%.

Achieving a return on equity of at least 10% will depend on the company re-engineering the New Zealand business and continuing to invest in new business areas to replace media revenues as well as transform the Australian operations and return it to profitability. The future commercial performance stated below includes the projected returns from Kordia's existing businesses.

PERFORMANCE TARGETS	FY22	FY23	FY24
SHAREHOLDER RETURN			
Dividend yield (dividends paid/average commercial value)	5%	6%	7%
Return on equity (ROE) (NPAT/average equity)	7%	7%	8%
Total shareholder return [(Commercial value end less commercial value beg plus dividends paid less equity injected)/commercial value beg]	(8%)	10%	10%
PROFITABILITY/EFFICIENCY			
EBIT	\$11.9m	\$12.2m	\$14.9m
NPAT	\$7.3m	\$7.6m	\$9.5m
Return on capital employed (EBIT adjusted for IFRS fair value movements/average capital employed)	9%	9%	11%
Operating margin (EBITDAF/Revenue)	12%	12%	13%
LEVERAGE/SOLVENCY			
Gearing ratio (net debt/net debt and equity)	15%	12%	10%
Interest cover (EBITDAF/interest paid)	18.7	19.1	21.1
Debt /EBITDA	1.1	1.0	0.8
Solvency (current assets/current liabilities)	1.7	1.7	1.7
GROWTH			
Capital replacement (CAPEX/(depreciation and amortisation)	1.2	1.0	0.9
Revenue growth (current year revenue/prior year revenue)	22%	2%	4%
EBITDA growth (current year EBITDA/prior year EBITDA)	3%	3%	12%
NON-FINANCIAL PERFORMANCE TARGETS			
Net Promoter Score ¹	50+	50+	50+
Total Recordable Injury Frequency Rate (TRIFR) ²	<5	<5	<5
Staff engagement	82%	82%	82%
NZ Digital Television Transmission (DTT) Network Availability (main metro sites measured annually) ³	99.9%	99.9%	99.9%

¹ Net Promoter Score (NPS), is a metric used globally to measure customer loyalty and advocacy levels. NPS establishes the likelihood of a customer to recommend a product or service to another person on a scale of 0-10. The overall NPS score is the percentage of customers who are detractors is subtracted from the percentage who are promoters, providing a score between -100 and 100.

² The Total Recordable Injury Frequency Rate (TRIFR) is an industry measure of the number of Recordable Injuries over a period of 12 months per million hours worked. A Recordable Injury is a work-related injury or illness resulting in an employee or contractor being unable to attend work for a full working day after the day of the injury.

³ 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.



Kordia is in the process of adopting an integrated thinking approach to its value creation. Integrated thinking fosters a culture of collaboration and integration between different parts of the organization to ensure Kordia uses and manages its resources to create value. One of the fundamental elements of integrated thinking is the determination of “capitals” – any store of value that an organization can use in the production of goods and services. Kordia's six capitals are intellectual, manufactured, social/relationship, financial, people and natural. Integrated thinking aligns with the New Zealand Treasury Living Standard Framework and its four ‘capitals’ - financial, environmental, social and people.

Over the next 12 months Kordia will link its six capitals to its long-term strategy and ultimately its aspirations and targets, both financial and non-financial. Our focus is to build, operate and maintain critical technology that will enhance the communities we live and work in. As part of this, Kordia is cognisant of climate change and how we have an active role in enabling New Zealand's goal of a net zero carbon future. Our aim is to provide transparency around our climate change governance, strategy, risk management, metrics and targets, including our operations carbon footprint.

COMPARISON WITH PRIOR YEAR SCI PERFORMANCE TARGETS

The rapid changes in technology, combined with the introduction of new ways of working, means the outlook over the budget period for Kordia's traditional Media business is changeable. The strategy remains to transform the revenues of the Networks business from a media to a digital technology business and become a significant entity in the cyber security market.

Kordia has managed to navigate the impact of Covid-19 ensuring we can continue to deliver to our customers. During Covid-19, the traditional Media and broadcast market has seen significant impact in an industry that is already going through digital disruption. The ongoing viability of the major media players represents a major risk to Kordia's future earnings.

The telecommunications market is going through a transformational phase of development driven by new technology and cloud trends. Whilst this creates future opportunities, changing technologies combined with Covid-19 has seen voice calling volumes decrease with alternative platforms being utilised.

The market in which Solutions operates is extremely competitive and volatile with lower margins relative to other business areas. The focus for Solutions is to continue to transform and position Kordia Solutions as the expert and trusted partner to carrier and broadcast operators and a leading solutions provider to Government, Utilities, Industrial and Infrastructure Private Network owners in Australia.





COMMENTARY ON ANTICIPATED PERFORMANCE DURING THE SCI PERIOD

By harmonising our Solutions, Cyber Security, Networks and Maritime capability, we bring a unique approach to building, operating and maintaining critical technology that will enhance the communities we live and work in. For our customers, this means having a trusted technology partner that can meet all their technology needs – both now and into the future.

THE KEY STRATEGIES IN PLACE TO DELIVER ON THIS VISION FOR THE GROUP ARE:

- Improve all our customers mission-critical technology utilising our Cyber, Cloud and Connectivity expertise to modernise their infrastructure along with keeping them connected and secure.
- Cyber security – outperform a growing market to ensure we are a leading cyber security business improving the security posture of New Zealand businesses and government.
- Relentlessly deliver great customer and employee experiences as part of our DNA - The Kordia Experience (TKE).
- Enhance TKE through further investment in our people and systems to streamline and optimise our delivery to customers.
- Grow our digital customer base to create new revenue streams.
- In the ever-changing world of COVID-19, be flexible and adaptable, ensuring we embrace innovation to capture new opportunities to satisfy customers' needs.
- Continue to expand into the modern workplace via acquisition of talent and customers.
- Ensure the composition of our workforce is reflective of the community we operate in.

It is acknowledged, however, that there is significant uncertainty in how COVID-19 will impact the New Zealand and Australian economies and Kordia in the future. The outlook of the media market remains uncertain and there is considerable risk to future earnings. Our non-media customer base is mainly SME businesses and covers a range of industries including tourism and retail. The stability of these customers and their ability to invest in transformation underpins our strategy for FY22 and beyond.

CAPITAL STRUCTURE

Kordia is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is wholly owned by the Crown. The liabilities of Kordia are not guaranteed in any way by the Crown.

Kordia aims to maintain a capital structure that is similar to other comparable businesses not owned by the Crown.

Based on the future commercial performance outlined below, it is expected that the ratio of net debt to net debt plus shareholders' funds (gearing) at year end will be:

	FY22	FY23	FY24
Gearing % (net debt to net debt plus equity)	15%	12%	10%

As part of the FY22 Statement of Corporate Intent, Kordia is exploring strategic acquisition opportunities.



ACCOUNTING POLICIES

Kordia's financial statements comply with the Companies Act 1993, the Financial Reporting Act 2013 and the Public Finance Act 1989 and are prepared on the basis of historic cost, unless otherwise noted within the specific accounting policies contained in Appendix I.

DIVIDENDS

In normal circumstances the company policy is 70% of net profit after tax as the intended dividend taking into account:

- Meeting banking covenant requirements with a prudent margin for unforeseen events.
- Medium-term fixed asset expenditure programme, including replacement of core operating assets that have reached the end of their operating life.
- Investment in new business opportunities.
- Working capital requirements.

Kordia forecasts that a dividend of \$5.1m will be paid in respect of FY22.

Kordia has also reduced its debt by over \$100m since the first half of FY09, which has increased the value of the Crown's investment in Kordia.

INFORMATION TO BE PROVIDED

In accordance with Section 15 of the SOE Act, Kordia will provide to Shareholding Ministers an Annual Report and will report on the achievement of the objectives and targets set out in this Statement of Corporate Intent.

In accordance with Section 16 of the SOE Act, Kordia will also provide to Shareholding Ministers a half-yearly report, which will include an unaudited Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Financial Position, a Statement of Cash Flows and such details as are necessary to permit an informed assessment of the Company's performance during that reporting period.

Kordia will deliver a summary Business Plan to Shareholding Ministers for discussion prior to the commencement of each financial year.

Kordia will deliver a Quarterly Report to Shareholding Ministers no later than the end of the month following the quarter.

In accordance with Section 18 of the SOE Act, Kordia will provide other information relating to the affairs of the Company as requested by the Shareholding Ministers.

CONSULTATION, SUBSIDIARY AND ASSOCIATED COMPANIES

Consultation will take place with Shareholding Ministers relating to the material expansion of Kordia's activities into new business areas as well as the sale of existing activities or shares and details relating to subsidiary and associate companies. Consultation arrangements are detailed in Appendix II.



POLICY FOR SHARE ACQUISITIONS

Any share or equity (or asset) acquisitions (or sales) will reflect our business strategy requirements for achieving our vision. Kordia will consult Shareholding Ministers before:

- Acquiring shares in a business or assets that are outside the business activities reported in this SCI, are based overseas and material to Kordia or are otherwise significant; or
- Disposing of shares in a business or business activities material in the content of the Company.

COMPENSATION FROM THE CROWN

Kordia will seek full compensation from the Crown for any activities or obligations which will result in a reduction of Kordia’s net profit or net worth, which Kordia is required by the Crown to undertake and for which a normal commercial return is not forthcoming. At the time of preparing this Statement of Corporate Intent no such requests had been received.

INVESTMENT IN THE COMPANY

The investment in Kordia as at 30 June, as measured by Shareholders’ equity, is estimated to be:

	FY22	FY23	FY24
Shareholders’ equity	\$75m	\$77m	\$80m



COMMERCIAL VALUE OF THE CROWN'S INVESTMENT

2021 ESTIMATED VALUATION (\$M)	LOWER	UPPER
Commercial value of the enterprise	107	154
Less Net debt¹	15	15
Commercial value of the Crown's investment	92	139
Less Equity book value¹	67	67
Valuation in excess of equity	25	72
Implied EV/EBITDA multiple	3.2x	4.5x

¹ Forecast as at 30 June 2021

2020 ESTIMATED VALUATION (\$M)	LOWER	UPPER
Commercial value of the enterprise	125	169
Less Net debt¹	(10)	(10)
Commercial value of the Crown's investment	115	159
Less Equity book value¹	91	91
Valuation in excess of equity	24	68
Implied EV/EBITDA multiple	3.6x	4.9x

¹ Forecast as at 30 June 2020 adjusted for the receipt of media industry support monies.

The Board has estimated the commercial value of the Group and the Crown's investment in the Group for the financial year ending 30 June 2022. As part of this assessment the Board obtained an independent valuation, the results of which are depicted in the table above.

This valuation, based on assumptions made by management as at May 2021, gave an estimate of the current commercial value of the Group as being between \$107 million and \$154 million and of the commercial value of the Crown's investment in Kordia as being between \$92 million to \$139 million. The valuation compares with an estimated commercial value of the enterprise as at May 2020 of \$125 million to \$169 million and the commercial value of the Crown's investment in Kordia of \$115 million to \$159 million.

As with the previous valuation, this valuation has been prepared in times of economic uncertainty, and in the context of a fast-moving industry, where asset values and cash flows are subject to variation over a relatively short period of time.

Given these factors, the Board considers that, in terms of the environment in which the valuation has been undertaken, a range of \$117 million to \$144 million for the FY21 commercial value of the enterprise is a reasonable assumption.

Key points about the manner in which the valuations were assessed are:

- The valuation was calculated as at June 2021.
- The valuation was prepared for each Cash-Generating Unit (CGU): Networks, Solutions NZ, Cyber, Maritime and Solutions Australia. The discounted cash flow (DCF) and Capitalisation of Future Maintainable Earnings (CME) methodologies were used in the assessment. All valuations were prepared on an after-tax basis.
- The DCF valuations were based on the real (i.e. not inflation-adjusted) future cash flows set out in the 2022-2024 Budget Summary with forward projections then also made for 2025–2026 for Kordia Networks which has a longer-term investment horizon.
- The growth assumption in the DCF terminal value calculation was 0% for all five CGUs.
- Post tax discount rates of 5.6%, 8.4%, 7.6%, 5.1%, and 6.8% were assumed for the Networks, Solutions NZ, Cyber, Maritime and Solutions Australia businesses respectively. For the 2020 valuation, the discount rates were, for comparison 5.1%, 7.5%, 7.6%, 4.4% and 6.1%.
- The valuation was prepared externally by Bancorp Corporate Finance Ltd based on financial forecasts and supporting information provided by Kordia. The valuation was prepared in conjunction with Management prior to approval by the Board.

BOARD COMMITTEES

Details of the three standing committees of Kordia are contained in Appendix III.



APPENDIX



APPENDIX I – STATEMENT OF ACCOUNTING POLICIES

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, Oracle House, 162 Victoria Street, Auckland 1010, New Zealand.

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

STATEMENT OF COMPLIANCE

The 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 Crown entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

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

The financial statements are presented in New Zealand dollars (\$), which is the Group's reporting currency and is also the Company's functional currency.

ESTIMATES AND JUDGMENTS

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:

- Measurement of the recoverable amounts of cash-generating units
- Provisions
- Valuation of financial instruments
- Deferred tax assets
- Useful life of property, plant, equipment and intangibles
- Lease liabilities and right of use assets

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.

STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARING GROUP FINANCIAL STATEMENTS

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.



REVENUE

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point or over time – requires judgement.

Sale of goods

Revenue is recognised when the customer obtains control of the goods and services. This occurs at a point in time.

Rendering of Services

Services revenue is primarily generated from maintenance and other services supplied to infrastructure assets. Typically, under the performance obligations of service contract, the customer consumes and receives the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

The new standard provides a higher threshold for the recognition of variations, claims and incentives which only allows revenue from variations and claims to be recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur.

Construction Revenue

The contractual terms and the way the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Under these performance obligations, customers simultaneously receive and consume the benefits as the Group performs. Therefore contracted revenue is recognised over time based on stage of completion of a contract.

As with services revenue the new standard provides higher thresholds for recognition of variations, claims and incentives such that they are only recognised to the extent they are approved and enforceable under the contract. The amount of revenue is then recognised to the extent that it is highly probable that a significant reversal of revenue will not occur.

Contract Modifications

Revenue in relation to modifications, such as a change in the scope of the contract, will only be included in the transaction price, when it is approved by the parties to the contract, the modification is enforceable and the amount becomes highly probable.

Revenue in relation to claims and variations, where the Group has an approved enforceable right to payment is only included in the transaction price when the amount claimable becomes highly probable. In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim and stage of negotiations to determine whether the enforceable and “highly probable” threshold has been met.

Performance Obligations and Contract Duration

Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time.

NZ IFRS 15 requires a granular approach to identify the different revenue streams in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. Revenue will continue to be recognised, on certain contracts over time, as a single performance obligation when the services are part of a series of distinct goods and services that substantially integrated with the same pattern of transfer.

NZ IFRS 15 provides guidance in respect of the term over which revenue may be recognised and is limited to the period for which the parties have enforceable rights and obligations. When the customer can terminate a contract for convenience, the contract term and related revenue is limited to the termination period.

The Group has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component is the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Measure of Progress

The Group measures revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation within the contracts over time. The different methods of measuring progress include an input method [e.g. costs incurred] or an output method [e.g. milestones reached]. The same method of measuring progress is consistently applied to similar performance obligations.

Loss Making Contracts

Loss making contracts are now recognised under NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets as onerous contracts.



LEASES

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

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in NZ IFRS 16.

As a Lessee

At commencement, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

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.

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 near 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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment losses. Cost includes the cost to acquire the asset and other directly attributable costs incurred to bring the asset to the location and condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in the Income Statement is calculated as the difference between the sale price and the carrying value of the item of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Items of property, plant and equipment that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before reclassification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the Income Statement. Gains are not recognised in excess of cumulative impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

Depreciation is provided for on a straight-line basis on all tangible items of property, plant and equipment other than freehold land and work in progress, over their estimated useful lives as follows:

Freehold buildings	10 - 40 years
Leasehold improvements	2 - 10 years
Masts and aerials	4 - 25 years
Transmission equipment	3 - 25 years
Furniture and fittings	5 - 10 years
Office equipment	4 - 10 years
Information systems	2.5 - 5 years
Leased information systems	3 - 5 years
Motor vehicles	7 years

Assets under finance leases are initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Group classifies property, plant and equipment as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Property, plant and equipment are not depreciated once classified as held for sale.



INTANGIBLES

Goodwill arises on the acquisition of subsidiaries and businesses and represents the excess of the purchase consideration over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. When the excess is negative (negative goodwill), it is recognised in the Income Statement. Subsequently, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted associates, goodwill is included in the carrying amount of the investment.

Research 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 are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. All other expenditure is recognised in the Income Statement as incurred.

Amortisation is recognised in the Income Statement on a straight line basis over the estimated useful lives of the intangible assets, from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Frequency licences	5 - 20 years
Software	3 - 5 years
Trademarks	5 years

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.



INVENTORIES

Inventories comprise technical stores and subscriber terminal units. 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.

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.

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.

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.



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.

FOREIGN CURRENCIES

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.

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.

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.

DETERMINATION OF FAIR VALUES

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

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.

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.

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.

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.



APPENDIX II – SUBSIDIARY AND ASSOCIATED COMPANIES AND CONSULTATION

SUBSIDIARY AND ASSOCIATED COMPANIES

Kordia will at all times ensure that:

- Kordia shall appoint the majority of directors for every subsidiary, and shall approve the majority of directors for every subsidiary of a subsidiary
- All directors approved or appointed by Kordia shall be:
 - Directors or employees of Kordia; or
 - Directors or employees of another subsidiary of Kordia; or
 - Appointed or approved by the directors of Kordia on some other basis.
- Where permitted by the constitution of the subsidiary, and to the extent permitted by law, the directors of every subsidiary of Kordia (including the subsidiary of a subsidiary) shall control the subsidiary in the best interests of Kordia, as determined by a majority of the Board of Kordia from time to time, even though that might not be in the interests of that subsidiary.
- The appointment of each director to the board of a subsidiary of Kordia (or to the board of a subsidiary of a subsidiary) shall be voted on individually as required by section 155 of the Companies Act 1993 (N.Z.) and in accordance with the constitution of Kordia.

CONSULTATION

Kordia will, in relation to any single or connected series of transactions, consult with its shareholding Ministers on substantial matters (defined in the Owner's Expectations Manual as >\$5m) not contemplated in the business plan, including:

- Any substantial capital (or equity) investment above the agreed threshold for activities within Kordia's scope of its core business in Australia or New Zealand;
- Any substantial capital (or equity) investment outside of Australia or New Zealand above the agreed threshold;
- Any substantial expansion of activities outside the scope of its core business above the agreed threshold;
- The sale of any shares or the sale of all or substantially all of Kordia Limited's network assets;
- The sale or disposal of the whole or any substantial part of the business or undertaking of Kordia;
- Where Kordia holds more than 20% or more of the shares in any company or body corporate (not being a subsidiary of Kordia), the sale or disposal of any shares in that company.

Shareholder consent will be obtained for the sale of any of the shares of Kordia Limited or the sale of all, or substantially all, of Kordia Limited's network assets.

Shareholding Ministers will continue to be advised of any other significant transactions even if they do not meet the thresholds.



APPENDIX III – BOARD COMMITTEES

The Board currently has three standing committees: Audit & Risk, People & Culture, and Health & Safety. Strategic risk, operational risk and health and safety risks are dealt with by the full Board.

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 and health and safety governance.

PEOPLE & CULTURE COMMITTEE

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

HEALTH & SAFETY COMMITTEE

The Health & Safety Committee supports the Board to comply with its health and safety obligations and to achieve its health and safety goals.





