



Interim Report

Financial year 2016



Television New Zealand Limited

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

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Company Overview

TVNZ has delivered an after tax net profit of \$12.7 million for the six months to 31 December 2015. This puts the company on track to achieve the full year financial targets set out in its 2016 Statement of Performance Expectations.

TVNZ's prime time audience share continued to grow, led again by News and Current Affairs programming and ably supported by New Zealand's most watched entertainment shows. *ONE News* was the most watched programme for the period with an average audience of more than 680,000 viewers. *Sunday* was the most watched current affairs show with an average 580,000 viewers and *Seven Sharp* had an average audience of more than 490,000 New Zealanders.

Kiwi Premium Advertising Exchange (KPEX) – the local advertising exchange service joint venture with Fairfax Media, MediaWorks and NZME was launched in November 2015. Pooling advertising inventories on KPEX is providing a simple and effective way for agencies and clients to reach NZ audiences online, in brand-safe environments alongside New Zealand's leading local news, lifestyle and entertainment content.

Points to note for the six month period include:

- TVNZ's peak time TV audience share grew 2 percent year on year to 45.3 percent.
- TVNZ secured major content rights from Fox as well as a number of sporting rights including PGA/LPGA and European Tour Golf, NFL, AFL, EPL, Wimbledon and Formula E.
- New Zealand's total market for television advertising revenue decreased 1.7 percent - TVNZ maintained TV revenue market share above 60 percent.
- TVNZ OnDemand registrations exceeded 950,000 following a major expansion of online content, features and devices rolled out in the six months.
- *ONE News Now* streams increased threefold when compared to the same period in FY15.

In the back half of the financial year priorities include the launch of DUKE – TVNZ's new on-air and online simulcast entertainment channel to be launched 20 March 2016; a nationwide study of New Zealander's views on national identity to ensure *ONE News* stays focused on the stories that matter most to viewers; growing share of TV audiences and advertising revenues; and continued focus on costs to ensure TVNZ meets its full year targets for FY16.

Kevin Kenrick
Chief Executive

Sources:

TV Ratings – Nielsen TAM, Consolidated (Jul 15-Dec 15).

Online Data – Adobe Omniture and Brightcove (Jul 15 – Dec 15)

Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

		CONSOLIDATED		
		6 MONTHS ENDED 31/12/15	6 MONTHS ENDED 31/12/14	YEAR ENDED 30/06/15
	NOTES	\$000	\$000	\$000
Income				
Operating revenue	3	175,953	183,156	333,931
Government funding		2,632	5,807	8,547
Interest income		703	1,061	2,010
Gain on sale of property, plant and equipment	4	61	5,532	5,504
		179,349	195,556	349,992
Expenses				
Programme amortisation		(93,710)	(98,799)	(187,059)
Employee benefits		(24,855)	(27,080)	(49,205)
Depreciation and amortisation		(7,641)	(6,585)	(14,055)
Transmission, technology and telecommunications		(9,838)	(9,700)	(19,822)
Premises and occupancy		(3,447)	(3,878)	(7,862)
Marketing		(4,826)	(4,242)	(8,725)
Other	5	(13,520)	(14,057)	(26,948)
		(157,837)	(164,341)	(313,676)
Earnings before interest, financial instruments, impairments and tax		21,512	31,215	36,316
Interest expense		(45)	(48)	(92)
Impairment of property, plant and equipment	4	0	0	(486)
Financial instruments/foreign currency gains/(losses)		(3,557)	(3,641)	912
Profit before income tax		17,910	27,526	36,650
Income tax expense		(5,204)	(7,720)	(8,535)
Profit for the period		12,706	19,806	28,115

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

	CONSOLIDATED		
	6 MONTHS ENDED 31/12/15	6 MONTHS ENDED 31/12/14	YEAR ENDED 30/06/15
	\$000	\$000	\$000
Profit for the period	12,706	19,806	28,115
Other comprehensive income/(loss) for the period net of income tax	0	0	0
Total comprehensive income for the period	12,706	19,806	28,115

Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

	CONSOLIDATED		
	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	\$000	\$000	\$000
At 1 July 2014	140,000	36,162	176,162
Total comprehensive income	0	19,806	19,806
At 31 December 2014	140,000	55,968	195,968
At 1 January 2015	140,000	55,968	195,968
Total comprehensive income	0	8,309	8,309
At 30 June 2015	140,000	64,277	204,277
At 1 July 2015	140,000	64,277	204,277
Total comprehensive income	0	12,706	12,706
Equity transactions			
Dividend paid in the period	0	(8,272)	(8,272)
At 31 December 2015	140,000	68,711	208,711

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2015 (UNAUDITED)

		CONSOLIDATED	
		AS AT 31/12/15	AS AT 30/06/15
	NOTES	\$000	\$000
Assets			
Current Assets			
Cash and cash equivalents		63,401	51,669
Trade and other receivables		50,748	52,150
Programme rights - intangible assets		41,760	43,306
Inventories		40	43
Derivative financial instruments	7	194	1,727
Total current assets		156,143	148,895
Non-current Assets			
Property, plant and equipment		94,615	91,037
Other intangible assets		23,648	27,345
Deferred tax asset		299	1,948
Derivative financial instruments	7	15	1,433
Investment in joint venture		150	0
Total non-current assets		118,727	121,763
Total assets		274,870	270,658
Liabilities			
Current Liabilities			
Bank overdraft		1,094	1,407
Trade and other payables		57,353	56,094
Deferred income		2,596	3,266
Income tax payable		530	2,364
Derivative financial instruments	7	1,818	355
Provisions		1,064	1,658
Total current liabilities		64,455	65,144
Non-current Liabilities			
Employee entitlements		1,157	1,230
Derivative financial instruments	7	547	7
Total non-current liabilities		1,704	1,237
Equity			
Contributed equity		140,000	140,000
Retained earnings		68,711	64,277
Total Equity		208,711	204,277
Total equity and liabilities		274,870	270,658

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

		CONSOLIDATED		
		6 MONTHS ENDED 31/12/15	6 MONTHS ENDED 31/12/14	YEAR ENDED 30/06/15
	NOTES	\$000	\$000	\$000
Cash flows from/(used in) operating activities				
Receipts from customers		179,419	191,978	339,317
Receipt of government grants		2,254	4,594	7,674
Interest received		704	945	1,993
Payments to suppliers and employees		(149,053)	(151,597)	(290,884)
Interest paid		(45)	(48)	(92)
Income tax paid		(5,389)	(5,080)	(8,799)
Net cash flows from/(used in) operating activities	6	27,890	40,792	49,209
Cash flows from/(used in) investing activities				
Proceeds from sale of property, plant and equipment		61	9,899	9,925
Purchase of property, plant and equipment		(4,230)	(17,072)	(40,869)
Purchase of intangibles		(3,292)	(12,044)	(16,872)
Investment in joint venture		(150)	0	0
Net cash flows from/(used in) investing activities		(7,611)	(19,217)	(47,816)
Cash flows from/(used in) financing activities				
Dividends paid		(8,272)	0	0
Net cash flows from/(used in) financing activities		(8,272)	0	0
Net increase/(decrease) in cash and cash equivalents		12,007	21,575	1,393
Net foreign exchange differences		38	38	154
Cash and cash equivalents at the beginning of the period		50,262	48,715	48,715
Cash and cash equivalents at the end of the period		62,307	70,328	50,262
Cash and cash equivalents comprise:				
Cash at bank and in hand		33,401	28,574	26,669
Short term deposits		30,000	43,000	25,000
Cash and cash equivalents		63,401	71,574	51,669
Bank overdrafts used for cash management purposes		(1,094)	(1,246)	(1,407)
Cash and cash equivalents in the statement of cash flows		62,307	70,328	50,262

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

1. Corporate Information

Television New Zealand Limited (the “Company”) and its subsidiaries (the “Group”) operate as a multi-channel television and digital media broadcasting and production company.

The Company is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is wholly owned by the Crown. The Company is bound by the requirements of the Television New Zealand Act 2003. The Crown does not guarantee the liabilities of Television New Zealand Limited in any way.

These consolidated financial statements were approved for issue by the Board of Directors on 25 February 2016.

2. Basis of preparation and significant accounting policies

a) Basis of preparation

The unaudited interim financial statements for the six months ended 31 December 2015 have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and the requirements of the Television New Zealand Act 2003.

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 30 June 2015. The classifications of certain balances have been revised and the comparatives have been restated accordingly. These reclassifications have no impact on the overall financial performance or financial position of the comparative year.

The 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.

b) Changes in accounting policies

The accounting policies used in the preparation of the unaudited interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 30 June 2015, unless otherwise stated.

3. Operating revenue

	6 MONTHS ENDED 31/12/15	6 MONTHS ENDED 31/12/14	YEAR ENDED 30/06/15
	\$000	\$000	\$000
Advertising revenue	168,081	171,688	313,523
Other trading revenue	7,872	11,468	20,408
	175,953	183,156	333,931

Advertising revenue includes revenue from advertising, sponsorship and programme production funding on TVONE, TV2, TVNZ OnDemand, tvnz.co.nz and TVNZ Heartland (to 31 May 2015).

Other trading revenue includes revenue from production facilities, programme sales, commercial licensing, subscription television and multi feed service.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

4. Property, plant and equipment gains and impairment

Net gain on sale of property, plant and equipment

	6 MONTHS ENDED 31/12/15	6 MONTHS ENDED 31/12/14	YEAR ENDED 30/06/15
	\$000	\$000	\$000
New Zealand Television Archive	0	5,369	5,369
Other	61	163	135
	61	5,532	5,504

Impairment of property plant and equipment

Victoria St, Auckland - Television Centre asset impairment	0	0	486
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In August 2014 the company sold its New Zealand Television Archive properties and certain equipment to Her Majesty the Queen acting by and through the Minister for Land Information.

5. Other expenses

Other expenses include central overhead expenses, reorganisation costs, industry levies and multi-feed event expenses.

6. Reconciliation of profit after tax to net cash flow from operating activities

	6 MONTHS ENDED 31/12/15	6 MONTHS ENDED 31/12/14	YEAR ENDED 30/06/15
	\$000	\$000	\$000
Net profit	12,706	19,806	28,115
Adjustments for:			
Depreciation and impairment	5,227	4,461	9,593
Amortisation	2,414	2,124	4,948
Loss/(gain) on disposal of property, plant and equipment	(61)	(5,532)	(5,504)
Unrealised foreign currency (gains)/losses	3,692	4,167	(475)
Changes in assets and liabilities			
(Increase)/decrease in receivables and prepayments	1,390	3,217	1,857
(Increase)/decrease deferred tax asset	1,649	(448)	(1,218)
(Increase)/decrease inventories	3	(3)	52
(Increase)/decrease programme rights	1,546	5,377	1,306
Increase/(decrease) trade and other payables	2,422	5,432	8,968
Increase/(decrease) deferred income	(670)	(820)	(6)
Increase/(decrease) income tax payable	(1,834)	3,088	954
Increase/(decrease) provisions	(594)	(77)	619
Net cash from operating activities	27,890	40,792	49,209

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

7. Derivative Financial Instruments

	AS AT 31/12/15	AS AT 30/06/15
	\$000	\$000
Current Assets		
Forward currency contracts - held for trading	0	1,696
Forward currency contracts - fair value hedge	19	31
Foreign currency embedded derivative contracts	175	0
	194	1,727
Non-current Assets		
Forward currency contracts - held for trading	0	1,433
Foreign currency embedded derivative contracts	15	0
	15	1,433
Current Liabilities		
Forward currency contracts - held for trading	1,799	0
Forward currency contracts - fair value hedge	19	31
Foreign currency embedded derivative contracts	0	324
	1,818	355
Non-current Liabilities		
Forward currency contracts - held for trading	547	0
Foreign currency embedded derivative contracts	0	7
	547	7

a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposures to fluctuations in foreign exchange and interest risk. Movements in foreign currency exchange rates impact the unrealised gains and losses recognised in the income statement and can be volatile.

i) Forward currency contracts - held for trading

The Group has entered into forward exchange rate contracts which are economic hedges but do not satisfy the requirements for hedge accounting. The following table details the notional amounts of these derivative financial instruments at balance date.

	AS AT 31/12/15	AS AT 30/06/15
	NZD \$000	NZD \$000
Buy AUD/Sell NZD - Maturity 0-12 months	55,759	56,333
Buy AUD/Sell NZD - Maturity 13-24 months	46,845	40,626

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

7. Derivative Financial Instruments (continued)

ii) Forward currency contracts – fair value hedge

The Group has entered into forward exchange rate contracts which are economic hedges against the purchase of certain capital, programme rights and production expenditure. The fair value gains/(losses) on the hedged item are equal to the fair value gains/(losses) of the hedging instrument. The following table details the notional amounts of these derivative financial instruments at balance date.

	AS AT 31/12/15	AS AT 30/06/15
	NZD \$000	NZD \$000
Buy AUD/Sell NZD - Maturity 0-12 months	940	1,158
Buy GBP/sell NZD - Maturity 0-12 months	26	0
Buy USD/Sell NZD - Maturity 0-12 months	60	48

iii) Foreign currency embedded derivative contracts

The Group has entered into programme supply contracts that contain a foreign currency embedded derivative. The following table details the notional amounts of these embedded derivatives at balance date.

	AS AT 31/12/15	AS AT 30/06/15
	\$000	\$000
Sell AUD/Buy NZD - Maturity 0-12 months	8,578	4,414
Sell AUD/Buy NZD - Maturity 13-24 months	630	271

Fair Value

The fair value of the financial instruments is estimated using Level 2 criteria such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants.

8. Commitments

	AS AT 31/12/15	AS AT 31/12/14	AS AT 30/06/15
	\$000	\$000	\$000
Programme rights	387,782	247,840	233,906
Operating leases	4,845	9,016	7,768
Property, plant and equipment and software	19,341	26,439	15,081
	411,968	283,295	256,755

9. Contingent liabilities

In the normal course of business various legal claims have been made against Television New Zealand Limited. Given the stage of proceedings and uncertainty as to the outcomes of the cases, no estimate of the financial effect can be made and no provision for any potential liability has been made in the financial statements.

10. Events after the balance sheet date

There have been no significant events occurring since balance date requiring disclosure.