tvnz

Annual Report

FINANCIAL YEAR 2021

Contents

Front cover 36th America's Cup Illustration: Johnson Witehira, IDIA


BLACK CLASH 2021

FY21 Snapshot

EARNINGS (EBITDAF)

$86.7m

↑ YOY
FY20 -$9.8m

REVENUE

$340.0m

↑ YOY
FY20 $310.8m

NET PROFIT (NPAT)

$59.2m

↑ YOY
FY20 -$25.8m

COSTS

$253.3m

↓ YOY
FY20 $320.6m

New Zealand's
MOST
WATCHED

TVNZ SCREENED
18/20
of New Zealand's top shows on TV

TVNZ STREAMED
269m
Pieces of content on TVNZ OnDemand

TVNZ REACHED
1.82m
New Zealanders daily on broadcast TV

AUDIENCE SHARE
44.9%
maintained all day TV audience share

ONDEMAND REACHED
510,000
accounts each week and 1 million viewers

Chair's Address

ANDY COUPE

FY21 has been an extraordinary year for TVNZ. From the America's Cup and a summer of cricket, to strong ratings in news and current affairs programming - captivating content has delivered strong revenue returns.

After facing the challenges Covid-19 presented to the business in FY20, it is gratifying to see the hard work of TVNZers reflected in this year's financial result.

TVNZ's high-level financial performance is characterised by strong revenues, a strengthened capital position and pared back operating expenditure. After an immensely difficult end to FY20, it is rewarding to see TVNZ deliver its best financial result in over a decade.

TVNZ reported operational earnings (EBITDAF) of $86.7 million for the financial year ending 30 June 2021, an increase of $96.4 million year-on-year. Net Profit After Tax (NPAT) increased to $59.2 million for the period, an improvement of $85 million from the year prior.

Total advertising revenue was $322.3 million, $36 million more than the previous year. TVNZ's digital revenues again outperformed expectations, increasing more than 40% year-on-year and providing a clear path forward for TVNZ as audiences continue to migrate from linear viewing to streaming options.

Total operating expenses for the year decreased by $67.3 million to $253.3million. Content costs of $141.8 million reduced 29.9% year-on-year primarily due to Covid-19 impacts, including the release of an onerous provision this year that was created in FY20, and supply chain restrictions resulting from international content production delays.

The strength of TVNZ's financial recovery removed the need for the uncalled share subscription facility of $30 million negotiated with the Crown, and the Board exited this agreement prior to its expiration. As announced at TVNZ's FY21 Interim Result, we have also repaid the wage subsidy of $4.9 million received in 2020.

Due to a strong financial performance and the resulting strong balance sheet, the Board is pleased to be in a position to declare a dividend payment of $15 million to the Crown, while at the same time continuing investment in TVNZ's digital transformation.

The Board is proud of TVNZ's performance in what is a challenging and fast-moving media market. Competition for viewers from global streaming giants continues and we know viewers will gravitate to the destinations that offer the content they want to watch, on the devices they chose to watch on. FY21's result puts TVNZ in a position to accelerate its digital transformation and make the most of future opportunities.

The Government's intentions for public media continues to be an area of uncertainty. Our understanding is that Cabinet expects to make decisions later this year regarding the strengthening of public media and the role TVNZ may play in this proposed initiative. In the interim, TVNZ continues to operate under its mandate as specified in the Television New Zealand Act. The core drivers of value are common irrespective of future public media changes and the business will continue to focus on creating and sourcing compelling content, ensuring that content is accessible where viewers choose to watch and working with advertising partners to create brand building opportunities and generate commercial revenue.

The past two years have thrown up many challenges, the recent Covid lockdown yet another reminder of uncertain times and the need for companies to manage change with urgency and innovation. The Board wishes to acknowledge the outstanding effort, commitment and skill the TVNZ team have constantly demonstrated during this period.

In FY21 we farewelled Abby Foote and Julia Raue from our Board. Their contributions in helping guide TVNZ through the challenges of FY20 and into the prosperous position we find the business in today are significant and I would like to thank them for their service to the organisation. We also welcomed Keiran Horne to the Board in FY21. The expertise she brings is warmly received as TVNZ prepares for an exciting future.

Finally, after nine years in the role, Kevin Kenrick has tendered his resignation as CEO. Kevin has agreed to an extended notice period until February 2022, for which the Board is very appreciative. Kevin has been an exceptional leader for TVNZ, driving a transformative strategy and preparing the organisation for its digital future. It is fitting that Kevin's last full year has concluded with such a strong financial performance. Kevin leaves TVNZ in fantastic shape as we head into an exciting, but yet to be determined new phase. I would like to thank him on behalf of the Board for his immense efforts.

Andy Coupe

CEO's Address

Kia ora koutou katoa.

The last financial year has been quite remarkable for TVNZ, delivering strong financial performance, record audiences for live event television and record growth for TVNZ OnDemand. This positive momentum sees TVNZ well placed to focus on accelerating its digital transformation and reimagining its future in the rapidly changing media market.

REIMAGINING TVNZ

TVNZ adopted a three phased response to the impact of Covid-19 on our business - refocus, recover, reimagine. During the final quarter of FY20 the business had to refocus attention on meeting our obligations as an essential service industry and preserving cash to ensure our financial sustainability.

FY21 was always expected to be the year of recovery and strong demand for video advertising has enabled TVNZ to recover faster than forecast. TVNZ grew share of audiences and revenue during Covid lockdown periods and retained most of this increased share as the market has recovered. The primary ongoing challenge is restricted international content availability due to Covid related production delays. In response, TVNZ has significantly increased local as a proportion of its content slate and is committed to maintaining this as a primary point of competitive differentiation.

The year ahead, FY22, is all about reimagining our future. Maintaining our market leading audience reach is critical to the success of TVNZ's digital migration and this requires the business to grow digital audiences faster than TV viewership declines. Time lost due to Covid delays has increased our sense of urgency and the improved business financial outlook has renewed confidence to invest in our future. Key priorities include increasing the focus on local content; pursuing mutually beneficial partnerships; and accelerating digital growth.

REFLECTING OUR AOTEAROATANGA

Our New Zealand identity is a core part of what defines and differentiates TVNZ from its global competitors. Viewers enjoy seeing their people and stories reflected on screen and our future is dependent on offering a compelling local proposition in ways our audiences choose to consume it.

In FY21, we delivered our biggest local slate in over a decade. We engaged storytellers and creators from around the country and made the most of our talented production industry. From Scotty Morrison's exploration of the evolution of Māori in Origins, to the Bain family murders in Black Hands and celebrating our unique Kiwi sense of humour with Jeremy Wells in Taskmaster – for TVNZ, the most watched shows of the year were local.

Live event coverage extended our home-grown schedule in FY21, delivering the must-watch TV moments of the year. We created a shared national viewing experience with the 36th America's Cup. Nearly 2.7 million people watched on broadcast TV across the World Series, PRADA Cup and the America's Cup, with 2.4 million live streams. Our first summer of cricket with Spark Sport airing free-to-air on TVNZ 1 and DUKE helped reach and inspire a whole new generation of Black Caps fans.

The backbone of our line-up remains our news and current affairs programming. Our primetime daily news programmes attracted huge audiences in FY21, with our flagship bulletin 1 News at Six reaching close to a million viewers each evening. Our Election Debates and Election Night coverage provided another highlight with 1.4 million Kiwis tuning in on voting night. The trust we've built with our viewers is at the heart of why they turn to 1 News.

Te Reo Tātaki is TVNZ's Māori name and can be translated in English to mean "the leading voice". Living up to this expectation requires us to deliver the moments that matter to our viewers whether that's keeping them up to date with the latest news information or providing entertainment content that adds value to their day.

POWERFUL PARTNERSHIPS

TVNZ's major competitors are global scale players and in an increasingly fragmented market, we are partnering with others to generate content and reach audiences. New Zealanders love seeing live sports on free-to-air television and we're working with partners to secure rights and make this happen. TVNZ kicks off FY22 with the Olympic Games Tokyo 2020 in partnership with Sky and will follow this partnering approach with Silver Ferns Netball coverage later in the year. A second summer of Cricket is also on the horizon as part of our multi-year partnership with Spark Sport.

Co-productions are an area of focus for our content team. In FY21, production was completed on RuPaul's Drag Race Down Under with Stan, My Life Is Murder with Network Ten and Acorn and Under the Vines with Acorn. New Zealand-based co-productions make the most of our highly skilled production industry to generate compelling content with a local feel. They stretch our content dollars further, enabling us to create ambitious programmes and secure international talent that captures viewer attention.

While our focus is unapologetically local, our partnerships with international content providers add significantly to the premium programming we need to sustain TVNZ OnDemand's growth and support our channels. In FY21, TVNZ secured a multi-year partnership with NBCUniversal for premiere and library content and key programming agreements were also struck with BBC and ITV.

THE FUTURE ROADMAP

People are watching more TV shows than ever before, and how they're watching is evolving. Connected TVs are now the norm; international streaming services are launching direct to consumers in competition with local players; and fibre and mobile networks are bringing streaming to the masses. Broadcast TV audiences are holding up better than predicted, with audiences moving comfortably between linear and streaming options. However, the direction consumers are moving is clear and digital streaming is critical to TVNZ's future success.

Ultimately the future of TVNZ is IP delivered content and the record growth of simulcast viewing of channels and video on demand streaming demonstrates this, with TVNZ OnDemand now reaching one million viewers a week. In its present iteration, our platform can adequately support our currently forecast video on demand and simulcast viewership levels, but to keep pace with ever changing consumer preferences we need to upgrade the capacity and capability of our IP platform in the near to medium term.

TVNZ remains committed to working with advertisers to build their brands and promote their products, and will also consider ad-free subscription services and pay per view events in the future. We expect multiple customer propositions will be required to meet the needs of our different viewer segments and will partner with other content services to deliver branded content channels in addition to TVNZ curated content playlists.

The impacts of Covid undoubtedly slowed our progress last year but have also helped sharpened our focus. The business has recovered strongly and TVNZ is well placed to accelerate the digital migration of our content services.

In closing, I would like to thank the team at TVNZ for their ongoing dedication to inspiring the conversations of Aotearoa New Zealand. I am proud of what we have achieved together and I'm looking forward to championing the organisation in a different capacity next year - as one of the 2 million viewers TVNZ reaches every day.

Kevin Kenrick

New Zealand's TOP 20 SHOWS

18 OF THE TOP 20 SHOWS FOR FY21 AIRED ON TVNZ CHANNELS

#1

1 NEWS AT SIX

650,800

#2

36TH AMERICA'S CUP

639,400

#3

1 NEWS YOUR VOTE 2020 LEADERS DEBATE

617,500

Source: Nielsen TAM Consolidated, AP5+ FY21 - 1/07/2020 - 30/06/2021, All Channels, ranked on Average Audience.
Data includes parent channels and Plus 1

TVNZ 1 TVNZ 2 THREE

#5
OPRAH WITH MEGHAN & HARRY
604,100

#8
BRADLEY WALSH HAPPY 60TH BIRTHDAY
539,000

#9
1 NEWS YOUR VOTE 2020 ELECTION NIGHT
531,900

#10
FAIR GO
514,600

#11
FRIENDS: THE REUNION
498,000

#12
SEVEN SHARP
478,500

#13
NEWSHUB DECISION 20 LEADERS DEBATE
462,900

#14
THE REPAIR SHOP
461,900

#15
SUNDAY
447,500

#16
HIGHWAY COPS
446,400

#17
1 NEWS YOUR VOTE 2020 MULTI PARTY DEBATE
428,100

#18
CRUISING THE BIGGEST STORM
425,400

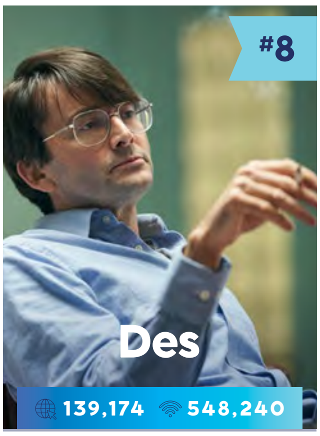
#19
A PERFECT PLANET
424,400

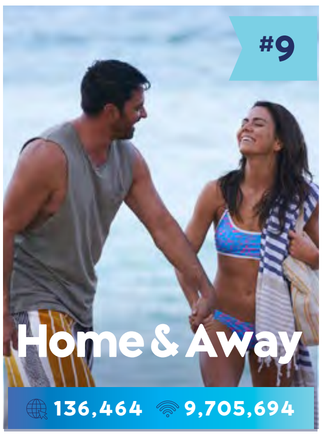
#20
BRADLEY WALSH & SON BREAKING DAD
421,300

TVNZ OnDemand
STREAMS AHEAD

NEW ZEALAND'S FAVOURITE TVNZ ONDEMAND SHOW BY AUDIENCE REACHED AND NUMBER OF EPISODES STREAMED

VIDEO REACH | STREAMS





Source: Google Analytics, All People, 1 Jul 20-30 Jun 21, Includes Simulcast and Freeview

1,959 SHOWS WATCHED

47,505 EPISODES WATCHED

2m* PEOPLE REACHED

510K AVERAGE WEEKLY REACH +16% YOY

269m* STREAMS

5.1M AVERAGE WEEKLY STREAMS +11% YOY

Shows We Watched Together
(on Connected TV)

1 COYOTE
2 PEPPA PIG
3 THE GLOAMING
4 ROADKILL
5 LINE OF DUTY

Shows We Watched Up Close
(on Mobile)

1 SHORTLAND STREET
2 HOME AND AWAY
3 CORONATION STREET
4 1 NEWS SPECIAL: CORONAVIRUS UPDATES
5 WENTWORTH

Shows We Watched Alone
(on Desktop)

1 SEVEN SHARP
2 THE BACHELORETTE NZ
3 RUPAUL'S DRAG RACE DOWN UNDER
4 1 NEWS AT SIX
5 THE BACHELOR NZ

North Island Faves*

1 1 NEWS SPECIAL: CORONAVIRUS UPDATES
2 THE CASKETEERS
3 LOVE LIFE
4 TRANSPLANT
5 POLICE TEN 7

South Island Faves*

1 CORONATION STREET
2 BLACK HANDS
3 HOME AND AWAY
4 SHORTLAND STREET
5 GREY'S ANATOMY

Males Top Shows*

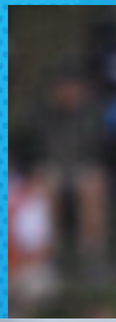
1 COYOTE
2 1 NEWS AT SIX
3 HYUNDAI COUNTRY CALENDAR
4 POLICE TEN 7
5 TASKMASTER

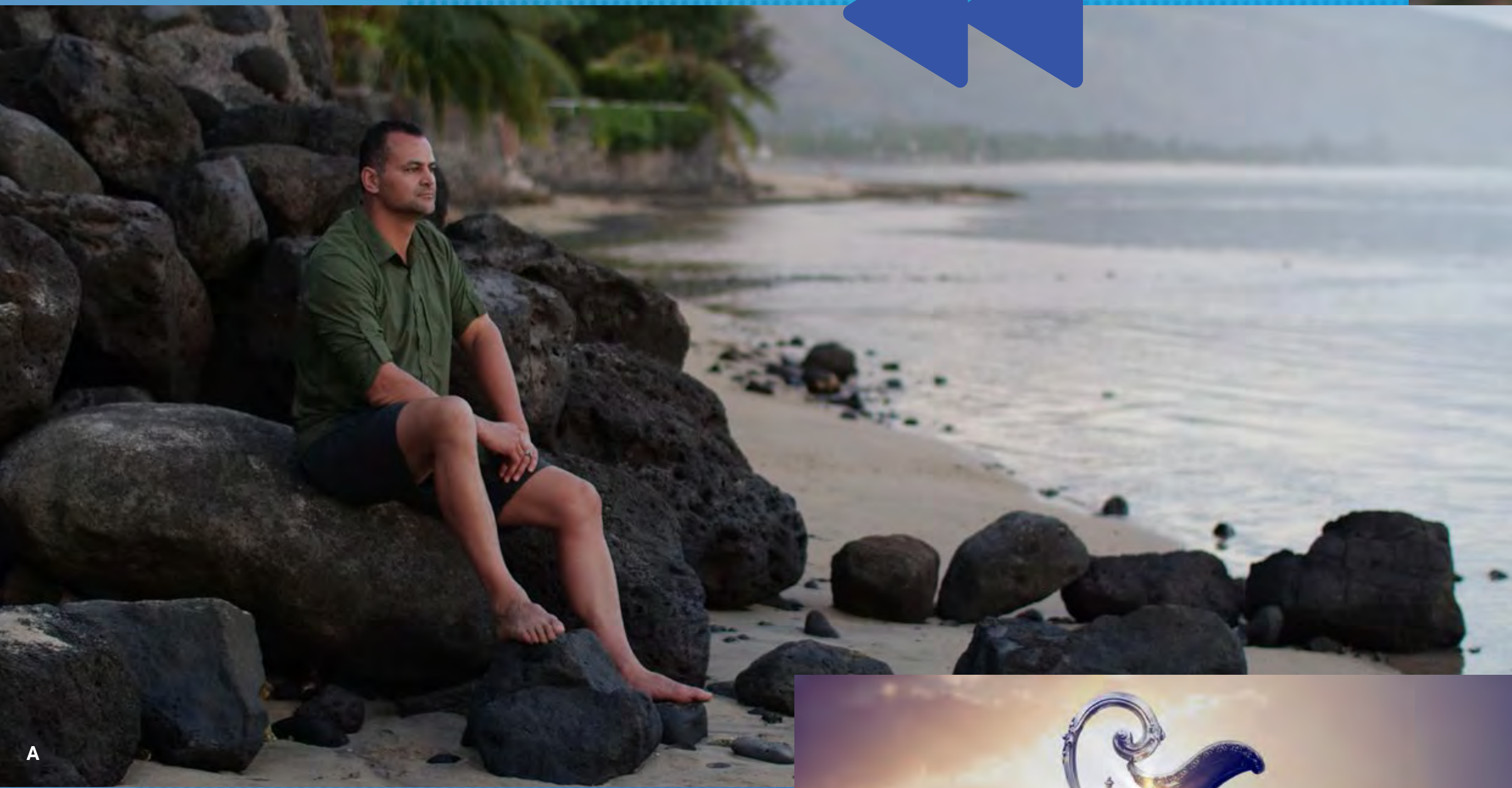
Females Top Shows*

1 GREY'S ANATOMY
2 LOVE LIFE
3 BETWEEN TWO WORLDS
4 WHY WOMEN KILL
5 THE BACHELOR NZ

Source: Google Analytics, AP, 1/7/20-30/6/21 excl. America's Cup, excl. Freeview, Based on viewing characteristics of top 40 reaching shows
Source: Google Analytics, All People, 1 Jul 20-30 Jun 21, Includes Simulcast and Freeview

Local Highlights





A

A. Scotty Morrison presented a deeply personal and emotional journey exploring the evolution of Māori in **Origins**.

B. TVNZ delivered **Super Smash** domestic cricket and selected T20 International matches to viewers across the summer in partnership with Spark Sport.

C. Jeremy Wells reigned supreme alongside his loyal assistant Paul Williams, in a local version of **Taskmaster**.

D. Black Hands showed a dramatised version of the Bain family murders, telling the story of each family member in the months leading up to their deaths.

E. The **36th America's Cup** was watched by 1,395,100 New Zealanders on TVNZ 1. Across the World Series, Christmas Cup, Prada Cup and finally the America's Cup, 2,674,600 Kiwis turned to watch the action on the water.

F. TVNZ gave viewers an access-all-areas look at Stan Walker as he navigated his way through 2020, with his whānau split across both sides of the Tasman in **The Walkers.**

G. Hosted by Scotty and Stacey Morrison, **National Treasures** called on viewers to rummage around their homes to find treasures, objects, and taonga that have special significance for Aotearoa and our history.

E

G


B


D


C


F

Local Highlights

L

H. TVNZ 2 rebooted the original talent reality show, **Popstars**. Well-known Kiwi musicians, Kimbra, Nathan King and Vince Harder were tasked with finding New Zealand's next big musical talent.

I. Filmed entirely in Rotorua, local action-thriller series **Vegas** delivered a story of love, brotherhood and redemption to TVNZ 2.

J. The darkly funny, dystopian series **Creamerie** asked what would happen if a viral plague killed all the men.

K. A co-production between Stan and TVNZ OnDemand, **RuPaul's Drag Race Down Under** saw 10 queens from across Australia and New Zealand compete in a locally filmed edition of this cult series.

L. Airing on TVNZ 1, 14 hopeful candidates competed for a $50,000 investment in their business and ongoing mentorship with self-made multi-millionaire, Mike Pero in **The Apprentice Aotearoa.**

M. New Zealand's most successful international series, **The Brokenwood Mysteries** moved to TVNZ 1 from Prime.

J

I

H

K

M

Reflecting TE AO MĀORI

Te Reo Tātaki is the country's leading free-to-air broadcaster, reaching two million New Zealanders each day. The scale of our audience means we connect with more Māori than any other local content provider. With reach comes responsibility and we are committed to enriching the lives of those who chose to watch with us.

Our Rautaki Māori (Māori strategy) was finalised in FY21, providing a framework for Te Reo Tātaki to reflect Māori perspectives in a more meaningful way. The strategy ensures the overarching tenets of Te Tiriti o Waitangi are upheld and embodied by our business. From the correct pronunciation and normalisation of te reo Māori in our programming; to the integration of a bi-cultural lens in our newsroom; and working with our production partners to ensure the cultural integrity across our entire local content slate, TVNZ is committed to promoting New Zealand's unique identity onscreen.

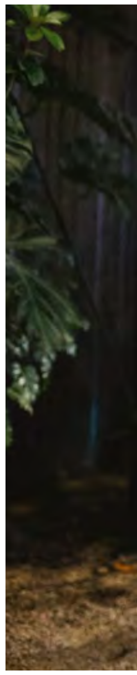
In FY21, dedicated programming and bilingual content featured prominently across TVNZ's channels and platforms, reaching more than 600,000 viewers. Audiences tuned in for the country's leading news and current affairs programmes from a Māori perspective, Te Karere and Marae. Primetime factual content on TVNZ 1 and TVNZ 2 such as The Casketeers, Origins, National Treasures and The Walkers resonated strongly with viewers. Māori storytellers and creators were engaged for ambitious new drama, Vegas, and 9 Lives heroed te reo Māori in a gameshow style format too.

NATIONAL TREASURES

Māori content produced specifically for TVNZ OnDemand extended the linear viewership, particularly with rangatahi and tamariki audiences who are increasingly gravitating to streaming options. Highlights in FY21 included Anika Moa Reunited, Waiata/Anthems and new seasons of Ahikāroa and My Māori Midwife. HEIHEI (TVNZ and NZ On Air's children's platform) provided for our youngest viewers with programmes like The Exceptional Squad, Island of Mystery and Tamariki Takeover – all offered in a safe, ad-free digital environment. Re: commissioned Ohinga, a weekly news and current affairs series made by rangatahi Māori for rangatahi. Funding from Te Māngai Pāho and NZ On Air supported the wide range of Māori content aired across our channels and platforms.

Te Reo Tātaki is uniquely placed to revitalise and normalise te reo Māori in Aotearoa – which aligns with the overarching objective of the Government's strategy, Te Maihi Karauna "kia māhorahora te reo" – the ambition to have one million New Zealanders speaking the language by 2040. We are proud of how our content produced entirely in te reo Māori supports this aim. We also celebrate contributions across TVNZ's slate to promote cultural diversity and inclusion through language. 1 NEWS leads the way, with presenters and journalists utilising te reo Māori throughout daily bulletins and News and Current Affairs content. Popular programming with mass appeal, such as Shortland Street, The Bachelor and The Apprentice Aotearoa brings the language mainstream.

While our Rautaki ensures we deliver for our viewers, it also provides a guide for how TVNZers show up at work and collaborate together in a workplace that encompasses te reo Māori me ōna tikanga. Our new strategy incorporates how we educate, train and recruit our people, giving a strong foundation for providing our services for generations to come and establishing Te Reo Tātaki as a national champion and as a leading voice, for Māori and for all of Aotearoa.




9 LIVES


WAIATA / ANTHEMS - ANNIE CRUMMER


WAIATA / ANTHEMS - CHE FU


ANIKA MOA REUNITED

Screen Standards


LATE NIGHT BIG BREAKFAST

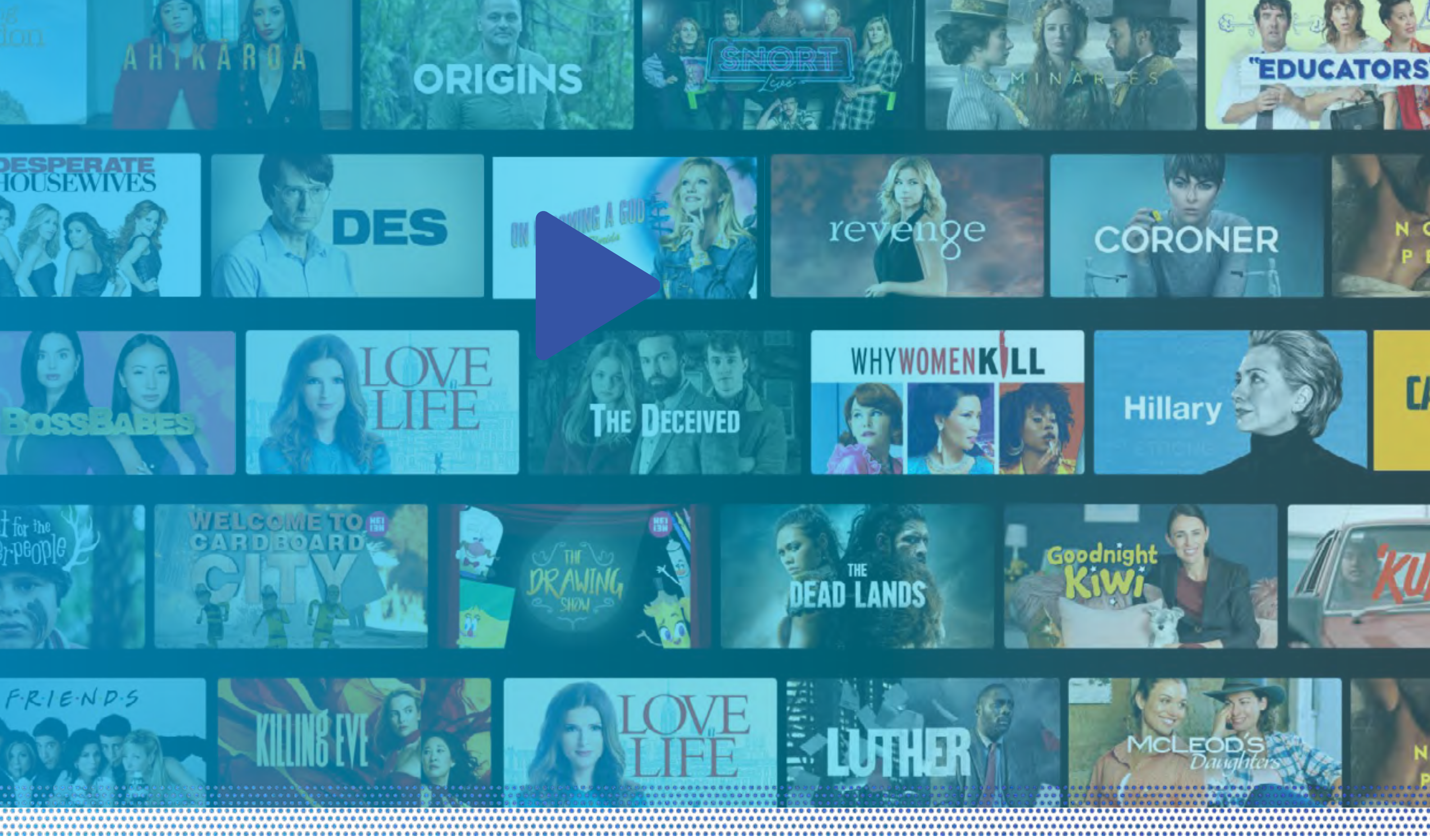
TVNZ broadcasts 20,000 hours of content each year, some of it sparking lively discussion and debate. We welcome feedback from our viewers and through the formal complaints process, they play an influential part in the maintenance of screen standards.

The Broadcasting Standards Authority (BSA) is responsible for regulating programming standards under the Broadcasting Act 1989. All formal complaints must be first made in writing to the broadcaster (with the exception of allegations of privacy). Complainants may refer their complaint to the BSA if they are not satisfied with the outcome of the TVNZ process.

In the period under review, TVNZ answered 1,790 BSA formal complaints.

- 462 more than in the previous year.
- Of these 1,790 complaints, 53 complaints were upheld by the TVNZ Complaints Committee.

Online news and entertainment content falls under the jurisdiction of the Media Council. The TVNZ Complaints Committee responded to 47 complaints under Media Council Principles: three were upheld by the TVNZ Complaints Committee.



COMPLAINTS

2020	→	2021

2020

BSA COMPLAINTS RECEIVED BY TVNZ

- 1,328 complaints
- 55 upheld

MEDIA COUNCIL COMPLAINTS RECEIVED BY TVNZ

- 22 complaints
- One upheld

2021

BSA COMPLAINTS RECEIVED BY TVNZ

- 1,790 complaints
- 53 upheld

MEDIA COUNCIL COMPLAINTS RECEIVED BY TVNZ

- 47 complaints
- 3 upheld

REFERRALS

In FY2021 the BSA handled 58 referrals about TVNZ programming (referrals are counted per BSA decision). Of these one has been upheld by the BSA*.

TVNZ had three referrals to the Media Council, not upheld.

2020

BSA

- 34 referred
- 8 upheld

MEDIA COUNCIL

- 1 referred, none upheld

2021

BSA

- 58 referred
- 1 upheld

MEDIA COUNCIL

- 3 referred, none upheld

*At time of writing, some referrals are yet to be determined by the BSA

ANNA BURNS-FRANCIS

Our PEOPLE

At TVNZ we remain focused on providing a positive, progressive and productive working environment and creating a culture which attracts, retains and enables great talent to reach their individual and collective potential.

Over the past year our people have responded bravely and positively to the commercial challenges created by the initial wave of Covid restrictions, enabling the business to recover quickly and effectively. Throughout the challenges and changes faced by the business, TVNZers have shown great resilience and adaptability, ensuring we have continued to deliver for both our viewers and advertising partners. This speed of our recovery has enabled us to return to focusing on delivering our digital growth strategy.

Once again, our annual engagement survey showed that people take great pride in working at TVNZ and the perception that TVNZ is a great place to work remains high versus national benchmarks.

One of the things that matters most to our people is creating a diverse and inclusive working environment. Based on recent survey feedback we have established a new cross-functional diversity and inclusion group to consider opportunities like the creation of affinity groups, and educational & celebratory initiatives. We also further refined our flexible working policy and guidelines to keep pace with the growth in working from home that has continued post Covid-enforced restrictions.

Proactively and effectively managing the inherent risks of our newsgathering, operations and productions continues to be a core focus of our wellbeing and safety planning. This year our independent, biennial wellbeing and safety audit was based on the SafePlus framework. TVNZ achieved an overall rating of Leading across the ten performance requirements, having demonstrated a maturing safety culture with strong and visible leadership commitment and widely adopted and understood systems and processes used to effectively reduce critical risks.

The ongoing development of our people remains a priority with leadership development programmes continuing across the year. Te Reo Māori classes were also continued on site as an important element of our development plan.

The way in which we reward and remunerate our people has also been reviewed this year as we transitioned to a new remuneration framework with Korn Ferry. The new framework will enable us to ensure accurate job sizing and market matching in what's proving to be an increasingly competitive job market.

The development of a simple and purposeful articulation of our identity as Te Reo Tātaki was a specific focus for the business during the second half of the year. Wānanga were held across the organisation to reflect on and discuss our past, present and future in line with our Rautaki Māori. The outputs from these wānanga were core to the development of our refreshed purpose and supporting values for TVNZ. The work to embed our purpose and values throughout the business will begin in FY22.

Our PEOPLE

FULL TIME EQUIVALENT EMPLOYEES

690

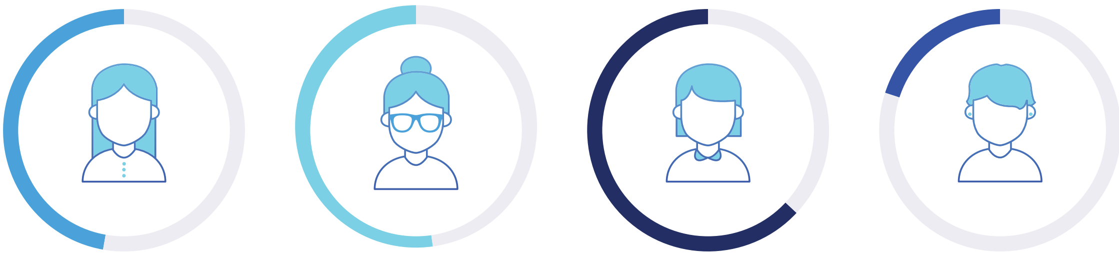
FY20 Full time Equivalents: 680

53% Male

47% Female

3 staff identified as non-specific

WOMEN REPRESENT:



47% of our workforce

52% of our business leaders

63% of our executive team

40% of our board

REMUNERATION PROFILES

Includes casual, part time and entry level roles

5%	55%	27%	13%
<$50k	$50–$100k	$100–$150k	>$150k

PAY BY GENDER

Pay Parity: TVNZ reviews pay annually to ensure parity for equivalent roles

LIVING WAGE

TVNZ continues to ensure all permanent and part time (excludes casual/work experience students) employees are paid a minimum of the living wage and has done since 2014.

AVERAGE PAY GAP

FY21

3.2%

FY20 2.4%

Average male hourly rate compared with average female hourly rate across all permanent employees.

AGE

Our people range in age from

19-71

The average age is

38.7

TENURE

7.3yrs
average tenure

26%
of our people have been with TVNZ for over 10 years

34
DIFFERENT LANGUAGES SPOKEN

TVNZ people identify with at least

42
DIFFERENT ETHNICITIES

The most common are:

NZ European /Pākehā 72%
NZ Māori 11%
Indian 5%

21%
OF TVNZ PEOPLE IDENTIFY WITH MORE THAN ONE ETHNIC GROUP

Other ethnicities in the top 10 list include:

English
Chinese
Filipino
South African
Samoan
Dutch &
Cook Island Māori

FROM OUR 2021 PEOPLE SURVEY

87%
of our people are
PROUD TO WORK AT TVNZ

88%
of our people say
THEIR MANAGER CARES ABOUT THEIR WELLBEING

87%
of our people believe
THAT TVNZ DOES A GOOD JOB OF KEEPING ITS EMPLOYEES SAFE

FROM OUR 2021 DIVERSITY & INCLUSION SURVEY

65%
of our people
WORK FLEXIBLY AT TVNZ

98%
of our people
SUPPORT DIVERSITY AND INCLUSION WITHIN TVNZ

91%
of our people believe
TVNZ PEOPLE TREAT EACH OTHER WITH RESPECT, REGARDLESS OF AGE, GENDER, DISABILITY, SEXUAL ORIENTATION OR OTHER DIFFERENCES

A Sustainable Future

TVNZ is committed to acting in the best interests of New Zealanders and the environment we live in. As a high-profile media organisation with the ability to influence others, we have a responsibility to lead the way when it comes to environmental, economic and social sustainability - both through the actions we take and the content we show. As we develop our sustainability strategy, we are considering how we partner across our industry with Greenlit, Toitū and the production community to reduce the impact of what we bring to screen.

In recent years, TVNZ has made incremental changes which have delivered positive outcomes. We refurbished our Auckland headquarters (where the majority of our people are based) in 2014 and 2015. Through the office refurbishment project, TVNZ was able to achieve a 35 percent decrease in energy usage. Double-glazing windows, replacing light fixtures with energy efficient fittings and implementing a sensor system to automatically switch off lights in unoccupied areas contributed to this result.

Proactive steps have also been taken to improve how staff interact in the workplace. TVNZ's inhouse coffee supplier uses compostable coffee cups and offers a price discount to all staff using Keepcups and office-provided mugs. TVNZ's four offices offer a range of different recycling options including composting, paper, general and battery recycling to reduce waste.

Like many businesses, travel is an area of increased focus. Meeting rooms at TVNZ are now equipped with conference technology to ensure meetings can be attended remotely, reducing local, domestic and international travel. Importantly, we've made changes to the vehicles we lease for our News and Current Affairs team. Our fleet is now 50% electric, and 4% hybrid, and TVNZ ranks 5 out of 151 agencies in the government fleet emissions dashboard.

While intentional changes led by different business units have had a positive impact, we know there is more work to be done. Looking ahead, we are focused on taking a more unified approach and embedding a sustainability culture across our organisation.

TVNZ has set up an internal committee to look at the issue holistically. The Sustainability Committee is comprised of representatives and leaders from around the business who are passionate about sustainability. Together they will be responsible for developing our strategy and identifying the areas we can make the biggest difference. This work will be done in consultation with expert advice, including engagement of Toitū to measure our carbon footprint. The hauora of our people will also be looked at with a sustainability lens to complement our existing wellbeing plan.

Financial Summary

FOR THE YEAR ENDED 30 JUNE 2021

The financial results for the year reflect a strong EBITDAF performance due to a buoyant advertising market; growth in revenue market share; and materially reduced expenses.

Expenses of $253.3 million are $67.3 million lower year on year due to:

- Reduced costs from a cost out program initiated in June FY20
- Content costs reduction year on year of $22.8 million due to the low availability of content as a consequence of the inability to produce content globally through lockdowns; and
- The release of the provision for an onerous contract made in June 2020. See below and refer to note 5 in the financial statements.

EBITDAF of $86.7m includes one-off items that should be excluded to understand true underlying performance as illustrated in the table below.

	2021		
	Reported $M	Adjustments $M	Underlying $M
Operating Revenue	340.0	2.9	342.9
Government Relief: Transmission fee relief		(2.0)	
Repayment of Government Relief: Wage subsidy		4.9	
Expenses	(253.3)	(15.2)	(268.6)
Onerous Contract Reversal (Programming)		(15.2)	
EBITDAF per Income Statement	86.7	(12.3)	74.3

Reported operating revenue for the year benefitted from Government relief of $2.0 million received during FY21. This was part of a Government relief package provided to all media organisations.

In March 2021 TVNZ repaid the $4.9 million Covid-19 wage subsidy received in the prior year.

Reported operational expenditure of $253.3 million includes a $15.2 million adjustment which relates to the reversal of a loss provision for an international content contract. This contract was impaired in the prior year due to Covid-19 influenced declines in forecast future revenue from this content. Due to improved market conditions, the provision for future losses has been fully reversed in the current year.

Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Contents

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2021

The Board and management of Television New Zealand Limited are responsible for:

- The preparation of these financial statements and the judgements used in them.
- Establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management these financial statements fairly reflect the financial position of Television New Zealand Limited as at 30 June 2021 and its financial performance and cash flows for the year ended on that date.

The Directors have pleasure in presenting the following financial statements for the year ended 30 June 2021.

For and on behalf of the Board,

Andy Coupe
Chair

Keiran Horne
Chair, Audit and Risk Committee

30 August 2021

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $000	2020 $000
Operating revenue	4	339,957	310,812
Expenses			
Programming	5	(141,832)	(202,472)
Employee benefits	6	(54,236)	(49,676)
Transmission, technology and telecommunications		(22,108)	(23,051)
Premises and occupancy		(3,067)	(3,557)
Marketing		(11,027)	(12,452)
Other		(21,032)	(29,390)
		(253,302)	(320,598)
Earnings/(loss) before interest, tax, depreciation and amortisation, financial instruments and joint venture (EBITDAF)		86,655	(9,786)
Depreciation and amortisation	6	(17,795)	(20,537)
Interest income		667	568
Interest expense		(133)	(163)
Financial instruments/foreign currency gains	7	125	1,338
Share of results of joint venture	15	0	(52)
Profit / (loss) before income tax		69,519	(28,632)
Income tax (expense)/benefit	8	(10,327)	2,816
Profit / (loss) for the year		59,192	(25,816)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $000	2020 $000
Profit/(loss) for the year		59,192	(25,816)
Other comprehensive income that are not reclassified to profit or loss in subsequent periods			
Revaluation land and buildings	11	11,320	10,375
Income tax effect		(2,526)	(3,213)
Revaluation of land and buildings, net of tax		8,794	7,162
Total comprehensive income/(deficit) for the year		67,986	(18,654)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital $000	Revaluation reserve $000	Retained earnings $000	Total $000
At 1 July 2020	140,000	64,205	26,086	230,291
Profit/(loss) for the year	0	0	59,192	59,192
Other comprehensive income net of income tax	0	8,794	0	8,794
Total comprehensive income/(deficit) for the year	0	8,794	59,192	67,986
Transaction with owners in their capacity as owners				
Dividend paid in the year	0	0	0	0
At 30 June 2021	140,000	72,999	85,278	298,277

At 1 July 2019	140,000	57,043	51,902	248,945
Profit /(loss) for the year	0	0	(25,816)	(25,816)
Other comprehensive income net of income tax	0	7,162	0	7,162
Total comprehensive income /(deficit) for the year	0	7,162	(25,816)	(18,654)
Transaction with owners in their capacity as owners				
Dividend paid in the year	0	0	0	0
At 30 June 2020	140,000	64,205	26,086	230,291

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2021

	Notes	2021 $000	2020 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	23,539	52,541
Short term investments	9	85,000	0
Trade and other receivables	10	64,902	45,019
Programme rights	12	36,957	30,062
Derivatives	20	421	161
Total current assets		210,819	127,783
Non-current assets			
Property, plant and equipment	11	159,393	156,074
Right-of-use assets	13	453	1,113
Other intangibles	12	5,395	9,290
Derivatives	20	54	339
Total non-current assets		165,295	166,816
Total assets		376,114	294,599
LIABILITIES			
Current liabilities			
Trade and other payables	17	66,488	35,911
Employee entitlements	17	4,357	4,833
Deferred income	18	2,638	2,084
Lease liabilities	13	412	625
Derivatives	20	0	41
Provisions	19	1,233	3,543
Total current liabilities		75,128	47,037
Non-current liabilities			
Employee entitlements	17	929	994
Derivatives	20	1	0
Lease liabilities	13	55	506
Provisions	19	0	15,771
Deferred tax liability	8	1,724	0
Total non-current liabilities		2,709	17,271
Equity			
Share capital	22	140,000	140,000
Revaluation reserve	22	72,999	64,205
Retained earnings		85,278	26,086
Total equity		298,277	230,291
Total equity and liabilities		376,114	294,599

The accompanying notes form part of these financial statements.
For and on behalf of the Board, who authorised the issue of these financial statements on 30 August 2021.

Andy Coupe
Chair

Keiran Home
Chair, Audit and Risk Committee

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $000	2020 $000
Cash flows from operating activities			
Receipts from customers		318,032	312,731
Receipt of programme funding		6,602	4,114
Interest received		530	570
Payments to suppliers and employees		(263,219)	(293,941)
Interest paid		133	(163)
Income tax received/(paid)	8	0	85
Net cash flows from operating activities	22	61,812	23,396
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		9	0
Purchase of property, plant and equipment	11	(5,030)	(3,174)
Purchase of intangibles	12	(304)	(1,252)
Purchase of short term investments	9	(85,000)	0
Net cash flows used in investing activities		(90,325)	(4,426)
Cash flows used in financing activities			
Lease liability payments		(568)	(605)
Dividends paid		0	0
Net cash flows used in financing activities		(568)	(605)
Net (decrease)/increase in cash and cash equivalents		(29,081)	18,365
Net foreign exchange differences		79	16
Cash and cash equivalents at the beginning of the year		52,541	34,160
Cash and cash equivalents at the end of the year	9	23,539	52,541

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

1) CORPORATE INFORMATION

Television New Zealand Limited and its subsidiaries (together, "TVNZ") operate as a multi-channel television and digital media broadcasting and production company in New Zealand.

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

These consolidated financial statements were approved for issue by the Board of Directors on 30 August 2021.

2) SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Television New Zealand Act 2003, Financial Reporting Act 2013, Crown Entities Act 2004 and the Companies Act 1993. For the purposes of complying with NZ GAAP the entity is a for-profit entity. The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value, assets and liabilities that are designated in a fair value hedge relationship and land and buildings measured at fair value.

b) Statement of compliance

The consolidated financial statements of TVNZ comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for-profit orientated entities. The consolidated financial statements comply with International Financial Reporting Standards (IFRS).

The accounting policies set out in these notes to the financial statements have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

The consolidated financial statements are presented in New Zealand dollars ($), which is TVNZ's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Television New Zealand Limited and its subsidiaries at 30 June.

Subsidiaries are those entities controlled, directly or indirectly, by TVNZ. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between TVNZ companies are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by TVNZ and cease to be consolidated from the date on which control is transferred out of TVNZ. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Changes in accounting policies and disclosures

There are no new standards or amendments to existing standards which have or are expected to have a material impact on TVNZ in the current or future reporting periods.

3) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Estimates and assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

a) Impact on Policies

Management has identified the following accounting policies for which significant judgements, estimates and assumptions are made:

- Note 11 – Fair value of land and buildings
- Note 19 – Onerous contract provision

b) Covid-19 pandemic

While there remains uncertainty around the ongoing impact of Covid-19 on TVNZ, the business has performed strongly despite the challenges posed by the pandemic.

During the year, TVNZ received support from the Media Sector Support Package through transmission fee waivers. TVNZ also repaid the wage subsidy received in the prior year. Details can be found in Note 24 - Related Party Disclosures.

c) Strong Public Media

A review of the public media industry is in progress with a goal of ensuring public media is fit for the future and able to thrive and adapt amid the changing media landscape.

A Governance Group was appointed in March 2021 to oversee the development of a business case which will be presented to Cabinet in late 2021, the result of which could be the creation of a new public media entity.

These financial statements have been prepared on a going concern basis but at the time of signing, there is not enough information available to determine the outcome of the business case, or ultimately how the Government will advance strong public media objectives. Accordingly, there remains some uncertainty as to the future structure of the public media landscape and TVNZ's role therein.

d) Going Concern

In assessing the adoption of the going concern assumption in the preparation of consolidated financial statements, the Directors have reviewed TVNZ forecasts, considered the achievability of the assumptions underlying the forecasts, TVNZ's working capital requirements, and forecast cash balances through the period.

The Strong Public Media business case may also have an impact on the future of TVNZ's ability to continue to trade as a going concern.

Based on the above, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

4) OPERATING REVENUE

Accounting policy

TVNZ derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer at an amount that reflects the consideration to which TVNZ expects to be entitled in exchange for those services.

Revenue is stated exclusive of goods and services tax (GST).

Key classes of revenue are recognised on the following basis:

Advertising
TVNZ is in the business of providing advertising services on its free to air television and OnDemand digital streaming channels. Advertising revenue is recognised as income at the time the performance obligation has been met. Advertising revenue includes revenue from advertising, sponsorship and programme production funding on TVNZ 1, TVNZ 2, TVNZ DUKE, TVNZ OnDemand and tvnz.co.nz. Where TVNZ provides advertising for non-cash consideration, revenue is recognised at the fair value of the consideration received, unless TVNZ cannot reasonably estimate the fair value of the non-cash consideration; in which case revenue is recognised by reference to the stand-alone selling price of the advertising promised to the customer.

TVNZ provides retrospective volume bonuses to certain customers once the quantity of advertising services purchased during the period exceeds a threshold specified in the contract. Volume bonuses are offset against amounts payable by the customer. To estimate the variable consideration for the expected future bonuses, TVNZ applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. TVNZ then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future bonuses.

Programme funding
Programme funding is recognised initially as deferred income when there is reasonable assurance that it will be received, and that TVNZ will comply with the conditions associated with the funding. Funding that compensates TVNZ for expenses incurred are recognised as income on a systematic basis in the same periods in which the expenses are recognised.

Other trading revenue
Other trading revenue is recognised in the accounting period in which the actual service has been provided. Other trading revenue includes revenue from production facilities, programme sales and multi feed service.

Significant financing component
TVNZ does not expect, at contract inception, that the period between the transfer of the promised goods or services from contracts with customers and when the customer pays for those goods and services to be more than one year. TVNZ applies the practical expedient in NZ IFRS 15 to not adjust the promised amount of consideration for the effects of a significant financing component.

Incremental cost of obtaining a contract
TVNZ has elected to apply the optional practical expedient in NZ IFRS 15 for costs to obtain a contract which allows TVNZ to immediately expense sales commissions (included under employee benefits) because the amortisation period of the asset that TVNZ otherwise would have used is one year or less.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

4) OPERATING REVENUE *(continued)*

	2021	2020
	$000	$000
Advertising revenue	322,283	286,284
Programme funding	6,228	6,607
Other trading revenue	11,446	17,921
	339,957	310,812

5) PROGRAMMING

Programme utilisation (Note 12)	157,081	179,837
Programme rights impairment (Note 12)	0	7,386
Onerous contract (Note 19)	(15,249)	15,249
	141,832	202,472

Programme utilisation was impacted in the year due to restricted availability of content, primarily due to production constraints for international content.

A programme rights contract became loss making during the prior year. This is due to the forecast revenue from the contract being lower than the cost for which TVNZ was obligated under the contract. The net obligation under the contract of $22.6m was provided for in the prior year.

This was calculated as the net of estimated revenue and the estimate of programme purchase commitments discounted to present values. This presented as an impairment of programme rights of $7.4m and an onerous contract provision for future losses of $15.2m.

The onerous contract provision was reviewed at 30 June 2021 and it was determined that the costs for which TVNZ is obligated under the contract have reduced significantly. Due to improved market conditions, forecast revenue from the contract is now expected to exceed TVNZ's cost obligations with the provision for future losses being fully released in the current year. Refer to Note 19 for further details.

6) EXPENSES

Additional information in respect of expenses included within the Statement of Financial Performance is as follows:

	2021	2020
	$000	$000
Employee benefits expense		
Wages and salaries and other short term benefits	77,165	73,541
Superannuation contribution expense	3,132	2,950
Less employee benefits charged to programmes/capitalised	(26,061)	(26,815)
	54,236	49,676

The primary driver of the increase in wages and salaries and other short-term benefits in the current year is short-term incentives, which were not awarded in the prior year.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

6) EXPENSES *(continued)*

	2021 $000	2020 $000
Depreciation and amortisation		
Depreciation – PPE	13,029	14,088
Depreciation – right to use assets	567	623
Amortisation – software	4,081	5,693
Amortisation – licences	118	133
	17,795	20,537
Auditor's remuneration		
Audit of financial statements	310	324
Other assurance engagements	11	17
Other non audit services	0	27
	321	368
Reorganisation costs		
Reorganisation costs	(160)	3,633

Reorganisation costs in the prior year relate to the costs of redundancy, outplacement and other costs associated with changes in operational areas of the business as a result of changes in the media industry that were accelerated due to the economic impact of the Covid-19 pandemic. The amount provided for in the prior year was greater than the actual costs that eventuated leading to a credit being recognised in the current year. See Note 19 for further details.

7) FINANCIAL INSTRUMENTS & FOREIGN CURRENCY

Accounting policy
Transactions in foreign currencies are translated to the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at balance date.

Differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

	2021 $000	2020 $000
Fair value changes of derivative financial instruments gains/(losses)	15	1,534
Foreign currency realised gains/(losses)	(7)	0
Foreign currency unrealised gains/(losses)	117	(196)
	125	1,338

8) INCOME TAX

Accounting policy
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

8) INCOME TAX *(continued)*

	2021 $000	2020 $000
a) Income tax		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current period	12,201	(13)
Income tax (over)/under provided in prior years	(1,072)	4
	11,129	(9)
Deferred income tax		
Origination and reversal of temporary differences	8,394	1,291
Impact of change to income tax legislation	0	(4,098)
Utilisation of previously unrecognised deferred tax asset	(9,196)	0
	(802)	(2,807)
Total income tax expense/(benefit)	10,327	(2,816)
b) Reconciliation of income tax expense		
Profit/(losses) before income tax for the year	69,519	(28,632)
Taxation at 28%	19,465	(8,017)
Adjusted for the tax effect of:		
Non deductible expenditure	1,130	84
Share of results and impairment of joint venture	0	15
Income tax (over)/under provided in prior years	(1,072)	4
Impact of change to income tax legislation	0	(4,098)
Deferred tax asset (recognised)/not recognnised	(9,196)	9,196
Total tax (benefit)/expense	10,327	(2,816)

c) Recognised deferred tax assets/(liabilities)

	2021	
	Current income tax $000	Deferred income tax $000
Opening balance	0	0
Charged to income statement – tax expense	(11,129)	(8,394)
Charged to revaluation reserve	0	(2,526)
Re-recognition of prior year deferred tax asset	0	9,196
Closing balance	(11,129)	(1,724)
Tax expense in income statement		(10,327)
Amounts recognised in the balance sheet:		
Deferred tax liability		(1,724)

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

8) INCOME TAX *(continued)*

c) Recognised deferred tax assets/(liabilities) ***(continued)***

	2020	
	Current income tax $000	Deferred income tax $000
Opening balance	76	406
Charged to income statement – tax expense	9	(1,291)
Charged to revaluation reserve	0	(3,213)
Charged to income statement - income tax changes	0	4,098
Other receipts	(85)	0
Closing balance	0	0
Tax benefit in income statement		2,816
Amounts recognised in the balance sheet:		
Deferred tax asset		0

	Balance Sheet	
	2021 $000	2020 $000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets/(liabilities)		
Programme rights	4,089	13,273
Employee entitlements	2,641	1,361
Property, plant and equipment and software	(8,855)	(8,071)
Provisions	333	726
Other	68	393
Tax losses	0	1,514
Deferred tax asset not recognised	0	(9,196)
	(1,724)	0

	2021 $000	2020 $000
d) Imputation credit account		
The amount of imputation credits available for use in subsequent reporting periods	39,580	28,451

The subsidiaries of TVNZ form part of the same consolidated tax group.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

9) CASH & CASH EQUIVALENTS & SHORT TERM INVESTMENTS

Accounting policy
Cash and short-term deposits in the statement of financial position comprise cash at the bank and in hand and short-term deposits with an original maturity of three months or less.

Short term investments comprise bank deposits with an original maturity greater than 3 months and less than 12 months.

	2021 $000	2020 $000
Cash at bank and in hand	23,539	32,541
Short term deposits	0	20,000
Cash and cash equivalents	23,539	52,541
Bank overdrafts used for cash management purposes	0	0
Cash and cash equivalents	23,539	52,541
Short term investments	85,000	0

Short term investments are term deposits, held with major banks, with a maturity of greater than three months. These are generally for a six-month term.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding overdrafts and short term investments.

10) TRADE AND OTHER RECEIVABLES

Accounting policy
Trade receivables are recognised and carried at original invoice amount (including GST) and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are classified as subsequently measured at amortised cost on the basis of the assets contractual cash flow characteristics and TVNZ's business model for managing them. Trade receivables are held to collect the contractual cash flows.

Collectability of trade receivables is reviewed on an ongoing basis and debts that are known to be uncollectible are written off immediately. The allowance for impairment is based on the difference between the contractual cash flows and those that TVNZ expects to receive. The allowance for impairment considers historical loss experience adjusted for forward looking adjustments specific to the debtors and the economic environment.

	2021 $000	2020 $000
Trade receivables	43,287	28,948
Less provision for receivables impairment	(3)	(200)
Prepaid programme rights	16,233	12,176
Prepayments – other	3,512	3,897
Other receivables	1,873	197
Tax receivable	0	0
	64,902	45,018

10) TRADE AND OTHER RECEIVABLES *(CONTINUED)*

At 30 June, the ageing analysis of trade receivables is as follows:

	2021 $000	2020 $000
Current	42,369	28,499
Up to 30 days overdue	891	333
Between 30 and 90 days	24	93
Over 90 days overdue	3	23
	43,287	28,948

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value (refer note 21 for details of credit risk).

11) PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Items of property, plant and equipment (except for land and buildings) are stated 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. Items of work in progress are transferred to the appropriate class of property, plant and equipment on completion. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Land and buildings are measured at fair value less accumulated depreciation for buildings and impairments losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the income statement, the increase is recognised in the income statement. A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset's revaluation reserve.

Depreciation is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives. Land and work in progress is not depreciated.

The estimated useful lives for the current and comparable period are:

Buildings	up to 40 years
Plant and equipment	2 to 20 years
Motor vehicles	5 to 10 years

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

11) PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit the asset belongs to. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Where an item of property, plant and equipment is derecognised, the gain or loss (calculated as the difference between the net proceeds and the carrying value of the item) is included in the income statement in the period the item is derecognised.

Judgements and estimates
The land and buildings fair values are based on market valuations prepared by CBRE (2020: CBRE) on 30 June 2021, a registered independent valuer who has valuation experience for similar land and buildings in New Zealand, in accordance with Level 3 of the fair value hierarchy.

When preparing their valuation, CBRE noted that "the ongoing impact of Covid-19 upon the global economy means that values and incomes may change more rapidly and significantly than during standard market conditions. Should economic and property market conditions deteriorate in the future, then the market value of this asset may decline. This inherent risk factor should be considered in any lending or investment decisions."

The valuations completed by the valuer for land and buildings are based on the market capitalisation and discounted cash flow methods. The significant input for the market capitalisation method is the market capitalisation rate. The significant inputs for the discounted cash flow method are the discount rate, terminal yield, and average market growth rate.

The key assumptions used in determining the fair value of land and buildings are:

100 Victoria Street, Auckland	2021	2020
Adopted market capitalisation rate	5.00%	5.25%
Adopted discount rate	6.38%	6.75%
Terminal yield	5.38%	5.63%
Average market growth rate (p.a.)	1.95%	1.80%

Changes in key assumptions would have an impact on the value of land and buildings. Significant decreases (increases) in market capitalisation rate, discount rate, or terminal yield would result in a significantly higher (lower) fair value. Significant increases (decreases) in average market growth rate would result in a higher (lower) fair value.

A net gain from the revaluation of land and buildings of $8,794,000 was recognised in Other Comprehensive Income during the year (2020: $7,162,000).

The estimated useful life of a particular asset is based on historical experience, the expected service potential of the asset and technological advances. Adjustments to useful lives are made when considered necessary.

11) PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land & Buildings $000	Plant & Equipment $000	Motor Vehicles $000	Work in Progress $000	Total $000
Year ended 30 June 2021					
At 1 July 2020 net of accumulated depreciation and impairment	139,120	14,997	1,528	429	156,074
Revaluation	11,320	0	0	0	11,320
Additions	12	0	0	5,018	5,030
Transfers from WIP	249	1,815	14	(2,078)	0
Reclassification from Software WIP	0	0	0	0	0
Disposals	0	(2)	0	0	(2)
Depreciation charge	(6,282)	(6,306)	(441)	0	(13,029)
Closing net book amount	144,419	10,504	1,101	3,369	159,393
At 30 June 2021					
Cost and valuation	144,750	112,084	2,307	3,369	262,510
Accumulated depreciation and impairment	(331)	(101,580)	(1,206)	0	(103,117)
	144,419	10,504	1,101	3,369	159,393
Year ended 30 June 2020					
At 1 July 2019 net of accumulated depreciation and impairment	134,635	19,832	881	1,047	156,395
Revaluation	10,375	0	0	0	10,375
Additions	118	167	0	2,889	3,174
Transfers from WIP	108	2,663	962	(3,733)	0
Reclassification from Software WIP	0	0	0	226	226
Disposals	0	(0)	0	0	(8)
Depreciation charge	(6,116)	(7,657)	(315)	0	(14,088)
Closing net book amount	139,120	14,997	1,528	429	156,074
At 30 June 2020					
Cost	140,477	111,765	2,356	429	255,027
Accumulated depreciation	(1,357)	(96,768)	(828)	0	(98,953)
	139,120	14,997	1,528	429	156,074

12) INTANGIBLE ASSETS

Accounting policy

Programme rights
Television programmes which are available for use, including those acquired overseas, are recorded at cost less amounts charged to the income statement based on management's assessment of the useful life, which is regularly reviewed, and additional write downs are made as considered necessary. Programmes produced internally for the purpose of broadcast are initially recognised as intangible assets at production cost. Production costs only include direct costs associated with the programme.

Programme rights are amortised on the following basis:
(i) Certain programme rights including news and current affairs, sports and locally commissioned programmes are amortised on transmission.

(ii) All other programme rights (movie and non-movie programme rights) are amortised on a straight-line basis such that all rights are amortised within a period not exceeding one year from the broadcast licence period start date.

Software
Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset. These costs are amortised on a straight-line basis over their estimated useful economic lives of two to ten years.

Frequency licences
Frequency licences are recorded at cost less amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the period of the licence, 20 years.

Development costs
Development costs on internal projects are only capitalised by TVNZ when the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development.

Any development costs capitalised are amortised over the period of the estimated economic life of the asset to which they relate.

Where an intangible asset is derecognised, the gain or loss (calculated as the difference between the net proceeds and the carrying value of the item) is included in the income statement in the period the item is derecognised.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

12) INTANGIBLE ASSETS *(continued)*

	Programme Rights $000	Software $000	Licences $000	Total $000
Year ended 30 June 2021				
At 1 July 2020 net of accumulated amortisation and impairment	30,062	8,045	1,245	39,352
Additions (internally generated)	49,544	0	0	49,544
Additions (externally purchased)	114,432	304	0	114,736
Amortisation charge	(157,081)	(4,081)	(118)	(161,280)
Closing net book amount	36,957	4,268	1,127	42,352
At 30 June 2021				
Cost	163,359	37,898*	3,109	204,366
Accumulated amortisation and impairment	(126,402)	(33,630)	(1,982)	(162,014)
	36,957	4,268	1,127	42,352
Current asset	36,957	0	0	36,957
Non-current asset	0	4,268	1,127	5,395
	36,957	4,268	1,127	42,352
Year ended 30 June 2020				
At 1 July 2019 net of accumulated amortisation and impairment	43,204	12,712	1,378	57,294
Additions (internally generated)	44,424	0	0	44,424
Additions (externally purchased)	129,657	1,252	0	130,909
Reclassifications	0	(226)	0	(226)
Amortisation charge	(179,837)	(5,693)	(133)	(185,663)
Impairment	(7,386)	0	0	(7,386)
Closing net book amount	30,062	8,045	1,245	39,352
At 30 June 2020				
Cost	176,846	37,594*	3,109	217,549
Accumulated amortisation and impairment	(146,784)	(29,549)	(1,864)	(178,197)
	30,062	8,045	1,245	39,352
Current asset	30,062	0	0	30,062
Non-current asset	0	8,045	1,245	9,290
	30,062	8,045	1,245	39,352

*Included in software are assets under development of $8,000 (2020: $149,000).

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

13) LEASES

Accounting policy
Right of use assets and lease liabilities arising from a lease are initially measured on a present value basis.

TVNZ recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. In considering the lease term, TVNZ applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

In calculating the present value of lease payments, TVNZ uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

	2021	2020
	$000	$000
Right of use assets		
At 1 July	1,113	1,736
Additions	0	0
Depreciation for the period	(567)	(623)
Disposal (early termination of lease)	(93)	0
Closing net book amount	453	1,113
Lease liabilities		
At 1 July	1,131	1,736
Interest for the period	25	46
Lease payments made	(593)	(651)
Disposal (early termination of lease)	(96)	0
Lease liabilities at 30 June	467	1,131
Lease Liability – current	412	625
Lease Liability – non-current	55	506
	467	1,131
Lease related expenses included in the income statement		
Depreciation	567	623
Interest on leases	25	46
	592	669

TVNZ terminated the lease of its Christchurch office in March 2021 in advance of the expiry of the lease agreement (August 2021). The right of use asset and lease liability related to this lease were treated as such up until the early termination was exercised after which point the lease payments were expensed in profit and loss. TVNZ continues to occupy the office with a new lease agreement being finalised.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

14) GROUP COMPANIES

The Group consists of TVNZ and its subsidiaries. The subsidiaries of TVNZ comprise:

		% holding	
Name	Principal activity	**2021**	**2020**
Freeview Television Limited	Non trading	100%	100%
nzoom Limited	Non trading	100%	100%
TVNZ International Limited	Non trading	100%	100%
TVNZ Investments Limited	Non trading	100%	100%

All companies are incorporated in New Zealand. All have balance dates of 30 June.

15) INTEREST IN JOINT VENTURES

Accounting policy
TVNZ's interest in a joint venture is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, TVNZ's share of the profits or losses of the joint venture is recognised in the income statement and the share of movements in other comprehensive income is recognised in the statement of other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment.

			% holding	
Name	Balance Date	Principal activity	**2021**	**2020**
Freeview Limited	30 June	Free to air digital platform	44.9%	44.9%
KPEX Limited	31 March	Advertising services	0.0%	25.0%

To the knowledge of the Directors, there are no contingent liabilities relating to TVNZ's interest in the joint venture and no contingent liabilities of the venture itself.

In July 2019 the Shareholders of KPEX Limited voted unanimously to place the company into voluntary liquidation, this was completed in July 2020. TVNZ's investment was fully impaired as at 30 June 2020.

16) BANK OVERDRAFT AND BORROWING

Accounting policy
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

TVNZ has a revolving cash advance facility committed to a maximum amount of $20.0 million (2020: $20.0 million); this facility expires in December 2021. This facility is undrawn at 30 June 2021 (2020: undrawn). Refer Note 21 for details on management of interest rate risk related to borrowings.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

17) TRADE AND OTHER PAYABLES

Accounting policy
Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. Trade and other payables are recognised when TVNZ becomes obliged to make future payments resulting from the purchases of goods and services.

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, compensated absences and retirement leave which are expensed in the income statement when services are provided or benefits vest with the employee. The provision for employee benefits is stated at the present value of the estimated future cash outflows to be incurred resulting from employees' services provided up to balance date.

	2021 $000	2020 $000
Current		
Trade payables and accruals	55,359	35,911
Tax payable	11,129	0
	66,488	35,911
Employee entitlements		
Current	4,357	4,833
Non-current	929	994
	5,286	5,827

The carrying value of trade and other payables is assumed to approximate their fair value.

18) DEFERRED INCOME

	2021 $000	2020 $000
Programme funding (NZOA/TMP)	642	467
Other	1,996	1,617
	2,638	2,084

Programme funding received during the year was in the form of cash and has been recorded at fair value. New Zealand On Air (NZOA) and Te Mangai Paho (TMP) provide funding for the production and broadcast of specific programmes.

Other deferred income includes advertising revenue and production funding received in advance.

The funding is recognised in the income statement to match the expenditure associated with this funding. $1,550,000 of the prior year balance was recognised as revenue in profit and loss in the current year.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

19) PROVISIONS

Accounting policy
Provisions are recognised when TVNZ has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect of time value of money is material, 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.

Judgements and estimates
Contracts are considered onerous when the costs of fulfilling the contract outweigh the economic benefits. Contracts are assessed based on revenue forecasts and certain and estimated costs over their remaining life.

When assessing the provision for onerous contracts, the appropriateness and reliability of revenue forecasts are reviewed, taking into consideration changes in market forces, competitive pressures, and sensitivity to key variables.

Movement in provisions

	Reorganisation $000	Onerous Contract $000	Make good $000	Total $000
At 1 July 2020	3,306	15,249	759	19,314
Raised during the year	0	0	0	0
Utilised during the year	(2,672)	0	0	(2,672)
Reversed during the year	(160)	(15,249)	0	(15,409)
At 30 June 2021	474	0	759	1,233
At 30 June 2021				
Current	474	0	759	1,233
Non-current	0	0	0	0
	474	0	759	1,233
At 1 July 2019	0	0	759	759
Raised during the year	3,306	15,249	0	18,555
Utilised during the year	0	0	0	0
At 30 June 2020	3,306	15,249	759	19,314
At 30 June 2020				
Current	3,306	237	0	3,543
Non-current	0	15,012	759	15,771
	3,306	15,249	759	19,314

19) PROVISIONS *(continued)*

Nature and timing of provision

Reorganisation

The reorganisation provision balance relates to the costs of redundancy, outplacement and other costs associated with changes in operational areas of the business to align with TVNZ strategy and technology changes.

Onerous contract

In the prior year, changes in market conditions meant the forecast income for the remainder of a studio programme rights contract was lower than the cost for which TVNZ was obligated under the contract at the time. The net obligation under the contract was provided for. The provision was calculated as the net of estimated revenue and the estimate of committed programme purchase commitments discounted to present values.

This provision was reviewed at 30 June 2021 and assessed that the costs for which TVNZ is obligated under the contract have reduced significantly. Due to improved market conditions, forecast revenue from the contract is now expected to exceed TVNZ's cost obligations, resulting in a full reversal of the prior year provision in the current year. Refer to Note 5.

Make good

At the expiration of property leases TVNZ is required to restore the property to a standard as specified in the lease agreement. The estimated costs to restore the property have been prepared by independent advisors.

20) DERIVATIVES

Accounting policy

TVNZ uses derivative financial instruments, within predetermined policies and limits, to manage its exposure to foreign currency exchange rate risk. TVNZ also enters into programme supply contracts that contain a foreign currency embedded derivative.

Such derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative contract is designed to hedge a specific risk and qualifies for hedge accounting.

Each derivative that is designated as a hedge is classified as a fair value hedge when it hedges the exposure to changes in the fair value of a recognised asset or liability or a firm commitment.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting. At that point any cumulative gain or loss existing in equity remains in equity until the forecast transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss is immediately transferred to the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised immediately in the income statement. The fair value of forward exchange contracts and embedded derivatives are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

In accordance with its treasury policy, TVNZ does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

20) DERIVATIVES *(continued)*

	2021 $000	2020 $000
Current assets		
Forward currency contracts	420	161
Foreign currency embedded derivative contracts	1	0
	421	161
Non-current assets		
Forward currency contracts	54	338
Foreign currency embedded derivative contracts	0	1
	54	339
Current liabilities		
Forward currency contracts	0	0
Foreign currency embedded derivative contracts	0	41
	0	41
Non-current liabilities		
Forward currency contracts	0	0
Foreign currency embedded derivative contracts	1	0
	1	0

a) Instruments used by TVNZ

Derivative financial instruments are used by TVNZ in the normal course of business in order to hedge exposures to fluctuations in foreign exchange.

i) Forward currency contracts

TVNZ 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.

	2021 NZD $000	2020 NZD $000
Buy AUD/Sell NZD – Maturity 0 - 12 months	19,483	20,212
Buy AUD/Sell NZD – Maturity 13 - 24 months	4,262	12,554
Buy AUD/Sell NZD – Maturity 25 - 36 months	0	0

ii) Foreign currency embedded derivative contracts

TVNZ 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.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

20) DERIVATIVES *(continued)*

	2021 NZD $000	2020 NZD $000
Embedded derivatives		
Sell AUD/Buy NZD – Maturity 0-12 months	336	2,327
Sell AUD/Buy NZD – Maturity 13-36 months	0	283

21) FINANCIAL RISK FACTORS

TVNZ's activities expose it to a variety of financial risks including currency risk, credit risk and liquidity risk. TVNZ's overall risk management policy seeks to minimise potential adverse effects on TVNZ's financial performance.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments. TVNZ enters into derivative transactions, principally forward currency contracts, only if they relate to underlying exposures.

TVNZ has the following categories of financial instruments:

Held for trading financial assets (including derivative financial instruments); loans and receivables (including cash and cash equivalents and trade receivables); held for trading financial liabilities (including derivative financial instruments); and financial liabilities measured at amortised cost (including trade and other payables and loans and borrowings).

The carrying amounts of these financial instruments are disclosed on the face of the statement of financial position or in each of the applicable notes.

Currency risk

TVNZ undertakes transactions denominated in foreign currencies, predominately Australian dollars, for programme rights' purchases. As a result of these transactions TVNZ has exposure to foreign exchange risk. TVNZ's foreign exchange policy is to hedge a portion of material foreign currency denominated costs at the time of the commitment on a rolling 36-month basis. TVNZ ensures that its net exposure to foreign denominated cash balances is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

At 30 June TVNZ had the following foreign currency exposures:

	2021 $000	2020 $000
Financial assets		
Cash and cash equivalents	628	207
Trade and other receivables	24	0
	652	207
Financial liabilities		
Trade and other payables	(9,523)	(9,687)
	(9,523)	(9,687)
Foreign currency derivatives		
Forward contracts	23,745	32,766
Embedded derivatives	(336)	(2,610)
	23,409	30,156
Total net exposure	14,538	20,676

21) FINANCIAL RISK FACTORS *(continued)*

At 30 June, had the New Zealand dollar strengthened/(weakened) by 10% against foreign currencies with all other variables held constant, post tax profit and equity would have been (lower)/higher as follows:

	Post tax profit		Equity	
	+10% $000	(10%) $000	+10% $000	(10%) $000
2021	(689)	689	(689)	689
2020	(1,512)	1,512	(1,512)	1,512

Interest rate risk

TVNZ's exposure to interest rate risk relates primarily to cash and cash equivalents.

At 30 June, TVNZ had the following mix of financial assets and liabilities exposed to variable interest rate risk.

	2021 $000	2020 $000
Financial assets		
Cash and cash equivalents	23,539	52,541
Short term investments	85,000	0
Financial liabilities		
Bank overdrafts	0	0
Net exposure	108,539	52,541

TVNZ uses interest rate swaps to hedge any underlying debt obligations. No interest rate swaps are held at 30 June 2021 (2020: nil).

Credit risk

Credit risk is the risk of financial loss to TVNZ if a customer or counterparty to a financial instrument fails to meet its obligations. In the normal course of business TVNZ incurs credit risk with financial institutions and trade receivables. TVNZ has a credit policy which is used to limit counterparty risk through restrictions on the amount of short-term investments that may be placed with any one approved financial institution.

The maximum exposure at balance date equals the carrying value of cash, derivative financial instruments (assets) and trade receivables as shown in the statement of financial position and specified in applicable notes.

The major concentration of credit risk within trade receivables is the extension of credit to advertisers through accredited advertising agencies. These agencies are required to comply with a formal accreditation process, which includes the regular review of their financial position. Each accredited agency is required to meet a certain financial ratio or alternatively provide other forms of financial reassurance to TVNZ. TVNZ has a credit insurance policy for a selected range of agencies, to protect against loss through default. TVNZ does not have any other significant concentrations of credit risk.

TVNZ does not require collateral or security to support financial instruments due to the quality of the counterparties with which it deals

21) FINANCIAL RISK FACTORS *(continued)*

Liquidity risk

Liquidity risk is the risk that TVNZ may be unable to meet its financial obligations as they fall due. It is TVNZ's policy to ensure that adequate funding is available at all times to meet future commitments as they arise. Management monitors rolling forecasts of TVNZ's liquidity reserve on the basis of expected cash flows.

At 30 June 2021 TVNZ has available $20.0m (2020: $20.0m) of undrawn committed facilities. These bank facilities expire in December 2021.

The table below analyses the contractual cash flows for all financial liabilities and derivatives. The forward exchange contracts inflow and outflow are notional values.

	2021			
Group	Within one year $000	One to two years $000	Two to five years $000	Total $000
Bank overdraft	0	0	0	0
Trade and other payables	66,488	0	0	66,488
Employee benefits	4,357	186	743	5,286
Forward exchange contracts – outflow	19,483	4,262	0	23,745
Forward exchange contracts – inflow	(19,903)	(4,316)	0	(24,219)
	70,425	132	743	71,300

	2020			
Group	Within one year $000	One to two years $000	Two to five years $000	Total $000
Bank overdraft	0	0	0	0
Trade and other payables	35,911	0	0	35,911
Employee benefits	4,833	199	795	5,827
Forward exchange contracts – outflow	20,212	12,554	0	32,766
Forward exchange contracts – inflow	(20,737)	(12,892)	0	(33,265)
	40,583	(139)	795	41,239

Fair value

TVNZ uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

21) FINANCIAL RISK FACTORS *(continued)*

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. The fair value of land and buildings is estimated using level 3 criteria, refer to Note 11 for valuation details.

There were no transfers between Level 1 and Level 2 during the year (2020: none).

The fair values of these Level 2 valuations are presented in the following table.

	2021 $000	2020 $000
Financial assets		
Derivative instruments		
Foreign currency contracts	474	499
Foreign currency embedded derivative contracts	1	1
	475	500
Financial liabilities		
Derivative instruments		
Foreign currency contracts	0	0
Foreign currency embedded derivative contracts	1	41
	1	41

Capital management

TVNZ's capital includes share capital, reserves and retained earnings.

The Crown has a general preference for state-owned enterprises and Crown-entity companies (including TVNZ) to manage their balance sheets to a BBB credit rating. TVNZ targets a gearing ratio of less than 40% (refer note 28e).

There have been no material changes to TVNZ's management of capital during the year.

22) SHARE CAPITAL AND RESERVES

For movements in share capital and reserves refer to the Statement of Changes in Equity.

Share capital

As at 30 June 2021 there were 140,000,000 shares issued and fully paid (2020: 140,000,000). All ordinary shares rank equally with one vote per share and carry rights to dividends.

Upon winding up, shareholders rank equally with regard to TVNZ's residual assets.

A Share Subscription Agreement was in place during the year. This arrangement was not utilised and was terminated by TVNZ in March 2021.

Revaluation reserve

	2021 $000	2020 $000
Movement in Revaluation reserve:		
Opening balance	64,205	57,043
Charged to other comprehensive income (net of tax)	8,794	7,162
Closing balance at 30 June	72,999	64,205

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

23) CASH FLOW STATEMENT RECONCILIATION

	Notes	2021 $000	2020 $000
Reconciliation of net profit after tax to net cash flows from operations			
Net profit/(loss)		59,192	(25,816)
Adjustments for:			
Depreciation and amortisation (excluding programme rights)	6	17,795	20,537
Loss/(gain) on disposal of property, plant and equipment		(7)	8
Unrealised foreign currency losses/(gains)	7	(132)	(1,338)
Share of associate net results and provisions	15	0	52
Impairment of programme rights	5, 12	0	7,386
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		(19,883)	8,353
(Increase)/decrease deferred tax		(802)	(2,807)
(Increase)/decrease programme rights		(6,895)	5,756
Increase/(decrease) trade and other payables		18,942	(6,203)
Increase/(decrease) deferred income		554	(1,163)
Increase/(decrease) income tax payable		11,129	76
Increase/(decrease) provisions		(18,081)	18,555
Net cash from operating activities		61,812	23,396

24) RELATED PARTY DISCLOSURES

a) Subsidiaries

The consolidated financial statements include the financial statements of TVNZ and its subsidiaries, listed in note 14.

b) Joint venture

The following table provides the total amount of transactions that were entered into with Joint Ventures.

	2021 $000	2020 $000
Joint venture		
Revenue from Freeview Limited	1,160	1,094
Purchases from Freeview Limited	615	778
Amounts owed by Freeview Limited	102	478

All transactions with the joint venture arise in the normal course of business.
None of the balances are secured.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

24) RELATED PARTY DISCLOSURES *(continued)*

c) Government entities

	2021 $000	2020 $000
Funding from NZOA and TMP	6,228	6,607
Revenue from crown entities	1,530	1,391
Revenue from crown departments (wage subsidy)	(4,909)	4,909
Revenue from crown departments (excluding wage subsidy)	2,588	2,842
Purchases from crown entities	6,037	7,112
Amounts owed by crown entities	639	842
Amounts owed to crown entities	131	142

All sales and purchases with government owned entities arise in the normal course of business. None of the balances are secured. Revenue from crown departments includes revenue from the Ministry of Education for production services and Kordia transmission relief. In the prior year it also included the Covid-19 wage subsidy and Kordia transmission relief.

In March 2021 TVNZ repaid the $4.9m Covid-19 wage subsidy received in the prior year. This is included in revenue from crown departments (wage subsidy).

d) Key management personnel

Key management consists of TVNZ's Directors, Chief Executive Officer and the members of the executive team (current and former during the year). Key management personnel compensation is as follows:

	2021	2020
Key Management		
Salary and other short term benefits (incl termination benefits)	3,774	5,555
Defined contribution superannuation expense	184	272
	3,958	5,827
Directors		
Directors' Fees	319	331

Certain Directors are also non-executive directors of companies with which TVNZ has transactions in the normal course of business. Any transactions undertaken with these entities have been entered into in the normal course of business.

25) COMMITMENTS

	2021 $000	2020 $000
a) Programme rights		
Within one year	93,822	98,943
One to five years	41,205	57,693
Later than five years	621	1,472
	135,648	158,108

Commitments for programme rights are primarily denominated in Australian dollars and are converted at the exchange rate ruling at the date of transaction and revalued at year end. The commitments are determined with reference to the licence period start dates.

	2021	2020
b) Operating leases		
Within one year	2	40
One to five years	0	0
	2	40
c) Property, plant and equipment and software		
Within one year	910	134

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

26) CONTINGENT LIABILITIES

In the normal course of business various legal claims have been made against TVNZ. Given the absence of formal proceedings and uncertainty as to the outcomes of these claims, no estimate of the financial effect can be made and no provision for any potential liability has been made in the financial statements.

27) EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has approved a fully imputed dividend of $15,000,000 to be paid on 30 September 2021.

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

28) COMPARISON OF FORECAST TO ACTUAL RESULTS

	Actual $000	Forecast $000
a) Financial performance		
Revenue	339,957	268,300
Operating expenses	(253,302)	(275,200)
EBITDAF	86,655	(6,900)
Interest income	667	200
Interest expense	(133)	(200)
Depreciation and amortisation	(17,795)	(18,100)
Financial instruments/foreign currency gains/(losses)	125	0
Income tax expense	(10,327)	0
Net profit/(loss) for the year	59,192	(25,000)
b) Movements in equity		
Net profit/(loss) for the year	59,192	(25,000)
Other comprehensive income	8,794	0
Movements in equity for the year	67,986	(25,000)
Equity at start of the year	230,291	233,400
Equity at end of the year	298,277	208,400

Operating revenue of $340.0 million was significantly above forecast due to stronger than expected advertising performance with the forecast anticipating material declines in advertising demand which did not eventuate.

TVNZ reported an EBITDAF of $86.7 million for the financial year ending 30 June 2021, a variance of $93.6 million against forecast. This was driven by the strong revenue performance noted above as well as the release of the remaining $15.2 million onerous contract provision balance from the prior year.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2021

28) COMPARISON OF FORECAST TO ACTUAL RESULTS *(continued)*

c) Financial position		
Current assets	210,819	123,800
Non-current assets	165,295	143,000
Total assets employed	376,114	266,800
Current liabilities	75,128	70,900
Non-current liabilities	2,709	0
Total liabilities	77,837	70,900
Share capital	140,000	140,000
Revaluation reserve	72,999	57,000
Retained earnings	85,278	(1,100)
Total equity	298,277	195,900
Total equity and liabilities	376,114	266,800

Current assets are above forecast due to higher cash on hand. Non-current assets are above forecast and reflect the revaluation of land and buildings. Current liabilities are above forecast, driven by tax payable on the strong trading result. Non-current liabilities are above forecast due to non-current employee entitlements and the recognition of a deferred tax liability.

	Actual $000	**Forecast** $000
d) Cash flows		
Net cash flows from/(to):		
Operating activities	61,812	(23,300)
Investing activities	(90,325)	(5,000)
Financing activities	(568)	0
Net (decrease)/increase in cash held	(29,081)	(28,300)
Add opening cash brought forward	52,541	52,541
Net foreign exchange differences	79	0
Ending cash carried forward	23,539	24,241

Stronger than expected revenue performance has resulted in above forecast cash flows from operating activities. Cash flows to investing activities are above forecast with the difference representing the investment of surplus cash in short term bank deposits.

e) Performance targets		
Profitability		
Return on average equity	22.4%	-11.7%
Gearing		
Net interest bearing debt/net interest bearing debt plus equity	0.0%	0.0%
Financial stability		
Total equity/total assets	79.3%	73.4%
Interest cover		
EBITDAF/interest expense	652 times	-38 times

EBITDAF – Earnings before interest, tax, depreciation and amortisation, financial instruments and joint venture

Forecast amounts

The forecast amounts are those approved by the Board before the beginning of the 2021 financial year. They have been prepared using the same accounting policies as those used in the preparation of these financial statements. The forecast amounts have not been audited.

Report of the Auditor-General

INDEPENDENT AUDITORS REPORT

To the readers of Television New Zealand Limited's Group financial statements for the year ended 30 June 2021

The Auditor-General is the auditor of Television New Zealand Limited and its subsidiaries ("the Group"). The Auditor- General has appointed me, Susan Jones, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Group on his behalf.

OPINION

We have audited the financial statements of the Group on pages 31 to 63, that comprise the consolidated statement of financial position as at 30 June 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements of the Group on pages 31 to 63:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with International Financing Reporting Standards and NZ equivalents to International Financial Reporting Standards.

Our audit was completed on 30 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS

The Board is responsible on behalf of the entity for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand in accordance with International Financing Reporting Standards and NZ equivalents to International Financial Reporting Standards. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

Report of the Auditor-General

In preparing the financial statements, the Board is responsible on behalf of the entity for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004, Television New Zealand Act 2003, Companies Act 1993 and the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

For the forecast information reported in Note 28 of the financial statements, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Report of the Auditor-General

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 4 to 30 and pages 68 to 71, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have provided other assurance and agreed upon procedures services to the Group. Other than the audit and these services, we have no other relationship with or interests in the Group.

Susan E Jones

Susan Jones
Ernst & Young On behalf of the Auditor-General
Auckland, New Zealand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Additional Information

PRINCIPAL ACTIVITY

TVNZ's principal activity during the year was television (programme content supply and delivery, production, acquisition of television programmes, and online services).

SHAREHOLDING

TVNZ is wholly owned by the Crown.

The Shareholding Ministers at balance date were:

Hon Grant Robertson	Minister of Finance
Hon Kris Faafoi	Minister of Broadcasting, Communications & Digital Media

DIRECTORS

Board members, Abby Foote and Julia Raue departed the TVNZ Board in FY21. Future Director, Aliesha Stapes also concluded her term in November 2020.

AUDITOR

The Auditor-General is the auditor of TVNZ in accordance with Section 14 (1) of the Public Audit Act 2001 and has appointed Susan Jones of Ernst & Young to act for and on his behalf as auditor in 2021.

GENERAL DISCLOSURES

The following disclosure of interests were made to the Board:

DIRECTORS' DISCLOSURES

General disclosures of interest given by Television New Zealand Limited pursuant to Section 211 of the Companies Act 1993 as at 30 June 2021:

R A Coupe (Chair)

Barramundi Limited	Director
Briscoe Group Limited	Director
Coupe Consulting Limited	Director
Kingfish Limited	Director
Marlin Global Limited	Director
NZ Takeovers Panel	Chair

P M Carter

Empire Foods (NZ) Limited	Director
Asia New Zealand Foundation	Honorary Trustee/Complaints Committee, Member

K A Horne

CEC Charitable Trust	Trustee/Treasurer
Conductive Education Canterbury	Treasurer
Hamilton City Council	Audit and Risk Chair
New Zealand Lotteries Commission	Commissioner
Quayside Holdings Limited	Director
Quayside Properties Limited	Director
Quayside Securities Limited	Director
ScreenSouth Limited	Chair
University of Canterbury	Council Member

T T Kapea

Bathurst Resources Limited	Chair
Colabanz 2 Kitchener Limited	Director
Duke Exploration Pty Limited	Director
Tuia Group Limited and subsidiaries	Director / Partner

K M Malloy

Dingle Foundation	Trustee
Halberg Foundation	Trustee
Kiwibank Limited	Director
kM54 Limited	Director
NZ Cricket	Director

SPECIFIC DISCLOSURES

No specific disclosures were given pursuant to Section 211 of the Companies Act 1993.

USE OF COMPANY INFORMATION

No notices have been given to the Board under Section 145 of the Companies Act 1993 with regard to the use of Company information received by Directors in their capacity as a Director.

Additional Information

DIRECTORS' REMUNERATION & BENEFITS

The following persons held the office of Director of the Company during the year and received the total amount of remuneration and other benefits shown.

Director	$
Patricia Carter	42,441
Andrew Coupe (Chair)	85,432
Abigail Foote (resigned 1 December 2020)	18,428
Keiran Horne (appointed 1 July 2020)	45,919
Tokorangi Kapea	42,441
Kevin Malloy (Deputy Chair)	48,267
Julia Raue (Resigned 3 May 2021)	36,174
	319,103

In addition, Kevin Malloy was paid a fee of $8,000 for one-off specialist consultancy work as an adviser on an evaluation panel selecting TVNZ's new media partner.

DIRECTORS' INDEMNITY INSURANCE

TVNZ arranged Directors' and Officers' liability insurance cover with QBE Insurance (International) Limited for $30 million. This cover was effected for all Directors and Officers of TVNZ. In addition, TVNZ holds Statutory Liability cover with QBE for the benefit of directors and officers which provided $6 million total cover.

TVNZ'S APPROACH TO EXECUTIVE REMUNERATION

TVNZ's executive remuneration policy is to pay for performance. The Company's policy line is market median for total remuneration package and upper quartile as required for critical roles where there is high market demand, and for employees identified as key talent.

Total remuneration is made up of fixed remuneration and short-term performance incentives (STI). Short term incentives are deemed 'at risk' as the outcome is determined by performance against a combination of predetermined financial and non financial objectives.

The TVNZ Board receives executive remuneration market reports from two independent specialist remuneration advisers as input to determining executive remuneration.

FIXED TERM REMUNERATION

Fixed remuneration consists of base salary and benefits (superannuation).

TVNZ executives are eligible to select between or contribute to both Kiwisaver and the Superlife Millennium super scheme. TVNZ will match employee contributions up to a maximum of 5% of gross taxable earnings.

SHORT-TERM PERFORMANCE INCENTIVES

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance in that financial year.

The purpose of an 'at risk' element of total remuneration is to drive a strong performance culture and to differentiate between levels of achievement. The TVNZ framework links annual remuneration outcomes to individual and company performance.

The scheme has been designed to ensure an appropriate balance between fixed and "at risk" performance based pay. The target value of an STI payment is set as a percentage of the executive's base salary. For FY2021 the target for the Chief Executive was 62.5% and for other executives it was 40%. These percentage targets take into account that there is no long-term at risk performance incentive (LTI) component to remuneration at TVNZ.

The STI targets specify a performance 'floor' and 'ceiling'. Below the 'floor' results in a performance rating of 0%. The 'floor' results in a minimum performance rating of 20%. Achieving 'target' results in a performance rating of 100%. Achieving the 'ceiling' or above results in a maximum performance rating of 150%. A linear scale is used to assess performance between floor and ceiling targets.

Additional Information

SHORT-TERM PERFORMANCE INCENTIVES *(continued)*

The targets, hurdles and weighting for the STI scheme are set annually by the Board. The Board may agree a change to the targets, hurdles and weighting during a financial year and from year to year at its sole discretion. Such changes could result from shifts in market environment, changes to strategy and business direction, and business financial circumstances.

The incentive scheme for FY21 was split into two parts:

1. Financial Performance Assessment – 45%

The financial performance measure of EBITDAF is assessed at the end of the year against targets and a multiplier between 0-150% ascribed to the outcome.

2. Non-financial Assessment – 55%

The non-financial performance framework is made up of three business outcomes and leadership performance weighted as follows:

a) Business outcomes – 45%
a) Leadership – 10%

CHIEF EXECUTIVE REMUNERATION

The Chief Executive's remuneration paid during the year is detailed below:

	2021 $	2020 $
Base Salary	840,857	840,857
Holiday Pay	14,198	49,509
Fixed Remuneration	855,055	890,366
Short Term Performance Incentive	0	633,534
Superannuation	42,573	76,030
Total	897,628	1,599,930

Note:

- The short-term performance incentive paid to the CEO in September of each year relates to his performance against the criteria set for the previous financial year.
- The CEO agreed with the Board that he would not be paid an STI for FY20 in response to the economic impact of Covid-19 on the business. This is reflected in actual payments received in FY21.
- Holiday pay is paid as per New Zealand legislation.
- The Chief Executive is a member of the Superlife Millennium super scheme. As a member of this scheme, the Chief Executive is eligible to contribute and receive a matching company contribution of 5% of gross taxable earnings.

FIVE-YEAR SUMMARY – CHIEF EXECUTIVE'S REMUNERATION

	Base salary $	Total remuneration paid $*	Percentage STI against maximum %^
FY21	840,857	897,628	0%
FY20	840,857	1,599,930	81%
FY19	840,857	1,548,729	81%
FY18	840,857	1,428,908	75%
FY17	840,857	1,356,573	69%

*Total remuneration paid including salary, benefits and STI payments
^STI payments are related to performance for the previous financial year. The FY17-19 targets were 57.5% of base salary, the FY20-21 target was 62.5%.

BREAKDOWN OF CHIEF EXECUTIVE'S PAY FOR PERFORMANCE FOR FY21

(To be paid in September 2021 for FY21 performance)

Short Term Incentive	Performance Measures	Percentage achieved %
Set at 62.5% of base salary. Based on a combination of key financial and non-financial performance measures.	45% based on TVNZ earnings performance	
	EBITDAF	150%
	45% based on business targets	
	TV Reach	125%
	OnDemand Reach	150%
	TV Revenue Share	150%
	10% based on leadership performance	125%

Additional Information

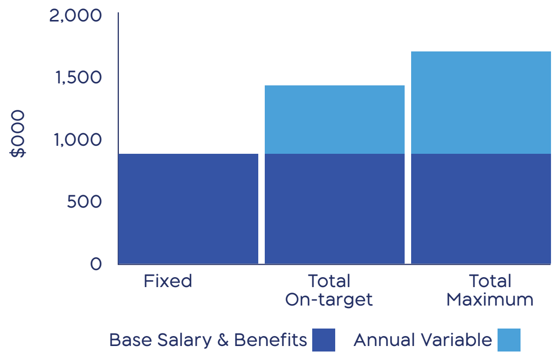
FY22 CHIEF EXECUTIVE'S REMUNERATION STRUCTURE

The Board has elected in the interests of transparency, to disclose in advance the structure and package that will apply for FY22.

FY2022	
Base Salary $	840,857
Benefits $	42,043
Subtotal $	882,900
STI On Target $	525,536
Benefits On Target $	26,277
Total On Target $	1,434,713

Benefits include superannuation only

CHIEF EXECUTIVE'S REMUNERATION PERFORMANCE PAY FOR FY2022



Fixed = Base salary and superannuation
Annual variable = STI and superannuation on target

EMPLOYEE REMUNERATION

Employee remuneration includes salary, at risk remuneration, payments for projects, programme production, presentation, motor vehicles, employer's contributions to superannuation and health schemes, redundancy, other compensation on termination of employment and other sundry benefits received in their capacity as employees.

Employees include executives and staff involved in programme production and presentation where applicable.

Employee remuneration in overseas locations has been converted to New Zealand dollars at current exchange rates.

TVNZ is committed to paying its permanent employees the living wage as a minimum and has done so since 2014.

	Current employees	Former employees
$100,000 to $110,000	58	4
$110,001 to $120,000	41	2
$120,001 to $130,000	31	3
$130,001 to $140,000	27	2
$140,001 to $150,000	20	2
$150,001 to $160,000	15	0
$160,001 to $170,000	9	2
$170,001 to $180,000	14	1
$180,001 to $190,000	4	0
$190,001 to $200,000	5	0
$200,001 to $210,000	6	1
$210,001 to $220,000	5	0
$220,001 to $230,000	5	1
$230,001 to $240,000	1	1
$240,001 to $250,000	3	0
$250,001 to $260,000	2	0
$260,001 to $270,000	3	0
$270,001 to $280,000	2	1
$290,001 to $300,000	2	0
$300,001 to $310,000	1	0
$310,001 to $320,000	2	0
$320,001 to $330,000	1	0
$340,001 to $350,000	1	0
$380,001 to $390,000	0	1
$400,001 to $410,000	1	0
$410,001 to $420,000	2	0
$420,001 to $430,000	0	1
$430,001 to $440,000	2	0
$440,001 to $450,000	2	0
$490,001 to $500,000	1	0
$890,001 to $900,000	1	0
	267	22

EMPLOYEE COMPENSATION ON TERMINATION OF EMPLOYMENT

During the year $2,668,857 compensation was paid in total to 52 employees whose employment was terminated. Compensation includes redundancy entitlements, payment in lieu of notice, and any payments in settlement of disputes

Corporate Governance

The Board

ROLE OF THE BOARD

In addition to its duties under the Television New Zealand Act 2003 and the Companies Act 1993, the Board, under Section 92 of the Crown Entities Act 2004, must ensure that the Company acts in a manner consistent with its objectives, functions, Statement of Intent and Statement of Performance Expectations.

The Board negotiates the Statement of Intent and Statement of Performance Expectations with its shareholding Ministers. It includes the Company's objectives, nature and scope of the activities to be undertaken and the performance targets and other measures by which its performance may be judged for the current year and following two years. The Board monitors management's performance relative to these objectives and targets.

The full Board met formally 13 times during the financial year, as it monitored the Company's response to Covid-19.

The Board has delegated day-to-day management to the Chief Executive Officer. Policies are in place which define the individual and collective responsibilities of the Board and management. In particular, the Board has approved specific delegated authorities to enable management to incur expenditure and create binding obligations.

APPOINTMENT OF DIRECTORS

Shareholding Ministers, being the Minister of Broadcasting, Communications and Digital Media, and the Minister of Finance, make all appointments to the Board, including that of the Chair. Appointments are for fixed terms not exceeding three years, which may be renewed.

The Board comprises individuals with a wide range of experiences and skills to ensure that all governance responsibilities are completed in a manner consistent with best possible management practice. Profiles of each of the Directors who were serving at year end are set out on page 74 of this report.

BOARD COMMITTEES

The Board has two standing committees:

Audit and Risk Committee
The Audit and Risk Committee met four times during the year.

The 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, and evaluating risk management practices.

At year end, membership of the Committee was comprised of Keiran Horne (Chair), Trish Carter and Andy Coupe.

Remuneration and HR Committee
The Remuneration and HR Committee met four times during the year.

Its work is consistent with TVNZ's obligations to be a good employer under the Crown Entities Act 2004. In addition to its role of adding value to TVNZ People and Talent plans and practices at a strategic level, the Committee approves any movement to the remuneration of the Company's senior executives and presenters. The Committee also approves the level of any 'at risk' payments to be awarded to executives, based on the Company's business performance.

TVNZ operates a remuneration system designed to ensure that employees are rewarded for individual performance, for the responsibilities and skills required in their jobs, benchmarked against both external and internal relativities.

At year end, membership of the Committee was comprised of Kevin Malloy (Chair), Toko Kapea and Andy Coupe.

Key Governance Statements

OCCUPATIONAL WELL-BEING AND SAFETY

TVNZ's health and safety policy is to promote excellence in health, safety and wellness by implementing best practice health and safety systems while seeking continuous improvement.

BUSINESS CONTINUITY, INSURANCE AND RISK MANAGEMENT

TVNZ has developed business continuity plans for use in any emergency situation facing the Company.

TVNZ maintains a number of insurance policies designed to support the philosophy that, in the event of a disaster, the Company would not be materially affected and could continue to operate in line with its statutory obligations.

The Company has in place policies and procedures to identify and manage risks. Exposure to foreign exchange and interest rate risk is managed in accordance with a comprehensive Board-approved Treasury policy, which sets limits of management authority. Derivative instruments are used by the Company to manage specific business risk; they are not used for speculative purposes.

EDITORIAL INDEPENDENCE

TVNZ has in place an editorial protocol that details the duties and responsibilities of TVNZ, its Board and its executives on editorial matters. The principle of editorial independence recognises the importance of isolating control of editorial content from commercial or political influence. This principle is reflected in the Television New Zealand Act 2003.

EXTERNAL AUDITOR

The Auditor-General is the Company's auditor pursuant to Section 14 of the Public Audit Act 2001. The Auditor-General has appointed Susan Jones of Ernst & Young to act as external auditor on his behalf in the current financial year.

LEGISLATIVE COMPLIANCE

The Company has in place a legislative compliance programme to ensure the Company's compliance with its various statutory obligations. A bi-annual review is undertaken, the results of which are reported to the Audit and Risk Committee.

Media Standards

The Broadcasting Act 1989 places an obligation on the Company for the broadcasting of programmes to comply with the requirements of that Act and with codes of practice approved by the Broadcasting Standards Authority. TVNZ as a broadcaster is required to receive and consider formal complaints and to have procedures for investigating them.

In addition, the Company's news and entertainment online services are subject to the jurisdiction of the New Zealand Media Council.

Director Profiles

ANDY COUPE

CHAIR – HAMILTON

Andy is a professional director who has had more than 30 years' experience in investment banking. He is a director of Briscoe Group Limited, Kingfish Limited, Barramundi Limited, and Marlin Global Limited. He is also Chair of the New Zealand Takeovers Panel. Andy is a chartered member of the Institute of Directors.

KEVIN MALLOY

DEPUTY CHAIR – AUCKLAND

Kevin has extensive experience in advertising and marketing in New Zealand, New York, Hong Kong and London. He was with the global media agency Starcom for 29 years, including the role of Global Client Director on both Coca-Cola and P&G. Kevin also held the role of Chair for Australia/New Zealand for Vivaki (the trading arm for Publicis Groupe, who own Starcom and Zenith Optimedia). Kevin is currently on the Board of Kiwibank, NZ Cricket, the Halberg Trust and the Graeme Dingle Foundation. He is a Beachheads Advisor for NZTE and has a consulting role working with a number of organisations.

TRISH CARTER

AUCKLAND

Trish Carter has held senior news and current affairs management positions with public and commercial broadcasters. She has worked internationally and in New Zealand radio and television broadcasting for over 30 years. She has expertise in configuring and managing complex media projects and has specialised knowledge in competitive news formats and team management. She is an honorary Trustee of the Asia New Zealand Foundation and a former UNESCO national commissioner.

KEIRAN HORNE

CHRISTCHURCH

Keiran is a full-time professional director with experience in both the public and private sectors. With over 20 years of experience in accountancy, business rescue and insolvency, she has led countless companies through challenging times. Keiran has particular experience in strategic planning, change management and commercial transactions. She also specialises in strategic risk management and assurance, having chaired numerous Audit and Risk Committees. Keiran is on the board of New Zealand Lotteries Commission, University of Canterbury, Quayside Holdings Ltd and provides independent audit and risk governance expertise to various Councils. Keiran is a chartered accountant and chartered member of the Institute of Directors.

TOKO KAPEA

WELLINGTON

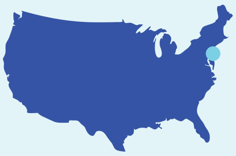
Toko is a Wellington-based commercial lawyer and director. He's currently director of Tuia Group Ltd and a partner in Tuia Legal. Tuia Group provides business consulting, commercial law, and economic development services. He's previously worked for Chapman Tripp, BNZ, Meridian Energy, St George Bank NZ, ANZ and Powershop. Toko has developed his governance skills through appointments to a number of Māori Trusts and incorporations including Parininihi ki Waitotara Incorporation and Ngati Apa Developments Ltd. He is also on the board of Duke Exploration Limited, an Australian ASX listed copper and gold explorer.

NATIONAL NEWS PRESENCE

AUSTRALIA

UNITED KINGDOM

UNITED STATES OF AMERICA



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