Television New Zealand Limited
and subsidiaries

Statement of Performance Expectations

For Year Ending 30 June 2016

Table of Contents

Introduction

This Statement of Performance Expectations provides a range of performance measures, for those services that are directly funded by the government for Television New Zealand Limited and its subsidiaries (collectively known as TVNZ) for the year ending 30 June 2016.

Due to the unique nature of TVNZ and the fact that the overwhelming majority (in excess of 99 per cent) of TVNZ's revenue comes from advertising and other non-Crown commercial sources, TVNZ has been provided an exemption from the requirement to report on non-Crown funded outputs in this Statement of Performance Expectations.

Who we are and what we do

TVNZ is a Crown Owned Entity and has a Board of Directors appointed by the Minister of Broadcasting and the Minister of Finance.

The Chief Executive has day to day management of the company.

The Television New Zealand Act 2003 provides the company editorial independence of which freedom from political influence is a fundamental principle. TVNZ's operations are governed by:

- Television New Zealand Act 2003.
- Broadcasting Act 1989.
- Companies Act 1993.
- Crown Entities Act 2004.
- Owner's Expectations Manual as published by the Treasury.
- Business Planning 'Outlook Letter' sent to TVNZ in advance of the 1 July start to the financial year.
- Memorandum of Understanding between TVNZ and the Minister of Broadcasting (for the Pacific Service).
- Compliance with the current Free-to-Air Code of Broadcasting Practice regulated by the Broadcasting Standards Authority.
- Compliance with advertising codes promulgated through the Advertising Standards Authority.

The policy objectives set out by shareholding Ministers is for TVNZ to continue its transition into a video content service provider successful national television and digital media company providing a range of content and services on a choice of delivery platforms while maintaining a strong commercial performance.[1]

[1] Section 12(1), Television New Zealand Act 2003

In carrying out its functions, TVNZ must provide high quality content that:

(a) is relevant to, and enjoyed and valued by, New Zealand audiences; and

(b) encompasses both New Zealand and international content and reflects Māori perspectives.[2]

The scope of functions and intended operations of TVNZ are:

- The commissioning, production, purchasing and archiving of video content, either independently or with others.
- The provision of television production facilities (field, studio and post production).
- The programming and scheduling of television channels and related marketing services to commercial and non-commercial partners.
- The provision of advertising and sponsorship services and related marketing activities.
- The broadcasting and narrowcasting of free to air and pay television channels, programmes and signals on all available platforms and devices.
- The provision of online services, development and delivery of content for the television, internet and communications industry.
- The provision of audio-visual footage, programming, video and DVD rights, programme listing information, channel packaging and all other content related services and materials.
- To undertake other media related activities, as determined by the Board.

Statement of Forecast Performance

TVNZ is granted an exemption under Section 149F of the Crown Entities Act 2004 from including in its Statement of Performance outputs which are not directly funded (in whole or part) by the Crown.

TVNZ is funded directly to provide one service, namely the Pacific Service, which would otherwise not be provided for on a commercial basis. The funding provided is for measurable outputs of service: that is, hours transmitted and territories reached, rather than on uptake and use of services.

[2] Section 12(2), Television New Zealand Act 2003

New Zealand has always enjoyed strong ties with our Pacific neighbours and taken a leadership role in the region. As part of the Government's wider Pacific strategy TVNZ receives funding to transmit programmes by satellite to Pacific nations. The expected funding for FY2016 is $607,000 (excluding GST).

All expected funding will be fully utilised to provide the contracted service.

The funding received is to provide a minimum of 11 hours transmission of TVNZ programming to Pacific nations weekly in FY2016, with programming to include:

- daily transmission of *ONE News at 6*;
- weekday transmission of *Te Karere*;
- weekly transmission of *Tagata Pasifika*; and
- transmission of other programmes relevant to Pacific nations within available funding.

TVNZ will report on the following:

- list of Pacific nations receiving the broadcasts;
- list of programmes transmitted;
- total hours transmitted;
- actual costs of distribution; and
- costs of repair or replacement of Pacific nations' satellite transmission reception equipment damaged by natural elements (if any).

Reporting

TVNZ will list the sole Crown-funded output in the Statement of Performance in its Annual Report for the year ending 30 June 2016.

Capability

As part of TVNZ's purpose "to make a difference by sharing the stories that matter to New Zealanders every day" the company continues to strive to ensure it has the right people to deliver on this. This means having an adaptable workforce that isn't afraid of the constantly changing nature of modern broadcasting and digital media companies.

As at 31 March 2015 TVNZ employed 783 FTEs in its Auckland, Hamilton, Wellington, Christchurch and Dunedin offices, and its Sydney and London bureaux.

In FY2016 TVNZ will continue to:

- Provide a healthy and safe work environment, and develop its policies in this area in line with new legislation and expectations.

- Manage change with transparency, respect and support for individuals in order to meet the changing needs of the company.

- Ensure its recruitment process enables the impartial selection of suitable candidates.

- Remunerate fairly and consistently in relation to performance, position in salary bands and to the external market.

- In collective bargaining with the EPMU and PSA, achieve satisfactory outcomes through good faith negotiation.

- Provide appropriate learning and development opportunities.

- Demonstrate equal opportunity practices which firmly discourage discrimination.

- Operate a fair, transparent and regular performance management appraisal system that allows employees full participation in their own performance reviews.

TVNZ takes seriously its commitment to treating people fairly and with respect, ensuring equality of access to opportunities and understanding, appreciating and realising the benefits of individual differences.

Performance Measures

For FY2016 the relevant financial measures are:

Measurement	FY2014 Actual	FY2015 Forecast	FY2016 Target
Profitability			
Return on average equity (%)	10.8%	11.6%	7.7%
EBITDA/Core television revenue (TV One and TV 2 revenue excluding NZOA funding)	14.6%	15.9%	14.3%
Gearing			
Net interest-bearing debt/net interesting-bearing debt plus equity	0.0%	0.0%	less than 40%
Financial Stability			
Total equity/total assets	76.8%	77.3%	greater than 40%
Interest Cover			
EBITDA/Interest expense	N/A	N/A	greater than 4 times

Note that the FY2016 targets in respect of Gearing, Financial Stability and Interest Cover are those targets set out in TVNZ's banking covenants.

Reporting against these financial performance measures will be included in the annual report.

Other performance measures

TVNZ has a series of performance measures which demonstrate efficiency and productivity, and will be reported in the Annual Report.

Return on investment programme

We will calculate the ratio of total programme cost as a percentage of total programme related revenue. This ratio will provide the return on programme investment being achieved.

We will report the current year actual performance versus budget, and prior year results. This will provide a multi-year performance trend.

Business efficiency – non programme costs

We will calculate total non-programme costs as a percentage of total revenue. We will report current year actual performance versus budget, and prior year results. This will provide a multi-year performance trend.

Revenue productivity - employees

We will calculate average revenue (based on total gross revenue) per full time equivalent employee. We will report current year actual versus budget, and prior year results. This will provide a multi-year performance trend.

Dividends and capital structure

The company's shareholders receive funds surplus to TVNZ's investment and operating requirements in a payment on or around 30 September. Historically, this has been 70% of net profit after tax.

However in September 2013 TVNZ agreed to sell a package of land and buildings in Auckland to SkyCity Auckland Limited, and undertake an extensive refurbishment of its primary building at 100 Victoria Street West. This is scheduled for completion in the second half of FY2016.

Due to the significant capital cost of this exercise the shareholding Ministers advised that they would forgo future dividends to a maximum amount equivalent to the cash requirements for the refurbishment and relocation costs, less the amount received for the property at 85 - 91 Hobson Street, Auckland.

FY2016 will see the resumption of regular dividend payments (following a partial dividend payment in FY2015).

Normally the company's dividend is reviewed annually by TVNZ's Directors who will take into account:

- Solvency requirements of the Companies Act 1993.
- Working capital requirements and the medium term capital investment programme.

- Funds required for investment in new business activities.
- A sustainable financial structure having regard to the risks from predicted short and medium term changes to the forecast operating environment including economic conditions, competition, changing consumer behaviour and technology developments.

Reporting

TVNZ will report on key performance indicators, including:

Value of Content to Audiences

TVNZ will continue to provide reporting by way of the value of content to audiences in the annual report. In this TVNZ will report on relevant information in relation to content that is enjoyed and valued by audiences across New Zealand, including average audience and ratings of our top performing programmes.

Reflecting Maori Perspectives

TVNZ will provide relevant reporting on our Maori programming to illustrate it is meeting its statutory mandate to reflect Maori perspectives.

As a digital media company, TVNZ will illustrate the availability of Maori programmes on platforms other than traditional linear broadcasting platforms.

Other Reporting

TVNZ's statutory reporting and consultation requirements are set out in APPENDICES III and IV.

TVNZ operates a "no surprises" policy with Shareholding Ministers and will communicate in advance any issues that are controversial or likely to be of wider public interest.

It is important to note, however, that this approach takes into account the 2011 amendments to the Television New Zealand Act 2003 regarding editorial independence provisions, which guarantee News and Current Affairs, programming and complaints are dealt with free from political direction.

APPENDIX I – Board of Directors – Governance and Committees

The Board operates under three Acts of Parliament – the Companies Act 1993, the Crown Entities Act 2004 and the Television New Zealand Act 2003.

Under Section 92 of the Crown Entities Act 2004 the Board is obliged to ensure TVNZ acts in a manner consistent with this Statement of Performance Expectations.

These obligations and how it carries out its governance role and conducts its meetings are contained in the Board's Governance and Policy Manual.

There are two standing committees, the Audit and Risk Committee and the Remuneration and Human Resources Committee.

The Audit and Risk Committee makes recommendations and gives counsel and information to the Board concerning its accounting and reporting responsibilities and evaluates risk management practices. It also oversees Internal Audit.

The Remuneration and Human Resources Committee monitors the Company's people planning and the remuneration of the company's senior executives and presenters. The Chief Executive Officer's remuneration and the structure and operation of the Short Term Incentive Scheme are also recommended by the Committee to the Board for approval.

APPENDIX II – Forecast Financial Statements

The following forecast financial information is a forecast based on assumptions which TVNZ reasonably expects to occur. The significant assumptions underlying the forecast financial information including market shares and sales revenue are commercially sensitive. They are contained in the business plan provided to Shareholding Ministers. For this reason, strict compliance with PBE FRS 42 (Prospective Financial Information) cannot be achieved. The assumptions used are considered to be reasonable, supportable and consistent with the business plan and applied consistently. The actual results achieved for the period covered are likely to vary from the information presented, and the variations may be material. The purpose of the forecast financial information is to enable compliance with the Crown Entities Act 2004 (Section 149G). The information as presented may not be appropriate for purposes other than that described.

a) Statement of Comprehensive Income for the twelve months ending 30 June 2016

	($m)
Operating Revenue	327.4
Operating Expenses	(289.4)
Depreciation	(16.6)
Amortisation	(0.1)
Total Operating Expenses	(306.1)
Operating Surplus before interest expense and income tax	21.3
Interest expense	0.6
Share of Associate	0.0
Income Tax expense	(6.1)
Total Comprehensive Income for the year	15.8

b) Statement of Forecast Changes in Equity for the twelve months ending 30 June 2016

	($m)
Net surplus for the year	15.8
Distributions to the shareholder	(3.6)
Movements in equity for the year	12.2
Equity at start of the year	197.9
Equity at end of the year	210.1

c) Statement of Forecast Financial Position as at 30 June 2016

	($m)
Share Capital	(140.0)
Retained Earnings	(70.1)
Total equity	(210.1)
Current liabilities	(46.7)
Non current liabilities	0.0
Total funds employed	(256.8)
Current assets	72.4
Non current assets	184.4
Total assets employed	256.8

d) Statement of Forecast Cash Flows for the twelve months ending 30 June 2016

Net cash flows from/(to):	($m)
Operating activities (excluding interest, tax and dividends)	24.2
Net Interest paid	0.6
Income Tax paid	(6.5)
Investing activities	(37.3)
Financing activities	(3.6)
Net increase in Cash held	(22.6)
Cash at start of the year	28.4
Cash at end of the year	5.8

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the prospective financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

a) Basis of preparation

The prospective 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 and the Companies Act 1993. The prospective financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value.

The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

b) Basis of consolidation

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

Subsidiaries are those entities controlled, directly or indirectly, by the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred from the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Investments in subsidiaries are accounted for at cost, less allowance for impairment, in the separate financial statements of the Company.

c) Foreign currency

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.

Foreign currency differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the Statement of Comprehensive Income.

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.

d) Revenue recognition

Revenue is stated exclusive of goods and services tax (GST) and consists of sales of goods and services to third parties. Revenue from the sale of goods and services is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Key classes of revenue are recognised on the following basis:

i) Rendering of services

Revenue from advertising and sponsorship is recognised as income at the time of transmission.

ii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised as income in the Statement of Comprehensive Income on a systematic basis over the useful life of the asset.

iii) Other revenue

Other revenue is recognised when the product has been delivered or in the accounting period in which the actual service has been provided.

iv) Interest

Interest revenue is recognised as the interest accrues using the effective interest rate method.

e) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income 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 assets are recognised where realisation of the asset is probable.

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 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.

f) Leases

Operating lease payments, where the lessors substantially retain all the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

g) Dividends

Provision is made for the amount of dividend declared on or before balance date but not distributed at balance date.

h) Property, plant and equipment

Items of property, plant and equipment 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. 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.

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

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

Buildings	40 years
Plant and equipment	3 to 10 years
Motor vehicles	5 to 10 years

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 Statement of Comprehensive Income in the period the item is derecognised.

i) Intangible assets

Programme Rights

Television programmes which are available for use, including those acquired overseas, are recorded at cost less amounts charged to the Statement of Comprehensive Income 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 & 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.

Frequency licences

Frequency licences are recorded at cost less amortisation and impairment losses. Amortisation is calculated on a diminishing value methodology using the sum of digits over the remaining life of the licence.

Other intangible assets

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.

Development costs

Development costs on internal projects are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its 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.

j) Cash and cash equivalents

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.

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

k) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount and subsequently measured at amortised cost, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis and debts that are known to be uncollectible are written off immediately. An allowance for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment.

l) Inventories

Inventories comprise technical stores and videotape. All inventories are recorded at the lower of cost or net realisable value.

m) Derivative financial instruments

The Group uses derivative financial instruments, within predetermined policies and limits, to manage its exposure to foreign currency exchange rate risk and interest rate risk. The Group 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 either: i) a fair value hedge when they hedge the exposure to changes in the fair value of a recognised asset or liability or a firm commitment; or ii) a cash flow hedge where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

i) Fair value hedge

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.

ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are recycled in the income statement in the period when the hedged item affects profit or loss. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously being recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

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

n) Borrowings and borrowing costs

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.

o) Trade and other payables

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 the Group becomes obliged to make future payments resulting from the purchases of goods and services.

p) Investment in associate

The Group's investment in its associates is accounted for using the equity method of accounting in the prospective consolidated financial statements. Associates are entities over which the Group has significant influence, but not control, over the financial and operating policies. The prospective consolidated financial statements include the Group's share of the income and expenses of the associate from the date that significant influence commenced until the date that significant influence ceases. The Group's share of its associate post acquisition profits or losses is recognised in the income statement and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

q) Interest in a jointly controlled entity

The interest in a joint venture entity is accounted for in the prospective consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity. Under the equity method, the Group's share of the results of the joint venture is recognised in the income statement, and the share of movements in reserves is recognised in the statement of financial position.

r) Employee benefits

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.

s) Provisions

Provisions are recognised when the Group has 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.

APPENDIX III – Reporting requirements

Within two months after the end of the first six months of each financial year, TVNZ must prepare financial statements on the business for that half-year in accordance with the Television New Zealand Act 2003.

This is in addition to the annual financial statements required to be prepared under Section 154 of the Crown entities Act 2004.

TVNZ will also supply the Shareholding Ministers quarterly reports with provisional financial results and the information required under the Memorandum of Understanding with the Minister of Broadcasting.

Before the start of each financial year a Business Plan will be prepared for discussion with the shareholding Ministers.

APPENDIX IV – Consultation, subsidiary and associated companies

TVNZ will in relation to any single or connected series of transactions, consult with Shareholding Ministers of TVNZ on substantial matters not contemplated in the business plan including:

- Any substantial capital investment where the value of the investment exceeds 5% of the book value of equity.

- Any substantial expansion of activities outside the scope of its core business into new business areas.

- The subscription for, or sale of, shares in any company or equity interests in any other organisation which are material, involve a significant overseas equity investment, or are outside the scope of its core business.

- The sale or other disposal of the whole or any substantial part of the business or undertaking of TVNZ.

- Where TVNZ holds 20 percent or more of the shares in any company or other body corporate (not being a subsidiary of TVNZ), the sale or disposal of any shares in that company.

TVNZ will ensure at all times that:

- Control of the affairs of every subsidiary of TVNZ is exercised by a majority of Directors appointed by TVNZ.

- A majority of the Directors of every subsidiary of TVNZ are persons who are also Directors or employees of TVNZ, or who have been approved by the Board of TVNZ for appointment as Directors of the subsidiary.

In accordance with Section 100 of the Crown Entities Act 2004, TVNZ will ensure that it does not:

1. Acquire shares in a company that gives TVNZ substantial influence in or over that company or
2. Acquire an interest in any partnership, joint venture, or other association of persons, or an interest in a company other than its shares or
3. Settle, or be or appoint a trustee of, a trust, -

other than –

4. After written notice to its shareholding Ministers and
5. In accordance with the consultation principles stated in the first paragraph above and
6. For the purpose of TVNZ carrying out its functions, and acting consistently with its objectives under any Act and its constitution.