ANNUAL REPORT FINANCIAL YEAR 2017

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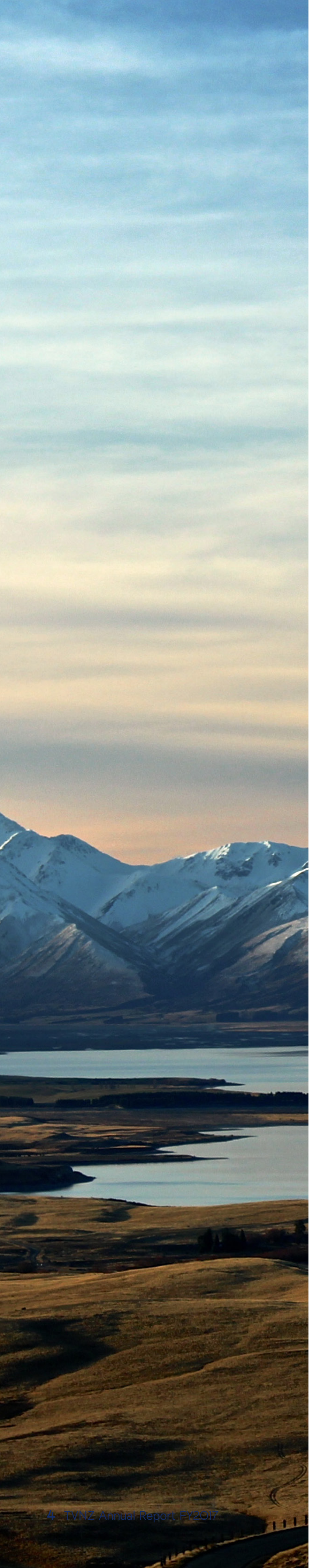


Highlights

2m

viewers every day

135m

streams across all devices

85%

of New Zealanders

3,668,013 monthly cumulative audience

Source: Nielsen TAM Consolidated; Omniture

NEW ZEALAND'S

Top 20 Shows

All screened with TVNZ

1 **1 NEWS**
Average Audience: 658,400
TVNZ 1

2 **HYUNDAI COUNTRY CALENDAR**
Average Audience: 575,100
TVNZ 1

3 **FAIR GO**
Average Audience: 548,600
TVNZ 1

4 **MRS. BROWN'S BOYS**
Average Audience: 514,900
TVNZ 1

5 **BORDER SECURITY**
Average Audience: 511,600
TVNZ 1

6 **COAST NEW ZEALAND**
Average Audience: 511,200
TVNZ 1

7 **SECRET LIFE OF PETS**
Average Audience: 505,900
TVNZ 1

8 **OUR BIG BLUE BACKYARD**
Average Audience: 472,000
TVNZ 1

BROADCHURCH

9 **BROADCHURCH**
Average Audience: 468,200
TVNZ 1

10 **RANDOM BREATH TESTING**
Average Audience: 467,700
TVNZ 2

11 **SCU: SERIOUS CRASH UNIT**
Average Audience: 467,500
TVNZ 1

12 **SUNDAY**
Average Audience: 463,600
TVNZ 1

13 **MASTERMIND NEW ZEALAND**
Average Audience: 458,300
TVNZ 1

14 **GLORIAVALE: A WOMAN'S PLACE**
Average Audience: 457,300
TVNZ 2

15 **THE ROYAL VARIETY PERFORMANCE**
Average Audience: 453,200
TVNZ 1

16 **BORDER PATROL**
Average Audience: 447,100
TVNZ 1

17 **ATTENBOROUGH & THE GIANT DINOSAUR**
Average Audience: 443,000
TVNZ 1

18 **SEVEN SHARP**
Average Audience: 439,500
TVNZ 1

19 **LIFE FLIGHT**
Average Audience: 436,700
TVNZ 1

20 **BRITAIN'S GOT TALENT**
Average Audience: 436,300
TVNZ 1

Source: Nielsen TAM Consolidated.
AP5+, 1 July 2016 - 30 June 2017

Chairman's Address

DAME THERESE WALSH

TVNZ is on track to grow earnings and to continue delivering the moments that matter to New Zealanders in the year ahead.

TVNZ reported EBITDAF of $17.4 million (down $19.5 million on the previous year) largely due to an onerous contract provision totalling $12.4 million.

TVNZ's content output agreement with Disney has become loss making and we have booked a $12.4 million onerous provision and impairment in FY2017 to recognise the forecasted future losses of this contract.

Total revenue declined $8.1 million, or 2.5%, to $316.5 million, although the year on year decline in advertising revenue was 1.6%. TVNZ has partially offset market declines in TV advertising by growing its share of the TV advertising market and increasing online revenue growth.

Excluding the onerous contract and impairment, operational expenses decreased $1.0 million to $286.7 million - including the increased costs of organisation restructuring.

TVNZ posted an after tax net profit of $1.4 million for FY2017 down $11.3 million on the previous year.

Excluding the onerous contract provision, TVNZ financial outcomes were in line with targets set out in its annual Statement of Performance Expectations.

TVNZ confronted some tough business calls in FY2017 and is on track to grow EBITDAF and to continue delivering the moments that matter to New Zealanders in the year ahead.

I'd like to acknowledge the outstanding contribution of Joan Withers, who finished a seven and a half year tenure on the TVNZ Board in April, most recently as Chair, and Barrie Saunders, who completed his five and half year directorship at the same time.

I would also like to acknowledge the work of the leadership team at TVNZ who have continued to grow TV market revenue share and share of audiences while reorganising the business for future growth.

Dame Therese Walsh

"TVNZ has continued to grow TV market share and share of audiences."

DAME THERESE WALSH

> “The big focus for FY2017 was creating a more sustainable future”
>
> **KEVIN KENRICK**

Chief Executive’s Overview

KEVIN KENRICK

It’s been a year of big challenges, big projects and a few tough decisions.

TVNZ exceeded its FY2017 goal of engaging 2 million New Zealanders per day with peak audience TV share reaching a multi-year high and TVNZ OnDemand delivering double-digit growth in audience reach.

Other highlights include the upgrade of TVNZ.co.nz to bring together live streamed TV channels and OnDemand viewing, a refresh of TVNZ branding, and the 25 year anniversary of New Zealand’s most watched weeknight drama *Shortland Street*.

FY2017 saw the launch of our New Blood programme where a team of people from across the business worked together to advance our thinking on content initiatives for younger viewers. We know this group of viewers is leading online video consumption and we’ve created a range of innovative content ideas to engage with them.

Early New Blood initiatives include eSports on DUKE and TVNZ OnDemand, an online web series competition, establishing the TVNZ content creation hub and an emerging talent scheme. The start of FY2018 saw the launch of Re: our socially driven news voice project which exceeded a million video streams within its first three weeks.

The big focus for FY2017 was creating a more sustainable future by redesigning the organisation structure, renegotiating core content agreements, and writing off unsustainable content and accommodation lease commitments.

The 2017 financial year started with accelerated declines in the TV advertising market and ended with TVNZ delivering year on year growth in TV revenue. The positive year end momentum has continued into FY2018 as advertisers are relying on the broad reach of TV to promote brands and questioning the brand safety and ad fraud risks of global digital options.

The focus for FY2018 is to strengthen our share of the TV market and upweight investment to accelerate our OnDemand digital growth.

Kevin Kenrick

Highlights

All new Breakfast

Start your day the right way with a mix of news, sport and entertainment. Join Hilary Barry, Jack Tame and the team for *Breakfast*.

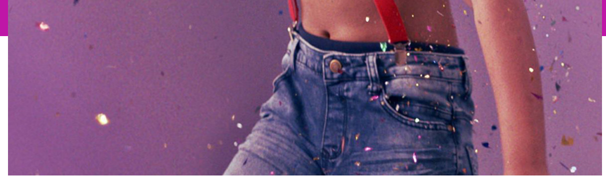
What Next?

In a live television event airing over five consecutive nights in June, Nigel Latta, John Campbell and a team of internationally recognised Kiwi futurists asked the big question: what do we want our lives to look like 20 years from now?

Sunday Theatre

Sunday Theatre focuses on the moments which are etched into New Zealand's history. These compelling true stories are told with heart and passion, and we're grateful to NZ On Air for their continued support in bringing these local stories to life.

Highlights



Survivor New Zealand

After 40 days in the Nicaraguan jungle, Avi was crowned New Zealand's first ever Sole Survivor. The youth expedition leader from Wellington outwitted, outplayed and outlasted 15 other contestants. He battled it out in the ultimate test of endurance, strength and strategy.

Shortland Street

Big characters, big drama and even bigger ratings. Our weeknight drama has been entertaining Kiwis for 25 years, and we celebrated big time with a commemorative feature length episode, a national road show, and a Virtual Reality experience for our viewers.

Highlights

Paralympic Games

The Paralympic Games is one of the top multisport events in the world. 2.2 million New Zealand viewers embraced the opportunity to cheer on our Kiwi athletes - and they delivered.

Banter Live

It's smart, cheeky and raw... Anything can happen when Tim Batt leads a panel of guests in a conversation about the week in current affairs.

Extreme Russia

Reggie Yates delves into the worlds of three very different Russian communities to explore what life in the former Soviet Union is like today.

COAST NEW ZEALAND

FAIR GO

OUR BIG BLUE BACKYARD

It's the stories we tell and the way we tell them that keeps us relevant in the eyes of our viewers.

Financial Overview

Each year TVNZ sets out financial targets and specific performance measures in its Statement of Performance Expectations. The financial measures table reports TVNZ's performance against these targets.

FINANCIAL MEASURES

Measurement	FY2017 Actual	FY2017 Target	FY2016 Actual
EBIT	\$1.3m	\$12.5m	\$16.5m
NPAT	\$1.4m	\$9.0m	\$12.7m
Return on average equity (%)	0.6%	4.3%	6.1%
Dividend Yield	6.9%	4.6%	2.9%
Dividend Payout	94.4%	114.1%	69.4%
ROE adjusted for IFRS fair value movements	-0.2%	4.3%	6.1%
Return on Capital Employed	-0.6%	5.7%	10.9%
Total Shareholder Return [1] (TSR)	-24.6%	n/a	-31.3%
Gearing Ratio	0.0%	0.0%	0.0%
Interest Cover (times)	176	293	410
Solvency	2.08	2.52	2.38
Return on Programme Investment (operating margin)	41.5%	40.7%	43.2%

Note 1 - The negative TSR is due to the reduction in the Board's estimate of commercial valuation of the business

People and Capability

TVNZ's people and talent strategy is focused on developing viewer-led employees who are agile, curious, innovative and resilient in an industry that continues to be disrupted by unprecedented levels of change.

THIS YEAR WE HAVE:

- Launched a leadership programme for our business leaders
- Developed new people leader induction modules focused on key leadership competencies including communication, growth mind-sets, resilience, and coaching
- Made a number of structural and functional changes across the business to focus on design for future and reduce costs
- Enabled our New Blood talent to fast track a number of viewer-led content initiatives to attract younger audiences, including a web series competition, new live panel show *Banter* and eSport streaming on TVNZ DUKE

Good Employer

TVNZ has adopted the guidelines of the Human Rights Commission in monitoring seven aspects of our engagement with our employees.

LEADERSHIP, ACCOUNTABILITY AND CULTURE

- Leadership programme for our business leaders
- Induction programmes for new people leaders
- Ongoing implementation of employee-led initiatives to enhance employee engagement
- New culture survey tool to gain organisational insights

RECRUITMENT, SELECTION AND INDUCTION

- Survey employees and job applicants on nationality, ethnicity, gender, age, disability and accessibility to help us understand our promotion and hiring behaviours and to help create a diverse and inclusive workforce
- Recruitment training for all new people leaders which focuses on a number of selection biases including unconscious bias and the importance of inclusion and diversity in selection and promotion
- Induction sessions with the CEO and executive team for all new employees

EMPLOYEE DEVELOPMENT AND PROMOTION

- Coaching for our people leaders on key leadership capabilities
- Functional training and development courses available to our people

FLEXIBILITY AND WORK DESIGN

- Flexible work arrangements include part-time, job share, working from home, remote access and casual employment

REMUNERATION, RECOGNITION AND CONDITIONS

- Formal and informal individual and team recognition is encouraged and practised
- Fully transparent job banding and evaluation process
- Encourage employee participation and involvement in all company change processes
- Remuneration is externally benchmarked against the market each year and takes into account ability to pay and internal and external relativities
- Annual review of internal remuneration relativities between genders

HARASSMENT AND BULLYING PREVENTION

Our policies and practices include:

- Employment Code of Conduct provided to all employees prior to starting with TVNZ
- Equal Employment Opportunity policy
- Harassment policy
- Social Media policy

SAFE AND HEALTHY ENVIRONMENT

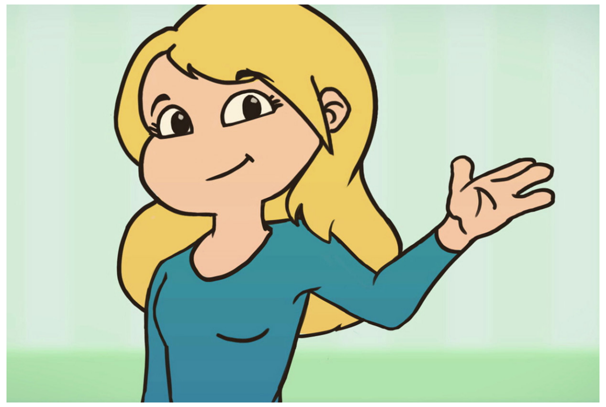
- Employee wellbeing programme including mindfulness, yoga, mole checks, eye tests and flu vaccinations
- Provide an Employee Assistance Programme, discounted health insurance and subsidised gym memberships
- Ergonomic workstation assessments
- Sit/Stand desks
- Comprehensive health and safety induction training for all employees and contractors
- Strong engagement with unions and employees regarding participation in health and safety

tvnz.co.nz Highlights

SO THIS HAPPENED

tvnz.co.nz

The new look tvnz.co.nz now live streams all TVNZ channels.



New Blood Talent Lab

TVNZ's New Blood Talent Lab initiative is focused on finding and fostering new local talent and creating short-form multimedia content to attract younger audiences.

New Blood Web Series

A big congratulations to Ashleigh Reid and Isla Macleod. These Auckland based filmmakers have won TVNZ's inaugural New Blood Web Series Competition with their pilot, *Oddly Even.*

Re: News

Re: is TVNZ's socially-driven alternative news voice which creates video content covering important issues that affect young New Zealanders.

Workforce Profile

FULL TIME EQUIVALENT EMPLOYEES

634

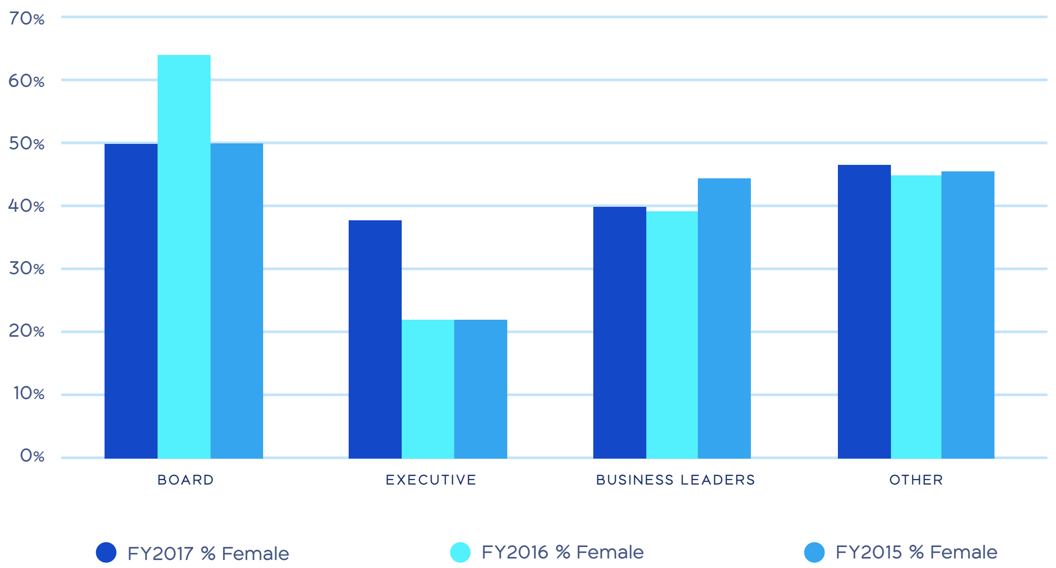
FY2016 FULL TIME EQUIVALENTS: 663

GENDER

F = 43%

M = 57%

FEMALE REPRESENTATION



AGE

15-24 years	10%
25-34 years	29%
35-44 years	30%
45-54 years	19%
55 years & over	12%

TENURE

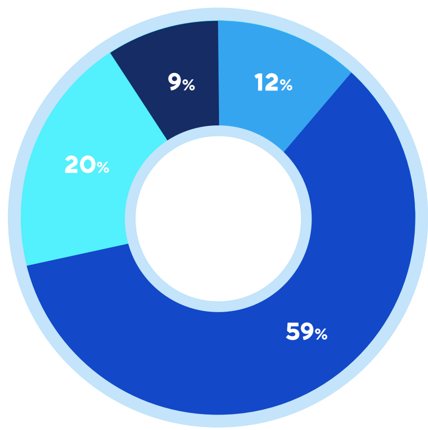
Less than 1 year	18%
1-2 years	24%
3-4 years	13%
5-9 years	22%
10-19 years	13%
20 years & over	10%

ETHNICITY

- 56% NZ European / European
- 15% New Zealander
- 5% Māori
- 3% Chinese
- 2% Pasifika
- 2% Indian
- 2% Other
- 15% Unspecified

TOTAL FIXED REMUNERATION

- 12% <50K
- 20% 100-150K
- 59% 50-100K
- 9% >150K



WHĀNAU LIVING

TE KARERE

MARAE

Reflecting Māori Perspectives

TVNZ screens nine hours per week of dedicated Māori programming. 483,000 viewers tuned into at least one of these programmes each week during FY2017.

Compliance with Standards and Codes

Through the process of formal complaints, our viewers play an influential part in the maintenance of broadcasting standards.

Formal Complaints

The Broadcasting Standards Authority (BSA) is responsible under the Broadcasting Act 1989 for administering standards in programming and presentation of programming. 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.

Since July 2013 unique online News and Current Affairs material has been regulated by OMSA (the Online Media Standards Authority). Effective from 1 January 2017 complaints about this material are now under Press Council jurisdiction.

In the period under review, TVNZ answered 956 formal complaints.

- 113 fewer than in the previous year.
- Of these 956 complaints, 36 complaints were upheld by the TVNZ Complaints Committee.

In the same period OMSA considered nil complaints about TVNZ material.

The TVNZ Complaints Committee responded to six complaints under Press Council rules; none were upheld. One complaint was referred to the Press Council and not upheld.

Broadcasting Complaints

2016

1069 BROADCAST COMPLAINTS
- 40 upheld

9 OMSA COMPLAINTS
- 7 no grounds to proceed
- 1 withdrawn
- 1 settled

2017

956 BROADCAST COMPLAINTS
- 36 upheld

6 PRESS COUNCIL COMPLAINTS
- 6 not upheld
- 1 referred to Press Council
- 0 upheld

BSA Referrals

In FY2017 the BSA handled 36 referrals about TVNZ programming (referrals are counted per BSA decision). Of these, four were upheld by the BSA*.

2016

40 REFERRED
- 3 upheld

2017

36 REFERRED
- 4 upheld*

* 1 referral yet to be determined by the BSA

Consolidated Financial Statements

For the year ended 30 June 2017

Contents

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 2017.

For and on behalf of the Board,

Dame Therese Walsh, DNZM
Chairman

Abigail Foote
Chair, Audit and Risk Committee

30 August 2017

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $000	2016 $000
Operating revenue	4	**316,523**	324,654
Expenses			
Programming	12	**(179,250)**	(177,140)
Employee benefits	5	**(48,022)**	(47,728)
Transmission, technology and telecommunications		**(18,830)**	(19,544)
Premises and occupancy		**(4,590)**	(7,697)
Marketing		**(9,624)**	(10,095)
Onerous contract and impairment	6	**(12,400)**	0
Other		**(26,429)**	(25,564)
		(299,145)	(287,768)
Earnings before interest, tax, depreciation and amortisation, financial instruments, joint venture and tax (EBITDAF)		**17,378**	36,886
Depreciation and amortisation	5	**(16,353)**	(15,558)
Interest income		**765**	1,421
Interest expense		**(99)**	(90)
Financial instruments/foreign currency (losses)/gains	7	**239**	(4,790)
Share of results of joint venture	14	**16**	(38)
Profit before income tax		**1,946**	17,831
Income tax expense	8	**(554)**	(5,144)
Profit for the year		**1,392**	12,687

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	2017 $000	2016 $000
Profit for the year	**1,392**	12,687
Other comprehensive income reclassifiable to profit or loss in subsequent periods		
Net changes in the fair value land and buildings	**30,000**	0
Other comprehensive income for the year net of income tax	**30,000**	0
Total comprehensive income for the year	**31,392**	12,687

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Share capital $000	Revaluation reserve $000	Retained earnings $000	Total $000
At 1 July 2016	**140,000**	**0**	**68,692**	**208,692**
Profit for the year	0	0	1,392	1,392
Other comprehensive income net of income tax	0	30,000	0	30,000
Total comprehensive income for the year	0	30,000	1,392	31,392
Equity transactions				
Dividend paid in the year	0	0	(13,370)	(13,370)
At 30 June 2017	**140,000**	**30,000**	**56,714**	**226,714**
At 1 July 2015	**140,000**	**0**	**64,277**	**204,277**
Profit for the year	0	0	12,687	12,687
Other comprehensive income net of income tax	0	0	0	0
Total comprehensive income for the year	0	0	12,687	12,687
Equity transactions				
Dividend paid in the year	0	0	(8,272)	(8,272)
At 30 June 2016	**140,000**	**0**	**68,692**	**208,692**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2017

	Notes	2017 $000	2016 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	**42,971**	44,812
Trade and other receivables	10	**49,435**	48,025
Programme rights	12	**37,997**	46,077
Derivatives	19	**166**	273
Total current assets		**130,569**	139,187
Non-current assets			
Property, plant and equipment	11	**141,477**	110,943
Other intangibles	12	**18,976**	18,660
Deferred tax	8	**4,339**	316
Derivatives	19	**186**	51
Investment in joint venture	14	**128**	112
Total non-current assets		**165,106**	130,082
Total assets		**295,675**	269,269
LIABILITIES			
Current liabilities			
Bank overdraft	15	**45**	91
Trade and other payables	16	**51,094**	47,079
Employee entitlements	16	**4,580**	5,733
Deferred income	17	**2,938**	1,921
Derivatives	19	**989**	2,605
Provisions	18	**2,997**	1,099
Total current liabilities		**62,643**	58,528
Non-current liabilities			
Employee entitlements	16	**1,202**	1,071
Derivatives	19	**0**	978
Provisions	18	**5,116**	0
Total non-current liabilities		**6,318**	2,049
Equity			
Share capital	21	**140,000**	140,000
Revaluation reserve	21	**30,000**	0
Retained earnings		**56,714**	68,692
Total equity		**226,714**	208,692
Total equity and liabilities		**295,675**	**269,269**

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 2017.

Dame Therese Walsh, DNZM
Chairman

Abigail Foote
Chair, Audit and Risk Committee

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $000	2016 $000
Cash flows from operating activities			
Receipts from customers		308,876	321,211
Receipt of programme funding		5,153	5,402
Interest received		833	1,434
Payments to suppliers and employees		(281,690)	(293,785)
Interest paid		(99)	(90)
Income tax paid	8	(2,563)	(6,700)
Net cash flows from operating activities	22	30,510	27,472
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		10	77
Purchase of property, plant and equipment		(12,836)	(20,504)
Purchase of intangibles		(6,144)	(4,202)
Investment in joint venture		0	(150)
Net cash flows used in investing activities		(18,970)	(24,779)
Cash flows used in financing activities			
Dividends paid		(13,370)	(8,272)
Net cash flows used in financing activities		(13,370)	(8,272)
Net decrease in cash and cash equivalents		(1,830)	(5,579)
Net foreign exchange differences		35	38
Cash and cash equivalents at the beginning of the year		44,721	50,262
Cash and cash equivalents at the end of the year	9	42,926	44,721

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 30 August 2017.

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. These policies have been consistently applied to all periods presented, unless otherwise stated.

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 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.

The consolidated financial statements are presented in New Zealand dollars ($), which is the Group'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. The classifications of certain balances have been revised to better reflect the Group's revenue and expenditure and the comparatives have been restated accordingly. These reclassifications have no impact on the overall financial performance or financial position of the comparative year.

b) Statement of compliance

The consolidated financial statements of the Group 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.

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

d) Changes in accounting policies and disclosures

Revaluation of land and buildings

The Group reassessed its accounting for land and buildings with respect to measurement after initial recognition. The Group had previously measured all property, plant and equipment using the cost model, whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

The Group has elected to change the method for accounting for land and buildings, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. The Group applied the revaluation model prospectively.

After initial recognition, land and buildings are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

Notes to the Consolidated Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Accounting standards and interpretations issued but not yet effective

Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2017. These are noted below.

NZ IFRS 9 – Financial Instruments

NZ IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The group has not yet assessed the impact of this standard. The application date for this standard is for accounting periods beginning on or after 1 January 2018, the application date for the Group is 1 July 2018.

NZ IFRS 15 – Revenue from contracts with customers

NZ IFRS 15 Revenue from contracts with customers establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has not yet fully assessed the impact of this standard but does not expect the impact to be significant. The application date for this standard is for accounting periods beginning on or after 1 January 2018, the application date for the Group is 1 July 2018.

NZ IFRS 16 – Leases

NZ IFRS 16 Leases removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. The Group has not yet assessed the impact of this standard. The application date for this standard is for accounting periods beginning on or after 1 January 2019, the application date for the Group is 1 July 2019.

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 on going basis. Actual results may differ from these estimates.

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

- Onerous contract – refer Note 6
- Income taxes and deferred taxes – refer Note 8
- Estimation of useful lives of property, plant and equipment and finite-lived intangible assets – refer Note 11 and Note 12
- Capitalised development costs – refer Note 12

4. OPERATING REVENUE AND PROGRAMME FUNDING

Accounting policy

Revenue is stated exclusive of goods and services tax (GST) and consists of sales of services to third parties. Revenue from the sale of 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:

Advertising revenue is recognised as income at the time of transmission. Advertising revenue includes revenue from advertising, sponsorship and programme production funding on TVNZ 1, TVNZ 2, TVNZ DUKE, TVNZ OnDemand and tvnz.co.nz.

Other trading revenue is recognised when the product has been delivered or in the accounting period in which the actual service has been provided. Other trading revenue includes revenue from production facilities, programme sales, commercial licensing, multi feed service and subscription television (to 30 April 2016).

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

	2017 $000	2016 $000
Advertising revenue	299,166	303,902
Programme funding	4,843	4,948
Other trading revenue	12,514	15,804
	316,523	324,654

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

5) EXPENSES

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

	2017 $000	2016 $000
Expenses include:		
Employee benefits expense		
Wages and salaries and other short term benefits	71,114	72,834
Defined contribution superannuation expense	2,715	2,654
Less employee benefits charged to programmes/capitalised	(25,807)	(27,760)
	48,022	47,728
Depreciation and amortisation		
Depreciation	10,754	9,671
Amortisation - software	5,466	5,803
Amortisation - licences	133	84
	16,353	15,558
Auditor's remuneration		
Audit of financial statements	278	278
Other assurance engagements	12	15
Other non audit services	4	20
	294	313

Other non-audit services consist of remuneration benchmarking services.

Reorganisation costs		
Reorganisation costs	4,239	3,389

Costs associated with the reorganisation of parts of the Group have been fully recognised in the current financial year. These costs include redundancy, outplacement and other costs associated with changes in operational areas of the business to align with the Group strategy and technology changes.

Rental and operating lease costs		
Rental and operating lease costs	1,595	4,659

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 income statement on a straight-line basis over the lease term. The prior year expense includes the temporary lease of accommodation during the refurbishment of the Television Centre at 100 Victoria Street West.

	2017 $000	2016 $000
6) ONEROUS CONTRACT AND IMPAIRMENT		
Onerous contract	4,357	0
Programme rights impairment (refer Note 12)	8,043	0
	12,400	0

The Disney contract became loss making during the year and we have provided for future losses. An impairment of current programme rights and a provision against losses expected to be incurred on future committed rights purchases has been provided for. The reduction in value of the contract is due to a combination of deteriorating performance of programmes and changes in market conditions; the forecast income is lower than the cost for which the Group is currently obligated under the contract. The net obligation under the contract has been provided for. The total impairment and loss provision is calculated as the net of estimated revenue and the estimate of programme purchase commitments discounted to present values.

7) FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY (LOSSES) / GAINS

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.

	2017 $000	2016 $000
Fair value changes of derivative financial instruments	2,621	(6,057)
Foreign currency unrealised gains/(losses)	(512)	1,395
Foreign currency realised gains/(losses)	(1,870)	(128)
	239	(4,790)

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 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.

Judgements and estimates
The Group's accounting policy for taxation requires management to make estimates as to, amongst other things, the amount of tax that will be payable, the availability of losses to be carried forward and the recovery of deferred tax assets.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

	2017 $000	2016 $000
8) INCOME TAX (CONTINUED)		
a) Income tax		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current period	4,632	3,512
Adjustments for prior year	(55)	0
	4,577	**3,512**
Deferred income tax		
Origination and reversal of temporary differences	(4,023)	1,632
Total income tax expense	554	**5,144**
b) Reconciliation of income tax expense		
Profit before income tax for the year	1,946	**17,831**
Taxation at 28%	545	**4,993**
Adjusted for the tax effect of:		
Non deductible expenditure	68	141
Share of results and impairment of joint venture	(4)	10
Income tax (over)/under provided in prior years	(55)	0
Total tax expense	554	5,144

8) INCOME TAX (CONTINUED)

c) Recognised deferred tax assets/(liabilities)

	2017	
	Current income tax	Deferred income tax
	$000	$000
Opening balance	824	316
Charged to income statement - tax expense	(4,577)	4,023
Other payments/(receipts)	2,563	0
Closing balance	(1,190)	4,339
Tax expense in income statement		(554)
Amounts recognised in the balance sheet:		
Deferred tax asset		4,339

	2016	
	Current income tax	Deferred income tax
	$000	$000
Opening balance	(2,364)	1,948
Charged to income statement - tax expense	(3,512)	(1,632)
Other payments	6,700	0
Closing balance	824	316
Tax expense in income statement		(5,144)
Amounts recognised in the balance sheet: Deferred tax asset		316

	Balance sheet	
	2017	2016
	$000	$000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets/(liabilities)		
Programme rights	7,797	4,916
Employee entitlements	2,299	2,461
Property, plant and equipment and software	(7,560)	(7,386)
Provisions	1,733	167
Doubtful debts	6	48
Other	64	110
	4,339	316

	2017	2016
	$000	$000
d) Imputation credit account		
The amount of imputation credits available for use in subsequent reporting periods	31,625	32,248

The subsidiaries of Television New Zealand Limited form part of the same consolidated tax group.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	$000	$000
9) CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	27,971	14,812
Short term deposits	15,000	30,000
Cash and cash equivalents in the statement of financial position	42,971	44,812
Bank overdrafts used for cash management purposes	(45)	(91)
Cash and cash equivalents in the statement of cash flows	42,926	44,721

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.

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.

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 impairment 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.

	2017	2016
	$000	$000
Trade receivables	35,682	32,642
Less provision for receivables impairment	(21)	(170)
Prepaid programme rights	10,910	11,409
Prepayments - other	2,864	3,320
Tax receivable	0	824
	49,435	48,025

a) Provision for receivables impairment

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for receivables impairment is recognised when there is objective evidence that the receivable is impaired.

Movements in the provision for receivables impairment		
At 1 July	170	33
Charge/(reversal) for the year	(133)	150
Amounts written off	(16)	(13)
At 30 June	21	170

10) TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables that are less than 90 days overdue are not considered impaired. As at 30 June 2017 trade receivables of $878,000 (2016: $1,230,000) were past due but not considered impaired. Direct contact has been made with these debtors and the Group believes that payment will be made in full. Payment terms on these amounts have not been renegotiated however in most cases credit has been stopped until full payment is made. At 30 June, the ageing analysis of trade receivables is as follows:

	2017	2016
	$000	$000
Current	34,783	31,242
Up to 30 days overdue	671	872
Between 30 and 90 past due not impaired	203	323
Over 90 days overdue - past due not impaired	4	35
Over 90 days overdue - past due considered impaired	21	170
	35,682	32,364

b) 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 20 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 assets 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

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 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	Plant & equipment	Motor vehicles	Work in progress	Total
	$000	$000	$000	$000	$000
Year ended 30 June 2017					
At 1 July 2016 net of accumulated depreciation and impairment	32,568	19,936	123	58,316	110,943
Revaluation	30,000	0	0	0	30,000
Additions	828	4,860	2	5,061	10,751
Transfers from WIP	58,113	2,556	0	(60,669)	0
Reclassification from Software WIP	0	551	0	0	551
Disposals	0	(14)	0	0	(14)
Depreciation charge	(4,370)	(6,345)	(39)	0	(10,754)
Closing net book amount	**117,139**	**21,544**	**86**	**2,708**	**141,477**
At 30 June 2017					
Cost and valuation	166,041	137,357	417	2,708	306,523
Accumulated depreciation and impairment	(48,902)	(115,813)	(331)	0	(165,046)
	117,139	**21,544**	**86**	**2,708**	**141,477**
Year ended 30 June 2016					
At 1 July 2015 net of accumulated depreciation and impairment	34,267	16,738	161	39,871	91,037
Additions	358	3,781	0	18,450	22,589
Transfers from WIP	0	5	0	(5)	0
Reclassification from Software WIP	0	7,000	0	0	7,000
Disposals	0	(12)	0	0	(12)
Depreciation charge	(2,057)	(7,576)	(38)	0	(9,671)
Closing net book amount	**32,568**	**19,936**	**123**	**58,316**	**110,943**
At 30 June 2016					
Cost	77,100	134,550	415	58,316	270,381
Accumulated depreciation	(44,532)	(114,614)	(292)	0	(159,438)
	32,568	**19,936**	**123**	**58,316**	**110,943**

Work in progress

Prior year work in progress includes $56,104,000 related to the refurbishment of 100 Victoria Street West.

Revaluation of land and buildings

The land and buildings fair values are based on market valuations prepared by CBRE an independent valuer who has valuation experience for similar land and buildings in New Zealand. The valuations completed by the valuer for land are based on the Floor Area Ratio (FAR) method and buildings are based on the discounted cash flow method. The significant input for the FAR method is the rate per square metre and the discounted cash flow inputs are the discount rate, terminal yield and the growth rate. A net gain from the revaluation of land and buildings of $30,000,000 was recognised in Other Comprehensive Income during the year.

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.

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.

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 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.

Judgements and estimates
Development costs 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. Actual results may differ from these estimates as a result of reassessment by management or taxation authorities.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

12) INTANGIBLE ASSETS (CONTINUED)

	Programme rights	Software	Licences	Total
	$000	$000	$000	$000
Year ended 30 June 2017				
At 1 July 2016 net of accumulated amortisation and impairment	46,077	17,206	1,454	64,737
Additions (internally generated)	41,165	0	0	41,165
Additions (externally purchased)	138,048	6,144	0	144,192
Reclassifications	0	(551)	322	(229)
Amortisation charge	(179,250)	(5,466)	(133)	(184,849)
Impairment	(8,043)	0	0	(8,043)
Closing net book amount	37,997	17,333	1,643	56,973
At 30 June 2017				
Cost	240,356	78,068*	3,109	321,533
Accumulated amortisation	(202,359)	(60,735)	(1,466)	(264,560)
	37,997	17,333	1,643	56,973
Current asset	37,997	0	0	37,997
Non-current asset	0	17,333	1,643	18,976
	37,997	17,333	1,643	56,973
Year ended 30 June 2016				
At 1 July 2015 net of accumulated amortisation and impairment	43,306	25,807	1,538	70,651
Additions (internally generated)	43,370	0	0	43,370
Additions (externally purchased)	136,541	4,202	0	140,743
Reclassification to PPE WIP	0	(7,000)	0	(7,000)
Amortisation charge	(177,140)	(5,803)	(84)	(183,027)
Closing net book amount	46,077	17,206	1,454	64,737
At 30 June 2016				
Cost	227,750	72,616*	1,670	302,036
Accumulated amortisation	(181,673)	(55,410)	(216)	(237,299)
	46,077	17,206	1,454	64,737
Current asset	46,077	0	0	46,077
Non-current asset	0	17,206	1,454	18,660
	46,077	17,206	1,454	64,737

*Included in software are assets under development of $2,563,000 (2016: $2,808,000).

13) GROUP COMPANIES

The Group consists of Television New Zealand Limited and its subsidiaries.

Subsidiaries of Television New Zealand Limited comprise:

		% holding	
Name	Principal activity	2017	2016
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.

14) INTEREST IN JOINT VENTURES

Accounting policy
The Group's interest in a joint venture is accounted for in the 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 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	2017	2016
Freeview Limited	30 June	Free to air digital platform	44.9%	44.9%
KPEX Limited	31 March	Advertising services	25.0%	25.0%

Movement in carrying amount of the Group's investment in joint ventures

	2017	2016
At 1 July	112	0
Increase in investment	0	150
Share of profits / (losses) after income tax	16	(38)
At 30 June	128	112

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

15) BANK OVERDRAFT AND BORROWINGS

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.

	2017	2016
	$000	$000
Current assets		
Bank overdraft (unsecured)	45	91

The Group has a revolving cash advance facility committed to a maximum amount of $20 million (June 2016: $20 million); these facilities expire in December 2019. There were no borrowings on this facility during the year. Refer Note 20 for details on management of interest rate risk related to borrowings.

a) Fair values
As at 30 June the carrying amount of the Group's current and non-current borrowings approximate their fair value.

b) Defaults and breaches
During the current and prior years, there were no defaults or breaches of any loan covenants.

16) 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 the Group 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.

	2017	2016
	$000	$000
Current		
Trade payables and accruals	49,904	47,079
Tax payable	1,190	0
	51,094	47,079
Employee entitlements		
Current	4,580	5,733
Non-current	1,202	1,071
	5,782	6,804

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

	2017	2016
	$000	$000
17) DEFERRED INCOME		
Programme funding (NZOA/TMP)	881	698
Other	2,057	1,223
	2,938	1,921

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 Māngai Pāho (TMP) provide funding for the production and broadcast of specific programmes. The Ministry for Culture and Heritage (MCH) provided funding to TVNZ to provide transmission of TVNZ programmes to Pacific nations, this funding ended on 30 September 2015 when the service was transferred to a new provider.

The funding is recognised in the income statement to match the expenditure associated with this funding.

18) PROVISIONS

Accounting policy
Provisions are recognised when the Group has present legal or constructive obligations 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.

Movement in provisions

	Reorganisation	Onerous Contract	Make good	Total
	$000	$000	$000	$000
At 1 July 2016	1,099	0	0	1,099
Raised during the year	2,997	4,357	759	8,113
Utilised during the year	(1,099)	0	0	(1,099)
At 30 June 2017	**2,997**	**4,357**	**759**	**8,113**
Current	2,997	0	0	2,997
Non-current	0	4,357	759	5,116
At 30 June 2017	**2,997**	**4,357**	**759**	**8,113**
Current 2016	1,099	0	0	1,099
Non-current 2016	0	0	0	0
At 30 June 2016	1,099	0	0	1,099

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 the Group strategy and technology changes.

Onerous contract
Due to a combination of deteriorating programme performance and changes in market conditions, the forecast income for the remainder of a studio programme rights contract is lower than the cost for which TVNZ is currently obligated under the contract. The net obligation under the contract has been provided for. The provision is calculated as the net of estimated revenue and the estimate of committed programme purchase commitments discounted to present values.

Make good
At the expiration of property leases the Group 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.

19) DERIVATIVES

Accounting policy
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 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, the Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

	2017	2016
	$000	$000
Current assets		
Forward currency contracts - fair value hedge	68	22
Foreign currency embedded derivative contracts	98	251
	166	273
Non-current assets		
Forward currency contracts - held for trading	183	0
Forward currency contracts - fair value hedge	0	38
Foreign currency embedded derivative contracts	3	13
	186	51

19) DERIVATIVES (CONTINUED)

	2017 $000	2016 $000
Current liabilities		
Forward currency contracts - held for trading	921	2,583
Forward currency contracts - fair value hedge	68	22
	989	2,605
Non-current liabilities		
Forward currency contracts - held for trading	0	940
Forward currency contracts - fair value hedge	0	38
	0	978

a) Instruments used by the Group
Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposures to fluctuations in foreign exchange and interest risk.

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

	2017 NZD $000	2016 NZD $000
Buy AUD/Sell NZD - Maturity 0-12 months	53,636	58,652
Buy AUD/Sell NZD - Maturity 13-24 months	26,829	34,603
Buy AUD/Sell NZD - Maturity 25-36 months	7,406	0

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

Forward currency contracts – fair value hedge	2017	2016
Buy AUD/Sell NZD - Maturity 0-12 months	1,937	1,079
Buy AUD/Sell NZD - Maturity 13-24 months	0	1,406

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

Embedded derivatives	2017	2016
Sell AUD/Buy NZD - Maturity 0-12 months	11,114	11,341
Sell AUD/Buy NZD - Maturity 13-24 months	141	219

20) FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks including currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management policy seeks to minimise potential adverse effects on the Group'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. The Group enters into derivative transactions, principally forward currency contracts and interest rate swaps, only if they relate to underlying exposures.

The Group 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
The Group undertakes transactions denominated in foreign currencies, predominately Australian dollars, for programme rights' purchases. As a result of these transactions the Group has exposure to foreign exchange risk. The Group'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. The Group 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 the Group had the following foreign currency exposures.

	2017 $000	2016 $000
Financial assets		
Cash and cash equivalents	421	187
Trade and other receivables	32	76
	453	263
Financial liabilities		
Trade and other payables	(17,115)	(14,426)
	(17,115)	(14,426)
Foreign currency derivatives		
Forward contracts	80,465	93,255
Embedded derivatives	(11,255)	(11,560)
	69,210	81,695
Total net exposure	52,548	67,532

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%	(10%)	+10%	(10%)
2017	(4,254)	4,254	0	0
2016	(4,604)	4,604	0	0

Interest rate risk
The Group's exposure to interest rate risk relates primarily to cash equivalents.

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

20) FINANCIAL RISK FACTORS (CONTINUED)

	2017	2016
	$000	$000
Financial assets		
Cash and cash equivalents	42,971	44,812
Financial liabilities		
Bank overdrafts	(45)	(91)
Net exposure	42,926	44,721

The Group's interest rate policy is to have between 0% and 100% of its borrowings at fixed rates over the medium term. The Group uses interest rate swaps in order to achieve the desired mix between fixed and floating rates. These swaps are designated to hedge underlying debt obligations. No interest rate swaps are held at 30 June 2017 (30 June 2016: nil).

At 30 June, if interest rates had increased/(decreased) by 1% with all other variables held constant, post tax profit and equity would have been (lower)/higher as follows

	Post tax profit		Equity	
	+1%	(1%)	+1%	(1%)
2017	306	(306)	0	0
2016	321	(321)	0	0

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations. In the normal course of business the Group incurs credit risk with financial institutions and trade receivables. The Group 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 the Group. The Group has a credit insurance policy for a selected range of agencies, to protect against loss through default. The Group does not have any other significant concentrations of credit risk.

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

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

At 30 June 2017 the Group has available $20,000,000 (2016: $20,000,000) of undrawn committed facilities. These bank facilities expire in December 2019.

Notes to the Consolidated
Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2017

20) FINANCIAL RISK FACTORS (CONTINUED)

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

	2017			
	Within one year	One to two years	Two to five years	Total
Group	$000	$000	$000	$000
Bank overdraft	45	0	0	45
Trade and other payables	49,904	0	0	49,904
Forward exchange contracts - outflow	55,573	26,829	7,406	89,808
Forward exchange contracts - inflow	(54,652)	(26,980)	(7,438)	(89,070)
	50,870	(151)	(32)	50,687

	2016			
	Within one year	One to two years	Two to five years	Total
Group	$000	$000	$000	$000
Bank overdraft	91	0	0	91
Trade and other payables	47,079	0	0	47,079
Forward exchange contracts - outflow	59,731	36,009	0	95,740
Forward exchange contracts - inflow	(57,148)	(35,069)	0	(92,217)
	49,753	940	0	50,693

Fair value
The Group 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.

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. The fair values of these Level 2 and Level 3 valuations are presented in the following table.

	2017	2016
	$000	$000
Financial assets		
Revalued land and buildings*	117,139	0
Derivative instruments		
Foreign currency contracts	251	60
Foreign currency embedded derivative contracts	101	264
	117,491	324
Financial liabilities		
Derivative instruments		
Foreign currency contracts	989	3,583
Foreign currency embedded derivative contracts	0	0
	989	3,583

*Due to a change in accounting policy, revaluations of property, plant and equipment were recognised in Level 3 for the first time. Refer to Note 11 for more information.

20) FINANCIAL RISK FACTORS (CONTINUED)

Capital management
The Group'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. The Group's capital structure is broadly in line with the Crown's expectations. The Group targets a gearing ratio of less than 40% (refer note 27e).

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

21) 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 2017 there were 140,000,000 shares ($1 each) issued and fully paid (2016: 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 the Group's residual assets.

	2017	2016
	$000	$000
Movement in Revaluation reserve:		
Opening balance	0	0
Charged to other comprehensive income	30,000	0
Closing balance at 30 June	30,000	0

22) CASH FLOW STATEMENT RECONCILIATION

	2017	2016
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	1,392	12,687
Adjustments for:		
Depreciation and amortisation (excluding programme rights)	16,353	15,558
Loss/(gain) disposal of property, plant and equipment	4	(65)
Unrealised foreign currency losses/(gains)	(2,109)	4,662
Share of associate net results and provisions	(16)	38
Impairment of programme rights	8,043	0
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,605)	5,034
(Increase)/decrease deferred tax asset	(4,023)	1,632
(Increase)/decrease programme rights	37	(2,771)
Increase/(decrease) trade and other payables	3,389	(4,211)
Increase/(decrease) deferred income	1,017	(1,345)
Increase/(decrease) income tax payable	2,014	(3,188)
Increase/(decrease) provisions	7,014	(559)
Net cash from operating activities	30,510	27,472

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

23) RELATED PARTY DISCLOSURES

a) Subsidiaries
The consolidated financial statements include the financial statements of Television New Zealand Limited and its subsidiaries, listed in note 13.

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

	2017	2016
	$000	$000
Joint venture		
Revenue from Freeview Limited	758	741
Purchases from Freeview Limited	495	416
Amounts owed by Freeview Limited	485	351
Amounts owed to KPEX Limited	1	46

All transactions with the joint venture arise in the normal course of business on an arm's length basis. None of the balances are secured.

c) Government entities		
Funding from NZOA and TMP	4,843	4,948
Revenue from Crown entities	1,650	1,341
Purchases from Crown entities	8,092	8,453
Amounts owed by Crown entities	542	115
Amounts owed to Crown entities	230	210
Revenue in advance from NZOA and TMP	881	698

All sales and purchases with government owned entities arise in the normal course of business on an arm's length basis. None of the balances are secured.

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

Salary and other short term benefits (incl termination benefits)	6,176	4,972
Defined contribution superannuation expense	298	242
	6,474	5,214

e) Directors		
Directors' fees	392	363

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 on an arm's length commercial basis.

	2017	2016
	$000	$000
24) COMMITMENTS		
a) Programme rights		
Within one year	94,259	109,240
One to five years	150,339	203,643
Later than five years	0	16,300
	244,598	329,183

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.

	2017	2016
b) Operating leases		
Within one year	1,297	1,461
One to five years	1,484	1,661
Later than five years	0	39
	2,781	3,161
c) Property, plant and equipment and software		
Within one year	1,056	3,987

25) CONTINGENT LIABILITIES

In the normal course of business various legal claims have been made against Television New Zealand Limited. 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.

26) EVENTS AFTER THE BALANCE SHEET DATE

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

27) COMPARISON OF FORECAST TO ACTUAL RESULTS

	Actual	Forecast
	$000	$000
a) Financial performance		
Revenue	316,523	315,456
Operating expenses	(299,145)	(286,672)
EBITDAF	17,378	28,784
Interest income	765	513
Interest expense	(99)	(93)
Depreciation and amortisation	(16,353)	(16,726)
Financial instruments/foreign currency gains/(losses)	239	0
Share of results of joint venture	16	0
Income tax expense	(554)	(3,493)
Net profit for the year	1,392	8,985
b) Movements in equity		
Net profit for the year	1,392	8,985
Distributions to the shareholder	(13,370)	(10,485)
Other comprehensive income	30,000	0
Movements in equity for the year	18,022	(1,500)
Equity at start of the year	208,692	212,168
Equity at end of the year	226,714	210,668

The decline in the television advertising market has continued but at a lower rate than expected, the Group has also increased its market share of the television advertising market. Included in operating expenses is a $12.4m provision/impairment for a studio programme rights contract, excluding this provision costs are below forecast. Fair value changes in financial instruments are not forecasted due to the inherent volatility in exchange rates; there was a gain for the year. The income tax variance is primarily due to lower profits.

	Actual	Forecast
c) Financial position		
Current assets	130,569	134,037
Non-current assets	165,106	129,843
Total assets employed	295,675	263,880
Current liabilities	62,643	53,212
Non-current liabilities	6,318	0
Total liabilities	68,961	53,212
Share capital	140,000	140,000
Revaluation reserve	30,000	0
Retained earnings	56,714	70,668
Total equity	226,714	210,668
Total equity and liabilities	295,675	263,880

Certain balance sheet forecasted amounts have been reclassified to give a direct comparison to actual results.

Current assets are below forecast due to the impairment of programme rights. Non-current assets are above forecast and reflect the change in accounting policy to recognise Land and Buildings at valuation. Current liabilities are above forecast due to higher levels of payables. Non-current liabilities include the onerous contract.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

27) COMPARISON OF FORECAST TO ACTUAL RESULTS (CONTINUED)

	Actual	Forecast
	$000	$000
d) Cash flows		
Net cash flows from/(to):		
Operating activities	30,510	25,849
Investing activities	(18,970)	(13,778)
Financing activities	(13,370)	(10,485)
Net (decrease)/increase in cash held	(1,830)	1,586
Add opening cash brought forward	44,721	39,005
Net foreign exchange differences	35	0
Ending cash carried forward	42,926	40,591

Lower levels of expenditure due to the timing of payments to creditors have resulted in above forecast cash flows from operating activities. Cash flows to investing activities are higher than forecast and reflect the timing of capital expenditure brought forward from the prior year. The dividend from the FY2016 operating result was greater than forecast. These variances have resulted in higher cash holdings at year end.

	Actual	Forecast
e) Performance targets		
Profitability		
Return on average equity	0.6%	4.3%
Gearing		
Net interest bearing debt/net interest bearing debt plus equity	0.0%	< 40%
Financial stability		
Total equity/total assets	76.7%	> 40%
Interest cover		
EBITDAF/interest expense	176 times	> 4 times

EBITDAF – earnings before interest, tax, depreciation, amortisation and financial instruments.

Forecast amounts

The forecast amounts are those approved by the Board before the beginning of the 2017 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

FOR THE YEAR ENDED 30 JUNE 2017

Building a better working world

Chartered Accountants

TO THE SHAREHOLDER'S OF TELEVISION NEW ZEALAND LIMITED FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of Television New Zealand Limited (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 29 to 58, that comprise the statement of financial position as at 30 June 2017, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies.

In our opinion:

- the financial statements of the Group on pages 29 to 58:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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 Financial Reporting Standards and NZ equivalents to International Financial Reporting Standards.

Our audit was completed on 30 August 2017. 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. 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.

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 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

Chartered Accountants

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 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.

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 3 to 67, 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 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

We have provided other assurance, agreed upon procedure services and remuneration benchmarking services to the Group. Other than the audit and these other services, we have no relationship with or interests in the Group.

Susan E Jones

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

Five Year Trend Statement

FOR THE YEAR ENDED 30 JUNE 2017

	2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Group financial performance					
Advertising revenue	299,166	303,902	314,192	319,732	321,532
Other revenue	17,357	20,752	33,790	39,995	40,520
Total revenue	316,523	324,654	347,982	359,727	362,052
EBITDAF	17,378	36,886	48,361	49,533	43,218
Profit for the year	1,392	12,687	28,115	18,111	14,440
Dividends	13,370	8,272	0	0	11,287
Group financial position					
Assets employed:					
Current assets	92,572	93,110	105,589	104,249	75,671
Programme rights	37,997	46,077	43,306	44,612	44,439
Property, plant and equipment (incl held for sale)	141,477	110,943	91,037	61,880	74,615
Other non-current assets	23,629	19,139	30,726	18,690	22,673
Total assets employed	295,675	269,269	270,658	229,431	217,398
Funds employed:					
Share capital	140,000	140,000	140,000	140,000	140,000
Reserves	30,000	0	0	0	29
Retained earnings	56,714	68,692	64,277	36,162	18,051
Total equity	226,714	208,692	204,277	176,162	158,080
Current liabilities	62,643	58,528	65,144	51,980	57,274
Other non-current liabilities	6,318	2,049	1,237	1,289	2,044
Total funds employed	295,675	269,269	270,658	229,431	217,398
Financial ratios					
EBITDAF*/Total revenue	5.5%	11.4%	13.9%	13.8%	11.9%
Net surplus after taxation**/equity (average)	0.6%	6.1%	14.8%	10.8%	9.2%
Equity/total assets employed	76.7%	77.5%	75.5%	76.8%	72.7%
Interest cover (times) ***	176	410	526	199	39

* EBITDAF: earnings before interest, tax, depreciation, amortisation, programme amortisation revision, impairments, remediation expenses, associate earnings and financial instruments.
** As per reported earnings.
*** EBITDAF/Interest expense.

Additional Information

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

Shareholding
The Group is wholly owned by the Crown.

The Shareholding Ministers at balance date were:

Hon Steven Joyce	Minister of Finance
Hon Simon Bridges	Minister of Communications

Directors
Ms Alison Gerry's term ended 31 October 2016 and Ms Joan Withers and Mr Barrie Saunders terms ended on 30 April 2017. Ms Abigail Foote was appointed to the Board on 1 November 2016 and Mr Andrew Coupe and Mr Cameron Harland were appointed to the Board on 1 May 2017.

Auditor
The Auditor-General is the auditor of the Group 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 2017.

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 2017:

R A Coupe

Barramundi Ltd	Director
Briscoe Group Ltd	Director
Farmright Ltd	Chair
Gentrack Group Ltd	Director
Kingfish Ltd	Director
Marlin Global Ltd	Director
NZ Takeovers Panel	Chair
Solid Energy New Zealand Ltd	Chair

A K Foote

Livestock Improvement Corporation Ltd	Director
New Zealand Local Government Funding Agency Ltd	Director
Museum of New Zealand Te Papa Tongarewa	
Z Energy and subsidiaries	Director

C J Harland

NZ Story Group	Chair
Park Road	Chief Executive Officer
Weta Workshop Ltd	Director

T T Kapea

Bathurst Resources Limited	Chair
B1 Decision Making Committee (as part of B1 Baniima Direct Benefits Trust)	Independent Member
Ngati Apa Developments Limited	Chair
Te Runanga o Ngaitakoto Custodian Limited	Director
Tuia Group Limited	Director
Tuia Group Services Limited	Director
Tuia Legal Partnership	Partner

K M Malloy

Dingle Foundation	Trustee
Halberg Foundation	Trustee
Kiwibank Limited	Director
kM54 Ltd	Director
The Social Club	Director

J M Raue

Jade Software Corporation Limited	Director
Rowdy Consulting Limited	Director
Southern Cross Health Society	Director
The Treasury, Risk & Audit Committee	Member
The Warehouse Group Limited	Director
Z Energy Limited and subsidiaries	Director

S J Turner

Aspire2 Group	Chief Executive Officer
AUT University	Pro Chancellor
Minerva Holdings Ltd	Director
OI (Organic Initiative Limited)	Co Chair
Well Foundation	Trustee

T M Walsh

Air New Zealand Limited	Director
Antarctic Research Board	Director
ASB Bank Limited	Director
NZ Major Events Investment Panel, MBIE	Member
NZX Limited	Director
On Being Bold Limited	Director
Therese Walsh Consulting Ltd	Director
Strategic Risk and Resilience Panel, DPMC	Member
Victoria University of Wellington	Councillor
Wellington Women's Homeless Trust	Ambassador
Wellington Regional Stadium Trust	Trustee

Specific disclosure
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.

Directors' remuneration and 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		$
Dame Therese Walsh		58,506
Joan Withers	(term ended 30 April 2017)	69,783
Andrew Coupe	(appointed 1 May 2017)	9,307
Abigail Foote	(appointed 1 November 2016)	29,004
Alison Gerry	(term ended 31 October 2016)	13,333
Cameron Harland	(appointed 1 May 2017)	7,446
Tokorangi Kapea		42,338
Kevin Malloy		42,338
Julia Raue		42,338
Barrie Saunders	(term ended 30 April 2017)	34,891
Sussan Turner		42,338
		391,622

Additional Information

Directors' indemnity insurance
The Group has arranged Directors' and Officers' liability insurance cover with QBE Insurance (International) Limited for $30 million. This cover is effected for all Directors and Officers of the Group. In addition the Group holds Statutory Liability cover with QBE for the benefit of Directors and officers which provides $6 million total cover.

Chief Executive remuneration
The TVNZ Board receives executive remuneration market reports from two independent specialist remuneration advisers as input to determining the Chief Executive's remuneration.

The Chief Executive's remuneration is evaluated annually against market rates provided by the remuneration advisers. The short term incentive component is awarded based on performance against a range of financial and non-financial key performance indicators which are set at the commencement of the financial year.

The Chief Executive's fixed remuneration for FY2017 was $882,445, including holiday pay paid during the year. The base salary was $840,857.

- Short Term Performance Incentive
  A short term incentive payment of $409,727 was made to the Chief Executive in September 2016 which related to his performance against the criteria set for FY2016.
- Superannuation
  The Chief Executive is a member of 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 (including short term incentives). For FY2017 the Company's contribution was $64,401.

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.

	Current employees	Former employees
$100,000 to $110,000	44	2
$110,001 to $120,000	40	0
$120,001 to $130,000	25	4
$130,001 to $140,000	19	0
$140,001 to $150,000	15	1
$150,001 to $160,000	9	4
$160,001 to $170,000	10	4
$170,001 to $180,000	8	1
$180,001 to $190,000	7	1
$190,001 to $200,000	2	1
$200,001 to $210,000	2	0
$210,001 to $220,000	2	1
$220,001 to $230,000	5	0
$230,001 to $240,000	3	0
$240,001 to $250,000	3	0
$250,001 to $260,000	1	1
$260,001 to $270,000	2	0
$270,001 to $280,000	1	0
$280,001 to $290,000	1	0
$290,001 to $300,000	2	0
$300,001 to $310,000	2	1
$320,001 to $330,000	2	0
$330,001 to $340,000	0	1
$350,001 to $360,000	1	0
$360,001 to $370,000	1	1
$380,001 to $390,000	1	0
$390,001 to $400,000	1	0
$400,001 to $410,000	1	0
$420,001 to $430,000	1	0
$430,001 to $440,000	1	0
$460,001 to $470,000	1	0
$490,001 to $500,000	2	0
$540,001 to $550,000	1	0
$580,001 to $590,000	1	0
$690,001 to $700,000	1	0
$890,001 to $900,000	0	1
$1,350,001 to $1,360,000	1	0
	219	24

Employee compensation on termination of employment
During the year $1,958,381 compensation was paid in total to 29 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 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 ten times during the financial year. 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 for Communications 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 66 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 Abby Foote (Chair), Andy Coupe, Kevin Malloy, Julia Raue and Dame Therese Walsh.

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 recommends 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 Sussan Turner (Chair), Cameron Harland, Toko Kapea and Dame Therese Walsh.

Key Governance

OCCUPATIONAL HEALTH 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 news and current affairs output of the Company's websites was subject to the jurisdiction of the Online Media Standards Authority, which transferred its responsibilities to the Press Council during the year.

Director Profiles

Left to Right: Kevin Malloy, Abby Foote, Toko Kapea, Sussan Turner, Andy Coupe, Dame Therese Walsh, Julia Raue, Cameron Harland

Dame Therese Walsh

CHAIRMAN - WELLINGTON

Dame Therese is a Director of NZX Limited, ASB Bank Limited, Air NZ Limited, a Trustee of Wellington Regional Stadium Trust, and a member of the Victoria University Council. She is also a member of MBIE's Major Events Investment Panel and sits on the Strategic Resilience and Risk Panel for DPMC. Previously she was the Chief Operating Officer for Rugby New Zealand 2011 Limited, the company established by the NZRU and the New Zealand Government to deliver the Rugby World Cup Tournament in 2011. She is also a previous Director of NZ Cricket and Save the Children NZ, and held a senior role with KPMG. Most recently she held the role of Head of NZ for the ICC Cricket World Cup 2015 Limited. She is a Fellow of Chartered Accountants Australia and NZ.

Andy Coupe

DEPUTY CHAIR - HAMILTON

Andy is a professional director who has had more than 30 years' experience in investment banking. He is a director of Farmright Ltd (which he Chairs), Gentrack Group Ltd, Briscoe Group Ltd, Kingfish Ltd, Barramundi Ltd, and Marlin Global Ltd. He is also Chair of the New Zealand Takeovers Panel. In addition, in 2015 Andy was appointed the Chair of Solid Energy New Zealand Ltd to lead the company through the restructuring that led to a Deed of Company Arrangement and the sale of the company's assets. Andy is a chartered member of the Institute of Directors.

Abby Foote

CHRISTCHURCH

Abby is a professional director with experience as a director of both NZX and Crown companies. With qualifications in both law and accounting, Abby's career has covered both disciplines, focusing on corporate finance, treasury and commercial transactions. She has a breadth of experience in a number of diverse areas including mergers and acquisitions, treasury and structured finance transactions, telecommunications, management of large projects and strategic development and implementation. Abby is also a director of Z Energy Limited, Museum of New Zealand Te Papa Tongarewa, Livestock Improvement Corporation Limited and the New Zealand Local Government Funding Agency Limited. She chairs the Audit and Risk Committees of each of those companies. She has also served on the boards of Transpower New Zealand Limited, Diligent Corporation and Mike Pero Mortgages Limited.

Cameron Harland

LOWER HUTT

Cameron is Chief Executive of Park Road Post Production, a high-end post production facility. Cameron oversees the running of Park Road, driving strategic growth and ensuring the business delivers to filmmakers' expectations for world-class post production services. He also oversees the running of Postmouth Rentals, a lighting and camera rental business and Camperdown Limited, which owns the Stone Street Studios operation. These companies are part of a broader creative group that includes Weta Digital and Weta Workshop. Cameron is the Chair of the New Zealand Story Group and a director of Weta Workshop. Prior to joining Park Road he held roles in advertising and media management at Saatchi & Saatchi Wellington and London, and rugby management at New Zealand Rugby Union. Cameron was educated at Victoria University of Wellington where he graduated with an LLB and BA.

Kevin Malloy

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, St Peters College in Auckland, the Halberg Trust and the Graham Dingle Foundation, having previously completed eight years on the Board of the New Zealand Breast Cancer Foundation.

Julia Raue

AUCKLAND

Julia is an Independent Director for Z Energy Limited, The Warehouse Group, Southern Cross Medical Care Society, Jade Software Corporation, and is a Member of the Risk & Audit Committee for the Treasury. Previously Julia was the Chief Information Officer of Air New Zealand (2007-2015). She was awarded the New Zealand CIO of the Year award in 2009. Passionate about growing the number of females working in technology, Julia works with a number of institutions to drive awareness of IT as a career.

Toko Kapea

WELLINGTON

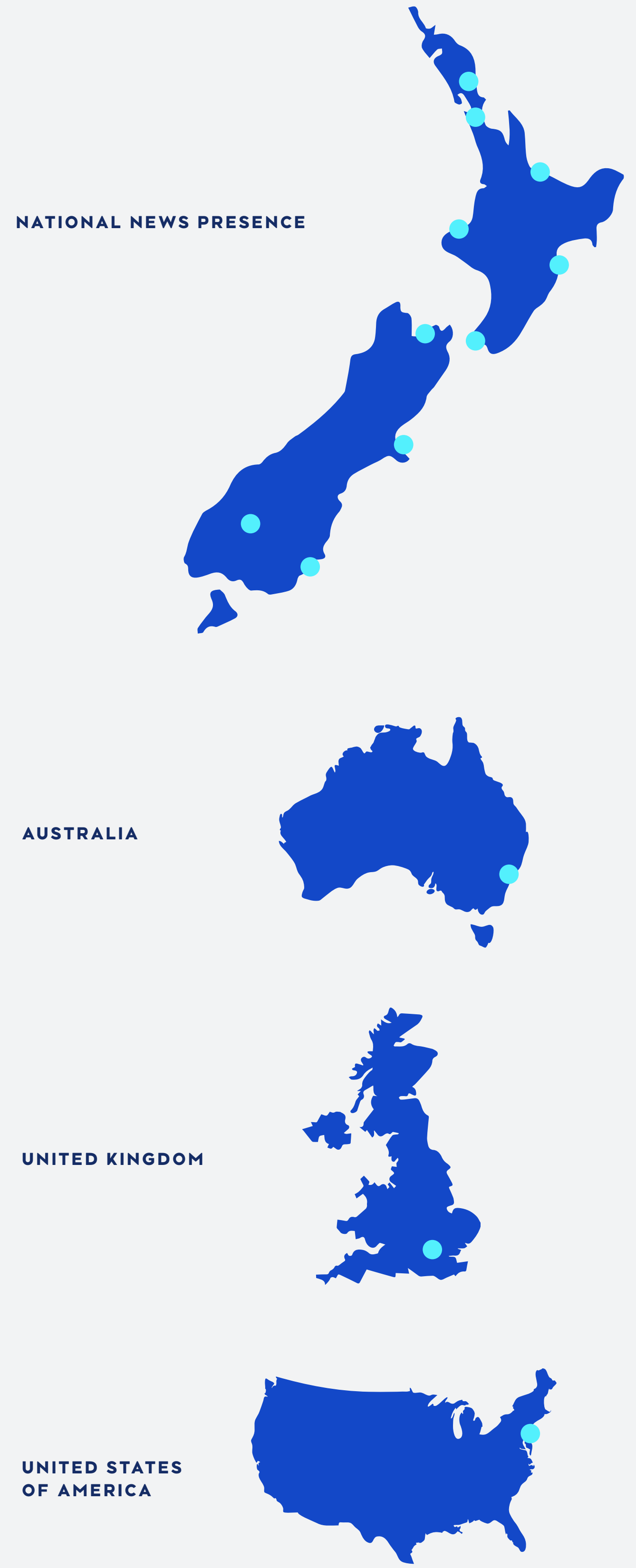
Toko is a Wellington-based commercial lawyer and director. He's currently director of Tuia Group Ltd and a partner in Tuia Legal. Tuia Group provides business consulting, commercial law and economic development services. He's previously worked for Chapman Tripp, BNZ, Meridian Energy, St George Bank NZ, 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 and Bathurst Resources Ltd. He also sits on a committee in Perth as part of the Banjima Direct Benefits Trust, where he oversees the distribution of land royalties to Aboriginal individuals and communities.

Sussan Turner

AUCKLAND

Sussan has been in senior leadership roles for the past 30 years, including Managing Director Radio Otago, CEO RadioWorks and Group CEO of MediaWorks NZ Ltd. She is currently CEO of Aspire2 Group, Pro Chancellor of AUT, Co-Chair of Organic Initiatives and a trustee of the Well Foundation of New Zealand.

TVNZ has heritage. For years we've played a role in New Zealand life and we have big ambitions for the future. We believe it's when we share and celebrate the moments that matter to Kiwis that we are most relevant to viewers.



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