



Interim Report

FINANCIAL YEAR 2021





Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)



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Chief Executive's Overview

Constrained costs and audience growth drive strong first half performance for TVNZ

TVNZ reported EBITDAF of \$55.8 million for the six months to 31 December 2020, \$29.5 million (112%) above the prior year.

Total revenue was down \$3.3 million (1.9%) to \$175.7 million reflecting the impact of Covid-19 lockdown restrictions on demand for advertising in the early months of the period. Revenue has steadily improved as the year has progressed, driven by improved share of TV market revenue and continued strong growth in digital advertising.

Operational expenses of \$119.9 million are \$32.8 million (21.5%) lower than last year. \$24.2 million of this decrease is mainly due to lower spend on content due to Covid-19 supply chain impacts.. A further \$8.6 million savings were achieved from cost containment initiatives across the business.

TVNZ reported a FY2021 interim Net Profit After Tax of \$33.9 million, up \$18.2 million (115%) year on year, after accounting for a \$13.2 million tax expense.

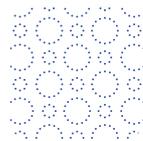
Kevin Kenrick, TVNZ Chief Executive reflected on the six months.

"I'm proud of the way the TVNZ team has responded to challenges confronting the industry at the start of this financial year. Many New Zealanders took the opportunity to trial TVNZ content while locked down at home and its pleasing to see so many of them become regular viewers of our news and entertainment shows. 2.8 million people are watching our TV channels each week and TVNZ OnDemand is attracting a record weekly audience of 473,400.*





1.4 MILLION PEOPLE (AP 5+) TUNED INTO TVNZ 1 TO SEE THE 2020 GENERAL ELECTION



TVNZ adopted a three phased response to the impacts of Covid-19 on the business – refocus, recover, reimagine. Halfway through this financial year our financial position has recovered strongly and the business is set up well to accelerate our digital transformation plans and reimagine the future of TV.”

TVNZ generated \$48.2 million cash flow from operating activities for the six month period and is confident it has sufficient cash on hand to fund itself without needing to access capital from the Share Subscription facility negotiated last year. Based on this improved outlook, the TVNZ Board has decided to repay the wage subsidy of \$4.9 million received in 2020. TVNZ is grateful for the assistance offered by the Government at a time of great uncertainty and significant income reduction.

The success of the business is reliant on the audience appeal of content and the standout performer in the first six months has been the line-up of local news and current affairs shows. Our primetime daily news programmes are attracting record audiences and it was particularly pleasing to see 1 NEWS acknowledged as New Zealand’s most trusted source of Covid-19 information in 2020.

The second half of the year will see a continued commitment to news leadership; plenty of live sport action including the PRADA America’s Cup, International T20 and Super Smash cricket and hopefully the Tokyo Olympic and Paralympic Games. In addition, TVNZ is producing content for its most significant investment in local entertainment content for more than a decade.

The positive audience and revenue momentum generated in the first half of the financial year has continued into 2021 and TVNZ is on track to significantly exceed its financial year 2021 Statement of Performance Expectations.

Kevin Kenrick

*Source: Nielsen TAM, Consolidated, O5+, All Day, Jul-Dec 20), Google Analytics, AP, Jul-Dec 20, Includes Freeview and Simulcast

Highlights

FOR THE PERIOD

HILARY BARRY

won Woman's Day Television Personality of the year



International T20 and Super Smash cricket began screening on TVNZ



Indira Stewart joined the *Breakfast* team



1.5M

watched the PRADA America's Cup World Series



NEW

local comedy *Taskmaster*

EARNINGS (EBITDAF)

\$55.8m

TOTAL REVENUE

\$175.7m

ONDEMAND VIDEO STREAMS

Total streams

119m

↑ 19% YOY

NET PROFIT

\$33.9m

TV AUDIENCE SHARE

45.2%

↑ HIGHEST SINCE 2010

TOTAL ONDEMAND VIDEO STREAMS

Average Weekly Audience Reach

473,400

↑ 22% YOY

Source: Google Analytics, 13+, Jul-Dec 20. Includes Freeview and Simulcast

Source: Nielsen TAM, Consolidated, 05+, All day, Jul-Dec 20

Consolidated Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

	Notes	Consolidated		
		Six Months Ended 31/12/20 \$000	Six Months Ended 31/12/19 \$000	Year Ended 30/06/20 \$000
Operating revenue	3	175,710	179,045	310,812
Expenses				
Programming	4	(68,216)	(92,435)	(202,472)
Employee benefits		(26,464)	(26,339)	(49,676)
Transmission, technology and telecommunications		(10,908)	(11,274)	(23,051)
Premises and occupancy		(1,515)	(1,941)	(3,557)
Marketing		(3,263)	(6,525)	(12,452)
Other	5	(9,556)	(14,246)	(29,390)
		(119,922)	(152,760)	(320,598)
Earnings before interest, tax, depreciation and amortisation, financial instruments and joint venture (EBITDAF)		55,788	26,285	9,786
Depreciation and amortisation		(8,900)	(10,268)	(20,537)
Interest income		179	254	568
Interest expense		(46)	(83)	(163)
Financial instruments/foreign currency/losses		(121)	(360)	(1,338)
Share of results of joint venture		(0)	(52)	(52)
Profit for the period before tax		47,142	15,776	28,632
Income tax expense		13,200	(0)	(2,816)
Profit for the period		33,942	15,776	25,816

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

	Consolidated		
	Six Months Ended 31/12/20 \$000	Six Months Ended 31/12/19 \$000	Year Ended 30/06/20 \$000
Profit for the period	33,942	15,776	25,816
Other comprehensive income reclassifiable to profit or loss in subsequent periods			
Revaluation land and buildings	0	0	10,375
Income tax effect	0	0	(3,213)
Revaluation of land and buildings, net of tax	0	0	7,162
Total comprehensive income for the period	33,942	15,776	18,654

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
At 1 July 2020	140,000	64,205	26,086	230,291
Total comprehensive income	0	0	33,942	33,942
Dividend paid in the period	0	0	0	0
At 31 December 2020	140,000	64,205	60,028	264,233
At 1 July 2019	140,000	57,043	51,902	248,945
Total comprehensive income	0	0	15,776	15,776
Dividend paid in the period	0	0	0	0
At 31 December 2019	140,000	57,043	67,678	264,721
At 1 July 2019	140,000	57,043	51,902	248,945
Total comprehensive income	0	7,162	(25,816)	(18,654)
Dividend paid in the period	0	0	0	0
At 30 June 2020	140,000	64,205	26,086	230,291

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020 (UNAUDITED)

	Notes	Consolidated	
		As at 31/12/20 \$000	As at 30/06/20 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		100,708	52,541
Trade and other receivables		63,801	45,019
Programme rights		28,801	30,062
Derivatives		385	161
Total current assets		193,695	127,783
Non-current assets			
Property, plant and equipment		150,284	156,074
Right-of-use assets		801	1,113
Other intangibles		7,071	9,290
Derivatives		162	339
Total non-current assets		158,318	166,816
Total assets		352,013	294,599
LIABILITIES			
Current Liabilities			
Trade and other payables		52,607	35,911
Employee entitlements		3,479	4,833
Deferred income		5,292	2,084
Income tax payable		13,200	0
Lease liabilities		558	625
Derivatives		3	41
Provisions	7	172	3,543
Total current liabilities		75,311	47,037
Non-current liabilities			
Employee entitlements		1,048	994
Lease liabilities		263	506
Provisions	7	11,158	15,771
Total non-current liabilities		12,469	17,271
Equity			
Contributed equity		140,000	140,000
Revaluation reserves		64,205	64,205
Retained earnings		60,028	26,086
Total equity		264,233	230,291
Total equity and liabilities		352,013	294,599

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

	Notes	Consolidated		
		Six Months Ended 31/12/20 \$'000	Six Months Ended 31/12/19 \$'000	Year Ended 30/06/20 \$'000
Cash flows from/(used in) operating activities				
Receipts from customers		164,972	177,088	312,731
Receipt of programme funding		1,321	1,147	4,114
Interest received		179	240	570
Payments to suppliers and employees		(117,370)	(144,906)	(293,941)
Interest paid		(46)	(83)	(163)
Income tax received / (paid)		0	10	85
Net cash flows from/(used in) operating activities	6	49,056	33,496	23,396
Cash flows from/(used in) investing activities				
Purchase of property, plant and equipment		(579)	(1,269)	(3,174)
Purchase of intangibles		0	(1,161)	(1,252)
Net cash flows from/(used in) investing activities		(579)	(2,430)	(4,426)
Cash flows from/(used in) financing activities				
Lease liability payments		(310)	(273)	(605)
Net cash flows from/(used in) financing activities		(310)	(273)	(605)
Net increase/(decrease) in cash and cash equivalents		48,167	30,793	18,365
Net foreign exchange differences		0	3	16
Cash and cash equivalents at the beginning of the period		52,541	34,160	34,160
Cash and cash equivalents at the end of the period		100,708	64,950	52,541

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

1. CORPORATE INFORMATION

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 25 February 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The unaudited interim financial statements for the six months ended 31 December 2020 have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and the requirements of the Television New Zealand Act 2003.

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the TVNZ's annual financial statements as at 30 June 2020.

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

b) Impact of Covid-19

TVNZ has considered the impact of the Covid-19 pandemic and associated market volatility when preparing these financial statements. There remains a heightened level of uncertainty around the impact of the pandemic on TVNZ and the New Zealand economy.

The impact of Covid-19 on Programming is noted in Note 4. For further information refer to TVNZ's annual financial statements for the year ended 30 June 2020.

c) Accounting policies

The accounting policies used in the preparation of the unaudited interim financial statements are consistent with those used in the preparation of TVNZ's annual financial statements for the year ended 30 June 2020.

d) Accounting standards and interpretations adopted in the current period

There are no new standards or amendments to existing standards which have or are expected to have a material impact on TVNZ.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

3) OPERATING REVENUE

	Six Months Ended 31/12/20	Six Months Ended 31/12/19	Year Ended 30/06/20
	\$000	\$000	\$000
Advertising revenue	163,814	170,326	286,284
Programme funding	3,036	2,548	6,607
Other trading revenue	8,860	6,171	17,921
	175,710	179,045	310,812

Accounting policy

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

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

Key classes of revenue are recognised on the following basis:

Advertising

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

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

Programme funding

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

Other trading revenue

Other trading revenue is recognised when the service 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 and multi feed service.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

3) OPERATING REVENUE *(continued)*

Significant financing component

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

Incremental cost of obtaining a contract

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

4) PROGRAMMING

	Six Months Ended 31/12/20 \$000	Six Months Ended 31/12/19 \$000	Year Ended 30/06/20 \$000
Programme utilisation	72,027	92,435	179,837
Programme rights impairment	1,039	0	7,386
Onerous contract	(4,850)	0	15,249
	68,216	92,435	202,472

There was a material reduction in programme utilisation of \$20.4m driven by global and local delays and halts to production due to Covid-19, impacting the ability to acquire and commission content during the period.

A programme rights contract became loss making during the prior year and a provision of \$22.6m was made for the net obligation under the contract. This was due to the forecast revenue from the contract being lower than the cost for which TVNZ is currently obligated under the contract.

This provision was reviewed at report date which resulted in a further \$1.0m impairment to programme rights on hand as well as a \$4.8m reduction of the onerous contract provision against future forecast losses.

5) OTHER EXPENSES

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

6) CASH FLOW STATEMENT RECONCILIATION

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

	Six Months Ended 31/12/20	Six Months Ended 31/12/19	Year Ended 30/06/20
	\$000	\$000	\$000
Net profit	33,942	15,776	(25,816)
Adjustments for:			
Depreciation and amortisation (excluding programme rights)	8,900	10,268	20,537
Loss/(gain) on disposal of property, plant and equipment	0	0	8
Unrealised foreign currency losses/(gains)	(121)	360	(1,338)
Share of associate net results and provisions	0	0	52
Impairment of programme rights	1,039	0	7,386
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables	(18,782)	(2,872)	(8,353)
(Increase)/decrease deferred tax asset	0	0	(2,807)
(Increase)/decrease programme rights	222	(6,169)	5,756
Increase/(decrease) trade and other payables	15,432	16,865	(6,203)
Increase/(decrease) deferred income	3,208	(794)	(1,163)
Increase/(decrease) income tax payable	13,200	10	76
Increase/(decrease) provisions	7,984	0	18,555
Net cash from operating activities	49,056	33,496	23,396

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

7) PROVISIONS

Accounting policy

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

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Movement in provisions

	Reorganisation \$000	Onerous Contract \$000	Make Good \$000	Total \$000
At 1 July 2020	3,306	15,249	759	19,314
Raised during the year	0	0	0	0
Utilised during the year	(3,134)	(4,850)	0	(7,984)
At 31 December 2020	172	10,399	759	11,330
Current	172	0	0	172
Non-current	0	10,399	759	11,158
At 31 December 2020	172	10,399	759	11,330
Current 30 June 2020	3,306	237	0	3,543
Non-current 30 June 2020	0	15,012	759	15,771
At 30 June 2020	3,306	15,249	759	19,314

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 as a result of changes in the media industry that were accelerated due to the economic impact of the Covid-19 pandemic.

Onerous contract

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 was provided for in the prior period and has been reassessed at report date, resulting in a partial release of the provision. The provision is calculated as the net of estimated revenue and the estimate of committed programme purchase commitments discounted to present values. Differences between estimated and actual revenue may result in a material movement in the level of the provision, refer Note 4.

Make good

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (UNAUDITED)

8) COMMITMENTS

	As at 31/12/20 \$000	As at 30/06/20 \$000
Programme rights	146,908	158,108
Operating leases	24	40
Property, plant and equipment and software	474	134
	147,406	158,282

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

9) CONTINGENT LIABILITIES

In the normal course of business various defamation claims have been made against TVNZ. Given the absence of quantified claims in these 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.

10) CONTINGENT LIABILITIES

TVNZ was eligible and applied to receive a \$4.9m wage subsidy in May 2020 as part of the Government response to support business during the early stages of the Covid-19 pandemic.

Subsequently, TVNZ generated \$48.2m cash flow from operating activities for the 6 month period ending December 2020 and is confident it has sufficient cash on hand to fund itself without needing to access capital from the share subscription facility negotiated last year.

Based on this improved outlook, in February 2021 the Board decided to repay the full wage subsidy of \$4.9m. TVNZ is grateful for the assistance offered by the Government at a time of great uncertainty and significant income reduction.

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

NATIONAL NEWS PRESENCE



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UNITED STATES OF AMERICA



OUR BOARD

Andy Coupe, Chair
Kevin Malloy, Deputy Chair
Toko Kapea
Trish Carter
Julia Raue
Keiran Horne
Abby Foote to 11/20
Aliasha Staples to 11/20

OUR EXECUTIVE / NEWS PRESENCE AND ADDRESS DETAILS

Kevin Kenrick, *Chief Executive Officer*
Paul Yurisich, *Head of News & Current Affairs*
Anna Lissaman, *Director of People & Talent*
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