



Interim Report

FINANCIAL YEAR 2023



tvnz+

Re:





Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)



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Chief Executive's Overview

TVNZ announces digital growth amidst challenging economic environment

TVNZ reported EBITDAF of \$13.8 million for the six-month period ended 31 December 2022

TVNZ's advertising revenue was relatively stable at \$171.3 million, a decrease of 1.1% year-on-year. Sustained revenue performance in challenging economic conditions can be attributed to growth in digital and a retained market leading share of television. Total revenue of \$180.3m declined 1.9% YoY due to non-recurring revenue received in FY22.

Operational expenses of \$166.4 million were up \$12.2 million on last year. This increase reflects an investment in people as well as a renewed investment in TVNZ's digital future, which was accelerated after a pause during the Covid-19 period.

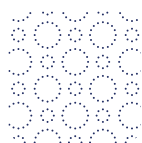
TVNZ reported a FY23 interim Net Profit After Tax of \$4.8 million, down \$10.4 million year-on-year.

Simon Power, TVNZ Chief Executive, says, "Overall this is a solid financial performance for TVNZ. We are aware of economic headwinds ahead and the need to respond appropriately. We are well positioned to weather these conditions and advance our ambitious digital strategy, ensuring the business will be able to deliver at scale for the audiences of tomorrow."

Delivering Digitally

"TVNZ's future is undoubtably digital. Broadcast television audiences will continue to move to streaming options and transitioning these audiences to our digital offerings and growing the accompanying digital revenue is critical for our future success."





"TVNZ+ is now watched by over 1.1 million viewers a week. In the first half of FY23 the platform recorded more than 173 million streams. Digital revenue also grew 16% YOY. These are big numbers, and we are focused on growing our reach further by expanding our content catalogue and continually improving the user experience.

"Leveraging our broadcast audiences will help us deliver this audience transition. Our news and current affairs performance exemplifies this, with 1 NEWS at Six the most watched show across TVNZ 1 and TVNZ+. We're excited about the opportunity a greater free-to-air sports slate (in partnership with Spark) will bring us too. New Zealanders love live sport – whether watching on traditional TV or streamed – and we're proud to be the home of NZ Cricket from July 2023."

ANZPM Cancellation

TVNZ's interim result coincides with the Government's decision to stop work on ANZPM, the proposed merger of TVNZ and RNZ.

"A lot was gained through the ANZPM process, including a close look at public media and our sector more broadly. These insights will help inform TVNZ's strategy and direction.

"The challenges facing our media sector have not disappeared and while ANZPM will not be the vehicle that addresses these challenges, it's clear that we need to move faster and make bold choices to continue to play an important role in New Zealanders' daily lives.

"We were clear from the outset that until the ANZPM legislation passed, we would continue to work to our current TVNZ mandate. This has ensured we remained focused on our core objective of delivering high-quality entertainment, trusted news coverage and storytelling that reflects and inspires Aotearoa.

"I couldn't be prouder of TVNZers for what they've achieved this year so far, particularly throughout a prolonged period of uncertainty."

2023 Outlook

Inflationary pressures and interest rate increases are likely to deliver a softer domestic advertising market through the remainder of 2023.

Power says, "Maintaining our balance sheet strength will be a priority so we can continue with our transition to a fully digital future."

Simon Power

Highlights

FOR THE PERIOD

CELEBRITY TREASURE ISLAND

A new group of celebrity castaways were tested in the far north of New Zealand.



THE GREAT KIWI BAKEOFF

New judges Peter Gordon and Jordan Rondel joined hosts Hayley Sproull and Pax Assadi for another serving of the TVNZ 1 favourite.



TASKMASTER NZ

Taskmaster Jeremy Wells and his loyal assistant Paul Williams returned to their thrones, with comedians Chris Parker, Josh Thomson, Justine Smith, Kura Forrester and Paul Ego competing.



DOCUMENTARY NEW ZEALAND

A series of thought-provoking documentaries including No Māori Allowed, Kids Wired Differently, hosted by Sonia Gray and You, Me and Anxiety with iconic Kiwi actor, Robyn Malcolm.



EDUCATORS

The teachers returned for another chaotic school year.



GRAND DESIGNS NZ

British-born architect Tom Webster followed intrepid New Zealanders in pursuit of their dream homes.

DUCKROCKERS

A prequel series from the makers of Sione's Wedding, following Pacific Island teenagers coming of age in 1980s Auckland.

EARNINGS (EBITDAF)

\$13.8m

ADVERTISING REVENUE

\$171.3m

TVNZ + TOTAL VIDEO STREAMS

173 million

NET PROFIT

\$4.8m

TOTAL REVENUE

\$180.3m

TVNZ DAILY CHANNEL REACH

1.79 million

Consolidated Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)

	Notes	Six Months Ended 31/12/22 \$000	Six Months Ended 31/12/21 \$000
Operating revenue	3	180,258	183,697
Expenses			
Programming	4	(96,718)	(94,932)
Employee benefits		(31,816)	(28,361)
Transmission, technology and telecommunications		(12,984)	(10,860)
Premises and occupancy		(1,723)	(1,717)
Marketing		(8,598)	(5,452)
Other		(14,591)	(12,927)
	5	(166,430)	(154,249)
Earnings before interest, tax, depreciation, amortisation and financial instruments (EBITDAF)		13,828	29,448
Depreciation and amortisation		(6,944)	(8,125)
Interest income		1,726	433
Interest expense		(125)	(72)
Financial instruments/foreign currency (losses)/gains		(1,808)	(570)
Profit for the period before tax		6,677	21,114
Income tax expense		(1,871)	(5,912)
Profit for the period		4,806	15,202

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)

	Six Months Ended 31/12/22 \$000	Six Months Ended 31/12/21 \$000
Profit for the period	4,806	15,202
Other comprehensive income reclassifiable to profit or loss in subsequent periods		
Revaluation land and buildings	0	0
Income tax effect	0	0
Revaluation of land and buildings, net of tax	0	0
Total comprehensive income for the period	4,806	15,202

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022 (UNAUDITED)

	Notes	As at 31/12/22 \$000	As at 30/06/22 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		31,962	24,389
Short term investments		75,000	75,000
Trade and other receivables		72,653	72,021
Programme rights		26,879	30,863
Derivatives		0	453
Total current assets		206,494	202,726
Non-current assets			
Property, plant and equipment		154,570	157,158
Right-of-use assets		2,964	1,821
Other intangibles		2,353	2,932
Derivatives		0	105
Total non-current assets		159,617	162,016
Total assets		366,110	364,742
LIABILITIES			
Current Liabilities			
Trade and other payables		51,983	51,635
Employee entitlements		4,274	4,802
Deferred income		1,554	2,887
Income tax payable		959	5,488
Lease liabilities		329	163
Derivatives		1,668	0
Total current liabilities		60,758	64,975
Non-current liabilities			
Employee entitlements		883	834
Lease liabilities		2,423	1,693
Deferred tax liability		626	626
Provisions	6	794	794
Total non-current liabilities		4,726	3,948
Total liabilities		65,484	68,923
Equity			
Contributed equity		140,000	140,000
Revaluation reserves		77,626	77,625
Retained earnings		83,000	78,194
Total equity		300,626	295,819
Total equity and liabilities		366,110	364,742

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)

	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
At 1 July 2021	140,000	77,625	78,194	295,819
Total comprehensive income	0	0	4,806	4,806
Dividend paid in the period	0	0	0	0
At 31 December 2021	140,000	77,625	83,000	300,626
At 1 July 2020	140,000	72,999	85,278	298,277
Total comprehensive income	0	0	15,202	15,202
Dividend paid in the period	0	0	(15,000)	(15,000)
At 31 December 2020	140,000	72,999	85,480	298,479

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)

	Notes	Six Months Ended 31/12/22 \$000	Six Months Ended 31/12/21 \$000
Cash flows from/(used in) operating activities			
Receipts from customers		183,915	192,027
Receipt of programme funding		1,222	1,994
Interest received		1,081	457
Payments to suppliers and employees		(168,368)	(164,453)
Interest paid		(125)	(72)
Income tax received / (paid)		(6,400)	(11,500)
Net cash flows from/(used in) operating activities		11,326	18,357
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment		(3,487)	(1,643)
Maturing short term investments		0	20,000
Net cash flows from/(used in) investing activities		(3,487)	18,357
Cash flows from/(used in) financing activities			
Lease liability payments		(267)	(210)
Dividends paid		0	(15,000)
Net cash flows from/(used in) financing activities		(267)	(15,210)
Net increase/(decrease) in cash and cash equivalents		7,573	21,600
Cash and cash equivalents at the beginning of the period		24,389	23,539
Cash and cash equivalents at the end of the period		31,962	45,139

Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (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 23 February 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The unaudited interim financial statements for the six months ended 31 December 2022 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 TVNZ's annual financial statements as at 30 June 2022.

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) Aotearoa New Zealand Public Media

On 10 March 2022 the Minister of Broadcasting and Media announced the Government's intention to establish a new public media entity to ensure that New Zealanders continue to have access to reliable, trusted, independent information, with local content at its heart. The new public media entity will be built on the best of both TVNZ and Radio New Zealand (RNZ), which will initially become subsidiaries of the new organisation.

On 26 July 2022 the Bill to create a new public media entity, Aotearoa New Zealand Public Media (ANZPM), passed its first reading in Parliament. The Bill includes transitional arrangements that will see TVNZ and RNZ's staff, assets, and operations transfer to the new entity on 1 March 2023. An Establishment Board has been appointed to oversee the detailed design of the new entity and the change required to create it, with the aim of it being operational by 1 July 2023.

On February 8th 2023 the Prime Minister announced this initiative has been discontinued.

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 2022.

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 in the current or future reporting periods.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)

3) OPERATING REVENUE

	Six Months Ended 31/12/22 \$000	Six Months Ended 31/12/21 \$000
Advertising revenue	171,278	172,142
Programme funding	2,421	3,614
Other trading revenue	6,559	7,941
	180,258	183,697

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 2022 (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 31/12/22 \$000	Six Months Ended 31/12/21 \$000
Programme utilisation	96,340	91,140
Programme rights impairment	378	3,792
	96,718	94,932

A programme rights contract became further loss making during the period and an impairment of \$0.4m has been made for the net obligation under the contract at report date. The impairment is calculated as the net of estimated revenue and the estimate of programme purchase commitments, discounted to present values.

5) EXPENSES

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 (UNAUDITED)

6) 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

	Make Good \$000	Total \$000
At 1 July 2022	794	794
Raised during the year	0	0
Utilised during the year	0	0
At 31 December 2022	794	794
Current	0	0
Non-current	794	794
At 31 December 2022	794	794
Current 30 June 2021		
Non-current 30 June 2021	0	0
At 30 June 2022	794	794
	794	794

Nature and timing of provision

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 2022 (UNAUDITED)

7) COMMITMENTS

	As at 31/12/22 \$000	As at 30/06/21 \$000
Programme rights	110,925	153,438
Operating leases	0	53
Property, plant and equipment and software	708	910
	111,634	154,401

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.

8) 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.

9) EVENTS AFTER THE BALANCE SHEET DATE

After balance date (February 8th) the Prime Minister announced the Strong Public Media initiative would be stopped. TVNZ will continue to operate in line with the Television New Zealand Act 2003.

Changes in the property market have indicated there will be reduction in the value of land and buildings. This is currently under review and any changes in value will be disclosed in the year end accounts.

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