
FINANCIAL YEAR 2020
Annual
Report
tvnz

Contents

FY20 Snapshot

EARNINGS (EBITDAF)
-$9.8m
↓ YOY
FY19 $24.6m

NET PROFIT/LOSS AFTER TAX
-$25.8m
↓ YOY
FY19 $2.9m

REVENUE
$310.8m
STABLE YOY
FY19 $310.7m

COSTS
$320.6m
↑ YOY
FY19 $286.1m

NEW ZEALAND'S MOST WATCHED

TVNZ REACHED
1.95m
New Zealanders daily

TVNZ STREAMED
244m
Videos OnDemand

TVNZ SCREENED
20/20
of New Zealand's top shows

ONDEMAND REACHED
Supercharged weekly audience reach
441,000

AUDIENCE SHARE
44.9%
Increased all day TV share by 1.7 share points[1]

Chairman's Address

ANDREW COUPE

Reflecting on the 2020 financial year, my first as Chairman of TVNZ, it has been extraordinary. We started with free-to-air coverage of Rugby World Cup 2019, maintained services during the sudden and prolonged evacuation of our Auckland facilities due to the NZICC fire, and ended delivering essential content services during Covid-19 lockdown restrictions. Despite these significant challenges and resulting financial pressures, TVNZ has delivered encouraging results.

TVNZ's high-level financial performance reflects stable revenue; increased costs due to one-off impacts and consequently reduced earnings.

TVNZ reported an operational earnings (EBITDAF) loss of ($9.8 million) for the financial year ending 30 June 2020, a decline of $34.3 million year-on-year. However importantly, underlying EBITDAF was $24.2 million better than reported. The financials reflect the impacts of Covid-19 as they include a ($22.6) million content impairment charge; ($3.6) million redundancy costs; ($3.9) million amortisation charge and $5.9 million in Government relief. Net Profit/Loss After Tax (NPAT) declined $28.7 million to ($25.8 million) for the period.

Operating revenue was stable year-on-year at $310.8 million due to a combination of strong advertising performance pre Covid-19 and $5.9 million of Government relief, offsetting the material declines in advertising demand experienced in the fourth quarter of the year.

Total advertising revenue was $286.3 million, $7 million less than the prior year due to sudden declines from April 2020. TVNZ was able to convert growth in audience share into increased share of revenue and its advertising revenue momentum improved year-on-year from a -34% decline in April to -16% in June 2020. Digital advertising revenues achieved 19% growth year-on-year.

Total operating expenses for the year increased by $34.5 million to $320.6 million. The primary drivers of year-on-year cost increases were a $22.6 million onerous contract impairment resulting from the weaker outlook for advertising revenue; increased investment in local content; and restructuring costs.

In response to the outbreak of Covid-19, TVNZ prioritised the delivery of essential content services and the preservation of cash.

Extremely high audience share during the Covid-19 lockdown, demonstrated once again that in the big news moments, New Zealanders turn to TVNZ. This is a role we are proud of and which we take very seriously. Working environments were challenging and resources limited during lockdown restrictions, and throughout this period TVNZ ensured the nation was well informed via extensive news bulletins and daily health reports.

This was complemented by a reshaped schedule of locally produced entertainment content including cooking, education, exercise and comedy programmes. New Zealanders responded positively with TVNZ audiences reaching multi-year high levels, albeit unfortunately this coincided with record low advertising revenues – that was our world this year.

I especially want to recognise the expertise and commitment required of TVNZ personnel to deliver these outcomes during unprecedented disruptions.

Successful cash preservation initiatives enabled TVNZ to end its financial year with a strong cash position of $52.5 million. TVNZ has also negotiated a share subscription agreement with the Government to cater for unforecast economic downside events in the year ahead.

There are clear challenges ahead, and the ongoing transition from linear to digital viewership will see TVNZ competing even more than it does now with global giants for advertising revenue. However, the TVNZ Board is confident the combination of cash on hand; an existing undrawn bank facility of $20 million; and the uncalled share subscription facility of $30 million will enable the business to successfully navigate market uncertainty as we embark on the 2021 financial year.

As previously agreed with the shareholder, TVNZ has ceased dividend payments in order to maximise reinvestment in future proofing the business.

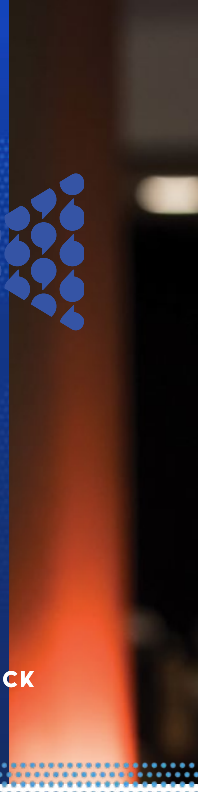
TVNZ is committed to preserving the organisational capabilities required to support the Government's future public media objectives. We expect the supply of international content to become increasingly restricted and view this as an opportunity to further invest in local content.

We've had some movement on the TVNZ Board this financial year as Dame Therese Walsh completed her term as Chair in October 2019, having been a member of the Board since 2015. I became Chair in November 2019 and would like to take this opportunity to thank Dame Therese for the strong leadership she provided in a time of great change for TVNZ. Deputy Chair Cameron Harland left the TVNZ Board in March this year to take on the role of Chief Executive of NZ On Air. We are pleased to have welcomed Trish Carter with her valuable media expertise to the Board in April this year and more recently Keiran Horne who joins as we begin FY21.

It's been a challenging year for the media sector and I wish to thank my fellow directors, the senior leadership team and all the hard-working people at TVNZ for continuing to deliver the moments that matter to New Zealanders.

Andrew Coupe

CEO's Address



KEVIN KENRICK

Kia ora koutou katoa.

TVNZ's strong momentum generated in the first three quarters of the year was largely reversed by the dramatic market changes confronting the business, the industry, and the country in the final quarter of FY20.

IMPACT OF COVID-19

TVNZ adopted a three phased *refocus, recover, reimagine* response to Covid-19 impacts on the business and the last quarter of FY20 was very much about the *refocus* phase.

We expect future demand for advertising to continue to be influenced by lockdown restrictions and reflect overall business confidence. Based on this outlook, TVNZ has taken steps to lower its operational cost base to cater for this more volatile and uncertain future.

In the latter stages of the year, TVNZ focused on preserving cash – some initiatives were stopped, others deferred, and regrettably many roles needed to be disestablished as part of an organisation wide restructuring response. As a result, the business has started FY21 with a lower operating cost base and strengthened capital structure and is well prepared for the *recover* and *reimagine* response phases ahead.

In many respects, the impact of Covid-19 has been to accelerate existing secular industry trends. Developments that were forecast to occur over years have now shown up in months. Unquestionably this increased magnitude and pace of change has proven challenging to navigate. However, our broad strategic priorities remain the same.

LOCAL AND LIVE CONTENT

TVNZ's primary competitive advantage, relative to global competitors, is our local news and entertainment content.

Our news and current affairs programmes continued to be the most watched and most trusted in FY20. The importance of 1 NEWS was reaffirmed this year during the Covid-19 lockdown. In April alone, over 1.2 million New Zealanders tuned into *1 NEWS at Six* each night to receive important updates from around the country. The Ministry of Health and Prime Minister's briefings reached over 2.5 million New Zealanders on TVNZ 1 during Alert levels 3 and 4.

1 NEWS at Six finished FY20 as the second most watched programme, surpassed only by the Rugby World Cup. *Seven Sharp*, *Sunday* and *Fair Go* also increased their share of audience with highly engaged viewers contributing to ratings not seen for many years. *1 NEWS* is the cornerstone of our content offering and this remains unchanged as we head into FY21.

Rugby World Cup 2019 was a pinnacle event for TVNZ in FY20, capturing viewers' attention across the six-week tournament. This event highlighted the level of viewer demand for free-to-view live events and key sporting moments. We look forward to building on this success with NZ Cricket matches and The America's Cup in FY21.

In the entertainment space, our local content slate was matchless. The reboot of *Celebrity Treasure Island* brought big audiences back to TVNZ 2. Over 2 million New Zealanders tuned into an episode of *The Bachelorette New Zealand* and *Eat Well For Less New Zealand* debuted in the top 20 shows of FY20. We've had great success with local drama, both *One Lane Bridge* and *The Luminaries* launched to critical acclaim and strong audience numbers. Returning favourites such as *The Casketeers*, *Country Calendar* and *Dog Squad* also continued to deliver.

Covid-19 brought a number of programming challenges, with local and international productions unable to film for extended periods. While our planned line-up changed, we delivered creative solutions that reflected the new working environment. *Nadia's Comfort Kitche*n was self-filmed on an iPhone. We kept homebound Kiwis moving with a Les Mills partnership, and we launched Home Learning TV/Papa Kāinga TV for the Ministry of Education.

ONLINE STREAMING SCALE

TVNZ OnDemand achieved new milestones during the year, demonstrating the platform's continued evolution. Over 1.8 million viewers were reached in FY20 and a record 244 million streams achieved. Revenue was also up 19% year-on-year.

Quality international titles such as *Normal People* and exclusive local shows like *The Dead Lands* brought audiences to the platform and 1,600 content titles together with continuous refinement of the user experience, kept them there. Lockdown provided an opportunity for more New Zealanders to discover TVNZ OnDemand, and 115,000 new accounts were created in April alone – the highest monthly growth achieved in five years.

Late in the year, TVNZ OnDemand partnered to launch branded digital channels. This demonstrates the scale of TVNZ OnDemand is now attractive to content owners who opt for New Zealand distribution on our platform, rather than launching their own.

LOOKING AHEAD

While the future is still uncertain, we have a lot to be proud of. In a year where total market advertising revenue declined, TVNZ achieved its highest annual share result since 2005. We finish FY20 with strong audience momentum that will drive our business recovery as we move into FY21.

Our priorities for FY21 include strengthening our local content offering, maintaining premium share of TV audiences, growing online streaming audience reach, and rebuilding revenue momentum.

We expect Covid-19 to continue impacting content supply both locally and internationally. This is most likely to influence live sporting events and entertainment series with large scale production requirements, placing greater reliance on internally produced news and current affairs content.

At the simplest level, TVNZ's success is based on generating compelling content, making this available where and how viewers wish to access it, and converting viewer eyeballs into revenue. The business has the capital structure in place to continue investing in market leading content and distribution, and to manage the expected volatility in demand for advertising in the year ahead.

Kevin Kenrick

NEW ZEALAND'S TOP 20 TV SHOWS

EVERY SINGLE ONE OF THE TOP 20 SHOWS FOR FY20 AIRED ON TVNZ 1

#1

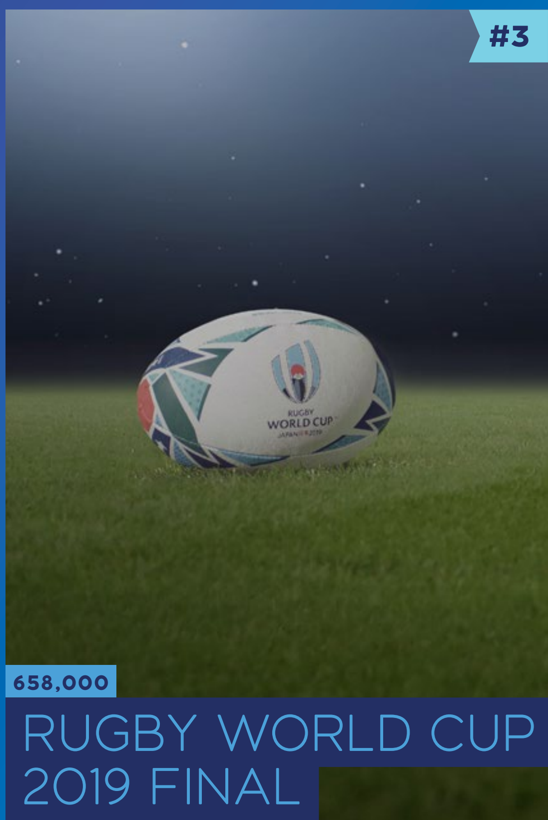
1,115,600

RUGBY WORLD CUP 2019 SEMI-FINAL 1

#2

685,300

1 NEWS



#3

658,000

RUGBY WORLD CUP 2019 FINAL

Source: Nielsen TAM Consolidated, AP5+ FY20 – 1/07/2019 – 30/06/2020, All Channels, ranked on Average Audience.
Data includes parent channels and Plus 1

#4
613,800
HYUNDAI COUNTRY CALENDAR

#5
606,600
BEAT THE CHASERS

#6
593,500
BRADLEY WALSH & SON BREAKING DAD

BEST OF GOOD SORTS
552,100
#7

RWC 2019 DELAYED
546,500
#8

FAIR GO
542,600
#9

RWC 2019 QF DELAYED
523,700
#10

DOG SQUAD
520,000
#11

SEVEN SHARP
514,100
#12

EAT WELL FOR LESS? NEW ZEALAND
513,800
#13

BORDER PATROL
503,600
#14

MCDONALD & DODDS
484,400
#15

ONE HOUR THAT CHANGED THE WORLD
480,700
#16

HARRY AND MEGHAN AN AFRICAN JOURNEY
480,000
#17

RWC 2019 SF2
479,600
#18

THE REPAIR SHOP
478,500
#19

RWC 2019 BF DELAYED
478,200
#20

SUPERCHARGED ONDEMAND

NEW ZEALAND'S FAVOURITE TVNZ ONDEMAND SHOWS

VIDEO REACH | STREAMS

#1 SHORTLAND STREET
242,525 | 15,728,664

#2 1 NEWS AT SIX
241,746 | 2,738,072

#3 KILLING EVE
197,880 | 2,690,087

#4 THE BACHELORETTE NEW ZEALAND
176,803 | 2,822,750

#5 FRIENDS
167,139 | 11,734,437

#6 NORMAL PEOPLE
167,139 | 1,740,236

#7 WHY WOMEN KILL
148,944 | 1,688,922

#8 1 NEWS SPECIAL: CORONAVIRUS UPDATES
147,989 | 455,651

#9 DEADWATER FELL
142,657 | 792,879

#10 THE LUMINARIES
136,784 | 733,618

Source: Google Analytics, all people 1/07/2019 – 30/06/2020. Excludes Simulcast and Freeview

Most Streamed Shows

1 SHORTLAND STREET
2 FRIENDS
3 HOME AND AWAY
4 CORONATION STREET
5 THE BIG BANG THEORY

Highest Reaching Shows

1 SHORTLAND STREET
2 1 NEWS AT SIX
3 KILLING EVE
4 THE BACHELORETTE NZ
5 FRIENDS

Highest Reaching Shows per episode

1 DEADWATER FELL
2 NORMAL PEOPLE
3 WHY WOMEN KILL
4 THE SECRETS SHE KEEPS
5 KURA

Highest Reaching Local Productions

1 SHORTLAND STREET
2 THE BACHELORETTE NZ
3 KURA
4 THE LUMINARIES
5 THE DEAD LANDS

North Island Faves*

1 KURA
2 THE CASKETEERS
3 THE DEAD LANDS
4 BOSSBABES
5 POLICE TEN 7

South Island Faves*

1 CORONATION STREET
2 HYUNDAI COUNTRY CALENDAR
3 HOME AND AWAY
4 SHORTLAND STREET
5 GREY'S ANATOMY

Shows Watched During Lockdown

1 KILLING EVE
2 SHORTLAND STREET
3 LES MILLS ONDEMAND
4 THE SECRETS SHE KEEPS
5 LIAR

Males Top Shows*

1 1 NEWS AT SIX
2 WELLINGTON PARANORMAL
3 THE DEAD LANDS
4 1 NEWS SPECIAL: CORONAVIRUS UPDATES
5 KURA

Females Top Shows*

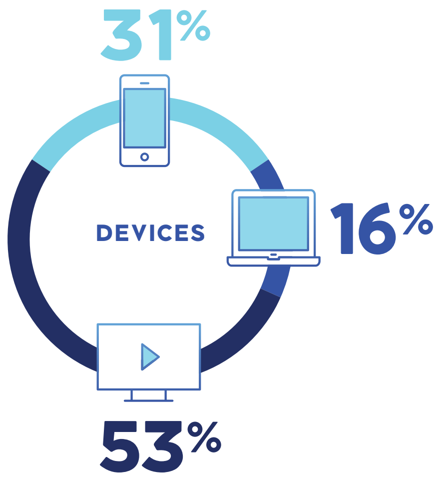
1 GREY'S ANATOMY
2 THE SECRETS SHE KEEPS
3 WHY WOMEN KILL
4 HOME AND AWAY
5 THE BACHELORETTE NZ

Source: Google Analytics FY20 July 1 2019 – June 30 2020. Lockdown dates 29 March 2020 – 16 May 2020, excluding news coverage
*Top shows based on viewing characteristics for 40 highest reaching shows

EXPONENTIAL STREAMING GROWTH

244m* STREAMS

4.4M AVERAGE WEEKLY STREAMS +30% YOY



1.8m* PEOPLE REACHED

407K AVERAGE WEEKLY REACH +21% YOY

1,604 SHOWS WATCHED

31,280 EPISODES WATCHED

Shows We Watched Together

(on Connected TV)

1 KURA
2 DEADWATER FELL
3 POLICE TEN 7
4 ONE LANE BRIDGE
5 EAT WELL FOR LESS NZ

Shows We Watched Up Close

(on Mobile)

1 NAKED ATTRACTION
2 SHORTLAND STREET
3 HOME AND AWAY
4 1 NEWS SPECIAL: CORONAVIRUS UPDATES
5 SEVEN SHARP

Shows We Watched Alone

(on Desktop)

1 SEVEN SHARP
2 NORMAL PEOPLE
3 FRIENDS
4 THE BACHELORETTE NZ
5 1 NEWS AT SIX

*Source: Google Analytics, all people, FY20, Includes Simulcast and Freeview

Source: Google Analytics, all people, FY20

LOCAL HIGHLIGHTS

In FY20, viewers gravitated to programmes reflecting the unique stories, perspectives and attitudes of Aotearoa. New local content debuted across TVNZ channels and platforms, with highlights spanning the course of the year.

A. One Lane Bridge launched to critical acclaim with the first episode reaching 985,000 viewers.

B. Rugby World Cup 2019 reached 2.9m Kiwis, from heart-stopping matches to the accompanying coverage filmed in TVNZ's studios.

C. Celebrity Treasure Island was rebooted establishing TVNZ 2 as the home of reality event television.

D. The Bachelorette NZ twisted the international format with two leading ladies looking for love.

E. Eat Well For Less NZ debuted in the top 20 shows of the year.*

F. The Dead Lands showed an international audience for Māori stories, with the series airing on TVNZ OnDemand and AMC's Shudder in the U.S.

D. The Luminaries was co-produced with the BBC, but had its global premiere on TVNZ 1.

E. Have You Been Paying Attention? brought local comedy panel shows back to TVNZ 2.

F. Kura was TVNZ's New Blood competition winner and the resulting content was a success with TVNZ OnDemand audiences.

*Source: Nielsen TAM Consolidated, AP5+ FY20 - 1/07/2019 - 30/06/2020, All Channels, ranked on Average Audience. Data includes parent channels and Plus 1

*Source: Nielsen TAM. Includes Opening Ceremony, Pre Game, Post Game, live/delayed matches, replays and highlights

*Source: Nielsen TAM Consolidated AP 5+ 20 April 2020

REFLECTING TE AO MĀORI

Te Reo Tātaki reaches two million New Zealanders every day. We connect with more Māori than any other media entity, meaning we play an important role in Ngā Tuituinga i te Taiao o te Ao Pāpāho Māori / the Māori Media Ecosystem. With reach comes responsibility, and TVNZ is committed to reflecting Māori perspectives, language and culture onscreen. In FY20, both dedicated programming and bilingual content featured prominently across TVNZ's channels and platforms.

TVNZ broadcast more than nine hours of dedicated Māori content each week in FY20, reaching over 700,000 viewers over the course of the year. This included the country's leading news and current affairs programmes from a Māori perspective, *Te Karere* and *Marae*, as well as quality content providing a window into te ao Māori such as *The Casketeers* and *Waka Huia*.

An increase in Māori content produced specifically for TVNZ OnDemand extended the linear TV reach, particularly with rangatahi audiences. TVNZ OnDemand highlights in FY20 included *My Māori Midwife*, *Ahikāroa*, *Kura*, *Colonial Combat*, *I Date Rejects* and *The Dead Lands*. HEIHEI (TVNZ and NZ On Air's children's platform) ensured tamariki received programmes such as *Speak Māori For Kids*, *The Feijoa Club*, *The Exceptional Squad* and *Young Ocean Explorers* in a safe, ad-free digital environment.

As we end FY20, there are more than 30 Māori productions in commission for TVNZ's local content slate. Our partnerships with Te Māngai Pāho, NZ On Air and the NZ Film Commission are vital in ensuring the volume and diversity of Māori content for TVNZ audiences. Co-production is an emerging area that offers additional opportunity. *The Dead Lands*, co-produced with AMC's streaming platform Shudder in the US, for example, brought a Māori story to screen both overseas and in Aotearoa allowing a global conversation surrounding a kaupapa Māori show.

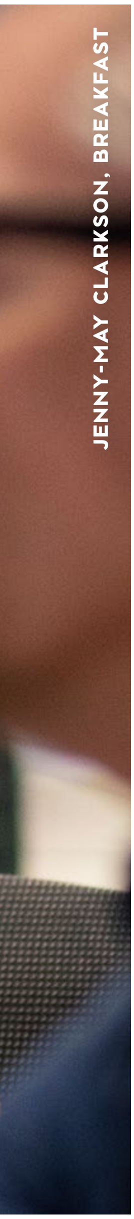
We're committed to reflecting New Zealand's unique cultural identity across "mainstream" content. Te Reo Tātaki is uniquely placed to normalise and revitalise the language – which aligns with the overarching objective of the Government's rautaki, Te Maihi Karauna – "kia māhorahora te reo" or the normalisation of te reo Māori across all sectors of our society and to have one million New Zealanders speaking te reo Māori by 2040. Our news and current affairs presenters have committed to learning and incorporating te reo Māori into their presentation and we have a range of Māori reporters and anchors including Scotty Morrison, Simon Dallow, Jenny-May Clarkson, Miriama Kamo and Oriini Kaipara. We seek out Māori perspectives and Māori creators for our primetime programmes, cast Māori talent and use te reo Māori on shows such as *Celebrity Treasure Island* and *Shortland Street*.

Over the past two years, in conjunction with Massey University, Stacey and Scotty Morrison have been teaching weekly te reo Māori classes to TVNZ staff. Embedding the language and culture into the DNA of the organisation has helped drive engagement and commitment to our Māori programming strategy. That's extended to a range of initiatives across Māhuru Māori and Māori Language Week to hosting the worldwide premiere of *The Dead Lands* at Te Reo Tātaki.

TVNZ is represented on Te Pae Tawhiti – an industry body established to provide a co-ordinated sector response to issues impacting on the revitalisation of te reo Māori. TVNZ has supported the recommendations of Te Pae Tawhiti and the majority of its membership in response to the Māori Media Sector Shift Review and made submissions.

Covid-19 has delayed the completion of a Rautaki Māori for Te Rēo Tātaki which will now be finalised in FY21. Led by TVNZ's Manukura Māori, Scotty Morrison and our GM Local Content, Nevak Rogers, the new strategy will provide a Treaty of Waitangi based framework to help us deliver our legislative requirement to reflect Māori perspectives both onscreen as well as throughout the organisation.

Our People


JENNY-MAY CLARKSON, BREAKFAST

At TVNZ we are focused on creating a dynamic, supportive and vibrant workplace while continually improving the way we work together to deliver for our viewers and advertisers.

This year the resilience of our people has been fully tested in ways we could never have anticipated – firstly by the temporary relocation of our Auckland operations due to the International Convention Centre fire in October, and then again through the nationwide Covid-19 lockdown and subsequent stages of the pandemic.

We're proud of the professionalism, flexibility and adaptability our teams have shown while delivering essential news and entertainment services. Whether working from temporary locations with limited access to resources during the fire, or running lean operational teams onsite and in the field while the majority of people worked from home during lockdown – TVNZers have pulled together and quickly adapted to utilising our new cloud-based applications and tools to continue to share the moments that matter to our communities, regions and people.

Monthly check-in surveys throughout this period showed that the ongoing support and communication provided to our people through these challenging times played a critical part in enabling them to remain connected and productive.

Our swift response to the commercial challenges generated by Covid-19 also impacted our people as we materially reduced our labour cost base. This included a company-wide wage freeze, the cancellation of annual performance incentive payments for our senior leaders and sales teams and significant organisational structure changes. Our priority during these changes has been to ensure those people impacted have been well supported by their leaders as well as with externally provided career guidance workshops and counselling services.

Prior to Covid-19 our annual engagement survey showed we had consolidated the significant gains made in overall engagement in FY19. Pride in working at TVNZ and the perception that TVNZ is a great place to work remain high versus national benchmarks. There was also encouraging improvement in the perception of TVNZ's pace and market leadership, as well as the openness and honesty of communication within the business.

TVNZ placed second in the 2020 Randstad awards. This is the tenth year in a row that TVNZ has placed in the top five New Zealand employment brands reaffirming the public perception of TVNZ as a highly attractive place to work.

Enhancing the experience for new employees was a priority during the year with the launch of a new induction programme. We also refreshed our Code of Conduct providing greater clarity of conduct expectations for all employees.

Based on feedback from our diversity and inclusion survey we continued to offer our on-site te reo classes, and trained contact people across the business to be available to listen to, support and guide colleagues struggling with work or personal related challenges or concerns. We also updated our flexible working policy and guidelines which were brought to life during and post lockdown.

Our safety planning continued to focus on ensuring we proactively and effectively manage the inherent risks of our operations and productions. We also made several changes to enhance security at our Auckland building.

OUR PEOPLE

FULL TIME EQUIVALENT EMPLOYEES

680

FY2019 Full time Equivalents: 670

53% Male

47% Female

WOMEN REPRESENT:

47% of our workforce

55% of our business leaders

50% of our executive team

57% of our board

REMUNERATION PROFILES

Includes casual, part time and entry level roles

<$50k 11%	$50–$100k 54%	$100–$150k 24%	>$150k 11%

Additional information on remuneration is disclosed on page 67.

PAY BY GENDER

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

AVERAGE PAY GAP

FY20 2.4%

FY19 4.6%

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

LIVING WAGE SINCE 2014

TVNZ has ensured all permanent and part time (excludes casual/work experience students) employees are paid a minimum of the living wage.

33

DIFFERENT LANGUAGES SPOKEN

TVNZ people identify with at least

40

DIFFERENT ETHNICITIES

and the most common are:

NZ European /Pākehā 76%

NZ Māori 10%

Chinese 4%

Other ethnicities in the top 10 list include:

Indian

British/English

Filipino

Cook Island Maori

Samoan

Sri Lankan

& South African

14%

OF TVNZ PEOPLE IDENTIFY WITH MORE THAN ONE ETHNIC GROUP

AGE

Our people range in age from

18-74

The average age is

39.1

TENURE

7.3yrs

average tenure

25%

of our people have been with TVNZ for over 10 years

FROM PEOPLE SURVEY '20

89%

OF OUR PEOPLE ARE PROUD TO WORK AT TVNZ

88%

OF OUR PEOPLE SAY THEIR MANAGER CARES ABOUT THEIR WELLBEING

85%

OF OUR PEOPLE BELIEVE THAT TVNZ DOES A GOOD JOB OF KEEPING ITS EMPLOYEES SAFE

FROM DIVERSITY & INCLUSION SURVEY '20

49%

OF OUR PEOPLE WORK FLEXIBLY AT TVNZ

99%

OF OUR PEOPLE SUPPORT DIVERSITY AND INCLUSION WITHIN TVNZ

89%

OF OUR PEOPLE BELIEVE TVNZ PEOPLE TREAT EACH OTHER WITH RESPECT, REGARDLESS OF AGE, GENDER, DISABILITY, SEXUAL ORIENTATION OR OTHER DIFFERENCES

Screen Standards

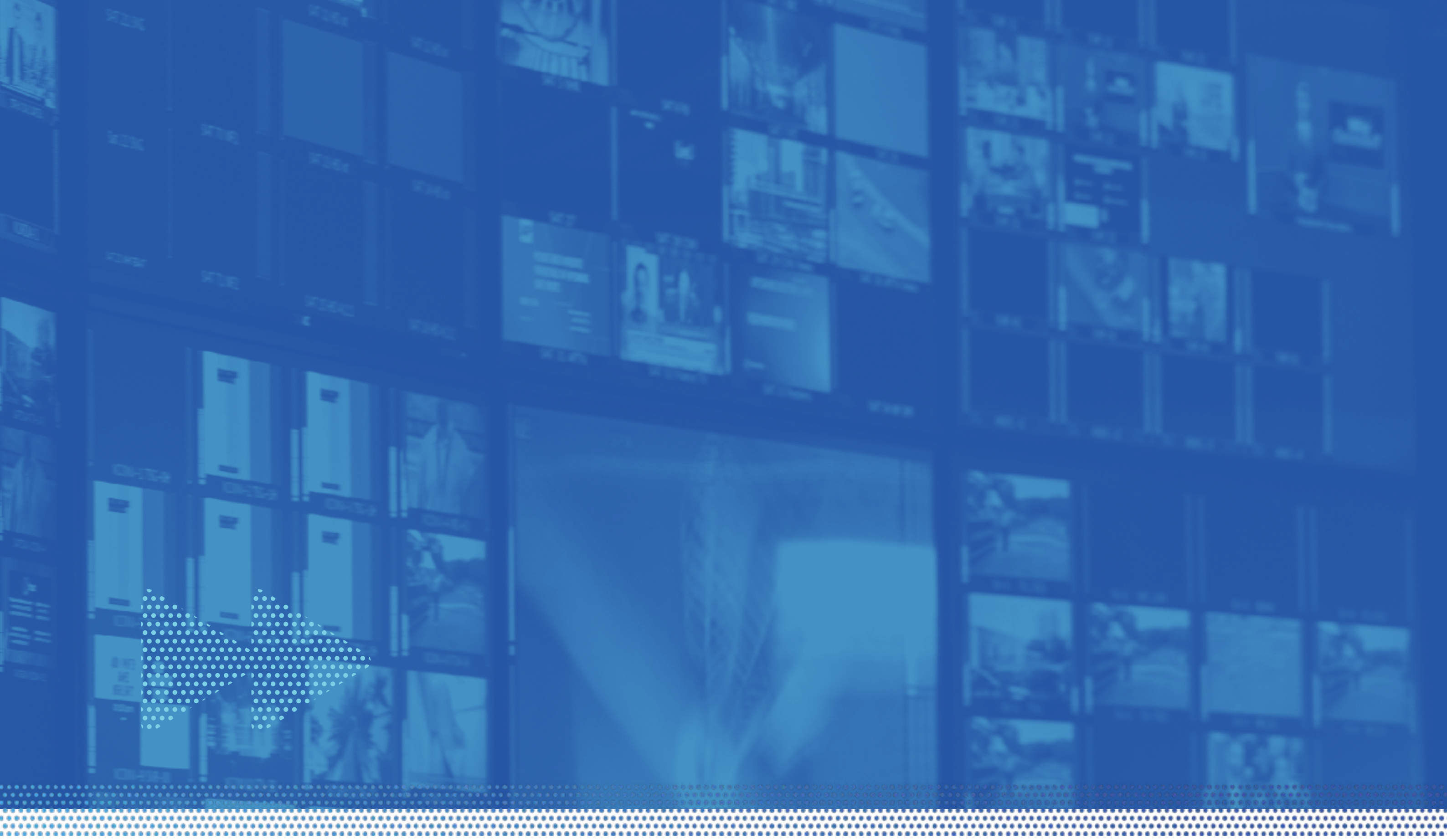
TVNZ broadcasts 20,000 hours of content each year, some of it sparking lively discussion and debate. We welcome feedback from our viewers and through the formal complaints process they play an influential part in the maintenance of screen standards.

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

In the period under review, TVNZ answered 1,328 BSA formal complaints.

- 337 fewer than in the previous year.
- Of these 1,328 complaints, 55 complaints were upheld by the TVNZ Complaints Committee.

Online news and entertainment content falls under the jurisdiction of the Media Council. The TVNZ Complaints Committee responded to 22 complaints under Media Council Principles: one was upheld by the TVNZ Complaints Committee.



Complaints

2019

BSA
- 1665 complaints
- 25 upheld

MEDIA COUNCIL
- 33 complaints
- None upheld

2020

BSA
- 1328 complaints
- 55 upheld

MEDIA COUNCIL
- 22 complaints
- One upheld

Referrals

In FY2020 the BSA handled 34 referrals about TVNZ programming (referrals are counted per BSA decision). Of these two have been upheld by the BSA*.

TVNZ had two referral to the Media Council, not upheld.

2019

BSA
- 30 referred
- 1 upheld

MEDIA COUNCIL
- 1 referred, not upheld

2020

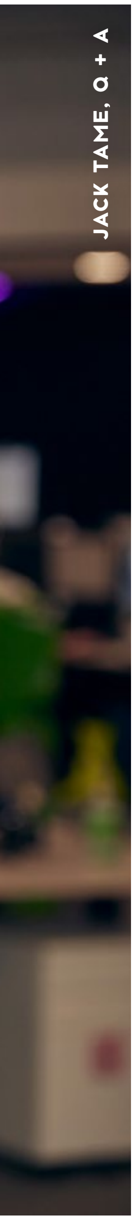
BSA
- 34 referred
- 2 upheld

MEDIA COUNCIL
- 2 referred, not upheld

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

Financial Summary

FOR THE YEAR ENDED 30 JUNE 2020



The financial results for the year were materially impacted by the consequences and remedial actions initiated in response to the first wave of Covid-19.

The table below highlights material adjustments to the financial statements

	2020		
	Reported $000	Adjustments $000	Underlying $000
Operating Revenue	310.8	(5.9)	304.9
Government Relief: Wage Subsidy & transmission fee relief		(5.9)	
Expenses	(320.6)	30.1	(290.5)
Onerous Contract (Programming)		22.6	
OnDemand Reporting change (Programming)		3.9	
Reorganisation expense (Employee benefits)		3.6	
EBITDAF per Income Statement	(9.8)	24.2	14.4

Reported operating revenue for the year benefited from Government relief of $5.9 million received in May and June 2020 which partially offset material revenue declines experienced in the fourth quarter.

Reported operational expenditure of $320.6 million includes $30.1 million of adjustments of which:

- $22.6 million relates to an international content contract that has been impaired due to Covid-19 influenced declines in forecast future revenue from this content
- $3.9 million relates to changes to the recognition of OnDemand content to better match the window in which the content is viewed; and
- $3.6m relates to redundancy costs incurred in the year

Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020


AP - AP CLIENTS ONLY
MOTIVATORS
PRIMARY
SECONDARY
CHRIS RYAN

Contents

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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 2020.

For and on behalf of the Board,

Andy Coupe
Chair

Abigail Foote
Chair, Audit and Risk Committee

25 August 2020

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $000	2019 $000
Operating revenue	4	310,812	310,673
Expenses			
Programming	5	(202,472)	(168,793)
Employee benefits	6	(49,676)	(49,533)
Transmission, technology and telecommunications		(23,051)	(22,169)
Premises and occupancy		(3,557)	(4,033)
Marketing		(12,452)	(14,414)
Other		(29,390)	(27,174)
		(320,598)	(286,116)
Earnings/(loss) before interest, tax, depreciation and amortisation, financial instruments and joint venture (EBITDAF)		(9,786)	24,557
Depreciation and amortisation	6	(20,537)	(19,331)
Interest income		568	668
Interest expense		(163)	(129)
Financial instruments/foreign currency (losses)/gains	7	1,338	(1,628)
Share of results of joint venture	15	(52)	(33)
Profit / (loss) before income tax		(28,632)	4,104
Income tax benefit / (expense)	8	2,816	(1,232)
Profit / (loss) for the year		(25,816)	2,872

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $000	2019 $000
Profit/(loss) for the year		(25,816)	2,872
Other comprehensive income that are not reclassified to profit or loss in subsequent periods			
Revaluation land and buildings	11	10,375	9,077
Income tax effect		(3,213)	(1,898)
Revaluation of land and buildings, net of tax		7,162	7,179
Total comprehensive income/(deficit) for the year		(18,654)	10,051

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

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

	Share capital $000	Revaluation reserve $000	Retained earnings $000	Total $000
At 1 July 2018	140,000	49,864	52,779	242,643
Profit for the year	0	0	2,872	2,872
Other comprehensive income net of income tax	0	7,179	0	7,179
Total comprehensive income for the year	0	7,179	2,872	10,051
Transaction with owners in their capacity as owners				
Dividend paid in the year	0	0	(3,749)	(3,749)
At 30 June 2019	140,000	57,043	51,902	248,945

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	2020 $000	2019 $000
ASSETS			
Current assets			
Cash and cash equivalents	9	52,541	35,800
Trade and other receivables	10	45,019	53,448
Programme rights	12	30,062	43,204
Derivatives	20	161	64
Total current assets		127,783	132,516
Non-current assets			
Property, plant and equipment	11	156,074	156,395
Right-of-use assets	13	1,113	0
Other intangibles	12	9,290	14,090
Deferred tax	8	0	406
Derivatives	20	339	0
Investment in joint venture	15	0	52
Total non-current assets		166,816	170,943
Total assets		294,599	303,459
LIABILITIES			
Current liabilities			
Bank overdraft	9, 16	0	1,640
Trade and other payables	17	35,911	42,790
Employee entitlements	17	4,833	3,959
Deferred income	18	2,084	3,247
Lease liabilities	13	625	0
Derivatives	20	41	835
Provisions	19	3,543	0
Total current liabilities		47,037	52,471
Non-current liabilities			
Employee entitlements	17	994	981
Derivatives	20	0	303
Lease liabilities	13	506	0
Provisions	19	15,771	759
Total non-current liabilities		17,271	2,043
Equity			
Share capital	22	140,000	140,000
Revaluation reserve	22	64,205	57,043
Retained earnings		26,086	51,902
Total equity		230,291	248,945
Total equity and liabilities		294,599	303,459

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 25 August 2020.

Andy Coupe
Chair

Abigail Foote
Chair, Audit and Risk Committee

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $000	2019 $000
Cash flows from operating activities			
Receipts from customers		312,731	302,566
Receipt of programme funding		4,114	4,397
Interest received		570	691
Payments to suppliers and employees		(293,941)	(297,520)
Interest paid		(163)	(129)
Income tax received/(paid)	8	85	(1,977)
Net cash flows from operating activities	22	23,396	8,028
Cash flows used in investing activities			
Proceeds from sale of property, plant and equipment		0	4
Purchase of property, plant and equipment	11	(3,174)	(6,430)
Purchase of intangibles	12	(1,252)	(2,957)
Net cash flows used in investing activities		(4,426)	(9,383)
Cash flows used in financing activities			
Lease liability payments		(605)	0
Dividends paid		0	(3,749)
Net cash flows used in financing activities		(605)	(3,749)
Net increase/(decrease) in cash and cash equivalents		18,365	(5,104)
Net foreign exchange differences		16	(4)
Cash and cash equivalents at the beginning of the year		34,160	39,268
Cash and cash equivalents at the end of the year	9	52,541	34,160

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

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 August 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

b) Impact of the Covid-19 pandemic

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. Covid-19, as well as the measures introduced to slow the spread of the virus, have since had a significant impact on the New Zealand economy. TVNZ has considered the impact of Covid-19 and associated market volatility in preparing these financial statements.

An assessment of the impact of Covid-19 on the TVNZ financial statements is set out below, based on information available at the time of signing these financial statements:

- Note 2c: Going Concern – TVNZ has taken steps to ensure it has significant cash reserves and additional lines of funding available to cover any unforeseen issues
- Notes 5 and 19: Onerous Contract Provision – the reduction of forecast income for the remainder of a studio programme rights contract has resulted in the recognition of an onerous contract provision in the current period. There is heightened uncertainty around revenue forecasts
- Note 11: Land and Buildings – the valuer of land and buildings noted heightened uncertainty in real estate markets, and that a higher degree of caution should be exercised when relying on the valuation
- Note 24: Related party disclosures – TVNZ received funds from the Government's wage subsidy scheme, as well as a transmission fee waiver as part of the Media Sector Support Package
- Note 28: Comparison of forecast to actual results – includes discussion of the impact of Covid-19 on current year performance

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Going Concern

TVNZ reported a loss of $25.8m for the year ended 30 June 2020 (2019: profit of $2.9m). At 30 June 2020 TVNZ had net assets of $294.6m (2019: $303.5m), working capital of $80.7m (2019: $80.0m), and cash balances of $52.5m (2019: $34.2m).

In assessing the adoption of the going concern assumption in the preparation of consolidated financial statements, the Directors have reviewed TVNZ forecasts for the period from 1 July 2020 to 30 September 2021, considered the achievability of the assumptions underlying the forecasts, TVNZ's working capital requirements, and forecast cash balances through the period.

As part of this assessment, TVNZ has reviewed the impact of the Covid-19 situation on the business. In the current environment the Directors are of the view that there is a heightened level of uncertainty around the impact on earnings over the next 12 months.

TVNZ continues to closely manage its cash flow requirements and has taken the following steps to ensure that it has sufficient cash reserves, including:

- The cash on hand at balance date of $52.5m is the highest balance at this date since June 2015
- Engaged with the lender of the $20.0m undrawn cash advance facility to refresh the facility agreement as detailed in Note 27
- Engaged with the shareholders who have agreed to subscribe for an additional equity contribution of $30.0m, should the need arise, as detailed in Note 27

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

- TVNZ has significant net assets, working capital, and cash balances available
- TVNZ's forecast is based on assumptions that are reasonable at the date of these financial statements
- TVNZ's forecast does not expect to draw down on either the debt or equity facilities
- Therefore, there is additional debt ($20.0m) and equity ($30.0m) funding available to TVNZ to cover any unforeseen issues, should the need arise

d) Statement of compliance

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Basis of consolidation

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

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

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

f) Changes in accounting policies and disclosures

Accounting standards and interpretations adopted in the current period

Effective 1 July 2019, TVNZ adopted NZ IFRS 16 Leases. The new standard requires a lessee to recognise a lease liability that reflects future lease payments and a right-of-use asset for virtually all lease contracts.

Refer note 13 for the effect of the new accounting standard on the financial statements.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Note 5 and 19 – Onerous contract
- Note 8 – Income taxes and deferred taxes
- Note 11 – Fair value of land and buildings

4) OPERATING REVENUE

Accounting policy

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

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

Key classes of revenue are recognised on the following basis:

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

TVNZ provides retrospective volume bonuses to certain customers once the quantity of advertising services purchased during the period exceeds a threshold specified in the contract. Volume bonuses are offset against amounts payable by the customer. To estimate the variable consideration for the expected future 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 rebates.

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

4) OPERATING REVENUE *(continued)*

	2020 $000	2019 $000
Advertising revenue	286,284	293,237
Programme funding	6,607	5,443
Other trading revenue	17,921	11,993
	310,812	310,673

5) PROGRAMMING

Programme utilisation (Note 12)	179,837	168,793
Programme rights impairment (Note 12)	7,386	0
Onerous contract (Note 19)	15,249	0
	202,472	168,793

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

This is calculated as the net of estimated revenue and the estimate of programme purchase commitments discounted to present values. This presents as an impairment of current programme rights of $7.4m and an onerous contract provision for future losses of $15.2m. Refer to Note 19 for further details.

Onerous Contract Sensitivity
Due to the impact of Covid-19 there is heightened uncertainty around revenue forecasts. Differences between estimated and actual revenue may result in a material movement in the level of the provision. The following table shows the impact on the provision of 1% movement in the revenue assumptions for the contract.

	+1% $000	(1%) $000
Onerous contract	(1,842)	1,796

6) EXPENSES

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

	2020 $000	2019 $000
Employee benefits expense		
Wages and salaries and other short term benefits	73,541	73,426
Superannuation contribution expense	2,950	2,855
Less employee benefits charged to programmes/capitalised	(26,815)	(26,748)
	49,676	49,533

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

6) EXPENSES *(continued)*

	2020 $000	2019 $000
Depreciation and amortisation		
Depreciation – PPE	14,088	13,836
Depreciation – right to use assets	623	0
Amortisation – software	5,693	5,363
Amortisation – licences	133	132
	20,537	19,331
Auditor's remuneration		
Audit of financial statements	324	303
Other assurance engagements	17	16
Other non audit services	27	9
	368	328

Other non audit services consist of remuneration benchmarking services.

	2020 $000	2019 $000
Reorganisation costs		
Reorganisation costs	3,633	295

Reorganisation costs relate to the costs of redundancy, outplacement and other costs associated with changes in operational areas of the business as a result of changes in the media industry that have been accelerated due to the economic impact of the Covid-19 pandemic.

7) FINANCIAL INSTRUMENTS & 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.

	2020 $000	2019 $000
Foreign currency realised gains/(losses)	(290)	(305)
	(290)	(305)
Fair value changes of derivative financial instruments gains/(losses)	1,534	(2,082)
Foreign currency unrealised gains/(losses)	(196)	454
	1,338	(1,628)

8) INCOME TAX

Accounting policy

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

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

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

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

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

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

Judgements and estimates

TVNZ'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.

Net deferred tax assets have not been recognised for deductible temporary differences as management considers that it is unlikely that there will be taxable profits available in the near future to utilise those temporary differences.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

8) INCOME TAX *(continued)*

	2020 $000	2019 $000
a) Income tax		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current period	(13)	187
Adjustments for prior year	4	(6)
	(9)	181
Deferred income tax		
Origination and reversal of temporary differences	1,291	1,051
Impact of change to income tax legislation	(4,098)	0
	(2,807)	1,051
Total income tax (benefit)/expense	(2,816)	1,232

	2020 $000	2019 $000
b) Reconciliation of income tax expense		
Profit/(losses) before income tax for the year	(28,632)	4,104
Taxation at 28%	(8,017)	1,149
Adjusted for the tax effect of:		
Non deductible expenditure	84	80
Share of results and impairment of joint venture	15	9
Income tax (over)/under provided in prior years	4	(6)
Impact of change to income tax legislation	(4,098)	0
Deferred tax asset not recognised	9,196	0
Total tax (benefit)/expense	(2,816)	1,232

c) Recognised deferred tax assets/(liabilities)

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

8) INCOME TAX *(continued)*

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

	2019	
	Current income tax $000	Deferred income tax $000
Opening balance	(1,720)	3,355
Charged to income statement – tax expense	(181)	(1,051)
Charged to revaluation reserve	0	(1,898)
Other payments	1,977	0
Closing balance	76	406
Tax expense in income statement		(1,232)
Amounts recognised in the balance sheet:		
Deferred tax asset		406

	Balance Sheet	
	2020 $000	**2019** $000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets/(liabilities)		
Programme rights	13,273	8,175
Employee entitlements	1,361	1,940
Property, plant and equipment and software	(8,071)	(10,912)
Provisions	726	212
Other	393	35
Tax losses	1,514	956
Deferred tax asset not recognised	(9,196)	0
	0	406

	2020 $000	**2019** $000
d) Imputation credit account		
The amount of imputation credits available for use in subsequent reporting periods	28,451	28,460

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

9) CASH & CASH EQUIVALENTS

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

	2020 $000	2019 $000
Cash at bank and in hand	32,541	25,800
Short term deposits	20,000	10,000
Cash and cash equivalents in the statement of financial position	52,541	35,800
Bank overdrafts used for cash management purposes	0	(1,640)
Cash and cash equivalents in the statement of cash flows	52,541	34,160

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. Trade receivables are classified as subsequently measured at amortised cost on the basis of the assets contractual cash flow characteristics and TVNZ's business model for managing them. Trade receivables are held to collect the contractual cash flows.

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

	2020 $000	2019 $000
Trade receivables	29,146	36,344
Less provision for receivables impairment	(200)	(10)
Prepaid programme rights	12,176	13,671
Prepayments – other	3,897	3,367
Tax receivable	0	76
	45,019	53,448

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

10) TRADE AND OTHER RECEIVABLES *(continued)*

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

	2020 $000	2019 $000
Current	28,697	33,357
Up to 30 days overdue	333	2,875
Between 30 and 90 days	93	100
Over 90 days overdue	23	12
	29,146	36,344

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

11) PROPERTY, PLANT AND EQUIPMENT

Accounting policy
Items of property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost to acquire the asset and other directly attributable costs incurred to bring the asset to the location and condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Items of work in progress are transferred to the appropriate class of property, plant and equipment on completion. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

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

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

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

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

Impairment

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

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

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

Judgements and estimates

The land and buildings fair values are based on market valuations prepared by CBRE, an independent valuer who has valuation experience for similar land and buildings in New Zealand. The valuations completed by the valuer for land and buildings are based on the average market capitalisation and discounted cash flow methods. The significant input for the discounted cash flow inputs are the discount rate, terminal yield, the growth rate and market rental.

Valuers Special Assumption – Market Volatility and Uncertainty

The outbreak of the Novel Coronavirus (Covid-19) was declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020. Given the heightened uncertainty and unknown impact that Covid-19 might have on real estate markets in the future, a higher degree of caution should be exercised when relying on the valuation. Values and incomes may change more rapidly and significantly than during standard market conditions. To this end, CBRE recommend that TVNZ keep the valuation of this property under frequent review. TVNZ has considered this together with the key assumptions used in the valuation, and believe the valuation still represents the most appropriate value of the property under the current circumstances.

A net gain from the revaluation of land and buildings of $10,375,000 was recognised in Other Comprehensive Income during the year.

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.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

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

	Land & Buildings $000	Plant & Equipment $000	Motor Vehicles $000	Work in Progress $000	Total $000
Year ended 30 June 2020					
At 1 July 2019 net of accumulated depreciation and impairment	134,635	19,832	881	1,047	156,395
Revaluation	10,375	0	0	0	10,375
Additions	118	167	0	2,889	3,174
Transfers from WIP	108	2,663	962	(3,733)	0
Reclassification from Software WIP	0	0	0	226	226
Disposals	0	(8)	0	0	(8)
Depreciation charge	(6,116)	(7,657)	(315)	0	(14,088)
Closing net book amount	139,120	14,997	1,528	429	156,074
At 30 June 2020					
Cost and valuation	140,477	111,765	2,356	429	255,027
Accumulated depreciation and impairment	(1,357)	(96,768)	(828)	0	(98,953)
	139,120	14,997	1,528	429	156,074
Year ended 30 June 2019					
At 1 July 2018 net of accumulated depreciation and impairment	131,065	20,033	1,000	806	152,904
Revaluation	9,077	0	0	0	9,077
Additions	674	4,717	113	926	6,430
Transfers from WIP	14	668	3	(685)	0
Reclassification from Software WIP	0	1,842	0	0	1,842
Disposals	0	(22)	0	0	(22)
Depreciation charge	(6,195)	(7,406)	(235)	0	(13,836)
Closing net book amount	134,635	19,832	881	1,047	156,395
At 30 June 2019					
Cost	135,812	109,343	1,391	1,047	247,593
Accumulated depreciation	(1,177)	(89,511)	(510)	0	(91,198)
	134,635	19,832	881	1,047	156,395

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

12) INTANGIBLE ASSETS

Accounting policy

Programme rights

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

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

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

Software

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

Frequency licences

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

Development costs

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

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

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

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

Judgements and estimates

Development costs are only capitalised by TVNZ 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 2020

12) INTANGIBLE ASSETS *(continued)*

	Programme Rights $000	Software $000	Licences $000	Total $000
Year ended 30 June 2020				
At 1 July 2019 net of accumulated amortisation and impairment	43,204	12,712	1,378	57,294
Additions (internally generated)	44,424	0	0	44,424
Additions (externally purchased)	129,657	1,252	0	130,909
Reclassifications	0	(226)	0	(226)
Disposals	0	0	0	0
Amortisation charge	(179,837)	(5,693)	(133)	(185,663)
Impairment	(7,386)	0	0	(7,386)
Closing net book amount	30,062	8,045	1,245	39,352
At 30 June 2020				
Cost	176,846	37,594*	3,109	217,549
Accumulated amortisation and impairment	(146,784)	(29,549)	(1,864)	(178,197)
	30,062	8,045	1,245	39,352
Current asset	30,062	0	0	30,062
Non-current asset	0	8,045	1,245	9,290
	30,062	8,045	1,245	39,352
Year ended 30 June 2019				
At 1 July 2018 net of accumulated amortisation and impairment	54,842	16,960	1,510	73,312
Additions (internally generated)	43,607	0	0	43,607
Additions (externally purchased)	113,548	2,957	0	116,505
Reclassifications	0	(1,842)	0	(1,842)
Disposals	0	0	0	0
Amortisation charge	(168,793)	(5,363)	(132)	(174,288)
Closing net book amount	43,204	12,712	1,378	57,294
At 30 June 2019				
Cost	210,223	36,567*	3,109	249,899
Accumulated amortisation and impairment	(167,019)	(23,855)	(1,731)	(192,605)
	43,204	12,712	1,378	57,294
Current asset	43,204	0	0	43,204
Non-current asset	0	12,712	1,378	14,090
	43,204	12,712	1,378	57,294

*Included in software are assets under development of $149,000 (2019: $757,000).

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

13) LEASES

Accounting policy

TVNZ has lease contracts for various offices which were classified as operating leases until 30 June 2019. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

Upon adoption of NZ IFRS 16 TVNZ applied a single recognition and measurement approach for all leases except short term leases and leases of low value assets. From 1 July 2019 TVNZ recognises a right of use asset and a corresponding lease liability.

TVNZ adopted NZ IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application

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

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

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

The following table shows the movements and analysis in relation to right of use assets and lease liabilities, created on the adoption of NZ IFRS 16.

	Buildings
	$000
Right of use assets	
Right of use assets recognised 1 July 2019	1,736
Additions	0
Depreciation for the period	(623)
Closing net book amount	1,113
Lease liabilities	
Lease liability recognised 1 July 2019	1,736
Interest for the period	46
Lease payments made	(651)
Lease liabilities at 30 June	1,131
Lease Liability – current	625
Lease Liability – non-current	506
	1,131
Lease related expenses included in the income statement	
Depreciation	623
Interest on leases	46
	669

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

14) GROUP COMPANIES

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

		% holding	
Name	Principal activity	**2020**	**2019**
Freeview Television Limited	Non trading	100%	100%
nzoom Limited	Non trading	100%	100%
TVNZ International Limited	Non trading	100%	100%
TVNZ Investments Limited	Non trading	100%	100%

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

15) INTEREST IN JOINT VENTURES

Accounting policy

TVNZ's interest in a joint venture is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, TVNZ's share of the profits or losses of the joint venture is recognised in the income statement and the share of movements in other comprehensive income is recognised in the statement of other comprehensive income.

The cumulative movements are adjusted against the carrying amount of the investment.

			% holding	
Name	Balance Date	Principal activity	**2020**	**2019**
Freeview Limited	30 June	Free to air digital platform	44.9%	44.9%
KPEX Limited	31 March	Advertising services	25.0%	25.0%

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

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

16) 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.

	2020 $000	2019 $000
Current		
Bank overdraft (unsecured)	0	1,640

In addition to the unsecured overdraft TVNZ has a revolving cash advance facility committed to a maximum amount of $20.0 million (June 2019: $20.0 million); these facilities expire in December 2021. This facility is undrawn at 30 June 2020. Refer Note 21 for details on management of interest rate risk related to borrowings and Note 27 relating to amending the facility agreement.

17) TRADE AND OTHER PAYABLES

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

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

	2020 $000	2019 $000
Current		
Trade payables and accruals	35,911	42,790
	35,911	42,790
Employee entitlements		
Current	4,833	3,959
Non-current	994	981
	5,827	4,940

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

18) DEFERRED INCOME

	2020 $000	2019 $000
Programme funding (NZOA/TMP)	467	543
Other	1,617	2,704
	2,084	3,247

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

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

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

19) PROVISIONS

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

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

Movement in provisions

	Reorganisation $000	Onerous Contract $000	Make good $000	Total $000
At 1 July 2019	0	0	759	759
Raised during the year	3,306	15,249	0	18,555
Utilised during the year	0	0	0	0
At 30 June 2020	3,306	15,249	759	19,314
Current	3,306	237	0	3,543
Non-current	0	15,012	759	15,771
At 30 June 2020	3,306	15,249	759	19,314
Current 2019	0	0	0	0
Non-current 2019	0	0	759	759
At 30 June 2019	0	0	759	759

19) PROVISIONS *(continued)*

Nature and timing of provision

Reorganisation

The reorganisation provision balance relates to the costs of redundancy, outplacement and other costs associated with changes in operational areas of the business as a result of changes in the media industry that have been accelerated due to the economic impact of the Covid-19 pandemic.

Onerous contract

Due to 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. Due to the impact of Covid-19 there is heightened uncertainty around revenue forecasts. Differences between estimated and actual revenue may result in a material movement in the level of the provision, refer Note 5.

Make good

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

20) DERIVATIVES

Accounting policy

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

20) DERIVATIVES *(continued)*

	2020 $000	2019 $000
Current assets		
Forward currency contracts	161	0
Foreign currency embedded derivative contracts	0	64
	161	64
Non-current assets		
Forward currency contracts	338	0
Foreign currency embedded derivative contracts	1	0
	339	0
Current liabilities		
Forward currency contracts	0	835
Foreign currency embedded derivative contracts	41	0
	41	835
Non-current liabilities		
Forward currency contracts	0	303
	0	303

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

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

	2020 NZD $000	2019 NZD $000
Buy AUD/Sell NZD – Maturity 0 - 12 months	20,212	33,440
Buy AUD/Sell NZD – Maturity 13 - 24 months	12,554	15,000
Buy AUD/Sell NZD – Maturity 25 - 36 months	0	4,221

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

20) DERIVATIVES *(continued)*

	2020 NZD $000	2019 NZD $000
Embedded derivatives		
Sell AUD/Buy NZD – Maturity 0-12 months	2,327	7,072
Sell AUD/Buy NZD – Maturity 13-36 months	283	134

21) FINANCIAL RISK FACTORS

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

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

TVNZ has the following categories of financial instruments:

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

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

Currency risk

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

At 30 June TVNZ had the following foreign currency exposures.

	2020 $000	2019 $000
Financial assets		
Cash and cash equivalents	207	159
Trade and other receivables	0	57
	207	216
Financial liabilities		
Trade and other payables	(9,687)	(14,782)
	(9,687)	(14,782)
Foreign currency derivatives		
Forward contracts	32,766	52,661
Embedded derivatives	(2,610)	(7,206)
	30,156	45,455
Total net exposure	20,676	30,889

21) FINANCIAL RISK FACTORS *(continued)*

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

	Post tax profit		Equity	
	+10% $000	(10%) $000	+10% $000	(10%) $000
2020	(1,512)	1,512	(1,512)	1,512
2019	(2,136)	2,136	(2,136)	2,136

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

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

	2020 $000	**2019** $000
Financial assets		
Cash and cash equivalents	52,541	35,800
Financial liabilities		
Bank overdrafts	0	(1,640)
Net exposure	52,541	34,160

TVNZ 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 2020 (30 June 2019: nil).

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

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

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

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

21) FINANCIAL RISK FACTORS *(continued)*

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

At 30 June 2020 TVNZ has available $20.0m (2019: $20.0m) of undrawn committed facilities. These bank facilities expire in December 2021.

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

	2020			
Group	Within one year $000	One to two years $000	Two to five years $000	Total $000
Bank overdraft	0	0	0	0
Trade and other payables	35,911	0	0	35,911
Employee benefits	4,833	199	795	5,827
Forward exchange contracts – outflow	20,212	12,554	0	32,766
Forward exchange contracts – inflow	(20,373)	(12,892)	0	(33,265)
	40,583	(139)	795	41,239

	2019			
Group	Within one year $000	One to two years $000	Two to five years $000	Total $000
Bank overdraft	1,640	0	0	1,640
Trade and other payables	42,790	0	0	42,790
Employee benefits	3,959	196	785	4,940
Forward exchange contracts – outflow	33,440	15,000	4,221	52,661
Forward exchange contracts – inflow	(32,605)	(14,697)	(4,221)	(51,523)
	49,224	499	785	50,508

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

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

21) FINANCIAL RISK FACTORS *(continued)*

The fair value of the financial instruments is estimated using Level 2 criteria such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. The fair value of land and buildings is estimated using level 3 criteria, refer to Note 11 for valuation details. The fair values of these Level 2 and Level 3 valuations are presented in the following table.

	2020	**2019**
	$000	$000
Financial assets		
Derivative instruments		
Foreign currency contracts	499	0
Foreign currency embedded derivative contracts	1	64
	500	64
Financial liabilities		
Derivative instruments		
Foreign currency contracts	0	1,138
Foreign currency embedded derivative contracts	41	0
	41	1,138

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

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

There have been no material changes to TVNZ's management of capital during the year. Refer Note 27 for changes to capital post 30 June 2020

22) SHARE CAPITAL AND RESERVES

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

Share capital
As at 30 June 2020 there were 140,000,000 shares issued and fully paid (2019: 140,000,000). All ordinary shares rank equally with one vote per share and carry rights to dividends.

Refer to Note 27 regarding the issue of unpaid ordinary shares after balance sheet date.

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

Revaluation reserve

	2020	**2021**
	$000	$000
Movement in Revaluation reserve:		
Opening balance	57,043	49,864
Charged to other comprehensive income (net of tax)	7,162	7,179
Closing balance at 30 June	64,205	57,043

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

23) CASH FLOW STATEMENT RECONCILIATION

	Notes	2020 $000	2019 $000
Reconciliation of net profit after tax to net cash flows from operations			
Net profit/(loss)		(25,816)	2,872
Adjustments for:			
Depreciation and amortisation (excluding programme rights)	6	20,537	19,331
Loss/(gain) on disposal of property, plant and equipment		8	18
Unrealised foreign currency losses/(gains)	7	(1,338)	1,628
Share of associate net results and provisions	15	52	33
Impairment of programme rights	5, 12	7,386	0
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		8,353	(7,205)
(Increase)/decrease deferred tax asset		(2,807)	1,051
(Increase)/decrease programme rights		5,756	11,638
Increase/(decrease) trade and other payables		(6,203)	(18,923)
Increase/(decrease) deferred income		(1,163)	(246)
Increase/(decrease) income tax payable		76	(1,796)
Increase/(decrease) provisions		18,555	(373)
Net cash from operating activities		23,396	8,028

24) RELATED PARTY DISCLOSURES

a) Subsidiaries

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

b) Joint venture

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

	2020 $000	2019 $000
Joint venture		
Revenue from Freeview Limited	1,094	1,069
Purchases from Freeview Limited	778	893
Amounts owed by Freeview Limited	478	773
Amounts owed by KPEX Limited	0	24

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

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

24) RELATED PARTY DISCLOSURES *(continued)*

c) Government entities

	2020 $000	2019 $000
Funding from NZOA and TMP	6,607	5,443
Revenue from crown entities	1,391	1,410
Revenue from crown departments	7,751	0
Purchases from crown entities	6,794	7,310
Amounts owed by crown entities	842	404
Amounts owed to crown entities	142	81
Revenue in advance from NZOA	467	543

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

d) Key management personnel

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

Key Management		
Salary and other short term benefits (incl termination benefits)	5,555	5,428
Defined contribution superannuation expense	272	265
	5,827	5,693
Directors		
Directors' Fees	331	369

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

25) COMMITMENTS

	2020 $000	2019 $000
a) Programme rights		
Within one year	98,943	38,388
One to five years	57,693	66,009
Later than five years	1,472	0
	158,108	104,397

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. $55.4m of commitments are included in the calculation of the onerous contract provision.

b) Operating leases		
Within one year	40	923
One to five years	0	957
	40	1,880
Operating lease commitments reconciliation	1,880	
Opearting lease commitments at 30 June 2019	3.3%	
Weighted average incremental borrowing rate at 1 July 2019	1,814	
	(333)	
Less Commitments relating to short term leases		
	255	
Add lease payments relating to renewal periods not included in operarting lease commitments as at 30 June 2019		
	1,736	
Lease liabilities at 1 July 2019		
c) Property, plant and equipment and software		
Within one year	134	420

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

26) CONTINGENT LIABILITIES

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

27) EVENTS AFTER THE BALANCE SHEET DATE

In August 2020, TVNZ amended its revolving cash advance facility agreement to update the covenant definitions in the agreement. This refresh was to better reflect the commercial intent of the provisions, and to align the definitions with current market practice.

In August 2020, TVNZ entered into a Share Subscription Agreement with its shareholders. Under this agreement, TVNZ issued 30,000,000 unpaid ordinary shares. If certain conditions are met, TVNZ may call on these unpaid shares and if called, the unpaid shares have an issue price of $1 per share. At the date of this report, TVNZ has not called on the unpaid shares. The Share Subscription Agreement expires on 30 June 2021.

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

28) COMPARISON OF FORECAST TO ACTUAL RESULTS

	Actual $000	Forecast $000
a) Financial performance		
Revenue	310,812	310,605
Operating expenses	(320,598)	(308,208)
EBITDAF	(9,786)	2,397
Interest income	568	510
Interest expense	(163)	(133)
Depreciation and amortisation	(20,537)	(19,860)
Financial instruments/foreign currency gains/(losses)	1,338	0
Share of results of joint venture	(52)	0
Income tax expense	2,816	0
Net loss for the year	(25,816)	(17,086)
b) Movements in equity		
Net loss for the year	(25,816)	(17,086)
Other comprehensive income	7,162	0
Movements in equity for the year	(18,654)	(17,086)
Equity at start of the year	248,945	245,124
Equity at end of the year	230,291	228,038

Operating revenue was in line with forecast at $310.8 million due to a combination of strong advertising performance pre Covid-19 and $5.9 million Government relief, offsetting the material declines in advertising demand experienced in the fourth quarter of the year.

TVNZ reported an EBITDAF loss of ($9.8 million) for the financial year ending 30 June 2020, a variance of $12.2 million against forecast due to a $22.6 million content contract impairment charge resulting from the weaker outlook for advertising revenue; increased investment in local content; unbudgeted restructuring costs; and a cost out programme introduced to counter the negative revenue impact of Covid-19.

Notes to the Consolidated Financial Statements *(continued)*

FOR THE YEAR ENDED 30 JUNE 2020

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

c) Financial position		
Current assets	127,783	121,051
Non-current assets	166,816	157,136
Total assets employed	294,599	278,187
Current liabilities	47,037	48,238
Non-current liabilities	17,271	1,911
Total liabilities	64,308	50,149
Share capital	140,000	140,000
Revaluation reserve	64,205	55,097
Retained earnings	26,086	32,941
Total equity	230,291	228,038
Total equity and liabilities	294,599	278,187

Current assets are above forecast due to higher cash on hand. Non-current assets are above forecast and reflect the revaluation of land and buildings and derecognition of a deferred tax asset. Current liabilities are in line with forecast. Non-current liabilities are above forecast due to the non-current onerous contract provision.

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

	Actual $000	Forecast $000
d) Cash flows		
Net cash flows from/(to):		
Operating activities	23,396	489
Investing activities	(4,426)	(8,000)
Financing activities	(605)	0
Net (decrease)/increase in cash held	18,365	(7,511)
Add opening cash brought forward	34,160	38,649
Net foreign exchange differences	16	0
Ending cash carried forward	52,541	31,138

Timing of receipts from customers and the cost out programme in response to Covid-19 has resulted in above forecast cash flows from operating activities. Cash flows to investing activities are below forecast and reflect timing changes in capital expenditure.

e) Performance targets		
Profitability		
Return on average equity	-10.8%	-7.2%
Gearing		
Net interest bearing debt/net interest bearing debt plus equity	0.0%	< 40%
Financial stability		
Total equity/total assets	78.2%	> 40%
Interest cover		
EBITDAF/interest expense	99 times	> 4 times

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

Forecast amounts
The forecast amounts are those approved by the Board before the beginning of the 2020 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

To the shareholders of Television New Zealand Limited for the year ended 30 June 2020.

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

OPINION

We have audited:

- the financial statements of the Group on pages 29 to 62, that comprise the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information

In our opinion:

- the financial statements of the Group on pages 29 to 62:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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; and
  - comply with generally accepted accounting practice in New Zealand.

Our audit was completed on 25 August 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. 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.

IMPACT OF COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in notes 2b, 5, 11, 19 and 28 to the financial statements. We draw specific attention to the following matters due to the significant level of uncertainty caused by Covid-19:

Land and Buildings

Note 11 describes the heightened uncertainty highlighted by the valuer, related to the estimation of the fair values of the Group's land and buildings.

Forecast Earnings

Notes 2b, 5 and 19 explain the heightened level of uncertainty created by the COVID-19 pandemic on forecast revenue and therefore future earnings.

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.

Report of the Auditor-General

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, Companies Act 1993 and the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board

Report of the Auditor-General

Building a better working world

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 4 to 62, but does not include the financial statements, and our auditor's report thereon.

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

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

INDEPENDENCE

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

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

Susan E Jones

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

Additional Information

PRINCIPAL ACTIVITY

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

SHAREHOLDING

TVNZ is wholly owned by the Crown.

The Shareholding Ministers at balance date were:

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

DIRECTORS

Patricia Carter and Keiran Horne were appointed to the Board on 1 March 2020 and 1 July 2020 respectively. Dame Therese Walsh term ended on 31 October 2019 and Cameron Harland resigned from the Board on 9 March 2020.

AUDITOR

The Auditor-General is the auditor of TVNZ in accordance with Section 14 (1) of the Public Audit Act 2001 and has appointed Susan Jones of Ernst & Young to act for and on his behalf as auditor in 2020.

GENERAL DISCLOSURES

The following disclosure of interests were made to the Board:

DIRECTORS' DISCLOSURES

General disclosures of interest given by TVNZ pursuant to Section 211 of the Companies Act 1993 as at 30 June 2020:

R Andrew Coupe (Chair)

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

Patricia Carter

Asia New Zealand Foundation	Honorary Trustee/Complaints Committee member
Empire Foods (New Zealand) Limited	Director

Abigail Foote

Freightways Limited	Director
Sanford Limited	Director
Z Energy Limited and subsidiaries	Chair

Tokorangi Kapea

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

Additional Information

Kevin Malloy

Dingle Foundation	Trustee
FMG Limited	Consultant
Foodstuffs (NZ) Limited	Consultant
Halberg Foundation	Trustee
Kiwibank Limited	Director
kM54 Limited	Director
Lion Breweries Limited	Consultant
NZ Cricket	Director
NZTE	Beachheads Advisor
Tourism New Zealand	Consultant

Julia Raue

Jade Software Corporation Limited	Director
Jeeps Investments Limited	Director
Rowdy Consulting Limited	Director
Southern Cross Health Society	Director
Southern Cross Pet Insurance Limited	Director
The Warehouse Group Limited	Director
Z Energy Limited and subsidiaries	Director

SPECIFIC DISCLOSURES

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

USE OF COMPANY INFORMATION

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

DIRECTORS' REMUNERATION & BENEFITS

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

Director	$
Andrew Coupe (Chair from 1 November 2019)	74,086
Patricia Carter (Term started 1 March 2020)	13,775
Abigail Foote	49,003
Tokorangi Kapea	43,558
Kevin Malloy (Deputy Chair from 1 April 2020)	44,815
Cameron Harland (Resigned 9 March 2020)	32,597
Julia Raue	43,558
Dame Therese Walsh (Term ended 31 October 2019)	29,783
	331,175

DIRECTORS' INDEMNITY INSURANCE

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

Additional Information

TVNZ'S APPROACH TO EXECUTIVE REMUNERATION

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

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

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

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

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

FIXED TERM REMUNERATION

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

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

SHORT-TERM PERFORMANCE INCENTIVES

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

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

The scheme has been designed to ensure an appropriate balance between fixed and "at risk" performance based pay. The target value of an STI payment is set as a percentage of the executive's base salary. For FY2020 the target for the Chief Executive was 62.5% and for all other executives it was 20% to 40%. These percentage targets take into account that there is no long-term at risk performance incentive (LTI) component to remuneration at TVNZ.

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

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

The incentive scheme for FY20 was split into two parts:

1. Financial Performance Assessment
– 30% executives, 40% CEO

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

2. Non-financial Assessment – 70% executives, 60% CEO

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

a) Business outcomes – 60% executives, 45% CEO
b) Leadership – 10% executives, 15% CEO

CHIEF EXECUTIVE REMUNERATION

	2020 $	2019 $
Base Salary	840,857	840,857
Holiday Pay	49,509	49,567
Fixed Remuneration	890,366	890,424
Short Term Performance Incentive	633,534	584,736
Superannuation	76,030	73,569
Total	1,599,930	1,548,729

Note:

- Holiday pay is paid as per New Zealand legislation
- The FY20 short term performance incentive paid to the CEO in September of each year relates to his performance against the criteria set for the previous financial year.
- The Chief Executive is a member of the Superlife Millennium super scheme. As a member of this scheme, the Chief Executive is eligible to contribute and receive a matching company contribution of 5% of gross taxable earnings.

FIVE-YEAR SUMMARY – CHIEF EXECUTIVE'S REMUNERATION

	Base salary $	Total remuneration paid $*	Percentage STI against maximum %^
FY20	840,857	1,599,930	81%
FY19	840,857	1,548,729	81%
FY18	840,857	1,428,908	75%
FY17	840,857	1,356,573	69%
FY16	800,816	1,214,897	67%

*Total remuneration paid including salary, benefits and STI payments
^STI payments are related to performance for the previous financial year. The FY16-19 targets were 57.5% of base salary, the FY20 target was 62.5%

Additional Information

BREAKDOWN OF CHIEF EXECUTIVE'S PAY FOR PERFORMANCE FOR FY19

(Paid in September 2020 for FY19 performance)

Short Term Incentive	Performance Measures	Percentage achieved %
Set at 62.5% of base salary. Based on a combination of key financial and non-financial performance measures.	40% based on TVNZ earnings performance	
	EBITDAF	143%
	NPAT	130%
	45% based on business targets	
	TV Revenue Share	73%
	Audience Reach	128%
	Strategic Agenda	80%
	15% based on leadership performance	150%

Note:

- A decision was made not to pay the CEO FY20 STI incentives in response to the economic impact of Covid-19 on the business. This will be reflected in actual payments received in FY21.

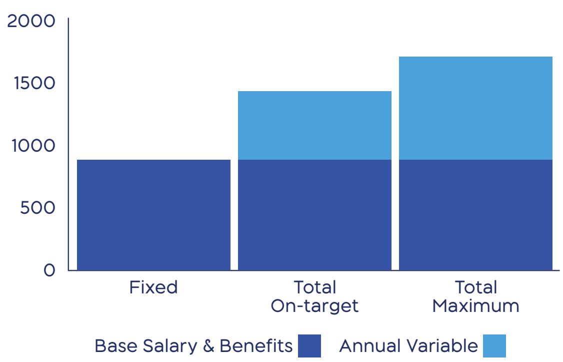
FY21 CHIEF EXECUTIVE'S REMUNERATION STRUCTURE

The Board has elected in the interests of transparency, to disclose in advance the structure and package that will apply for FY21.

FY2021	
Base Salary $	840,857
Benefits $	42,043
Subtotal $	882,900
STI On Target $	525,536
Benefits On Target $	26,277
Total On Target $	1,434,713

Benefits include superannuation only

Chief Executive's remuneration performance pay for FY2021



EMPLOYEE REMUNERATION

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

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

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

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

	Current employees	Former employees
$100,000 to $110,000	49	2
$110,001 to $120,000	41	1
$120,001 to $130,000	35	1
$130,001 to $140,000	20	2
$140,001 to $150,000	18	0
$150,001 to $160,000	10	0
$160,001 to $170,000	10	2
$170,001 to $180,000	6	0
$180,001 to $190,000	9	1
$190,001 to $200,000	9	1
$200,001 to $210,000	5	0
$220,001 to $230,000	2	0
$230,001 to $240,000	6	0
$240,001 to $250,000	5	0
$250,001 to $260,000	1	0
$260,001 to $270,000	3	0
$270,001 to $280,000	2	0
$280,001 to $290,000	0	1
$290,001 to $300,000	1	0
$310,001 to $320,000	1	1
$320,001 to $330,000	1	0
$330,001 to $340,000	2	0
$340,001 to $350,000	1	0
$390,001 to $400,000	1	0
$400,001 to $410,000	1	0
$410,001 to $420,000	1	0
$420,001 to $430,000	0	1
$440,001 to $450,000	2	0
$470,001 to $480,000	1	0
$480,001 to $490,000	1	1
$490,001 to $500,000	2	0
$520,001 to $530,000	1	0
$590,001 to $600,000	2	0
$1,590,001 to $1,600,000	1	0
	250	14

EMPLOYEE COMPENSATION ON TERMINATION OF EMPLOYMENT

During the year $485,814 compensation was paid in total to seven employees whose employment was terminated. Compensation includes redundancy entitlements, payment in lieu of notice and any payments in settlement of disputes.

Corporate Governance

The Board

ROLE OF THE BOARD

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

The Board agrees 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 19 times during the financial year. This frequency was unusually high due to the pressing needs of the Covid-19 pandemic, during which weekly meetings were held by video conference.

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

APPOINTMENT OF DIRECTORS

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

The Board comprises individuals with a wide range of experiences and skills to ensure that all governance responsibilities are completed in a manner consistent with best possible management practice. Profiles of each of the Directors who were serving at year end are set out on page 70 to 71 of this report.

FUTURE DIRECTOR

In June 2019, the Board appointed Aliesha Staples as the Company's first Future Director

BOARD COMMITTEES

The Board has two standing committees:

Audit and Risk Committee
The Audit and Risk Committee met three 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), Trish Carter, Julia Raue and Andy Coupe.

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

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

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

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

Key Governance Statements

OCCUPATIONAL WELL-BEING AND SAFETY

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

BUSINESS CONTINUITY, INSURANCE AND RISK MANAGEMENT

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

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

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

EDITORIAL INDEPENDENCE

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

EXTERNAL AUDITOR

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

LEGISLATIVE COMPLIANCE

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

Media Standards

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

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

Director Profiles

ANDREW COUPE

CHAIRMAN – HAMILTON

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

KEVIN MALLOY

DEPUTY CHAIR – AUCKLAND

Kevin has extensive experience in advertising and marketing in New Zealand, New York, Hong Kong and London.

He was with the global media agency Starcom for 29 years, including in the role of Global Client Director for 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, owner of Starcom and Zenith Optimedia).

Kevin is currently on the Board of Kiwibank, the Halberg Trust, the Graeme Dingle Foundation and New Zealand Cricket. He is also a Beachheads Advisor for NZTE and has a consulting role with Tourism NZ on their global media and digital strategy.

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 Chair of Z Energy Limited and a director of Sanford Limited and Freightways Limited. Abby's previous governance experience includes Transpower New Zealand Limited, Museum of New Zealand Te Papa Tongarewa, Livestock Improvement Corporation Limited (LIC) and the New Zealand Local Government Funding Agency Limited (LGFA).

JULIA RAUE

AUCKLAND

Julia is an Independent Director for Television New Zealand, Z Energy Limited, The Warehouse Group, Southern Cross Medical Care Society, Southern Cross Pet Insurance Limited and Jade Software Corporation. She has extensive experience in information technology, business transformation and strategic planning across the airline, telecommunications, local government and not-for-profit sectors. Previously Julia was the Chief Information Officer of Air New Zealand (2007-2015) and was awarded the New Zealand CIO of the Year award in 2009. She is a member of the NZ Institute of Directors, a graduate of the Australian Institute of Company Directors, and a member of Global Women New Zealand. 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 Limited and a partner in Tuia Legal. Tuia Group provides business consulting, commercial law and economic development services. He's previously worked for Chapman Tripp, BNZ, Meridian Energy, St George Bank NZ, ANZ and Powershop.

Toko has developed his governance skills through appointments to a number of Māori Trusts and incorporations including Parininihi ki Waitotara Incorporation and Ngati Apa Developments Ltd. He is also on the board of Bathurst Resources Limited and Duke Exploration Limited.

TRISH CARTER

AUCKLAND

Trish Carter has held senior news and current affairs positions in New Zealand radio and television. She was the first Asia Pacific Editor and Bureau Chief for the Al Jazeera television network and has particular expertise in configuring and managing complex media projects with specialised knowledge in media legal and ethical issues. She was a consultant to the Māori Television Service at its inception and is a former Board member of the Asia New Zealand Foundation. She is a former New Zealand UNESCO commissioner, leading the Commission on its communications and information mandate. Trish joined the TVNZ Board in April 2020.

ALIESHA STAPLES

FUTURE DIRECTOR – AUCKLAND

Aliesha Staples is the founder of StaplesVR an emerging tech company based in Auckland and is highly sought after both locally and abroad as a producer of AR/VR content. She has produced emerging technology projects for studios and television networks including Warner Brothers, Paramount Pictures, and ABC.

Her work in digital health has seen her company develop multiple digital health tools such as VR exposure therapy for children to lower the need of drug use procedures as well as distraction therapy using 360 live streaming which allows sick children to be transported virtually outside of the hospital. Aliesha is the lead futurist at Hatch Australia and founded New Zealand's first creative technology co-working facility, Click Studios.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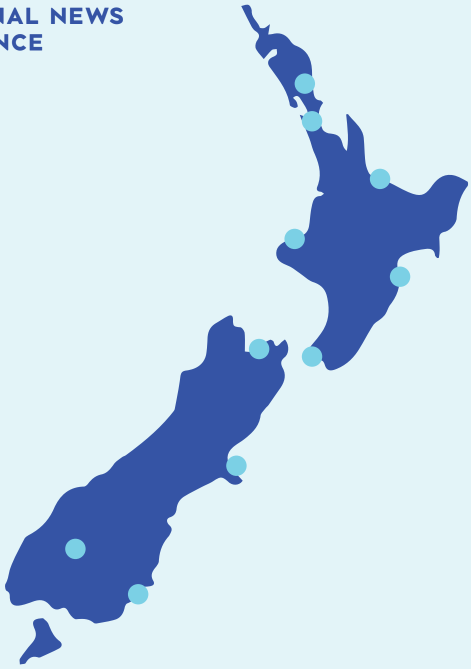
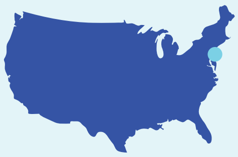
NATIONAL NEWS PRESENCE



AUSTRALIA

UNITED KINGDOM

UNITED STATES OF AMERICA



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OUR BOARD

Andrew Coupe, *Chairman*
Kevin Malloy, *Deputy Chair*
Abby Foote
Toko Kapea
Julia Raue
Trish Carter
Aliesha Staples (*Future Director*)

OUR EXECUTIVE

Kevin Kenrick, *Chief Executive Officer*
Ciara McGuigan, *Chief Financial Officer*
John Gillespie, *Head of News and Current Affairs*
Anna Lissaman, *Director of People and Talent*
Brent McAnulty, *General Counsel & Corporate Affairs Director*
Jodi O'Donnell, *Commercial Director*
Kym Niblock, *Chief Product & Information Officer*
Cate Slater, *Director of Content*
Jonathan Symons, *Marketing Director*
Paul Maher, *Business Strategy Director*

tvnz

TE REO TĀTAKI