



# Interim Report

FINANCIAL YEAR 2019



Re:





# Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)



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# Chief Executive's Overview



TVNZ's focus on local and live content coupled with increased investment in its digital future has resonated with New Zealand viewers and advertisers – at the half way point in the fiscal year, the company has gained TV audience and advertising market share and has doubled its online streaming numbers.

The company reported EBITDAF of \$25.8 million down \$4.4 million (-14.6%) on the same period last year and slightly ahead of plan expectations.

Total revenue was up \$3.1 million (1.8%) to \$173.5 million, driven by stable TV advertising revenue and double-digit growth in online advertising revenues. Operational expenses increased \$7.5 million to \$147.6 million (up 5.4%), reflecting the company's commitment to increased local content and building digital capability to enable future options. TVNZ posted an interim after-tax net profit of \$10.7 million, down \$6.4 million (37.5%) – after accounting for a negative unrealised foreign exchange difference of \$4.1 million versus the same period last year.

The TV advertising market has benefitted from growing advertiser recognition of the relative value of TV in building brands and capturing the attention of New Zealand's biggest audiences. TVNZ has committed to continue supporting the work of ThinkTV in promoting the benefits of today's multiplatform TV offering to New Zealand marketers.

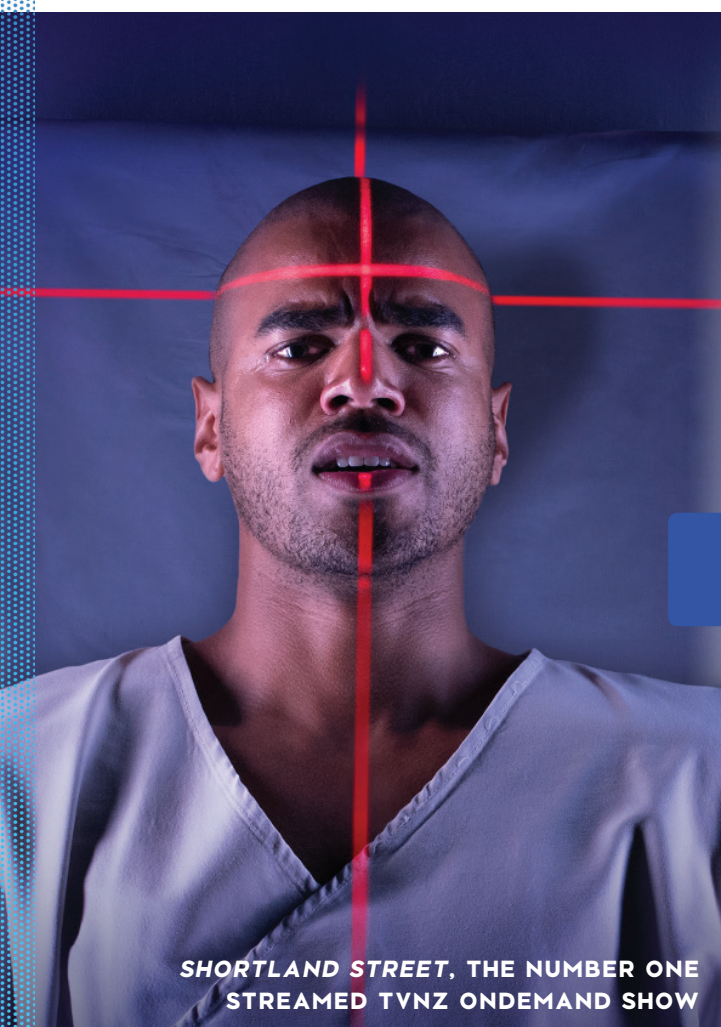
For the half year, TVNZ recorded its highest share of TV audiences since 2010 – airing 17 out of 20 of New Zealand's most watched programmes, a list topped once again by 1 NEWS.







**1 NEWS AT SIX, NEW ZEALAND'S MOST WATCHED TV PROGRAMME**



**SHORTLAND STREET, THE NUMBER ONE  
STREAMED TVNZ ONDEMAND SHOW**

Other strongly performing local shows include *Wellington Paranormal*, *The Casketeers*, *Project Runway New Zealand* and *The Great Kiwi Bake Off*.

We're seeing the benefits of increased investment in TVNZ OnDemand. Audience scale has grown as more viewers adopt TVNZ OnDemand as a primary source of content. Average audience reach is up 43% to 330,000 per week, and total video streams are up 101% for the period.

TVNZ OnDemand has become a significant, brand safe, online video option for New Zealand advertisers and this is reflected in the strong digital advertising revenue growth achieved in the last six months.

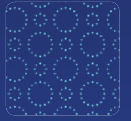
TVNZ expects further changes to the local media market including the arrival of new global content services to occur this year. TVNZ will continue to champion local and live content as its primary point of difference and will focus on maintaining its TV market leadership and growing its digital reach and relevance.

The business is on track to deliver on its FY19 Statement of Performance Expectations and to deliver stable full year operational earnings.

**Kevin Kenrick**

# Highlights

FOR THE PERIOD



Captioning launched  
on TVNZ OnDemand



**NEW** local commissions:  
*Wellington Paranormal*,  
*Project Runway New Zealand*,  
*House of Drag*, *Alibi*



After 22 years,  
*Doctor Who*  
returned to TVNZ



Q+A moved to a  
primetime slot



TVNZ people and  
programmes won  
**14** awards at  
TV Awards (including  
Best News Coverage and  
Reporter of the Year),  
TVNZ Blacksand won  
**9** PROMAX Awards



## EARNINGS (EBITDAF)

**\$25.8m**

## NET PROFIT

**\$10.7m**

## TOTAL REVENUE

**\$173.5m**

## COSTS

**\$147.6m**

## TV AUDIENCE SHARE

All people 5+

**44%**

↑ HIGHEST SHARE SINCE 2010

All people 25-54

**41.5%**

↑ HIGHEST SHARE SINCE 2010

## ONDEMAND VIDEO STREAMS

Total streams

**↑ 101%**

Average weekly audience reach

**↑ 43%**

TV source: Nielsen TAM, Consolidated, Jul-Dec 2018 (all programmes includes – one offs, movies and sport), AP5+, ranked on Ratings. Sunday includes Sunday Special.

OnDemand source: API3+ 01 July 2018 to 31 December 2018, includes simulcast

# Consolidated Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

	Notes	Consolidated		
		Six Months Ended 31/12/18 \$000	Six Months Ended 31/12/17 \$000	Year Ended 30/06/18 \$000
<b>Operating revenue</b>	3	173,487	170,371	318,509
<b>Expenses</b>				
Programming	4	(90,101)	(89,018)	(185,851)
Employee benefits		(24,634)	(22,527)	(46,140)
Transmission, technology and telecommunications		(10,831)	(9,379)	(20,268)
Premises and occupancy		(2,049)	(1,749)	(3,583)
Marketing		(5,575)	(4,836)	(12,822)
Other	5	(14,463)	(12,620)	(25,243)
		(147,653)	(140,129)	(293,907)
<b>Earnings before interest, tax, depreciation and amortisation, financial instruments and joint venture (EBITDAF)</b>		25,834	30,242	24,602
Depreciation and amortisation		(9,411)	(9,062)	(19,510)
Interest income		326	402	917
Interest expense		(56)	(69)	(105)
Financial instruments/foreign currency gains/(losses)		(1,690)	2,391	1,309
Share of results of joint venture		(22)	0	(43)
<b>Profit for the period before tax</b>		14,981	23,904	7,170
Income tax expense		(4,240)	(6,720)	(2,089)
<b>Profit for the period</b>		10,741	17,184	5,081

The accompanying notes form part of these financial statements.



# Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

	Consolidated		
	Six Months Ended 31/12/18	Six Months Ended 31/12/17	Year Ended 30/06/18
	\$000	\$000	\$000
<b>Profit for the period</b>	10,741	17,184	5,081
<b>Other comprehensive income reclassifiable to profit or loss in subsequent periods</b>			
Revaluation land and buildings	0	0	20,900
Income tax effect	0	0	(1,036)
<b>Revaluation of land and buildings, net of tax</b>	0	0	19,864
<b>Total comprehensive income for the period</b>	10,741	17,184	24,945

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
<b>At 1 July 2018</b>	140,000	49,864	52,779	242,643
Total comprehensive income	0	0	10,741	10,741
<b>Equity transactions</b>				
Dividend paid in the period	0	0	(3,749)	(3,749)
<b>At 31 December 2018</b>	140,000	49,864	59,771	249,635

	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
<b>At 1 July 2017</b>	140,000	30,000	56,714	226,714
Total comprehensive income	0	0	17,184	17,184
<b>Equity transactions</b>				
Dividend paid in the period	0	0	0	0
<b>At 31 December 2017</b>	140,000	30,000	73,898	243,898

	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
<b>At 1 July 2017</b>	140,000	30,000	56,714	226,714
Total comprehensive income	0	19,864	5,081	24,945
<b>Equity transactions</b>				
Dividend paid in the period	0	0	(9,016)	(9,016)
<b>At 30 June 2018</b>	140,000	49,864	52,779	242,643

The accompanying notes form part of these financial statements.



# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018 (UNAUDITED)

		Consolidated	
		As at 31/12/18	As at 30/06/18
	Notes	\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		50,268	39,268
Trade and other receivables		48,748	46,168
Programme rights	4	41,863	54,842
Derivatives		181	840
<b>Total current assets</b>		141,060	141,118
<b>Non-current assets</b>			
Property, plant and equipment		146,976	152,904
Other intangibles		19,798	18,470
Deferred tax		2,087	3,355
Derivatives		3	279
Investment in joint venture		63	85
<b>Total non-current assets</b>		168,927	175,093
<b>Total assets</b>		309,987	316,211
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		48,582	62,377
Employee entitlements		3,841	3,794
Deferred income		1,404	3,493
Income tax payable		2,896	1,720
Derivatives		966	111
Provisions		160	373
<b>Total current liabilities</b>		57,849	71,868
<b>Non-current liabilities</b>			
Employee entitlements		989	941
Derivatives		755	0
Provisions		759	759
<b>Total non-current liabilities</b>		2,503	1,700
<b>Equity</b>			
Share capital		140,000	140,000
Revaluation reserve		49,864	49,864
Retained earnings		59,771	52,779
<b>Total equity</b>		249,635	242,643
<b>Total equity and liabilities</b>		309,987	316,211

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

	Consolidated		
	Six Months Ended 31/12/18	Six Months Ended 31/12/17	Year Ended 30/06/18
	\$000	\$000	\$000
<b>Cash flows from/(used in) operating activities</b>			
Receipts from customers	172,769	173,086	316,539
Receipt of programme funding	2,037	2,098	5,299
Interest received	343	379	914
Payments to suppliers and employees	(153,738)	(149,430)	(305,822)
Interest paid	(56)	(69)	(105)
Income tax paid	(1,796)	(1,584)	(1,611)
<b>Net cash flows from/(used in) operating activities</b>	<b>19,559</b>	<b>24,480</b>	<b>15,214</b>
<b>Cash flows from/(used in) investing activities</b>			
Proceeds from sale of property, plant and equipment	0	2	0
Purchase of property, plant and equipment	(662)	(2,106)	(4,483)
Purchase of intangibles	(4,149)	(3,116)	(5,376)
<b>Net cash flows from/(used in) investing activities</b>	<b>(4,811)</b>	<b>(5,220)</b>	<b>(9,859)</b>
<b>Cash flows from/(used in) financing activities</b>			
Dividends paid	(3,749)	0	(9,016)
<b>Net cash flows from/(used in) financing activities</b>	<b>(3,749)</b>	<b>0</b>	<b>(9,016)</b>
Net increase/(decrease) in cash and cash equivalents	10,999	19,260	(3,661)
Net foreign exchange differences	1	(4)	3
Cash and cash equivalents at the beginning of the period	39,268	42,926	42,926
<b>Cash and cash equivalents at the end of the period</b>	<b>50,268</b>	<b>62,182</b>	<b>39,268</b>

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

## 1. CORPORATE INFORMATION

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

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

These consolidated financial statements were approved for issue by the Board of Directors on 28 February 2019.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The unaudited interim financial statements for the six months ended 31 December 2018 have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and the requirements of the Television New Zealand Act 2003.

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the TVNZ's annual financial statements as at 30 June 2018.

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

### b) Accounting policies

The accounting policies used in the preparation of the unaudited interim financial statements are consistent with those used in the preparation of TVNZ's annual financial statements for the year ended 30 June 2018, with the exception that NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 9 Financial Instruments have been adopted during the period. The adoption of NZ IFRS 15 and NZ IFRS 9 resulted in no adjustments to previously reported results.

Effective 1 July 2018, TVNZ adopted NZ IFRS 15 Revenue from Contracts with Customers. Based on the assessment performed by TVNZ, the impact of the revised standard on TVNZ's revenue recognition is minimal and no transition adjustments have been made. The majority of revenue earned by the Group is derived from the satisfaction of a single performance obligation for each contract which is the provision of advertising services. This revenue has historically been recognised at the time the service is provided to the customer. It has been determined that the customer obtains control of the service at the same time as legal title passes to the customer. In relation to the contract price, it has been determined that there are no material changes under NZ IFRS 15 to the accounting for rebates, discounts or any other variable consideration. It has also been determined that there are no significant financing components as part of TVNZ's sales arrangements. The new accounting policy is disclosed in note 3.

Effective 1 July 2018, TVNZ adopted NZ IFRS 9 Financial Instruments. NZ IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.

As the effect of the application of NZ IFRS 15 and NZ IFRS 9 are not material, further details of the new significant accounting policies will be set out in TVNZ's consolidated financial statements as at and for the year ending 30 June 2019.



# Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

## 3) OPERATING REVENUE

	Six Months Ended 31/12/18 \$000	Six Months Ended 31/12/17 \$000	Year Ended 30/06/18 \$000
Advertising revenue	163,145	161,997	301,001
Other trading revenue	10,342	8,374	17,508
	173,487	170,371	318,509

Advertising revenue includes revenue from advertising, sponsorship and programme production funding on TVNZ 1, 2, DUKE, OnDemand, 1 NEWS NOW and tvnz.co.nz.

Other trading revenue includes programme funding, revenue from production facilities, programme sales and multi feed service.

## 4) PROGRAMMING

	Six Months Ended 31/12/18 \$000	Six Months Ended 31/12/17 \$000	Year Ended 30/06/18 \$000
Programme utilisation	90,101	89,018	180,808
Programme rights impairment	0	4,357	9,400
Onerous contract	0	(4,357)	(4,357)
	90,101	89,018	185,851

Impairment on programme rights and a provision for expected future losses on a loss making international contract was made in previous years.

Management has assessed whether any further onerous provision or impairment is required and have determined that no further provision or impairment is required. The total onerous contract provision was calculated as the net of estimated revenue and the estimate of programme purchase commitments discounted to present values.

## 5) OTHER EXPENSES

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

# Notes to the Consolidated Financial Statements *(continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (UNAUDITED)

## 6) COMMITMENTS

	As at 31/12/18 \$000	As at 30/06/18 \$000
Programme rights	185,740	186,840
Operating leases	1,348	1,802
Property, plant and equipment and software	872	697
	187,960	189,339

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 the end of the period. The commitments are determined with reference to the licence period start dates.

## 7) CONTINGENT LIABILITIES

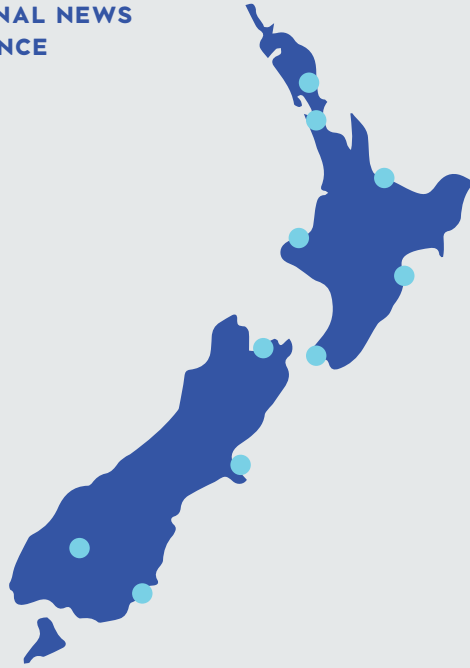
In the normal course of business various defamation claims have been made against TVNZ. Given the absence of quantified claims in these proceedings, and uncertainty as to the outcomes of these claims, no estimate of the financial effect can be made and no provision for any potential liability has been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

The liquidator of an overseas sales agency made a voidable preference claim against TVNZ in FY2018 for advertising revenue received by TVNZ in the period leading up to that agency entering liquidation. The liquidator's most recent report to creditors advised that pursuing preference claims in this case was not recommended, although we have not received any direct correspondence on this point. Accordingly, no provision for any liability has been made in the financial statements.

## 8) EVENTS AFTER THE BALANCE SHEET DATE

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

## NATIONAL NEWS PRESENCE



## PHYSICAL ADDRESS

TVNZ Auckland  
100 Victoria Street West  
Auckland 1010

## POSTAL ADDRESS

PO Box 3819  
Auckland 1140

## PHONE

64 9 916 7000

## TVNZ

[www.tvnz.co.nz](http://www.tvnz.co.nz)

## AUSTRALIA



## UNITED KINGDOM



## UNITED STATES OF AMERICA



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