

Television New Zealand Limited

Statement of Intent

For Year to June 2006

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6 July 2005

Hon Dr Michael Cullen
Minister of Finance
and
Hon Steve Maharey
Minister of Broadcasting
Parliament Buildings
WELLINGTON

Statement of Intent

This Statement of Intent is submitted by the Board of Directors of Television New Zealand Limited ("TVNZ") in accordance with section 41D of the Public Finance Act 1989 and section 23 of the Television New Zealand Act 2003 ("the Act").

In accordance with Section 41F of the Public Finance Act 1989 we agree to lay this Statement of Intent before the House of Representatives.

Hon Dr Michael Cullen
Minister of Finance

Hon Steve Maharey
Minister of Broadcasting

Dear Ministers

TVNZ is two years into implementing its public service Charter. We have taken significant steps to realise the vision articulated in the Charter and remain wholly committed to reflecting the viewing preferences of all New Zealanders.

We will continue to commission and screen the best of local and international programming, contributing to the nation's sense of citizenship and identity. Indeed, our recent Anzac Day programming brought the best of international co-production and local productions to tell our own stories on air and we aim to offer more of this type of programming in FY2006. TVNZ will provide quality programming that clearly differentiates us from our competitors, including world class coverage of the Melbourne 2006 Commonwealth Games.

TVNZ's work as New Zealand's television public broadcaster is underwritten by our commercial performance. With our current focus on cost control we are confident TVNZ will be well prepared for the anticipated slowdown in advertising, and will continue to perform as a disciplined and successful commercial operator providing an acceptable return on shareholders' funds.

In pursuit of our goals, TVNZ will remain an active and highly competitive player in the New Zealand broadcasting scene. We will not become a marginalized public service broadcaster, transmitting only programmes other broadcasters will not carry.

We welcome the government's commitment to strengthening public broadcasting outlined in the Broadcasting Programme of Action 2004-09, which recognises the need to develop mechanisms to provide greater certainty around the level of direct funding for TVNZ. This will provide stability, enabling longer-term strategic planning, essential in New Zealand's highly competitive broadcasting market. We will work with the government to support its introduction.

We will introduce a more comprehensive Charter performance reporting framework and continue to enhance the transparency of our use of the Charter specific direct government funding.

During the next financial year TVNZ will continue building on the public broadcasting foundation already laid and aims to extend the value we provide to our viewers and our

shareholders. We have extended the ad-free zone for pre-schoolers and the ad-restricted zone for older children on ONE and will continue to seek ways of enhancing TVNZ's contribution to children.

We are also extending our research to better understand the wants and needs of our viewers.

TVNZ is continuing to work closely with the independent production community to build production strength and expertise and will seek to align genre strategies with NZOA.

TVNZ is exploring the potential of new technologies, particularly digital production and delivery, and will embed processes that allow delivery via a range of different platforms.

We begin the 2006 financial year in good heart and on track to take these next steps towards achieving our vision – TVNZ is New Zealand's television public broadcaster. Our nation. Our voice.

Craig Boyce
Chairman
Television New Zealand Limited

1. Interpreting the Charter

TVNZ views the Charter as providing a set of guiding principles:

The Charter makes TVNZ unique

TVNZ is New Zealand's television public broadcaster, owned by all New Zealanders and the Charter establishes a broadcasting framework which applies only to TVNZ. This sets it apart from other television broadcasters. This uniqueness is a source of great pride, as well as responsibility, and will be used to help promote and define TVNZ.

The Charter is multi-faceted

While the Charter is predominantly about programming objectives, it also focuses on other very important topics. For example, sections of the Charter call for the promotion of New Zealand's culture and heritage, while other sections promote the New Zealand film and television industry.

The Charter requires Māori participation

The Charter establishes the objective for TVNZ to "ensure in its programmes and programme planning the participation of Māori and the presence of a significant Māori voice". This involves the need for programmes that serve the interests of Māori, including programmes which enable all New Zealanders to have access to material which promotes Māori culture and language.

TVNZ Charter

S.12 (2) of the Act sets out the Charter. It comprises 10 objectives and 14 strategic directives (a description given by TVNZ to part (b) of the Charter). Of note also, is the section's introduction, which sets out three "rules of application". The section states:

S.12 (2) "The following charter shall apply to all those parts of TVNZ's operations that contribute to its broadcast content. It shall be predominantly fulfilled through free-to-air broadcasting. In programming for particular audiences, TVNZ is to consider all relevant provisions of the Charter.

- (a) TVNZ will:
 - (i) feature programming across all genres that informs, entertains, and educates New Zealand audiences;
 - (ii) strive always to set and maintain the highest standards of programme quality and editorial integrity;
 - (iii) provide shared experiences that contribute to a sense of citizenship and national identity;
 - (iv) ensure in its programmes and programme planning the participation of Maori and the presence of a significant Maori voice;
 - (v) feature programming that serves the varied interests and informational needs and age groups within New Zealand society, including tastes and interests not generally catered for by other national television broadcasters;
 - (vi) maintain a balance between programmes of general appeal and programmes of interest to smaller audiences;
 - (vii) seek to extend the range of ideas and experiences available to New Zealanders;
 - (viii) play a leading role in New Zealand television by setting standards of programme quality and encouraging creative risk-taking and experiment;
 - (ix) play a leading role in New Zealand television by complying with free-to-air codes of broadcasting practice, in particular any code with provisions on violence;
 - (x) support and promote the talents and creative resources of New Zealanders and of the independent New Zealand film and television industry.
- (b) In fulfilment of these objectives, TVNZ will:
 - (i) provide independent, comprehensive, impartial, and in-depth coverage and analysis of news and current affairs in New Zealand and throughout the world and of the activities of public and private institutions;
 - (ii) feature programming that contributes towards intellectual, scientific, cultural and spiritual and ethical development that reflects the diverse beliefs of New Zealanders, promotes informed and many-sided debate, and stimulates critical thought, thereby enhancing opportunities for citizens to participate in community, national and international life;
 - (iii) in its programming enable all New Zealanders to have access to material that promotes Maori language and culture;
 - (iv) feature programmes that reflect the regions to the nation as a whole;
 - (v) promote understanding of the diversity of cultures making up the New Zealand population;
 - (vi) feature New Zealand films, drama, comedy, and documentary programmes;
 - (vii) feature programmes about New Zealand's history and heritage, and natural environment;
 - (viii) feature programmes that serve the interests and informational needs of Maori audiences, including programmes promoting the Maori language and programmes addressing Maori history, culture, and current issues;
 - (ix) include in programming intended for a mass audience material that deals with minority interests;
 - (x) feature New Zealand and international programmes that provide for the informational, entertainment, and educational needs of children and young people and programmes that allow for the participation of children and young people;
 - (xi) maintain and observe a code of ethics that addresses the level and nature of advertising to which children are exposed;
 - (xii) feature programmes that encourage and support the arts, including programmes featuring New Zealand and international artists and arts companies;
 - (xiii) reflect the role that sporting and other leisure interests play in New Zealand life and culture; and
 - (xiv) feature programming of an educational nature that support learning and the personal development of New Zealanders."

The Charter is open and responsive

As New Zealand's public television broadcaster, it is important for TVNZ to interact with viewers directly. It wants to better understand from New Zealanders what they expect of the organisation as their public broadcaster. In this new environment, viewers will be given a better opportunity to ask questions – about TVNZ's vision for the future, its content strategy and initiatives, or any other issues they may want to discuss.

The Charter reinforces independence

One of the most fundamental standards for broadcasting involves the independence of news, current affairs and programmes from political or other interference. The Charter reinforces this standard of independence.

The Charter also requires the highest standards of programme quality and editorial integrity. Other Charter standards relate to news and current affairs analysis and coverage and programming that promotes informed and many-sided debate.

The Charter reinforces the Code of Broadcasting Practice and ethics

The Charter reinforces all existing free to air (FTA) codes of practice and, particularly, those codes with provisions on violence. The Charter also requires TVNZ to maintain and observe a code of ethics on the level and nature of advertising to which children are exposed. TVNZ fully accepts its responsibility to have special regard for the potential impact on children that violence on television and advertising targeted at young people may have.

The Charter is reviewable and accountable

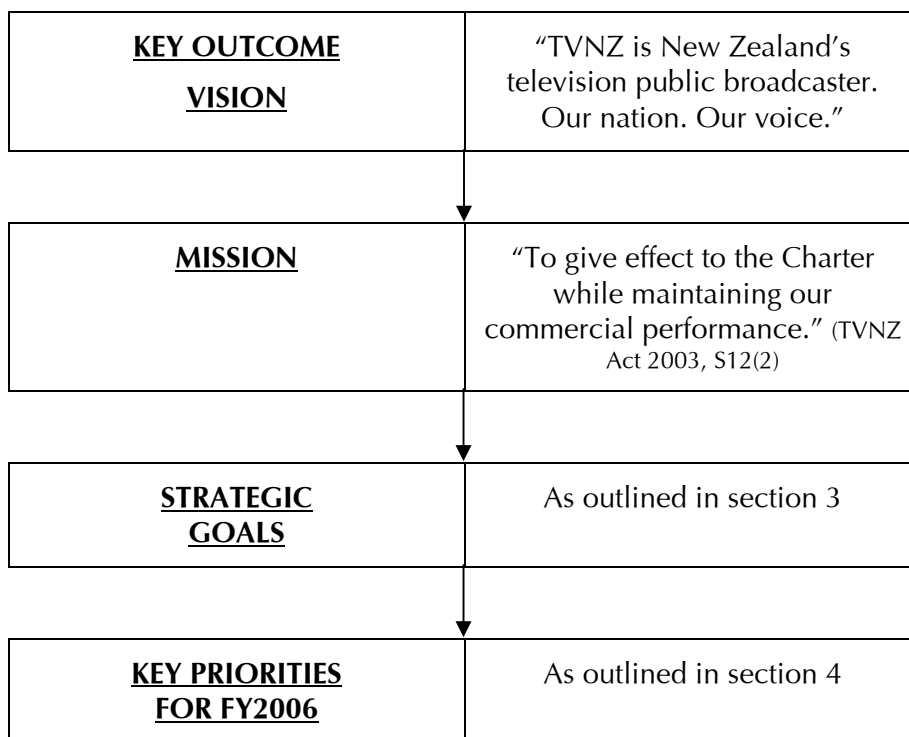
The Act provides that the Charter is reviewed every five years. The Act also provides that TVNZ will be accountable, annually, for measuring (and reporting accordingly) on its performance against its Charter.

2. Outcomes – Vision & Mission

TVNZ's Statement of Intent outlines the long-term outcome that TVNZ is striving to achieve. Our Vision is:

TVNZ is New Zealand's television public broadcaster. Our nation. Our voice.

From this Vision, we have developed our mission, our strategic goals and the key priorities for FY2006. This process is diagrammatically represented as follows:



3. Strategic Goals & Values

In giving effect to the Charter and achieving our mission, we will:

1. Broadcast more great New Zealand programmes and the best from around the world.
2. Engage with all New Zealanders and be guided by our responsibility to them.
3. Foster an environment of innovation and creativity.
4. Act with editorial independence.
5. Facilitate the successful development of free-to-air digital television.
6. Achieve our commercial objectives.

As the leading voice for New Zealanders, we will earn the trust and respect of the nation.

4. Key Priorities 2006

Every week almost 95% of New Zealanders watch programmes on TVNZ. It is essential that TVNZ remains relevant to its audiences and delivers programming they want to watch. TVNZ has developed a set of strategic goals to ensure that it operates in the interests of its viewers and delivers its Mission. As TVNZ moves towards the achievement of these goals, we will publish a set of priorities to be delivered in the financial year.

Strategic Goal 1 - We will Broadcast more great NZ programming and the best from around the world.

As New Zealand television's public broadcaster, TVNZ has a responsibility to broadcast programming that entertains the viewers and plays a significant role in reflecting and shaping the society we live in.

TVNZ intends to maintain its position of leadership by offering the broadest mix of news and current affairs, drama, comedy, children, magazine and sport programmes across TV ONE and TV2.

As the sector leader of the most powerful medium in the country, TVNZ takes these responsibilities seriously and recognises its additional responsibility to nurture and foster a creative and innovative independent production sector. TVNZ will establish a sustainable platform on which to commission more local programmes. TVNZ will continue to work closely with the Ministry of Culture and Heritage to optimise public funding for local content.

Through the creative talent of TVNZ staff and the independent production community TVNZ will produce and broadcast quality New Zealand programming. We will complement this with the best programming we can acquire from the international markets.

In 2005, TVNZ commissioned a highly original and edgy drama series for TV2, *The Insider's Guide to Happiness*. We also broadcast a repeat of each episode just three days after the first play. *Insider's Guide* secured an enthusiastic audience and considerable critical acclaim. A new series (*Insider's Guide to Love*) is in the 2006 schedule, as is *Orange Roughies*, a border security drama series, and *The Market*, a Pacifica-focussed Romeo and Juliet story set in South Auckland. A number of children or youth focussed initiatives are in development, including *Killian's Curse*, a drama being produced out of Avalon, and *The Lost Children*, a period drama set in the time of the Taranaki land wars.

A contemporary 7-part adult drama series, *Rude Awakenings*, has been commissioned. Set in Ponsonby, it deals with the tensions between neighbouring families thrown into too-close intimacy through their tenant-landlord relationship.

Further episodes of *Artsville* are scheduled in FY2006, to complement *Frontseat*, our Sunday night arts current affairs programme. *Artsville* has been recognised as producing a step change for arts programming on New Zealand television in terms of the quality of story telling and production values.

We will also broadcast a further New Zealand Festival series, following on from the much acclaimed first series which went to air in 2004.

In 2006, we intend to re-affirm TV ONE as the primary place for the viewer to find quality New Zealand documentaries. We will make changes to the *Documentary New Zealand* (DNZ) strand on Monday evenings and introduce other documentary initiatives in an effort to secure an audience for documentary that is robustly researched, clear and compelling in its story-telling, well executed in craft terms and relevant to our viewers. TVNZ's epic series on the history of New Zealand, *Frontier of Dreams* (13 hour-long episodes), goes to air this year in a peak-time slot.

The second series of both *New Zealand Idol* and *Dancing With The Stars* will be broadcast this year. Both programmes are more than a simple contest or talent quest, being based on the development from week to week of raw talent to a high level of professional accomplishment. Both have demonstrated a capacity to unite huge numbers of New Zealanders in a common, shared experience.

Two major sporting events are planned: there will be peak time coverage of the Winter Olympics in February, and full coverage of the Melbourne Commonwealth Games in March. The Commonwealth Games is expected to be particularly exciting for New Zealanders as a result of the favourable time zone and close proximity, leading to a larger than usual number of New Zealand entrants. This will be reflected in TVNZ's resourcing of the Games coverage.

We will broadcast *Style Pacifica*, a Polynesian Fashion and Design programme, in a continuation of our work to expand the range and depth of programme offerings for and about Māori and Pacific people.

In addition to new initiatives, this year will see the return of the critically-acclaimed satirical programmes *Facelift* and *Eating Media Lunch*.

A uniquely New Zealand perspective will be offered through a second series of *Intrepid Journeys*.

The best of international viewing will be represented by a number of quality extended docu-dramas including *Watergate*, and the Sunday night Winter Season docu-dramas *Through My Eyes*, based on the Lindy Chamberlain story, and *Hamburg Cell*, the story behind the September 11 bombing. Original drama not available elsewhere will feature in Sunday night programming, including *Fingersmith*, from the writers of *Tipping the Velvet*.

Quality international material for children will feature in the afternoons on TV ONE with a continuation of *Backyard Science*, a fun and educational series for children aged 6 to 12. The BBC programme *Eureka TV* continues the junior science theme, which has received endorsement from the Ministry of Education as well as individuals in the education sector.

In News and Current Affairs, there will be extensive and comprehensive coverage of the Election, with state-of-the art technical production. *20/20* is proving popular with viewers and will be developed with a mix of local and overseas material this year. We will be working to consolidate Saturday morning on TV ONE with *Agenda* as an increasingly recognised forum for debate on politics and current affairs. Seven *Insight* debates are planned for the year.

In the short term we intend to provide local programming at approximately 35% of total hours broadcast across both channels. This quantum will be governed by scheduling considerations and may fluctuate as resources are targeted at specific and perhaps more costly genres.

TVNZ will maximize its accessibility to the New Zealand public by ensuring complementary scheduling across the two channels and will undertake an audit of genres on air to identify under-representation.

Off screen TVNZ aims to enhance the accessibility of its programming through additional delivery platforms and new technologies. Like all broadcasters worldwide, extending its reach to viewers on a multitude of platforms as well as re-using content produced for the primary FTA channels is an important growth and diversification strategy. TVNZ is currently working on a range of initiatives in this regard.

Strategic Goal 2 - We will engage with all New Zealanders and be guided by our responsibility to them

TVNZ recognises that the key to its success is its relevance and value to its audiences and it will continue to explore new ways of understanding audience needs and opportunities to engage with them both on screen and off screen.

TVNZ uses an extensive bank of research to understand audiences and New Zealand society and has over the past years built up a good foundation of knowledge. In the 2006

financial year, TVNZ will extend its Public Broadcaster research to expand on areas that need further clarity, including:

- TVNZ's contribution to reflect or shape national identity
- Children's programming
- On-going educational initiatives
- Viewer feedback forums
- Minority/special interest groups

In addition TVNZ will review and, if necessary, revise all of its initiatives that engage with the public

- Sponsorship
- Public forums
- Informal feedback/opinions
- Talk Television

Strategic Goal 3 - We will foster an environment of innovation and creativity

TVNZ has developed a set of values to guide staff and promote a culture of innovation across the company. This culture will be nurtured through recruitment practices, performance management and rewards and recognition programmes.

Our goal is to attract the best ideas and creative talent to the company. TVNZ will develop and grow a pool of on-screen and off-screen talent from within the company and support and foster the growth and development of skills within the independent production sector.

Strategic Goal 4 - We will act with editorial independence

TVNZ will vigorously defend its editorial independence from commercial and political pressure or influence. While TVNZ's independence from political pressure is guaranteed in the Television New Zealand Act 2003 and the Charter, both of which rest on the principle that editorial content is solely at the discretion of TVNZ, TVNZ has also introduced protocols and guidelines in commercial contracts to ensure maximum independence from inappropriate commercial influence in content.

Strategic Goal 5 - We will facilitate the successful development of FTA digital television broadcasting

TVNZ is concerned to foster a market- and industry-led transition to digital television for all FTA broadcasters. To date, TVNZ has provided leadership in exploring the digital future for television in New Zealand. While it is understood the Government has no clear interest in facilitating one distribution system over another, it does recognise the need to provide universal access and comprehensive services to all citizens, increasing

the value to New Zealanders of the shared public space. This approach requires public broadcasters to be enabled to be major participants in the digital era.

To date TVNZ has:

- Created a forum of senior executive representatives from FTA broadcasters to discuss the concept of and proposals for FTA digital services.
- Funded, and is leading, a closed viewer trial of the household installation and operations of Digital Terrestrial Television (DTT) and Digital Direct to Home (DTH) in Auckland, with the participation of all major free-to-air broadcasters.
- Run craft and industry events on digital programming and technology, and the interactive potential for new programmes and services.
- Improved infrastructure in Avalon and Auckland to utilise existing resources and to make technical architecture “digital ready”.
- Embarked on feasibility study of programming for digital television.

TVNZ will progress this initiative by maintaining ongoing discussions with officials and the industry while pursuing an analysis of technical and programming feasibilities.

Strategic Goal 6 - We will achieve our commercial objectives

TVNZ must continue its highly successful commercial performance in order to underwrite its Public Broadcasting activities.

To achieve its commercial performance, TVNZ will maintain the business and financial disciplines of a commercial broadcaster. TVNZ will seek to maintain its viewership in commercial demographics and revenue growth from both commercial sources and government funding.

TVNZ's commercial performance targets are:

- a) Annual budgeted net profit after tax (NPAT)
- b) Annual budgeted net operating cash flow and annual dividend
- c) Return on the Crown's investment in TVNZ

Return on Investment

TVNZ will measure its commercial performance against the Crown's investment in TVNZ and will seek to achieve a return comparable to the “cost of capital” of the Crown's investment. At 30 June 2005, the Crown's investment in TVNZ is forecast to be \$271.0 million (net of dividends). TVNZ has been advised that the Crown is seeking a rate of return on shareholders' funds of 9%.

TVNZ has agreed with shareholding Ministers to undertake a review of its capital structure during FY2005. The outcome of the review and any changes to TVNZ's capital

structure are to be agreed with shareholding Ministers, along with a time frame for implementation. The change in TVNZ's capital structure may change the amount of the Crown's investment in TVNZ (average shareholders' funds) and consequently the "return on investment" generated by TVNZ.

Key Priorities for FY2006

- Achieve NPAT and net operating cash flow budgeted targets for FY2006
- Complete the capital structure review and obtain TVNZ Board and shareholding Ministers' agreement to changes to the TVNZ capital structure
- Implement agreed changes to the TVNZ capital structure during FY2006

5. Charter Performance Measurement

TVNZ is entering its third year operating as a chartered public broadcaster.

The Television New Zealand Act 2003 provides a clear directive to TVNZ via the TVNZ Charter. Each year the public broadcaster is to include in its Statement of Intent, “qualitative and quantitative performance measures for measuring performance against its Charter,” as well as a statement of how it will, “involve the public in measuring performance against the Charter”.

Qualitative performance measurements have limitations especially when applied to complexities like serving the public good. The Charter seeks to serve viewers as citizens, rather than consumers and this sometimes makes detailed measurements difficult and/or inappropriate.

To date, a variety of methods have been employed to measure Charter delivery including qualitative and quantitative surveys, focus groups and informal feedback forums.

TVNZ has reviewed the efficacy of previous performance measures and refined them. Using its own analysis framework and international research TVNZ has developed a performance reporting framework to help measure more effectively against the requirements of the Charter. In FY2006 TVNZ will include data from the performance reporting framework to specifically measure its performance against public service broadcaster delivery expectations.

In FY2006 TVNZ will report Charter performance against the objectives or key priorities for 2006 identified in Section 4 of this Statement of Intent and against the following criteria measured in the performance reporting framework:

1. Informed Society

- 1.1 Comprehensive news coverage
6pm News national audience (5+) market share
Source: AC Nielsen
- 1.2 Informed and diverse debate
Current Affairs output (hours) 6am to midnight
Source: TVNZ
- 1.3 Intellectual and cultural development
Total documentary output (hours) 6am to midnight
Source: TVNZ
- 1.4 Programming supporting learning and personal development
Total programming supporting learning and personal development (hours)

6am to midnight

Source: TVNZ

(Currently only measures children's programming with a learning element. Will be reviewed and expanded).

2. Programming Reach

2.1 Audience Reach

TVNZ average weekly reach by age AP 5+

Source: AC Nielsen

2.2 Audience Reach

TVNZ average weekly audience reach by ethnicity & gender

Ethnic non-European, females 18+, males 18+

Source: AC Nielsen

3. Cultural Identity

3.1 Knowledge of different cultures

Total Māori and minority-related output for general audience (hours) 6am-midnight

Source: TVNZ

3.2 Arts and national heritage

Total arts and NZ-originated comedy and drama output (hours)

6am-midnight

Source: TVNZ

3.3 Shared Experiences

Audience recall of 'memorable programmes'

Source: public survey, UMR Research

3.4 NZ-originated cultural content

Percentage of programming that is New Zealand originated

Source: TVNZ

4. Programming Diversity

4.1 Quantity of programming targeted to a minority or special interest group

No. of programmes targeted to a minority or special interest group

Source: TVNZ

5. Sector Development

5.1 Development of local production sector

No. of NZ production companies contracted to make programmes for TVNZ

Source: TVNZ

6. Extending Reach

6.1 Extension of reach of TVNZ through digital

Average weekly reach of TVNZ digital services (5+, all day)

Source: AC Nielsen

The performance reporting framework's primary objective will always be to provide Charter performance data in a meaningful and relevant manner to the New Zealand public.

To supplement this performance reporting framework, TVNZ will continue to conduct an annual research study in the form of a commissioned public survey.

Each year TVNZ will review the performance measures and if necessary refine them.

6. Functions & Activities

The agreed scope of functions and activities of TVNZ are:

- The commissioning, production, purchasing and archiving of video and film material, either independently or with others.
- The provision of television production facilities (field, studio and post production), outside broadcast facilities, design and set construction services.
- The programming and scheduling of television channels and related marketing activities.
- The provision of multimedia advertising services and related marketing activities.
- The broadcasting and narrowcasting of television channels, programmes and signals.
- The provision of online services and development of content for the television, internet and communications industry.
- The provision of services to the broadcast industry, both domestically and internationally.
- The provision for overseas sale of programmes and related materials.

7. Good Employer

TVNZ will operate as a good employer as defined in section 4 of the Act. TVNZ is committed to:

- Ensure its process of recruitment reflects the remit of TVNZ (with particular emphasis on the TVNZ Charter) and enables the impartial selection of suitable candidates.
- Operate a performance management system that allows employees full participation in their own performance reviews.
- Remunerate and reward employees fairly and consistently in relation to their performance, their peers, their position in the salary bands and to the external market.
- In collective bargaining, achieve mutually satisfactory outcomes through good faith negotiation.
- Ensure a healthy and safe working environment and ensure that employees are trained in and comply with health and safety legislation.

- Provide appropriate learning and development opportunities for all employees for the benefit of both the individuals and TVNZ.
- Recognise the aims and aspirations, employment requirements, and need for greater involvement of Māori employees.
- Demonstrate equal opportunities practices which enable the development of all employees regardless of gender, age, ethnic origin or disability and which firmly discourage discrimination.
- Provide to employees in need of help a discreet source of assistance and information.
- Ensure that TVNZ leaders at all levels adopt and enact values and behaviours appropriate to TVNZ's good employer goals, its desired culture, and its remit.

8. Social Responsibility

Section 12 (3) (c) of the Television New Zealand Act 2003 requires the Company “to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage those interests when able to do so”. This is to be read in the context of the Company’s principal function which is “to provide the television and other services that may be specified from time to time in its current statement of intent”, and in carrying out its functions, TVNZ’s principal objective is giving “effect to its Charter while maintaining its commercial performance”.

TVNZ recognises its social responsibility obligation as being the contribution it can make to the New Zealand community regardless of race, creed, sexual orientation or colour which will enable its citizens to lead and enrich their lives and so benefit the whole of society.

As a socially responsible organisation, TVNZ is community-focused, profitable and sustainable. TVNZ demonstrates its social responsibility by its behaviour as a Company and as individuals. As a member of the community, TVNZ will always ensure it deals honestly and fairly with its employees, suppliers and customers, manage its impact on the environment, and act as a good citizen.

TVNZ intends to achieve this by:

- Providing programming for all New Zealanders together with a vibrant web presence to support Charter obligations
- Ensuring TVNZ provides independent, comprehensive, impartial and in-depth coverage and analysis of news and current affairs
- Ensuring an appropriate balance occurs between ensuring commercial performance, giving effect to the Charter and exhibiting a sense of social responsibility
- Maintaining a set of company values consistent with this Statement of Intent
- Adhering to the various codes and practices governing television in New Zealand, and in particular:
 - Free-to-Air Television Code of Broadcasting Practice issued by the Broadcasting Standards Authority

- Advertising Codes of Practice issued by the Advertising Standards Authority Inc,
- Advertising on Television – Getting it Right for Children, a paper issued by the New Zealand Television Broadcasters’ Council
- Adhering to the various protocols published by TVNZ from time to time, and including inter alia:
 - TVNZ Independent Production Protocol
 - TVNZ’s internal conflict of interest protocol for commissioners and programmers and employees in editorial roles
- Captioning more programmes in the English language so they are accessible to New Zealanders including those who are hearing impaired
- Insisting on high ethical standards in programmes that are commissioned and screened
- Treating its suppliers, including programme makers, its employees, customers and viewers with respect, integrity and fairness
- Engaging in appropriate non-broadcasting activities where they further the aims of TVNZ and encourage all of its employees to play a full part in the community in which they live and in professional organisations to which they belong
- Delivering a secure, exciting and expanding world on screen for New Zealand children.

9. Governance

Since the enactment of the Television New Zealand Act 2003 TVNZ has been a Crown Entity incorporated under the Companies Act 2003 with a Board of Directors appointed by the Company’s shareholding Ministers.

In addition to its duties under the Companies Act, the Board is, under Section 14 of the Television New Zealand Act, obliged to ensure that TVNZ acts in a manner consistent with this Statement of Intent.

The Board has adopted a Governance and Policy Manual to codify these duties, and to codify how it carries out its governance role and conducts its meetings. It has delegated day-to-day management to the Company’s Chief Executive Officer.

The Board currently has two standing committees; their terms of reference are set out in Appendix I.

10. Commercial Performance & Capital Structure

In order to maintain its commercial performance, TVNZ will maintain the business and financial disciplines of a commercial broadcaster. TVNZ will seek to maintain its viewership in commercial demographics and revenue growth from both commercial sources and government funding.

TVNZ will measure its commercial performance against the Crown's investment in TVNZ and seek to achieve a return comparable to the "cost of capital" of the Crown's investment.

At 30 June 2005, the Crown's investment in TVNZ is forecast to be \$271.0 million (net of dividends).

Television New Zealand Limited is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is wholly owned by the Government of New Zealand. The liabilities of Television New Zealand Limited are not guaranteed in any way by the Government of New Zealand.

TVNZ agreed with the shareholding Ministers to undertake a review of its capital structure during FY2005. The outcome of the review and any changes to TVNZ's capital structure are to be agreed with shareholding Ministers, along with a time frame for implementation, in FY2006.

11. Accounting Policies

The accounting policies recognised by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of profit and financial position have been adopted by TVNZ. Details of the accounting policies are contained in Appendix III.

12. Dividends

Subject to the outcome of the capital structure review outlined in section 10, it is intended that surplus funds generated from operating activities will be distributed annually to the shareholders.

Surplus funds from operating activities has been defined as net operating cash flow less funds invested in and required for the continuity of business activities. The surplus funds will be distributed annually by way of dividend on 30 September each year.

In determining dividends payable to the shareholders, the Directors will follow those procedures generally adopted by Directors of public listed companies. The factors that will be taken into consideration in reaching a decision are as follows:

- (a) The after tax profit or loss for the year.
- (b) The net operating cash flow after capital investment.
- (c) Funds required for investment in the continuity of the business.
- (d) Funds required for investment in new business activities.
- (e) The forecast operating environment including economic conditions, competition, changing consumer behaviour and technology developments.
- (f) The maintenance of an appropriate capital structure.

It has been agreed with shareholding Ministers that funding provided to TVNZ by the Crown to assist in the implementation of the Charter is for the sole purpose recorded in the Memorandum of Understanding under which it is provided. Accordingly, funding which has not been disbursed at year end, but which has been committed to specific

initiatives in accordance with the MOU, should be excluded from the calculations of net operating cash flow for dividend distribution purposes.

13. Information to be provided

In accordance with section 22 of the Act, TVNZ will provide to shareholding Ministers of Television New Zealand Ltd (shareholding Ministers) an Annual Report in accordance with Section 41 of the Public Finance Act 1989 and will report on the achievement of the objectives and targets set out in this Statement of Intent.

In accordance with section 24 of the Act, TVNZ will also provide to shareholding Ministers a half-yearly report, which will include an unaudited profit and loss statement, a balance sheet, a statement of cash flow and such details as are necessary to permit an informed assessment of the Company's performance during that reporting period. Quarterly reports will be submitted to shareholding Ministers, providing provisional financial results.

TVNZ will deliver a summary Business Plan to shareholding Ministers for discussion prior to the commencement of each financial year.

In accordance with Section 45B of the Public Finance Act 1989, TVNZ will provide other information relating to the affairs of the Company as requested by the shareholding Ministers.

14. Consultation, Subsidiary & Associated Companies

Appendix II sets out the consultation arrangements, which will take place with shareholding Ministers of Television New Zealand Limited relating to the material expansion of TVNZ's activities into new business areas as well as the sale of existing activities or shares and details relating to subsidiary and associate companies. Any such consultation will take place in conjunction with Television New Zealand Limited.

15. Compensation from the Crown

In accordance with the Public Finance Act, TVNZ may seek compensation from the Crown for any activities or obligations the Crown requires it to undertake that result in TVNZ not operating within its fiscal parameters detailed herein.

APPENDIX I Board Committees

The Board currently has two standing committees: Audit & Risk and Remuneration & HR.

Audit & Risk Committee

The Audit & Risk 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. Its Terms of Reference also covers the role of Internal Audit.

Remuneration & HR Committee

The work of the Remuneration & HR Committee is consistent with TVNZ's obligations to be a good employer under Section 12(3) of the Television New Zealand Act 2003.

In addition to its role of adding value to TVNZ's Human Resources plans and practices at a strategic level, the committee approves any movement in the remuneration of the Company's senior executives and presenters. The committee also recommends to the Board the remuneration of the Chief Executive Officer and approves the structure and operation of the Executive Bonus Scheme and the level of any payments to be awarded based on the Company's business performance.

APPENDIX II Consultation, subsidiary and associated companies

The terms “shareholding Ministers”, and “subsidiary” have the same meanings as section 4 of Television New Zealand Act 2003.

TVNZ will ensure at all times that:

- (a) Control of the affairs of every subsidiary of TVNZ is exercised by a majority of directors appointed by TVNZ; and that
- (b) A majority of the directors of every subsidiary of TVNZ are persons who are also directors or employees of TVNZ, or who have been approved by the board of TVNZ for appointment as directors of the subsidiary.

Consultation

TVNZ will in relation to any single or connected series of transactions, consult with shareholding Ministers of Television New Zealand Limited on substantial matters not contemplated in the business plan including:

- (a) Any substantial capital investment in activities within the scope of its core business
- (b) Any substantial expansion of activities outside the scope of its core business into new business areas
- (c) The subscription for, or sale of, shares in any company or equity interests in any other organisation which are material, involve a significant overseas equity investment, or are outside the scope of its core business
- (d) The sale or other disposal of the whole or any substantial part of the business or undertaking of TVNZ and
- (e) Where TVNZ holds 20 percent or more of the shares in any company or other body corporate (not being a subsidiary of TVNZ), the sale or disposal of any shares in that company.

APPENDIX III Specific accounting policies

The financial statements prepared are for the reporting entity Television New Zealand Limited and the consolidated financial statements of the group comprising Television New Zealand Limited and its subsidiaries.

The financial statements are prepared on the basis of historical cost unless otherwise noted within the specific accounting policy.

Particular Accounting Policies

The following particular accounting policies, which materially affect the measurement of profit and financial position, are applied:

(a) Revenue

Revenue recognised in the Statement of Financial Performance comprises amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Revenue is deferred where payment has been received in advance of the completion of a contract.

Television production funding is recognised as income in the Statement of Financial Performance when it is earned. This is on receipt of the funds or fulfilment of specific conditions attached to the funding.

(b) Basis of Consolidation

The consolidated statements of account include the parent company and its subsidiaries and is accounted for using the purchase method. All significant transactions between Group companies are eliminated on consolidation.

(c) Investments Other Than Subsidiary Companies

Investments in companies in which the Company does not have significant influence over commercial and financial policy decisions are recorded at the lower of cost and net realisable value.

Interest revenue is recognised in the Statement of Financial Performance as it accrues. Dividend income is recognised in the Statement of Financial Performance when it is received or qualifies for recognition.

(d) Property, Plant and Equipment

Property, plant and equipment is recorded at cost less depreciation unless there is an impairment in the value of the asset in which case the asset is re-valued downwards immediately. 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.

Where an item of property, plant and equipment is disposed of, the gain or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying value of the item of property, plant and equipment.

Property, plant and equipment designated to be sold within the next financial period are classified as current assets at the lower of net book value or net market value.

(e) Depreciation

Depreciation is provided for on a straight-line basis on all tangible items of property, plant and equipment other than freehold land and fixed asset work in progress, at rates calculated to allocate the assets' cost over their estimated useful lives.

Major depreciation periods are:

Freehold buildings	40 years
Leasehold improvements	3 to 10 years
Transmitters, masts and aerials	10 to 20 years
Studio equipment	5 years
Other plant and equipment	5 to 10 years
Information systems	3 to 5 years
Motor vehicles	6 to 10 years

(f) Intangibles

Intangibles are recorded at cost less amount amortised.

i. Frequency Licences

The cost of acquiring frequency licences is amortised on a straight-line basis over the period of the licences.

ii. Research and Development Costs

Research expenditure is expensed in the period incurred. Development costs are deferred where there is a clear future benefit to which those costs are related. Deferred development costs are amortised over future periods in relation to expected future benefits.

(g) Programme Rights and Inventories

Programme rights are valued as follows:

- i. Programmes produced by Television New Zealand Ltd and its subsidiaries, either completed or still in production and not broadcast at balance date, are valued at direct cost including a proportion of production-related overheads less amounts written off.
- ii. Programmes commissioned by Television New Zealand Ltd and made by independent production houses, either completed or still in production and not broadcast at balance date, are valued at cost less amounts written off.
- iii. Rights acquired to screen overseas television/film productions that have not been broadcast at balance date are recorded at cost less amounts written off. These rights are accounted for from the date that the licence period commences.

Programme rights are amortised as follows:

- i. Programmes produced or commissioned by Television New Zealand Ltd are expensed on a systematic basis such that all programmes are expensed within a period of 12 months from broadcast licence period start date.
- ii. Programme rights acquired from overseas television/film productions are systematically expensed over the broadcast licence period of not more than three years.

iii. Inventories comprise technical stores and videotape. All inventories are valued at weighted average unit cost price less amounts written off.

(h) Receivables

Receivables are valued at their estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at year end.

Bad debts are expensed in the Statement of Financial Performance when considered irrecoverable.

(i) Taxation

The taxation expense in the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting has been applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax losses, is only recognised if there is virtual certainty of realisation.

(j) Leases

Group entities lease certain land and buildings, motor vehicles and plant and equipment. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the Statement of Financial Performance in equal amounts over the lease term.

(k) Foreign Currencies

Transactions in foreign currencies are converted at the exchange rate ruling at the date of the transaction except where forward currency contracts have been taken out to cover specific foreign currency commitments. Where forward foreign currency contracts have been taken out, the transaction is converted at the rate specified in the contract.

Monetary assets and liabilities in foreign currencies at balance date not covered by forward exchange contracts are translated at the exchange rates ruling at balance date. Exchange differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the Statement of Financial Performance, except as detailed below. Monetary assets and liabilities in foreign currencies at balance date covered by forward exchange contracts are translated at the exchange rates specified in those contracts' ruling at that date.

(l) Derivative Financial Instruments

The Group uses derivative financial instruments within predetermined policies and limits in order to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivative financial instruments that are designated as hedges are deferred and recognised in the measurement of the specific item or in the case of a general hedge in the period to which the underlying transaction occurs.

The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Premiums paid for interest rate options are amortised over the period until exercise date. Where interest rate swap agreements are used, the differential to be paid or received is accrued as interest rates fluctuate. The differential forms part of the interest expense in the Statement of Financial Performance.

(m) Employee Benefits

A liability for annual leave, long service leave and retirement leave accruing to employees is recognised in the Statement of Financial Position. The liability is stated at the present value of the estimated future cash outflows to be incurred resulting from employees' services provided up to balance date.

(n) Repositioning/Restructuring Provisions

Restructuring occurs when the Group materially changes the manner in which its business is conducted or the Group is organised and operated. A provision for repositioning/restructuring is recognised when a formal and detailed restructuring plan has been approved and the restructuring has either commenced or the Group cannot otherwise withdraw from its plans. Costs relating to the ongoing activities of the Group are not included in the provision.

(o) Statement of Cash Flows

The following is the definition of the terms used in the statement of cash flows:

- i. Cash means coins, notes, cash on deposit with banks and bank overdrafts.
- ii. Investing activities comprise the purchase and sale of fixed assets and investments. Investments include costs capitalised in relation to film investments. Interest dividends proceeds received on these items are included in operating activities.
- iii. Financing activities comprise the changes in the equity structure of the Group. These include the issuing and redemption of share capital and the payment of dividends.

Cash flows in respect of the proceeds or repayment of loans are presented net where the movements are roll overs covered by an arranged finance facility.
- iv. Operating activities include all transactions and events that are not investing or financing activities.