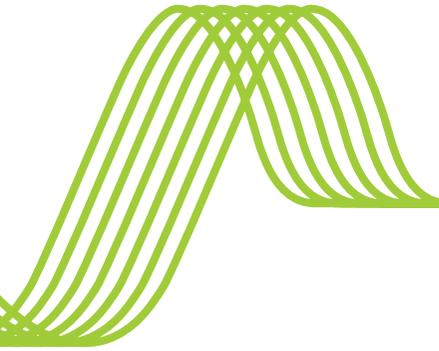




STATEMENT OF PERFORMANCE EXPECTATIONS FOR YEAR ENDING 30 JUNE 2018





This Statement of Performance Expectations reflects NZ On Air's proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149E of the Crown Entities Act 2004.

The forecast financial statements and underlying assumptions in this document have been authorised by the Board of NZ On Air in accordance with its role under the Crown Entities Act 2004. It is not intended to update the forecast financial statements subsequent to presentation.

Miriam Dean CNZM QC
Chair

Ross McRobie
Chair, Audit and Risk Committee

12 June 2017

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OUR VISION
**CONNECTING
AND REFLECTING
OUR NATION**

THE YEAR AHEAD

In 2017/18 we will...

INVEST IN AN ONLINE HOME

for children's content with a strong industry partner

FOCUS ON HELPING

audiences to find content funded for them

STRIKE THE RIGHT BALANCE

between funding for general and targeted audiences

DEVELOP NEW WAYS TO MEASURE

and compare audiences using different platforms

MAINTAIN A VERY HIGH SUCCESS RATE

for completing and releasing funded projects

HELP IMPROVE

streaming and airplay for New Zealand music

INCREASE NEW ZEALANDERS' UNDERSTANDING

of the cultural value of local funded content

ROLL OUT STRONG PROCESSES

to support the probity and success of the new NZ Media Fund, including a fully online application system, and communicate this well

CLOSELY ASSESS MARKET CHANGES

to continue informing our strategy and priorities

OUR STRATEGIC AND PERFORMANCE FRAMEWORK

The new NZMF is founded on core public media principles. These include enriching the New Zealand cultural experience, improving diversity of media content in many forms, ensuring content is accessible, strengthening community life, and promoting informed debate.

Our publicly-funded content adds cultural value, no matter where it sits on the spectrum from serious and informative to light and entertaining.

Our strategic framework shows what drives us and what we are aiming for.

Figure 2: Strategic framework



OUR AIM

**GREAT NEW ZEALAND CONTENT
IS VALUED AND ENJOYED BY MANY
NEW ZEALAND AUDIENCES**



OUR **INVESTMENT GOALS** ARE TO:



He Hua Kounga | Support quality content

NZ audiences enjoy well-made local content that matters

- Well-made funded content will reflect New Zealand in engaging and informative ways
- Funded content will be seen to be different to similar local content made without public funding



He Hua Kanorau | Support diverse content

NZ audiences value local content made for a range of communities

- New Zealanders will appreciate local content made for audiences with diverse interests
- Content creators will have a range of opportunities to make different types of local content



He Hua Kitea | Ensure discoverable content

NZ audiences can find and appreciate local content

- Funded content will be available and enjoyed by audiences on the platforms they use
- Funded content will be online and free to watch or listen to at the beginning of its life and at regular points thereafter

Under the NZMF we will continue to support different types of audio/visual New Zealand content for both general and targeted audiences to enjoy. This content creates greater diversity and choice for audiences, both adding to the mix of local content made on a commercial basis, and the tide of international content.

In music, our support adds opportunities for recording artists, music video makers and content promotion. A radio or online hit can boost streaming revenue and record sales, and build audiences for live shows and tours, stimulating the wider music economy.



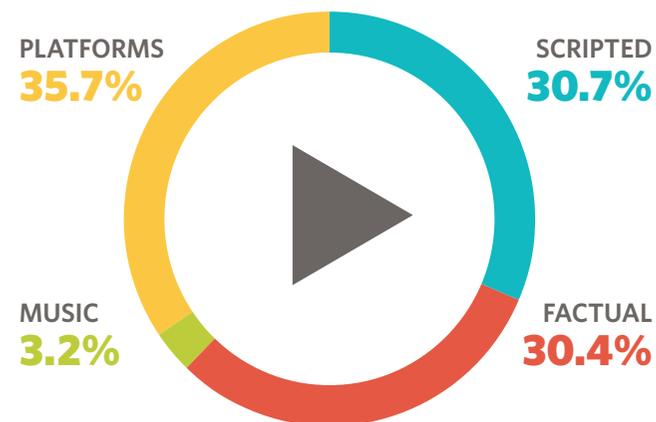
PERFORMANCE INFORMATION: THE NEW ZEALAND MEDIA FUND

The targets and budgets below show how we intend to invest our funding and measure our progress. As the NZMF is designed to be a simple and flexible model that will enable us to adapt to a fast-changing market, the budgets are indicative only and may change depending on applications and other market factors.

NZ On Air has one reportable class of outputs, the New Zealand Media Fund, which is a reportable class for the purposes of the Crown Entities Act 2004.

The expected revenue and proposed expenses for the NZ Media Fund class of outputs are shown in Table 4 at the end of this section.

Figure 4: NZMF budget summary



The *Platforms* funding stream provides operating funding to specially targeted services to create and deliver audio/visual public media content of particular cultural or social value.



The *Scripted* funding stream focuses on audio/visual drama, comedy, animation and other entertaining content requiring a planned creative approach.



The *Factual* funding stream focuses on audio/visual documentary and factual projects made for diverse audiences.



The *Music* funding stream delivers music to radio and streaming services, and provides break through opportunities to selected artists. We actively promote New Zealand music to increase its discovery in a crowded market.

Note: Platforms includes \$35,356k funding for RNZ. This amount is set by Ministers with funding administered by NZ On Air. RNZ's detailed targets and end of year performance reporting are presented in the accountability documents of both RNZ and the Ministry for Culture and Heritage². We include one significant RNZ audience measure in the table that follows.

² Refer to <http://www.radionz.co.nz/about/documents> for RNZ's accountability documents and to <http://www.mch.govt.nz/research-publications/our-accountability-reports> for the Ministry for Culture and Heritage's accountability documents

MEASURING IMPACT

In Table 1 we set out how we will measure performance against our impacts (what we will achieve) of Quality, Diversity and Discoverability.

Table 1: Impact measures

	2017/18 TARGET	2016/17 ESTIMATE	2016/17 TARGET	2015/16 ACTUAL
QUALITY CONTENT - NZ AUDIENCES ENJOY WELL-MADE LOCAL CONTENT THAT MATTERS				
New Zealanders believe NZ On Air supports local content important to New Zealanders	75%	75%	Revised measure	Revised measure
New Zealanders aware of our support for content like that content	70%	70%	Revised measure	Revised measure
New Zealanders agree that RNZ provides a valuable service to New Zealand	70%	70%	Revised measure	Revised measure
Completed productions are accepted for broadcast or uploading	99%	99%	99%	99%
DIVERSE CONTENT - NZ AUDIENCES VALUE LOCAL CONTENT MADE FOR A RANGE OF COMMUNITIES				
NZ audiences appreciate the diversity of content funded by NZ On Air	75%	New measure	New measure	New measure
Content in more than 40 languages (including 9 Pacific) is funded	Achieve	New measure	New measure	New measure
Pacific people agree NiuFM and 531pi broadcast culturally relevant content	75%	Not due to be measured this year	Biannual measure	Biannual measure
DISCOVERABLE CONTENT - NZ AUDIENCES CAN FIND AND APPRECIATE LOCAL CONTENT				
NZ Music content on commercial radio meets the target set by the Minister of Arts, Culture and Heritage and the Radio Broadcasters Association ³	Achieve	15%	20%	14.6%
Percentage of NZ Music content on alternative radio	At least 40%	40%	40%	47.23%
Percentage of released singles from New Music Projects achieving at least 250,000 ⁴ online plays within 12 months ⁵	50%	New measure	New measure	New measure
Percentage of released singles from New Music Singles achieving at least 50,000 online plays within 12 months	50%	New measure	New measure	New measure
Percentage of released singles from New Music Projects achieving at least 750 NZ radio plays within 12 months	50%	New measure	New measure	New measure
Percentage of released singles from New Music Singles achieving at least 250 NZ radio plays within 12 months	50%	New measure	New measure	New measure
Over 50% of first run ⁶ funded prime time (6 pm to 10.30 pm) content for TV achieves average audiences of 100,000 or higher (excludes ondemand audiences)	More than 50%	New measure	New measure	New measure
50% of funded digital content will achieve more than 50,000 views in its first 6 months on line ⁷	More than 50 %	New measure	New measure	New measure

3 A new target is being negotiated between the Radio Broadcasters Association and the Government

4 New Music Projects fund established artists with higher expectations of the number of plays than New Music Singles

5 This measures singles which complete their first 12 months post release in the year under review.

6 Programmes not previously shown on TV

7 This measures funded digital content which completes its first 6 months online in the year under review. Data for online views is currently provided by each platform. Work is progressing in NZ and internationally to establish a consistent approach to measuring online views.

MEASURING ACTIVITY

In Table 2 we set out how we will measure performance against our investment goals and primary operating strategy: Consistently apply nine investment principles.

Table 2: Funding measures

	2017/18 TARGET	2016/17 ESTIMATE	2016/17 TARGET	2015/16 ACTUAL
WHAT WE WILL DO				
Our Investment Principles are followed for all funding decisions (cultural value, content balance, risk, competition, value for money, no duplication, leverage, partner capability, fairness)	100%	100%	100%	100%
A majority of the NZ Media Fund is invested in contestable content to maximise flexibility	At least 50%	New measure	New measure	New measure
Funding for targeted audiences including s36(1)(c) ⁸ of the Broadcasting Act 1989 is at least 20% of total funding (excluding diverse content provided by RNZ)	At least 20%	New measure	New measure	New measure
Funding for diverse content is at least 50% of total Scripted and Factual funding	At least 50%	New measure	New measure	New measure
Investments in Platforms (excluding RNZ) are reviewed on a rolling cycle over 5 years to ensure audiences are being well served (more frequently if required)	1 review completed	New measure	New measure	New measure
Number of mainstream music applications funded ⁹	At least 130	At least 120	At least 120	133
Number of niche music applications funded	At least 90	At least 80	At least 80	95
The number of average weekly hours of captioning and audio description broadcast will be at least:				
Captioning	300	New measure	New measure	New measure
Audio description	40	New measure	New measure	New measure
Number of Scripted and Factual hours funded (includes all formats, e.g. television, online, radio)	At least 1,120	New measure	New measure	New measure
The number of hours funded for programmes promoting NZ Music	At least 2,500 hours	New measure	New measure	New measure
Number of agreements for streaming NZ music with significant platforms	At least 2	New measure	New measure	New measure
New online site for children's content has more than half local content included at launch	More than half	New measure	New measure	New measure

⁸ Includes children, youth, persons with disabilities and minorities in the community

⁹ Music applications are a video, or a recorded song plus a video, or a music project. We cannot separately forecast which type of application will be received

While we aim to balance funding by audience type, content type, and genre, we can only achieve this if we receive sufficient applications that meet our funding criteria and investment principles.

The work we do on a daily basis to implement our strategy reflects the Drivers

highlighted in the strategic framework (Figure 2). We aim to minimise overheads to maximise investment in content; and provide high quality service delivery.

Table 3 sets out core operating measures; Table 4 sets out expected revenue and proposed expenses.¹⁰

Table 3: Operating measures

	2017/18 TARGET	2016/17 ESTIMATE	2016/17 TARGET	2015/16 ACTUAL
HOW WE WILL DO IT (OPERATING GOALS)				
No investment decision or process has a significant adverse judicial review or Ombudsman finding	0	0	0	0
% of complete applications received by deadline determined at the next funding round	99%	100%	100%	100%
% of funding decisions notified to applicants within 5 working days of decision	99%	100%	100%	100%
% of funding contracts correctly issued within 15 working days once conditions precedent are met	99%	100%	100%	100%
% of funding payments correctly made within 10 working days of receiving a valid invoice once contract conditions are met	99%	99%	100%	100%
Administration costs are a low % of total revenue	<3%	<3%	<3%	2.6%

Table 4: Summary of forecast revenue and output expenditure

NZMF FORECAST REVENUE AND EXPENDITURE		2017/18	2016/17	2016/17	2015/16
REVENUE		BUDGET \$000	ESTIMATE \$000	FORECAST \$000	ACTUAL \$000
Crown revenue		132,266 ¹¹	129,426	128,726	128,726
Other revenue		2,230	2,230	2,230	2,542
Total revenue		134,496	131,656	130,956	131,268
Output expenses	%				
New Zealand Media Fund investments	96.8	130,140	128,775	127,001 ¹²	128,012
Industry development	0.3	400	400	400	397
Total content funding		130,540	129,175	127,401	128,409
Administration services	2.9	3,850	3,500	3,715	3,420
Total output expenses	100	134,390	132,675	131,116	131,829
NZ Media Fund Surplus/(deficit)		106	(1,019)	(160)	(561)

¹⁰ NZ On Air does not propose to supply any class of outputs in the financial year that is not a reportable class of outputs. s149E(1)(c)

¹¹ Includes additional funding for RNZ of \$3,540,000

¹² The NZMF commences on 1 July 2017. Prior year budget and actual amounts have been recategorised for comparative purposes

ORGANISATIONAL HEALTH AND CAPABILITY

With 18 staff we are a small entity, reliant on our people being skilled, multi-functional and adaptable. We have formal good employer and personnel policies and a commitment to equal employment opportunities. We do not tolerate harassment or discrimination of any type.

Our measures are summarised in Table 5.

Table 5: Health and capability performance measures

GOAL	MEASURE/TARGET	2017/18 TARGET	2016/17 TARGET	2015/16 ACTUAL
Focus recruitment, training and remuneration policies on attracting and retaining skilled, flexible, efficient and knowledgeable team players	Full time staff turnover is no more than three people per annum	Achieve	Achieve	3
	Individual staff training needs are assessed annually	Achieve	Achieve	100%
	External salary comparisons are conducted regularly to ensure staff are paid fairly	Some positions assessed	Some positions assessed	Not commenced
Ensure staff are committed to the agency and its work	Staff engagement surveys are conducted at least bi-annually; results target to be in the top quartile of the cultural sector (next survey 2017)	Achieve	Achieve (next survey 2017)	Survey conducted May 2015
Ensure our office environment and equipment are safe and well maintained	Reported safety hazards are attended to promptly, significant hazards are attended to immediately	Achieve	Achieve	Achieved
	Zero tolerance of harassment, bullying and discrimination. Immediate investigation if any instances are reported	Achieve	Achieve	Achieved. No instances
	Each new employee has an ergonomically suitable workspace within one month of beginning work	Achieve	Achieve	100%
Incorporate equal employment opportunity principles in staff selection and management, to achieve as diverse a workforce as possible within the limits of our small size	EEO Principles are included in all relevant documents and practices	Achieve	Achieve	100%
	A workforce diversity summary is included in the Annual Report	Achieve	Achieve	Achieved

OUR VALUES

**INNOVATION | DIVERSITY
SKILFUL INVESTMENT**



FORECAST FINANCIAL STATEMENTS

Statement of forecast comprehensive revenue and expense

For the year ending 30 June 2018

	2017/18 Budget \$'000	2016/17 Budget \$'000	2016/17 Estimate \$'000
Revenue			
Crown revenue	132,266	128,726	129,426
Other revenue	2,230	2,230	2,230
Total revenue	134,496	130,956	131,656
Operating expenditure			
Administration services	3,850	3,715	3,500
Total operating expenditure	3,850	3,715	3,500
Funding expenditure			
NZ Media Fund			
Scripted	40,000	80,050	80,634
Factual	39,500		
Music	4,200	4,000	4,200
Platforms	46,440	42,951	43,941
Total NZ Media Fund	130,140	127,001	128,775
Development and support			
Industry development	400	400	400
Total funding expenditure	130,540	127,401	129,175
Total expenditure	134,390	131,116	132,675
Net surplus/(deficit) for the year	106	(160)	(1,019)
Other comprehensive revenue and expense	-	-	-
Total comprehensive revenue and expense	106	(160)	(1,019)

Statement of forecast financial position as at 30 June 2018

	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Estimate \$000
Current assets			
Cash and cash equivalents	30,000	3,000	30,000
Investments	5,000	20,000	5,000
Debtors and other receivables - interest	150	150	150
Debtors and other receivables - other	150	150	150
Total current assets	35,300	23,300	35,300
Non-current assets			
Property, plant and equipment	170	350	160
Intangible assets	150	-	188
Total non-current assets	320	350	348
Total assets	35,620	23,650	35,648
Current liabilities			
Trade and other payables	300	300	300
Employee entitlements	150	150	150
Funding liabilities	34,167	23,153	34,301
Total current liabilities	34,617	23,603	34,751
Net assets	1,003	47	897
Equity			
Equity at 30 June	1,003	47	897
Total Equity	1,003	47	897

Statement of forecast changes in equity

For the year ending 30 June 2018

	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Estimate \$000
Balance at 1 July	897	207	1,916
Total comprehensive revenue and expense for the year	106	(160)	(1,019)
Balance at 30 June	1,003	47	897

Statement of forecast cash flows

For the year ending 30 June 2018

	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Estimate \$000
Cash flows from operating activities			
Receipts from the Crown	132,266	128,726	129,426
Receipts from other revenue	630	680	630
Interest received	1,600	1,600	1,622
Payments to funded activities	(130,674)	(130,688)	(129,801)
Payments to suppliers and employees	(3,850)	(3,627)	(3,464)
Net GST	165	-	130
Net cash from operating activities	137	(3,309)	(1,457)
Cash flows from investing activities			
Net receipts from investments	-	4,000	23,000
Purchase of intangible assets	-	-	(188)
Purchase of property, plant and equipment	(137)	(191)	(10)
Net cash flows from investing activities	(137)	3,809	22,802
Net increase in cash and cash equivalents	-	500	21,345
Cash and cash equivalents at 1 July	30,000	2,500	8,655
Cash and cash equivalents at 30 June	30,000	3,000	30,000

Statement of accounting policies for the year ending 30 June 2018

Reporting Entity

The Broadcasting Commission (NZ On Air) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing NZ On Air's operations includes the Crown Entities Act 2004 and the Broadcasting Act 1989. NZ On Air's ultimate parent is the New Zealand Crown. These forecast financial statements reflect the operations of NZ On Air only and do not incorporate any other entities. These forecast financial statements are for the year ending 30 June 2018.

NZ On Air's primary objective is to provide services to the New Zealand public. Our functions and responsibilities are set out in the Broadcasting Act 1989. The primary function is to serve audiences by investing in a wide range of New Zealand television, radio and online content. The purpose is to add a diversity of local content to the almost limitless range of foreign options available. NZ On Air does not operate to make a financial return. Accordingly, NZ On Air has designated itself as a public benefit entity (PBE) for the purposes of Financial Reporting.

Basis of Preparation

Statement of compliance

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They have been prepared in accordance with Tier 1 PBE Standards including PBE FRS 42 Prospective Financial Statements.

These forecast financial statements have been prepared to comply with the Crown Entities Act 2004 and may not be appropriate for purposes other than complying with the requirements of this Act.

The actual financial results for the period covered are likely to vary from the information presented and the variations may be material.

Measurement basis

The measurement base adopted is that of historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars and rounded to the nearest thousand (\$000).

Judgments and estimations

The preparation of financial statements to conform with PBE Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses (where material information on major assumptions is provided in the relevant accounting policy or will be provided in the relevant note). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments that have significant effect on the financial statements and estimates, with a significant risk of material adjustment in the next year are discussed in these notes.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements.

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the Crown

We are primarily funded through revenue received from the Crown, restricted in its use for the purpose of meeting our objectives as specified in the Broadcasting Act 1989 and the scope of appropriation of the funder.

We consider there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.

Interest revenue

Interest revenue is recognised using the effective interest method.

Television programme and music revenue

Our share of net revenue from sales of television and music projects that we have funded is recognised when it is earned to the extent that information is available to us at that time.

Other revenue

Other revenue is recognised when it is earned

Other expenses

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight line basis over the term of the lease.

Funding expenditure

Funding expenditure is discretionary funding where NZ On Air has no obligations to award funding on receipt of the funding application. It is recognised as expenditure when:

- (a) the funding has been approved by the Board;
- (b) the funding recipient has been advised;
- (c) there are no substantive contractual conditions for the funding recipient to fulfill; and
- (d) it is probable (more likely than not) that the funded proposal will be completed.

Critical judgments in applying accounting policies – funding expenditure

We exercise judgement in developing our funding expenditure accounting policy as there is no specific accounting standard for funding expenditure.

With the recent introduction of the new PBE Accounting Standards, there has been debate on the appropriate framework to apply when accounting for such expenditure.

We are aware of the need for a clear standard or authoritative guidance on accounting for grant expenditure has been raised with the New Zealand Accounting Standards Board.

We note below our view of what constitutes a substantive contractual condition which, once fulfilled, results in the funding being recognised as expenditure. Although the underlying contracts usually set out milestones, these are for administrative purposes. The recipient already has a valid expectation that funding will be paid.

Although from time to time an approved project with no substantive conditions to fulfill does not go ahead, such projects are rare. Based on experience we judge it is probable that all approved commitments at 30 June without substantive contractual conditions to fulfill will be completed.

The substantive contractual condition that means a funding commitment cannot be recorded as expenditure is where the Board approval is subject to confirmation of third party funding, and that funding is not in place at balance date.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held on call with banks with original maturities of three months or less.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payment are all considered indicators that the debtor is impaired. Impairment losses are recognised in the statement of comprehensive revenue and expense.

Investments

At each balance date we assess whether there is any objective evidence that an investment is impaired.

Bank Deposits

Investments in bank deposits are measured at fair value less transaction costs.

For bank deposits, impairment is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the

deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payment are all considered indicators that the deposit is impaired.

Property, plant and equipment

Property, plant and equipment asset classes consist of computer equipment, office equipment, furniture and fittings, and leasehold improvements. Property, plant and equipment are shown at cost, less accumulated depreciation and any impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control of the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive revenue and expense.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive revenue and expense as they are incurred.

Depreciation

Depreciation is provided on a straight line basis on all property plant and equipment at rates that will write off the cost of the asset over their useful lives. The useful lives and associated depreciation rates have been estimated as follows:

Computer equipment	3 years	33.3%
Office equipment	5 years	20%
Furniture and fittings	6 years	16.7%
Leasehold improvements	6 years	over the period of the lease (16.7%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Impairment of non-financial assets

Property, plant and equipment, and intangible assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The total impairment loss is recognised in the statement of comprehensive revenue and expense. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive revenue and expense.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where we would, if deprived of the asset, replace its remaining future economic benefits or service potential.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate.

Employee benefits

Employee entitlements that NZ On Air expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

We recognise a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that we anticipate it will be used by staff to cover those future absences.

We recognise a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Superannuation schemes

Obligations for contributions to Kiwisaver and State Sector Retirement Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive revenue and expense as incurred.

Provisions for funding expenditure

We recognise a liability for funding expenditure when all the following conditions have been met:

- (a) The expenditure has been formally approved.
- (b) The funding recipient has been advised.
- (c) There are no substantive contractual conditions for the funding recipient to fulfill.
- (d) It is probable (more likely than not) that the funded proposal will be completed and that our commitments will crystallise.

At 30 June forecast, funding liabilities in the statement of financial position include both contracted liabilities and uncontracted liabilities that have no substantive contractual conditions unfulfilled. The amount recorded for the uncontracted liability is the amount approved by the Board.

Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables in the statement of financial position, which are presented on a GST-inclusive basis.

The net amount of GST-recoverable from or payable to the Inland Revenue Department, is included as part of receivables or payables as appropriate.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

NZ On Air is exempt from the payment of income tax in accordance with s51 Broadcasting Act 1989 therefore no charge for income tax has been provided for.

Contingent assets and contingent liabilities

A contingent liability is disclosed where broadcasting funding expenditure has been approved by the Board, but that expenditure is uncontracted, and has substantive conditions unfulfilled at 30 June. At the point the substantive conditions are fulfilled, the contingent liability is removed and the value is recorded as expenditure and as a liability in the financial statements.

A contingent liability is also disclosed where there is a possible obligation or present obligation that may, but probably will not, require an outflow of resources.

A contingent asset is disclosed where the inflow of an economic benefit is probable, but not virtually certain.

Commitments

Future expenses and liabilities incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cost allocation policy

All expenditure not used to fund broadcasting services has been allocated to administration expenditure.

Financial instruments

NZ On Air is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term trade payables and trade and other receivables. There are no known significant concentrations of credit risks.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which cases the transaction costs are recognised in the statement of comprehensive revenue and expense.

NZ On Air has the following categories of financial assets:

(a) Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive revenue and expense. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

(b) Held to Maturity Investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that we intend to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive revenue and expense. Investments in this category are term deposits.

Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value, if significant.

Statement of cash flows

Cash and cash equivalents includes cash in hand and deposits held with banks with original maturities of three months or less.

Operating activities includes cash received from income sources excluding interest, and records the cash payments made for the supply of goods and services, and the funding to broadcasters and programme producers.

Investing activities are those activities relating to the acquisition and disposal of long-term assets, interest received and other investments not included in cash equivalents.

Financing activities comprise those activities relating to changes in equity.

Changes in accounting policies

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

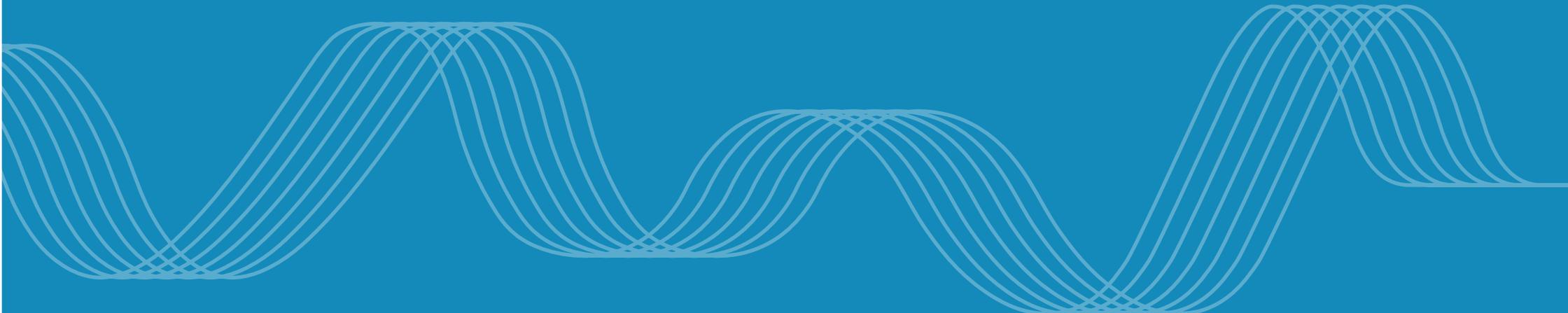
Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Related parties

NZ On Air transacts with other Government agencies on an arm's length basis. Any transaction not conducted at arm's-length will be disclosed in our financial statements (annual report).





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