

Statement of Intent

2012-2015

NZ On Air / Irirangi Te Motu

STATEMENT OF INTENT / CONTENTS

Statements from NZ On Air and the Minister of Broadcasting	3
--	---

PART 1 / OVERVIEW AND STRATEGY

1. NZ On Air – who we are	4
2. Our environment	6
3. How we invest – impacts and key measures	16
4. Performance improvement	19
5. Organisational health and capability	21
6. Consultation and reporting to the Minister	22

PART 2 / SERVICE PERFORMANCE AND FINANCIAL MANAGEMENT

Statement of forecast service performance	23
Forecast revenue and expenditure	24
Output 1: Screen content	25
Output 2: Sound content	28
Forecast financial statements	33
Statement of forecast comprehensive income	33
Statement of forecast movements in equity	34
Statement of forecast financial position	35
Statement of forecast cash flows	36
Notes to the financial statements	37
Directory	40

Statement of Intent

“...the investments NZ On Air is able to make in television, radio, music, and online services provide an extraordinary range of local content to New Zealand audiences. We seek to balance mainstream with special interest content for both general and important niche audiences, aiming for both quality and diversity.”

Statements from NZ On Air and the Minister of Broadcasting

Government support through NZ On Air creates a meaningful space for the local among the near-limitless supply of more cheaply-acquired foreign content.

Our primary focus on serving audiences, as opposed to supporting industry or creative endeavour, is unusual for a public funder. This gives us an unwavering focus on outcomes.

Our contestable and comprehensive funding processes ensure the best content is supported at the right price.

We aim for both range and diversity. This balances our investments as we support content for both mainstream audiences and those with special interests.

The content made for these audiences originates from an industry comprising skilled technical and creative entities. These businesses employ a workforce that is internationally recognised as creative, resourceful and practical.

The global economic climate continues to provide significant challenges for the government. All State sector organisations are doing more with less and NZ On Air is not immune. Our focus will remain on maximising the funds available for investment and minimising our administrative costs. To ensure that funding is used efficiently and effectively NZ On Air will be involved in a pan-funder music coordination group, will continue to share support services with the Broadcasting Standards Authority, and will establish a closer relationship with the NZ Film Commission in the year ahead.

Our Statements of Intent are read widely by the content sector. They provide clear information about our priorities that helps sector-wide thinking and planning. While we are fortunate to have retained a good level of Crown funding, we are becoming increasingly constrained in adopting new initiatives and in absorbing additional costs. Each funding proposal will continue to be scrutinised carefully.

This new Statement of Intent (SOI) maintains and develops our strategic direction and is produced in accordance with ss141 and 142 of the Crown Entities Act 2004.

The forecast financial statements and underlying assumptions in Part 2 of this document have been authorised as appropriate for issue 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

In accordance with s149 of the Crown Entities Act 2004 I agree to present this Statement of Intent of NZ On Air before the House of Representatives.



Hon Craig Foss
Minister of Broadcasting

Date: 8 May 2012

PART 1 / OVERVIEW AND STRATEGY

1. NZ On Air – who we are

NZ On Air is an autonomous Crown entity governed by a Board of six members appointed by the Minister of Broadcasting. The Board is supported by a small agency of specialist staff.

We play a key role in the screen, sound and music sectors. We invest in a colourful range of digital content for many different New Zealand audiences.

We are a champion of New Zealand content - an informed and stable contributor in the midst of significant environmental change. Our funded activities demonstrably add to the sum and variety of local content on multiple platforms.

As technology advances, and audiences fragment, it is more important than ever that our agency maintains the resources, influence, expertise and focus to promote and support local content effectively. We work actively with content businesses, broadcasters and platform providers to ensure every investment is realised and released to the widest possible audience.

Our functions are set out in the Broadcasting Act which was updated in 2008 to include digital options. While our main focus is on the audience, job creation and skills development are also positively impacted through our work. We work with a complex and important sector comprising hundreds of small and medium-sized entities. In turn, those entities employ thousands of highly skilled technical professionals and creative artists. Many leverage our investment with extra third party and foreign revenue.

Mission and values

Mission statement

We champion local content through skilful investment in quality New Zealand broadcasting

Kia tuku pūtea hei tautoko hei whakatairanga hoki i ngā kōrero pāho o Aotearoa.

To ensure sound investment, our **values** are constant -

Innovation - *Wairua Auaha* - encouraging new ideas, creativity, and quality production standards

Diversity - *Ngā Rerenga* (in projects, people and platforms) - promoting difference and competition to support the best ideas for the widest range of New Zealanders

Value for money - *Hunga Motuhake* - making sure cost-effective projects are enjoyed by significant numbers of relevant people

Front line focus, low overheads

Our operating costs are probably lower than any of our counterparts in the world. This means we work in a practical way so we can invest the maximum amount possible into local content.

To provide further savings, we share location, facilities and/or staff with two other agencies. We colocate and share staff with, and provide accounting services to, the Broadcasting Standards Authority. We also share a staff member with the NZ Film Commission.

In the last five years NZ On Air has been conducting a series of value for money reviews. As an agency we are constantly seeking ongoing performance improvement. These reviews are a substantial undertaking for a small agency but a strategic priority.

Each review has resulted in improvements to policies or outcomes. Completed projects include:

YEAR	PERFORMANCE IMPROVEMENT ACTIONS	OUTCOME
2007	<ul style="list-style-type: none"> NZ On Air's organisational capability Television production terms of trade 	<ul style="list-style-type: none"> Restructuring, cost savings Long-running industry dispute resolved
2008	<ul style="list-style-type: none"> Community/access radio and regional television Digital futures research 	<ul style="list-style-type: none"> Reprioritisation, increased funding Development of inaugural digital strategy Creation of NZ On Screen
2009	<ul style="list-style-type: none"> Screen archiving arrangements International music promotion Commercial radio programme funding 	<ul style="list-style-type: none"> Sector funding reorganisation Reprioritisation: focus on Australia Funding rationalisation
2010	<ul style="list-style-type: none"> Domestic music funding and promotion Sound archives funding Mainstream Maori screen content 	<ul style="list-style-type: none"> Policy and funding scheme reviewed Service assessment completed Maori Innovation Fund renewed
2011	<ul style="list-style-type: none"> Platinum Fund assessed Music funding and promotion Maori strategy (screen content) Digital strategy Output of community radio monitored Sound archives funding 	<ul style="list-style-type: none"> Fund priorities confirmed New funding scheme implemented Completing in 2012 Investments evaluated (first step) Improved diversity Funding rationalisation proposed

See Figure 11 for activities planned for 2012/13.

2. Our environment

Overview

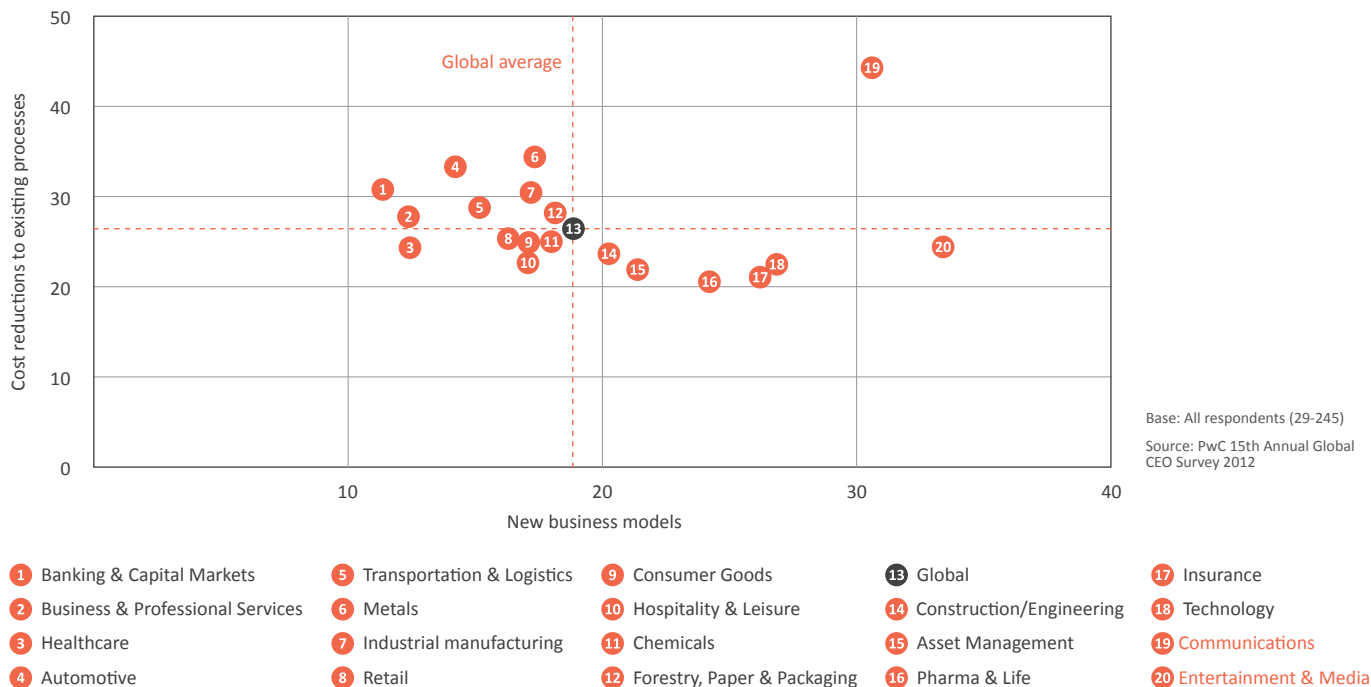
Our job is to create a meaningful space for quality local content among the almost limitless foreign options. It is also to invest public funds wisely. This means that while we actively support innovation in content, we may observe market trends around new platforms for a time before we decide if public investment there can be justified.

For some years now the sectors in which we work have been in a high state of change. This is the case both in New Zealand and internationally, and the drive for sector innovation remains high.

The chart below suggests our business sector is experiencing the most profound change of any sector.

Figure 1: Many industries see significant pressure for both process innovations and radical innovation

Q: To what degree are you changing the emphasis of your company's overall innovation portfolio in the following areas? Responses of 'significantly increase'.



Use of the internet in New Zealand has continued to rise, reaching 86% in 2011, up from 79% in 2007 and 83% in 2009. The remnant of the digital divide persists, with most of those still not online aged over 60 or in a low-income household, or both.¹ Online video viewership is weighted towards those under 35 years.² The impending rollout in New Zealand of ultra-fast broadband will pose a challenge for broadcaster businesses and content creators alike. It will also provide opportunities.

Digital switchover (DSO) will primarily affect regional television operators which may, in turn, require some adaptation to funding policies. We addressed mainstream digital and high definition (HD) production issues some time ago.

To date, the changed media environment has not meant smaller audiences for 'traditional' broadcast content, simply a change to the platforms used to access it. For example, more people than ever are watching television, and people are watching for longer: on average 202 minutes per day in 2011 and 2010, compared to 167 minutes in 2005, with key age groups holding steady.³

*In 2012, Deloitte predicts that 95 percent of television programs watched will likely be viewed live or "near live", that is within 24 hours of broadcast. This is little changed from a decade ago. People will allow the TV schedule to guide almost all of their viewing choices, regardless of whether they are watching shows on a conventional TV, computer, or smartphone; and regardless of the network technology used be it cable, satellite, phone line or conventional antenna.*⁴

Audience numbers listening to radio, also, continue to be solid. While the 2011 audience share declined slightly to 78%, the average Time Spent Listening per person was still around 16.4 hours per week.⁵ The advent, last decade, of podcasting and streaming options has helped find and hold audiences.

The music business remains in flux. While many New Zealand musicians enjoy a passionate audience following, and the range of live music

offerings is now strong and diverse, the amount of New Zealand music on the airwaves remains more or less static. As with all content, becoming 'discovered' through the internet alone takes skilful promotion to cut through – and often a degree of luck. Broadcast still plays a critical part in new music discovery, but other platforms are essential in consolidating and developing success.

The economic environment and rapid changes in audience behaviour mean that content distributors continue to assess costs carefully. Falling revenue generally means less local content. This is because foreign content, both programming and music, is cheaper and lower risk. Foreign content

- is sold at much less than the actual cost of production. This is because the home market has already met the full cost
- is already proven to attract audiences (local content and music mostly launch from an unknown base)
- often has a built-in international profile and advance audience awareness in New Zealand which gives it a significant competitive advantage

These are some of the reasons why special provision has been made through NZ On Air to extend the range and diversity of local content available to different audiences. NZ On Air will remain platform-neutral, making investment decisions based on audience behaviour and market gaps.

The converged nature of our responsibilities means that we have wide sector knowledge and the capacity to adapt quickly.

Government

The state sector remains under financial pressure. Costs and demands on our funding continue to increase. Nonetheless with continued support from the Government for our professional approach and contestable, efficient funding system, we remain in good heart and ready to meet the challenges that lie ahead.

¹ *The Internet in New Zealand 2011*. Institute of Culture, Discourse & Communication, AUT University.

² "Google Sites was largely driven by YouTube.com which accounted for 81.2 million videos, representing 51.6% of all videos viewed in New Zealand during the month. Facebook.com ranked second with 562,000 viewers and 2.4 million videos viewed, while VEVO ranked third with 370,000 viewers..... TVNZ and MediaWorks sites both ranked among the top 10 video properties reaching 201,000 and 149,000 viewers, respectively." New Media Trendwatch. <http://www.newmediatrendwatch.com/markets-by-country/11-long-haul/57-new-zealand>. Retrieved March 2012

³ TV Trends 2011. The Nielsen Company 2012

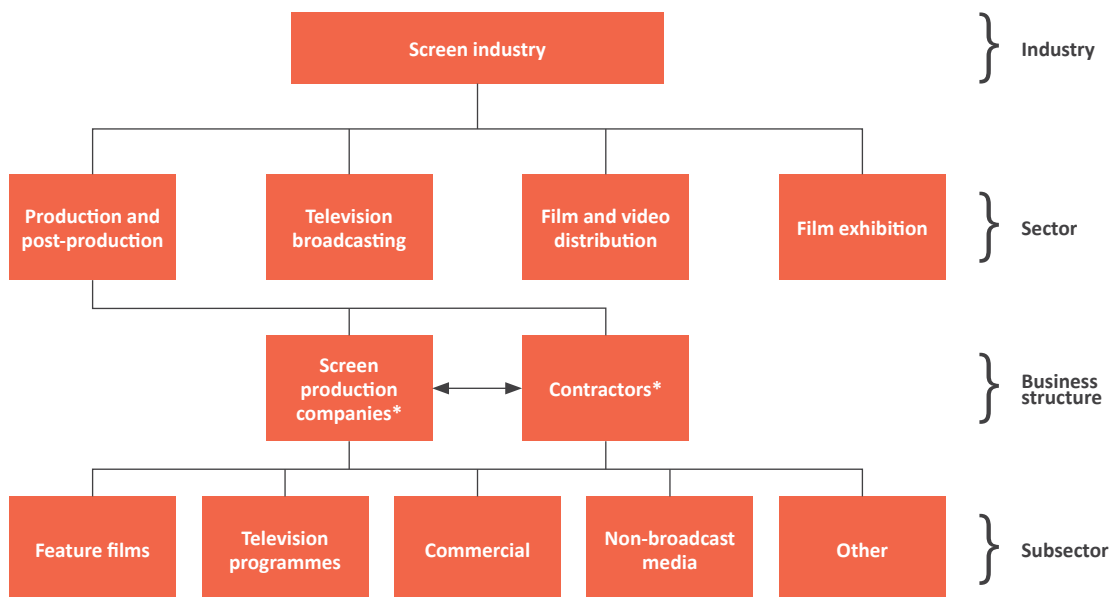
⁴ *Technology, Media & Telecommunications Predictions 2012*: Deloitte Global Services

⁵ Radio Broadcasters Association. 'Audience share' is all people aged 10+ listening to a commercial radio station at some time during the week

Industry – screen content

The screen industry has been depicted like this:

Figure 2: Structure of the screen industry

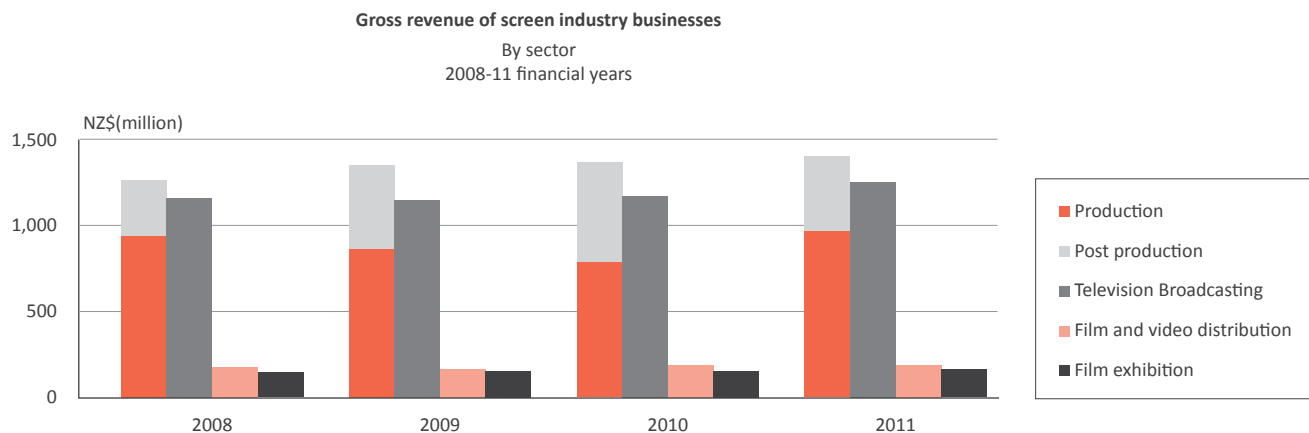


* Businesses in the production and post-production sector may be contractors as well as screen production companies.

Source: Statistics New Zealand Screen Industry Survey. See www.stats.govt.nz

In 2011, the screen industry production and post-production sector businesses contributed almost \$1.4 billion to the economy. NZ On Air's investment plays a significant role in the television sector with the latest survey results showing production and post-production revenue in the television sector at \$494 million, and involving more than 1,200 businesses.

Figure 3: Screen Industry Survey 2011



Source: Statistics New Zealand Screen Industry Survey. See www.stats.govt.nz

Alongside the companies directly involved in digital screen production, flow-on benefits from industry spend also extend to other enterprises (for example hardware, software, web, equipment, craft, post-production, locations, permit issuers, accommodation, hospitality, tourism and events businesses). Up to 3,000 people are employed in or around the sector.⁷

For content distributors, local content is expensive and risky, rarely making bottom-line sense.⁸ Local content at best may break even and at worst loses money (meaning revenue is less than production cost). This of course does not take the content's wider strategic or cultural value into account.

Yet New Zealanders create some of the most cost-effective content in the world. This is because of the collaborative nature of the sector, its flexible work ethic, the absence of demarcation constraints, a highly-developed technical skill base and recognised capacity to innovate.

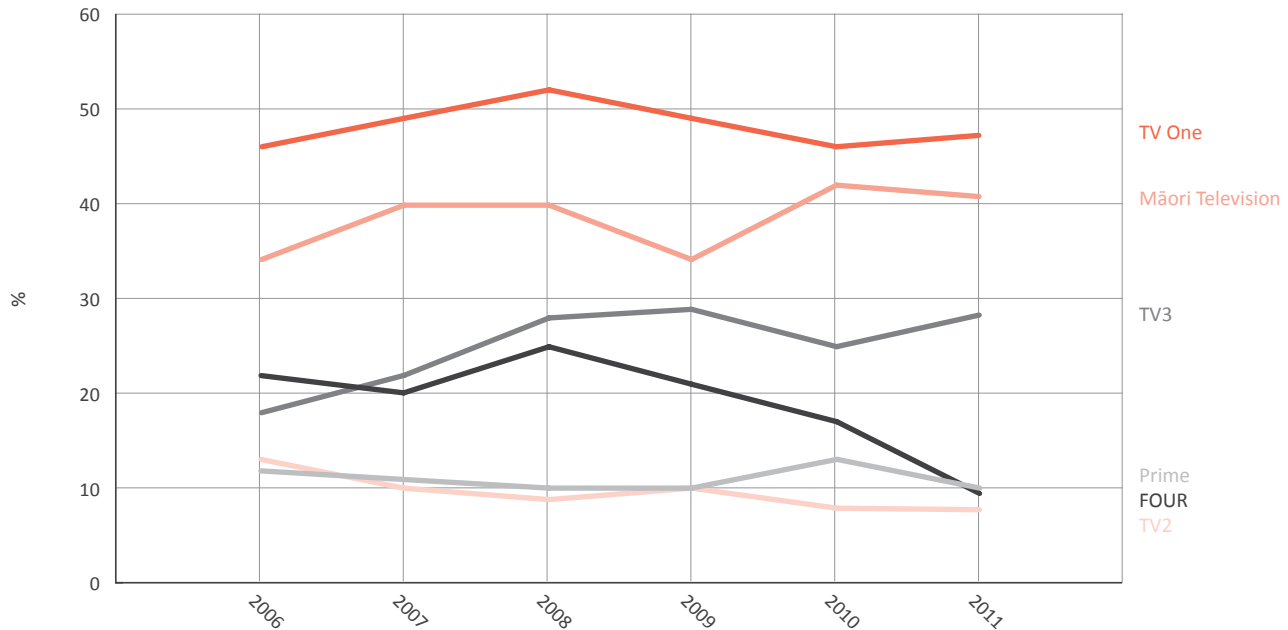
The economics of local production, compared to foreign content acquisition, are difficult worldwide. In short, the challenge is meeting the first-copy cost. Most countries have market intervention mechanisms to retain a space for the local. NZ On Air is New Zealand's primary local content intervention.

On television, total levels of local content have risen in recent years because of the increase in channel numbers. On the six main channels the percentage of first-run content fluctuates across the years but is relatively static overall. The bulk of local content is news and sports, categories not funded by NZ On Air, and it is these categories that are mainly responsible for the 2011 increases in Fig. 4 overleaf. This research measures free to air hours only, not the additional online streaming and catch-up opportunities.

⁷ Source: Statistics New Zealand, NZ On Air data

⁸ For more information on the cost to broadcasters see the 2010 report *Recurrently Funded Television Series* on www.nzonair.govt.nz/publications

Figure 4: Percentage of first-run local content hours by channel



Source: Local Content Report 2011 www.nzonair.govt.nz

While most audience eyes remain focused on free-to-air television, we will concentrate our main investment decisions there. We also expect most of our funded content to be uploaded to an On Demand platform for a period. Much of it will eventually appear on www.nzonscreen.com so audiences can access it at their leisure.

For funding purposes, we categorise television services as:

Type 1: the major free-to-air national channels (TV One, TV2, TV3)

Type 2: free-to-air broad-service channels with smaller audiences but national reach (Prime, Māori Television, Four)

Type 3: free-to-air channels broadcasting regionally and/or to special interest audiences

While, collectively, Sky's pay television service is a major competitor to the Type 1 channels in particular, its individual channels mostly fall into Types 2 and 3. We do not provide funding directly for pay television content: our policy is that funded content should initially be free to the public to view or access. Because multiple screenings of publicly funded content are a good thing, however, we have no objection if funded content is later purchased for a repeat screening on a pay channel.

We introduced content-based funding for eligible Type 3 regional television channels in 2009. The prior allocation from the Government of \$890,000

for regional television was increased by us, at that point, to \$1.5 million. Our priority is regional news and information because this content is rarely included elsewhere. Most of this content is also uploaded for later online access. Calls for increased or new funding from some Type 3 regional channels continue.

Alongside our content activities we fully fund Access Services to provide captioning and audio description services for hearing or vision-impaired TVNZ and TV3 audiences. Demand for these services is also increasing.

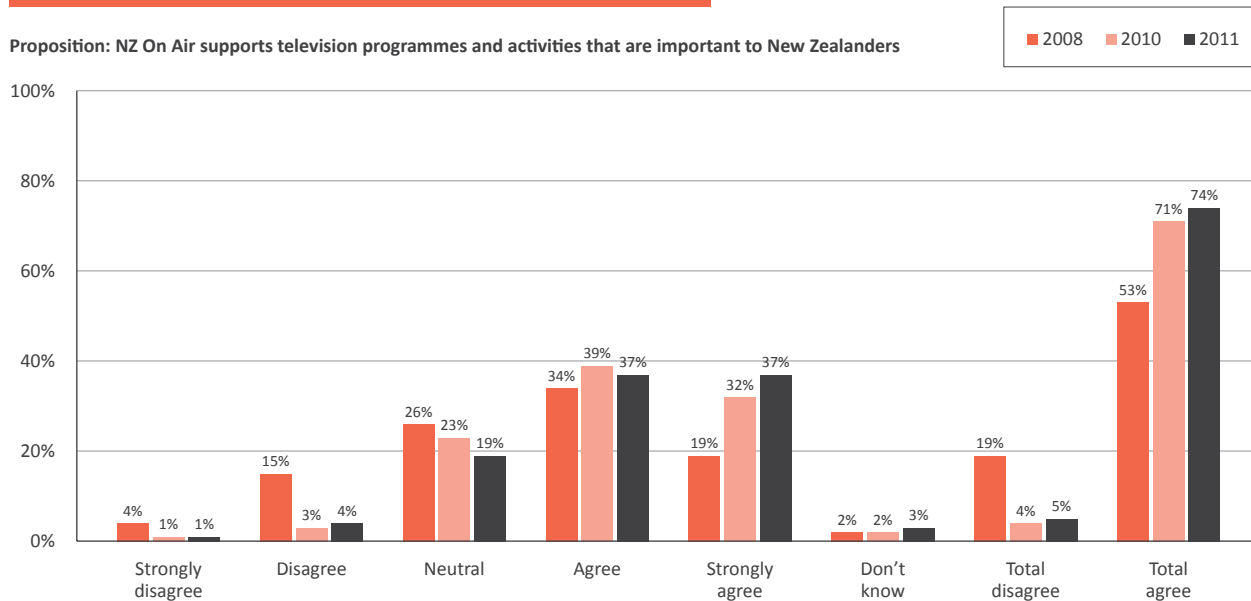
To date, funding increases for Access Services have been from within our existing baseline.

Digital switchover, rolling out from September this year, will alter the broadcast environment. It is unlikely to have much direct impact on content investment unless audience behavior changes significantly.

It is pleasing that the general public's view of our television funding remains positive.

Figure 5: Do New Zealanders generally support NZ On Air's television funding?⁹

Proposition: NZ On Air supports television programmes and activities that are important to New Zealanders



Priorities this year will be to maintain the success of the Platinum Fund, to continue raising the quality bar, to continue assessing investments with an eye to multiple platform opportunities, and to review our documentary investment strategy.

There is increasing pressure from a fairly wide range of stakeholders for increased services or funding, and thus a possibility of increased sector tension. Increasing costs, in a static funding environment, generally mean a reduction in the number of hours we can support.

⁹ Public Perceptions Research 2011. Premium Research. www.nzonair.govt.nz/publications

Industry – sound content

We invest in audio content (spoken and music) for a range of audiences through various platforms. While radio is the primary platform for content funding purposes, additional streaming or podcast access for almost all funded services is now a given.

The New Zealand radio market is one of the most crowded in the world. Commercial radio is dominated by two large companies operating several brands across the country. Radio New Zealand, the primary radio public broadcaster, is funded and monitored by us. Special interest and community radio services are provided to a variety of different audiences, from the Pacific national network to access radio stations and small Low Power FM operators. Some of these services receive public funding, others do not.

For funding purposes, we categorise radio services as:

Type 1: national public radio (RNZ National and RNZ Concert)

Type 2: special interest public radio (Niu FM, 531pi, Access radio)

Type 3: spoken radio and music for commercial and alternative radio (Priorities are children, youth, spiritual and special interest. Also see the music section below).

All radio broadcasters are facing a challenging environment. In particular, the comparatively small size and audience reach of most Type 2 services, along with a tight financial position, means that public funding needs to be invested with great care.

A significant survey of the amount and range of special interest programming on funded Access stations was completed in 2010. Improved performance and programming targets will continue to be set.

We are also considering the results of a research project on the views of Pacific broadcast audiences and will be looking at options this year.

Industry – music content

The music industry worldwide continues to adapt to the commercial effects of the digital revolution. The recorded music industry has been consistently reducing its artists and repertoire (A&R) investment due to economic pressures. The live music industry may benefit from this, but in New Zealand's small market this will not be the solution. *“Over the next few years, label-sourced A&R is likely to decline by roughly US\$500 million per year globally. It seems reasonable to assume that the live music industry – or other source of funding – will need to step in to prevent the well from running dry.”*¹⁰

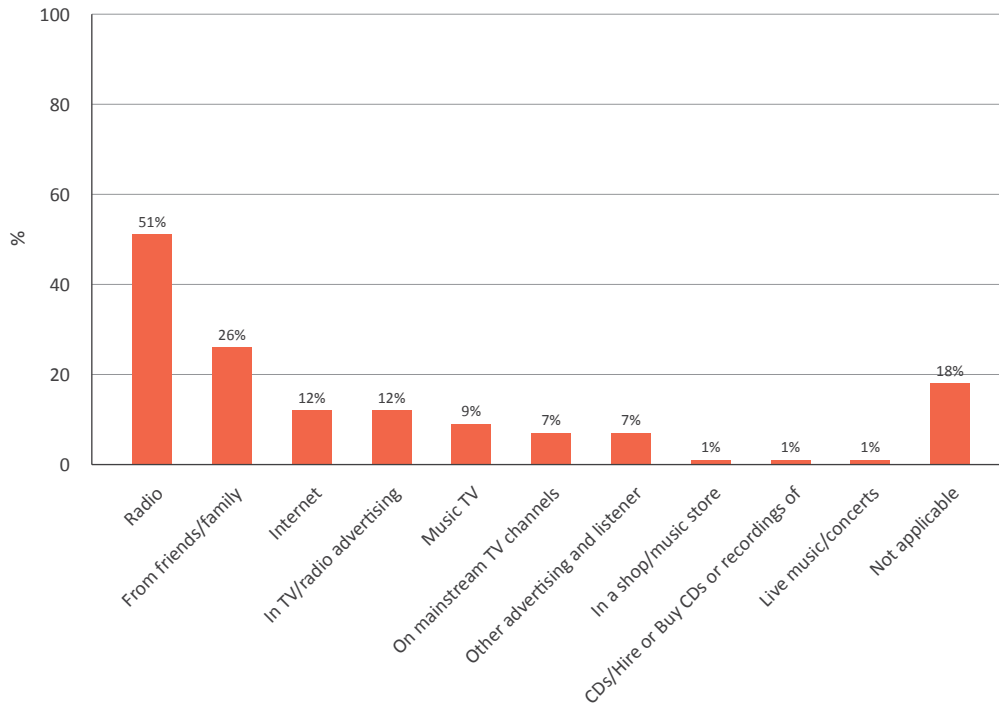
NZ On Air invests in music to extend the range of recorded music by New Zealand artists available to audiences on any platform. Radio is still the biggest single music discovery source. Aggregator sites like YouTube and the explosion of social media have transformed the outcomes for music video production and its vital role in music promotion.¹¹

¹⁰ *Technology, Media & Telecommunications Predictions 2011*. Deloitte Global Services Ltd (p31)

¹¹ Funding for music video is included in this section because our reason for funding music video production is its role in promoting new NZ music

Figure 6: How do New Zealanders discover new music?¹²

How do you find out about new music?



Base: Main sample n=750; Source: Public Perceptions Survey 2011 www.nzonair.govt.nz

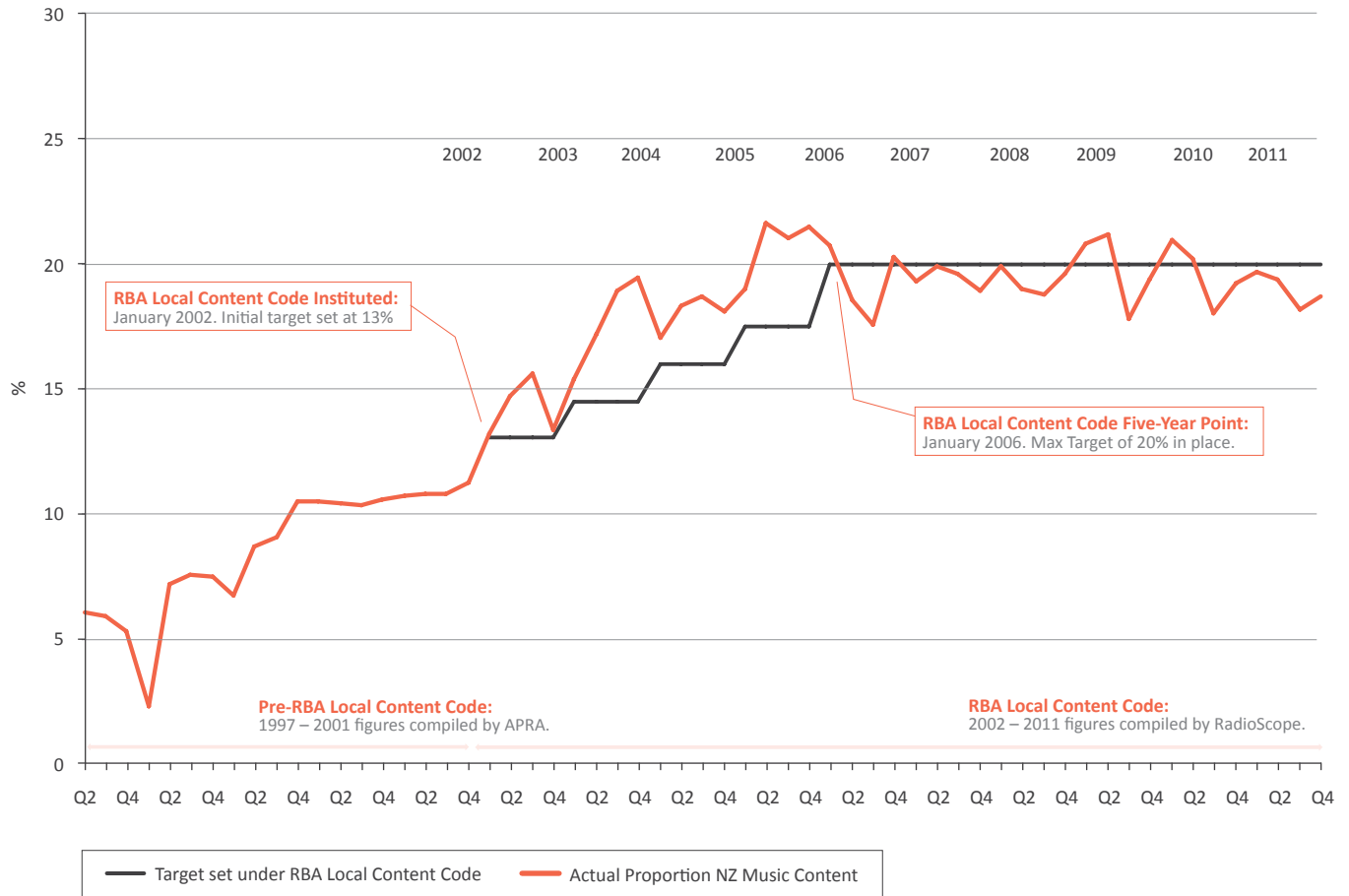
Until last year we focused our support for New Zealand music on getting improved airplay on the commercial radio stations listened to by most New Zealanders. The results, as reflected in Figure 7 overleaf, speak for themselves.

Recent results are uneven. The target for NZ music content, as a proportion of all airplay on commercial radio, is set by the Radio Broadcasters Association (“RBA”) at 20%. RBA member stations did not achieve this target in the last two years and we look forward to working with them to improve this outcome.

¹² Public Perceptions Research 2011. Premium Research. www.nzonair.govt.nz/publications/

Figure 7: Proportion of New Zealand music content on commercial radio

NZ Music Content as a Proportion of All Airplay on Commercial Radio



Source: RadioScope

In 2011 we completely redesigned our music funding framework. **Making Tracks** reinforces our core philosophy of connecting songs with audiences. Its principles include

- Alongside commercial radio, using alternatives such as digital and student radio platforms, web and social media, to broaden discovery opportunities
- Weighting funding support more towards emerging artists than established artists
- Using a wider range of music experts to help select projects for funding
- Placing support for music from more established artists on a more business-like footing: for example, cost sharing
- Providing a maximum of three grants per artist per year, all on a fully contestable basis
- Focusing available funding on tracks (including music videos)
- Tightening eligibility criteria for funding (to manage demand. Last year, demand for funding outstripped supply by up to 100:1)

The first year of the scheme was widely hailed as a significant improvement. The priority this year will be developing effective performance measures so we can assess whether our more broadly-spread investment strategy is hitting the mark. We are also working with other music funding agencies to confirm there is no duplication.

Details and criteria for the scheme are on www.kiwihits.co.nz.

The wider digital environment

Almost all the content and services funded by NZ On Air are digitally produced and transmitted. We focus on professionally-produced material made for specific audiences who can access it from multiple devices.

The main broadcasters have a strong web presence and associated streaming services. These were augmented in 2009 by the award-winning, lively site NZ On Screen funded by NZ On Air. NZ On Screen will continue to play an important part to ensure diverse local content, in a curated and informed environment, is free to the public to access at any time. See www.nzonscreen.com

In late 2011 we assessed the results of the first four years of the contestable Digital Content Partnership Fund. This fund supported content creation specifically for online or mobile platforms. The results were positive, given the experimental nature of this type of activity. The most successful projects were tightly targeted and enjoyed the support of a sizeable local platform. Others were creatively innovative but struggled to find a significant audience; some due to lack of effective promotion, others because they may have been ahead of their time. It is gratifying that, given the 'green fields' nature of this initiative, no project failed to launch.

It is also instructive that 'old' media continues to provide the big primary audiences and that the online and mobile platforms generally add viewers and listeners, rather than detracting from them.

In a rapidly changing environment we will continue to invest carefully.

3. How we invest – impacts and key measures

Impact: Local content is innovative, visible and valued by diverse New Zealand audiences

This impact focuses on the wider importance of local content to the cultural and social fabric of New Zealand.

It guides us to invest in content that is

- Creatively or technologically *innovative*
- Available where and when New Zealanders want it (*visible*)
- Cost-effective and enjoyed by its audience (*valued*)

Objectives

We also have specific objectives for two further stakeholders: taxpayers and funding applicants.

Value for money is secured for taxpayers

- Most funding is an investment, not a grant. We help create content that the market alone cannot support but also require a stake in future income generated by the project
- Concurrent market investment is desirable, both as an indicator of potential success and to ensure efficient use of public funds
- *Contestable* funding is determined considering the likely size of the target audience and the cost of production. Duplicate ideas are unlikely to receive funding
- We balance funding between popular content aimed at larger audiences and specialist content made for smaller audiences
- *Operational* (bulk) funding to stations is assessed considering audience size and appreciation
- We are platform neutral, but have a bias towards delivery to an audience of a reasonable size
- Cost-effective solutions are a priority

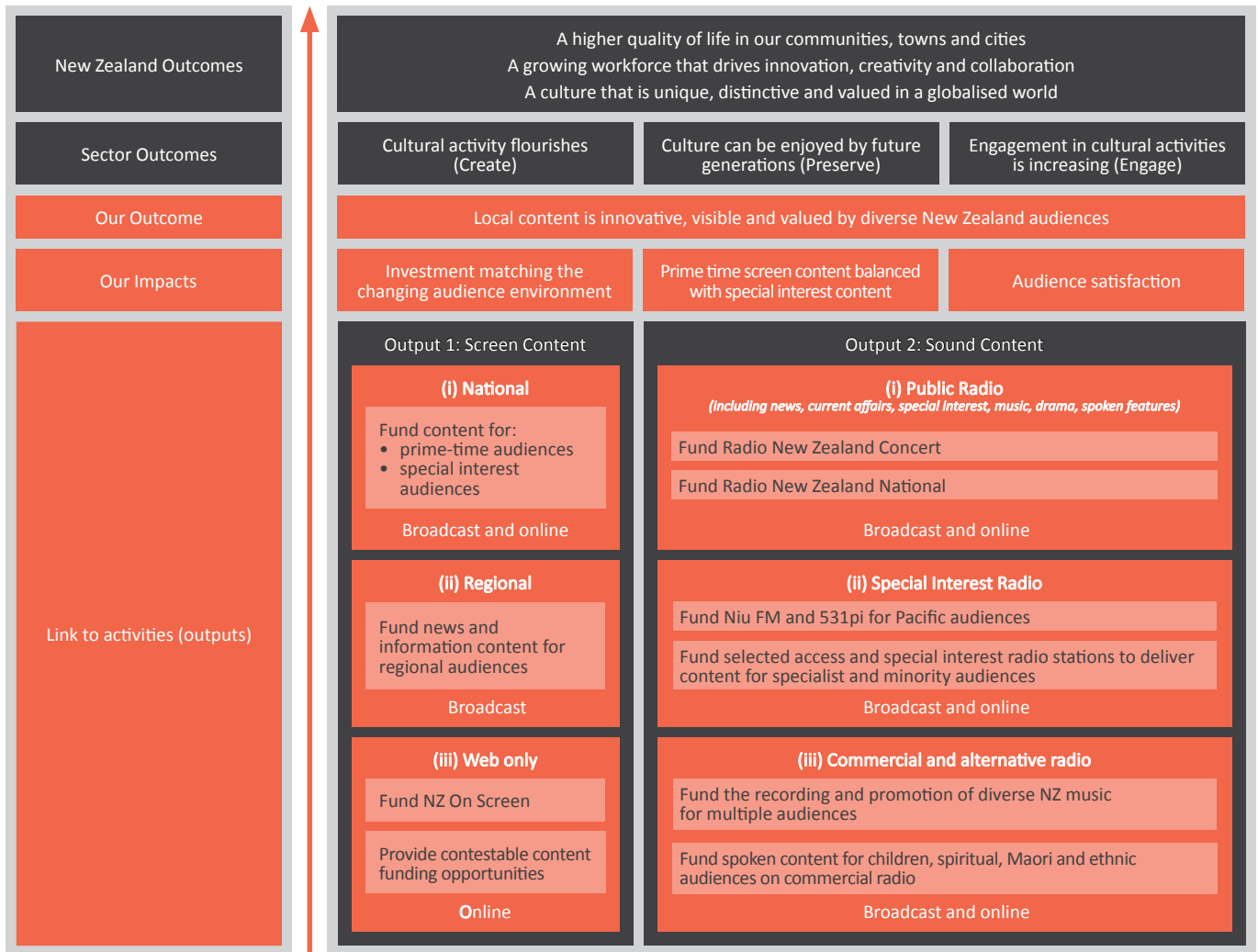
Fair, transparent and simple procedures serve funding applicants

- We will be flexible in approach (because good ideas, our core business, are not conceived in a tidy manner)
- But we aim to be fair, transparent and predictable in our processes and decisions (because good ideas are best nurtured in a stable environment)
- We will support a range of businesses and entities to encourage many different views and voices and to encourage competition
- And we will monitor intelligently, balancing robust accountability for public funds and careful risk management with a minimum of red tape

Our outcome, impacts and outputs are shown in Figure 8.

Our investment principles are summarised in Figure 9.

Figure 8 – Outcomes, impacts and outputs – our framework



We set our targets using clear investment principles. These are summarised below.

Figure 9: NZ On Air investment principles

INVESTMENT PRINCIPLES	DESCRIPTION
Capability	Invest in projects and organisations run by capable partners
Performance	Invest in personnel and organisations that have a strong performance record - or a clear potential - to deliver successful content or services
Priority	Prioritise investment in content, both mainstream and special interest, for audiences emphasised in the Broadcasting Act
Return/impact	Invest in content and organisations that are valued by their audiences
Value for money	Focus on projects and organisations that use funding effectively and efficiently to achieve NZ On Air's desired outcomes
Avoiding duplication	Invest in the types of projects and organisations not seen or heard elsewhere and which the market alone cannot support
Partnership leverage	Prioritise projects and organisations that attract other investment and can leverage the value of NZ On Air's investment
Evidence of effectiveness	Review investment effectiveness through robust monitoring and evaluation
Risk	Encourage creative risk in funded content; observing uptake of new platform opportunities more slowly so the market takes the primary risk

In setting performance targets we aim to improve our performance over the previous year. Where we have achieved excellent results in previous years, we aim to maintain this.

In setting our 2012-2015 targets we have assumed that costs for the activities we fund will continue to rise, that we will be containing this rise where possible, and that our funding will remain at around existing levels.

4. Performance improvement

Our key efficiency measures and performance improvement actions are set out in Figures 10 and 11 below.

Figure 10 – Key efficiency goals and measures

Efficiency Goals	Efficiency Measures	2012-2015 Target	2011/12 Estimated	2010/11 Actual	2009/10 Actual
Low administration costs to maximise available investment funds	Administration costs as a low % of total revenue	<3%	<3%	2.2%	2.9%
What we fund gets released	% of funded projects broadcast or uploaded within 15 months of formal delivery	99%	99%	99%	98.3%
Our processes are efficient and effective	% of complete applications received by deadline determined by the Board at its next meeting	100%	100%	100%	100%
	% of funding decisions made in accordance with approved policies and procedures	100%	100%	100%	100%
We make the right decisions	Funding decision or process with a significant adverse judicial review or Ombudsman finding	0%	0%	0%	0%

Figure 11: Key impact measures

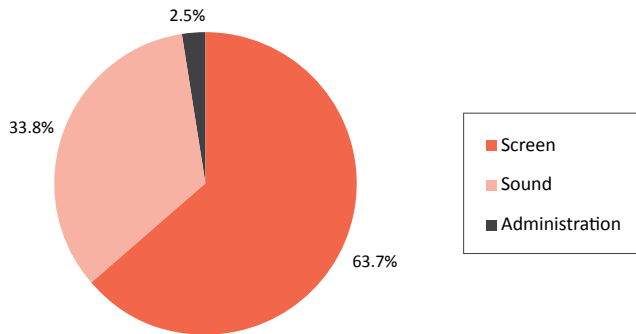
IMPACT	IMPACT MEASURE	2011/12 ESTIMATED	2012/13 TARGET	2013/14 TARGET	2014/15 TARGET
Investment matching the changing audience environment	Increase investment in internet content and platforms as NZ audiences grow.	New measure for 2012/13	2.0%	2.5%	3.0%
Prime time screen content balanced with special interest content	At least half of television contestable fund expenditure is for prime time content.	50%	55%	57%	60%
Audience satisfaction	The majority of New Zealanders believe NZ On Air supports content important to New Zealanders.	70%	72%	74%	75%

Figure 12: Performance improvement actions 2012/13

INITIATIVE	SHORT TERM DELIVERABLE	MEDIUM TERM IMPACT
Review the operation of the Making Tracks funding scheme	Establish effective performance measures	Efficiency and effectiveness of music funding scheme confirmed
Collaborate with other agencies involved in music funding	Establish Contemporary Popular Music Group	Prospect of funding duplication minimised and gaps considered
Review documentary strategy for screen content funding	Revised strategy approved by Board	Range and quality of prime time screen documentary improved
Complete the review of Rautaki Māori	Confirm sector agreement for revised Rautaki	Amount of prime time Māori television content on mainstream channels improved
Develop a Pacific broadcast funding strategy	Improve understanding of range of current services and options to improve them	Range and diversity of content for Pacific audiences in New Zealand supported

Figure 13 shows the proportion of funding allocated to activities.

Figure 13: Budget proportions 2012/2013



5. Organisational health and capability

We are a small entity that takes pride in applying limited resources to achieve our statutory funding tasks. There is no equivalent organisation internationally and we know of none where so many positive outcomes are delivered by such a small team. Our good employer and personnel policies are formally recorded and include a commitment to equal employment opportunities. We do not tolerate harassment or discrimination of any type.

To continue enhancing our capability, we will maintain and develop policies that ensure: **Recruitment, training and remuneration policies focus on attracting and retaining skilled, flexible, efficient and knowledgeable team players**

Measures:

- full time staff turnover no more than three people per annum
- individual staff training needs assessed annually
- external salary comparisons conducted regularly

Our office environment and equipment are safe and well maintained

Measures:

- safety hazards reported are attended to promptly, significant hazards are attended to immediately
- zero tolerance of harassment, bullying and discrimination. We will begin investigating as soon as instances are reported
- each new employee has an ergonomically suitable workspace within one week of beginning work

Equal employment opportunity principles are incorporated in staff selection and management, to achieve as diverse a workforce as possible within the limits of our small size

Measure:

- EEO principles included in all relevant documents and practices

6. Consultation and reporting to the Minister

We provide six-monthly reports to the Minister on progress against the targets set out in this SOI.

The Minister of Broadcasting may issue directives that we are to:

- have regard to relevant government policy (s104 Crown Entities Act) or to
- amend any provision in our SOI (s147 Crown Entities Act) or to
- provide funding to Radio New Zealand (s44(1A) Broadcasting Act)

The Minister may not direct us in regard to cultural matters. Neither may any Minister or Ministerial representative direct us in respect to particular programmes or other statutorily independent functions (s44 Broadcasting Act, s113 Crown Entities Act).

The Ministers of State Services and Finance may jointly issue a directive that we should comply with whole of Government directions (s107 Crown Entities Act).

Consultation is undertaken with our other stakeholders on a regular basis, both through formal mechanisms such as conferences, hui, surveys, the publication of papers and discussion with industry and, less formally, through meetings and discussions with individuals and industry groups.

PART 2 / SERVICE PERFORMANCE AND FINANCIAL MANAGEMENT

Statement of forecast service performance

The forecast statements in this section provide targets, budgets and performance measures for the year ending 30 June 2013 in accordance with s142 of the Crown Entities Act. There are no other relevant performance measures which need to be devised or disclosed (ss142(1)(c) and (e)).

Our activities contribute to the non-departmental output expense, Public Broadcasting Services, within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage. We will receive \$129.726m (GST exclusive) in Crown funding in 2012/13 (\$130.776m in 2011/12).

We deliver the outputs purchased by the Minister of Broadcasting through two activities.

The investment targets set out below are subject to receipt of satisfactory funding applications from viable entities. If such applications are not received we will adjust targets accordingly to ensure taxpayer funds are spent wisely.

Forecast revenue and expenditure

		2012/13	2011/12	2011/12	2010/11		
		Forecast \$000	SOI Budget \$000	Estimated \$000	Actual \$000		
Revenue							
Crown revenue ^{1,2}		128,226	130,776	130,776	126,926		
Interest revenue		2,050	2,050	2,050	2,295		
Other revenue		-	-	390	1,083		
Total revenue		130,276	132,826	133,216	130,304		
Output Expenses							
Funding commitments	Screen Content	National television audiences – content funding	81,291	81,611	80,832	84,116	
		Regional television audiences	content funding	1,500	1,500	1,500	1,458
			channel assistance DSO	-	850	850	-
		Web-only audiences	1,600	1,800	1,800	1,791	
		Unused funding commitments	-	-	-	(1,637)	
	Sound Content	Public radio audiences ²	31,916	32,796	32,592	32,530	
		Special interest radio audiences	6,199	6,300	6,300	3,467	
		Commercial radio audiences	776	776	776	933	
		Music audiences	5,249	5,625	5,625	5,061	
		Unused funding commitments	-	-	-	(501)	
	Total funding commitments		128,531	131,258	130,275	127,218	
	Funding administration		3,235	3,285	3,285	2,819	
	Total output expenses		131,766	134,543	133,560	130,037	
Surplus/(deficit) (deficits funded by retained equity)		(1,490)	(1,717)	(344)	267		

¹ A transfer of \$200,000 was made to the NZ Music Commission in 2011/12 and baseline funding permanently reduced. The 2011/12 financial year also included one-off funding approved by Cabinet of \$850,000 for digital switchover (“DSO”) assistance. This will be allocated over 2-3 financial years as eligible proposals for regional television channels are approved.

² The forecast for 2012/13 includes a permanent baseline transfer of \$1 million to MCH (plus a \$500,000 grant) to recognise the transfer of responsibility to fund SA/NTK to MCH.

Activity 1: Screen content

Activity description: Investing in digital content to increase range and diversity options for target audiences. Content is expected to screen on at least two platforms where practicable.

Key performance measures		2012/13	2011/12	2010/11	2009/10
		Forecast	Estimated	Actual	Actual
The majority of New Zealanders believe NZ On Air supports screen content important to New Zealanders.		More than 2/3rds	75%	74%	69%
Almost all screen projects are released within 15 months of the finished programme being delivered to the commissioner.		99%	99%	99%	98.3%
At least half of general contestable fund expenditure is for prime time content (6pm-10pm first screening).		50%	50%	64%	58.4%
More historic local content in a curated context is cleared and made available to online audiences through NZ On Screen (<i>cumulative total</i> : titles, music, profiles, ScreenTalk)		3,287	2,775	2,275	1,560
Target average prime-time audience aged 5+ for content funded for the major free-to-air national channels – TV One, TV2, TV3 (Type 1 channels, first screening).	Drama	310,000	310,000	300,000	These measures were first reported in 2010/11
	Documentary/Factual	360,000	360,000	350,000	
	Comedy	210,000	210,000	200,000	
	Arts/Culture	310,000	310,000	300,000	

Detailed measures

NATIONAL TELEVISION	2012/13 Forecast			2011/12 Estimated			2010/11 Actual		
	Hours	\$000	% prime-time	Hours	\$000	% prime-time	Hours	\$000	% prime-time
General contestable fund									
Drama/Comedy	87	27,735	100%	105	27,841	100%	112	27,228	100%
Documentary/Factual	86	9,840	100%	98	10,073	100%	110.5	10,308	99%
Children & Young People	426.5	14,361	0%	433	14,448	0%	466	13,546	0%
Arts/Culture/Identity	28.5	2,913	70%	22.5	2,414	70%	31.5	3,266	76%
Minorities	118	6,441	0%	109	5,986	7%	130.5	7,014	7%
Disability	21	1,790	0%	21	1,740	0%	21	1,778	0%
Captioning & Audio Description	n/a	2,800	n/a	n/a	2,800	n/a	n/a	2,370	n/a
Development	n/a	300	n/a	n/a	419	n/a	/a	344	n/a
Maori innovation	n/a	n/a	n/a	n/a	-	n/a	3	1,000	n/a
Total General fund	767	66,180	-	788.5	65,721	-	875	66,854	-

Platinum fund	2012/13 Forecast			2011/12 Estimated			2010/11 Actual		
	Hours	\$000	% prime-time	Hours	\$000	% prime-time	Hours	\$000	% prime-time
Drama	6.5	7,750	100%	6.5	7,750	100%	11.5	10,852	100%
Documentary	83	6,371	100%	88	6,826	100%	96.5	6,279	100%
Current Affairs			0%			0%			0%
Arts/Culture/Identity	6	990	100%	2	535	100%	1.5	131	0%
Total Platinum Fund	95.5	15,111	-	96.5	15,111	-	109.5	17,262	-

REGIONAL TELEVISION	2012/13 Forecast		2011/12 Estimated		2010/11 Actual	
	Hours	\$000	Hours	\$000	Hours	\$000
Local news and information	800	1,500	800	1,500	1,117	1,458
DSO fund	n/a	-	n/a	850	-	-
Total	-	1,500	-	2,350	-	1,458

WEB-ONLY	2012/13 Forecast		2011/12 Estimated		2010/11 Actual	
	Quantity	\$000	Quantity	\$000	Quantity	\$000
Total	n/a	1,600	n/a	1,800	n/a	1,791

Activity 2: Sound content

Activity description: Investing in digital content to increase range and diversity options for target audiences. Content is expected to be heard on at least two platforms where practicable.

Key performance measures	2012/13 Forecast	2011/12 Estimated	2010/11 Actual	2009/10 Actual
The majority of New Zealanders believe NZ On Air supports sound content important to New Zealanders	more than 2/3rds	65%	65%	not measured
Increase the % of NZ music on commercial radio (% of NZ music on radio stations bound by the Radio Broadcasters Association NZ Music Code)	20%	18%	18.65%	19.66%
Increase the % of NZ music on alternative radio	31%	30%	not measured	not measured

Detailed measures

PUBLIC RADIO Radio New Zealand: quantitative measures	2012/13 Forecast ⁽¹⁾		2011/12 Estimated		2010/11 Actual	
	RNZ National	RNZ Concert	RNZ National	RNZ Concert	RNZ National	RNZ Concert
Ensure RNZ provides programme types specified in the Broadcasting Act 1989						
Maori Language and Culture	350 hours	N/A	350 hours	N/A	346 hours	N/A
Special Interest	400 hours	N/A	400 hours	N/A	437 hours	N/A
NZ Drama, Fiction and Comedy	250 hours	N/A	250 hours	N/A	252 hours	N/A
% of NZ music on rotate	33%	N/A	33%	N/A	35.17%	N/A
% of NZ composition	N/A	3.5%	N/A	3.5%	N/A	5.0%
% of NZ music performance	N/A	14%	N/A	14%	N/A	17.9%
% of population able to receive transmission ⁽²⁾	97%	92%	97%	92%	97%	92%
NZ On Air funding provided	\$31.816m		\$31.816m		\$31.816m	

	2012/13	2011/12	2010/11
Radio New Zealand: qualitative measures	Forecast	Estimated	Actual
Of New Zealanders independently surveyed, maintain the percentage of:			
General public who agrees RNZ broadcasts programmes of interest to a wide cross-section of New Zealanders.	85%	84%	86%
RNZ National listeners who are very satisfied or quite satisfied with quality of RNZ National programming.	88%	87%	89%
Listeners who agree RNZ National provides in-depth news and current affairs about New Zealand.	94%	93%	96%
Listeners who agree RNZ National provides fair and balanced information.	90%	89%	90%
RNZ Concert listeners who are very satisfied or quite satisfied with quality of RNZ Concert programming.	81%	80%	81%
The number of formal complaints about Radio New Zealand programmes each year that are upheld by the Broadcasting Standards Authority against any one of the broadcasting standards as a breach of fairness, balance, accuracy or privacy.	<3	nil	nil

Radio archiving - Sound Archives/ Nga Taonga Korero	2012/13		2011/12		2010/11	
	Forecast*	Forecast \$000	Estimated	Estimated \$000	Actual**	Actual \$000
Radio programmes archived	n/a	0	1,300 hours	676	336 hours	618
Radio programmes preserved	n/a		184 hours		595 hours	
Independent consultant confirms material archived appropriately	n/a		achieved		achieved	

*For 2012/13 Funding for SA/NTK is being transferred to MCH with a resulting baseline transfer from NZ On Air of \$1 million plus a \$500,000 grant.

**2010/11 figures were reported for 3 months only due to the Christchurch earthquake.

Resound – NZ classical music	2012/13		2011/12		2010/11	
	Forecast Number ¹	Forecast \$000	Estimated Number ¹	Estimated \$000	Actual Number ¹	Actual \$000
Recordings of music works relicensed by SOUNZ and approved for broadcast	225	100	220	100	147	96
Recordings of music works relicensed and available online	300		300		37	
Relicensed works scheduled for broadcast on RNZ Concert	30		30		18	

¹ Calendar year.

SPECIAL INTEREST RADIO		2012/13		2011/12		2010/11	
		Forecast Hours	Forecast \$000	Estimated Hours	Estimated \$000	Actual Hours	Actual \$000
Access and special interest radio		26,160	6,199	26,160	2,520	20,842	2,532
Pacific Radio	Samoa Capital Radio	1,976		1,976	180	5,824	935
	Niu FM and 531pi Total broadcast hours	8,672		8,672	3,600		
	Hours of programming in at least 9 Pacific languages	3,952		3,952			
Total special interest radio		-	6,199	-	6,300	26,666	3,467

COMMERCIAL AND ALTERNATIVE RADIO spoken content		2012/13		2011/12		2010/11	
		Forecast Hours	Forecast \$000	Estimated Hours	Estimated \$000	Actual Hours	Actual \$000
Children and Youth		212	450	178	450	181	386
Spiritual		90	110	80	100	86	107
Ethnic		24	141	13	100	37	138
Maori issues (English language)		96	75	120	126	120	92
Comedy		-	-	-	-	73	211
Total spoken content		422	776	391	776	497	934

music content

		2012/13 Forecast		2011/12 Estimated		2010/11 Actual		
		Quantity \$		Quantity \$		Quantity \$		
Making Tracks	Commercial	Songs funded	124	1,240	120	1,220	n/a	
		% of songs that achieve a Radio Scope NZ40 Airplay Chart peak	60%		60%			
		Music videos funded	124		120			
		% of music videos that achieve a Radio Scope TV Top 40 Chart peak	60%		60%			
	Alternative	Music videos funded	80	800	80	820	171	855
		% of music videos that achieve a Radio Scope TV Top 40 Chart peak	60%		60%			
		Songs funded	80		80		n/a	
		% of songs that achieve a Radio Scope Alt40 Airplay Chart peak	60%		60%			
	Kick start fund – 2011/12 one-off fund		2011/12 only		50	500	2011/12 only	
	Number of albums		Replaced by "Making Tracks" in 2011/12		Replaced by "Making Tracks" in 2011/12		21	995
% of the singles from albums that achieve Top 40 airplay		79%						
Number of radio singles		24					234	
% of radio singles that achieve Top 40 airplay		50%						
Music promotion								
Content promoting NZ music - sound		24	1,525	18	1,300	21	1211	
Content promoting NZ music - screen		3	730	4	350	4	480	
Other promotion and digital media		n/a	954	n/a	835	n/a	677	
Total domestic music		-	5,249	-	5,025	-	4452	
Australian promotion *		-	-	-	600	-	609	
Total music content and promotion		-	5,249	-	5,625	-	5061	

*Funding for Australian promotion has been discontinued to allow full focus on the domestic market. Expenditure in the 2011/12 year includes a permanent \$200,000 baseline transfer to the NZ Music Commission.

Forecast financial statements

Statement of forecast comprehensive income for the year ending 30 June 2013

	2012/13 Budget	2011/12 Budget (SOI)	2011/12 Estimated Actual
Note	\$000	\$000	\$000
Income			
Crown revenue	128,226	130,776	130,776
Other revenue	2,050	2,050	2,440
Total Income	130,276	132,826	133,216
Operating Expenditure			
Funding management	3,235	3,285	3,285
Funding Expenditure <i>(net of write-backs of commitments not used)</i>			
<i>Screen content</i>			
National television	81,291	81,611	80,832
Regional television	1,500	2,350	2,350
Web-only	1,600	1,800	1,800
<i>Sound content</i>			
Public radio	31,916	32,796	32,592
Special interest radio	6,199	6,300	6,300
Music and other content	6,025	6,401	6,401
Total Expenditure	131,766	134,543	133,560
Net (Deficit)/Surplus for the year	(1,490)	(1,717)	(344)
Other Comprehensive Income	-	-	-
Total Comprehensive Income	(1,490)	(1,717)	(344)

Statement of forecast movements in equity
for the year ending 30 June 2013

		2012/13 Budget	2011/12 Budget (SOI)	2011/12 Estimated Actual
	Note	\$000	\$000	\$000
Opening equity committed	2	5,510	4,378	5,510
Opening equity uncommitted		2,585	1,831	2,929
Plus: Net operating surplus (deficit)		(1,490)	(1,717)	(344)
Equity 30 June		6,605	4,492	8,095
<i>being</i>				
Equity 30 June committed	2	5,510	4,378	5,510
Equity 30 June uncommitted		1,095	114	2,585

Statement of forecast financial position

as at 30 June 2013

	Note	2012/13 Budget	2011/12 Budget (SOI)	2011/12 Estimated Actual
		\$000	\$000	\$000
Current Assets				
Cash and cash equivalents		4,000	4,000	4,000
Investments		45,000	45,000	45,000
Debtors and other receivables – interest		700	700	700
Debtors and other receivables – other		500	500	500
Total Current Assets		50,200	50,200	50,200
Non-Current Assets				
Property, plant and equipment		300	300	300
Total Non-Current Assets		300	300	300
Total Assets		50,500	50,500	50,500
Current Liabilities				
Trade and other payables		500	500	500
Employee entitlements		100	100	100
Funding liabilities		43,295	45,408	41,805
Total Current Liabilities		43,895	46,008	42,405
Public Equity				
Equity committed	2	5,510	4,378	5,510
Equity uncommitted		1,095	114	2,585
Total Equity 30 June		6,605	4,492	8,095
Total Liabilities and Public Equity		50,500	50,500	50,500

Statement of forecast cash flows
for the year ending 30 June 2013

	2012/13 Budget	2011/12 Budget (SOI)	2011/12 Estimated Actual
Note	\$000	\$000	\$000
Cash Flows From Operating Activities			
Receipts from Crown revenue	128,226	130,776	130,776
Receipts from other revenue	-	-	390
Payments to funded activities	(127,021)	(129,441)	(129,791)
Payment to suppliers and employees	(3,235)	(3,285)	(3,285)
Net Cash Flows Operating Activities	(2,030)	(1,950)	(1,910)
Cash Flows From Investing Activities			
Interest received	2,050	2,050	2,050
Purchases of property, plant and equipment	(20)	(100)	(140)
Cash Flows From Investing Activities	2,030	1,950	1,910
Net Increase/(Decrease) in Cash	-	-	-
Opening Cash	4,000	4,000	4,000
Closing Cash <i>(includes cash equivalents – deposits with a maturity of three months or less)</i>	4,000	4,000	4,000

Notes to the financial statements

Note 1. Statement of accounting policies for the year ending 30 June 2013

Reporting Entity

The Broadcasting Commission (NZ On Air) was established by the Broadcasting Act 1989, and is an Autonomous Crown Entity under the Crown Entities Act 2004.

Our functions and responsibilities are set out in the Broadcasting Act 1989. The primary objective of NZ On Air is to provide services to the public rather than making a financial return. Accordingly, we are a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

These financial statements reflect the operations of the Broadcasting Commission only and do not incorporate any other entities. These forecast financial statements are for the year ending 30 June 2013.

Basis of Preparation

Statement of compliance

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) including FRS 42 Prospective Financial Statements and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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 NZ IFRS 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 Note 2.

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.

Revenues are derived and recognised as follows:

- (a) Revenue earned from the supply of outputs to the Crown is recognised as revenue when it is earned
- (b) Sales revenue from NZ On Air funded programmes and music is recognised when it is earned to the extent that information is available to us at that time.
- (c) Interest income is recognised using the effective interest method
- (d) If applicable, other income is recognised when it is earned

Cash and cash equivalents

Cash and cash equivalents include cash on hand and funds deposited 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 income.

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 plus 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 refers to 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 if, and only if, 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.

In most instances, an item of property, plant and equipment is recognised at its cost. 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 income.

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 income 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	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 assets fair value less costs to sell and value in use. The total impairment loss is recognised in the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

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 assets 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 measured at fair value.

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, retiring and long service leave entitlements expected to be settled within 12 months, 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 are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive income as incurred.

Provisions for funding expenditure

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

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

At 30 June forecast therefore, 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 value 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.

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.

Operating leases

An operating lease is a lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

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 income.

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 income. 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 income. 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, or falling within the requirements of NZ IAS 24, will be disclosed in our financial statements (annual report).

Note 2. Critical judgments in applying our accounting policies

Our provisions for funding expenditure policy (Note 1) includes four conditions on recording a funding liability. Two of these conditions require us to make critical judgments in applying this policy to the preparation of forecast financial statements:

(a) There are no substantive contractual conditions for the funding recipient to fulfill.

A substantive contract condition that disallows a funding commitment from being recorded as a liability is where Board approval is subject to third party funding, and that funding is not in place at balance date. We have assumed the value of such commitments at 30 June 2013 and 30 June 2012 is \$5.510m, the actual value at 30 June 2011.

(b) It is probable (more likely than not) that the funded proposal will be completed and that our commitment will crystallise.

Although from time to time an approved commitment with no substantive contractual conditions to fulfill does not go ahead, such projects are a very small proportion of the total approved. Based on experience we judge that it is probable that all commitments at 30 June 2012 and 30 June 2013, without substantive contractual conditions to fulfill, will be completed.

Directory

Board

Miriam Dean <i>CNZM, QC, Chair</i>	of Auckland
Nicole Hoey	of Auckland
Michael Glading	of Auckland
Stephen McElrea	of Auckland
Caren Rangi	of Napier
Ross McRobie	of Wanaka

Staff

Jane Wrightson	Chief Executive
Anita Roberts	Personal Assistant to CEO
Gina Rogers	Senior Communications Advisor (shared with NZ Film Commission)
Brendan Smyth	NZ Music Manager
Sarah Crowe	Music Funding Coordinator
Jeff Newton	Broadcast Promotions Executive (Auckland)
Tania Dean	Repertoire Coordinator (Auckland)
Glenn Usmar	Television Manager
Benedict Reid	Television Contracts Executive
Fiona Mulder	Television Funding Coordinator
Teresa Tito	Executive Assistant Television
Keith Collins	Community Broadcasting Manager
Alan Shaw	Chief Financial Officer
Hui-Ping Wu	Accountant
Christine Westwood	Finance & Administration Assistant (part time)
Trish Cross	Receptionist/Administrator (shared with BSA)

Office

2nd Floor
54-56 Cambridge Terrace
PO Box 9744
Wellington
New Zealand

T: 04 382 9524
F: 04 382 9546
E: info@nzonair.govt.nz

Auckland office (NZ Music)

Unit B1
One Beresford Square
Newton
Auckland
New Zealand

T: 09 377 2029
F: 09 377 2085
W: www.nzonair.govt.nz www.kiwihits.co.nz

