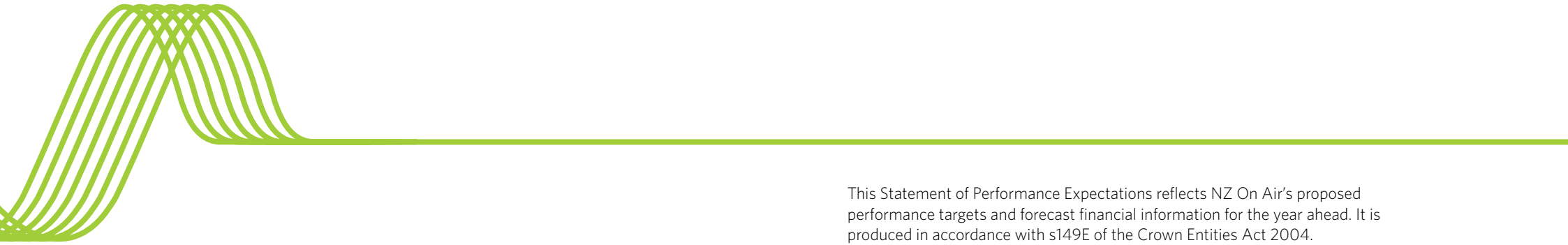




STATEMENT OF PERFORMANCE EXPECTATIONS

FOR YEAR ENDING 30 JUNE 2020



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.

Dr Ruth Harley
Chair

Stuart McLauchlan
Chair Audit & Risk Committee

31 May 2019

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OUR VISION
**CONNECTING
AND REFLECTING
OUR NATION**

THE **YEAR AHEAD** AT A GLANCE

The year ahead for NZ On Air will be challenging and rewarding as we navigate an environment that continues to change rapidly. Our support spans many forms of public media: drama, factual, specialist current affairs, children's, special interest content, and music.²

This breadth means that we need to take care to retain a strategic approach to investing.

In 2019/20 we will focus on -

Investing new public funding on important cultural initiatives

of significant scale that simply could not be achieved without these new funds

Consolidating our approach to Scripted investments

by focusing on Premier content, Sustainable content and Newer storytellers as outlined in the Scripted Roadmap

Aligning with RNZ and other aligned agencies where we can, so public media funding is committed strategically to benefit the largest number of New Zealanders

Maintaining a strong focus on public media principles

to guide our investing amid increasing demand; in particular ensuring content we fund increases understanding and acceptance of different cultures and peoples within our diverse country

Implementing a Factual Roadmap

to guide investment in Factual content in a hotly-contested environment

Continuing to look for the best ways to support public interest journalism in a tough commercial environment

Maintaining low overheads

to ensure the maximum amount of our budget is available for content investments

² Specific Māori content is funded by specialist agency Te Māngai Pāho so we complement this by adding a Māori dimension in all relevant mainstream content.

OUR CONTRIBUTION TO SECTOR OUTCOMES

We align with the Government's Public Media Goals

Our vision – connecting and reflecting our nation – is well-aligned with the Government's six Public Media Goals cited in the Minister's Letter of Expectations. These goals are:

- Support more quality NZ content in all genres across a variety of platforms
- Better cater to Māori, Pacific and other under-served audiences
- Enhance national identity
- Promote an informed democracy
- Safeguard media independence
- Support plurality in news and current affairs.

We align with the Government's Priorities for New Zealand

A strong public media ecosystem provides opportunities for creative businesses to create powerful content that, as well as having clear cultural value, can impact on cited wider Government priority areas such as child wellbeing, mental health, and further lifting Māori and Pacific skills. These goals play a key role in *valuing who we are as a country* – making New Zealand proud.³

We align with four Wellbeing Domains

As well as meeting our mandate under the Broadcasting Act to serve media audiences, NZ On Air investments contribute to four particular Wellbeing Domains that form part of Treasury's Living Standards Framework.

- **Cultural Identity**
NZ On Air contribution: New Zealanders from different cultures and regions connect with their identity as New Zealanders through powerful local stories and songs.

³ As stated in the Government's *Our Plan – The Government's Priorities for New Zealand* and also cited in the Minister's Letter of Expectations.

⁴ Statistics NZ Screen Industry Survey 2016.

⁵ d3r9t6niqlb7tz.cloudfront.net/media/documents/2018_BIM_September.pdf

- **Civic Engagement and Governance**

NZ On Air contribution: New Zealanders' engagement in governance and civic matters is enhanced through expanding the range of trusted journalism and documentaries that discuss important issues enable different viewpoints to be heard and expressed, and leading to better understanding.

- **Health**

NZ On Air contribution: Through media accessibility, help people with disabilities to participate fully in all aspects of life, and support content that provides insight to living with health and disability issues.

- **Jobs and Earnings**

NZ On Air contribution: Provide sustainable and skilled jobs for New Zealanders working in media industries. About 14,000 people work in the wider screen industry, generating gross revenue of more than \$3 billion a year.⁴ Recently published research indicated that some parts of the sector have lower incomes than NZ norms. We are now re-evaluating our impacts beyond content creation to consider how we contribute to sustainable creative careers.

The scale of our contestable work is unmatched by any other cultural entity. We invest in thousands of hours of multimedia content each year made by hundreds of entities, big and small. This unique, broad view of the industry gives us expert knowledge of media content trends and where to best apply public funding to fill gaps. (See the September 2018 briefing to incoming Minister for details.⁵)

Our investments are crucial to supporting the sustainability of the media and music industries. High value, skilled jobs are created with every new funded project. This underpins the skills training, infrastructure, work flow and creative development necessary for the wider sector. Likewise in music, there is a halo effect from our funding for local artists to create and promote new music. From the musician to the recording studio, video creation, promotion and tour management, the funding ripples through the music economy, supporting musicians to pursue domestic and international careers.

OUR STRATEGIC AND PERFORMANCE FRAMEWORK

The NZMF funding strategy is [here](#)⁶. Content investments are selected to add cultural value, no matter where the content sits on the spectrum, from serious and informative to provocative and entertaining. As noted in the previous section, this content also contributes to at least four wellbeing domains.

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

Figure 2: Strategic framework



6 d3r9t6niqlb7tz.cloudfront.net/media/documents/Funding_Strategy_for_website_updated_12_June_17_FINAL.pdf

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

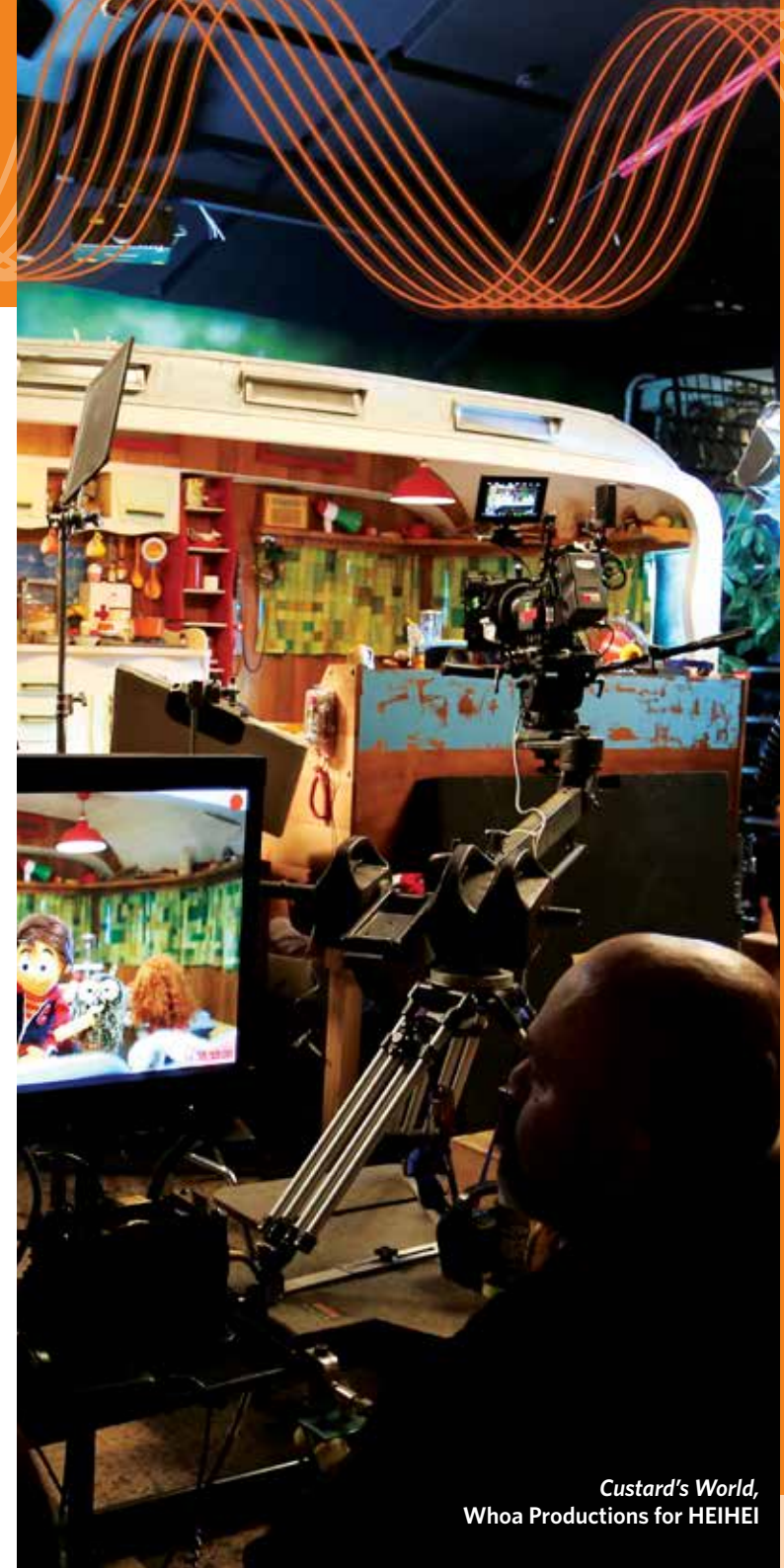
NZ audiences can find and appreciate local content

- 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

Through the NZMF we will continue to support different types of audio/visual New Zealand content for both general and targeted audiences to enjoy. Audiences can find and enjoy greater diversity and choice of content, adding to the mix of local content made on a commercial basis, and ensuring we can hear local voices amidst the tide of international content. To do this we will collaborate with multiple funding partners.

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

Our investments also help emerging talents to flourish and develop sustainable creative careers. We have recently completed research with Creative NZ providing new information on the barriers to sustainable creative careers, which we will look to for guidance on what more we, or policy-makers, can do support careers in our sector.



PERFORMANCE INFORMATION: THE NEW ZEALAND MEDIA FUND

The targets and budgets following show how we intend to invest our funding and measure our progress. We have begun to consider our work in terms of wellbeing and will be developing new measures in future years.

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.

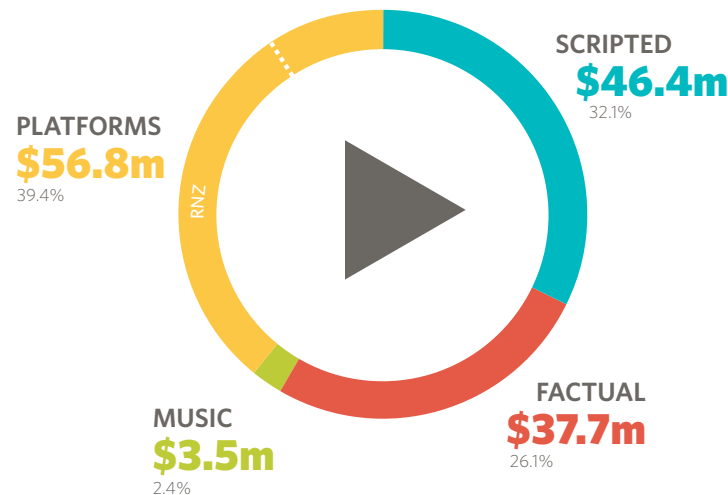
The expected revenue and proposed expenses for the NZ Media Fund class of outputs are shown in Table 4 at the end of this section.

As a funding agency charged with purchasing cultural content, there is no specific requirement to maintain set levels of equity. We prudently manage our finances and ensure equity levels remain positive.

In the closed Platforms stream that provides operating funding to large and small entities such as the National Pacific Radio Trust and community media, we are experiencing funding pressures that will become increasingly serious during the year. Increasing support in this area adversely impacts available contestable funding in the Scripted, Factual and Music streams.

New Crown funding, which is not a permanent addition to baseline, will be targeted in 2019/20 towards contestable content.

Figure 4: NZMF budget summary⁸



PLATFORMS

Platforms - 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.



MUSIC

Music - 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.



SCRIPTED

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



FACTUAL

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

⁸ Platforms includes \$44.406m 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 Heritage. We include one significant RNZ audience measure in Table 1.

MEASURING WELLBEING – CULTURAL IDENTITY

In Table 1 we set out how we measure the impact of our work on wellbeing. We will enhance the qualitative measures in future years once we can assess the wider Indicators Aotearoa work being completed by Statistics NZ.

Table 1: Impact measures

	2019/20 TARGET	2018/19 TARGET	2018/19 ESTIMATE	2017/18 ACTUAL
CULTURAL VITALITY AND VIBRANCY		STRATEGIC IMPACT: QUALITY AND DIVERSITY		
INDICATOR: Public media is valued and contributes positively to belonging and different NZ cultural experiences				
New Zealanders believe NZ On Air supports local public media important to New Zealanders	75%	75%	75%	74%
New Zealanders aware of our support for content like that content	70%	70%	70%	68%
New Zealanders agree that RNZ provides a valuable service to New Zealand	70%	70%	57%	57%
Percentage of completed productions of sufficient quality to be accepted for broadcast or uploading	99%	99%	99%	100%
NZ audiences appreciate the diversity of public media funded by NZ On Air	75%	75%	75%	73%
Content in more than 40 languages (including 9 Pacific) is supported	Achieve	Achieve	Achieved	Achieved
Pacific people agree PMN Niu and PMN 531 provide culturally relevant content	75%	Biennial: next due in 2019/20	Biennial: next due in 2019/20	89%
Percentage of NZ Music content on commercial radio: target agreed by the Minister and the Radio Broadcasters Association	20%	20%	18%	13.94%
Percentage of NZ Music content on alternative radio	At least 40%	At least 40%	50%	50.73%
CULTURAL EFFICACY AND COMPETENCE		STRATEGIC IMPACT: DISCOVERABILITY		
INDICATOR: Professionally-made public media finds its audience and contributes to a quality cultural experience				
Percentage of first run ⁹ funded prime time (6pm to 10.30pm) content for TV achieving average audiences of 100,000 or higher (excludes on demand audiences)	More than 50%	More than 50%	58%	58%
Percentage of funded content achieving more than 50,000 views in its first 6 months online ¹⁰	More than 50%	More than 50%	50%	53%
Percentage of released singles from New Music Projects achieving at least 250,000 ¹¹ online plays within 12 months ¹²	60%	50%	65%	66.66%
Percentage of singles from New Music Singles achieving at least 50,000 online plays within 12 months of release	60%	50%	60%	70.83%
Average number of NZ radio plays achieved by singles from New Music Projects within 12 months of release	750	New measure ¹³		
Average number of NZ radio plays achieved by singles from New Music Singles within 12 months of release	250	New measure ¹⁴		

9 Content not previously shown on TV.

10 This measures funded 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.

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

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

13 Measure amended. The new measure better reflects the level of releases expected to gain wider traction and high rotate on radio (one play on mainstream radio can reach up to 60,000 people).

14 As above.

MEASURING ACTIVITY

In Table 2 we set out how we will measure performance against our investment goals and primary operating strategy.

Table 2: Funding measures

	2019/20 TARGET	2018/19 TARGET	2018/19 ESTIMATE	2017/18 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	At least 55%	At least 50%	60%	64%
Percentage of production funding from the Scripted and Factual streams for targeted audiences including s36(1)(c) ¹⁵ of the Broadcasting Act 1989 ¹⁶	At least 25%	At least 20%	30%	34%
Percentage of total funded hours for Scripted and Factual content that is diverse ¹⁷	At least 60%	At least 60%	75%	New measure
Number of mainstream music applications funded ¹⁸	At least 130	At least 130	130	127
Number of niche music applications funded	At least 90	At least 90	90	110
The number of average weekly hours of captioning and audio description broadcast will be at least:				
Captioning	300	300	335	322
Audio description	40	40	48	53
Number of Scripted and Factual hours funded (includes all formats, e.g. television, online, radio)	At least 1,020 ¹⁹	At least 1,200	1400	1,497
The number of hours funded for features promoting NZ Music	At least 2,000 hours ²⁰	At least 2,500 hours	2,700	2,322
Number of targeted development activities for NZ artists in conjunction with streaming platforms [estimated 3 streaming platforms involved]	At least 3		New measure	

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 spend a sensible minimum on overheads so we have the maximum available to invest in content; and provide high quality service delivery.

¹⁵ Includes children, youth, persons with disabilities and minorities in the community.

¹⁶ Wording amended to clarify this relates to Scripted and Factual production funding.

¹⁷ Diverse content is content that showcases the stories and interests of particular NZ cultural and community groups.

¹⁸ 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.

¹⁹ Pressure on Platform funds after a number of year's static funding for some platforms resulted in funds reallocated from Scripted and Factual funds, in addition to general pressure on the Scripted and Factual funds as production costs continue to increase; audio-visual production becomes more complex as we seek to fund more multiplatform content to engage audiences across platforms they use.

²⁰ Quantitative reduction due to a shift to include other music features such as online video which are more expensive per minute than radio/audio features.

Table 3 sets out core operating efficiency measures; Table 4 sets out expected revenue and proposed expenses.²¹

Table 3: Operating measures

	2019/20 TARGET	2018/19 TARGET	2018/19 ESTIMATE	2017/18 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
Percentage of complete applications received by deadline determined at the next funding round	99%	99%	99%	99.7%
Percentage of funding decisions notified to applicants within 5 working days of Board meeting	99%	99%	99%	100%
Percentage of funding contracts correctly issued within 15 working days once conditions precedent are met	99%	99%	99%	97%
Percentage of payments correctly made within 10 working days of receiving a valid invoice once contract conditions are met	99%	99%	99%	100%

Table 4: Summary of forecast revenue and output expenditure

		2019/20	2018/19	2018/19	2017/18
REVENUE		BUDGET \$000	BUDGET \$000	ESTIMATE \$000	ACTUAL \$000
Crown revenue		146,566	146,766	146,766	132,266
Other revenue		2,234	2,230	2,430	2,510
Total revenue		148,800	148,996	149,196	134,776
Output expenses	%				
New Zealand Media Fund investments	96.8	144,400	145,100	145,640	131,731
Industry development	0.3	450	400	460	399
Total content funding	97.1	144,850	145,500	146,100	132,130
Administration services	2.9	4,325	4,054	4,054	3,580
Total output expenses	100	149,175	149,554	150,154	135,710
NZ Media Fund Surplus/(deficit)		(375)	(558)	(958)	(934)

²¹ 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).

ORGANISATIONAL HEALTH AND CAPABILITY

With 20 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	2019/20 TARGET	2018/19 TARGET	2017/18 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	2
	Individual staff training needs are assessed annually	100%	100%	100%
	External salary comparisons are conducted regularly to ensure staff are paid fairly	Next planned for 2020/21	Some positions assessed	Next planned for 2018/19
Staff are committed to the agency and its work	Staff engagement surveys are conducted at least biennially; results target to be in the top quartile of the cultural sector	Next planned for 2020/21	Achieve	Next due in 2019
Health and safety best practice is well-implemented and appropriately reported.	Health and safety plan in operation; 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
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	100%	100%	100%

OUR VALUES

**INNOVATION | DIVERSITY
SKILFUL INVESTMENT**



FORECAST FINANCIAL STATEMENTS

Statement of forecast comprehensive revenue and expense

For the year ending 30 June 2020

	2019/20 Budget \$000	2018/19 Budget \$000	2018/19 Estimate \$000
Revenue			
Crown revenue	146,566	146,766	146,766
Other revenue	2,234	2,230	2,430
Total revenue	148,800	148,996	149,196
Operating expenditure			
Administration services	4,325	4,054	4,054
Total operating expenditure	4,325	4,054	4,054
Funding expenditure			
NZ Media Fund²²			
Scripted	46,350	42,450	42,906
Factual	37,725	46,960	47,344
Music	3,500	3,900	3,900
Platforms	56,825 ²³	51,790	51,490
Total NZ Media Fund	144,400	145,100	145,640
Development and support			
Industry development	450	400	460
Total funding expenditure	144,850	145,500	146,100
Total expenditure	149,175	149,554	150,154
Net surplus/(deficit) for the year	(375)	(558)	(958)
Other comprehensive revenue and expense	-	-	-
Total comprehensive revenue and expense	(375)	(558)	(958)

22 The allocation of NZMF funds across the four funding streams is indicative only and depends on receiving sufficient applications that meet our funding criteria and investment principles. The Board may reallocate between funds during the year as necessary to achieve NZ On Air outcomes.

23 Includes \$44.406m for RNZ.

Statement of forecast financial position as at 30 June 2020

	2019/20 Budget \$000	2018/19 Budget \$000	2018/19 Estimate \$000
Current assets			
Cash and cash equivalents	3,370	7,000	2,863
Investments	32,000	32,720	34,000
Debtors and other receivables – interest	200	150	255
Debtors and other receivables – other	1,300	150	2,100
Total current assets	36,870	40,020	39,218
Non-current assets			
Property, plant and equipment	17	70	24
Intangible assets	169	149	138
Total non-current assets	186	219	162
Total assets	37,056	40,239	39,380
Current liabilities			
Trade and other payables	300	300	300
Employee entitlements	150	150	150
Funding liabilities	35,851	39,344	37,800
Total current liabilities	36,301	39,794	38,250
Net assets	755	445	1,130
Equity			
Equity at 30 June	755	445	1,130
Total Equity	755	445	1,130

Statement of forecast changes in equity

For the year ending 30 June 2020

	2019/20 Budget \$000	2018/19 Budget \$000	2018/19 Estimate \$000
Balance at 1 July	1,130	1,003	2,088
Total comprehensive revenue and expense for the year	(375)	(558)	(958)
Balance at 30 June	755	445	1,130

Statement of forecast cash flows

For the year ending 30 June 2020

	2019/20 Budget \$000	2018/19 Budget \$000	2018/19 Estimate \$000
Cash flows from operating activities			
Receipts from the Crown	146,566	146,766	146,766
Receipts from other revenue	630	630	556
Interest received	1,655	1,600	1,765
Payments to funded activities	(146,795)	(143,528)	(142,064)
Payments to suppliers and employees	(4,224)	(4,001)	(3,664)
Net GST	800	(40)	(157)
Net cash from operating activities	(1,368)	1,427	3,202
Cash flows from investing activities			
Net receipts from investments	2,000	(2,720)	(6,000)
Purchase of intangible assets	(100)	(40)	-
Purchase of property, plant and equipment	(25)	(92)	(7)
Net cash flows from investing activities	1,875	(2,852)	(6,007)
Net increase in cash and cash equivalents	507	(1,425)	(2,805)
Cash and cash equivalents at 1 July	2,863	8,425	5,668
Cash and cash equivalents at 30 June	3,370	7,000	2,863

Statement of accounting policies for the year ending 30 June 2020

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 2020.

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 public media 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 at the end of these notes.

Reserves

As a funding agency charged with purchasing cultural content, there is no specific requirement to maintain set levels of equity other than prudently managing our finances and ensuring equity levels remain positive.

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

Personnel costs

Superannuation schemes

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

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 fulfil; and
- (d) it is probable (more likely than not) that the funded proposal will be completed.

Critical judgments in applying accounting policies – funding expenditure

Although from time to time an approved project with no substantive conditions to fulfil 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 fulfil will be completed.

The main 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.

Investments

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.

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.

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 and any subsequent reversal of an impairment loss are 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.

Intangible assets

Software acquisition and development

Acquired computer software licenses are amortised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are amortised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are expensed when incurred.

Costs associated with the development and maintenance of our website are expensed when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is expensed in the statement of comprehensive revenue and expense.

The useful lives and associated amortisation rates of intangible assets have been estimated as follows:

Acquired/developed computer software	5 years	20%
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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.

Funding liabilities

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 fulfil.
- (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 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 the NZ Media Fund and Development and Support is 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 funding under the NZ Media Fund.

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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