

Statement of INTENT

2011-2014

NZ On Air / Irirangi Te Motu

Statement of Intent

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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 for NZ On Air ensures many different New Zealand audiences are provided with a broader range of New Zealand content and public broadcasting services than the market alone can provide.

This creates a meaningful space for local programmes among the near-limitless supply of more cheaply-acquired foreign programmes, music and content.

The global economic climate, while improving, 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.

Even though money is tight, 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.

NZ On Air's main focus this year will be bedding in the new music funding scheme. Devised after substantial industry consultation and an independent review initiated by us, we are keenly aware that demand for funding will continue to exceed supply and that the new scheme must be operated with fairness and transparency.

A second priority will be welcoming Niu FM to our stable of funded Pacific Island broadcasting providers.

And we are aiming for even more success from television's Platinum Fund.

While we are fortunate to have retained a good level of Crown funding, we will need to be careful in adopting new initiatives and in absorbing additional costs.

Our Statements of Intent are read widely by the broadcasting and music sectors. They provide clear information about our priorities that helps sector-wide thinking and planning. 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.



Neil Walter
Chair



Murray Shaw
Deputy 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 Dr Jonathan Coleman
Minister of Broadcasting

Date: 6 May 2011

Part 1

Overview and strategy

1. NZ On Air – who we are

NZ On Air is an independent funding agency. We play a key role in the broadcast and music sectors by investing in a colourful range of cost-effective local 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 many different 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 develop local content effectively. We work actively with content creators, production businesses, broadcasters and Government to ensure there is no slippage - all our funded content goes to air.

Our functions are set out in the Broadcasting Act 1989. Our main focus is on the audience, but job creation and skills development are also positively impacted through our work. We invest in a complex and important sector comprising hundreds of small and medium-sized entities. In turn, those entities employ thousands of creative and technical professionals. 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 a sound investment framework, our values have been constant over time -

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

Continual improvement

Our small staff and funding administration costs, proportionately, are probably as low as any in the world. This enables us to invest the maximum possible amount into quality local content.

Since 2007 NZ On Air has been conducting a series of value for money reviews, both of our agency and of our funded activities. 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 reports include:

Year	Performance improvement review	Outcome
2007	NZ On Air's organisational capability Television production terms of trade	Restructuring, cost savings Long-running industrial dispute resolved
2008	Community/access radio and regional television Digital futures research	Reprioritisation, increased funding Development of inaugural digital strategy Creation of NZ On Screen
2009	Screen archiving arrangements International music promotion Commercial radio programme funding	Sector funding reorganisation Reprioritisation: focus on Australia Rationalisation
2010	Domestic music funding and promotion Sound archives funding Mainstream Māori television programming	New policy and funding scheme In discussion at time of writing Māori Innovation Fund renewed

In the next period we plan to evaluate the -

Digital strategy

Māori strategy (television funding)

Platinum Fund (television)

Broadcast services for New Zealand-based Pacific Island audiences

2. Our environment

Overview

Culture is important to New Zealanders. A 2010 report notes that New Zealand households spend more on cultural items than they do on clothing and footwear, health care or passenger transport. Within that cultural spend, broadcasting accounted for over a third of the total at \$1.01 billion or an average of \$12.30 a week per household.¹

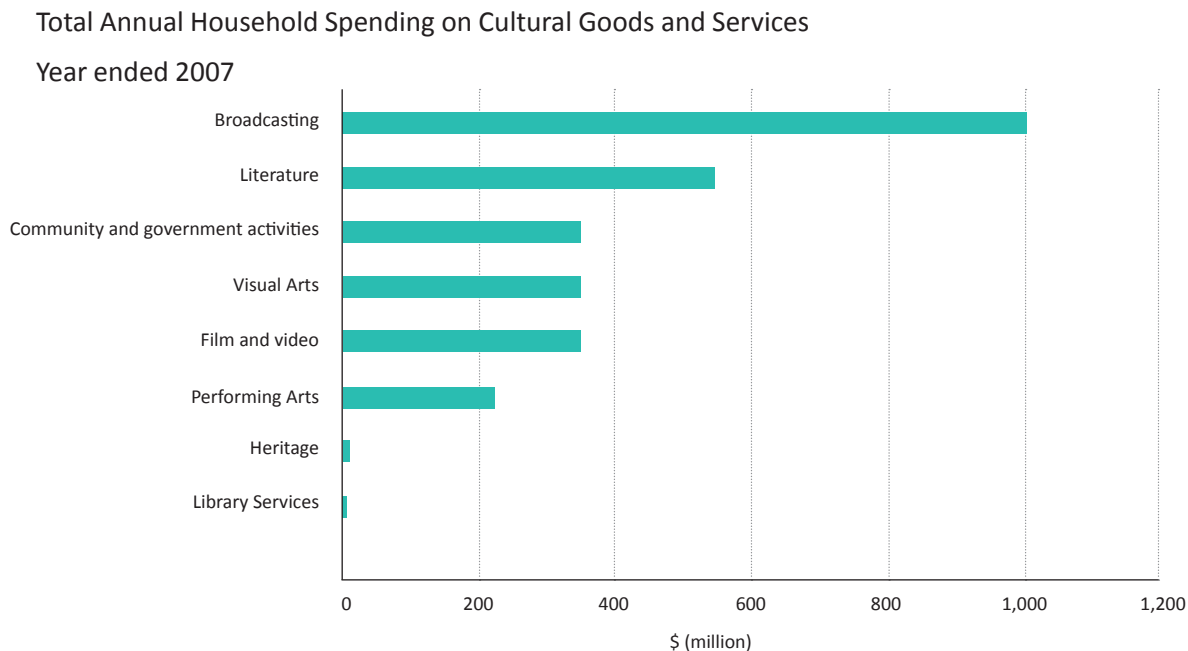
Our job, working with the broadcasting and music sectors, is to create a space for quality local content among the almost limitless foreign content options.

Worldwide, the broadcast and music sectors continue to face serious issues: ongoing economic challenges, a sharp decline in advertising revenue, fast-breaking technological change, fragmenting audiences, the globalisation of content, demographic change and the impact of convergence. *'No question, the younger generation is not as used to a television screen as the older ones. They're much more used to a computer screen. They are much more impatient. We've all heard, 'I want what I want when I want it.' And for every new media device, there are more and better ways of getting content. It is a challenge for us, getting content out there, and getting paid for it.'*²

1. *Household Spending on Culture 2010*. Ministry of Culture and Heritage. www.mch.govt.nz

2. Leslie Moonves, President and Chief Executive Officer, CBS Corporation. Cited in PricewaterhouseCooper's *Annual Global CEO Survey 2011: Growth Reimagined*. <http://www.pwc.com>

Figure 1: Government data on cultural spending



Source: Household Spending on Culture 2010 p11

But falling revenue does not mean smaller audiences. More people than ever are watching television: an average of 2.976 million every day in New Zealand in 2010 compared to 2.945 million in 2009 and 2.882 million in 2008. And people are watching for longer: on average 202 minutes per day in 2010 with all key age groups showing growth.³ Indeed one recent global media prediction is that “television will solidify its status as the current super media, defying some commentators’ prophesies of imminent obsolescence”.⁴

Radio listening too continues to be solid in New Zealand, with audience share holding steady at 82% of all people aged 10+ listening to a commercial radio station at some time during the week. The average Time Spent Listening per person across the country is around 17:40 hours per week.⁵

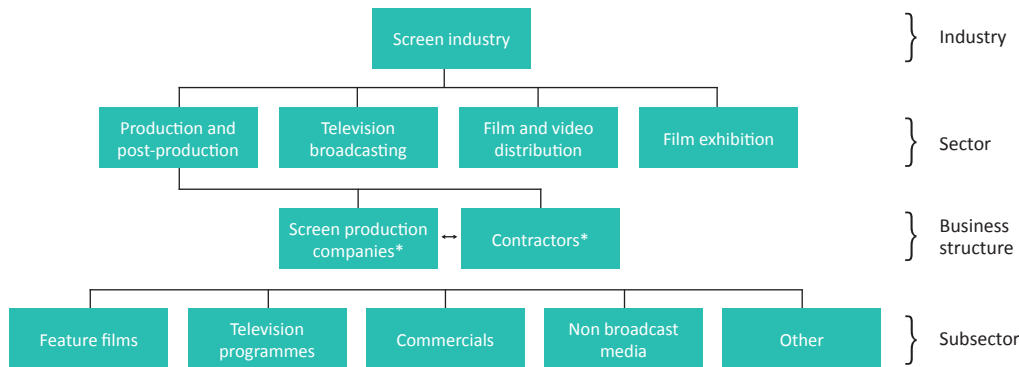
The economic downturn means that all broadcasters are cutting costs. Radio and television broadcasters both in New Zealand and abroad are restructuring and downsizing their operations. Some are looking to new media opportunities but, worldwide, to extract profit from new media content remains a steep challenge.

Industry - Television

The screen industry has been depicted like this:

Figure 2:

Structure of the screen industry



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

Falling revenue for broadcasters means less local content. This is because foreign content, both programming and music, is a cheaper and lower risk option for broadcasters. 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 programmes and new music mostly launch from an unknown base)
- often has a built-in international profile and advance audience awareness in New Zealand

The music business remains in flux. While New Zealand pop musicians often enjoy a passionate audience following, the amount of New Zealand music on the airwaves remains more or less static.

Government

The State sector is coming under increasing financial pressure as the Government faces hard choices to contain expenditure. Additional funding for broadcast content will not be secured for some time, yet costs and demands on our funding continue to increase. NZ On Air has been one of the success stories of the State sector restructuring of the 1980s and 1990s. With continued support from the Government for our professional approach and contestable funding system we remain in good heart and ready to meet the challenges that lie ahead.

3. TV Trends 2010. The Nielsen Company 2011

4. *Technology, Media & Telecommunications Predictions 2011*. Deloitte Global Services Ltd (p20)

5. Source: Radioscope T2 (Aug –Oct) 2010

The screen industry contributes more than \$1 billion to the economy. NZ On Air's investment plays a highly significant role in the television sector, even more so while the economy is flat.

Figure 3: Screen Industry Survey 2010

Gross revenue of screen industry businesses



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

Figure 4 shows the number of companies directly involved in television production. Benefits beyond these businesses extend to other enterprises that receive the flow-on effects of production spend (craft,

post production, locations, permit issuers, accommodation, hospitality, tourism etc). More than 3,000 people are employed in or around the screen sector.

Figure 4 – Employment and Number of Companies Receiving Television Revenue (Year ending 30 June)

Year	Businesses for which 100% of production revenue was for television programmes		Businesses for which at least 90% of production revenue was for television programmes		Businesses for which some production revenue was for television programmes	
	Number of businesses	Rolling mean employment	Number of businesses	Rolling mean employment	Number of businesses	Rolling mean employment
2009	87	2,900	108	3,100	219	Not available
2008	102	2,800	123	3,000	228	
2007	90	2,600	123	2,900	234	
2006	105	2,400	126	2,600	216	
2005	93	1,700	126	1,900	234	

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

For broadcasters, local content is expensive and risky, rarely making bottom-line sense.⁶ Local television programmes do well to break even and many lose money (meaning a programme's advertising revenue is less than its cost to the broadcaster. This of course does not take the programme's wider strategic or cultural value into account).

Yet New Zealand programme makers create some of the most cost-effective programming 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 programme production, compared to foreign programme acquisition, are difficult worldwide. They are the reason why most countries have market intervention mechanisms to stimulate screen production. NZ On Air is New Zealand's primary broadcast intervention.

There have been some recent changes to audience profiles for several New Zealand television channels. TVNZ6 is now commercially-funded and has been relaunched in 2011 as youth channel U. C4 has rebranded as FOUR and broadened its target audience from youth to a more general 18-39, the same target audience as TV2. TV3 has raised its target audience to 25-54, the same as TV One.

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 mainly national reach (Prime, Māori Television, Four)

Type 3: channels broadcasting regionally and/or to special interest audiences, whether on UHF, Freeview or pay TV platforms (such as the regional channels, Stratos, TVNZ7, U, Juice).

Calls for increased or new funding from some Type 3 regional channels continue. Digital switch-over will also alter this environment (see Community Broadcasting below).

Priorities this year will be to maintain the success of the Platinum Fund and to ensure we support as diverse a slate of programming as possible.

Industry - Radio

The New Zealand radio market is one of the most crowded in the world. Radio New Zealand is the primary radio public broadcaster. Commercial radio is dominated by two large companies operating several brands across the country. Special interest and community radio services are provided to a variety of different audiences, from the Pacific Island

national network to access radio stations and small Low Power FM operators. Some of these services receive public funding, others do not.

All have been negatively affected by the economic environment.

For funding purposes, we categorise radio services as:

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

Type 2: community and regional public radio services (eg. access radio, Niu FM and 531PI)

Type 3: spoken radio programmes for commercial networks. (We fund a small number to extend local content choices for these audiences. Our priorities are children, youth, spiritual and special interest. Also see the NZ Music section on the following page.)

To help rationalise broadcast funding and improve strategy, we are assuming responsibility for funding and monitoring the national Pacific Island network Niu FM this year. We have funded its stablemate 531PI for many years.

We provide radio archiving funding to Sound Archives/Nga Taonga Korero, a subsidiary of Radio New Zealand. We completed a review of these funded services in early 2011 and are now working on options for change.

Industry - Community Broadcasting

While larger broadcasters are facing a challenging environment so, too, are regional and community broadcasters. These broadcasters include regional television channels, access and special interest radio stations and Pacific Island broadcasters - the 'Type 2' broadcasters referred to above.

The comparatively small size of most of these operations and their audiences 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 radio stations was completed in 2010. The results of this survey have been carefully discussed around the sector and with individual stations. Improved performance and programming targets have been set.

Programme-based funding for eligible regional television channels was introduced in 2009 with a budgeted increase funded from internal reallocation. The priority is regional news and information, rarely included in national television schedules. We will be refining this strategy this year to ensure appropriate programme quality.

Digital switchover (DSO) will also affect these channels.

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

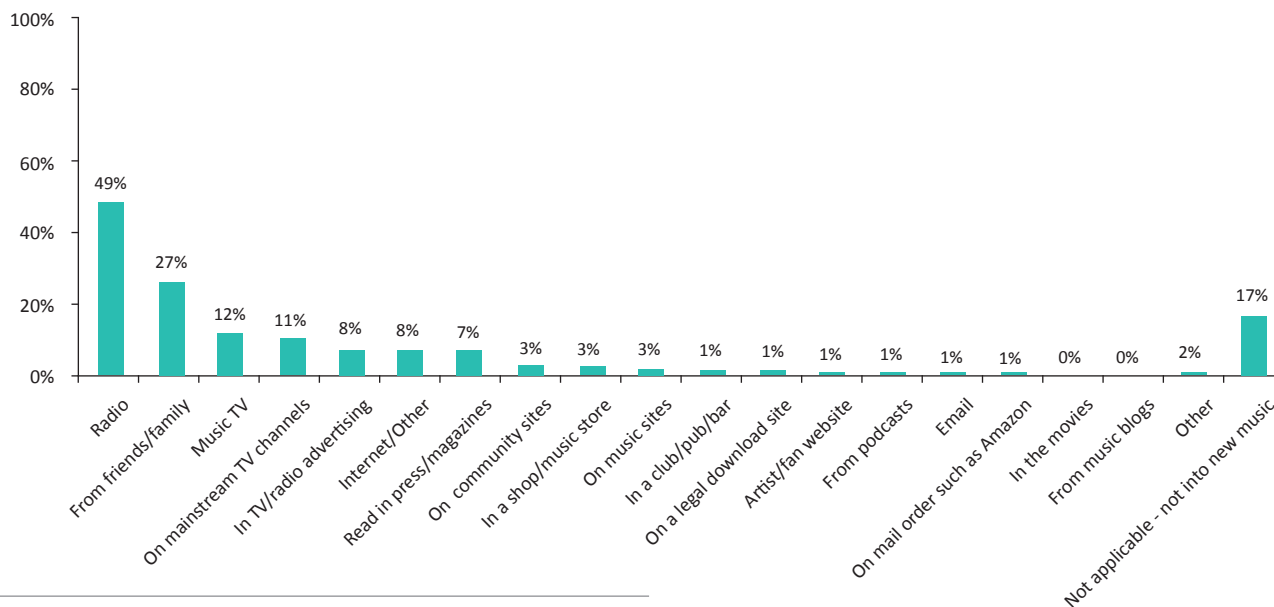
Industry - NZ Music

The music industry worldwide is still adapting to 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."⁷

NZ On Air is tasked with investing in music to extend the range of recorded music available to broadcast and online audiences. Radio is a vital platform through which New Zealanders find and enjoy new music, and is by far the biggest single music source.

Figure 5: Where New Zealanders discover new music⁸

How do you find out about new music?



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

8. Public Perceptions Research 2010. Premium Research. www.nzonair.govt.nz/publications

For two decades now, we have focused our support for New Zealand music on getting improved airplay on commercial radio stations, which are listened to by most New Zealanders. The results speak for themselves – yet there has been reduced growth in the recent past.

Fig 6: Proportion of New Zealand Music Content on Commercial Radio

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



In 2008 an amendment to the Broadcasting Act enabled us to consider digital platforms. Given the flux in the music sector worldwide, our first step was to plan a comprehensive sector consultation and analysis. In 2010 we published the result: a substantial review of our domestic New Zealand music funding and promotion programme.⁹

In short, the review indicated that NZ On Air should

- Promote greater diversity and encourage new artists to achieve airplay success
- Bolster promotional activities
- Promote greater professionalism in the industry

In response we have developed a whole new funding scheme called **Making Tracks**. The scheme reinforces our core philosophy of connecting songs with audiences. Its principles include

- Alongside commercial radio activities, making greater use of alternative platforms such as student radio, online and digital platforms, to broaden funding opportunities for new New Zealand music
- Weighting funding support more towards emerging artists (rather 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 and income participation
- 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 (last year, demand for funding outstripped supply by up to 100:1)

Details and criteria for the scheme are on www.kiwihits.co.nz. Specific targets are set out in our Statement of Service Performance in Part 2 of this document. These will evolve over time as we refine the scheme.

Launching and successfully managing the new Making Tracks scheme is a key priority this year.

Industry - Digital

It is now simple to create and use broadcast-like digital content. However profitable internet commerce for this type of web content is rare and is still somewhat constrained by broadband availability and cost. The impending rollout of nationwide fast broadband will permanently change the landscape.

All significant broadcasters now have a strong web presence, augmented in 2009 by the award-winning and popular site NZ On Screen funded by NZ On Air. NZ On Screen will continue to play an important part in our plans to ensure multiple platforms for diverse local content are free to the public to access at their convenience. See www.nzonscreen.com

Our Digital Content Partnership Fund will continue to provide an opportunity for new media businesses to create compelling local content. In 2010, *Reservoir Hill*, created from this Fund, won New Zealand's first International Digital Emmy award.

In 2011 we will start to review the outcomes of this fund and assess options for the future.

9. See Caddick, C. *Review Of NZ On Air's Domestic Music Promotion and Funding Schemes* (December 2010) on www.nzonair.govt.nz

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 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*)

To achieve this we focus on achieving the following

- *Projects*: our investments are balanced between mainstream and special interest audiences. Quality production ('good of its type') and new ideas are encouraged
- *People*: a target audience of reasonable size is served
- *Popularity*: funded content is appreciated by the target audience

Our outcome, impacts, key measures and outputs are shown in figure 7.

Objectives

We also have 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 any future income generated by the project
- Concurrent market investment is important, where appropriate, both as an indicator of potential success and to ensure efficient use of public funds
- Contestable programme and music funding is determined considering potential appeal to broadcasters, the cost of production, and the likely size of the target audience. Duplicate programme ideas are unlikely to receive funding
- Bulk funding is determined considering audience size and appreciation
- We are platform neutral, but have a bias towards delivery of an audience of reasonable size and having funded content made available through a number of platforms or technologies
- 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 a multiplicity of 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 key efficiency goals and measures (figure 8) show how we assess our performance against these objectives.

Figure 7 – Outcomes, impacts and outputs – our framework

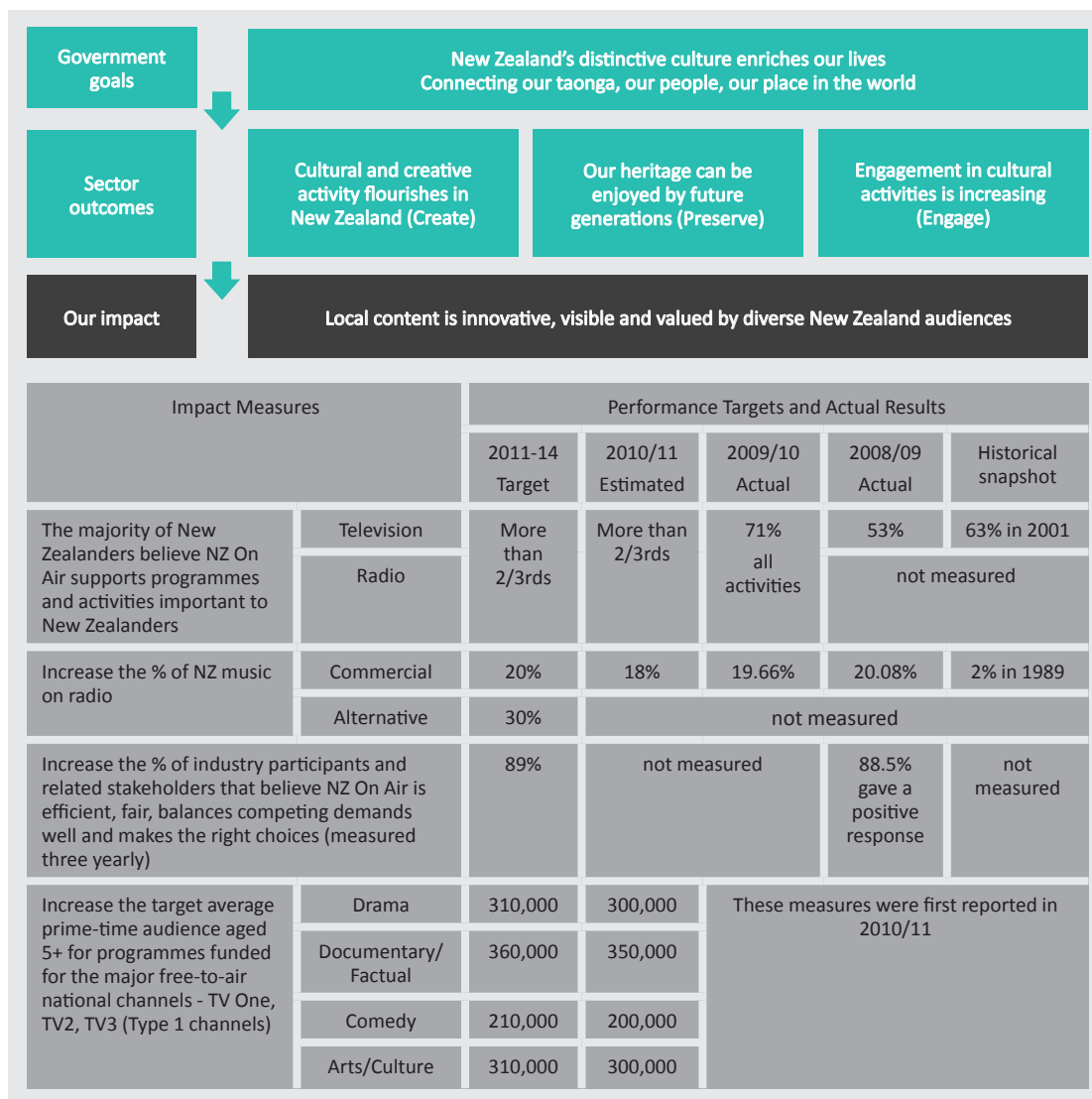


Figure 7 – Outcomes, impacts and outputs – our framework (continued)

Activity 1: Television and Digital Media

(i) National Television

Fund programmes for:

- prime-time audiences
- special interest audiences

Live and online

(ii) Regional Television

Fund news and information programmes for regional audiences

Live

(iii) Digital Media

Fund NZ On Screen

Fund contestably through the Digital Content Partnership Fund

Online

See pages 21-22 for the detailed 2011/12 activity measures

Activity 2: Radio and Digital Media

(i) Public Radio (covers many genres including news, current affairs, special interest, music, NZ music, drama etc)

Fund Radio New Zealand Concert

Fund Radio New Zealand National

Fund Sound Archives/Nga Taonga Korero

Live and online

(ii) Community Radio

Fund selected access and special interest radio stations to deliver radio programming for specialist and minority audiences

Fund the National Pacific Radio Trust to deliver diverse radio programming for Pacific Island audiences in New Zealand

Live and online

(iii) Commercial and Alternative Radio and Digital Media

Fund the recording and promotion of popular NZ music for broadcast and online audiences

Fund the recording and promotion of professional alternative NZ music for broadcast and online audiences

Fund spoken radio programmes for children, spiritual, Māori and ethnic audiences

Live and online

See pages 23-28 for the detailed 2011/12 activity measures

Link to activities (outputs)

How we set our targets

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 2011-2014 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 goals and measures are

Figure 8 – Key efficiency goals and measures

Efficiency Goals	Efficiency Measures	2011-2014 Target	2010/11 Estimated	2009/10 Actual	2008/09 Actual
Low administration costs to maximise broadcast funding	Administration costs as a % of total revenue	less than 3%	less than 3%	2.9%	2.3%
What we fund gets broadcast	% of funded projects broadcast within 15 months of formal delivery	99%	99%	98.3%	100%
Our processes are efficient and effective	% of complete applications received by deadline are considered 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%

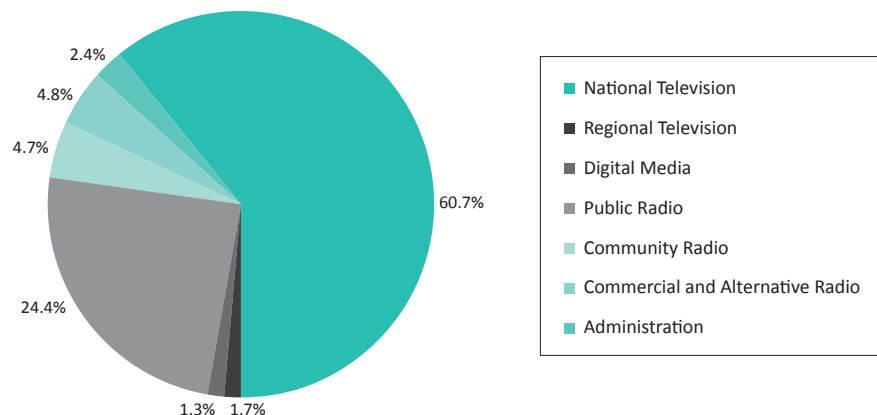
Our improvement actions for this year are

Figure 9: Performance improvement actions

Initiative	Short Term Deliverable	Medium Term Impact
Implement new domestic music funding strategy to ensure investment is effective	New scheme commences on 1 July 2011	NZ music on commercial radio returns to 20% More diverse music is funded
Actions from the sound archiving review are agreed with Radio New Zealand	Improved strategy	Sound archiving needs in NZ are adequately assessed and met
Assess Radio New Zealand's performance against qualitative measures	Agreed framework	Improved accountability and understanding of audience feedback
Conduct Platinum Fund review	Revise funding criteria if necessary	Ensure broadcast outcomes are occurring as planned Maximise effectiveness of Platinum Fund expenditure
Review Rautaki Māori	Improve range and quality of funding applications for Māori programmes	Improve amount of prime time Māori television content on mainstream channels
Monitor programming output of access and community radio stations to ensure programme diversity is being achieved	Ensure new performance indicators deliver improved results	Increase diversity of community representation on access radio Improve balance of public and third party funding
Conduct digital strategy review to consider the effectiveness of the current strategy	Funded digital projects contribute to an effective strategy	Ensure digital funding remains relevant and is targeted to the most appropriate audiences

The graph below shows the proportion of funding allocated to activities.

Figure 10: Budget proportions 2011-2012



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 certainly 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

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.

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, however, 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).

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

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

(a) Statement of forecast service performance

The forecast statements in this section provide targets, budgets and performance measures for the year ending 30 June 2012 in accordance with s142 of the Crown Entities Act. There are no other relevant performance measures which need to be devised or disclosed (ss 142(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 \$130.776m (GST exclusive) in Crown funding in 2011/12 (\$126.926m in 2010/11).

We deliver the outputs purchased by the Minister of Broadcasting through six activity classes. 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

Revenue

Crown revenue ¹⁰
Interest revenue
Other revenue
Total revenue

Output Expenses

Funding commitments	Television & digital media	National television	
		Regional television	Programme funding
			Digital switchover assistance
		Digital media	
		Unused funding commitments	
	Radio & digital media	Public radio	
		Community radio	
		Commercial & alternative radio	
		Unused funding commitments	
	Total funding commitments		
Funding administration ¹¹			
Total output expenses			
Surplus/(deficit) (deficits funded by retained equity)			

2011/12	2010/11	2010/11
Forecast \$000	SOI Budget \$000	Estimated \$000
130,776	126,926	126,926
2,050	1,517	1,950
-	-	646
132,826	128,443	129,522
81,611	81,461	83,638
1,500	1,500	1,500
850	-	-
1,800	2,000	2,000
-	-	(182)
32,796	32,546	32,546
6,300	2,952	3,302
6,401	6,446	6,091
-	-	(329)
131,258	126,905	128,566
3,285	3,135	2,919
134,543	130,040	131,485
(1,717)	(1,597)	(1,963)

10. Includes \$3m transfer of Crown funding from the Ministry for Culture and Heritage for the funding of Niu FM from 1/7/11 plus funding of \$0.850m for the Regional Television Digital Switchover Assistance Fund for 2011/12.

11. Personnel costs have been consolidated into the Funding administration budget. This means the Funding administration budget increases and the Music budget decreases.

Activity 1: Television and Digital Media

Activity description: Investing in television and digital media local content to increase range and diversity.

Key Performance Measures

The majority of New Zealanders believe NZ On Air supports television programmes and activities important to New Zealanders

Almost all television projects are broadcast within 15 months of the finished programme being delivered to the broadcaster

At least half of general contestable fund expenditure is for prime time (6pm-10pm) programmes

2011/12	2010/11	2009/10
Forecast	Estimated	Actual
More than 2/3rds	More than 2/3rds	69%
99%	99%	98.3
50%	55%	58.4%

Other Measures

National Television

Television Contestable Fund by genre

Drama
Comedy
Documentary/Factual
Children & Young People
Arts/Culture/Identity
Minorities
Disability
Captioning & Audio Description
Development
Innovation
Total General Fund

2011/12			2010/11		
Forecast Hours	Forecast \$000	Forecast % Primetime ¹²	Estimated Hours	Estimated \$000	Estimated % Primetime ¹²
105	27,841	100%	116	26,833	100%
98	10,073	100%	109.5	10,124	99%
433	14,448	0%	466	13,537	0%
22.5	2,414	70%	32	3,425	76%
109	5,986	7%	130.5	7,087	7%
21	1,740	0%	21	1,710	0%
N/A	2,800	N/A	N/A	2,400	N/A
N/A	198	N/A	N/A	342	N/A
N/A	1,000	N/A	N/A	1,000	N/A
788.5	66,500	-	875	66,458	-

12. The balance of the percentage is the forecast percentage of off-peak programmes

Television Platinum Fund by genre

Drama
Documentary /
Current Affairs
Arts/Culture/Identity
Total Platinum Fund

2011/12			2010/11		
Forecast Hours	Forecast \$000	Forecast % Primetime ¹²	Estimated Hours	Estimated \$000	Estimated % Primetime ¹²
6.5	7,750	100%	11.5	10,852	100%
88	6,826	100%	94.5	6,189	100%
		0%			0%
2	535	100%	1.5	139	100%
96.5	15,111	-	107.5	17,180	-

Regional television

Local news and information
Regional television digital switchover assistance fund
Total

2011/12		2010/11		2009/10	
Forecast	Forecast \$000	Estimated	Estimated \$000	Actual	Actual \$000
800 hours	1,500	800 hours	1,500	Not measured	1,434
N/A	850	New activity for 2011/12			
-	2,350	-	1,500	-	1,434

Digital media

Digital Content Partnership Fund
NZ On Screen
Total

2011/12		2010/11		2009/10	
Forecast Number	Forecast \$000	Estimated Number	Estimated \$000	Actual Number	Actual \$000
Contestable fund: not forecast	800	Contestable fund: not forecast	1,000	4 projects	1,090
420 titles uploaded	1,000	400 titles uploaded	1,000	576 titles uploaded	1,000
-	1,800	-	2,000	-	2,090

Activity 2: Radio and Digital Media

Activity description: Investing in local content for radio and digital media and radio sound archiving.

Key Performance Measures
The majority of New Zealanders believe NZ On Air supports local content for radio important to New Zealanders
Increase the % of NZ music on commercial radio (% of NZ music on radio stations bound by the Radio Broadcasters Association NZ Music Code)
Improve the % of NZ music on alternative radio

2011/12	2010/11	2009/10
Forecast	Estimated	Actual
More than 2/3rds	More than 2/3rds	Not measured
20%	18%	19.66%
30%	Not measured	Not measured

Other Measures

Public Radio
Radio New Zealand: Quantitative measures
Ensure Radio NZ provides programme types specified in the Broadcasting Act 1989
Māori Language and Culture
Special Interest
NZ Drama, Fiction and Comedy
% of NZ music on rotate
% of NZ composition
% of NZ music performance
% of population able to receive transmission ¹⁴
NZ On Air funding provided

2011/12		2010/11		2009/10	
Forecast ¹³		Estimated		Actual	
RNZ National	RNZ Concert	RNZ National	RNZ Concert	RNZ National	RNZ Concert
350 hours	N/A	350 hours	N/A	364 hours	N/A
340 hours	N/A	340 hours	N/A	453 hours	N/A
200 hours	N/A	200 hours	N/A	253 hours	N/A
33%	N/A	33%	N/A	35%	N/A
N/A	3.5%	N/A	3.5%	N/A	4.3%
N/A	14%	N/A	14%	N/A	16%
97%	92%	97%	92%	97%	92%
\$31.816m		\$31.816m		\$31.816m	

13. Subject to final agreement with RNZ

14. This is the proportion of the population able to receive RNZ National and RNZ Concert via terrestrial transmission. 100% of the country is able to access RNZ National and RNZ Concert signal via a Freeview or Sky TV satellite dish and decoder

	2011/12	2010/11	2009/10
Radio New Zealand: Qualitative measures	Forecast ¹³	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	75%+	75%+	Not measured
RNZ National listeners who are very satisfied or quite satisfied with quality of RNZ National programming	80%+	80%+	
listeners who agree RNZ National provides in-depth news and current affairs about New Zealand	85%+	85%+	
listeners who agree RNZ provides fair and balanced information	80%+	80%+	Not measured
RNZ Concert listeners who are very satisfied or quite satisfied with quality of RNZ Concert programming	75%+	75%+	
The number of formal complaints about RNZ 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	No more than 3	No more than 3	

Radio Archiving - Sound Archives/Nga Taonga Korero

Radio programmes archived

Radio programmes preserved

Independent consultant confirms material archived appropriately

2011/12		2010/11		2009/10	
Forecast	Forecast \$000	Estimated	Estimated \$000	Actual	Actual \$000
1,300 hours	880	1,300 hours	630	1,211 hours	745
1,600 hours		1,600 hours		2,138 hours	
Achieved		Achieved		Achieved	

Resound – NZ classical music initiative (SOUNZ)

Recordings of music works relicensed and approved for broadcast

Recordings of music works relicensed and available online

Relicensed works scheduled for broadcast on RNZ Concert

2011/12		2010/11		2009/10	
Forecast Number*	Forecast \$000	Estimated	Estimated \$000	Actual	Actual \$000
220	100	147	100	Not measured	44
300		37			
30		18			

* Calendar year

Community radio	
Community radio	
Access and Special Interest radio ¹⁵	
Pacific Island radio ¹⁶	Samoa Capital Radio
	Niu FM and 531pi Total broadcast hours
	Hours of programming in at least 9 Pacific Island languages
Total community radio	

2011/12		2010/11		2009/10	
Forecast Hours	Forecast \$000	Estimated Hours	Estimated \$000	Actual Hours	Actual \$000
26,160	2,520	26,160	2,572	Not measured	2,470
1,976	180	1,976	180	Not measured	180
8,672	3,600	8,672	550	Not measured	200
3,952		3,952			
-	6,300	-	3,302	-	2,850

Commercial and Alternative Radio	
Spoken radio programmes	
Children and Youth	
Spiritual	
Ethnic	
Māori issues (English language)	
Drama and Comedy	
Factual	
Total spoken radio programmes	

2011/12		2010/11		2009/10	
Forecast Hours	Forecast \$000	Estimated Hours	Estimated \$000	Actual Hours	Actual \$000
178	450	178	450	237	482
80	100	80	126	86	112
13	100	13	100	9.6	78
120	126	120	100	120	100
-	-	50	250	69.9	225
-	-	-	-	7.5	25
391	776	441	1,026	530	1,022

15. First run S36(1)(c) Broadcast Act 1989

16. From 1 July 2011 the responsibility for funding and monitoring Niu FM transfers to NZ On Air from the Ministry for Culture and Heritage

NZ Music - domestic

Funding

Making Tracks	Commercial	Songs funded
		% of songs that achieve a Radio Scope NZ40 Airplay Chart peak
		Music videos funded
		% of music videos that achieve a Radio Scope TV Top 40 Chart peak
	Alternative	Music videos funded
		% of music videos that achieve a Radio Scope TV Top 40 Chart peak
		Songs funded
		% of songs that achieve a Radio Scope Alt40 Airplay Chart peak
	Kick start fund - 2011/12 one off fund	
	Number of albums	
% of the singles from albums that achieve Top 40 airplay		
Number of radio singles		
% of radio singles that achieve Top 40 airplay		
Music promotion		
Music radio programmes		
Music television programmes		
Other promotion and digital media		
Total NZ music - domestic		

2011/12		2010/11		2009/10	
Forecast	Forecast \$000	Estimated	Estimated \$000	Actual	Actual \$000
120	1,220	New activity for 2011/12			
60%					
120					
60%		170	850	170	850
80	820	New activity for 2011/12			
60%					
80					
60%					
50 projects	500	New activity for 2011/12			
These funding schemes have been replaced by the Making Tracks funding scheme in 2011/12		21	995	31	1,550
		90%+		89.47%	
		23	235	22	220
		80%+		85.71%	
18	1,300	18	1,200	18	1,150
4	350	5	480	5	480
N/A	835	N/A	630	N/A	573
-	5,025	-	4,390	-	4,823

NZ Music - international

Promotion

NZ On Air-backed songs released to radio in Australia
NZ On Air-backed songs that make The Music Network Hot 100 Airplay Charts in Australia through the year
% of NZ On Air-backed songs released to radio in Australia that achieve national radio playlist adds in Australia

2011/12		2010/11		2009/10	
Forecast	Forecast \$000	Estimated	Estimated \$000	Actual	Actual \$000
20	600	not measured	675	not measured	687
2					
50%		50%+			

(b) Forecast financial statements

Statement of forecast comprehensive income for the year ending 30 June 2012

	2011/12 Budget \$000	2010/11 Budget (SOI) \$000	2010/11 Estimated Actual \$000
Note			
Income			
Crown revenue*	130,776	126,926	126,926
Other revenue	2,050	1,517	2,596
Total Income	132,826	128,443	129,522
Operating Expenditure			
Funding management	3,285	3,135	2,919
Funding expenditure (net of write-backs of commitments not used)			
Television and new media			
National television	81,611	81,461	83,456
Regional television	2,350	1,500	1,500
Digital media	1,800	2,000	2,000
Radio and new media			
Public radio	32,796	32,546	32,546
Community radio	6,300	2,952	3,300
Commercial and alternative radio	6,401	6,446	5,764
Total Expenditure	134,543	130,040	131,485
Net (Deficit)/Surplus for the year	(1,717)	(1,597)	(1,963)
Other Comprehensive Income	-	-	-
Total Comprehensive Income	(1,717)	(1,597)	(1,963)

* \$3m transfer of Crown funding from the Ministry for Culture and Heritage for the funding of Niu FM from 1/7/11. Additional funding of \$0.850m for the Regional Television Digital Switchover Assistance Fund

Statement of forecast movements in equity

for the year ending 30 June 2012

		2011/12 Budget \$000	2010/11 Budget (SOI) \$000	2010/11 Estimated Actual \$000
Opening equity committed	2	4,378	10,265	4,378
Opening equity uncommitted		1,831	1,697	3,794
Plus: Net operating surplus (deficit)		(1,717)	(1,597)	(1,963)
Equity 30 June		4,492	10,365	6,209
<i>being</i>				
Equity 30 June committed	2	4,378	10,265	4,378
Equity 30 June uncommitted		114	100	1,831

Statement of forecast financial position

as at 30 June 2012

	Note	2011/12 Budget \$000	2010/11 Budget (SOI) \$000	2010/11 Estimated Actual \$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		45,408	39,535	43,691
Total Current Liabilities		46,008	40,135	44,291
Public Equity				
Equity committed	2	4,378	10,265	4,378
Equity uncommitted		114	100	1,831
Total Equity		4,492	10,365	6,209
Total Liabilities and Public Equity		50,500	50,500	50,500

Statement of forecast cash flows

for the year ending 30 June 2012

	2011/12 Budget \$000	2010/11 Budget (SOI) \$000	2010/11 Estimated Actual \$000
Cash Flows From Operating Activities			
Receipts from Crown revenue	130,776	126,926	126,926
Receipts from other revenue	-	-	650
Payments to funded activities	(129,441)	(122,374)	(126,507)
Payments to suppliers and employees	(3,285)	(3,135)	(2,919)
Net Cash Flows Operating Activities	(1,950)	1,417	(1,850)
Cash Flows From Investing Activities			
Interest received	2,050	1,517	1,950
Purchases of Property, Plant and Equipment	(100)	(100)	(100)
Cash Flows From Investing Activities	1,950	(1,417)	1,850
Net Increase/(Decrease) in Cash	-	-	-
Opening Cash	4,000	4,000	4,000
Closing Cash (includes cash equivalents - deposits with a maturity of three months or less)	4,000	4,000	4,000

Notes to the financial statements

Note 1. Statement of accounting policies for the year ending 30 June 2012

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 forecast financial statements are for the year ending 30 June 2012.

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 of the 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 “debtors 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 arms-length basis. Any transaction not conducted at arms-length 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 fulfil.

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 2012 and 30 June 2011 is \$4.378m, the actual value at 30 June 2010.

(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 fulfil 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 2011 and 30 June 2012, without substantive contractual conditions to fulfil, will be completed.

Directory

Members

Neil Walter, Chair	of Wellington
Murray Shaw, Deputy Chair	of Christchurch
Nicole Hoey	of Auckland
Michael Glading	of Auckland
Stephen McElrea	of Auckland
Caren Rangī	of Napier

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
David Ridler	Assistant NZ Music Manager
vacant	Broadcast Promotions Executive
vacant	Repertoire Executive
Glenn Usmar	Television Manager
Amy Bardsley	Business Affairs Executive
Benedict Reid	Television Funding Coordinator
Teresa Tito	Executive Assistant Television
Keith Collins	Community Broadcasting Manager
Wayne Verhoeven	Chief Financial Officer
Hui-Ping Wu	Accountant
Christine Westwood	Finance & Administration Assistant (part time)
Trish Cross	Receptionist/Administrator (shared with BSA)

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