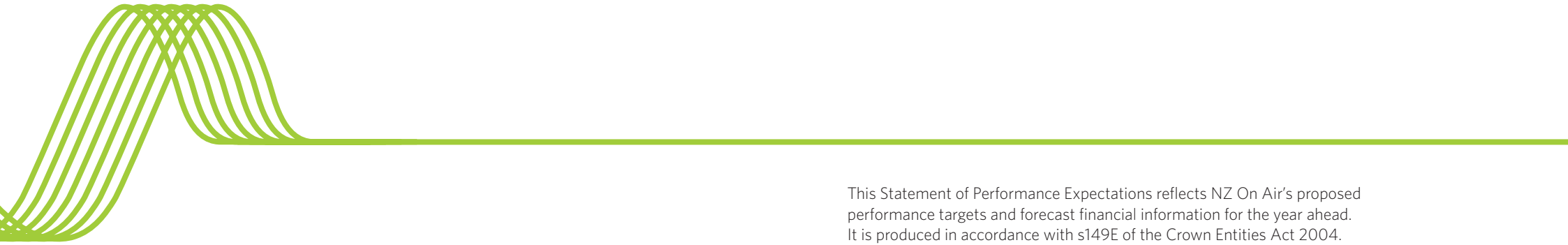




STATEMENT OF PERFORMANCE EXPECTATIONS

FOR YEAR ENDING 30 JUNE 2019

(Updated 1 Oct 2018)



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

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

Miriam Dean CNZM QC
Chair

Stuart McLauchlan
Chair, Audit and Risk Committee

31 May 2018

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(APPROVED 1 OCT 2018)	





OUR VISION
**CONNECTING
AND REFLECTING
OUR NATION**

OVERVIEW

Our vision: Connecting and reflecting our nation

After a year of fundamental change the year ahead for NZ On Air will be one of fresh and lively challenge.

Collectively, the twin public media services of NZ On Air and RNZ are a clever, unique response by a small country to provide crucial media services on the platforms used by New Zealanders. Neither entity is as effective without the other.

We launched a new public media strategy in July 2017: it is the most profound strategic shift undertaken by NZ On Air since our inception. We focused on designing a simple, flexible approach to massive environmental change, and our new model has achieved widespread industry support.

Public media connects New Zealanders and contributes to a modern, inclusive representation of New Zealand culture. This, in turn, helps build national identity and social cohesion, and contributes to democracy and citizenship.

We support diverse public media content: drama, factual, specialist current affairs, children's, and special-interest content. This content cannot be funded commercially because of the content platform's cost-revenue handicap. Specific Māori content is funded by specialist agency Te Māngai Pāho. We complement this by adding a Māori dimension in all relevant mainstream content.

As well as meeting our mandate under the Broadcasting Act to serve media audiences, our funding has three more effects:

1. Showcasing New Zealand

Our content profiles our nation to local and overseas audiences. Abroad, it contributes to our country's reputation for creativity, beauty, diversity and democracy.

2. Strengthening social cohesion

Our content has unparalleled reach and contributes to national identity, social cohesion and inclusion.

3. Boosting the production sector

Our funding creates jobs for highly skilled professionals, who, in turn, mentor and train new talent. About 14,000 people work in the wider screen industry, generating gross revenue of more than \$3 billion a year.¹

The scale of our contestable work is unmatched. We invest in thousands of hours of multimedia screen and audio content each year made by hundreds of entities, big and small. This gives us expert knowledge of media content trends and where to best apply public funding to fill gaps. (See most recent briefing to incoming Minister for details.²)

We are mindful of our role in supporting creative industries. Our investments are crucial to supporting stable and vibrant screen and music industries. High value, skilled jobs are created in the television and online content sectors with every new funded project. This underpins the skills training, infrastructure, work flow and creative development necessary for the wider screen 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.

The new NZ Media Fund, with its four streams: *Scripted*, *Factual*, *Music*, and *Platforms*, opened the doors to funded content, made by a wider range of people, appearing on a broader range of platforms. This has increased demand which in turn has led to tough scrutiny of every funding application. The quality remains high – a testament to the creativity and professional excellence in our industry.

We will continue to be guided by what audiences want. With fragmentation of media and a tough commercial environment, the case for funding quality public media content, on platforms audiences are on, is even stronger.

We have created the building blocks on which we can continue to build and change in the future, while holding fast to our primary aim: *Great New Zealand content is valued and enjoyed by many New Zealand audiences.*

1 Statistics NZ Screen Industry Survey 2016.

2 www.nzonair.govt.nz/documents/53/2017_BIM_November.pdf

THE **YEAR AHEAD** AT A GLANCE

In 2018/19 we will focus on...

INCREASING THE DIVERSITY

of our pool of content creators and places where our content is found

WORKING WITH LOCAL MEDIA

and international music streaming services to increase the profile of NZ music

CONTINUING TO ENCOURAGE

third party investment to leverage projects and looking for useful partnerships with other government agencies to make our funds go further

IMPLEMENTING A CLEAR POLICY

for Scripted investments to encourage a more diverse range of content

RAMPING UP PROMOTIONAL SUPPORT

for funded content so audiences can find and enjoy it

MAINTAINING LOW OVERHEADS

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

HELPING CONNECT NZ CHILDREN

with the new funded platform HEIHEI

MAINTAINING A STRONG FOCUS

on public media principles to guide our investing

OUR STRATEGIC AND PERFORMANCE FRAMEWORK

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

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

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

Figure 1: Strategic framework



OUR AIM

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



WHAT WE WILL DO

Here we set out what we will do to achieve our aim and impacts and how we will measure progress.

Our aim and impacts are set out in our strategic framework and funding strategy, delivered through the NZMF and supported by a small Industry Development Fund. These are activities purchased by the Minister of Broadcasting, Communications and Digital Media under the appropriation Public Broadcasting Services.³

The NZMF provides a simple, flexible approach to navigating a dynamic environment. The NZMF has four funding streams. The *Scripted*, *Factual* and *Music* streams are open and contestable. *Platforms* is a closed fund supporting selected entities to provide a wide range of public media content. Each funding stream has an associated annual work programme.

The NZMF has a single aim: Great New Zealand content is valued and enjoyed by many New Zealand audiences.

Figure 2: Funding strategy



³ The non-departmental output expense, Public Broadcasting Services, sits within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage.

OUR **INVESTMENT GOALS** ARE TO:



He Hua Kounga | Support quality content

NZ audiences enjoy well-made local content that matters

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



He Hua Kanorau | Support diverse content

NZ audiences value local content made for a range of communities

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



He Hua Kitea | Ensure discoverable content

NZ audiences can find and appreciate local content

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

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

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



MEASURING IMPACT

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

Table 1: Impact measures

	2018/19 TARGET	2017/18 ESTIMATE	2017/18 TARGET	2016/17 ACTUAL
QUALITY CONTENT - NZ AUDIENCES ENJOY WELL-MADE LOCAL CONTENT THAT MATTERS				
New Zealanders believe NZ On Air supports local content important to New Zealanders	75%	75%	75%	n/a
New Zealanders aware of our support for content like that content	70%	70%	70%	n/a
New Zealanders agree that RNZ provides a valuable service to New Zealand	70%	70%	70%	n/a
Completed productions are accepted for broadcast or uploading	99%	100%	99%	99%
DIVERSE CONTENT - NZ AUDIENCES VALUE LOCAL CONTENT MADE FOR A RANGE OF COMMUNITIES				
NZ audiences appreciate the diversity of content funded by NZ On Air	75%	75%	75%	n/a
Content in more than 40 languages (including 9 Pacific) is funded	Achieve	Achieved	Achieve	n/a
Pacific people agree NiuFM and 531pi broadcast culturally relevant content	Biennial measure, next due in 2019/20	75%	75%	Biennial measure not due this year
DISCOVERABLE CONTENT - NZ AUDIENCES CAN FIND AND APPRECIATE LOCAL CONTENT				
NZ Music content on commercial radio meets the target set by the Minister of Broadcasting, Communications and Digital Media and the Radio Broadcasters Association ⁴	20%	14%	20%	14.24%
Percentage of NZ Music content on alternative radio	At least 40%	48%	At least 40%	45.79%
Percentage of released singles from New Music Projects achieving at least 250,000 ⁵ online plays within 12 months ⁶	50%	50%	50%	n/a
Percentage of released singles from New Music Singles achieving at least 50,000 online plays within 12 months	50%	60%	50%	n/a
Percentage of released singles from New Music Projects achieving at least 750 NZ radio plays within 12 months	50%	25%	50%	n/a
Percentage of released singles from New Music Singles achieving at least 250 NZ radio plays within 12 months	50%	50%	50%	n/a
Over 50% of first run ⁷ funded prime time (6 pm to 10.30 pm) content for TV achieves average audiences of 100,000 or higher (excludes ondemand audiences)	More than 50%	58%	More than 50%	n/a
50% of funded digital content will achieve more than 50,000 views in its first 6 months on line ⁸	More than 50%	52%	More than 50 %	n/a

4 A new target is being discussed between the Radio Broadcasters Association and the Government.

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

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

7 Programmes not previously shown on TV.

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

MEASURING ACTIVITY

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

Table 2: Funding measures

	2018/19 TARGET	2017/18 ESTIMATE	2017/18 TARGET	2016/17 ACTUAL
WHAT WE WILL DO				
Our Investment Principles are followed for all funding decisions (cultural value, content balance, risk, competition, value for money, no duplication, leverage, partner capability, fairness)	100%	100%	100%	100%
A majority of the NZ Media Fund is invested in contestable content to maximise flexibility	At least 50%	67%	At least 50%	n/a
Percentage of production funding of the Scripted and Factual streams for targeted audiences including s36(1)(c) ⁹ of the Broadcasting Act 1989 ¹⁰	At least 20%	30%	At least 20%	n/a
Percentage of total funded hours for Scripted and Factual content that is diverse ¹¹	At least 60%	75%	New measure	n/a
Investments in Platforms (excluding RNZ) are reviewed on a rolling cycle over 5 years to ensure audiences are being well served (more frequently if required)	1 review completed	1 review completed	1 review completed	n/a
Number of mainstream music applications funded ¹²	At least 130	130	At least 130	134
Number of niche music applications funded	At least 90	90	At least 90	97
The number of average weekly hours of captioning and audio description broadcast will be at least:				
Captioning	300	305	300	n/a
Audio description	40	43	40	n/a
Number of Scripted and Factual hours funded (includes all formats, e.g. television, online, radio)	At least 1200 ¹³	1400	At least 1,120	n/a
The number of hours funded for features promoting NZ Music	2,500	2,700	At least 2,500 hours	n/a
Number of agreements for streaming NZ music with significant platforms	2	2	At least 2	n/a

⁹ Includes children, youth, persons with disabilities and minorities in the community.

¹⁰ Wording amended to clarify this relates to Scripted and Factual production funding.

¹¹ Diverse content is content that showcases the stories and interests of particular NZ cultural and community groups. Measure amended for 2018/19 to funded hours (previously funded \$).

¹² 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.

¹³ The 2017/18 target was for the first year of the NZ Media Fund. The variety of different application types has enabled a higher number of hours to be achieved.

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 1). We aim to minimise overheads to maximise investment in content; and provide high quality service delivery.

Table 3 sets out core operating measures; Table 4 sets out expected revenue and proposed expenses.¹⁴

Table 3: Operating measures

	2018/19 TARGET	2017/18 ESTIMATE	2017/18 TARGET	2016/17 ACTUAL
HOW WE WILL DO IT (OPERATING GOALS)				
No investment decision or process has a significant adverse judicial review or Ombudsman finding	0	0	0	0
% of complete applications received by deadline determined at the next funding round	99%	99%	99%	100%
% of funding decisions notified to applicants within 5 working days of Board meeting	99%	99%	99%	100%
% of funding contracts correctly issued within 15 working days once conditions precedent are met	99%	99%	99%	100%
% of funding 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

FORECAST REVENUE AND EXPENDITURE		2018/19	2017/18	2017/18	2016/17
REVENUE		BUDGET \$000	ESTIMATE \$000	BUDGET \$000	ACTUAL \$000
Crown revenue		132,266	132,266	132,266 ¹⁵	129,426
Other revenue		2,230	2,434	2,230	2,514
Total revenue		134,496	134,700	134,496	131,940
Output expenses	%				
New Zealand Media Fund investments	96.7	130,600	132,469	130,140	127,077
Industry development	0.3	400	400	400	409
Total content funding	97.0	131,000	132,869	130,540	127,486
Administration services	3.0	4,054	3,850	3,850	3,348
Total output expenses	100	135,054	136,719	134,390	130,834
Surplus/(deficit)		(558)	(2,019)	106	1,106

¹⁴ 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).

¹⁵ Includes additional funding for RNZ of \$3,540,000.

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	2018/19 TARGET	2017/18 TARGET	2016/17 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	Some positions assessed	Some positions assessed	66.7% of positions assessed
Staff are committed to the agency and its work	Staff engagement surveys are conducted at least bi-annually; results target to be in the top quartile of the cultural sector (next survey 2019)	Achieve (next survey 2019)	Achieve	Achieved
Our office environment and equipment are safe and well maintained	Reported safety hazards are attended to promptly, significant hazards are attended to immediately	Achieve	Achieve	Achieved
	Zero tolerance of harassment, bullying and discrimination. Immediate investigation if any instances are reported	Achieve	Achieve	Achieved. No instances
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

Refer to Addendum on page 24 for updated Statements.

Statement of forecast comprehensive revenue and expense For the year ending 30 June 2019

	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Estimate \$000
Revenue			
Crown revenue	132,266	132,266	132,266
Other revenue	2,230	2,230	2,434
Total revenue	134,496	134,496	134,700
Operating expenditure			
Administration services	4,054	3,850	3,850
Total operating expenditure	4,054	3,850	3,850
Funding expenditure			
NZ Media Fund¹⁶			
Scripted	40,000	40,000	40,600
Factual	39,960	39,500	41,316
Music ¹⁷	3,500	4,200	4,200
Platforms	47,140	46,440	46,353
Total NZ Media Fund	130,600	130,140	132,469
Development and support			
Industry development	400	400	400
Total funding expenditure	131,000	130,540	132,869
Total expenditure	135,054	134,390	136,719
Net surplus/(deficit) for the year	(558)	106	(2,019)
Other comprehensive revenue and expense	-	-	-
Total comprehensive revenue and expense	(558)	106	(2,019)

16 The allocation of NZMF funds across the 4 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.

17 Student Radio Network funding is being reclassified as Platform funding from 1 July 2018. \$700,000 has been transferred from the Music to the Platform stream to reflect this change.

Statement of forecast financial position

As at 30 June 2019

	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Estimate \$000
Current assets			
Cash and cash equivalents	7,000	30,000	8,425
Investments	30,000	5,000	28,000
Debtors and other receivables – interest	150	150	150
Debtors and other receivables – other	150	150	1,850
Total current assets	37,300	35,300	38,425
Non-current assets			
Property, plant and equipment	70	170	100
Intangible assets	149	150	147
Total non-current assets	219	320	247
Total assets	37,519	35,620	38,672
Current liabilities			
Trade and other payables	300	300	200
Employee entitlements	150	150	150
Funding liabilities	36,624	34,167	37,319
Total current liabilities	37,074	34,617	37,669
Net assets	445	1,003	1,003
Equity			
Equity at 30 June	445	1,003	1,003
Total Equity	445	1,003	1,003

Statement of forecast changes in equity

For the year ending 30 June 2019

	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Estimate \$000
Balance at 1 July	1,003	897	3,022
Total comprehensive revenue and expense for the year	(558)	106	(2,019)
Balance at 30 June	445	1,003	1,003

Statement of forecast cash flows

For the year ending 30 June 2019

	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Estimate \$000
Cash flows from operating activities			
Receipts from the Crown	132,266	132,266	132,266
Receipts from other revenue	630	630	657
Interest received	1,600	1,600	1,815
Payments to funded activities	(131,748)	(130,674)	(126,786)
Payments to suppliers and employees	(4,001)	(3,850)	(3,815)
Net GST	(40)	165	130
Net cash from operating activities	(1,293)	137	4,267
Cash flows from investing activities			
Net receipts from investments	-	-	(1,000)
Purchase of intangible assets	(40)	-	-
Purchase of property, plant and equipment	(92)	(137)	(30)
Net cash flows from investing activities	(132)	(137)	(1,030)
Net increase in cash and cash equivalents	(1,425)	-	3,237
Cash and cash equivalents at 1 July	8,425	30,000	5,188
Cash and cash equivalents at 30 June	7,000	30,000	8,425

Statement of accounting policies

For the year ending 30 June 2019

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 2019.

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

Basis of Preparation

Statement of compliance

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

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

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

Measurement basis

The measurement base adopted is that of historical cost.

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

Judgments and estimations

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

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

Judgments that have significant effect on the financial statements and estimates, with a significant risk of material adjustment in the next year are discussed 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. With continued pressure on funding, NZ On Air will continue its strategy of using reserves in 2018/19 to maintain output and help industry stability. The risk of lowering reserves will be managed through close monitoring throughout the year and the option to decrease funds available for local content if necessary.

Significant Accounting Policies

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

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from the Crown

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

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

Interest revenue

Interest revenue is recognised using the effective interest method.

Television programme and music revenue

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

Other revenue

Other revenue is recognised when it is earned

Other expenses

Operating leases

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

Funding expenditure

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

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

Critical judgments in applying accounting policies – funding expenditure

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

The 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 is recognised in the statement of comprehensive revenue and expense. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive revenue and expense.

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

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 surplus or deficit.

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.

Superannuation schemes

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

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 fulfill.
- (d) It is probable (more likely than not) that the funded proposal will be completed and that our commitments will crystallise.

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

Goods and services tax (GST)

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Cost allocation policy

All expenditure not used to fund the NZ Media Fund and Development and Support has been allocated to administration expenditure.

Financial instruments

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

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

NZ On Air has the following categories of financial assets:

(a) Loans and Receivables

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

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive revenue and expense.

Loans and receivables are classified as “trade and other receivables” in the statement of financial position.

(b) Held to Maturity Investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that we intend to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method.

Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive revenue and expense. Investments in this category are term deposits.

Other liabilities and provisions

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

Statement of cash flows

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

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

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

Financing activities comprise those activities relating to changes in equity.

Changes in accounting policies

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

Comparatives

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

Related parties

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

ADDENDUM TO STATEMENT OF PERFORMANCE EXPECTATIONS

for the year ending 30 June 2019

Overview

This addendum to NZ On Air's Statement of Performance Expectations for the year ending 30 June 2019 reflects changes in NZ On Air's proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149K of the Crown Entities Act 2004.

Background

In July 2018 the Minister of Broadcasting, Communications and Digital Media announced the allocation of new funding for the 2018/19 financial year. As a result, \$14.5m will flow through NZ On Air as follows:

RNZ	non-contestable funding	\$4.500 million
NZ On Air	contestable funding	\$4.000 million
RNZ-NZ On Air	joint innovation fund	\$6.000 million
Total		\$14.500 million

RNZ receives non-contestable funding of \$4.500 million to extend multi-media services (RNZ+) to reach more people in different ways.

NZ On Air receives contestable funding of \$4.000 million to be allocated through the NZ Media Fund to boost reach to under-served audiences.

The RNZ-NZ On Air joint innovation fund of \$6.000 million pilots a new type of collaboration. RNZ and NZ On Air will jointly commission content for RNZ involving the independent production sector, with NZ On Air managing contracting and drawdowns.

Amended Statement of Performance Expectations

We are issuing this addendum to NZ On Air's 2018/19 Statement of Performance Expectations to reflect the impact of this funding on our original forecast information. The three statements impacted and updated are the statements of forecast financial performance, position and cash flows. These have been revised and are part of this addendum.

The proposed allocation of the additional funding across the NZ Media Fund is shown in Table 1 below. This 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's outcomes.

Table 1

NZ Media Fund	Original SPE \$'000	RNZ+ \$'000	NZ On Air Contestable Content Funding \$'000	RNZ-NZ On Air Joint Innovation Fund \$'000	Total
Scripted	40,000		2,450		42,450
Factual	39,960		1,000	6,000	46,960
Music	3,500		400		3,900
Platforms	47,140	4,500	150		51,790
Total	130,600	4,500	4,000	6,000	145,100

Performance reporting

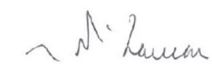
NZ On Air will report separately in our 2018/19 annual report on projects funded through the joint innovation fund and the additional contestable funding, as well as the audiences being served.

RNZ reports separately in its annual report on its performance during the year, which will include the RNZ+ activity.

The revised forecast financial statements 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
1 October 2018



Stuart McLauchlan
Chair Audit & Risk Committee

FORECAST FINANCIAL STATEMENTS (REVISED)

Statement of forecast comprehensive revenue and expense (revised)

For the year ending 30 June 2019

	2018/19 Revised Budget \$000	2018/19 Original Budget \$000
Revenue		
Crown revenue	146,766	132,266
Other revenue	2,230	2,230
Total revenue	148,996	134,496
Operating expenditure		
Administration services	4,054	4,054
Total operating expenditure	4,054	4,054
Funding expenditure		
NZ Media Fund¹⁸		
Scripted	42,450	40,000
Factual	46,960	39,960
Music ¹⁹	3,900	3,500
Platforms ²⁰	51,790	47,140
Total NZ Media Fund	145,100	130,600
Development and support		
Industry development	400	400
Total funding expenditure	145,500	131,000
Total expenditure	149,554	135,054
Net surplus/(deficit) for the year	(558)	(558)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(558)	(558)

18 The allocation of NZMF funds across the 4 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.

19 Student Radio Network funding is being reclassified as Platform funding from 1 July 2018. \$700,000 has been transferred from the Music to the Platform stream to reflect this change

20 Total ring-fenced funding allocated for RNZ is \$39,856,000

Statement of forecast financial position (revised) as at 30 June 2019

	2018/19 Revised Budget \$000	2018/19 Original Budget \$000
Current assets		
Cash and cash equivalents	7,000	7,000
Investments	32,720	30,000
Debtors and other receivables - interest	150	150
Debtors and other receivables - other	150	150
Total current assets	40,020	37,300
Non-current assets		
Property, plant and equipment	70	70
Intangible assets	149	149
Total non-current assets	219	219
Total assets	40,239	37,519
Current liabilities		
Trade and other payables	300	300
Employee entitlements	150	150
Funding liabilities	39,344	36,624
Total current liabilities	39,794	37,074
Net assets	445	445
Equity		
Equity at 30 June	445	445
Total Equity	445	445

Statement of forecast cash flows (revised)

For the year ending 30 June 2019

	2018/19 Revised Budget \$000	2018/19 Original Budget \$000
Cash flows from operating activities		
Receipts from the Crown	146,766	132,266
Receipts from other revenue	630	630
Interest received	1,600	1,600
Payments to funded activities	(143,528)	(131,748)
Payments to suppliers and employees	(4,001)	(4,001)
Net GST	(40)	(40)
Net cash from operating activities	1,427	(1,293)
Cash flows from investing activities		
Net receipts from investments	(2,720)	-
Purchase of intangible assets	(40)	(40)
Purchase of property, plant and equipment	(92)	(92)
Net cash flows from investing activities	(2,852)	(132)
Net increase in cash and cash equivalents	(1,425)	(1,425)
Cash and cash equivalents at 1 July	8,425	8,425
Cash and cash equivalents at 30 June	7,000	7,000





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