



part 2

Audited financial statements

# Audited financial statements

## Statement of responsibility

We are responsible for the preparation of NZ On Air's financial statements and statement of performance, and for the judgements made in them.

We are responsible for any end-of-year performance information provided by NZ On Air under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and the statement of performance fairly reflect the financial position and operations of NZ On Air for the year ended 30 June 2017.

Signed on behalf of the Board:



**Miriam Dean**  
*Chair*  
31 October 2017



**Helen Grattan**  
*Member of Audit & Risk Committee*  
31 October 2017



# Independent Auditor's Report

## To the readers of the Broadcasting Commission's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of the Broadcasting Commission (known as NZ On Air). The Auditor-General has appointed me, Chrissie Murray, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of NZ On Air on his behalf.

### Opinion

We have audited:

- the financial statements of NZ On Air on pages 29 to 49 that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of NZ On Air on pages 50 to 60 that comprises the statement of performance for the year ended 30 June 2017.

In our opinion:

- the financial statements of NZ On Air:
  - present fairly, in all material respects:
    - › its financial position as at 30 June 2017; and
    - › its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards; and
- the performance information:
  - presents fairly, in all material respects, NZ On Air's performance for the year ended 30 June 2017, including:
    - › for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

- › the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of NZ On Air for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of NZ On Air for assessing NZ On Air's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of NZ On Air, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

## Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to NZ On Air's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NZ On Air's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within NZ On Air's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NZ On Air's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause NZ On Air to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board is responsible for the other information. The other information comprises the statement of responsibility on page 26, and the information included on pages 2, 61 to 63 and in Part 1 and Part 3 of the annual report, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of NZ On Air in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in NZ On Air.



Chrissie Murray  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa



## NZ On Air

## Statement of comprehensive revenue and expense

for the year ended 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
<i>Revenue</i>				
Crown revenue		129,426	128,726	128,726
Other revenue	2	2,514	2,230	2,542
<b>Total revenue</b>		<b>131,940</b>	<b>130,956</b>	<b>131,268</b>
<i>Operating expenditure</i>				
Administration services	3,4	3,348	3,715	3,420
<b>Total operating expenditure</b>		<b>3,348</b>	<b>3,715</b>	<b>3,420</b>
<i>Funding expenditure</i>				
<b>Screen content</b>				
National television		79,152	79,300	81,477
Regional media		1,200	1,380	634
Digital-only media		3,982	3,860	3,848
<b>Sound content</b>				
Public radio		32,516	31,816	31,816
Special interest radio		6,281	6,645	6,458
Music and other content		3,946	4,000	3,779
Development & support funding		409	400	397
<b>Total funding expenditure</b>	5	<b>127,486</b>	<b>127,401</b>	<b>128,409</b>
<b>Total expenditure</b>		<b>130,834</b>	<b>131,116</b>	<b>131,829</b>
<b>Net surplus/(deficit) for the year</b>		<b>1,106</b>	<b>(160)</b>	<b>(561)</b>
<b>Other comprehensive revenue and expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue and expense</b>		<b>1,106</b>	<b>(160)</b>	<b>(561)</b>

Explanations of major variances against budget are provided in Note 21  
The accompanying notes form part of these financial statements

## NZ On Air

## Statement of financial position

as at 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
<i>Current assets</i>				
Cash and cash equivalents	6	5,188	3,000	8,655
Investments	7	27,000	20,000	28,000
Debtors and other receivables - interest		195	150	178
Debtors and other receivables - other	8	1,843	150	172
<b>Total current assets</b>		<b>34,226</b>	<b>23,300</b>	<b>37,005</b>
<i>Non-current assets</i>				
Property, plant and equipment	9	162	350	240
Intangible assets	10	185	-	12
<b>Total non-current assets</b>		<b>347</b>	<b>350</b>	<b>252</b>
<b>Total assets</b>		<b>34,573</b>	<b>23,650</b>	<b>37,257</b>
<i>Current liabilities</i>				
Trade and other payables	11	194	300	291
Employee entitlements	12	121	150	123
Funding liabilities	13	31,236	23,153	34,927
<b>Total current liabilities</b>		<b>31,551</b>	<b>23,603</b>	<b>35,341</b>
<b>Net assets</b>		<b>3,022</b>	<b>47</b>	<b>1,916</b>
<i>Equity</i>				
Equity at 30 June		3,022	47	1,916
<b>Total Equity</b>		<b>3,022</b>	<b>47</b>	<b>1,916</b>

Explanations of major variances against budget are provided in Note 21  
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## NZ On Air

## Statement of changes in net assets/equity

for the year ended 30 June 2017

	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
<i>Balance at 1 July</i>	1,916	207	2,477
<b>Total comprehensive revenue and expense for the year</b>	<b>1,106</b>	<b>(160)</b>	<b>(561)</b>
<b>Balance at 30 June</b>	<b>3,022</b>	<b>47</b>	<b>1,916</b>

Explanations of major variances against budget are provided in Note 21  
The accompanying notes form part of these financial statements

## Statement of cash flows

for the year ended 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
<i>Cash flows from operating activities</i>				
Receipts from the Crown		129,426	128,726	128,726
Receipts from other revenue		776	680	951
Interest received		1,548	1,600	1,713
Payments to funded activities		(131,177)	(130,688)	(135,820)
Payments to suppliers and employees		(3,333)	(3,627)	(3,353)
Net GST		(1,498)	-	650
<b>Net cash from operating activities</b>	<b>14</b>	<b>(4,258)</b>	<b>(3,309)</b>	<b>(7,133)</b>
<i>Cash flows from investing activities</i>				
Net receipts from investments		1,000	4,000	13,500
Purchase of property, plant and equipment		(15)	(191)	(21)
Purchase of intangible assets		(194)	-	-
<b>Net cash flows from investing activities</b>		<b>791</b>	<b>3,809</b>	<b>13,479</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3,467)</b>	<b>500</b>	<b>6,346</b>
<b>Cash and cash equivalents at 1 July</b>		<b>8,655</b>	<b>2,500</b>	<b>2,309</b>
<b>Cash and cash equivalents at 30 June</b>		<b>5,188</b>	<b>3,000</b>	<b>8,655</b>

Explanations of major variances against budget are provided in Note 21  
The accompanying notes form part of these financial statements

# Notes to the Financial statements

## 1. STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2017

### 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 financial statements reflect the operations of NZ On Air only and do not incorporate any other entities.

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.

NZ On Air has designated itself as a public benefit entity (PBE) for financial reporting purposes. These financial statements are for the year ended 30 June 2017 and have been approved by the Board on 31 October 2017.

### Basis for preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

### Statement of compliance

These financial statements have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE accounting standards.

### Presentation currency and rounding

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### Standards issued and not yet effective and not early adopted

In 2015, the External Reporting Board issued Disclosure initiative (Amendment to PBE IPASA 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. NZ On Air has assessed that the application of these standards will not have a material impact on the financial statements for the year ended 30 June 2017.

### Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

#### 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. These 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 (s51 Broadcasting Act 1989) therefore no charge for income tax has been provided for.

#### Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those we have adopted for the preparation of the financial statements.



### Critical accounting estimates and assumptions

In preparing these financial statements we have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Useful lives and residual values of property, plant, and equipment – refer to Note 9.
- Useful lives of intangible assets – refer to Note 10.

### Critical judgements in applying our accounting policies

We have exercised the following critical judgements in applying our accounting policies for the period ended 30 June 2017:

- Funding expenditure – refer to Note 5.
- Funding liabilities – refer to Note 13.

### Breakdown of other revenue and further information

Sales of television programmes and music
Interest revenue
Other revenue
<b>Total other revenue</b>

## 2. REVENUE

### Accounting policy

The specific accounting policies for significant revenue items are explained below:

#### 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.

	Actual 2017 \$000	Actual 2016 \$000
Sales of television programmes and music	917	940
Interest revenue	1,565	1,570
Other revenue	32	32
<b>Total other revenue</b>	<b>2,514</b>	<b>2,542</b>

### 3. PERSONNEL COSTS

#### Accounting policy

##### Superannuation schemes

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

#### *Breakdown of personnel costs and further information*

	Actual 2017 \$000	Actual 2016 \$000
Salary and wages	1,998	1,908
Kiwisaver employer contributions	73	75
Increase/(decrease) in employee entitlements	(10)	(1)
<b>Total personnel costs</b>	<b>2,061</b>	<b>1,982</b>

#### Employee Remuneration

Employee remuneration (salary, bonuses and other benefits such as superannuation) paid or payable during the year was:

	Number of Employees 2017	Number of Employees 2016
\$100,000 - \$109,999	1	1
\$110,000 - \$119,999	-	2
\$140,000 - \$149,999	1	2
\$150,000 - \$159,999	2	-
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	-
\$350,000 - \$359,000	1	1

*During the year ended 30 June 2017, 2 employees received benefits of \$47,077 in relation to cessation (2016: Nil).*



## Board member remuneration

The Board fees paid or payable during the year were:

	Actual 2017 \$000	Actual 2016 \$000
Miriam Dean - Chair (reappointed July 2015)	40	40
Helen Grattan (appointed January 2016)	19	10
Ian Taylor (appointed July 2015)	19	17
John McCay (appointed May 2016)	19	3
Stephen McElrea (retired December 2015)	-	9
Caren Rangi (retired April 2016)	-	16
Ross McRobie (reappointed June 2014)	19	19
Kim Wicksteed (reappointed July 2015)	19	19
<b>Total Board fees</b>	<b>135</b>	<b>133</b>

Payment of \$13,000 was made to the independent members of the Audit and Risk Committee during the financial year (2016: \$8,125).  
We held Directors and Officers liability cover during the financial year in respect of the liability or costs of Board members and employees.

## 4. OTHER EXPENSES

### Accounting policy

#### 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.

#### Breakdown of other expenses and operating lease commitments

	Actual 2017 \$000	Actual 2016 \$000
Legal, public relations and expert advice	266	270
Other costs	399	550
Travel and communication	140	132
Board members fees	135	133
Rent	180	177
Depreciation	93	107
Amortisation	21	18
Audit fees - Financial statement audit	53	51
<b>Total administration expenditure</b>	<b>1,287</b>	<b>1,438</b>

### Operating leases as lessee

	Actual 2017 \$000	Actual 2016 \$000
Not later than one year	141	109
Later than one year and not later than two years	109	98
Later than two years and not later than five years	7	105
<b>Total non-cancellable operating leases</b>	<b>257</b>	<b>312</b>

Operating lease commitments reflects the Auckland office lease agreement and a 70% share of the Wellington office lease agreement. The Wellington office lease agreement is jointly signed with the Broadcasting Standards Authority (BSA). The balance of 30% is reflected in the BSA financial statements.

## 5. FUNDING EXPENDITURE

### Accounting policy

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

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

### Critical judgement in applying accounting policies

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

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

### Total funding expenditure

	Actual 2017 \$000	Budget 2017 \$000
<b>Total funding approved</b>	<b>130,595</b>	<b>127,401</b>
Less approved funds not utilised so written back	(1,295)	-
Plus impact of prior year approved funds recognised as expenditure in current year when substantive contractual conditions had been met	755	-
Less current year approved funds unable to be recognised as expenditure in current year until substantive contractual conditions have been met (excludes write backs)	(2,569)	-
<b>Total funding expenditure</b>	<b>127,486</b>	<b>127,401</b>

## Breakdown of funding expenditure and further information

## National television funding expenditure

	Actual 2017 \$000	Actual 2016 \$000
General contestable fund	66,694	67,672
Platinum fund	15,383	15,388
<b>Subtotal national television funding expenditure</b>	<b>82,077</b>	<b>83,060</b>
Less approved funds not utilised so written back	(1,101)	(833)
Plus impact of prior year approved funds recognised as expenditure in current year when substantive contractual conditions had been met	745	-
Less current year approved funds unable to be recognised as expenditure in current year until substantive contractual conditions have been met (excludes write backs)	(2,569)	(750)
<b>Total national television funding expenditure</b>	<b>79,152</b>	<b>81,477</b>

## Regional media funding expenditure

	Actual 2017 \$000	Actual 2016 \$000
Local news and information	1,238	739
<b>Subtotal regional media funding expenditure</b>	<b>1,238</b>	<b>739</b>
Less approved funds not utilised so written back	(38)	(105)
<b>Total regional media funding expenditure</b>	<b>1,200</b>	<b>634</b>

## Digital-only media funding expenditure

	Actual 2017 \$000	Actual 2016 \$000
Digital - Digital Media Trust	1,210	1,257
Digital - Digital media	2,777	2,825
<b>Subtotal digital-only media funding expenditure</b>	<b>3,987</b>	<b>4,082</b>
Less approved funds not utilised so written back	(5)	(237)
Plus impact of prior year approved funds recognised as expenditure in current year when substantive contractual conditions had been met	-	3
<b>Total digital-only media funding expenditure</b>	<b>3,982</b>	<b>3,848</b>

*Public radio funding expenditure*

	<b>Actual 2017 \$000</b>	Actual 2016 \$000
Radio New Zealand	32,516	31,816
<b>Total public radio funding expenditure</b>	<b>32,516</b>	<b>31,816</b>

*Special interest radio funding expenditure*

	<b>Actual 2017 \$000</b>	Actual 2016 \$000
Access and special interest radio	2,486	2,458
Pacific radio	3,430	3,440
Commercial radio: Spoken content	442	572
<b>Subtotal special interest radio funding expenditure</b>	<b>6,358</b>	<b>6,470</b>
<i>Less approved funds not utilised so written back</i>	(77)	(12)
<b>Total special interest radio funding expenditure</b>	<b>6,281</b>	<b>6,458</b>

*Music & other content funding expenditure*

	<b>Actual 2017 \$000</b>	Actual 2016 \$000
Music content	3,880	3,863
Resound - NZ classical music initiative (SOUNZ)	130	130
<b>Subtotal music funding expenditure</b>	<b>4,010</b>	<b>3,993</b>
<i>Less approved funds not utilised so written back</i>	(74)	(204)
<i>Plus impact of prior year approved funds recognised as expenditure in current year when substantive contractual conditions had been met</i>	10	-
<i>Less current year approved funds unable to be recognised as expenditure in current year until substantive contractual conditions have been met (excludes write backs)</i>	-	(10)
<b>Total music funding expenditure</b>	<b>3,946</b>	<b>3,779</b>



*Development and support funding expenditure*

	<b>Actual 2017 \$000</b>	Actual 2016 \$000
Development and support funding	409	397
<b>Total development and support funding expenditure</b>	<b>409</b>	<b>397</b>

## 6. CASH AND CASH EQUIVALENTS

### Accounting Policy

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

*Breakdown of cash and cash equivalents and further information*

	<b>Actual 2017 \$000</b>	Actual 2016 \$000
Cash	150	97
Call and short term deposits	5,038	8,558
<b>Total cash and cash equivalents</b>	<b>5,188</b>	<b>8,655</b>

*The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.*

## 7. INVESTMENTS

### Accounting policy

#### 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.

*Breakdown of investments and further information*

	<b>Actual 2017 \$000</b>	Actual 2016 \$000
Term deposits	27,000	28,000
<b>Total investments</b>	<b>27,000</b>	<b>28,000</b>

*The carrying value of term deposits approximates their fair value.*

The maturity dates and weighted average effective interest rates for term deposits are as follows:

	Actual 2017 \$000	Actual 2016 \$000
Term deposits with maturities greater than 3 months and less than 6 months*	23,000	20,000
Term deposits with maturities of 6 months and over*	4,000	8,000
<i>weighted average effective interest rate</i>	3.43%	3.19%

\*At 30 June 2017 average term is 144 days (30 June 2016: 136 days)

Term deposit investments at 30 June 2017 are invested at fixed rates ranging from 3.25% - 3.68%. These deposits are measured at amortised cost, so an increase or decrease in interest rates during the period would not impact the measurements of the investments and hence there would be no impact on the surplus/deficit or equity.

#### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates would expose us to cash flow interest rate risk. We have no variable interest rate investments.

## 8. DEBTORS AND OTHER RECEIVABLES – OTHER

### Accounting policy

Debtors and other receivables are 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

#### Sensitivity analysis

At 30 June 2017, had interest rates on our term deposits been 50 basis points higher or lower, with all other variables held constant, the surplus would have been \$135,000 higher/lower (2016: \$157,500).

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. Any impairment losses are recognised in the surplus or deficit.

### Breakdown of debtors and other receivables and further information

	Actual 2017 \$000	Actual 2016 \$000
GST refund	1,628	130
Other receivables	215	42
<b>Total debtors and other receivables – other</b>	<b>1,843</b>	<b>172</b>

The carrying value of other receivables approximates their fair value. We expect to recover the full amount of our receivables within the next 12 months.





## 9. PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

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 surplus or deficit.

#### 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 surplus or deficit 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 assets 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	20.0%
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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The total impairment loss and any subsequent reversal of an impairment loss are recognised in the surplus or deficit.

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.

#### Capital commitments

There are no capital commitments as at 30 June 2017 (2016: Nil).

### Breakdown of property, plant and equipment and further information

Movements for each class of property, plant and equipment are as follows

	Computer equipment \$000	Furniture & fittings \$000	Office equipment \$000	Leasehold improvements \$000	Total \$000
<i>Cost</i>					
Balance at 1 July 2015	270	109	29	298	<b>706</b>
Additions	13	4	5	-	<b>22</b>
Disposals	(4)	-	-	-	<b>(4)</b>
Balance at 30 June 2016	279	113	34	298	<b>724</b>
Balance at 1 July 2016	279	113	34	298	<b>724</b>
Additions	5	-	10	-	<b>15</b>
Disposals	(12)	(4)	-	-	<b>(16)</b>
Balance at 30 June 2017	272	109	44	298	<b>723</b>
<i>Accumulated depreciation and impairment losses</i>					
Balance at 1 July 2015	208	46	21	105	<b>380</b>
Depreciation	41	15	4	47	<b>107</b>
Eliminate on disposal	(3)	-	-	-	<b>(3)</b>
Balance at 30 June 2016	246	61	25	152	<b>484</b>
Balance at 1 July 2016	246	61	25	152	<b>484</b>
Depreciation	25	16	5	47	<b>93</b>
Eliminate on disposal	(12)	(4)	-	-	<b>(16)</b>
Balance at 30 June 2017	259	73	30	199	<b>561</b>
<i>Carrying value</i>					
At 30 June & 1 July 2015	62	63	8	193	<b>326</b>
At 30 June & 1 July 2016	33	52	9	146	<b>240</b>
<b>At 30 June 2017</b>	<b>13</b>	<b>36</b>	<b>14</b>	<b>99</b>	<b>162</b>



## 10. INTANGIBLE ASSETS

### Accounting policy

#### 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%
---------------------------------------	---------	-----

### Breakdown of intangible assets and further information

#### Acquired computer software

##### Cost

	Actual 2017 \$000	Actual 2016 \$000
Balance at 1 July	87	87
Additions	194	-
<b>Balance at 30 June</b>	<b>281</b>	<b>87</b>

#### Accumulated amortisation and impairment losses

Balance at 1 July	75	57
Amortisation	21	18
<b>Balance at 30 June</b>	<b>96</b>	<b>75</b>

##### Carrying value

At 1 July	12	30
<b>At 30 June</b>	<b>185</b>	<b>12</b>

## 11. CREDITORS AND OTHER PAYABLES

### Accounting policy

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

#### *Breakdown of creditors and other payables and further information*

	Actual 2017 \$000	Actual 2016 \$000
PAYE payable	26	-
Accrued expenses	168	291
<b>Total creditors and other payables</b>	<b>194</b>	<b>291</b>

*Creditors and other payables are non-interest bearing and are normally settled on less than 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.*

## 12. EMPLOYEE ENTITLEMENTS

### Accounting policy

#### Employee benefits

Employee entitlements that we expect 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 we are contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

#### *Breakdown of Employee entitlements and further information*

	Actual 2017 \$000	Actual 2016 \$000
Accrued salaries and wages	22	14
Annual leave	99	109
<b>Total employee entitlements</b>	<b>121</b>	<b>123</b>



### 13. FUNDING LIABILITIES

#### Accounting policy

##### Provision

We recognise a liability for funding expenditure when 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 obligation will crystallise.

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

#### Breakdown of funding liabilities and further information

The value of our funding liabilities is as follows (all current as all expected to be paid in the next 12 months):

	Actual 2017 \$000	Actual 2016 \$000
National television	26,233	30,400
Regional media	326	261
Digital-only media	1,784	1,343
Special interest radio	258	406
Music & other content	2,468	2,334
Development & support	167	183
<b>Total funding liabilities</b>	<b>31,236</b>	<b>34,927</b>

Movements for each class of funding liabilities are as follows:

	National Television \$000	Regional Television \$000	Digital media \$000	Special interest Radio \$000	Music & other content \$000	Development & support \$000	Total \$000
Balance at 1 July 2016	30,400	261	1,343	406	2,334	183	34,927
Additional provisions made	80,253	1,238	3,987	6,358	4,020	409	96,265
Amounts used	(83,319)	(1,135)	(3,541)	(6,429)	(3,812)	(425)	(98,661)
Unused amounts reversed	(1,101)	(38)	(5)	(77)	(74)	-	(1,295)
<b>Balance at 30 June 2017</b>	<b>26,233</b>	<b>326</b>	<b>1,784</b>	<b>258</b>	<b>2,468</b>	<b>167</b>	<b>31,236</b>

## 14. RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2017 \$000	Actual 2016 \$000
<i>Net surplus/(deficit) from operations</i>	1,106	(561)
<i>Add non-cash items:</i>		
Depreciation/amortisation	114	125
<b>Total non-cash items</b>	<b>114</b>	<b>125</b>
<i>Add/(less) movements in working capital items:</i>		
(Increase)/decrease in accounts receivable	(190)	122
(Decrease)/increase in GST payable	(1,498)	(285)
(Decrease)/increase in accounts payable (incl. employee entitlements)	(99)	(58)
(Decrease)/Increase in funding liabilities	(3,691)	(6,476)
<b>Net movement in working capital items</b>	<b>(5,478)</b>	<b>(6,697)</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(4,258)</b>	<b>(7,133)</b>

## 15. CONTINGENT LIABILITIES

At 30 June 2017 we have contingent liabilities totaling \$2.57m (2016: \$0.76m). These are the result of decisions made to fund certain projects. High level agreements have been entered into with providers, but individual projects have not yet been contracted as funding conditions are not yet fulfilled.



## 16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

### Related party transactions

NZ On Air is controlled by the Crown.

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect NZ On Air would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

### Key management personnel compensation

	Actual 2017 \$000	Actual 2016 \$000
Board Members Remuneration	135	133
Full-time equivalent members*	0.1 FTE	0.1 FTE
Leadership Team Remuneration	1,259	1,265
Full-time equivalent members	6.5 FTE	7 FTE
<b>Total key management personnel compensation</b>	<b>1,394</b>	<b>1,398</b>
<b>Total full time equivalent personnel</b>	<b>6.6 FTE</b>	<b>7.1 FTE</b>

\*NZ On Air Board meets 5 times per year, each meeting taking approximately 1 day. Individual pre meeting reading time is additional.

## 17. EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

## 18. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 29 categories are as follows:

	Actual 2017 \$000	Actual 2016 \$000
<i>Loans and receivables</i>		
Cash and cash equivalents	5,188	8,655
Debtors and other receivables	2,038	350
Investments – term deposits	27,000	28,000
<b>Total loans and receivables</b>	<b>34,226</b>	<b>37,005</b>
<i>Financial liabilities measured at amortised cost</i>		
Funding liabilities, creditors and other payables	31,551	35,341
<b>Total financial liabilities measured at amortised cost</b>	<b>31,551</b>	<b>35,341</b>

## 19. FINANCIAL INSTRUMENT RISKS

Our activities expose us to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. We have a series of policies to manage the risks associated with financial instruments that seek to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature.

- Market risk – refer to note 7
- Cash flow interest rate risk – refer to note 7
- Sensitivity analysis – refer to note 7

## 20. CAPITAL MANAGEMENT

Our capital is our equity, which comprises accumulated funds. Equity is represented by net assets.

We are subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

We manage our equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure we effectively achieve our objectives and purpose, whilst remaining a going concern.

We have no significant exposure to concentrations of credit risk as we have a small number of debtors and we only invest with registered banks with specified Standard and Poor's or Moody's credit ratings.

### Credit risk

Credit risk is the risk that a third party will default on its obligations to us, causing us to incur a loss. Due to the timing of our cash inflows and outflows we invest surplus cash with registered banks. Our treasury policy limits the amount of credit exposure to any one institution.

Our maximum credit exposure for each class of financial instrument is represented by the total carrying value of our cash and cash equivalents (note 6), investments (note 7) and accounts receivable (note 8). There is no collateral held against these financial instruments.

Our bank deposits and short term investments are spread across six institutions.

### Liquidity risk

Liquidity risk is the risk we will encounter difficulty raising funds to meet our commitments as they fall due. We expect to receive 2016/17 Crown funding in equal installments on the first working day of each quarter from July 2016 to June 2017. In addition, at 30 June 2017 we hold call and term deposits that will mature within the 2017/18 financial year totaling \$32.037m (2016: \$36.558m).

We have funding liabilities of \$31.236m at 30 June (2016: \$34.927m). We expect these to be paid by 30 June 2018. Most of these payments will be made on the achievement of milestones or activities whose timing is not specified rather than on contractual dates.





## 21. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

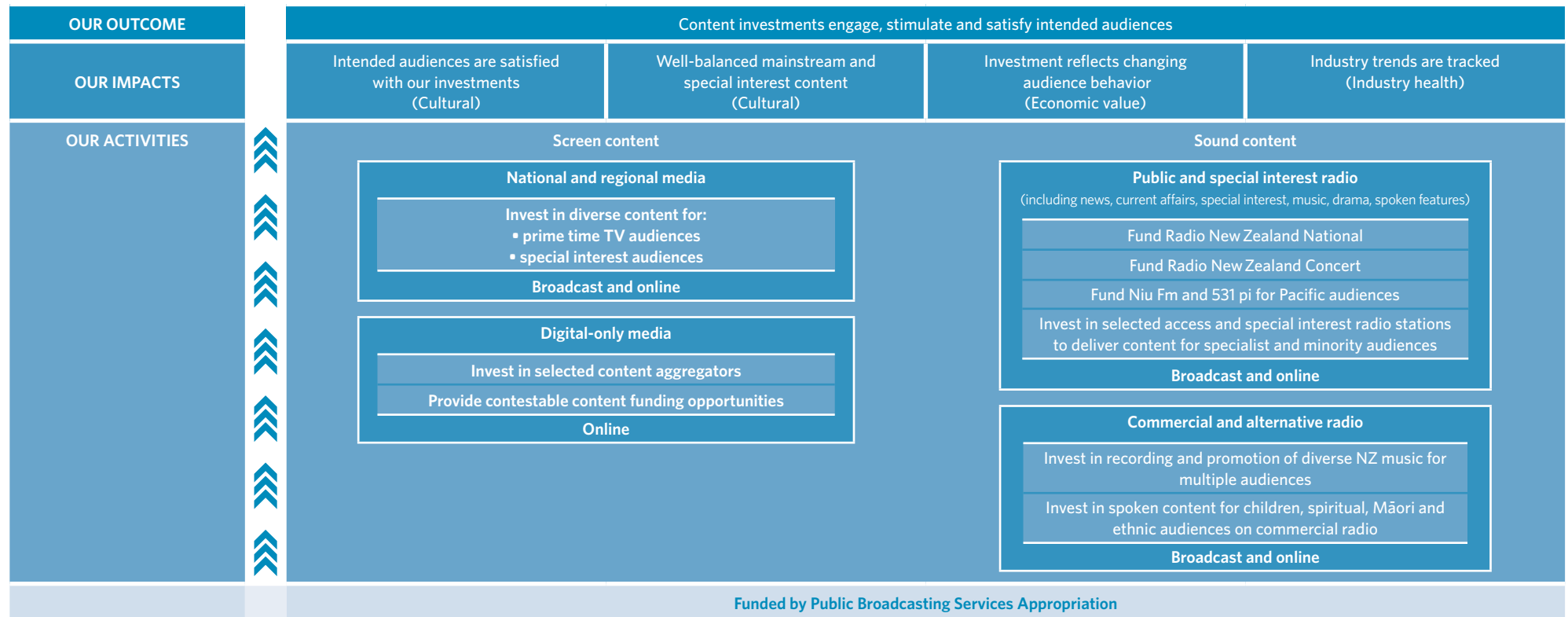
Explanations of variances against budgeted figures in our Statement of Performance Expectations are as follows:

<i>Statement of comprehensive revenue and expense</i>	<b>Actual 2017 \$000</b>	Budget 2017 \$000	Difference \$000	Explanation of significant variances
Net surplus/(deficit) for the year	1,106	(160)	1,266	<i>Variance relates to:</i> <ul style="list-style-type: none"> <li>• \$0.3m revenue from sales of television programmes and music above expectations</li> <li>• \$1.8m net effect of timing differences in when funding commitments are able to be accounted for, offset by \$1.3m unutilised funds written back</li> <li>• \$0.4m savings in administration costs due to careful management</li> </ul>
<i>Statement of financial position</i>	<b>Actual 2017 \$000</b>	Budget 2017 \$000	Difference \$000	Explanation of significant variances
Total assets	34,573	23,650	10,923	<i>Cash and Investments (\$9.188m):</i> Funding payment dates occurring slightly later than forecast. <i>Debtors and Receivables - other (\$1.84m):</i> GST refund due as a result of Crown funding now received quarterly, creating a large debtor balance at 30 June
Total liabilities	31,551	23,603	7,948	<i>Funding Liabilities (\$8.083m):</i> Funding payment dates occurring slightly later than forecast.
<i>Statement of cash flows</i>	<b>Actual 2017 \$000</b>	Budget 2017 \$000	Difference \$000	
Net GST	(1,498)	-	1,498	Reflects impact on GST from change in timing of Crown revenue receipts from monthly to quarterly.
Net receipts from investments	1,000	4,000	3,000	Level of investments is affected by timing of funding claims. Earlier claims for payment result in lower net investment receipts.

# Statement of Performance for the year ended 30 June 2017

The statements in this section provide the detailed results against targets, budgets and performance measures for the year ended 30 June 2017 as set out in our Statement of Performance Expectations for the year ending 30 June 2017. There is one output split into two activities: screen content (television and digital media) and sound content (radio and music).

Figure 1: Outcomes framework



Our work contributes to wider cultural sector outcomes and current government priorities.

<b>Government priorities</b>	Responsibly manage the Government's finances	Build a more productive and competitive economy	Rebuild Christchurch	Deliver better public services within tight financial constraints
<b>Cultural sector outcomes</b>	Cultural activity flourishes (Create)	Our culture can be enjoyed by future generations (Preserve)	Engagement in cultural activities is increasing (Engage)	Cultural activities achieve excellence (Excel)



Summary of revenue and expenditure

	2016/17 Actual \$'000	2016/17 Budget \$'000	2015/16 Actual \$'000
Crown revenue	129,426	128,726	128,726
Other revenue	2,514	2,230	2,542
<b>Total revenue</b>	<b>131,940</b>	<b>130,956</b>	<b>131,268</b>

Output expenses

		%				
<b>Funding expenditure</b>	Screen content	National television audiences	60	79,152	79,300	81,477
		Regional media audiences	1	1,200	1,380	634
		Digital-only media audiences	3	3,982	3,860	3,848
	Sound content	Public radio audiences	25	32,516	31,816	31,816
		Special interest radio audiences				5,886
		Commercial and alternative radio audiences	5	6,281	6,645	572
		NZ Music audiences	3	3,946	4,000	3,779
<b>Total content funding</b>		<b>97</b>	<b>127,077</b>	<b>127,001</b>	<b>128,012</b>	
Industry development			409	400	397	
Administration services		3	3,348	3,715	3,420	
<b>Total output expenses</b>		<b>100</b>	<b>130,834</b>	<b>131,116</b>	<b>131,829</b>	

## EFFECTIVENESS INDICATORS

### Three subjects of measurement

We measure our impacts in three areas.

**CULTURAL:** intended audiences reached, balanced output, diversity of voices, awards, critical acclaim, national and international awareness and appreciation for New Zealand content and talent, strong presence in traditional and digital media, accessibility of local content on diverse screens

**ECONOMIC VALUE:** investments have a clear market and business case, co-investment is mainly secured, national and international sales, contribution to GDP, value to NZ On Air and to other players in the economic chain

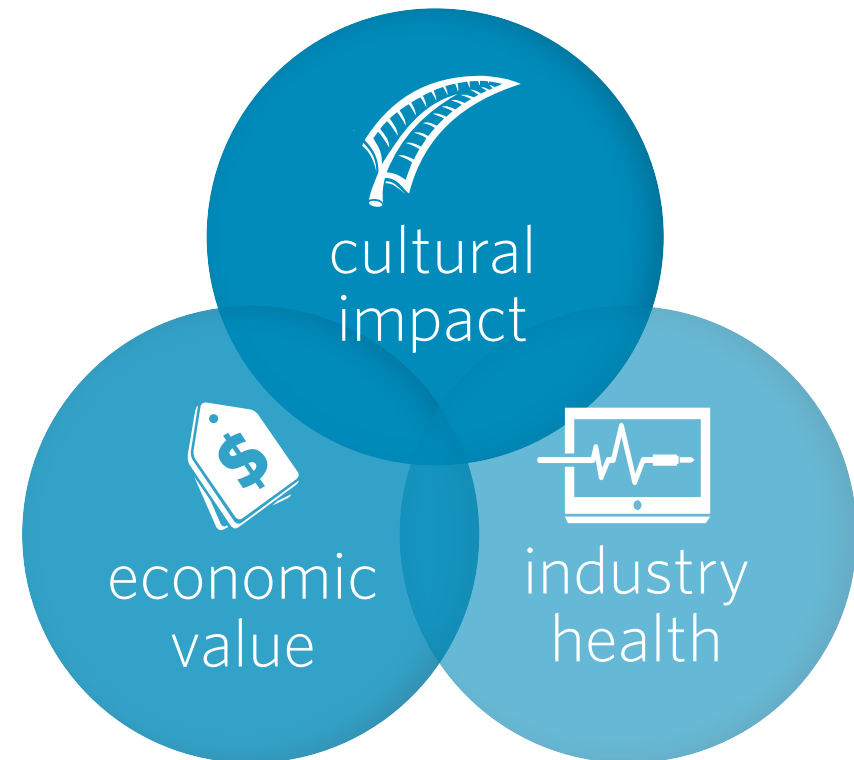
**INDUSTRY HEALTH:** no shortage of skilled content partners, number and nature of jobs in the sector measured, volume of production, being mindful of industry financial health, efficient NZ On Air processes

These subjects of measurement help us set our impacts.

### Our impacts are:

Intended audiences are satisfied with our investments	<b>CULTURAL</b>	
Well-balanced mainstream and special interest content	<b>CULTURAL</b>	
Investment reflects changing audience behaviour	<b>ECONOMIC VALUE</b>	
Industry trends are tracked	<b>INDUSTRY HEALTH</b>	

We use the measures and targets following to demonstrate how well we are achieving these impacts.



Impact measure	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	Impact
The majority of New Zealanders believe NZ On Air supports <i>local content</i> important to New Zealanders <sup>1</sup>					Cultural
Television content	78%	75%	75%	73%	
Radio content	70%	72%	70%	68%	
60% of all funded prime time content on TVNZ 1, TVNZ 2 and Three is watched by large New Zealand audiences (>200,000)	57%	60%	65%	70%	Cultural Economic value Industry health
10% of all funded prime time content on TVNZ 1, TVNZ 2 and Three is watched by large New Zealand audiences (100,000-200,000) <sup>2</sup>	34%	10%	New measure	New measure	Cultural Economic value Industry health
The majority of New Zealanders aware of our support for local television content like that content	71%	70%	69%	71%	Cultural
The majority of New Zealanders agree that <i>Radio New Zealand</i> broadcasts programmes of interest to a wide cross-section of New Zealanders <sup>3</sup>	86% <sup>4</sup>	88%	84%	85%	Cultural
The majority of Pacific people agree that <i>Niu FM</i> and <i>531pi</i> broadcast culturally relevant content	Biennial measure - next due in 2017/18	Biennial measure - next due in 2017/18	Niu FM 84% 531pi 91%	-	Cultural
Completed productions are accepted for broadcast or uploading	99%	99%	99%	99%	Industry health
More than half of television contestable fund expenditure is for prime time content	68%	At least 50%	63%	64%	Economic value Industry health
Allocated funding for special interest audiences exceeds 30% of total national television funding	33%	At least 30%	37%	-	Cultural
Funded music is balanced between mainstream/ alternative audience appeal	58/42	60/40	58/42	56/44	Cultural
Enough qualified content partners <sup>5</sup> means demand for funding continues to exceed supply. % of successful applications for:					Industry health
Television <sup>6</sup>	70%	65%	65%	73%	
Music	20%	20%	17%	19%	
Digital	21%	10%	10%	9%	

1 The full report is available at [nzonair.govt.nz/document-library/public-awareness-and-attitudes-survey-2017/](http://nzonair.govt.nz/document-library/public-awareness-and-attitudes-survey-2017/)

2 As television audiences continue to fragment this results in a greater % of funded prime time content on the three major channels attracting audiences in the 100,000-200,000 band

3 Comprehensive and detailed qualitative measures are agreed by us and reported by Radio New Zealand in its own Annual Report

4 The survey methodology changed in 2016/17 to include website and app users. The revised question covered whether New Zealanders agree that RNZ provides programmes and content of interest to a wide cross-section of New Zealanders.

5 Qualified content partners are applicants appropriately qualified or experienced in making content for the type of funding applied for.

6 The percentage of successful television applications is highest due to the 'gatekeeper' role undertaken by broadcasters. NZ On Air will only consider television proposals that have secured a provisional broadcaster presale (to ensure funded content is actually broadcast). A much larger number of programme proposals do not pass this first step.

Impact measure	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	Impact
First run free-to-air <i>television</i> hours not funded by NZ On Air as a % of all local content <sup>7</sup>	86%	At least 75%	84%	77%	<i>Economic value Industry health</i>
NZ music content on commercial radio is at least 20% <sup>8</sup>	14.24%	20%	14.6%	17.16%	<i>Cultural Economic value Industry health</i>
NZ music on alternative radio is at least 40%	45.79%	40%	47.23%	42.42%	<i>Cultural Economic value Industry health</i>
All funded content is available online for at least one month	99% <sup>9</sup>	100%	New measure		<i>Cultural Industry health</i>

7 Measured by previous calendar year: ie 16/17 year results are from *Local Content Report 2016*. Excludes publicly-funded Māori Television

8 Target % of NZ music on radio stations bound by the Radio Broadcasters Association agreement with the Government. Refer Environment section in Part 1.

9 One feature film *White Lies* was not available online as part of its broadcast TV distribution arrangements

## ACTIVITY 1: SCREEN CONTENT

### Activity objective

Invest in diverse, relevant content; maximise available funding through skilful investment and collaboration opportunities; explore and maximise digital opportunities.

### Detailed measures

The information below details the annual national television funding targets and expenditure and performance against those targets.

National television	Hours				\$'000			
	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual
<b>General contestable fund</b>								
Drama/Comedy	99	95	97	114	25,358	27,151	26,876	27,894
Documentary/Factual	91.2	72	74.2	69	10,298	7,470	7,451	8,448
Children & young people	306.2 <sup>10</sup>	361.5	370.5	379.6	12,427	12,604	14,366	15,063
Māori programmes	32	26.5	38.8	39	3,425	3,300	3,775	4,009
Arts/Culture/Identity	26.7	28.8	23.6	52.5	2,930	1,722	1,832	2,214
Minorities	112.8	109	143.3	126	7,084	6,923	7,970	6,677
Disability services	16	18	29	19	4,747	4,759	4,962	4,526
Development	-	-	-	-	425	260	440	315
<b>Total general fund</b>	<b>683.9</b>	<b>710.8</b>	<b>776.4</b>	<b>799.1</b>	<b>66,694</b>	<b>64,189</b>	<b>67,672</b>	<b>69,146</b>
<b>Platinum fund</b>								
Drama	6	124	6	6	8,143	15,111	8,136	6,419
Documentary	120.5		111.5	110.5	6,265		6,112	8,761
Current Affairs								
Special interest	3		3	-	975		1,140	0
<b>Total Platinum fund</b>	<b>129.5</b>	<b>124</b>	<b>120.5</b>	<b>116.5</b>	<b>15,383</b>	<b>15,111</b>	<b>15,388</b>	<b>15,180</b>
<b>Subtotal national television</b>	<b>813.4</b>	<b>834.8</b>	<b>896.9</b>	<b>915.6</b>	<b>82,077</b>	<b>79,300</b>	<b>83,060</b>	<b>84,326</b>
Net effect of write-backs and accounting adjustments for timing differences	-	-	-	-	(2,925)	-	(1,583)	(637)
<b>Total national television</b>	<b>813.4</b>	<b>834.8</b>	<b>896.9</b>	<b>915.6</b>	<b>79,152</b>	<b>79,300</b>	<b>81,477</b>	<b>83,689</b>

<sup>10</sup> \$1.5m committed to establishment of new children's platform rather than content creation, plus year-long magazine series changed format, which reduced their expected total hours

Regional television	Hours				\$'000			
	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual
Local news and information	270.2 <sup>11</sup>	308.2	465	703	1,238	1,380	739	1,143
Net effect of write-backs and accounting adjustments for timing differences	-	-	-	-	(38)	-	(105)	(5)
<b>Total regional media</b>	<b>270.2</b>	<b>308.2</b>	<b>465</b>	<b>703</b>	<b>1,200</b>	<b>1,380</b>	<b>634</b>	<b>1,138</b>
<b>Total national television and regional media</b>	<b>1,083.6</b>	<b>1,143</b>	<b>1,361.9</b>	<b>1,618.6</b>	<b>80,352</b>	<b>80,680</b>	<b>82,111</b>	<b>84,827</b>

Digital media	\$'000			
	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual
Contestable fund				865
Digital platforms	3,987	3,860	4,082	1,400
General				1,170
<b>Total</b>	<b>3,987</b>	<b>3,860</b>	<b>4,082</b>	<b>3,435</b>
Net effect of write-backs and accounting adjustments for timing differences	(5)	-	(234)	29
<b>Total Digital media</b>	<b>3,982</b>	<b>3,860</b>	<b>3,848</b>	<b>3,464</b>

11 NZ On Air changed its regional content funding in 2016/17. Funded regional media was contracted to be delivered from August/September 2016 to 30 September 2017. We have reported the amount of content produced up to the 31 July 2017. While the total output for regional media will increase with content produced in August and September the annual target was not reached as CTV changed its format and delivery of content in February 2017. This resulted in reduced hours and funding.



## ACTIVITY 2: SOUND CONTENT

### Activity objective

Invest in diverse, relevant content; maximise available funding through skilful investment and collaboration opportunities; explore and maximise digital opportunities

### Detailed measures

The information below details the annual sound content investment measures and targets and performance against those targets.

### Sound content investment measures and targets

#### 1. Public and special interest radio

Radio New Zealand: Quantitative measures		2016/17	2016/17	2015/16	2014/15
Ensure Radio New Zealand (RNZ) provides content types specified in the Broadcasting Act 1989:		Actual	Target	Actual	Actual
RNZ National	Māori Language and Culture (broadcast hours)	-	-	-	389
	Māori Language and Culture (stand-alone programme hours)	84	80	114	-
	Māori Language and Culture (number of items uploaded to website)	1,051	1,000	New measure	
	Māori Language and Culture (online page views - Google Analytics)	1,061,594	1 million	New measure	
	Special Interest (Hours)	780	900	939	484
	NZ Drama, Fiction and Comedy (Hours)	258	250	255	279
	% of NZ music on rotate	34.2%	33%	34%	34.7%
% of population able to receive transmission		94%	97%	94%	97%
RNZ Concert	% of NZ composition	6.3%	3.5%	4.2%	4.4%
	% of NZ music performance	19%	16%	17%	16.4%
	% of population able to receive transmission	89%	92%	89%	92%
<b>Total Radio New Zealand funding provided (\$'000)</b>		<b>32,516</b>	<b>31,816</b>	<b>31,816</b>	<b>31,816</b>

		Hours				\$'000			
		2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	2016/17 Actual	2016/17 Budget	2015/16 Actual	2014/15 Actual
<b>Special interest radio</b>									
Access and special interest radio		25,716	24,000	24,806	25,274				
Pacific Radio	Samoa Capital Radio	19,600	19,500 <sup>12</sup>	19,648 <sup>13</sup>	19,537	5,916	6,050	5,898	5,870
	Niu FM and 531pi Total broadcast hours								
	<i>Including hours of programming in at least 9 Pacific languages</i>								
<b>Total</b>		<b>45,316</b>	<b>43,500</b>	<b>42,206</b>	<b>44,811</b>	<b>5,916</b>	<b>6,050</b>	<b>5,898</b>	<b>5,870</b>
Net effect of write-backs and accounting adjustments for timing differences		-	-	-	-	(3)	-	(2)	(14)
<b>Total community radio</b>		<b>45,316</b>	<b>43,500</b>	<b>42,206</b>	<b>44,811</b>	<b>5,913</b>	<b>6,050</b>	<b>5,896</b>	<b>5,856</b>

## 2. Commercial and alternative radio

		Hours				\$'000			
		2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	2016/17 Actual	2016/17 Budget	2015/16 Actual	2014/15 Actual
<b>Spoken content</b>									
Children and young people		276	280	286.5	156	273	305	275	337
Spiritual		87	79	54	62	94	140	75	118
Ethnic/special interest		0 <sup>14</sup>	104	208	7 <sup>15</sup>	0	75	147	10
Māori issues (English language)		96	96	96	96	75	75	75	75
<b>Sub total</b>		<b>459</b>	<b>559</b>	<b>644.5</b>	<b>321</b>	<b>442</b>	<b>595</b>	<b>572</b>	<b>540</b>
Net effect of write-backs and accounting adjustments for timing differences		-	-	-	-	(74)	-	(10)	(20)
<b>Total spoken content</b>		<b>459</b>	<b>559</b>	<b>644.5</b>	<b>321</b>	<b>368</b>	<b>595</b>	<b>562</b>	<b>520</b>

12 Including programming in at least 9 Pacific languages.

13 Restated to show total broadcast hours. Reported as 17,400 in 2015/16, which reflects first-run hours and music only.

14 *The Nutters Club* received two rounds of funding in 2015/16 and therefore did not require funding this year, although the series continued to be produced. Funding for *The Nutters Club* has been confirmed in 2017/18.

There were no other ethnic/special interest applications received this year.

15 Plus 104 hours of *The Nutters Club* funded in previous year.



3. New Zealand music	Quantity <sup>16</sup>				\$'000			
	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	2016/17 Actual	2016/17 Budget	2015/16 Actual	2014/15 Actual
<b>Music funding</b>								
Commercial music funded	134	At least 120	133	133	2,063	2,000	1,995	2,054
Alternative music funded	97	At least 80	95	106				
Music promotion	62	60	66	64	1,947	2,000	1,998	2,773
<b>Sub total music</b>	<b>293</b>	<b>-</b>	<b>294</b>	<b>303</b>	<b>4,010</b>	<b>4,000</b>	<b>3,993</b>	<b>4,827</b>
Net effect of write-backs and accounting adjustments for timing differences	-	-	-	-	(64)	-	(214)	(196)
<b>Total music</b>	<b>293</b>	<b>-</b>	<b>294</b>	<b>303</b>	<b>3,946</b>	<b>4,000</b>	<b>3,779</b>	<b>4,631</b>

### Operational measures

We make investment decisions using nine consistent principles to ensure good decision making in a volatile creative environment.<sup>17</sup> To minimise overheads, good service delivery and processes are also crucial, allowing us to maximise investment in content.

Measures	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	Investment principle
<b>Goal 1 - We make the right decisions using good processes</b>					
Investment processes are objective, based on current policy, and include a robust assessment of the application	100%	100%	100%	100%	Cultural value Content balance Risk Competition Value for money No duplication Leverage Partner capability
No investment decision or process has a significant adverse judicial review or Ombudsman finding	0	0	0	0	Fairness
<b>Goal 2 - Our funding management processes serve industry clients efficiently and well</b>					

<sup>16</sup> Music funded' is a video, or a recorded song plus a video. We cannot separately forecast which type of application will be received.

<sup>17</sup> See the Statement of Intent p9. [nzonair.govt.nz/corporate-document-library/statement-of-intent-2017-2021/](http://nzonair.govt.nz/corporate-document-library/statement-of-intent-2017-2021/)

Measures	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual	Investment principle
% of complete applications received by deadline determined at the next funding round	100%	100%	100%	100%	Fairness Value for money
% of funding decisions notified to applicants within 5 working days of decision	100%	100%	100%	100%	
% of funding contracts correctly issued within 15 working days once conditions precedent are met	100%	100%	100%	100%	
% of funding payments correctly made within 10 working days of receiving a valid invoice once contract conditions are met	100%	100%	100%	100%	
<b>Goal 3 - We minimise overheads to maximise investment funds</b>					
Administration costs are a low % of total revenue	2.5%	<3%	2.6%	2.6%	Value for money



### 3.3 ORGANISATIONAL HEALTH AND CAPABILITY INDICATORS

We are a small entity of 18 staff. We rely on our staff being skilled, multi-functional and adaptable. We value fairness, equity and diversity and have formal good employer and personnel policies and a commitment to equal employment opportunities. We measure ourselves against the key elements of the Human Rights Commission’s Good Employer framework.

Our staff profile is set out in the table below. For the 2016/17 information, all staff were surveyed, 100% responded.

Gender	2016/17	%	2015/16
Female	13	72%	13
Male	5	28%	5
<b>Ethnicity - our staff identify as:*</b>			
Māori	2	11%	2
Pacific Island	1	6%	0
Asian	3	17%	2
Pakeha/European	12	67%	14
Other	1	6%	0
Age profile	44% under 40; 50% over 40; 6% prefer not to say.		
Disability profile	1 staff member reports a disability.		
Pay gap information	Remuneration is based on ability and role size without any bias, including as to gender or ethnicity. Using average <sup>18</sup> pay information, the gender pay gap between male and female pay is negligible at -0.22%. Ethnic pay gaps are not publicly reported as small numbers lead to privacy issues. This year’s external strategic pay review showed no anomalies between pay across different ethnicities (regardless of gender).		

\* Totals more than 18/100% as some staff identify with more than one ethnicity

18 Using either aggregated or median data results in a misleading calculation due to our size and profile. The average calculation provides the most accurate reflection of pay parity in NZ On Air.

## Health and capability performance measures

Goal	Measure	2016/17 Actual	2016/17 Target	2015/16 Actual	2014/15 Actual
Focus recruitment, training and remuneration policies on attracting and retaining skilled, flexible, efficient and knowledgeable team players	Full time staff turnover is low	2	<3	3 <sup>19</sup>	Achieved
	Individual staff training needs are assessed annually	100%	100%	100%	100%
	External salary comparisons conducted regularly to ensure staff are paid fairly	66.7% of positions assessed. Some remuneration adjustments have been made as a result	Some positions assessed	Not commenced <sup>20</sup>	Next review scheduled for 15-16
Ensure staff are committed to the agency and its work	Staff engagement surveys conducted at least bi-ennially; we aim to be in the top quartile of the cultural sector	Achieved <sup>21</sup>	Achieve	Survey conducted May 2015	Achieved
Ensure our office environment and equipment are safe and well maintained	Reported safety hazards attended to promptly, significant hazards attended to immediately	Achieved	Achieve	Achieved	Achieved
	Zero tolerance of harassment, bullying and discrimination. Immediate investigation if instances are reported	Achieved. No instances	Achieve	Achieved. No instances.	Achieved
	Each new employee has an ergonomically suitable workspace within one month of beginning work	100%	100%	100%	100%
Incorporate equal employment opportunity principles in staff selection and management, to achieve as diverse a workforce as possible within the limits of our small size	EEO Principles included in all relevant documents and practices	100%	100%	100%	100%
	A workforce diversity summary is included in the Annual Report	Achieved	To Achieve	Achieved	Achieved

<sup>19</sup> Two long-serving staff members retired during the year.

<sup>20</sup> This was being considered as part of a full organisational review which was in progress.

<sup>21</sup> Survey conducted by IBM across five cultural sector organisations.



### Leadership, accountability and culture

During the year we restructured our operations to support the NZ Media Fund. We operate an open door policy, and consulted staff throughout the change process. Staff have been able to discuss concerns and solutions at regular staff meetings throughout the year. All staff have been encouraged to identify improvements to systems and processes and take a lead in their areas of expertise as we develop new approaches for the NZMF. We encourage a positive and inclusive culture, based on shared values and providing open opportunities for everyone to contribute.

### Recruitment, selection and induction

We run impartial and transparent recruitment processes. Vacancies are advertised and individuals are employed on merit, according to skills, knowledge and relevant experience. New staff go through induction so they are familiar with their role, responsibilities and with the office support systems and expectations. Where possible we have diverse interview panels and hold two interviews. We are committed to a diverse workforce that broadly reflects our audiences.

### Employee development, promotion and exit

We have a formal process for assessing performance, involving self-assessments, face to face meetings and feedback, and development plans. Although our size limits promotion options, it also means all staff need to be multi-functional and adaptable, providing opportunities to develop. We actively encourage staff to widen their skills. Five staff members are currently involved in the Treasury-led finance professionals forum and development programme, which is an opportunity to both widen skills and network across the sector. Other areas of training focus on the public media industry and related forums or specific competency needs, as required.

### Flexibility and work design

NZ On Air provides a flexible work environment where we can to support employees to balance their work and life. All requests for changes in working hours are considered, taking into account the job size and impact on other positions. Currently two staff members are working part-time. Flexible start and end times are available to all staff. Staff have been actively involved in planning

the office layout, which is largely open-plan with quiet spaces available. All staff have a professional assessment of their workspace when they start, after three years, or when there are substantial changes to their workspace. Recommendations from these assessments are implemented as soon as practicable.

### Remuneration, recognition and conditions

Remuneration is equitable and gender-neutral. This is regularly tested through external job-sizing exercises, the last one being completed in April 2017. We remedy any anomalies found through our annual performance management and remuneration review process. Recognition of performance is both formal and informal, taking into account overall business performance, affordability, and equity.

### Harassment and bullying prevention

We have zero tolerance of bullying, reflected in our policies. We recognise the right of employees to enjoy a workplace free from harassment, bullying and unlawful discrimination. We promote a positive and inclusive working environment.

### Safe and healthy environment

NZ On Air takes its responsibility to provide a healthy and safe workplace seriously. We have annual training on health and safety roles and responsibilities. All staff are offered first aid training, with 78% holding current certificates. An annual Shake-Out event was held in October 2016 to test emergency procedures. Both this and the November 2016 earthquakes were followed up with all-of-staff debriefs, and some minor amendments to procedures. Following the November 2016 earthquakes, the Wellington office was closed until an engineer's assessment confirmed the building (rated over 90% compliant with earthquake requirements) as safe. A further engineering assessment again confirmed the building to be safe. Both the Auckland and Wellington offices are equipped with earthquake supplies and equipment as well as comprehensive first aid supplies and an AED. All staff have 'grab and go' earthquake and disaster-preparedness kits. Support is available to staff and their immediate families through the Employee Assistance Programme; regular reminders are given about the availability of this service. Staff are also offered free annual flu vaccinations.

