STATEMENT OF PERFORMANCE EXPECTATIONS

For the Year Ending 30 June 2017
The Statement of Performance Expectations reflects our proposed activities, performance targets and forecast financial information for the year ending 30 June 2017. It is produced in accordance with the Crown Entities Act 2004, s149E.

The forecast financial statements and underlying assumptions in this document have been authorised as appropriate for issue by the RNZ Board of Governors in accordance with its role under the Crown Entities Act 2004. It is not intended to update the forecast financial statements subsequent to presentation.

RICHARD GRIMSHAW
Chairman

JANE TAYLOR
Audit Committee Chairman

30 June 2016

Copyright Statement:
The Statement of Performance Expectations is covered by a "BY ND" Creative Commons Licence. Material or other information contained in this document may not be adapted in any way and any re-use of information must be attributed to RNZ.
CONTENTS

RNZ WHO WE ARE ........................................................................................................ 4
OUR CHARTER AND OPERATING PRINCIPLES ............................................................ 4
OUR STRATEGIC PRIORITIES ..................................................................................... 6
CHALLENGES AND OPPORTUNITIES ......................................................................... 7
2016-2017 OUTPUTS AND PERFORMANCE ................................................................ 8
SPECIAL PROJECT – RNZ MĀORI STRATEGY ............................................................... 16
PROSPECTIVE STATEMENT OF ACCOUNTING POLICIES ........................................ 20
RNZ WHO WE ARE

RNZ is a Crown entity established under the Radio New Zealand Act 1995, which operates consistent with its Charter and operating principles (Section 8 of the Radio New Zealand Act).

RNZ is mostly government funded with a small proportion of its income generated from third party revenue. RNZ is funded through NZ on Air and the Ministry for Culture and Heritage to deliver Public Broadcasting Services (M8) in accordance with the Estimates and Appropriations for the Government of New Zealand. Consistent with the appropriations RNZ provides high quality, diverse, comprehensive and independent radio and online content to New Zealand and Pacific audiences.

OUR CHARTER AND OPERATING PRINCIPLES

The key element of the Radio New Zealand Act is the Charter, Section 8 which sets out RNZ’s purpose, function and operating principles as follows:

PURPOSE

(1) As an independent public service broadcaster, the public radio company’s purpose is to serve the public interest.

(2) Freedom of thought and expression are foundations of democratic society and the public radio company as a public service broadcaster plays an essential role in exercising these freedoms.

(3) The public radio company fosters a sense of national identity by contributing to tolerance and understanding, reflecting and promoting ethnic, cultural, and artistic diversity and expression.

(4) The public radio company provides reliable, independent, and freely accessible news and information.

DELIVERY

(5) In achieving its purpose, the public radio company must endeavour to provide services of the highest quality, which—

(a) are predominantly and distinctively of New Zealand:

(b) inform, entertain, and enlighten the people of New Zealand:

(c) are challenging, innovative, and engaging:

(d) foster critical thought, and informed and wide-ranging debate:

(e) stimulate, support, and reflect the diversity of cultural expression, including drama, comedy, literature, and the performing arts:

(f) stimulate, support, and reflect a wide range of music, including New Zealand composition and performance:

(g) reflect New Zealand’s cultural identity, including Māori language and culture:

(h) provide awareness of the world and of New Zealand’s place in it:

(i) provide comprehensive, independent, accurate, impartial, and balanced regional, national, and international news and current affairs:

1 The Radio New Zealand Amendment Act 2016 received Royal Assent on 1 April 2016.
(j) provide programmes which balance special interest with those of wide appeal, recognising the interests of all age groups:

(k) contribute towards intellectual and spiritual development:

(l) include an international service to the South Pacific in both English and Pacific languages:

(m) take account of services provided by other broadcasters:

(n) take advantage of the most effective means of delivery:

(o) preserve and archive broadcasting material of historical interest.

8A PRINCIPLES OF OPERATION

(1) The public radio company must, in fulfilling its Charter, exhibit a sense of social responsibility by—

(a) having regard to the interests of the community in which it operates; and

(b) endeavouring to accommodate or encourage those interests when able to do so.

(2) The public radio company must, in fulfilling its Charter, ensure that it is not influenced by the commercial interests of other parties.

(3) The public radio company must, in fulfilling its Charter, ensure that it operates in a financially responsible manner and, for this purpose, that it—

(a) prudently manages its assets and liabilities; and

(b) endeavours to ensure—

(i) its long-term financial viability; and

(ii) that it acts as a successful going concern.
OUR STRATEGIC PRIORITIES

The strategic priorities set out in our Statement of Intent for the five years to 2020 are:

OPTIMISE OUR CHARTER PERFORMANCE:

Rather than being commercially motivated, our priority is to optimise the achievement of our public service broadcaster responsibilities, as defined by the charter.

TRANSFORMATION:

We will transform RNZ from a traditional radio broadcaster to a modern audience-led multimedia organisation, creating important and unique content and making it available through a variety of delivery platforms, wherever and whenever the audience wants it.

FINANCIAL SUSTAINABILITY:

Despite being in an environment of static income, balancing the budget is still an essential requirement of our planning. This is challenging as we need to maintain existing traditional radio services but also update our technology and develop new initiatives to succeed in the new multimedia world. While we will always be open to opportunities to attract non-Government funding, we believe it is important that we retain a public service (and therefore non-commercial) ethos throughout our core services.
CHALLENGES AND OPPORTUNITIES

A number of significant environmental factors and trends have influenced RNZ’s strategic planning:

1) **IN THE MEDIA LANDSCAPE:**

- our audiences have more choice and their habits and preferences are changing.
- online media consumption is growing exponentially as social media and mobile stimulate demand for content and engagement.
- convergence between print, TV, radio and other media continues.
- there are low barriers to entry, resulting in more service providers and increased competition for audience.
- we require new technology to produce, broadcast and access content.
- commercial media outlets face ongoing commercial pressures with some risks around their ability to continue to invest in New Zealand stories at current levels.

2) **NEW ZEALAND’S POPULATION, AND THEREFORE RNZ’S CONSTITUENT AUDIENCE, IS CHANGING**

- geographically Auckland and Christchurch are New Zealand’s high growth areas.
- New Zealand’s ethnic mix is changing and the proportion of the population with Maori, Pacific or Asian heritage is increasing

3) **RNZ’S FINANCIAL POSITION**

- RNZ’s direct Government funding makes up approximately 92% of total funding and this core funding has remained at the same level for the last 8 years.
- reductions in the cost structure are necessary to avoid on-going deficits in future years.
- there is a need to re-allocate existing budgets to make available new operational expenditure available for new online initiatives and updated technology.

RNZ has developed its strategic objectives and planning in response to both the challenges and the opportunities presented by these trends.
2016-2017 OUTPUTS AND PERFORMANCE

RNZ has one reportable class of output which is the delivery of Public Broadcasting Services (M8\(^2\)), which is funded through two votes in the appropriations, one via NZ On Air for RNZ ($31.8 million) and one via the Ministry for Culture and Heritage for the RNZ International service ($1.9 million). RNZ receives other Government funding of $1.7 million relating to third party contracts. The purpose of the broadcasting output is as defined in the Charter.

There are five key elements of success which RNZ sees as integral to achieving its statutory objectives, responding to the environmental challenges, and delivering on its strategic intent.

These are:

1) **PRODUCING AND BROADCASTING A DIVERSE AND UNIQUE RANGE OF SERVICES;**
   RNZ is required to optimise charter performance with regard to the type and range of services and content we provide to New Zealanders and the Pacific Region.

2) **MAKING OUR SERVICES AVAILABLE AND ACCESSIBLE WHERE AND WHEN NEW ZEALANDERS WANT;**
   The charter requires RNZ to use the most effective means of delivery but also to respond to changes in the media landscape and meet the needs of our audience.

3) **PROVIDING A PUBLIC BROADCASTING SERVICE THAT IS IMPORTANT TO, AND VALUED BY, NEW ZEALANDERS;**
   This is an essential requirement of a successful public broadcaster.

4) **ATTRACTING AND RETAINING AUDIENCES;**
   If our content and services do not appeal to audiences, RNZ will not be able to achieve either its statutory obligations or its strategic objectives. To achieve a transformation from a traditional radio broadcaster RNZ must recognise the changing demographics, ethnic mix, geographic spread and media consumption habits of its audiences.

5) **BEING FINANCIALLY Viable;**
   RNZ must be able to operate within its available funding. This will require prudent control of its cost structure and effective management of its assets. Crown funding has remained static for eight years and changes to cost structures will be an ongoing requirement not just to balance the budget but also to re-allocate funds into new technologies and online initiatives.

These five areas of focus form the basis of RNZ’s performance assessment framework, with outputs and targets as follows:

---

\(^2\) M8 refers to the indicator for The Estimates and Appropriations for the Government of New Zealand (Maoris, Other Populations and Cultural Sector Vote). Crown Entities Act, S136 (1) defines output classes “that is directly funded (in whole or in part) by the Crown in accordance with the appropriations....”
To respond to the increasing competition for audience attention and to optimise its Charter performance, RNZ must deliver its own range of unique and exclusive content. To achieve this, RNZ offers six main services each with their own unique content range. The individual services that currently make up RNZ’s portfolio are:

### A. RNZ NATIONAL

RNZ National is a nationwide network providing news, current affairs, feature documentaries and entertainment programmes, including music programmes featuring both New Zealand and international artists. Many of the quality programmes featured on RNZ National are not available on commercial radio because they are not considered commercially viable. Key programming:

- Morning Report – authoritative and comprehensive coverage of local and world events.
- Summer Report – authoritative and comprehensive coverage of local and world events during the New Zealand summer holiday period.
- Midday Report – delivering comprehensive news bulletins, business news, rural news, sports news, long-range weather forecasts and Worldwatch.
- Afternoons – an audience participation show to stimulate, enlighten and entertain the listener.
- Nine to Noon – provides in-depth debate on topical national and international news, with feature interview profiles to stimulate new ideas.
- Comprehensive hourly news bulletins
- Te Manu Korihi – agenda-setting Māori news and current affairs
- Checkpoint – hard-hitting daily news-focused multimedia programme, broadcast on radio and TV and livestreamed
- Nights – dedicated to encouraging fresh ideas and music along with the best radio documentaries and features from here and overseas.
- This Way Up – a programme exploring consumer-related stories and issues.
- Standing Room Only – celebrating the diversity of creativity, both here and overseas, with views, reviews, previews, interviews, a regular comedy slot and the play of the week.
- Saturday Morning – a magazine programme with interviews, food, books and music.
- Sunday Morning – thought-provoking range of interviews, documentaries and music, including Mediawatch and Insight.
- Te Ahi Kaa – a weekly programme focusing on Māori lives, voices and perspectives
- Tagata o te Moana -Pacific Island news, issues and current affairs.

### B. RNZ CONCERT

RNZ Concert brings fine music in stereo to all New Zealanders, through a network of FM transmitters and digital satellite. Musical, dramatic and performing arts comprise the core of RNZ Concert’s broadcasts, with a repertoire featuring mainly classical music but also including jazz and special interest music.

- Classic Morning – emphasis on gentle mood and beautiful melody and a selection from Composer of the Week.
- Weekday Classics – The Works, recently released recordings and home-grown music and performers during Made in New Zealand.
- Classic Afternoons - music from the renaissance to the romantic and beyond.
- Day’s End – selection classical music to unwind at the end of the day.
- Global Sounds – leading world music artists including studio recordings, live concerts and exclusive recordings from events like WOMAD.
- Grace Notes – reflective, calming classical selection.
- Hymns on Sunday – traditional and modern hymns.
- Music Alive – Live concerts featuring local and international artists.
- Music through the Night - Music to keep you company from midnight to 6.00am.
- New Horizons – a selection of rock, pop, country and folk music.
- Opera on Sunday – Selection includes the annual season from the Metropolitan Opera House, New York as well as new recordings from the world of opera.
- Sanctuary - uplifting music for the spirit and soul.
- Sound Lounge - A collection of hardcore avant garde, atmospheric soundscapes, up to the minute contemporary, early 20th Century and a touch of art pop.
- The Critic’s Choice - The top choices from leading overseas music magazines
- The Sunday Feature - Something different from the wide world of music features.
- Upbeat - From the concert hall to the cinema, we talk to musicians, composers, choreographers, dancers, actors, directors and artists.
- Vintage Years - Performances by great artists from the mono era, including the latest remastered recordings.
- Your Choice – audience request programme from RNZ Concert’s vast CD collection or our own recordings.
- Specialist series – A history of jazz, concerts from the Frick, Sunday Concert, Scottish Variations.

### C. RNZ INTERNATIONAL

RNZ provides an international radio service to the Pacific through Radio New Zealand International. This service broadcasts innovative, comprehensive and independent news and programming of interest to the Pacific region. We aim to encourage an awareness and understanding of New Zealand policies on regional issues of concern, foreign relations, development assistance, immigration, human rights, economic developments, the environment and trade opportunities. RNZ International provides a reliable account of Pacific and New Zealand affairs for relay and use by broadcasters and listeners within the Pacific and beyond, providing a reliable source of information in the event of natural disasters or breakdowns in local communication services; and

- Dateline Pacific - A daily current affairs programme covering the major Pacific stories of the week, with background and reaction from the people making the news.
- News about New Zealand - A review of the week’s events in New Zealand.
- News in Pacific Languages - News bulletins, read in Pacific languages (Niuan, Samoan, Tongan and French).
- Pacific Correspondent - A weekly programme in which RNZ regional correspondents discuss political and social issues in their Pacific countries.
- Tagata o te Moana - A weekly Pacific magazine programme features New Zealand and regional Pacific news, issues, information and music. This programme is also simulcast domestically on RNZ National.
- The World in Sport - Highlights of the world’s sporting week, with emphasis on New Zealand and Pacific interviews, reviews and reaction, plus previews of upcoming games.
- Tradewinds - Reviews the week’s top business stories from the Pacific region.
### D. RNZ PARLIAMENTARY RADIO AND PROCEEDINGS

Follow Parliament live, when the House is sitting, through the AM Network or audio live stream online.

### E. RNZ.CO.NZ

The website RNZ.CO.NZ provides a comprehensive portal to its content, allowing users access to live streaming services for RNZ National, RNZ Concert and RNZ International. In addition users have access to comprehensive up to the minute news and analysis as well as access to more than 230,000 on-demand audio items (over 37,000 hours) from RNZ’s vast online collection of back catalogue programming and web only collections. Users search the following:

- Podcasts: choose the day and listen to Question Time.
- Podcasts: listen to programmes about Parliament presented by long-standing parliamentary reporters.
- Access On-Demand radio content from the RNZ 'In Parliament' web page.

### F. THE WIRELESS

The Wireless is a youth targeted website which is upfront, in-depth and in tune, aiming to produce inspiring, insightful and entertaining stories for New Zealanders who have grown up in the digital age. The site is updated with new content every weekday. The site provides multi format content (text, audio and video) and encourages user interaction through sharing of content across other social media outlets and through commentary on articles posted. The broad categories covered are:

- News
- Society
- Culture
- Life

### Additional RNZ coverage of Parliament can be found at rnz.co.nz, through:

- Podcasts: choose the day and listen to Question Time.
- Podcasts: listen to programmes about Parliament presented by long-standing parliamentary reporters.
- Access On-Demand radio content from the RNZ ‘In Parliament’ web page.

The measures by which RNZ will assess its success in achieving this objective will be based on the amount of content made available from each of the services. These measures are detailed in the schedule of performance targets for 2016-17.

Although each of these services has an existing format and an established audience, changes in technology, audience behaviour and New Zealand demographics mean RNZ must continually refresh, adapt and evolve its content to ensure it still meets the needs of the audience and the intent of the Charter.
Objective 2  MAKING OUR SERVICES AVAILABLE AND ACCESSIBLE WHERE AND WHEN NEW ZEALANDERS WANT

With the impact of new technologies and changing audience habits, the number and variety of platforms that audiences can use to access RNZ programming is growing rapidly and this expansion is expected to continue for many years to come.

Not only must RNZ produce compelling content, it must also make that content available to audiences in ways that suit their needs and preferences.

It is expected that the diversity of access points will be added to over the course of the next five years, especially with new online services and partnerships with other content providers designed to increase our audience reach.

With so many new delivery mechanisms available, and with fixed funding, it is no longer possible for RNZ to be on every available platform, nor can it continue to rely on just one or two platforms. The challenge for RNZ is to determine which combination of delivery platforms provides the optimal outcome across a range of key criteria including audience availability and preferences, population coverage, infrastructure requirements, capital and operating costs, consumer device penetration, and costs.

The migration of audiences to new technologies will, over time, result in a decline in audiences using older traditional equipment. As we introduce new options for audiences to access our programming, existing delivery platforms will also be reviewed to ensure these are still viable.

The range of delivery methods that RNZ uses to make its content accessible will form the basis for measuring our success in achieving this objective and these are detailed in the schedule of performance targets for 2016-17.

Objective 3  PROVIDING A PUBLIC BROADCASTING SERVICE THAT IS IMPORTANT TO, AND VALUED BY, NEW ZEALANDERS

a) Providing a Service that New Zealand Values

As a Crown owned and funded organisation, how the New Zealand taxpayer views and values the services we provide is a critical measure of success. It is also very important in determining how we shape the content we deliver and the means of its delivery. Previously, RNZ has assessed its value to New Zealand, including its listeners, by surveying specific aspects of our general value as public service broadcaster and the diversity and satisfaction derived from our radio programming. While this research approach provided important data in respect of RNZ radio audience opinions, it did not cover the growing online user experience. In 2016-2017 RNZ will be reviewing its research methods to capture the views and opinions of both radio audiences and online users. Those results will form a baseline from which to measure future performance improvements.

RNZ will undertake research during the year to assess its success in achieving this objective and this is detailed in the schedule of performance targets for 2016-17.

b) Supporting in Times of Need

RNZ is a designated Civil Defence Lifeline Utility in accordance with the Civil Defence Emergency Management Act 2002 and is required to carry out its responsibilities in line with a formal Memorandum of Understanding with the Ministry of Civil Defence and Emergency Management.

This places extra social and legislative responsibilities on RNZ in the event of a declared Civil Defence emergency to ensure the infrastructure is in place to broadcast Civil Defence announcements and keep New Zealanders informed.

In addition RNZ International provides a reliable source of information to the Pacific region in the event of natural disasters or a breakdown of local communication services.
Objective 4  ATTRACTING AND RETAINING AUDIENCES

To remain relevant and meet its statutory and strategic objectives, RNZ must appeal to a diverse range of audiences.

This is especially important in the current environment in which audiences have so much more choice not just around the type of content, but also where, when, and how they consume that content.

To respond to this, RNZ must continue to provide a range of diverse services that meets the needs of both traditional radio listeners and new audiences.

Users can access programming live or on-demand across a range of platforms which include live radio, free-to-air TV channels for both video and audio, the RNZ website, and social media channels.

RNZ is a part of a new radio industry ratings survey which will assess live listening in the New Zealand market. This is a collaborative survey involving commercial radio stations and RNZ. It is run by the respected research company GfK which manages Australian radio industry research.

RNZ also has access to a range of data tools that report on the online activity of its audiences.

The audience measures that RNZ will use to assess its success in achieving this objective are detailed in the schedule of performance targets for 2016-17.

Objective 5  BEING FINANCIALLY VIABLE

RNZ relies primarily on direct Crown funding of $35M to fund its activities, and under its Charter is expected to remain commercial-free in delivering its core services.

Some opportunities exist to earn other non-Crown revenue, which accounts for approximately 7.5% of total RNZ revenue. Sourced primarily from transmission assets, it also includes new online income opportunities which are starting to be explored. However, online revenue is not expected to have any material impact on the overall financial results in the 2016/17 year.

RNZ embarked on a significant programme of change during the 2015/16 financial year. As well as needing to reduce the overall level of costs to return operations to a break-even position, changes to the structure of the organisation were required to adapt to the multi-media environment and to give effect to our transformational strategy. Central to this strategy is the investment in modern technology to deliver new capabilities and efficiencies.

The time and cost of introducing these changes is forecast to exceed the 2015/16 budget but by the start of the new 2016/17 financial year we expect to have successfully achieved our goal to reduce the overall cost structure by more than $2 million per annum, which will allow us to increase funding for new digital initiatives.

For the next year the financial priorities for RNZ are:

- a return to a break-even position,
- to provide capital to invest in new technology, equipment and modernisation of operations, and
- to continue to fund new digital initiatives.

The financial measures that RNZ will use to assess its success in achieving these objectives are detailed in the schedule of performance targets for 2016-17.
<table>
<thead>
<tr>
<th>SERVICE</th>
<th>OBJECTIVE</th>
<th>TARGET 2016/17</th>
<th>FORECAST 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RNZ NATIONAL</strong></td>
<td>Broadcast a nationwide network providing news, current affairs, feature documentaries and entertainment programmes, including music programmes featuring both New Zealand and international artists.</td>
<td>8760 broadcast hours of RNZ National content</td>
<td>8760 broadcast hours of RNZ National content</td>
</tr>
<tr>
<td><strong>RNZ CONCERT</strong></td>
<td>Broadcast fine music in stereo consisting primarily of dramatic and performing arts with a repertoire featuring mainly classical music but also including jazz and special interest music.</td>
<td>8760 broadcast hours of RNZ Concert content</td>
<td>8760 broadcast hours of RNZ Concert content</td>
</tr>
<tr>
<td><strong>RNZ INTERNATIONAL</strong></td>
<td>Provide an international radio service to the Pacific consisting of innovative, comprehensive and independent news and programming of interest to the Pacific region to encourage an awareness and understanding of New Zealand and providing a reliable source of information in the event of natural disasters or breakdowns in local communication services;</td>
<td>8472 broadcast hours of RNZI content.¹</td>
<td>8544 broadcast hours of RNZI content.¹</td>
</tr>
<tr>
<td><strong>Parliamentary Radio and Proceedings</strong></td>
<td>Live audio broadcast of Parliament live, when the House is sitting.</td>
<td>Coverage of 90 Parliamentary sitting days</td>
<td>New target not previously measured</td>
</tr>
<tr>
<td><strong>RNZ.CO.NZ</strong></td>
<td>Provide a comprehensive portal to its News, National Concert and Pacific content, allowing users access to live streaming services for RNZ National, RNZ Concert and RNZ International. In additional to this users have access to up to comprehensive up to the minute news coverage as well as access to in excess of 230,000 on-demand audio items (over 37,00 hours) from RNZ’s vast online collection of back catalogue programming and web only collections.</td>
<td>38,000 hours (248,000 items) of audio content for RNZ’s services available online at any time.</td>
<td>36,000 hours (236,000 items) of audio content for RNZ’s services available online at any time.</td>
</tr>
<tr>
<td><strong>thewireless.co.nz</strong></td>
<td>The Wireless is a youth targeted website which is upfront, in-depth and in tune, aiming to produce inspiring, insightful and entertaining stories for New Zealanders who have grown up in the digital age. The site is updated with new content every weekday. The site provides multi format content (text, audio and video) and encourages user interaction through sharing of content across other social media outlets and through public commentary on articles posted.</td>
<td>400 new items of content uploaded each year.</td>
<td>New target not previously measured</td>
</tr>
</tbody>
</table>
### TARGETS - Objective 2
**MAKING OUR SERVICES AVAILABLE AND ACCESSIBLE WHERE AND WHEN NEW ZEALANDERS WANT**

Distribute the RNZ services as per the following:

<table>
<thead>
<tr>
<th></th>
<th>AM radio (NZ)</th>
<th>FM radio (NZ)</th>
<th>Digital &amp; Analogue shortwave (NZ)</th>
<th>Freeview terrestrial (NZ)</th>
<th>Freeview satellite (NZ)</th>
<th>Sky satellite (NZ)</th>
<th>Mobile phone streaming and on demand (NZ)</th>
<th>Internet streaming and on demand (Worldwide)</th>
<th>Third party distribution of RNZ content (Worldwide)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RNZ National</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>RNZ Concert</td>
<td></td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>RNZ International</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Parliament</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>rnz.co.nz</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>thewireless.co.nz</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>

### TARGETS – Objective 3
**PROVIDING A PUBLIC BROADCASTING SERVICE THAT IS IMPORTANT TO, AND VALUED BY, NEW ZEALANDERS**

a) **Providing a Service that New Zealand Values**

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>TARGET 2016/17</th>
<th>TARGET 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>A majority of New Zealanders agree that RNZ provides a valuable service to New Zealand.</td>
<td>In prior years RNZ’s target for this measure was 7 out of 10 New Zealanders agree. With the change in radio research provider a different methodology will be used for the first time for the 2016/17 year which means the results could be different. Targets based on prior years are not appropriate but the research result will be reported in our Annual Report.</td>
<td>At least 7 out of 10 New Zealanders agree that RNZ provides a valuable service to New Zealand</td>
</tr>
<tr>
<td>A majority of New Zealanders agree that it is important for New Zealand to have a public radio broadcaster.</td>
<td>In prior years RNZ’s target for this measure was 7 out of 10 New Zealanders agree. With the change in radio research provider a different methodology will be used for the first time for the 2016/17 year which means the results could be different. Targets based on prior years are not appropriate but the research result will be reported in our Annual Report.</td>
<td>At least 7 out of 10 New Zealanders agree that it is important for New Zealand to have a public radio broadcaster.</td>
</tr>
</tbody>
</table>
Supporting in Times of Need

**OBJECTIVE**
In our capacity as a Lifeline Utility RNZ will ensure it is prepared to respond and carry out its duties in the event of a declared Civil Defence emergency.

**TARGET 2016/17**
Service delivery 24/7 across broadcast and online platforms.
Maintenance of the infrastructure to deliver our Lifeline Utility role with system uptime across platforms achieving more than 99%.

**TARGETS – Objective 4**  **ATTRACTING AND RETAINING AUDIENCES**

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>MEASURE</th>
<th>TARGET 2016/17</th>
<th>TARGET 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain our traditional radio listeners</td>
<td>Combined RNZ National and RNZ Concert weekly cumulative audience</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Build our online audiences</td>
<td>Average monthly users of RNZ’s websites</td>
<td>1.2 million</td>
<td>650,000</td>
</tr>
<tr>
<td>Increase online consumption of audio content</td>
<td>Average monthly downloads of RNZ content</td>
<td>1.4 million</td>
<td>1.1 million</td>
</tr>
<tr>
<td>Maintain our current Pacific Island radio audience</td>
<td>Number of pacific island radio stations taking the RNZ service</td>
<td>17 stations</td>
<td>17 stations</td>
</tr>
<tr>
<td>Grow RNZ International’s online audience</td>
<td>Pageviews of RNZ International section of website</td>
<td>3.8 million</td>
<td>2.2 million</td>
</tr>
<tr>
<td>Grow the total number of people who use our services</td>
<td>Combined weekly unique radio and online people who use any of our services</td>
<td>705,000</td>
<td>610,000</td>
</tr>
</tbody>
</table>

**TARGETS – Objective 5**  **BEING FINANCIALLY Viable**

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>TARGET 2016/17</th>
<th>FORECAST 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return to breakeven in 2016/17 after deficits for 2014/15 and 2015/16 years.</td>
<td>Achieve a breakeven surplus/(deficit) result for the 2016/17 year</td>
<td>Projected deficit of $3.7 million (TBC)</td>
</tr>
<tr>
<td>To retain funds to re-invest in asset upgrade and modernisation programme.</td>
<td>Achieve an EBITDA(^4) in excess of $2 million for the 2016/17 year</td>
<td>Projected EBITDA(^3) of $176,000 (TBC)</td>
</tr>
</tbody>
</table>

\(^4\) Earnings Before Interest Tax, Depreciation and Amortisation
FOCUS PROJECT – RNZ MĀORI STRATEGY

RNZ has developed a new, long-term strategy that represents an increased commitment to creating high-quality Māori content, supporting Te Reo Māori and fostering Māori journalism.

There are six strategy objectives:

1. RNZ is committed to preserve te reo Māori by developing a language plan for key executives, presenters and journalists.

2. RNZ believes in the growth of Māori journalism and this year RNZ will introduce a Māori Journalism Internship. The internship will be awarded annually and will provide an opportunity for a promising individual to work at RNZ and receive training and support.

3. RNZ will also offer a new training partnership (Te Kākano) between itself and the iwi radio network.

4. RNZ is committed to employing outstanding Māori staff who are leaders in their field and who play an influential role in the organisation.

5. RNZ’s website provides a significant platform for us to diversify and promote a range of Māori language, culture and stories. The audience for this content is growing rapidly and we expect this growth to continue as we improve the content further.

6. Form a partnership between Nga Taonga Sound and Vision to provide online access to selected content from RNZ’s Māori archive (both in English and Te Reo).

RNZ proposes to introduce the following new performance reporting measures from 1 July 2016 to track progress in implementing the RNZ Māori strategy in respect of broadcast and online content:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Target 2016/17</th>
<th>Target 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Māori Language and Culture programming (radio broadcast hours)</td>
<td>80 hrs</td>
<td>Not previously measured.</td>
</tr>
<tr>
<td>Māori Language and Culture (number of items uploaded to website)</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Māori Language and Culture (online pageviews – Google Analytics)</td>
<td>1 million</td>
<td></td>
</tr>
</tbody>
</table>

5 This measure relates solely to stand-alone scheduled on-air programmes broadcast on RNZ National that focus exclusively on Māori content, and excludes Māori language and culture content that is broadcast as part of other programming content.

6 The number of story-telling items that are published on the rnz.co.nz website during the year which relate to the Māori world.

7 Both the measures are focused on material (audio, written, visual) which appear in the Te Manu Korihī and Te Ahi Kaa sections of the website. This is where the bulk of Māori – related story-telling is published. It will not include material which turns up in other broader-interest programmes and shows, as it is too difficult to track at this time.

8 The number of times a piece of story-telling relating to the Māori world is viewed on the website.
## RADIO NEW ZEALAND

### PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

<table>
<thead>
<tr>
<th>GROUP</th>
<th>30 JUNE</th>
<th>30 JUNE</th>
<th>30 JUNE</th>
<th>30 JUNE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from the Crown</td>
<td>35,409</td>
<td>35,409</td>
<td>35,409</td>
<td>35,409</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2,764</td>
<td>2,497</td>
<td>2,497</td>
<td>2,497</td>
</tr>
<tr>
<td>Interest income</td>
<td>307</td>
<td>253</td>
<td>253</td>
<td>253</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>38,480</td>
<td>38,159</td>
<td>38,159</td>
<td>38,159</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>24,320</td>
<td>23,294</td>
<td>23,465</td>
<td>23,696</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>2,739</td>
<td>2,405</td>
<td>2,336</td>
<td>2,276</td>
</tr>
<tr>
<td>Other</td>
<td>13,628</td>
<td>12,457</td>
<td>12,330</td>
<td>12,180</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>40,688</td>
<td>38,156</td>
<td>38,131</td>
<td>38,153</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS / (DEFICIT)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2,208)</td>
<td>2</td>
<td>28</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Non-recurring Items</td>
<td>(1,590)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE REV &amp; EXPS</strong></td>
<td>($3,798)</td>
<td>$2</td>
<td>$28</td>
<td>$6</td>
</tr>
</tbody>
</table>

Note 1: The above figures for the year ending 30 June 2016 are based on actual results to April 2016 and estimates for the remainder of the year.

Note 2: Included in the above figures for Revenue from the Crown is $1.9M of funding for RNZ International. Costs directly attributable to RNZ International operations amount to $1.65M and these are included in the budgeted expenditure figures above. RNZ International also benefits from additional shared resources, costs and overheads but due to the increasing levels of integration between services within RNZ, apportionment of these costs into individual services is no longer able to be carried out with sufficient accuracy for reporting purposes.
**RADIO NEW ZEALAND**

**PROSPECTIVE STATEMENT OF FINANCIAL POSITION**

<table>
<thead>
<tr>
<th>GROUP</th>
<th>30 JUNE 2016</th>
<th>30 JUNE 2017</th>
<th>30 JUNE 2018</th>
<th>30 JUNE 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>Forecast</td>
<td>BUDGET</td>
<td>BUDGET</td>
<td>BUDGET</td>
</tr>
</tbody>
</table>

### EQUITY

- **Balance at the beginning of year**
  - 2016: 52,390
  - 2017: 48,593
  - 2018: 48,595
  - 2019: 48,623

- **plus Total Comprehensive Revenue & Expenditure**
  - 2016: -3,798
  - 2017: 2
  - 2018: 28
  - 2019: 6

**Total Equity**
- 2016: $48,592
- 2017: $48,595
- 2018: $48,623
- 2019: $48,628

### CURRENT LIABILITIES

- **Accounts payable & accruals**
  - 2016: 2,089
  - 2017: 2,155
  - 2018: 2,155
  - 2019: 2,154

- **Employee entitlements**
  - 2016: 2,140
  - 2017: 2,140
  - 2018: 2,140
  - 2019: 2,140

- **Provisions**
  - 2016: 286
  - 2017: 286
  - 2018: 286
  - 2019: 286

- **Preference shares**
  - 2016: 4,120
  - 2017: 4,120
  - 2018: 4,120
  - 2019: 4,120

**Total Current Liabilities**
- 2016: 8,636
- 2017: 8,700
- 2018: 8,700
- 2019: 8,699

### Non-Current Liabilities

- 2016: 1,657
- 2017: 1,657
- 2018: 1,657
- 2019: 1,657

**TOTAL LIABILITIES AND EQUITY**
- 2016: $58,885
- 2017: $58,952
- 2018: $58,980
- 2019: $58,985

### CURRENT ASSETS

- **Cash & cash equivalents**
  - 2016: 3,944
  - 2017: 4,050
  - 2018: 3,789
  - 2019: 3,816

- **Investments (Term Deposits)**
  - 2016: 4,000
  - 2017: 4,000
  - 2018: 4,000
  - 2019: 4,000

- **Account receivables & prepayments**
  - 2016: 501
  - 2017: 319
  - 2018: 319
  - 2019: 320

**Total Current Assets**
- 2016: 8,445
- 2017: 8,369
- 2018: 8,109
- 2019: 8,136

### NON CURRENT ASSETS

- **Property, plant & equipment**
  - 2016: 45,970
  - 2017: 45,553
  - 2018: 45,691
  - 2019: 45,518

- **Intangible assets**
  - 2016: 4,470
  - 2017: 5,030
  - 2018: 5,180
  - 2019: 5,330

**Total Non Current Assets**
- 2016: 50,440
- 2017: 50,583
- 2018: 50,871
- 2019: 50,848

**NET ASSETS**
- 2016: $58,885
- 2017: $58,952
- 2018: $58,980
- 2019: $58,985
<table>
<thead>
<tr>
<th>RADIO NEW ZEALAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROSPECTIVE STATEMENT OF CASHFLOWS</td>
</tr>
<tr>
<td>30 JUNE</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>$000</td>
</tr>
<tr>
<td>Forecast</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>GROUP</td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
</tr>
<tr>
<td>Cash will be provided from:</td>
</tr>
<tr>
<td>NZOA, the Crown, and other income</td>
</tr>
<tr>
<td>Interest received</td>
</tr>
<tr>
<td>Cash will be disbursed to:</td>
</tr>
<tr>
<td>Payments to employees &amp; suppliers</td>
</tr>
<tr>
<td>Interest expense</td>
</tr>
<tr>
<td>Net Cash from operating activities</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
</tr>
<tr>
<td>Cash will be provided from:</td>
</tr>
<tr>
<td>Proceeds from the sale of assets</td>
</tr>
<tr>
<td>Cash will be disbursed to:</td>
</tr>
<tr>
<td>Purchase of non current assets</td>
</tr>
<tr>
<td>Net Cash from investing activities</td>
</tr>
<tr>
<td>CASHFLOWS FROM FINANCING ACTIVITIES</td>
</tr>
<tr>
<td>Cash will be provided from:</td>
</tr>
<tr>
<td>Investments</td>
</tr>
<tr>
<td>Cash will be disbursed to:</td>
</tr>
<tr>
<td>Investments</td>
</tr>
<tr>
<td>Net Cash from financing activities</td>
</tr>
<tr>
<td>NET INCREASE/(DECREASE) IN CASH</td>
</tr>
<tr>
<td>plus Opening cash as at 1 July</td>
</tr>
<tr>
<td>CASH &amp; CASH EQUIVALENTS AT YEAR END</td>
</tr>
</tbody>
</table>
PROSPECTIVE STATEMENT OF ACCOUNTING POLICIES
for the year ending 30 June 2017

A Reporting Entity

Radio New Zealand Limited is a Crown entity in terms of the Crown Entities Act 2004. The company is wholly owned on behalf of the Crown by the two Shareholding Ministers, the Minister Responsible for RNZ and the Minister of Finance. Radio New Zealand Limited is a company registered under the Companies Act 1993.

The group consists of the consolidated activities of Radio New Zealand Limited and its subsidiary Sound Archives/Ngā Taonga Kōrero Limited which is 100% owned. Sound Archives/Ngā Taonga Kōrero Limited was incorporated on August 1998 and has operated the archive since 1 October 1998 but in the current forecasts is not operating.

RNZ is a Public Benefit Entity (PBE) and as such the potential conflict between the pursuit of core public service broadcaster objectives set out in RNZ’s Charter and more commercial company objectives is minimised.

Government and Shareholding Ministers have confirmed and strengthened RNZ’s role as a public service broadcaster and in that context have removed commercial and profit-making imperatives while still insisting on sound financial management.

B Basis of Preparation

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

These prospective 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 purpose for which these prospective financial statements of Radio New Zealand Limited have been prepared is for their inclusion in the RNZ Statement of Performance Expectations for the year ending 30 June 2016.

C Statement of Accounting Policies

The financial statements are presented in New Zealand dollars and the functional currency of RNZ is New Zealand dollars.

I Basis of Consolidation – Purchase Method

The consolidated financial statements include the holding company and its subsidiary. The subsidiary is accounted for using the purchase method.

II Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

III Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

IV Accounts Receivable
Accounts receivable are stated at expected fair value and measured at amortised cost less any provision for impairment.

V Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprises cash at bank, in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash.

VI Non-Current Assets

Property, plant and equipment are stated at fair value, including library and archival collections. Land and Buildings have been revalued in the prospective financial statements. A formal valuation of Land and Buildings was completed in the year ended 30 June 2014.

Library collections are reviewed to fair value at least every five years.

The results of revaluing library and archival collections are credited or debited to an asset revaluation reserve. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Statement of Financial Position. To the extent that a revaluation gain reverses a loss previously charged to the Comprehensive Statement of Revenue and Expense, the gain is credited to the Comprehensive Statement of Revenue and Expense.

Other non-current assets such as prepayments are recorded in RNZ’s Statement of Financial Position. These are payments received for services in one period but are recognised in the Statement of Financial Position in future periods.

Impairment of assets

At each balance sheet date, RNZ assesses whether there is any objective evidence that any group of non-current assets is impaired. Any impairment losses are recognised in the Comprehensive Statement of Revenue and Expense.

VII Depreciation and Amortisation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives of major classes of assets have been estimated as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Term of lease</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>5 to 20 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer hardware equipment</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Furniture, fittings and other</td>
<td>5 to 10 years</td>
</tr>
<tr>
<td>Library books and music collection</td>
<td>10 to 15 years</td>
</tr>
</tbody>
</table>

Capital work in progress is not depreciated. The total cost of a project is transferred to the relevant fixed asset account when it is completed and begins its productive life. It is then depreciated over its estimated economic life.

VIII Intangible Assets

Software, both acquired and developed, is included under intangible assets. Also under this category are capital contribution payments made to suppliers for co-siting rights which relate to future periods in accordance with the contractual terms.

Archival collections are reviewed to fair value at least every five years

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The sound archive collection will not be amortised as it is categorised as a heritage asset and as such is not normally amortised.

The useful lives of major classes of assets have been estimated as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>2 to 5 years</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>Term of contract</td>
</tr>
<tr>
<td>Sound archive collection</td>
<td>Infinite</td>
</tr>
</tbody>
</table>
IX  Associates

RNZ is a party to the formation of Freeview Limited, a joint venture company formed to provide free to air digital broadcasting in New Zealand. The investment is accounted for using the equity method of accounting.

Redeemable Preference Shares

Redeemable preference shares held by the Government in RNZ are to be repayable at the option of the holder and are classified as a liability in the statement of financial position.

X  Employee Entitlements

Provision is made for the company’s liability for annual and long service leave. Annual leave is calculated on an actual entitlement basis at average current rates of pay over the past year in accordance with the Holidays Act 2003, whilst the long service leave provision is calculated on an actuarial basis. A provision for sick leave is not provided for as RNZ does not carry forward sick leave into future periods.

XI  Provisions

RNZ recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

XII  Superannuation schemes

Obligations for contributions to KiwiSaver and the National Provident Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Income Statement as incurred.

XIII  Leases

Finance Leases

RNZ has no finance leases.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred. RNZ leases its motor vehicles and the majority of its premises.

XIV  Financial Instruments

RNZ is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the Income Statement. All financial instruments are shown at their fair value.

XV  Cash Flow Statement

Cash and cash equivalents means current bank accounts and demand/call deposits.

Operating activities are those activities relating to the purchase and supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise those activities that change the equity and debt capital structure of the company.

XVI  Foreign Currency Transactions

Foreign currency transactions are converted into New Zealand dollars at the spot rate at the date of the transaction. These transactions are settled immediately; consequently no exchange gain or loss is recognised. RNZ also enters into foreign exchange contracts (FECs) to cover significant overseas purchases. These are defined as financial derivatives under PBE standards and the fair value of FECs are determined on the basis of quoted market rates.

XVII  Borrowing Costs

RNZ has a credit facility arrangement with its banker. Costs relating to the drawdown of this facility are recognised in the Income Statement. No costs are attributed to the acquisition, construction or production of property, plant and equipment or other qualifying assets.
**XVIII  Revenue (Crown and Other Revenue)**

RNZ Limited derives revenue from the Government through NZ On Air and from the Ministry for Culture and Heritage for specific purposes as outlined in its Charter and Statement of Intent. Other revenue is derived from generating activities and interest from bank deposits. All revenue is measured at the fair value of the consideration receivable. A small portion of funding from NZ On Air may be classified as non-exchange revenue.

**D  Changes in Accounting Policies**

There are changes in accounting policies from those adopted in the audited financial statements for the year ended 30 June 2014. NZIFRS applied in 2014 and have been replaced by PBE standards for the year ending 30 June 2015.

**E  Significant Assumptions**

The following significant assumptions underpin the prospective financial statements:

- Government will continue to fund RNZ’s core activities in the prospective year and for the following two planning years at least to the levels indicated in the statement. It is therefore expected that the nature of the operations of RNZ will not change significantly;
- Shareholding Ministers will not require RNZ to pay a dividend on their shareholding in the company. This has been confirmed by the Minister of Broadcasting for the 2016-2017 income year and is expected to apply for the foreseeable future.
- there will be no withdrawal of capital by Shareholding Ministers, including the Preference Shares;
- the prospective financial statements are based on estimates and forecasts, the effect of which may result in the actual financials varying from the information presented, and these variations may be material; and
- the statements have been prepared on a going-concern basis.