RADIO NEW ZEALAND

ANNUAL REPORT 2005/2006

WHO WE ARE AS A BROADCASTER

REFLECTS WHO WE ARE AS A NATION

EVERY DAY,

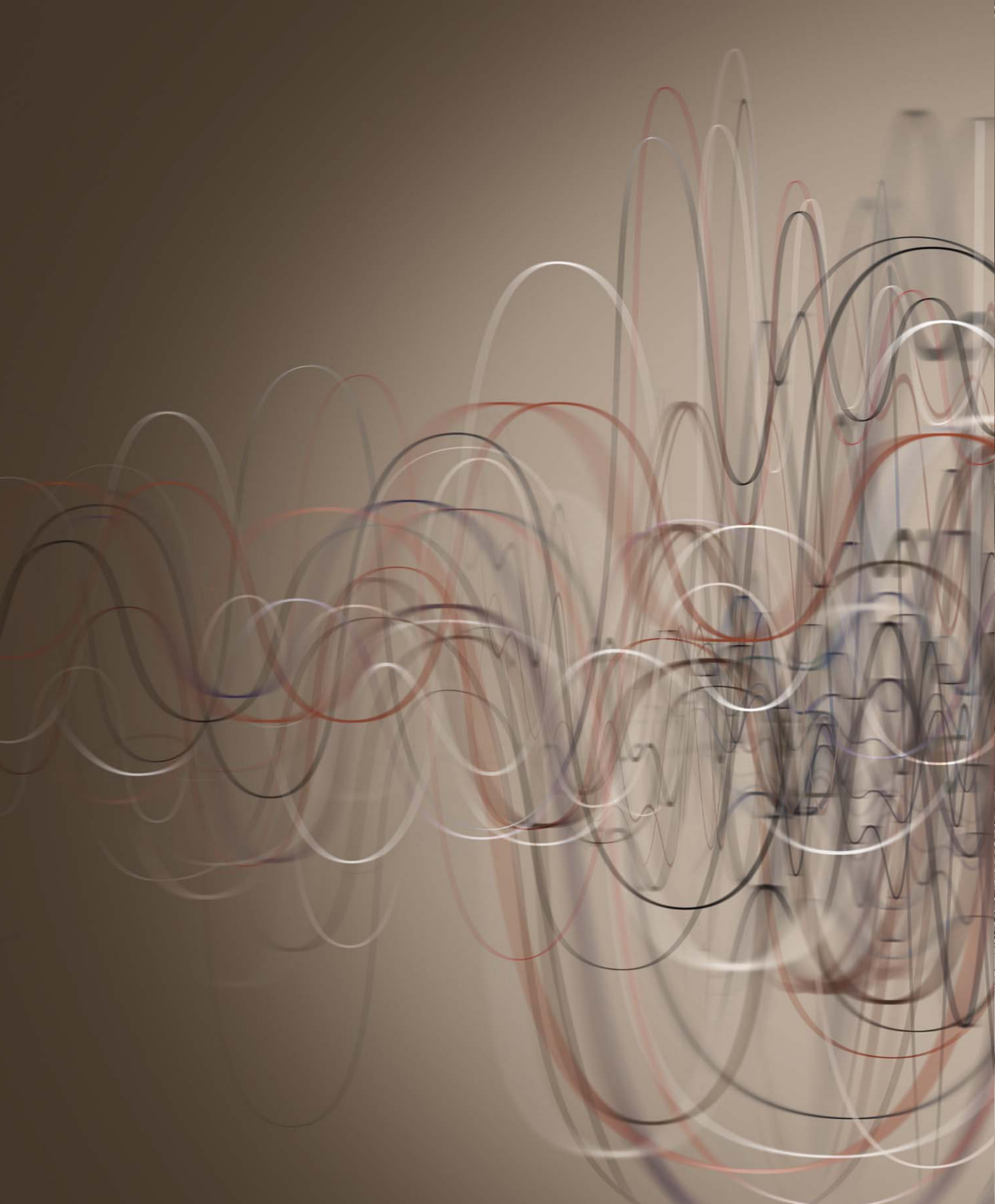
NEW ZEALANDERS EXPRESS THEIR VIEWS, LISTEN TO THEIR INTERESTS

AND MAKE DECISIONS ABOUT THEIR PRIORITIES, IN HUNDREDS OF WAYS...

EVERY DAY, RADIO NEW ZEALAND CAPTURES AND
REFLECTS SOME OF THOSE VOICES

THROUGH PROGRAMMES THAT LIFT OUR COLLECTIVE UNDERSTANDING,
ENABLE DEBATE, INFORM, STIMULATE,

AND KEEP US INFORMED OF WHAT IS GOING ON
IN THE COUNTRY AND THE WORLD AROUND US



SOUNDS WE KNOW.

RADIO NEW ZEALAND
TE REO IRIRANGI O AOTEAROA

RADIO NEW ZEALAND CONCERT

RADIO NEW ZEALAND NATIONAL

SOUNDS LIKE US.

RADIO NEW ZEALAND NEWS

RADIO NEW ZEALAND INTERNATIONAL

RADIO NEW ZEALAND SOUND ARCHIVES NGĀ TAONGA KŌRERO

RADIO NEW ZEALAND DIGITAL

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Chairman's Report

RADIO NEW ZEALAND PLAYS A CRITICAL ROLE IN GUARANTEEING THE DEMOCRATIC FREEDOMS OF THOUGHT AND EXPRESSION. DESPITE A CHALLENGING YEAR FINANCIALLY, WE CONTINUED TO OFFER NEW WAYS FOR NEW ZEALANDERS TO SPEAK THEIR MIND.

BRIAN CORBAN QSO – *Chairman*

NEW ZEALANDERS HAVE THEIR OWN PARTICULAR TAKE ON THE WORLD AROUND THEM – VIEWS, INSIGHTS AND INFORMATION WE SHARE IN OUR OWN DISTINCTIVE WAYS. ONE OF THE MOST POWERFUL WAYS IN WHICH OUR MANY VOICES AS A NATION ARE HEARD IS THROUGH RADIO NEW ZEALAND.

As the country's only wholly public service broadcaster, Radio New Zealand plays an active role in protecting and fostering our national identity. Radio New Zealand is a rich presence across the country's air waves, with direct responsibility for ensuring that New Zealanders are free to express themselves and enjoy the information and culture that define us as a nation and contribute to our wonderful diversity.

RADIO NEW ZEALAND CHARTER REVIEWED

Critical to our ability to thrive as an independent public service broadcaster is the Radio New Zealand Charter. Formulation of such a charter is considered 'best practice' for public service broadcasters around the world.

Our Charter has not just raised us to the status of a chartered public service broadcaster since its inception in 1995, it continues to play a vital role in determining and safeguarding the purpose of Radio New Zealand.

The House of Representatives requires that our Charter be reviewed every five years. 2005, being the tenth anniversary of the Radio New Zealand Charter, was seen as an appropriate time to further refine the document. To that end, an extensive review was undertaken which sought to ensure that the revised Charter would capture a set of aspirations, written in simple and accessible language that could be easily understood by all New Zealanders.

Designed to be technology neutral, to take account of ongoing changes in service delivery, the revised Charter sought to differentiate Radio New Zealand clearly from commercial broadcasters and to emphasise that the pursuit of national identity cannot be achieved through commercial interests alone. More than that though, we recognised that the review process presented an ideal opportunity to engage in wide-ranging public consultation that would highlight the fundamental values of public service broadcasting.

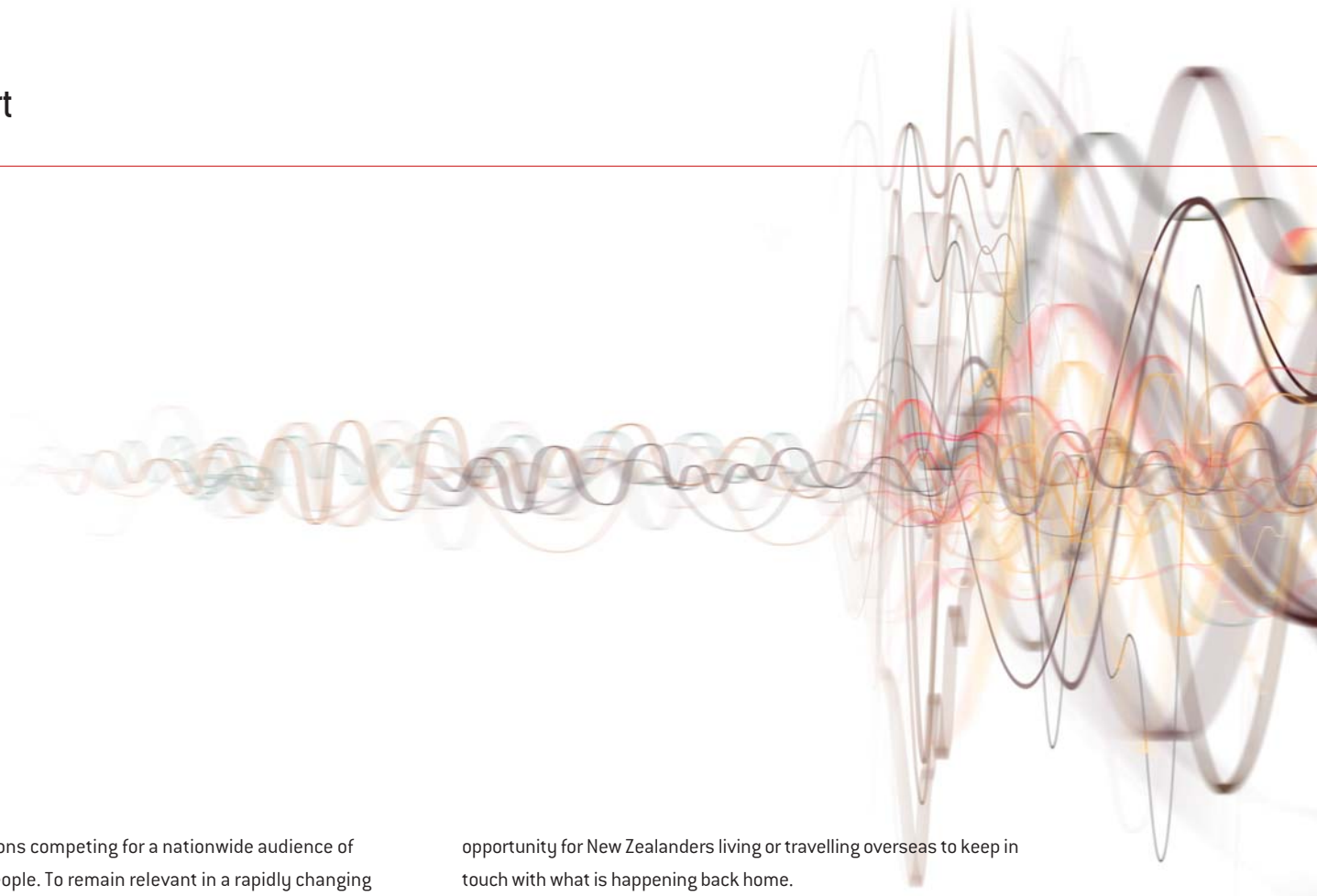
The draft of a revised Charter was developed and approved by the Radio New Zealand Board of Governors and the Minister of Broadcasting for public discussion over a three-week period in October and November 2005. A total of 165 public submissions on the document were received and, following some minor amendments, a new draft charter was presented to, and accepted by, the Parliamentary Commerce Select Committee in March 2006.

The Radio New Zealand Board now looks forward to the new draft charter being approved by the Government and Parliament. Our hope is that it will become the guiding document for an assertive resurgence of public service broadcasting in this country.

COMPETING EFFECTIVELY TO BE HEARD

New Zealand has one of the most competitive radio markets in the world,

Chairman's Report



with more than 200 stations competing for a nationwide audience of fewer than four million people. To remain relevant in a rapidly changing environment, Radio New Zealand must take full advantage of the full range of broadcasting resources at its disposal to deliver high quality news, information and entertainment to New Zealanders and to all those with an interest in New Zealand.

This recognition is reflected in our rapid adoption of new technology. This last year in particular has seen significant investment in, and use of, leading-edge technology to deliver our services to new and wider audiences. For example, since its re-launch in September 2005, the Radio New Zealand website has become a vital part of the lives of many listeners in New Zealand and overseas. The introduction of audio-on-demand, live streaming and podcasting technology has seen public demand for services from the site exceed all expectations.

We continue to consider and evaluate the latest delivery options for our programming, which is why we are a foundation member of the FreeView Group, a consortium of New Zealand's free-to-air broadcasters that this year announced an industry initiative to create a shared digital platform for broadcast services.

Last year Radio New Zealand also expanded its presence in Auckland, added regional offices in Tauranga, New Plymouth and Queenstown, upgraded facilities in Dunedin and continued to grow the National Radio FM network to include Kaitaia, Kaikohe, Whakatane, Wanganui, Masterton, Ashburton and Queenstown.

REACHING OUT WITH NEW TECHNOLOGY

Parliament is the core of our democracy and this year, as we celebrated 70 years of Parliamentary radio broadcasts, Radio New Zealand announced two new initiatives with services to live stream Parliamentary debates and to make Question Time available as audio-on-demand via the Radio New Zealand website. Live streaming via the internet enables Radio New Zealand to reach completely new audiences and provides a wonderful opportunity for New Zealanders living or travelling overseas to keep in touch with what is happening back home.

A project to install a new digital (DRM) shortwave transmitter for Radio New Zealand International is nearing completion. Eight Pacific nations have now been provided with new digital receivers to relay Radio New Zealand International programming to their audiences and more countries will be equipped to receive the signal in the coming year.

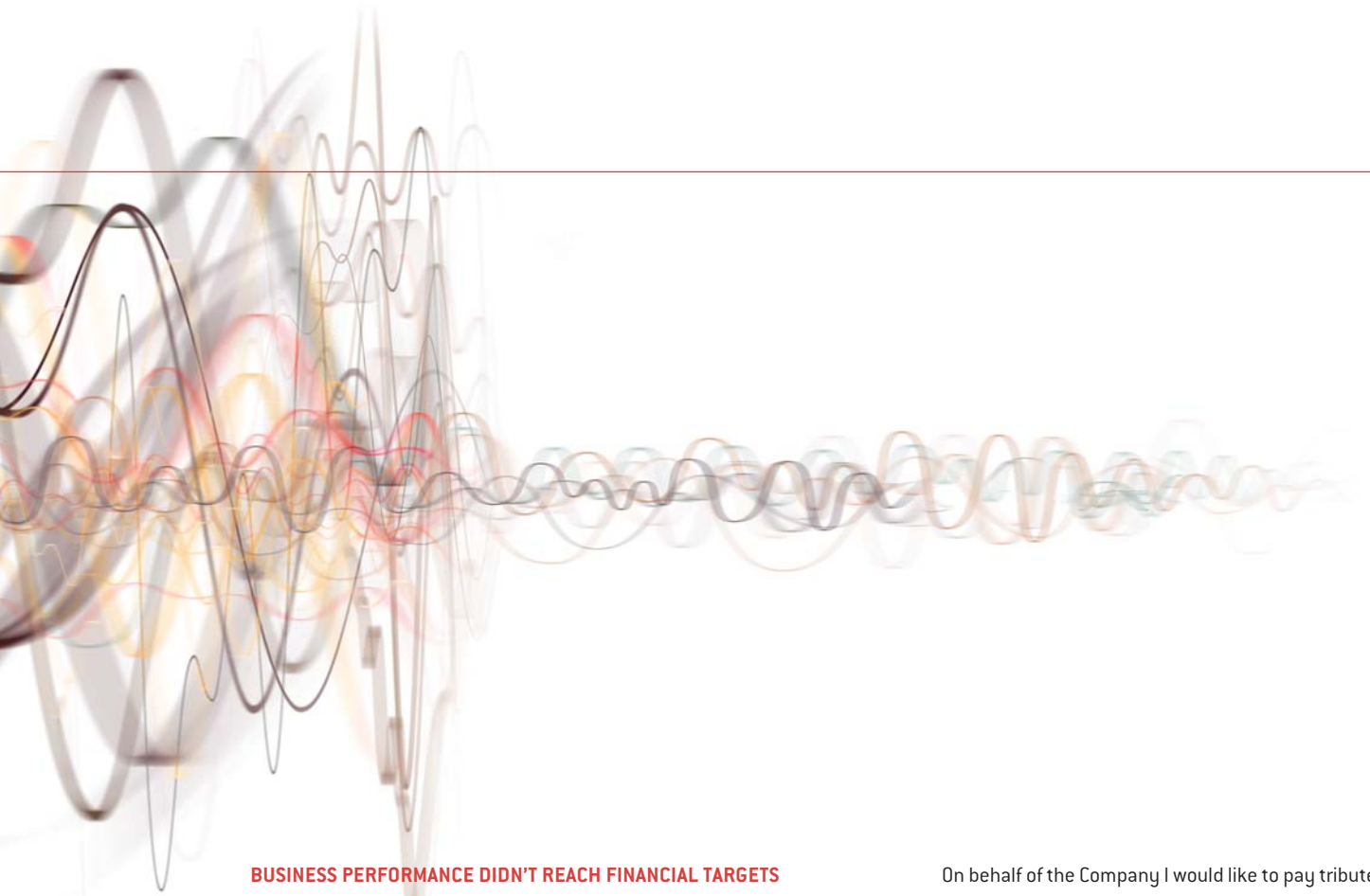
The installation of a digital recording device for Sound Archives in Auckland now allows Ngā Taonga Kōrero to record Māori and Pacific Island radio broadcasts easily for archive purposes, adding to the valuable record of audio heritage maintained by Radio New Zealand Sound Archives.

FUNDING STILL A CHALLENGE

To be a truly independent public service broadcaster, we believe that Radio New Zealand must have the bulk funding needed to carry out our charter functions free from external influence.

In recent years Radio New Zealand has received some additional funding from Government to enable us to address key strategic objectives. While good progress has been made in many areas, a number of objectives have been only partially funded and, in the absence of further funding, development will inevitably slow. Because the organisation is almost totally Government funded, there is no ability to adjust pricing to offset the effects of inflation or to address increased costs, particularly for infrastructural services.

Therefore funding issues continue to pose a significant threat to Radio New Zealand into the future as we endeavour to cement the gains that have been made and to maintain the highest quality standards for our core service delivery.



BUSINESS PERFORMANCE DIDN'T REACH FINANCIAL TARGETS

The additional project-based funding provided by government over the past two years has been put to good use and has delivered very positive and evident benefits to our listeners.

Unfortunately, however, inflationary increases across a broad range of fixed operational costs have eroded the organisation's core budget in recent times, to the point where, during the past 12 months, it has been necessary to redirect some existing funding from established core activities to offset the impact of inflation, support our new initiatives and meet major non-routine operating expenditure. This has made 2005-2006 a very challenging financial year.

Despite implementing a range of economies and cutting back on expenditure considered to be discretionary in the short term, Radio New Zealand failed to meet its targeted net surplus. For the first time in many years the organisation recorded a net operating deficit, amounting to $595,000, for the year.

Despite this result, Radio New Zealand remains in a strong financial position, with reserves built up over recent years being sufficient to cover the deficit without significantly weakening our balance sheet.

Radio New Zealand is committed to returning to a modest surplus in 2006-2007. We will continue to pursue appropriate economies across our operations and to seek sufficient additional funding to offset the erosionary effects of inflation on our core budget.

No dividend will be paid for the year as Shareholding Ministers have waived their right to receive a dividend, reflecting their commitment to maintaining Radio New Zealand as an enduring national treasure.

ACKNOWLEDGEMENTS AND THANKS

As Chairman, I place a very high value on the support provided by a team of skilled and dedicated Directors, each of whom has contributed valued knowledge and experience to the governance, management and supervision of business affairs in accordance with the principles of the Radio New Zealand Charter.

On behalf of the Company I would like to pay tribute to Rick Ellis, who left the Board at the end of April 2006 to become Chief Executive of Television New Zealand. Rick joined the Board of Radio New Zealand in December 2003 and has made a significant contribution with the particular skills and experience he brought to the Board table.

On behalf of the Board of Governors, I would also like to thank the Chief Executive, the management team and all the staff at Radio New Zealand for their hard work over the past 12 months. As a Board, we recognise and appreciate their dedication and ongoing commitment to the principles of public service broadcasting and I want to thank them particularly for their passion and commitment to our shared vision for the future.

RENEWED PRIORITY

After more than a decade in which the direction and development of broadcasting in New Zealand have been driven largely by commercial priorities, the Government has given renewed priority to the key role played by public service broadcasting in expressing national culture and identity, and in the promotion of a well-informed, participatory democracy.

These priorities will be reflected in new branding currently being developed by Radio New Zealand. The re-branding and subsequent communications programme will focus on the function of Radio New Zealand, not only confirming Radio New Zealand as the country's leading public service broadcaster, but reinforcing the powerful and multi-faceted role played by the organisation in ensuring that we retain and celebrate our national voice.

In a world where we are besieged across many channels by the voices and opinions of others, the many voices of Radio New Zealand represent one of the most powerful opportunities we have to forge and preserve our sound as a nation. We believe New Zealanders deserve a voice out there that they know as their own, and that each listener can say with confidence... "That sounds like us!"

Board of Governors

BRIAN CORBAN

Chairman [QSO, MA (Hons), LLB, FIOD, FNZIM]

Brian Corban is a professional company director, lawyer, and business and community leader. He has experience in successfully leading companies through restructuring and deregulatory changes in the television, telecommunications, transport and electricity sectors.

He is currently Chairman of the Melanesian Trust Board, Chairman of Genesis Energy, Ngatarawa Wines and a number of private companies and is a trustee of various community trusts. He is a Fellow of the Institute of Directors and a Fellow of the New Zealand Institute of Management.

ALISON TIMMS

Deputy Chairman [BA]

Alison Timms has had more than 20 years of management experience at senior levels in the public sector. She is now an independent consultant. Alison is a member of the New Zealand Parole Board, a director of Wellington Waterfront Ltd, Chair of the Insurance and Savings Ombudsman Commission, and is a voluntary worker for the Citizens Advice Bureau.

ALAN DICK

[QSO, MBA, FNZIM]

Alan Dick has diverse business, community and governance experience. A business and commercial property consultant, he has been a director of LATES, a port company and numerous private companies. Alan has had a long and distinguished career in local government, serving 12 years as Mayor of Napier until standing down in 2001. He is currently Deputy Chairman of the Hawke's Bay Regional Council, and serves several community organisations in a governance role.

JUDY FINN

Judy Finn is a co-owner and director of Neudorf Vineyards and a director of the Bishop Suter Art Gallery in Nelson.

RICK ELLIS

**** Chairman Audit Committee [BCom]***

Rick Ellis is CEO of TVNZ, appointed May 2006. Prior to that he was Vice-President and Managing Director of EDS (New Zealand) Limited, New Zealand's largest IT services company, and a former Chief Executive of TVNZ. He has held a number of senior executive positions in the IT and airline industries in New Zealand, Australia and the United Kingdom.

**Resigned May 2006*

JUDITH FYFE

[LLB]

Judith Fyfe is a practising barrister with an active interest in oral history as a lecturer, author and producer. Prior to co-founding the New Zealand Oral History Archive, she worked in broadcasting, television and film. Judith is a member of the Arts Board of Creative New Zealand, and a member of the Copyright Tribunal.

SIFA TAUMOEPEAU

Sifa Taumoepeau is the Government Affairs Manager for SKYCITY Entertainment Group Ltd. He has previously been a director of the National Pacific Radio Trust, which governs Niu FM.

STEVE MURRAY

Steve Murray has been with Tainui Group Holdings in the capacity of Chief Executive since 2002. He is Managing Director of global IT services company EDS. His business experience includes senior management roles with Ernst & Young and in the airline industry in New Zealand and Australia. Steve is currently a trustee of Sport Waikato and a director of The Katalyst Group.

Our Charter

EVERY DAY, RADIO NEW ZEALAND CAPTURES AND REFLECTS THE THOUGHTS, OPINIONS AND INFORMATION WE WANT TO SHARE AS A NATION, IN PROGRAMMES THAT CONTRIBUTE TOWARDS OUR BROADER COLLECTIVE UNDERSTANDING, HELP US FOLLOW WHAT IS GOING ON IN OUR OWN COUNTRY AND STAY IN TOUCH WITH DEVELOPMENTS IN THE WORLD AROUND US.

Whilst it was enacted by Parliament, the Radio New Zealand Charter is more than just a piece of legislation. In effect, the Charter is a "living" guide to all that we do. It provides a vision along with parameters for how our unique range of services fit with our place in New Zealand public life.

Through the programmes it specifically encourages, and the standards that it sets, the Charter also ensures that Radio New Zealand promotes and protects, to the best of its abilities, the fullest possible sense of our national identity. Our Charter states:

1 THE FUNCTIONS OF THE PUBLIC RADIO COMPANY SHALL BE TO PROVIDE INNOVATIVE, COMPREHENSIVE, AND INDEPENDENT BROADCASTING SERVICES OF A HIGH STANDARD AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, TO PROVIDE:

(a) Programmes which contribute towards intellectual, scientific, cultural, spiritual and ethical development, promote informed debate, and stimulate critical thought; and

(b) A range of New Zealand programmes, including information, special interest, and entertainment programmes, and programmes which reflect New Zealand's cultural diversity, including Māori language and culture; and

(c) Programmes which provide for varied interests and a full range of age groups within the community, including information, educational, special interest, and entertainment programmes; and

(d) Programmes which encourage and promote the musical, dramatic, and other performing arts, including programmes featuring New Zealand and international composers, performers and artists; and

(e) A nationwide service providing programming of the highest quality to as many New Zealanders as possible, thereby engendering a sense of citizenship and national identity; and

(f) Comprehensive, independent, impartial and balanced national news services and current affairs, including items with a regional perspective; and

(g) Comprehensive, independent, impartial, and balanced international news services and current affairs; and

(h) An international radio service to the South Pacific (Radio New Zealand International) which may include a range of programmes in English and Pacific languages; and

(i) Archiving of programmes which are likely to be of historical interest in New Zealand.

2 IN PROVIDING BROADCASTING SERVICES, THE PUBLIC RADIO COMPANY SHALL TAKE ACCOUNT OF:

(a) Recognised standards of excellence; and

(b) Its responsibility as the provider of an independent national broadcasting service to provide a balance between programmes of wide appeal and programmes of interest to minority audiences; and

(c) The broadcasting services provided by other broadcasters; and

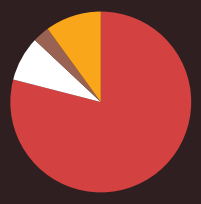
(d) Surveys, commissioned annually, of persons who are members of its current audiences to establish whether those members consider that the quality and quantity of its services are being maintained in accordance with subsection (1); and

(e) Surveys, commissioned from time to time, of persons who are not members of its current audiences.

Our Performance Based on Our Charter Objectives

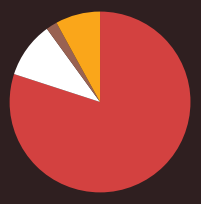
WE CONTINUED TO MEET THE EXPECTATIONS OF NEW ZEALAND LISTENERS AND TO PRESENT PROGRAMMES THAT HIGHLIGHT WHO WE ARE AND WHAT INTERESTS US AS A NATION.

PROMOTE INFORMED DEBATE



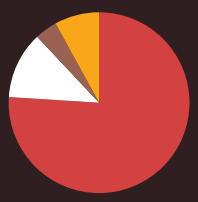
WELL	79%
NEITHER	8%
POORLY	3%
DON'T KNOW	10%

CONTRIBUTE TO THE DEVELOPMENT OF AN INFORMED COMMUNITY



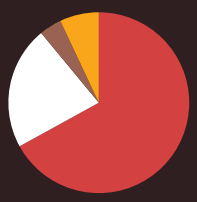
WELL	80%
NEITHER	10%
POORLY	2%
DON'T KNOW	8%

PROVIDE A RANGE OF PROGRAMMES WHICH REFLECTS NZ'S CULTURAL DIVERSITY



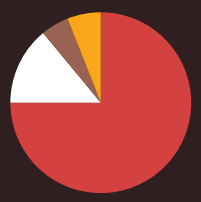
WELL	76%
NEITHER	12%
POORLY	4%
DON'T KNOW	8%

PROMOTE AND SUPPORT A SENSE OF NATIONAL IDENTITY



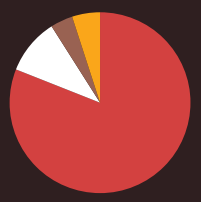
WELL	67%
NEITHER	22%
POORLY	4%
DON'T KNOW	7%

BROADCAST PROGRAMMES OF INTEREST TO A WIDE CROSS-SECTION OF NEW ZEALANDERS



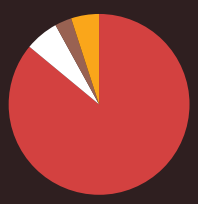
WELL	75%
NEITHER	14%
POORLY	5%
DON'T KNOW	6%

PROVIDE FAIR AND BALANCED INFORMATION



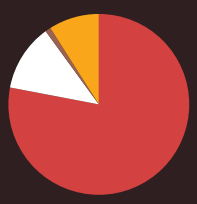
WELL	81%
NEITHER	10%
POORLY	4%
DON'T KNOW	5%

PROVIDE COMPREHENSIVE NEWS



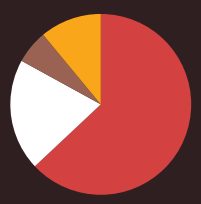
WELL	86%
NEITHER	6%
POORLY	3%
DON'T KNOW	5%

SUPPORT NZ MUSIC, AND OTHER PERFORMING ARTS AND ARTISTS



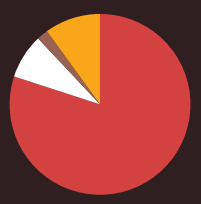
WELL	78%
NEITHER	12%
POORLY	1%
DON'T KNOW	9%

BALANCE THE NEED TO BROADCAST PROGRAMMES OF WIDE APPEAL WHILE ALSO BROADCASTING PROGRAMMES OF INTEREST TO MINORITY AUDIENCES



WELL	63%
NEITHER	20%
POORLY	6%
DON'T KNOW	11%

BROADCAST PROGRAMMES NOT GENERALLY FOUND ON OTHER RADIO STATIONS



WELL	80%
NEITHER	8%
POORLY	2%
DON'T KNOW	10%

Source: Research International All New Zealand Radio Survey 2006 – attitudinal survey of Radio New Zealand listeners aged 15+

Statement of Objectives - 2005-2006

OUR GOAL THIS YEAR WAS TO BE PROUD AND TO CONTINUE TO MAKE NEW ZEALANDERS PROUD OF HAVING RADIO NEW ZEALAND AS THE COUNTRY'S ONLY WHOLLY PUBLIC SERVICE BROADCASTER.

WE HAVE SOUGHT TO ADD NEW STRENGTH, ENERGY AND SPIRIT TO THIS ORGANISATION THROUGH THE PURSUIT OF FIVE AREAS THAT WE IDENTIFIED AS BEING OF STRATEGIC IMPORTANCE. THESE FIVE AREAS NOT ONLY UNDERPINNED OUR OPERATIONS DURING THE YEAR, THEY ALSO FORMED THE STRUCTURE FOR OUR KEY OBJECTIVES.

1 TO MAKE RADIO NEW ZEALAND RELEVANT IN A CHANGING ENVIRONMENT

OBJECTIVE	RESULT
Conduct a relevancy audit of all National Radio programming	Achieved
Reflect New Zealand's changing cultural diversity in Radio New Zealand programming, structure and workforce	Partly Achieved
Achieve greater Auckland presence and regionalisation	Achieved
Provide more 'live event' coverage	Achieved
Secure the future of Radio New Zealand International	Achieved
Secure Sound Archives assets	Partly Achieved

2 TO DEAL APPROPRIATELY WITH RAPID TECHNOLOGICAL CHANGE

OBJECTIVE	RESULT
Utilise new technology when and where appropriate	Achieved
Complete the FM transmission network for National Radio	Partly Achieved
Complete national Concert FM transmission coverage	Partly Achieved
Make National Radio available to all New Zealanders	Achieved
Make efficient audio on demand available via the internet	Achieved

3 TO ATTRACT, DEVELOP AND RETAIN STAFF OF THE HIGHEST CALIBRE

OBJECTIVE	RESULT
Create a positive and unified company-wide culture while reflecting New Zealand's increasing cultural diversity	Partly Achieved
Implement a top-down competency model and development plan	Achieved
Develop an integrated remuneration framework	Partly Achieved
Develop and align Human Resource systems and policies	Partly Achieved
Improve communication	Achieved

4 TO GUARANTEE ADEQUATE FUNDING TO MEET CHARTER OBLIGATIONS NOW AND IN THE FUTURE

OBJECTIVE	RESULT
Secure enhanced long-term direct funding arrangement with Government which preserves the independence and editorial integrity of Radio New Zealand	Not Achieved
Increase public use and awareness of Sound Archives and its collection	Achieved
Maintain sound financial management	Achieved

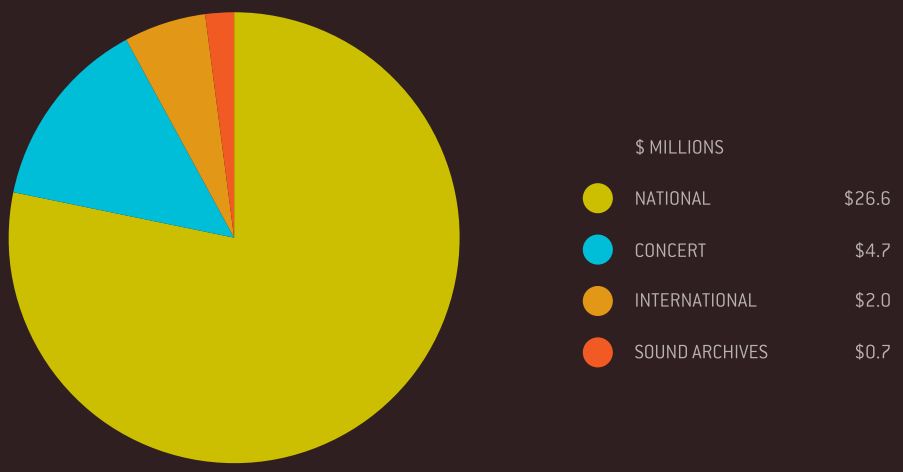
5 TO DEMONSTRATE TO STAKEHOLDERS THAT RADIO NEW ZEALAND DELIVERS EXCELLENT RADIO

OBJECTIVE	RESULT
Use Key Performance Indicators to show Radio New Zealand delivers services to international public service broadcasting standards	N/A*
Apply research to programme and audience development	Achieved
Promote a positive image of Radio New Zealand	Achieved
Increase Concert FM audience	Not Achieved

**International KPI standards yet to be developed*

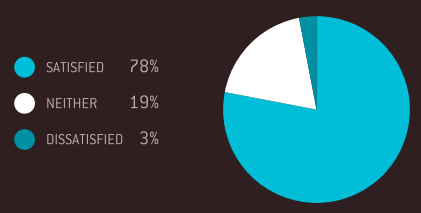
Radio New Zealand Performance

COST OF OPERATIONS

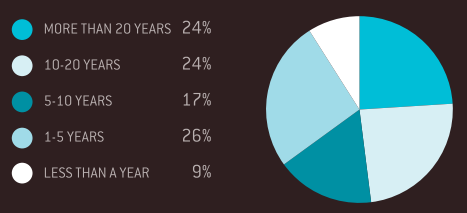


CONCERT FM LISTENERS

AUDIENCE SATISFACTION WITH THE CURRENT PROGRAMMING

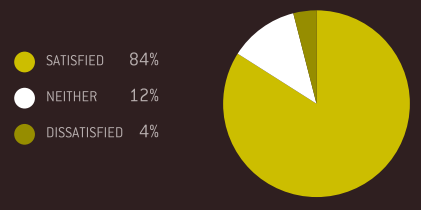


NUMBER OF YEARS LISTENERS HAVE LISTENED

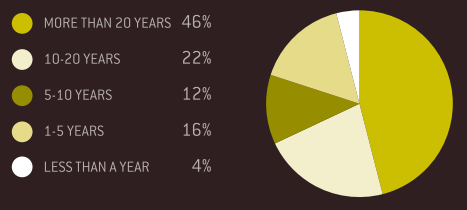


NATIONAL RADIO LISTENERS

AUDIENCE SATISFACTION WITH THE CURRENT PROGRAMMES



NUMBER OF YEARS LISTENERS HAVE LISTENED



Source: Research International All New Zealand Radio Survey 2006 – attitudinal survey of Radio New Zealand listeners aged 15+

Highlights

THIS WAS A YEAR WHEN WE SAW ADVANCES ON SO MANY FRONTS, FROM ASTUTE USE OF TECHNOLOGY TO RECOGNITION OF THE EXCELLENCE OF OUR PEOPLE, NEW THINKING TO HISTORIC MILESTONES. ABOVE ALL, THE YEAR PROVED THAT RADIO NEW ZEALAND IS MORE THAN KEEPING PACE WITH THE CHANGES AND CHALLENGES INVOLVED IN BEST REPRESENTING OUR SOUNDS AS A NATION.

DURING 2005 RADIO NEW ZEALAND CARRIED OUT BROAD-BASED RESEARCH AMONG BOTH LISTENERS AND NON-LISTENERS. KEY FINDINGS INCLUDED HOW NEW ZEALANDERS REGARD RADIO NEW ZEALAND AND THE IMPORTANCE OF PUBLIC SERVICE BROADCASTING:

HERE'S WHAT THE NATION IS THINKING*

91% OF LISTENERS & **75%** OF NON-LISTENERS AGREED IT IS IMPORTANT FOR NEW ZEALAND TO HAVE A PUBLIC SERVICE RADIO-BROADCASTER

84% OF LISTENERS & **59%** OF NON-LISTENERS AGREED THAT RADIO NEW ZEALAND PROVIDES A VALUABLE SERVICE FOR NEW ZEALANDERS

**New Zealanders aged 15+*

Source: Colmar Brunton research, June and July 2005.

No Advertising a Good Thing

Research found that both listeners and non-listeners considered it important that there was no advertising on Radio New Zealand.

Lifestyle Changes Acknowledged

For some people time pressures and lifestyle changes were making it harder for them to listen to Radio New Zealand.

By providing National Radio through podcasting and audio on demand from the Radio New Zealand website, people can listen to content when and where they please. National Radio and Concert FM are also accessible through the Sky Digital network.

Positive Perceptions

National Radio was well perceived by both listeners and non-listeners, especially in terms of being informative, covering relevant topics and being important for New Zealand to have.

Clearing up Branding Confusion

There was confusion about the current branding of Radio New Zealand services and stations.

Implementation of a new branding strategy will create an elegant and simple structure for all Radio New Zealand's business units, services and networks.

Radio New Zealand Website

– The Radio New Zealand website www.radionz.co.nz was re-launched and expanded to include extended news content, live streaming, podcasting and audio-on-demand services.

– Public demand for services from the Radio New Zealand website exceeded all expectations with requests for audio-on-demand items topping one million in just nine months of operation.

– Radio New Zealand listeners can now receive programme content wherever, whenever and however they want it.

Radio New Zealand Charter Review

– Radio New Zealand invited New Zealanders to comment on a proposed new Charter in a wide-ranging public consultation process.

– 165 written submissions were presented and the proposed new Charter received Select Committee approval during the formal Parliamentary review process.

New Zealand Radio Awards

Radio New Zealand won seven categories at the 2006 New Zealand Radio Awards – more than any other broadcaster:

RADIO JOURNALIST OF THE YEAR – *Grant Ogilvie*

BEST DOCUMENTARY PROGRAMME – *Insight – Colin Peacock*

BEST DAILY OR WEEKLY SERIES – *Joint Winners Mediawatch and Nine to Noon*

BEST DRAMATIC PRODUCTION – *Ross Jolly*

BEST NZ-PRODUCED MUSIC PROGRAMME
– The Times Are A Changing – Trevor Reekie

BEST RECORDED LIVE MUSIC EVENT
– The Death of Klinghoffer – Tim Dodd

BEST STUDIO OR O.B RECORDING
– Music Alive: JJ Milteau – Ian Bull

70 Years of Parliamentary Broadcasting

Radio New Zealand celebrated 70 years of broadcasting the proceedings of the New Zealand Parliament.

National Radio FM Transmitters

Radio New Zealand extended the National Radio FM transmission network to include Kaitaia, Kaikohe, Whakatane, Wanganui, Masterton, Ashburton and Queenstown and provided improved coverage for Wanaka.

New Programmes

September 2005 saw the most significant revamp of National Radio's schedules for many years. New programmes were introduced, and the schedule was modified to better reflect the needs and interests of our listeners, both present and future.

Election Coverage

Radio New Zealand had extensive coverage of the New Zealand election, including a series of special election debates around the country and in-depth election day reporting.

Lecture Series

Several major lecture series were broadcast during the year:

– Are Angels OK? – a series of programmes in association with the Royal Society.

– The 2005 MacMillan Brown Lectures featured analysis of the state of New Zealand speech.

– The CBC Massey Lectures featured Canadian writer Thomas King.

– The BBC Reith Lectures featured pianist Daniel Barenboim.

Out and About

Outside broadcasts, live recordings and on-the-spot reporting are a feature of Radio New Zealand's role as a leading public service broadcaster:

– Radio New Zealand News deployed journalists to cover major news stories in the South Pacific, Asia, Solomon Islands, and East Timor and provided in-depth coverage of the Commonwealth Games in Melbourne.

– We recorded 20 concerts during the New Zealand International Festival of the Arts 2006 and 10 more during the Wellington Jazz Festival and also covered concerts presented by the New Zealand Symphony Orchestra during its European tour.

– The Transmission broadcast during New Zealand Music Month was one of the biggest outside broadcasts National Radio has undertaken, with live on-air broadcasts plus audio and video streaming on the web.

– Summer Report was broadcast live from Nelson and the first outside broadcast for Morning Report was staged in Queenstown.

Mozart 250 Celebrations

Concert FM celebrated the 250th anniversary of Mozart's birth with a 24-hour schedule of programmes across his actual birthday, including a 12-hour soundscape based on letters of the Mozart family, his music and events of the period.

The Treaty Debates

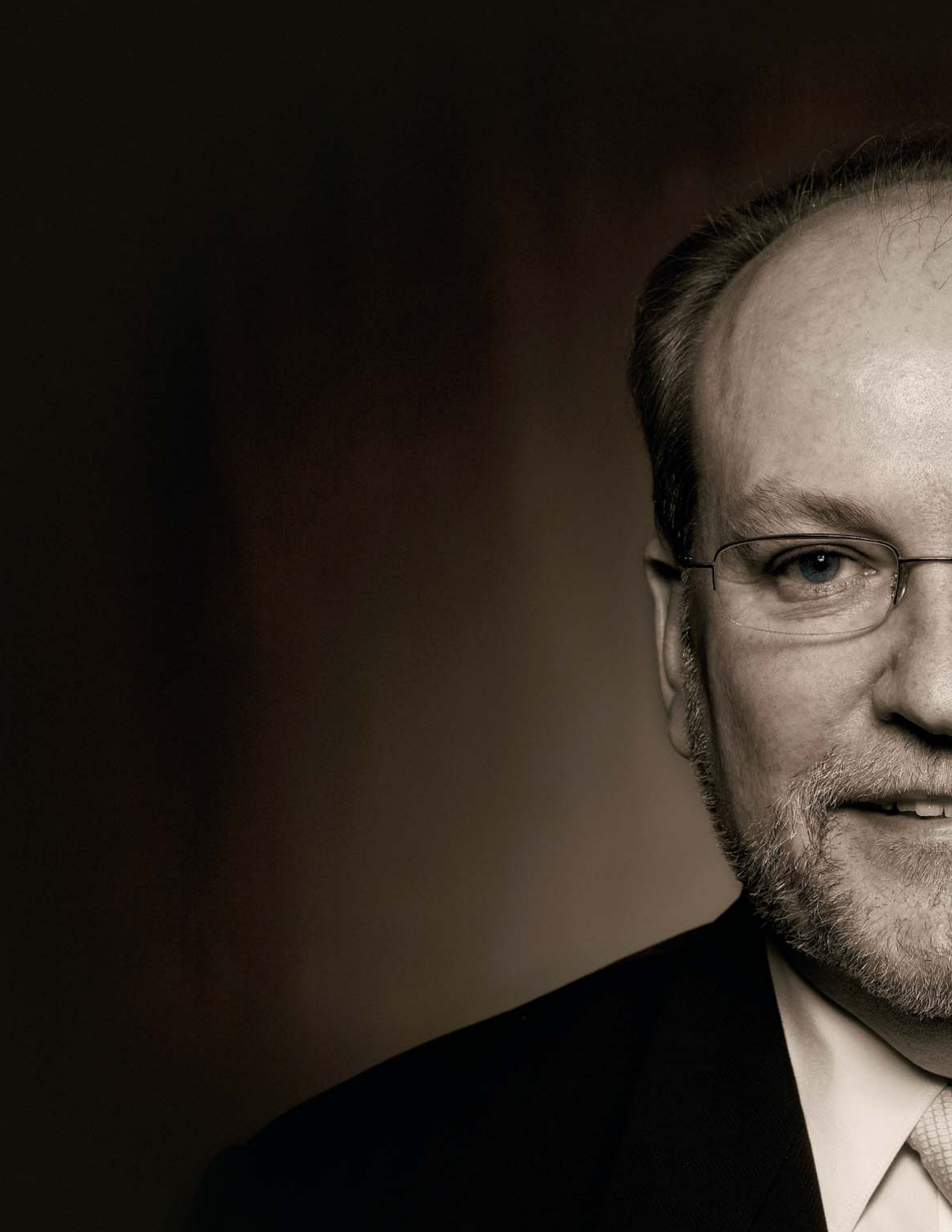
The Treaty Debates, which aired in February, brought together Claudia Orange, Apirana Mahuika, Pat Snedden, Chief Judge Joe Williams, and Sir Geoffrey Palmer to provide a range of perspectives on the place of the Treaty of Waitangi today.

Summer Programmes

Special summer programmes on National Radio included Summer Report, Matinee Idle, Summer Nights and the Saturday afternoon 3D Radio Show.

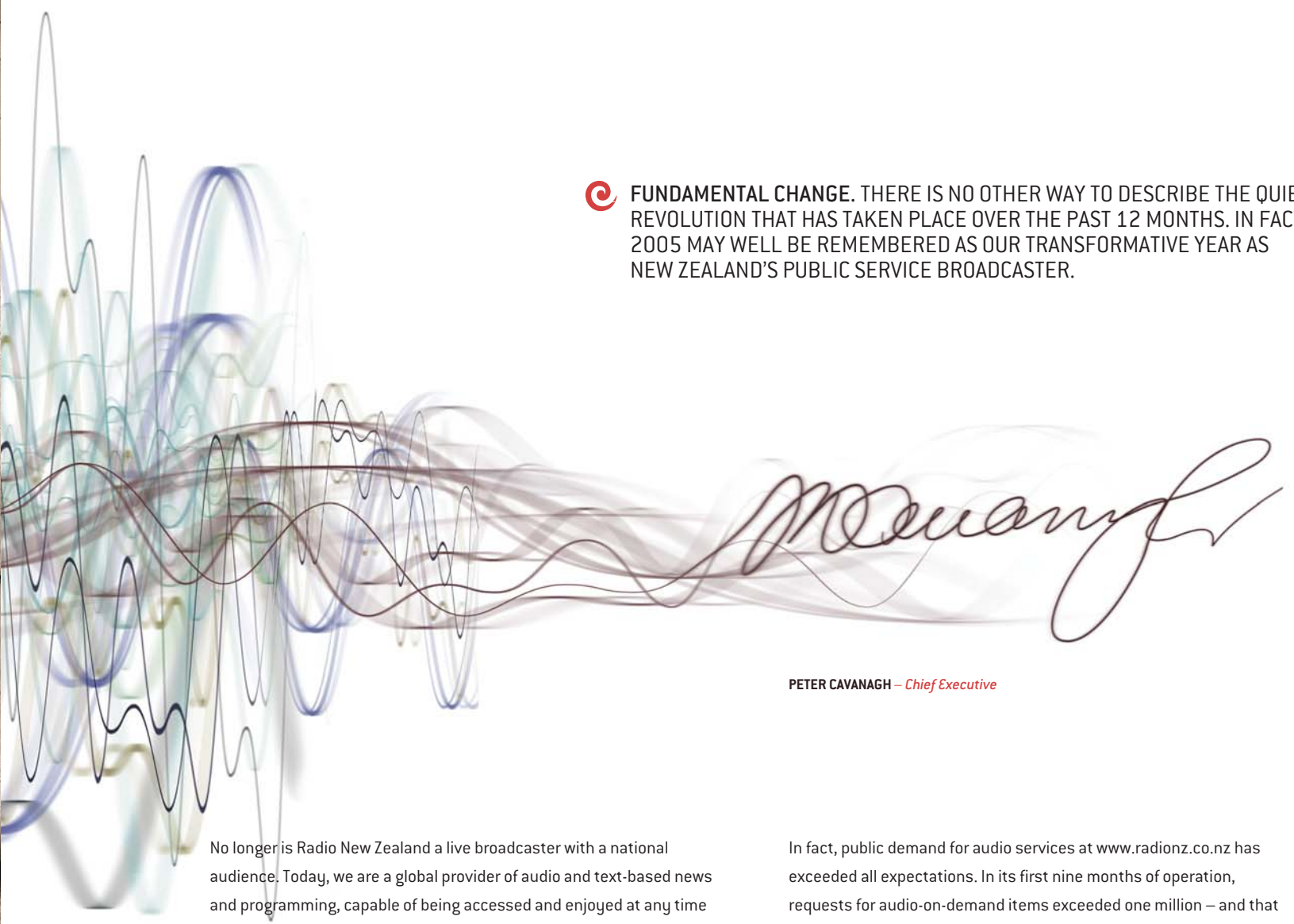
Geoff Robinson

Veteran broadcaster and journalist Geoff Robinson, co-presenter for 30 years of the flagship Morning Report programme on National Radio, received an honorary doctorate in literature from Victoria University of Wellington.



Chief Executive's Overview

FUNDAMENTAL CHANGE. THERE IS NO OTHER WAY TO DESCRIBE THE QUIET REVOLUTION THAT HAS TAKEN PLACE OVER THE PAST 12 MONTHS. IN FACT, 2005 MAY WELL BE REMEMBERED AS OUR TRANSFORMATIVE YEAR AS NEW ZEALAND'S PUBLIC SERVICE BROADCASTER.



PETER CAVANAGH – *Chief Executive*

No longer is Radio New Zealand a live broadcaster with a national audience. Today, we are a global provider of audio and text-based news and programming, capable of being accessed and enjoyed at any time by those who share our passion for New Zealand.

No doubt traditional radio listening will continue to make up the bulk of our audience numbers for some time, but New Zealanders are increasingly accessing our programmes through their computers, MP3 players, cellphones and even their television sets.

That means, to assess the true public value of our role as a public service broadcaster, we must now take into account the full extent of our listening, including time shifted listening via audio-on-demand and podcasting and our growing Pacific and international audiences.

ON AIR, ONLINE

In 2005 Radio New Zealand unveiled a major upgrade of its website that significantly expanded the range of services we deliver online – with live streaming, a high quality text-based news service, podcasting and audio-on-demand – all on the one site. This project has been a major focus of our attention this year and has proven an outstanding success. Radio New Zealand is now better placed than at any time in its history to provide programme content to listeners wherever, whenever and however they want to receive it.

In fact, public demand for audio services at www.radionz.co.nz has exceeded all expectations. In its first nine months of operation, requests for audio-on-demand items exceeded one million – and that demand continues to grow exponentially. By leading the way in digital broadcasting, Radio New Zealand has effectively become a global broadcaster to all New Zealanders – wherever they are in the world.

MEASURING OUR SUCCESS

Radio New Zealand audience survey results have again reinforced the strong position of public service broadcasting in a highly competitive and rapidly changing New Zealand radio market. Roughly one in five people aged 15 and over continue to enjoy live broadcasts from either National Radio and/or Concert FM in an average week.

Changes to the Crown Entities Act 2004 will require us to evaluate and report on a wider qualitative range of non-financial performance measures from next year. To comply with these new regulations, Radio New Zealand is developing a new performance measurement system based on the Radio New Zealand Charter.

This change acknowledges the Charter as the core driver of Radio New Zealand's operation – and recognises that quantitative measures alone are not sufficient to fully evaluate Radio New Zealand's value and performance as a public service broadcaster.

Chief Executive's Overview

INDUSTRY RECOGNITION

We pride ourselves on the quality of our people and the programmes they deliver, so for us peer recognition is a valued and very satisfying measure of the success we are gaining in the highly competitive New Zealand radio industry. This year, judges of the 2006 New Zealand Radio Awards presented Radio New Zealand with eight category awards and four commendations – more than any other radio network.

Grant Ogilvie was named 2006 Radio Journalist of the Year, while Insight, MediaWatch and Nine to Noon each won programme awards. Trevor Reekie was recognised for Best Musical Feature, Ross Jolly for Dramatic Production and Ian Bull and Tim Dodd for the quality of their recordings. Commendations went to Roger Smith, Gareth Watkins, Tim Dodd and Suzanne Schokman.

There was also strong international recognition for the high quality of our programming. Sue Ingram received a special commendation in the news and documentary category of the Asia-Pacific Broadcasting Union Awards for her Insight documentary Pitcairn: A Broken Dream. An award-winning programme about restorative justice by Christchurch producer Halina Ogonowska-Coates was broadcast in the United Kingdom by the BBC, receiving high praise. Enzology, a 12-part documentary series by Jeremy Ansell, covering the history of New Zealand's iconic band Split Enz, was broadcast in Australia by ABC Radio; and He Ara Puoro – A Pathway of Song, a series on traditional Māori music, was broadcast by Radio France.

Veteran broadcaster and journalist Geoff Robinson, co-presenter of the flagship Morning Report programme on National Radio for the past 30 years, received an Honorary Doctorate in Literature from Victoria University of Wellington, a fitting academic acknowledgement of his outstanding contribution to New Zealand broadcasting.

Congratulations to all those who were honoured. You have done yourselves, Radio New Zealand and New Zealand public service broadcasting proud.

PROGRAMMING HIGHLIGHTS

Ultimately, we are judged on our content, and I look back with pride on a year of programmes distinguished by their depth, breadth, richness and outstanding quality:

CHANGES TO THE NATIONAL RADIO SCHEDULE

September 2005 saw the most significant revamp of National Radio's schedules for many years. New programmes were introduced, and the schedule was modified to better reflect the needs and interests of our listeners, both present and future.

Weekdays

- A new Auckland-based programme, Afternoons with Jim Mora, now expands the range and focus of Radio New Zealand's regional coverage.
- Checkpoint has been extended by an hour, increasing our news and current affairs coverage at a time when more listeners are able to hear it.
- A revamped evening schedule has led to Nights with Bryan Crump providing an international perspective as well as showcasing a wide variety of feature material from around the country.

Weekends

- A new Saturday afternoon line-up includes more consumer advice and issues of interest in the form of This Way Up. Music 101 follows, exploring and celebrating the world of contemporary music – particularly for our younger listeners.
- On Sunday afternoon, The Arts on Sunday introduces a rich blend of material for those interested in the arts.
- Later on Sunday, 4 'til 8 frames a varied mix of special-interest programming.
- Saturday and Sunday evenings are rounded out by the nostalgia of Wayne's Music.

Summer

- National Radio's successful blend of special summer programming continued this year with Summer Report providing an engaging mix of hard news and current affairs integrated with lighter, leisure-themed listening.
- In other summer listening, Matinee Idle and Summer Nights both provided bright, live programming which was appreciated by many listeners.
- On Saturday afternoons the 3D Radio Show added its dimension to contemporary music, entertainment and movies.

NEWS AND CURRENT AFFAIRS

Radio New Zealand's expanded regional news coverage was further enhanced this year with the opening of a new upgraded office in Dunedin. This allowed us to move our operations to the central city.

Elections

Naturally, the September general election was a major feature of Radio New Zealand News coverage, with unprecedented attention focused on the closely fought campaign:

- Political reporters were out on the election trail, themed reports and discussions featured on Morning Report and Nine to Noon, and a series of public debates was recorded live in Auckland, Hamilton, Christchurch and Dunedin and broadcast during the lead-up to Election Day.
- The Radio New Zealand Election Special took listeners through the unfolding results on election night itself and a Morning Report Election Special the next day provided in-depth analysis of both the election outcome and the complex negotiations required to form a new government.

Other big events

National Radio provided coverage of the Australian election, and developed special programming for Waitangi and Anzac Days, and for the Budget in May. A New Zealand perspective on international stories was provided by special Insight documentaries on democracy in Indonesia, bird flu in Vietnam, and life in India.

Additional Māori perspectives on the news are now provided in conjunction with Radio Waatea, which supplies Māori news for broadcast in Morning Report and Checkpoint, allowing up-to-date bulletins to be broadcast twice during each programme.

In March, our sports journalists provided detailed coverage of the Commonwealth Games.

In June, extensive coverage of the 'big snow' in Canterbury was followed almost immediately by coverage of the 'big wet' in the lower North Island.

OUT AND ABOUT

Outside broadcasts, live recordings and on-the-spot reporting are a major feature of Radio New Zealand's role as a leading-edge public service broadcaster – and this year, once again, we excelled at being where New Zealanders wanted us to ensure our voices were heard and to deliver to our listeners programmes that sparked their curiosity:

- We deployed journalists to cover major news stories in the South Pacific, Asia, Solomon Islands, and East Timor and provided in-depth coverage of the Commonwealth Games in Melbourne. Summer Report was broadcast live from Nelson and the first outside broadcast for Morning Report was staged in Queenstown.
- In June, two of our major weekly programmes were presented from overseas. Sunday Morning with Chris Laidlaw was broadcast live from Fiji, and Saturday Morning with Kim Hill came live from the BBC studios in London.
- We recorded 20 concerts during the New Zealand International Festival of the Arts and 10 more during the Wellington Jazz Festival. We also covered the Gold Guitar Awards and the New Zealand Country Music Awards in Gore, and Concert FM presented concerts by the New Zealand Symphony Orchestra during its European tour.

Music content and spoken features remain essential elements of day-to-day programming for both National Radio and Concert FM but so too do those special projects and quality live events, often involving hours of production and preparation, that inform and entertain our listeners:

- The Transmission broadcast during New Zealand Music Month was one of the biggest outside broadcasts National Radio has ever undertaken, with live on-air broadcasts augmented by audio and video streaming on the web.
- Several major lecture series were broadcast during the year. A Radio New Zealand collaboration with the Royal Society of New Zealand saw the production of two series of programmes – Are Angels OK? and $E=MC^2$ – each designed to make science more popular and accessible for New Zealand audiences.
- The 2005 MacMillan Brown Lectures analysed the state of New Zealand speech, the CBC Massey Lectures featured Canadian writer Thomas King and the BBC Reith Lectures featured pianist Daniel Barenboim.
- The Waitangi Rua Rau Tau lecture by Sir Howard Morrison was broadcast on Waitangi Day and The Treaty Debates, recorded and broadcast in association with Te Papa Tongarewa, the Museum of New Zealand, aired in February, providing new perspectives on the place of the Treaty of Waitangi in New Zealand society.

Chief Executive's Overview

MUSIC AND THE ARTS

From the music of Wolfgang Amadeus Mozart to the works of writers both local and international, Radio New Zealand spanned tastes in our continuing commitment to a vibrant New Zealand arts scene:

- Concert FM launched 2006 in great style, celebrating the 250th anniversary of Mozart's birth with a round-the-clock schedule of programmes on his birthday, including a 12-hour soundscape based on letters of the Mozart family, the composer's music and events of the period.
- We provided substantial coverage of the New Zealand International Festival of the Arts, with live programmes, critical reviews, and concerts both live and pre-recorded on Concert FM and National Radio.
- Our strong commitment to supporting New Zealand music saw us once again exceed our agreed local music quotas with New Zealand On Air targets. Music Week itself was marked by a series of special documentaries and discussion, and featured a 100% New Zealand music playlist.
- National Radio continued to provide a key entry point for listeners to New Zealand writing and drama with regular readings and commissioned local productions. Literary interviews, analysis and discussion were a major focus when the New Zealand Post Writers and Readers Week celebrated the work of national and international writers.

RADIO NEW ZEALAND INTERNATIONAL

Radio New Zealand International's high quality services to the Pacific have been enhanced thanks to the completion of a project to install a new digital (DRM) shortwave transmitter and diesel generator. The new digital transmitter was operational by March 2006 with final project work completed in July 2006. As part of the project, Radio New Zealand International provided radio stations in eight Pacific countries with new digital receivers. Those stations began relaying the new digital signal by August 2006.

We are now actively promoting both our content and new digital signal across the region, with the aim of encouraging new Pacific broadcasters to start relaying programming and persuading existing re-broadcasters to extend their use of Radio New Zealand International material. Digital receivers will also be installed at stations in other Pacific nations.

Radio New Zealand International's website has continued to attract a high number of users and is increasingly being used by international newspapers, websites and broadcasters as the authoritative news and information source for the Pacific region.

The coming year will see an exchange of programming between Radio New Zealand International and the BBC World Service. Radio New Zealand International will relay a weekday BBC world news programme on shortwave, while the BBC will relay Radio New Zealand International's flagship Pacific current affairs programme on their satellite and FM services in the region.

SOUND ARCHIVES/NGĀ TAONGA KŌRERO

Measures to improve public and radio industry awareness of the value of Radio New Zealand's Sound Archives have paid dividends this year with many individuals and organisations accessing archive services for the first time.

New initiatives have seen weekly contributions to National Radio, the provision of Treaty of Waitangi material for the Radio New Zealand website, and the ongoing supply of material for student radio, Iwi stations and tertiary and cultural institutions.

Notable joint projects have included the Ministry for Culture and Heritage's national online encyclopedia, Te Ara; and the completion of the Māori Battalion CD project in collaboration with the National Library of New Zealand and Atoll Records.

The addition of a digital recording device in the Auckland office marks a significant step forward for Sound Archives, allowing Ngā Taonga Kōrero to easily record Auckland-based Māori and Pacific Island broadcasts and improve access to other Auckland stations.

After many years of archiving hundreds of finalist entries for the New Zealand Radio Awards, Sound Archives/Ngā Taonga Kōrero themselves became a finalist in the Associated Craft category of this year's awards – a notable achievement and a fitting acknowledgement for a very dedicated team.

A QUANTUM LEAP IN PUBLIC VALUE

There has been an important and noticeable growth in the level of public value created by Radio New Zealand during the year – and in my view that value will continue to grow exponentially as our journalists and programme makers fully exploit the potential of our new technology.

I would like to take this opportunity to thank the Chairman and the Board of Governors for their guidance and strong support through the year, and also to the staff of Radio New Zealand – who have so enthusiastically embraced such fundamental cultural and workplace change over the past 12 months – my sincere thanks and admiration.

Our rapid expansion into online broadcasting has freed us from the limitations of fixed live broadcasting and confinement within national boundaries. We can now provide the rich diversity of our programming to those who previously had been unable to listen live and to New Zealanders living all over the world.

Executive Team

PETER CAVANAGH
Chief Executive and Editor in Chief

KEN LAW
Deputy Chief Executive and Company Secretary

JOHN HOWSON
Networks Presentation Manager

DON ROOD
Managing Editor News

PAUL BUSHNELL
Group Manager, Spoken Features

MILES ROGERS
Group Manager, Music

MATTHEW FINN
Broadcast Infrastructure Manager

LINDEN CLARK
Manager, Radio New Zealand International

RACHEL LORD
Chief Archivist, Sound Archives/Ngā Taonga Kōrero

DALE MCFARLANE
Human Resources Manager

JOHN BARR
Communications Manager

Divisional Structure

RADIO NEW ZEALAND BLENDS A FULL RANGE OF DISCIPLINES IN ITS COMPREHENSIVE AND NATIONWIDE PUBLIC SERVICE BROADCASTING ROLE. NO OTHER RADIO ENTITY IS AS COMMITTED TO CAPTURING AND BROADCASTING THE DEFINING INTERESTS, ASPECTS AND ISSUES THAT REFLECT OUR NATIONAL IDENTITY.

PROGRAMME GROUP

Programme strategy, format, commissioning, special projects.

MUSIC

Network music programming, scheduling and production, music library.

NETWORKS PRESENTATION

Programme presentation and standards, quality assurance, training.

BUSINESS AND BROADCAST INFRASTRUCTURE SERVICES

Finance, business development, human resources, communications, audience research, information technology, transmission and studio infrastructure support and management, AM Network, Replay Radio and website operations.

RADIO NEW ZEALAND NEWS

News, Sport, Morning Report, Checkpoint, Insight, Focus on Politics, Worldwatch.

RADIO NEW ZEALAND INTERNATIONAL

International shortwave radio service funded through the Ministry for Culture and Heritage.

SPOKEN FEATURES

Specialist features, documentaries and drama.

RADIO NEW ZEALAND SOUND ARCHIVES/ NGĀ TAONGA KŌRERO

New Zealand's radio archive. A wholly owned subsidiary of Radio New Zealand.

FOR MORE THAN 10 YEARS, RADIO NEW ZEALAND HAS SOUGHT TO DELIVER TO NEW ZEALANDERS THE HIGHEST QUALITY BROADCASTING SERVICES IT CAN ACCORDING TO ITS CHARTER. NOW, WITH THE REVISED CHARTER PENDING APPROVAL, WE ARE COMMITTED TO DOING ALL WE CAN TO GIVE AS MANY NEW ZEALANDERS AS POSSIBLE ACCESS TO THE SOUNDS AND VOICES THEY KNOW AND TREASURE AS THEIR OWN.

Radio New Zealand broadcasts over three nationwide networks: National Radio; Concert FM; and the AM Network, which relays Parliamentary proceedings; and one international shortwave network, Radio New Zealand International. In addition, the Radio New Zealand website provides access to network programming via live streaming, audio-on-demand and podcasting services.

NZ On Air is Radio New Zealand's principal source of income, relaying government funding for National Radio, Concert FM and Radio New Zealand Sound Archives/Ngā Taonga Kōrero. Additional public funding is received from Parliamentary Services for Parliamentary broadcasts. Radio New Zealand International is funded through the Ministry for Culture and Heritage. Further revenue is derived from the public sale of Radio New Zealand programmes and services.

NATIONAL RADIO

National Radio is "the voice of New Zealand", broadcasting programmes that aim to reflect and develop our national identity and culture.

The network's programme mix includes news and current affairs, informative documentaries and features, drama and music. At least 33% of the music it broadcasts is New Zealand in origin.

Talk-oriented programmes make up 60% of air time. National Radio is well known for its high profile programmes and personalities, including Nine to Noon with Kathryn Ryan, Afternoons with Jim Mora, Nights with Bryan Crump, Saturday Morning with Kim Hill, and Sunday Morning with Chris Laidlaw.

SPOKEN AND MUSIC FEATURES

Specialist programmes add to the richness and diversity of National Radio's broadcast schedule. Features and documentaries produced exclusively for the network offer listeners a broader programme choice than any other radio station in New Zealand.

These range from programmes that address the needs of particular segments of the community, such as rural listeners and the disabled, to long-established series like Spectrum, which reflect New Zealand's identity. International programming from public radio networks around the world provides another dimension. We aim to produce programmes with mainstream appeal, even when they explore issues of special interest.

Drama production includes plays, original comedy and readings of New Zealand literature. Māori programming can also be heard across the schedule. Science, health, technology, environment and media programmes are just some of the features aired, and music programming provides insight into the extraordinarily diverse musical landscape that interests our listeners.

Business Activites

CONCERT FM

Concert FM is Radio New Zealand's fine music network.

Music comprises 85% of air time. The repertoire is mainly classical, with a weekly mix of specialist music programmes covering jazz, contemporary and world music. Radio New Zealand Concert also broadcasts spoken programmes, including a daily music news programme, documentaries and interviews featuring expert local and international contributors and artists.

Concert FM actively promotes New Zealand music and composition, providing an important showcase for the best of the country's top performing artists. Its specialised production department commissions work from New Zealand musicians and composers, and initiates a wide range of musical programmes.

RADIO NEW ZEALAND NEWS

The nation's leading news provider, Radio New Zealand News brings reliable and impartial news and information to New Zealanders, supplying news bulletins to National Radio and Concert FM for broadcast every hour, and every half hour at peak times.

It also produces Radio New Zealand's "flagship" current affairs programmes, Morning Report and Checkpoint, expanding the news with analytical commentary and live interviews. The Sports unit provides comprehensive coverage of national and international sporting events.

The news operation is staffed 24 hours a day, seven days a week, constantly updating news as it happens.

Reporters operate from 12 centres around the country, including newsrooms in Auckland, Wellington and Christchurch. A team of political reporters is based at Parliament. In addition to general coverage, Radio New Zealand News draws on the expertise of specialist correspondents in health, the economy, education, Māori and Pacific issues, business and rural affairs.

International news is sourced primarily from international news agencies. Special news services are sold to private radio stations and other customers. All key news material broadcast is available in screen text/data form.

RADIO NEW ZEALAND INTERNATIONAL

Radio New Zealand International is the country's international radio service and helps develop an appreciation and understanding of New Zealand, both in the Pacific region and beyond. It broadcasts news and information on short wave to audiences in the South Pacific. Its signal is heard by listeners as far away as Japan, North America, the Middle East and Europe, giving New Zealand a wide international presence.

Radio New Zealand International also has a comprehensive internet site at www.rnzi.com with live audio feeds, on-demand news and programmes, and a Pacific news text service.

In addition to providing our Pacific neighbours with independent, comprehensive and reliable news and information, Radio New Zealand International plays an important role in skills training for Pacific broadcasters.

RADIO NEW ZEALAND SOUND ARCHIVES/NGĀ TAONGA KŌRERO

Radio New Zealand Sound Archives/Ngā Taonga Kōrero is New Zealand's leading archive of contemporary and historical radio programmes, and is responsible for collecting, preserving and providing access to New Zealand's audio heritage. The unit maintains a permanent collection of broadcast recordings dating from the 1920s to the present day. Archive status under section 90 of the Copyright Act allows material broadcast by any New Zealand radio station or network to be archived without breaching copyright.

SA/NTK comprises two archive units: Sound Archives, the general archive collection held in Christchurch; and Ngā Taonga Kōrero, the Māori programme archive held in Auckland. SA/NTK's collections give resonance to New Zealand's history, building up a broad picture of New Zealand's social, economic and political development via the medium of sound.

SA/NTK is a limited liability company, wholly owned by Radio New Zealand and funded separately by NZ On Air.

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Statement of Corporate Governance

ROLE OF THE BOARD

Radio New Zealand's Shareholding Ministers, the Minister Responsible for Radio New Zealand and the Minister of Finance, appoint a governing board of directors. The Radio New Zealand constitution sets the size of the Board at a minimum of two and a maximum of nine governors. There were seven governors appointed as at 30 June 2006 following the resignation of Rick Ellis in May 2006.

The Board is responsible under the company's constitution to manage, direct and supervise the company's business and affairs in accordance with the Radio New Zealand Charter set out in section 7 of The Radio New Zealand Act 1995 (dealing with programming) and the Principles of Operation of the company as provided for in section 8. In practice, day-to-day management of the company is delegated to the Chief Executive Officer/Editor in Chief.

The Board, on the advice of the Executive, establishes the company's strategic, business and programming plans, ratifies annual budgets and monitors management's performance against established goals. The Board also considers and approves new policies and business initiatives, authorises transactions outside prescribed delegated authorities of management and appoints the Chief Executive/ Editor in Chief. Procedures are in place at Board, corporate and business unit levels to safeguard the company's assets and its wider commercial interests. A well-established regime of regular reporting is designed to maintain a high standard of internal communication and to ensure the Board remains appropriately informed of all aspects of the company's business and activities.

Board fees are set by the Shareholding Ministers each year.

BOARD CHANGES

Rick Ellis resigned on 1 May 2006.

SUBSIDIARY

A fully owned subsidiary company, Sound Archives/Ngā Taonga Kōrero Limited, was incorporated in August 1998. The subsidiary's directors are the Radio New Zealand Chief Executive (Peter Cavanagh) and a Board member (Ms Judith Fyfe). The subsidiary receives funding from NZ On Air and purchases services from Radio New Zealand to run the archives.

BOARD COMMITTEES

The Board has formally constituted an Audit Committee to focus on audit and risk management issues. All members of the Board are on this committee. This committee met on five occasions during the year. The Board has also established a Remuneration Committee to advise on remuneration, performance and other employment-related issues for the Chief Executive and senior staff. Three Board members serve on this committee and it met on three occasions during the year.

BOARD MEETINGS

The Board normally meets on 11 scheduled occasions each year and convenes special meetings as required.

TABLE OF ATTENDANCE FOR THE YEAR ENDED 30 JUNE 2006	BOARD MEETINGS	AUDIT COMMITTEE	REMUNERATION COMMITTEE
B Corban QSO – Chairman	10	4	3
A Timms – Deputy Chairman	9	4	3
J Fyfe	9	2	–
J Finn	9	3	–
A Dick QSO	10	4	–
R Ellis – resigned 1 May 2006	8	3	–
S Murray	9	3	3
S Taumoepeau	10	4	–

MANAGEMENT AND OPERATING STRUCTURE

Radio New Zealand's organisational structure reflects its core business activities. The structure is reviewed regularly and adjusted where necessary to accommodate new business and to ensure that it remains relevant to a changing trading and operational environment.

The Chief Executive is responsible for the management leadership of the company, its organisational structures, developing and recommending initiatives to the Board, implementing Board decisions and policies, achieving objectives, ensuring the company is properly equipped with skilled personnel, and for various interfaces between the company, its stakeholders and the public. The Chief Executive has a dual role as Editor in Chief. In that role he is responsible to the Board for Radio New Zealand's editorial matters.

The Board and the Chief Executive /Editor in Chief have acknowledged their responsibility by signing the Statement of Responsibility in this report.

AUDITOR

Mr John O'Connell, acting on behalf of the Controller and Auditor-General, is the auditor of Radio New Zealand Limited in accordance with section 32 of the Public Audit Act 2001.

LEGISLATIVE COMPLIANCE

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. The Board has delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure staff are aware of relevant legislative requirements.

Statement of Responsibility

FOR THE YEAR ENDED 30 JUNE 2006

The Board and management of Radio New Zealand Limited are responsible for:

- The preparation of these financial statements and the judgements used in them.
- Establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board and management these financial statements fairly reflect the financial position and operations of Radio New Zealand Limited for the year ended 30 June 2006.

The audit opinion on these financial statements is on page 55.

BRIAN CORBAN QSO – *Chairman*

27 October 2006

PETER CAVANAGH – *Chief Executive and Editor in Chief*

27 October 2006

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2006

A. REPORTING ENTITY

Radio New Zealand Limited is a Crown entity in terms of the Public Finance Act 1989. The company is wholly owned on behalf of the Crown by the two Shareholding Ministers, the Minister Responsible for Radio New Zealand and the Minister of Finance. Radio New Zealand Limited is a company registered under the Companies Act 1993.

The group consists of Radio New Zealand Limited and its subsidiary, Sound Archives/Ngā Taonga Kōrero Limited (100% owned). Sound Archives/Ngā Taonga Kōrero Limited was incorporated in August 1998 and has operated the archive since 1 October 1998.

The financial statements and group financial statements of Radio New Zealand Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Public Finance Act 1989.

In addition Radio New Zealand has reported the funding administered on behalf of the Crown described in note 1 to the financial statements.

B. MEASUREMENT SYSTEM

The financial statements have been prepared on an historical cost basis modified by the revaluation of certain Fixed Assets.

C. ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

1. 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.

All significant inter-company transactions are eliminated on consolidation.

2. BUDGET FIGURES

The budget figures are those approved by the Board in the Statement of Intent set at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

3. 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.

4. TAXATION

Income tax expense is charged in the Statement of Financial Performance in respect of the current year's earnings after allowing for permanent and timing differences.

Deferred taxation is determined on a comprehensive basis using the liability method. Deferred tax assets attributable to timing differences or tax losses are only recognised where there is virtual certainty of realisation.

5. ACCOUNTS RECEIVABLE

Accounts receivable are stated at expected realisable value after providing for doubtful debts and uncollectable debts.

6. INVESTMENTS

Investments, including those in subsidiary companies, are stated at the lower of cost or net realisable value. Any decreases are recognised in the Statement of Financial Performance.

7. NON-CURRENT ASSETS

Property, plant and equipment are stated at historical cost, except for library and archival collections, which are stated at fair value.

Library and archival collections are revalued to fair value at least every five years. Library collections are revalued by independent valuers. Archival collections are revalued by the directors using discounted expected future revenues as an approximation to fair value. From 1 July 2003 library collection acquisitions have been capitalised and depreciation charged in accordance with FRS-3.

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 Performance. To the extent that a revaluation gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance.

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

8. DEPRECIATION

Depreciation is provided on a straight-line basis on all fixed assets 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:

Buildings	20 to 40 years
Leasehold improvements	Term of lease
Plant and equipment	5 to 20 years
Motor vehicles	5 years
Computer equipment	3 to 5 years
Furniture, fittings and other	5 to 10 years
Library books and music collection	10 to 15 years

Capital work in progress is not ordinarily 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.

The sound archive collection has not been depreciated in the current year.

9. EMPLOYEE ENTITLEMENTS

Provision is made for the company's liability for annual, and long service leave. Annual leave has been calculated on an actual entitlement basis at average current rates of pay over the past year in accordance with the Holidays Pay Act 2003, whilst the long service leave provision has been calculated on an actuarial basis.

10. LEASES

Finance leases

Radio New Zealand had no finance leases as at 30 June 2006.

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. Radio New Zealand leases its motor vehicles and a majority of its premises.

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2006

11. FINANCIAL INSTRUMENTS

Radio New Zealand 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 Statement of Financial Performance.

All financial instruments are shown at their fair value.

12. STATEMENT OF CASH FLOWS

Cash means current bank accounts and demand/call deposits.

Operating activities include cash received from all income sources of Radio New Zealand and cash payments made for the supply of goods and services.

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

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

13. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions have been 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.

14. REVENUE RECOGNITION

Radio New Zealand Limited derives revenue from the Government through NZ On Air, from the Ministry for Culture and Heritage, and Parliamentary Services from its trading activities and interest from bank deposits. All revenue is recognised when earned and is reported in the financial period to which it relates.

15. COST ALLOCATION

Radio New Zealand Limited has derived the net cost of service for each significant activity by using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity and usage information.

Criteria for direct and indirect costs

"Direct costs" are those costs directly attributable to a specific output activity. The percentage of identified direct costs to total costs for the consolidated group is 73.23% (2005: 72.86%).

"Indirect costs" are those costs which are not directly attributable to a specific output activity. The percentage of identified indirect costs to total costs for the consolidated group is 26.77% (2005: 27.14%).

Cost drivers for allocation of indirect costs

The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage of broadcasting infrastructure services and equipment. Business infrastructure costs are allocated according to the number of staff in each cost centre. Occupancy costs are allocated in proportion to the cost of floor area occupied.

D. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies from those adopted in the last audited financial statements.

Statement Specifying Financial Performance

FOR THE YEAR ENDED 30 JUNE 2006

The Board agreed financial targets with the Crown at the beginning of the year.

Budget figures are those set out in the 2005-2006 Statement of Intent.

	BUDGET $000	ACHIEVEMENT $000
REVENUE	**33,337**	**33,448**
EXPENDITURE	33,237	34,043
OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION	100	(595)
TAXATION EXPENSE/(BENEFIT)	33	0
NET SURPLUS/(DEFICIT) AFTER TAXATION	**67**	**(595)**
EQUITY	29,290	28,401
WORKING CAPITAL RATIO (Current assets as percentage of current liabilities)	35.4%	64.56%
RATIO OF EQUITY TO TOTAL ASSETS (Equity as percentage of total assets)	82.75%	87.87%

Radio NZ has substantially met its financial performance targets in hours of charter delivery within operating budgets. Both operating revenue and expenses are within 5% material variance limits of budget. These two minor variances combine to yield a net deficit after tax of $595,000 compared to a planned surplus of $67,000.

Equity at the end of the year at $28,401,000 is $889,000 less than budget but within 5% materiality limits. The variance principally arises out of the negative variance of $662,000 in net surplus (deficit) after taxation.

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	GROUP BUDGET 2006 $000	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
OPERATING REVENUE						
NZ On Air:						
National Radio and Concert FM		27,257	27,257	26,675	27,257	26,675
Sound Archives/Ngā Taonga Kōrero		649	649	548	0	0
Ministry for Culture and Heritage		1,899	1,900	1,525	1,900	1,525
Interest income		74	61	278	61	278
Gain on sale of assets		0	0	0	0	0
Other income		3,458	3,581	3,288	4,230	3,836
Total operating revenue	1	**33,337**	**33,448**	**32,314**	**33,448**	**32,314**
OPERATING EXPENDITURE						
Audit fees	2	53	53	51	53	51
Directors' fees	10	225	220	198	220	198
Lease and rental costs		1,348	1,369	1,348	1,369	1,348
Depreciation	9	2,963	2,980	2,890	2,980	2,890
Fixed assets written off		0	4	60	4	60
Superannuation		473	476	443	476	443
Personnel costs		16,943	17,015	15,522	17,015	15,522
Bad debts written off/(recovered)		0	0	0	0	0
Increase/(decrease) in doubtful debts provision		1	(6)	0	(6)	0
Interest expense		0	81	112	81	112
Other expenditure		11,231	11,851	11,670	11,851	11,670
Total operating expenditure		**33,237**	**34,043**	**32,294**	**34,043**	**32,294**
OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION		100	(595)	20	(595)	20
Taxation expense/(benefit)	3	33	0	232	0	232
Net surplus/(deficit) after taxation		**67**	**(595)**	**(212)**	**(595)**	**(212)**

Statement of Movements in Equity

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP BUDGET 2006 $000	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
EQUITY AT BEGINNING OF THE YEAR	22,731	22,504	22,716	21,725	21,937
Increase in asset revaluation reserves	0	0	0	0	0
Increase in share capital	6,492	6,492	0	6,492	0
Net surplus/(deficit) after taxation for the year	67	(595)	(212)	(595)	(212)
Total recognised revenues and expenses	**67**	**(595)**	**(212)**	**(595)**	**(212)**
Equity at the end of the year	**29,290**	**28,401**	**22,504**	**27,622**	**21,725**

The accompanying notes and accounting policies form an integral part of the financial statements.

Statement of Financial Position

AS AT 30 JUNE 2006

	NOTE	GROUP BUDGET 2006 $000	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
EQUITY						
Share capital	4a	20,291	20,291	13,799	20,291	13,799
Revaluation reserve	4b	2,280	2,280	2,280	1,480	1,480
Retained earnings	4c	6,719	5,830	6,425	5,851	6,446
Total equity		**29,290**	**28,401**	**22,504**	**27,622**	**21,725**
CURRENT LIABILITIES						
Trade creditors		3,144	1,872	1,803	1,792	1,713
Employee entitlements	5	1,000	1,203	1,103	1,203	1,103
Provision for tax	3	35	(90)	185	(90)	186
Bank loan	6	1,000	0	2,820	0	2,820
Revenue received in advance		875	568	381	568	381
Total current liabilities		**6,054**	**3,553**	**6,292**	**3,473**	**6,203**
NON-CURRENT LIABILITIES						
Revenue received in advance		0	301	0	301	0
Employee entitlements	5	50	68	58	68	58
		50	**369**	**58**	**369**	**58**
Total liabilities and equity		**35,394**	**32,323**	**28,854**	**31,464**	**27,986**
CURRENT ASSETS						
Bank balances and deposits	7	961	1,148	118	1,091	67
Trade receivables	8	450	653	383	653	366
Other receivables and prepayments		732	493	406	491	406
Total current assets		**2,143**	**2,294**	**907**	**2,235**	**839**
NON-CURRENT ASSETS						
Prepayments		0	663	422	663	422
Fixed assets	9	33,251	29,366	27,525	28,566	26,725
		33,251	**30,029**	**27,947**	**29,229**	**27,147**
Total assets		**35,394**	**32,323**	**28,854**	**31,464**	**27,986**

For and on behalf of the Board

BRIAN CORBAN QSO – *Chairman*
27 October 2006

STEVE MURRAY – *Audit Committee Chairman*
27 October 2006

The accompanying notes and accounting policies form an integral part of the financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	GROUP BUDGET 2006 $000	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Receipts from customers		5,623	5,697	5,134	6,331	5,616
NZ On Air funding		27,900	27,906	27,223	27,257	26,675
Interest earned		78	61	263	61	263
Income tax refund		0	0	0	0	0
GST (net)		0	141	0	141	4
		33,601	33,805	32,620	33,790	32,558
Cash was applied to:						
Payments to employees		17,416	17,381	15,886	17,381	15,886
Payments to suppliers		13,241	13,863	13,724	13,854	13,670
Interest expense		0	81	112	81	112
Income tax paid		15	276	298	276	293
GST (net)		(98)	0	0	0	0
		30,574	31,601	30,020	31,592	29,961
Net cash inflow/(outflow) from operating activities		**3,027**	**2,204**	**2,600**	**2,198**	**2,597**
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from sale of fixed assets		0	0	29	0	29
Cash was applied to:						
Prepayments made		0	25	44	25	44
Purchase of fixed assets		6,924	4,821	14,429	4,821	14,429
		6,924	4,846	14,473	4,846	14,473
Net cash inflow/(outflow) from investing activities		**(6,924)**	**(4,846)**	**(14,444)**	**(4,846)**	**(14,444)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
Increase in capital		6,492	6,492	0	6,492	0
Increase in loan		0	0	2,820	0	2,820
		6,492	6,492	2,820	6,492	2,820
Cash was applied to:						
Repayment of loan		1,689	2,820	0	2,820	0
		1,689	**2,820**	**0**	**2,820**	**0**
Net cash inflow/(outflow) from financing activities		**4,803**	**3,672**	**2,820**	**3,672**	**2,820**
Net increase/(decrease) in cash held		906	1,030	(9,024)	1,024	(9,027)
Add opening bank balance at 1 July		55	118	9,142	67	9,094
Realised foreign exchange gain (loss)		0	0	0	0	0
Closing bank balance at 30 June	7	**961**	**1,148**	**118**	**1,091**	**67**
Comprising:						
Cash and call accounts		961	1,148	118	1,091	67
Demand deposits		0	0	0	0	0
Closing bank balance		**961**	**1,148**	**118**	**1,091**	**67**

The accompanying notes and accounting policies form an integral part of the financial statements.

Reconciliation of the Net Surplus/(Deficit) from Operations with the Net Cash Flows from Operating Activities

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
NET SURPLUS/(DEFICIT) AFTER TAXATION	(595)	(212)	(595)	(212)
Add/(less) non-cash items:				
Depreciation	2,980	2,890	2,980	2,890
Bad debts written off	0	0	0	0
Change in provision for doubtful debts	(6)	0	(6)	0
Fixed assets written off	3	57	3	57
Amortised expenses	138	87	138	87
Other	(40)	23	(40)	23
Total non-cash items	**3,075**	**3,057**	**3,075**	**3,057**
Add/(less) items classified as investing activities:				
Net (gain)/loss on sale of fixed assets	**0**	**3**	**0**	**3**
Add/(less) movements in working capital items:				
Decrease/(increase) in receivables	(360)	398	(377)	332
Decrease/(increase) in prepayments	(87)	91	(85)	91
Increase/(decrease) in creditors and accruals	(116)	(716)	(107)	(653)
Increase/(decrease) in current employee entitlements	100	56	100	56
Increase/(decrease) in revenue received in advance	187	(77)	187	(77)
Working capital movement – net	(276)	(248)	(282)	(251)
Net cash flow from operating activities	**2,204**	**2,600**	**2,198**	**2,597**

The accompanying notes and accounting policies form an integral part of the financial statements.

Statement of Commitments

AS AT 30 JUNE 2006

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
Capital commitments approved and contracted	122	1,986	122	1,986
Non-cancellable operating lease commitments:				
– payable within 1 year	1,142	975	1,142	975
– payable between 1-2 years	1,080	968	1,080	968
– payable between 2-5 years	849	1,649	849	1,649
– payable after 5 years	370	388	370	388
	3,441	3,980	3,441	3,980
Other non-cancellable operating commitments:				
– payable within 1 year	3,333	3,215	3,333	3,215
– payable between 1-2 years	2,572	2,295	2,572	2,295
– payable between 2-5 years	4,214	5,724	4,214	5,724
– payable after 5 years	0	1,361	0	1,361
	10,119	12,595	10,119	12,595
Total non-cancellable commitments	**13,560**	**16,575**	**13,560**	**16,575**

Statement of Contingent Liabilities

AS AT 30 JUNE 2006

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
Legal proceedings and disputes with third parties.	910	1,125	910	1,125

The accompanying notes and accounting policies form an integral part of the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

1. TRANSACTIONS WITH RELATED PARTIES

FUNDING

Radio New Zealand Limited received funding of $27.91 million (2005: $27.22 million) from NZ On Air for the year ended 30 June 2006. The contract between the two parties for broadcasting services prescribes the services which must be provided in relation to transmission coverage and hours, and types of programmes to be broadcast, and also places restrictions on advertising.

Included in the above amount is $649,000 funding received by the subsidiary company of Radio New Zealand Limited, Sound Archives/Ngā Taonga Kōrero Limited, under separate contract for sound archiving services for the year ended 30 June 2006 (2005: $548,000).

Radio New Zealand International, a division of Radio New Zealand Limited, received funding of $1.90 million (2005: $1.52 million) from the Ministry for Culture and Heritage for the year ended 30 June 2006.

Transactions with other State Owned Enterprises and Government departments are carried out on an arm's length basis.

INTER-GROUP TRANSACTIONS

An agreement for supply of services between Radio New Zealand Limited and Sound Archives/Ngā Taonga Kōrero Limited outlines the management fee paid by Sound Archives/Ngā Taonga Kōrero Limited for personnel and other resources to service the Archives.

An amount of $720,000 has been transacted, for the period 1 July 2005 to 30 June 2006 (2005: $639,000).

KEY MANAGEMENT AND DIRECTORS

Brian Corban, the Chairman of Radio New Zealand Limited's Board, is also Chairman of Genesis Power Limited, which is the main power supplier for Radio New Zealand Limited. In the current period $471,372 (2005: $449,413) was paid to Genesis Power Limited. These transactions are on normal commercial terms. There are no other material transactions between directors and senior management and Radio New Zealand Limited in any capacity other than that for which they are employed. There are no other related party transactions.

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
2. AUDIT FEES				
FEES PAID TO AUDITORS				
External audit	53	51	53	51
	53	**51**	**53**	**51**

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
3. TAXATION				
NET SURPLUS/(DEFICIT) BEFORE TAXATION	(595)	20	(595)	20
Tax @ 33%	(196)	7	(196)	7
Plus/(less) the tax effect of:				
Permanent differences	(12)	32	(12)	32
Timing differences not recognised	56	193	56	193
Prior year adjustment	0	0	0	0
Tax loss not recognised	152	0	152	0
Tax expense/(benefit)	**0**	**232**	**0**	**232**
Current tax/(benefit)	0	232	0	232
IMPUTATION CREDIT ACCOUNT				
Opening balance	1,099	800	1,095	800
Tax paid	276	299	276	295
Tax refunded	(0)	(0)	(0)	(0)
Closing balance	**1,375**	**1,099**	**1,371**	**1,095**
PROVISION FOR INCOME TAX				
Opening balance	(185)	(253)	(186)	(249)
Tax paid	276	300	276	295
Tax refunded	(1)	0	0	0
Use of money interest	0	0	0	0
Current tax	0	(232)	0	(232)
Taxation receivable/(payable)	**90**	**(185)**	**90**	**(186)**

A deferred tax benefit of $778,726 (2005: $722,798) has not been recognised. Unrecognised tax losses of $460,650 (2005: $0) are available to carry forward. A tax loss benefit of $0 (2005: $0) has been recognised. Subsequent realisation of this benefit is subject to the requirements of income tax legislation being met.

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
4A. SHARE CAPITAL				
(i) Ordinary shares				
Ordinary shares on issue at 30 June 2006	**16,171**	**9,679**	**16,171**	**9,679**
Ordinary shares have the following rights:				
(a) Normal voting rights				
(b) No fixed dividend rights.				
(ii) Redeemable preference shares of $1 each				
Preference shares on issue at 30 June 2006	**4,120**	**4,120**	**4,120**	**4,120**

Redeemable preference shares have the following rights:

(a) No voting rights except:
  (i) In the event of a liquidation or any proposal of liquidation.
  (ii) When the company is in default in the payment of any dividend.

(b) The right to:
  (i) A non-cumulative preferential dividend at a rate equal to the aggregate 5 year Benchmark Bond rate plus 1%.
  (ii) All dividends shall be payable by equal half yearly instalments on 31 May and 30 November in each calendar year.
  (iii) The priority to receive such dividends over rights of ordinary shareholders to receive a dividend.
  (iv) Dividends commence from 1 December 1998.

(c) On redemption, the company shall redeem the preference shares in cash, by repaying the capital paid up or credited as paid up.

Total issued share capital	**20,291**	**13,799**	**20,291**	**13,799**
4B. REVALUATION RESERVE				
Balance as at 1 July 2005	**2,280**	**2,280**	**1,480**	**1,480**
Revaluation of fixed assets as per FRS-3	–	–	–	–
Balance as at 30 June 2006	**2,280**	**2,280**	**1,480**	**1,480**
4C. RETAINED EARNINGS				
Retained earnings at 1 July 2005	6,425	6,637	6,446	6,658
Operating surplus/(deficit)	(595)	(212)	(595)	(212)
Retained earnings at 30 June 2006	**5,830**	**6,425**	**5,851**	**6,446**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP ACTUAL 2006 $000	GROUP ACTUAL 2005 $000	PARENT ACTUAL 2006 $000	PARENT ACTUAL 2005 $000
5. EMPLOYEE ENTITLEMENTS				
Annual leave	1,083	1,024	1,083	1,024
Other payroll accruals	188	137	188	137
	1,271	**1,161**	**1,271**	**1,161**
Made up of:				
Current	1,203	1,103	1,203	1,103
Non-current	68	58	68	58
	1,271	**1,161**	**1,271**	**1,161**
6. BANK LOAN				
Multi option credit line	0	2,820	0	2,820

Radio New Zealand negotiated a redrawable line of credit of $8,000,000 with Westpac Banking Corporation in December 2004. Advances are unsecured and as at 30 June 2006 the company had no balance drawn down. The credit advance was a short-term market advance and the interest rate charged was the Westpac offer rate at the time the advance was made – 7.18% plus a margin of 0.45%. The effective rate at year end was 7.63%.

7. BANK BALANCES AND DEPOSITS				
Call and cheque accounts	1,148	118	1,091	67
Term deposits	0	0	0	0
	1,148	**118**	**1,091**	**67**
8. TRADE RECEIVABLES				
Trade receivables	657	393	657	376
Provision for doubtful debts	(4)	(10)	(4)	(10)
	653	**383**	**653**	**366**

9. FIXED ASSETS

ASSET	2006 $000 COST/ VALUATN	2006 $000 ACCUM DEPN	2006 $000 NET BOOK VALUE	2005 $000 COST/ VALUATN	2005 $000 ACCUM DEPN	2005 $000 NET BOOK VALUE	2006 $000 ANNUAL DEPN	2005 $000 ANNUAL DEPN
GROUP								
Land	5,138	0	5,138	5,138	0	5,138	0	0
Buildings	9,465	(1,300)	8,165	6,640	(953)	5,687	347	255
Leasehold improvements	6,008	(3,248)	2,760	5,846	(2,803)	3,043	445	372
Plant and equipment	15,900	(11,943)	3,957	15,195	(11,166)	4,029	930	848
Libraries and archival collection	3,021	(432)	2,589	2,883	(227)	2,656	170	144
Computer hardware and software	9,377	(7,550)	1,827	8,296	(7,108)	1,188	868	1,108
Furniture, fittings and other	2,369	(1,535)	834	1,907	(1,318)	589	220	163
Capital work in progress:								
Buildings	0	0	0	2,238	0	2,238	0	0
Plant and equipment	3,741	0	3,741	1,828	0	1,828	0	0
Libraries and archival collection	0	0	0	1	0	1	0	0
Computer hardware and software	353	0	353	996	0	996	0	0
Furniture, fittings and other	2	0	2	132	0	132	0	0
Total fixed assets	**55,374**	**(26,008)**	**29,366**	**51,100**	**(23,575)**	**27,525**	**2,980**	**2,890**
PARENT								
Land	5,138	0	5,138	5,142	0	5,142	0	0
Buildings	9,465	(1,300)	8,165	6,636	(953)	5,683	347	255
Leasehold improvements	6,008	(3,248)	2,760	5,846	(2,803)	3,043	445	372
Plant and equipment	15,900	(11,943)	3,957	15,195	(11,166)	4,029	930	848
Libraries and archival collection	2,221	(432)	1,789	2,083	(227)	1,856	170	144
Computer hardware and software	9,377	(7,550)	1,827	8,296	(7,108)	1,188	868	1,108
Furniture, fittings and other	2,369	(1,535)	834	1,907	(1,318)	589	220	163
Capital work in progress:								
Buildings	0	0	0	2,238	0	2,238	0	0
Plant and equipment	3,741	0	3,741	1,828	0	1,828	0	0
Libraries and archival collection	353	0	353	1	0	1	0	0
Computer hardware and software	2	0	2	996	0	996	0	0
Furniture, fittings and other	0	0	0	132	0	132	0	0
Total fixed assets	**54,574**	**(26,008)**	**28,566**	**50,300**	**(23,575)**	**26,725**	**2,980**	**2,890**

VALUATION

Radio New Zealand Limited has significant library and music collections. In accordance with FRS 3 Accounting for Property, Plant and Equipment these values have been reflected in the Statement of Financial Position.

The reference library was valued at $433,000 and the music library was valued at $1.4 million. The valuations were completed by Rolle Limited (independent valuers) as at 30 June 2003.

The company's 100% owned subsidiary, Sound Archives Ngā Taonga Kōrero Limited, has a substantial archival collection of valuable radio recordings, and was valued at $800,000. This valuation was completed by the directors of Sound Archives Ngā Taonga Kōrero Limited as at 30 June 2002.

Depreciation has not been charged on the archival assets collection in 2005/2006.

10. DIRECTORS

DIRECTORS' REMUNERATION

The following persons held office as director during the year and received the following remuneration:

	2006 $	2005 $
B Corban – Chairman	45,000	45,000
A Timms – Deputy Chairman	33,750	33,750
S Huria – retired 29/3/2005	0	19,500
J Fyfe	23,000	23,000
J Finn	23,000	23,000
A Dick	23,000	23,000
R Ellis – resigned 1/5/2006	22,500	27,000
S Murray	26,334	1,917
S Taumoepeau	23,000	1,917
	219,584	**198,084**

DIRECTORS' INTERESTS

BRIAN CORBAN QSO

Chairman and Shareholder	Corban Consultants Limited, Lindsay Corban Associates Limited, Ngatarawa Wines Limited, Coronis Investments Limited
Consultant	Corban Revell Lawyers
Chairman	Melanesian Mission Trust Board, Genesis Power Limited, Corbans Viticulture Limited, West Auckland Trust Services Limited, Butts Bainbridge & Weir Limited, Corban Estate Arts Centre, Languages International Limited, Frontier Global Limited
Trustee	Royal New Zealand Navy Museum, West Auckland Hospice Foundation Trust, Corban Estate Arts Centre, Prince of Wales Trust
Advisory Council Member	Church of Melanesia

ALISON TIMMS

Chairman	Insurance and Savings Ombudsman Commission
Consultant	Independent Consultant
Trustee	Mercer Individual Retirement Plan
Member	New Zealand Parole Board
Director	Wellington Waterfront Limited

JUDITH FYFE

Principal	Fyfe and Doherty
Co-Director	City Associates
Director	Sound Archives/Ngā Taonga Kōrero Limited
Member	Arts Board of Creative New Zealand, Copyright Tribunal
Trustee	New Zealand Branch of Cambodia Trust, Wellington Women's Boarding House Trust, Alexander Turnbull Library Endowment Trust

JUDY FINN	
Director and Shareholder	Neudorf Vineyards Limited
Trustee	Suter Gallery Trust
Director	Pinot Noir 2007

ALAN DICK QSO	
Consultant	Business and Commercial Property
Chairman	Hawke's Bay Lotteries Grants Allocation Committee
Deputy Chairman/Councillor	Hawke's Bay Regional Council
Director	ALIZ Investments Limited
Trustee	Napier Cadet Academy Charitable Trust, Hawke's Bay Addiction Centre Trust

RICK ELLIS *(Resigned 1 May 2006)*	
Managing Director	EDS (New Zealand) Limited
Chairman	Television Local Content Quota Group
Director	Gulliver's Travel Group Ltd
Member	Advisory Board Auckland Campus of Massey University

STEVE MURRAY	
Managing Director	EDS (New Zealand) Limited

SIFA TAUMOEPEAU	
Manager Government Affairs	SKYCITY Entertainment Group Limited

DIRECTORS' INDEMNITY AND INSURANCE

Radio New Zealand Limited has insured all of its directors against liabilities to other parties (except the company or a related party of the company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

11. EMPLOYEE REMUNERATION

Details of remuneration ranges for employees whose remuneration is over $100,000 for the year ended 30 June 2006 are:

	NUMBER OF EMPLOYEES	
REMUNERATION RANGES FOR EMPLOYEES	2006	2005
$100,000 – 109,999	3	3
$110,000 – 119,999	2	2
$120,000 – 129,999	1	1
$130,000 – 139,999	0	1
$140,000 – 149,999	1	0
$150,000 – 159,999	1	0
$170,000 – 179,999	0	1
$260,000 – 269,999	0	1
$280,000 – 289,999	1	0
Total number of employees in these ranges	**9**	**9**

The Chief Executive's remuneration is within the $280,000 – $289,999 range.

12. FINANCIAL INSTRUMENTS

Nature of activities and management policies in respect to financial instruments:

(A) CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Radio New Zealand Limited in 2005/2006 had exposure to foreign exchange risk, which arose from transactions denominated in foreign currencies arising from the Radio New Zealand International shortwave transmitter project. In accordance with Radio New Zealand policy, foreign exchange contracts were purchased to manage the risk. As at balance date there were no foreign exchange contracts as the project was largely completed (the value of contracts at 30 June 2005 was NZ$1,775,477 and their fair values as at 30 June 2005 totalled NZ$1,551,437).

(B) CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to Radio New Zealand Limited, causing Radio New Zealand Limited to incur a loss. In the normal course of its business Radio New Zealand Limited incurs credit risk from trade debtors and transactions with financial institutions.

Radio New Zealand Limited has a credit policy, which is used to manage exposure to credit risk. Radio New Zealand Limited does not require any collateral or security to support financial instruments, as it only deposits with banks with high credit ratings.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance on NZ On Air for 83% of Radio New Zealand Limited's revenue. However, NZ On Air is a high-quality credit entity, being the government purchaser of national broadcasting services.

Radio New Zealand Limited does not have any other significant concentrations of credit risk.

(C) INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company has some interest rate risk on its borrowings with the bank, which at balance was at call rates. Surplus funds are invested on call or short-term deposit.

(D) FAIR VALUES

The carrying value of cash and liquid deposits, investments, accounts receivable, other receivables, dividends payable, bank borrowings, accounts payable and other creditors is equivalent to their fair value. None of the company's financial assets or liabilities are considered to have a fair value which differs from their carrying value. The company is not involved in any off balance sheet activities.

13. POST BALANCE DATE EVENTS

A variation to the line of credit arrangement has been negotiated with the company's banker, Westpac. The maximum limit has dropped from $8 million to $3.5 million and includes an overdraft facility of up to $250,000. Credit rating regulations under the Crown Entities Act 2004 have been met as at 30 June 2006.

14. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Radio New Zealand will be adopting the proposed New Zealand International Financial Reporting Standards (NZ IFRS) on 1 July 2007, essentially following the Crown's timing. In complying with NZ IFRS for the first time for the year ended 30 June 2008, Radio New Zealand will restate comparative balances applying NZ IFRS. This will require a restatement of opening balances as at 30 June 2006, the incorporation of initial transitional adjustments, and the restatement of balances which may impact the financial performance, financial position and cash flow.

Radio New Zealand's preliminary view is that its organisational classification is a Public Benefit Entity (PBE) as opposed to a Profit Orientated Entity. A classification as a PBE will affect the selection of accounting policies required under NZ IFRS. Radio New Zealand has commenced a project to initially assess the key impact of NZ IFRS, and subsequently ensure the 30 June 2008 financial statements comply. The project team is in the early stages of the NZ IFRS conversion. The full quantitative and qualitative impact on the financial statements has yet to be determined. However it is noted:

IMPACT OF NZ IFRS ON RADIO NEW ZEALAND

Disclosure

Potential changes will be:

- disclosure of information within the primary financial statements rather than the notes;
- additional details on non-current assets and their movements; and
- calculation and the analysis of deferred tax balances.

Deferred taxation

The approach to measuring deferred tax liabilities under NZ IAS 12 is fundamentally different to SSAP 12 Accounting for Taxes. Under SSAP 12 revaluation of non-current assets generates temporary tax differences which result in a deferred tax liability and are generally not recognised but are recognised under NZ IFRS 12.

Employee benefits

NZ IAS 19 requires an entity to:

- recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- recognise an expense when Radio New Zealand consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Long service leave is already recognised by Radio New Zealand on an actuarial basis as opposed to recognising a liability on entitlement. No further effect on the income statement will occur.

Other employee benefits may have an effect. A quantification exercise will be undertaken of current and proposed employment clauses relating to such benefits to gauge the financial impact.

Financial ratios relating to equity

NZ IFRS potentially requires Redeemable Preference Shares to be classified as debt rather than equity in the determination of debt. This will affect any financial ratio with a debt or equity component in it.

SUMMARY

There are likely to be other measurement, recognition and disclosure differences when Radio New Zealand adopts NZ IFRS. In accordance with New Zealand Accounting Standard FRS-41, management notes the actual impact of adopting NZ IFRS may vary from the information presented, and the variation may be material. Once Radio New Zealand determines the restated opening balances then a more definitive determination of the financial effects of NZ IFRS may be known.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

This statement reports on the performance of Radio New Zealand Limited in relation to the objectives and output targets set in its Statement of Intent for the year ended 30 June 2006.

	NATIONAL RADIO 2006 $000	CONCERT FM 2006 $000	SA/NTK 2006 $000	RNZI 2006 $000	TOTAL 2006 $000
RECONCILIATION OF OUTPUT FINANCIAL STATEMENTS TO GROUP NET SURPLUS/(DEFICIT) BEFORE TAX					
INCOME					
NZ On Air funding	22,382	4,807	649	71	27,909
MCH funding	–	–	–	1,900	1,900
Other	3,039	360	71	169	3,639
Total income	**25,421**	**5,167**	**720**	**2,140**	**33,448**
EXPENDITURE					
NZ On Air operations	26,606	4,757	720	–	32,083
MCH operations	–	–	–	1,960	1,960
Total expenditure	**26,606**	**4,757**	**720**	**1,960**	**34,043**
Net surplus/(deficit)	**(1,185)**	**410**	**0**	**180**	**(595)**

OUTPUT: NATIONAL RADIO

ROLE

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

1. Listenership

OBJECTIVE

Listenership as measured by type of rating will equal or exceed the specified targets.

RESULT

		RESEARCH INTERNATIONAL SURVEY ACTUAL 2006	TARGET MINIMUM	RESEARCH INTERNATIONAL SURVEY ACTUAL 2005
TYPE OF RATING	DESCRIPTION			
Cume	Number of different people listening for at least an 8 minute period from Monday to Sunday, 6am to midnight.	469,900	480,000	514,800
Average quarter hour audience	Average number of listeners that can be expected to be listening in any quarter hour from Monday to Sunday, 6am to midnight.	46,400	49,000	49,400
Time spent listening (TSL)	The average time (hrs:mins) a listener spends listening from Monday to Sunday, 6am to midnight.	12:26	12:43	12:05

The surveyed 2006 audience (6am to midnight) of 469,900 does not exceed the minimum required of 480,000. Thus, the cume audience objective has not been achieved. However the actual audience size (Monday to Sunday 6am to midnight) for the National Radio network in 2006 is statistically unchanged compared with 2005. National Radio has 469,900 listeners aged 15 years and over. This represents 16.3% of the total population aged 15 years and over. The audience in 2005 was 514,800.

Among radio listeners in general, National Radio retains a large market share among people aged 15 years and over, with 10.4% of the market (Monday to Sunday, 6am to midnight). The average time a listener spends listening to National Radio has increased 21 minutes since 2005 but is still below target.

Since the 2005 survey in May/June 2005 Radio New Zealand has improved access to its programming through its website. This enables people to " time-shift" their listening using the audio on demand service. The time-shift audience accessing National Radio through its website is not included in the survey results above. The Radio New Zealand website has proved very popular and from July 2005 to June 2006 the site has seen a seven-fold increase in traffic. The audio on demand service, which was new in October 2005, had over 278,000 audio item requests from the Radio New Zealand servers in May/June 2006.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

2. Programme Hours by Category

OBJECTIVE

To deliver the following programme hours by category as specified in the NZ On Air funding agreement.

RESULT

PROGRAMME CATEGORY	2006 ACTUAL BROADCAST HOURS/YEAR	2006 TARGET BROADCAST HOURS/YEAR	2005 ACTUAL BROADCAST HOURS/YEAR
Total broadcast hours	8,760	8,760	8,760
New Zealand content programmes	8,027	7,505	7,882
Māori language and culture	309	350	372
Special interest	352	339	339
New Zealand drama	308	194	257
% New Zealand music on rotate	39%	33%	36%

The objective has been met or exceeded in five of the six categories. Although there is a slight underachievement in respect of Māori language and culture programming, this type of programming is becoming increasingly integrated into overall programming and is not measured separately.

3. Programme Hours by Charter Function

OBJECTIVE

To deliver target programme hours by specific Charter function.

RESULT

	2006 HOURS	ACTUAL % HOURS	2006 HOURS	TARGET % HOURS	2005 HOURS	ACTUAL % HOURS
CHARTER FUNCTIONS[1]						
A. Intellectual, scientific and cultural development. Informed debate and critical thought.	7,595	87%	7,446	85%	7,384	84%
B. Information, special interest and entertainment. Reflect cultural diversity including Māori language and culture.	8,027	92%	7,534	86%	7,888	90%
C. Varied interests within the community. Information, special interest and entertainment.	1,323	15%	1,664	19%	1,582	18%
D. Musical, drama and performing arts. New Zealand and international composers, performers and artists.	1,732	20%	2,014	23%	2,193	25%
E. Nationwide service, highest quality. Sense of citizenship and national identity.	8,760	100%	8,760	100%	8,760	100%
F. Comprehensive, independent, impartial, balanced news and current affairs. Regional perspective.	2,327	27%	2,452	28%	2,360	27%
G. Comprehensive, independent, impartial, balanced international news and current affairs.	1,130	13%	1,084	12%	1,127	13%

The targets by Charter function have generally been achieved.

Actual service levels have met or exceeded target for four of the seven Charter functions. The underachievement on three of the Charter functions is more than offset by the overachievement on the other functions and simply reflects minor changes in programming balance.

[1] Particular programmes produced and broadcast have been assessed in terms of the contribution that the programme makes to Radio New Zealand's statutory Charter functions. Most programmes contribute to more than one Charter function.

4. Broadcast Standards

OBJECTIVE

Compliance with the Radio Code of Broadcasting Practice and the Broadcasting Act 1989 will be determined by the level of complaints upheld by either Radio New Zealand Limited or the Broadcasting Standards Authority for the period under review. No more than 10% of complaints received relating to Radio New Zealand will be upheld. Radio New Zealand will also comply with broadcast standards as specified in its own internal policies and procedures.

RESULT

MEASUREMENT BASES	ACTUAL OUTPUTS 2006	TARGET 2006	ACTUAL OUTPUTS 2005
Number of complaints received	87	–	58
Number upheld	0	–	0
Number of complaints declined	87	–	58
Percentage of complaints upheld	0%	Less than 10%	0%

The objective has been achieved. The 0% of complaints upheld for 2006 is within the target range of up to 10%. This is an area given particular emphasis by Radio New Zealand. The company has developed an extensive editorial policy manual and the Editor in Chief's expectations in that regard have been clearly conveyed to staff.

5. Quality

OBJECTIVE

Listeners' perception of the "quality" of Radio New Zealand National Radio is to be derived from annual surveys designed for this purpose. At least 85% of respondents will assess Radio New Zealand National Radio quality to have remained constant or improved during the period under review.

RESULT

A Research International nationwide survey of 4,131 respondents aged 15 years and over showed that those who listened to National Radio believed that in the previous 12 months the quality had:

	RESEARCH INTERNATIONAL SURVEY 2006	TARGET 2006	RESEARCH INTERNATIONAL SURVEY 2005
Improved	22%	–	12%
Remained constant	66%	–	81%
Deteriorated	12%	–	7%
Percentage improved and constant:	88%	85%	93%

The objective has been achieved. For 2006 the 88% of listeners responding that National Radio's programming had improved or stayed the same exceeds the target of 85%.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

6. Transmission Coverage

OBJECTIVE

Transmission coverage is measured in terms of the percentage of the New Zealand population able to receive the network signal by transmission type.

RESULT

TRANSMISSION TYPE	ACTUAL 2006	TARGET 2006	ACTUAL 2005
AM (Amplitude modulation)	97%	97%	97%
FM (Frequency modulation)	85%	93%	–
Satellite digital service	100%	100%	100%

The objective has been met with respect to AM and Satellite digital transmissions. Delays in resolving transmission site issues for two FM transmitters has led to a shortfall in FM coverage.

7. Transmission Outage

OBJECTIVE

The average time lost over all Radio New Zealand National Radio transmitters, other than for programmed maintenance, shall not exceed 0.10% for the period.

RESULT

	ACTUAL 2006	TARGET 2006	ACTUAL 2005
Unplanned programme time lost per transmitter	0.03%	0.10%	0.01%

The objective has been achieved. Actual time lost of 0.03% is within the target range of up to 0.10%. The average time lost is a function of unplanned actual hours lost to the number of hours available for broadcasting. The objective relates to transmission over the National Radio AM and FM network.

8. Financial

OBJECTIVE

Services will be delivered within budget (variations from expenditure budget of less than 5% are not considered material).

RESULT

	ACTUAL 2006 $000	TARGET 2006 $000	ACTUAL 2005 $000
INCOME			
NZ On Air funding	22,382	22,382	21,994
Other	3,039	1,604	2,887
Total income	**25,421**	**23,986**	**24,881**
EXPENDITURE			
NZ On Air operations	26,606	24,386	25,403
Total expenditure	**26,606**	**24,386**	**25,403**
Net surplus/(deficit)	**(1,185)**	**(400)**	**(522)**

Expenditure has exceeded budget. Actual expenditure is 9.1% over budget although this is partially offset by revenue also exceeding target by 6.0%. The combined effect of these variances is a negative variance of $785,000 in net surplus/(deficit) which is equivalent to 3.1% of revenue. Increased transmission costs are the principal cause of the over-expenditure.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

OUTPUT: CONCERT FM

ROLE

Concert FM brings fine music in stereo to 100% of New Zealanders, through a network of FM transmitters. Musical, dramatic and performing arts comprise 97% of Concert FM's broadcasts, with a repertoire featuring mainly classical music but also including jazz and special interest music. The remaining 3% of broadcasts comprises news and weather.

1. Listenership

OBJECTIVE

Listenership as measured by type of rating will equal or exceed specified targets.

RESULT

TYPE OF RATING	DESCRIPTION	RESEARCH INTERNATIONAL SURVEY ACTUAL 2006	TARGET MINIMUM	RESEARCH INTERNATIONAL SURVEY ACTUAL 2005
Cume	Number of different people who listen for at least an 8 minute period from Monday to Sunday, 6am to midnight.	124,600	145,000	155,500
Average quarter hour	Average number of listeners that can be expected to be listening in any quarter hour from Monday to Sunday, 6am to midnight.	5,900	9,000	8,900
Time spent listening (TSL)	The average time (hrs:mins) a listener spends from Monday to Sunday, 6am to midnight.	6:01	8:00	7:12

The listenership objectives have not been achieved. The surveyed audience in 2006 (6am to midnight) of 124,600 did not exceed the required minimum of 145,000.

2. Programme Hours by Category

OBJECTIVE

To deliver the following programme hours by category as specified in the NZ On Air funding agreement for Radio New Zealand Concert FM.

RESULT

TYPE OF PROGRAMMES AND SERVICES	ACTUAL 2006 BROADCAST HOURS/YEAR	TARGET 2006 BROADCAST HOURS/YEAR	ACTUAL 2005 BROADCAST HOURS/YEAR
Total broadcast hours	8,760	8,760	8,760
% New Zealand music composition on rotate	4%	3%	3%
% New Zealand music performance	14%	13%	13%

The objective of complying with the provisions specified in the NZ On Air funding agreement has been achieved.

3. Programme Hours by Charter Function

OBJECTIVE

To deliver target programme hours by specific Charter function.

RESULT

CHARTER FUNCTIONS [1]	2006 ACTUAL HOURS	2006 ACTUAL % HOURS	2006 TARGET HOURS	2006 TARGET % HOURS	2005 ACTUAL HOURS	2005 ACTUAL % HOURS
A. Intellectual, scientific and cultural development. Informed debate and critical thought.[2]						
B. Information, special interest and entertainment. Reflect cultural diversity including Māori language and culture.[2]						
C. Varied interests within the community. Information, educational, special interest and entertainment.	8,760	100%	8,760	100%	8,760	100%
D. Musical, dramatic and performing arts. New Zealand and international composers, performers and artists.	8,472	97%	8,497	97%	8,472	97%
E. Nationwide service, highest quality. Sense of citizenship and national identity.[2]						
F. Comprehensive, independent, impartial, balanced news and current affairs. Regional perspective.[2]	215	2%	175	2%	215	2%
G. Comprehensive, independent, impartial, balanced international news and current affairs.[2]	72	1%	85	1%	72	1%

Overall actual service levels have met or exceeded target Charter functions. While there are two minor negative variances these are not considered material and are offset by positive variances on other Charter functions.

[1] Particular programmes produced and broadcast by Concert FM have been assessed in terms of the contribution that they make to Radio New Zealand's statutory Charter functions. Most programmes contribute to more than one Charter function.

[2] While Concert FM's programmes may broadly meet the intentions of Charter functions A, B, E , F and G, its primary role is to provide services intended by functions C and D.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

4. Broadcast Standards

OBJECTIVE

Compliance with the Radio Code of Broadcasting Practice and the Broadcasting Act 1989 will be determined by the level of complaints upheld by either Radio New Zealand Limited or the Broadcasting Standards Authority for the period under review. No more than 10% of complaints received relating to Radio New Zealand will be upheld. Radio New Zealand will also comply with broadcast standards as specified in its own internal policies and procedures.

RESULT

	ACTUAL OUTPUTS 2006	TARGET 2006	ACTUAL OUTPUTS 2005
Number of complaints received	1	–	1
Number upheld	1	–	0
Number of complaints declined	0	–	1
Percentage upheld	100	Less than 10%	0%

The objective has not been achieved. The one complaint that was received in 2006 was upheld resulting in 100% being upheld.

5. Quality

OBJECTIVE

Listeners' perception of the "quality" of Radio New Zealand Concert FM is to be derived from annual surveys designed for this purpose. At least 85% of respondents will assess Radio New Zealand Concert FM's quality to have remained constant or improved during the period under review.

RESULT

A Research International nationwide survey of 4,131 respondents aged 15 years and over showed those who listened to Concert FM believed that in the previous 12 months the quality had:

	RESEARCH INTERNATIONAL SURVEY 2006	TARGET 2006	RESEARCH INTERNATIONAL SURVEY 2005
Improved	12%	–	7 %
Remained constant	82%	–	90 %
Deteriorated	6%	–	3 %
Percentage improved and constant	94%	85 %	97 %

The objective has been achieved. For 2006 the 94% of listeners responding that Concert FM programming quality had improved or stayed the same exceeds the target of 85%.

6. Transmission Coverage

OBJECTIVE

Transmission coverage is measured in terms of the percentage of the New Zealand population able to receive the network signal by transmission type.

The Radio New Zealand Concert FM signal will be available for broadcast for 24 hours on every day of the period under review.

RESULT

TRANSMISSION TYPE	ACTUAL 2006	TARGET 2006	ACTUAL 2005
FM (Frequency modulation)	92%	92%	92%
Satellite digital service	100%	100%	100%

The objective has been achieved.

7. Transmission Outage

OBJECTIVE

The average time lost over all Radio New Zealand Concert FM transmitters, other than for programmed maintenance, shall not exceed 0.1% for the period.

RESULT

	ACTUAL 2006	TARGET 2006	ACTUAL 2005
Unplanned programme time lost per transmitter	0.06%	0.10%	0.01%

The objective has been achieved. Actual time lost of 0.06% is within the target range of up to 0.10%. The average time lost is a function of unplanned actual hours lost to the number of hours available for broadcasting.

8. Financial

OBJECTIVE

Services will be delivered within budget (variations from expenditure budget of less than 5% are not considered material).

RESULT

	ACTUAL 2006 $000	TARGET 2006 $000	ACTUAL 2005 $000
INCOME			
NZ On Air funding	4,807	4,804	4,681
Other	360	32	365
Total income	**5,167**	**4,836**	**5,046**
EXPENDITURE			
NZ On Air operations	4,757	4,334	4,469
Total expenditure	**4,757**	**4,334**	**4,469**
Net surplus/(deficit)	**410**	**502**	**577**

Overall the objective has been achieved. Increased expenditure, while 9.8% over target, has been substantially offset by increased revenue exceeding target by 6.8%. These two variances combine to give a negative variation of $92,000 in the net surplus, which is equivalent to 1.8% of revenue.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

OUTPUT: SOUND ARCHIVES/ NGĀ TAONGA KŌRERO

ROLE

Sound Archives/Ngā Taonga Kōrero Limited collects recordings of broadcast radio programmes, and related sound recordings, from across the spectrum of all New Zealand stations and networks, and stores them for posterity. This resource is available to all New Zealanders on a cost recovery basis.

1. Recordings Accessioned and Preserved

OBJECTIVE

Sound Archives/Ngā Taonga Kōrero will archive radio programmes and related recordings which are likely to be of long-term historical and cultural interest to the people of New Zealand and which reflect the bicultural nature of our society.

RESULT

	ACTUAL 2006	TARGET 2006	ACTUAL 2005
Total hours recordings acquired/accessioned	1,315	1,300	1,816
Total hours of recordings preserved	1,512	1,700	1,307

The target of 1,300 hours of recordings accessioned was exceeded by 15 hours.

Actual hours of recordings preserved at 1,512 hours was 188 hours, or 11%, below target. Delays in the full installation of the new Quadriga digital preservation system and the delayed employment of an additional preservation archivist until later in the year has resulted in the underachieved result.

2. Financial

OBJECTIVE

Services will be delivered within + or – 5% of the approved budget.

RESULT

	ACTUAL 2006 $000	TARGET 2006 $000	ACTUAL 2005 $000
INCOME			
NZ On Air funding	649	648	548
Other	71	68	91
Total income	**720**	**716**	**639**
EXPENDITURE			
NZ On Air operations	720	718	639
Total expenditure	**720**	**718**	**639**
Net surplus/(deficit)	**0**	**(2)**	**0**

The objective has been achieved. Actual expenditure at $720,000 is within 5% of budget.

OUTPUT: RADIO NEW ZEALAND INTERNATIONAL (RNZI)

ROLE

Radio New Zealand will provide an international radio service to the Pacific through Radio New Zealand International (RNZI). This service will:

- broadcast innovative, comprehensive and independent news and programming of interest to the Pacific region;
- provide a reliable account of Pacific and New Zealand affairs for relay and use by broadcasters and listeners within the Pacific and beyond;
- broadcast programming which encourages 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; and
- provide a reliable source of information in the event of natural disasters or a breakdown of local communication services (additional costs of this service are met by the Ministry of Foreign Affairs and Trade and are not included in the cost below).

1. Programme Hours by Category

OBJECTIVE

To broadcast a range of programmes including programming originated by RNZI and tailored specifically for the service.

RESULT

BROADCASTS VIA SHORTWAVE (HOURS)	ACTUAL 2006	TARGET 2006	ACTUAL 2005
Morning sessions	302	302	301
Afternoon sessions	244	244	249
Evening sessions	244	244	249
Replays of National Radio and Radio Sport	365	365	365
Programmes for the World Radio Network	312	312	310
NZ Defence Force programmes	0	0	104

The objective has been achieved in all categories measured.

2. Listenership

OBJECTIVE

Listenership is measured by the degree to which RNZI broadcasts are used for retransmission by Pacific radio stations. The target is for 80% of news bulletins to be retransmitted.

RESULT

The objective has been achieved. On average 80% of hourly news bulletins were retransmitted.

3. Transmission Coverage

OBJECTIVE

Transmission coverage is measured by geographic location and grade of transmission. The transmission grades are measured by the average hours of good quality reception available per day and are Primary 18 hours; Secondary 12 hours; and General 6 hours.

TARGET:

Primary coverage: French Polynesia, Cook Islands, Tokelau, American Samoa, Samoa, Niue, Tonga, Wallis and Futuna, Fiji, Tuvalu, New Caledonia, Vanuatu and Solomon Islands.

Secondary coverage: Papua New Guinea, Nauru, Kiribati, Federated States of Micronesia, Marshall Islands and Palau.

General coverage: Asia/Pacific and Pacific rim.

RESULT

Achieved for all categories.

Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2006

4. Transmission Outage

OBJECTIVE

The time lost over RNZI transmitters, other than for programmed maintenance, shall not exceed 1% for the period.

RESULT

	ACTUAL 2006	TARGET 2006	ACTUAL 2005
Unplanned time lost	0.87%	1%	Not measured

Objective achieved.

5. Financial Performance

OBJECTIVE

RNZI will be managed and operated within 5% of its approved budget.

RESULT

	ACTUAL 2006 $000	TARGET 2006 $000	ACTUAL 2005 $000
INCOME			
MCH funding	1,900	1,900	1,525
Other	240	227	223
Total income	**2,140**	**2,127**	**1,748**
EXPENDITURE			
MCH operations	1,960	2,127	1,783
Total expenditure	**1,960**	**2,127**	**1,783**
Net surplus/(deficit)	**180**	**0**	**(35)**

Actual expenditure of $1.960 million is less than the budget of $2.127 million by 7.9%. The savings arise from delays in commissioning the new digital shortwave transmitter.

Audit Report

FOR THE YEAR ENDED 30 JUNE 2006

TO THE READERS OF RADIO NEW ZEALAND LIMITED AND GROUP'S FINANCIAL STATEMENTS

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor-General is the auditor of Radio New Zealand (the company) and group. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the company and group on his behalf, for the year ended 30 June 2006.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the company and group on pages 24 to 54:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 30 June 2006;
    - the results of operations and cash flows for the year ended on that date; and
    - the service performance achievements measured against the performance targets adopted for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 27 October 2006, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE AUDITOR

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2006. They must also give a true and fair view of the results of operations and cash flows and service performance achievements for the year ended on that date. The Board of Directors' responsibilities arise from the Public Finance Act 1989 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

JOHN O'CONNELL — *Audit New Zealand*
On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Radio New Zealand for the year ended 30 June 2006 included on its website.

The Board is responsible for the maintenance and integrity of the website of Radio New Zealand. We have not been engaged to report on the integrity of the website of Radio New Zealand. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the financial statements for Radio New Zealand, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 October 2006 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directory

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TE REO IRIRANGI O AOTEAROA