

It will also be noticed that the figures for January and February are lower than the figures for December and March. This is due to a reduction in advertising expenditure during this period, which is common to all advertising media during the months of January and February. Although this decrease must be expected next year, it is anticipated that the percentage of decrease will be reduced, due to planned selling resulting from experience gained during the past two years.

Due to the fact that Stations 2ZB, Wellington; 3ZB, Christchurch; and 4ZB, Dunedin, were not on the air for the full twelve months, it is impossible to show comparative sales statistics. However, the following comparison of the March figures for Station 1ZB for the years 1937 and 1938 illustrates the progress being made by the Commercial Service:—

| —   | March, 1937. | March, 1938. | Percentage Increase. |
|---|--------------|--------------|----------------------|
| Number of advertisers using Station 1ZB . .             | 127          | 244          | 92·1                 |
| Cash value of advertisements broadcast during the month | £1,945       | £4,192       | 115·5                |

Apart altogether from the increase in both the number of advertisers and the revenue received, the greatest proof of the success of the Service from an advertising point of view is the large percentage of advertisers who are renewing their contracts. Almost without exception the major advertisers using the Service are not only renewing their contracts, but increasing their appropriations.

#### FINANCIAL STATEMENT.

Revenue Account for the year and Balance-sheet as at 31st March, 1938, are submitted with this report. An excess of expenditure over revenue of £7,387 is shown, but it is necessary to give some analysis of the accounts to enable the true position at the end of the financial year to be appreciated.

Of the four stations established by the end of the year, only Station 1ZB was revenue-earning over the whole trading period, the stations at Wellington, Christchurch, and Dunedin operating for eleven months, six months, and five and a half months respectively. Expenditure totalling £4,520 was incurred at these stations before broadcasting commenced, and it must be also borne in mind that stations did not reach their average of revenue for the year until some months after opening. This applied also to Station 1ZB, which did not reach average earnings until August, 1937.

Mention was made in the report for the year ended 31st March, 1937, of items of expenditure which were proportionately higher during establishment. Travelling and removal expenses, printing and stationery, telephone installation, and Head Office administration costs were necessarily disproportionate during the year under review, with consequent adverse effect on the trading results, but the normal rate of expenditure under these heads is reached on completion of establishment. To quote an example, removal expenses charged to Station 4ZB totalled £431 out of £1,041 for the whole Service. The cost is not only abnormal in that it is largely non-recurring, but it has to be taken into account in a period when revenue is earned at a rate below the normal and over less than half the year.

From the date on which Station 4ZB, Dunedin, was opened, the Commercial Service has been charged with a proportion of the fees payable for copyright on all musical items broadcast and for the use of gramophone recordings. Payment was made from Broadcasting Account, but the amount allocated to the Commercial Service (£2,747) has been included in the Revenue Account and added to the balance drawn from Broadcasting Account, on which interest is charged.

Interest at 4 per cent. per annum has been charged on moneys drawn from Broadcasting Account for establishment of the Commercial Service, a sum of £1,497 being included in the accounts for 1937-38.

It will be clear from the foregoing that the inclusion of all charges other than capital expenditure represented by tangible assets, has the effect of heavily loading the Revenue Account during the period over which the Commercial stations commenced trading. Many of these charges might well have been temporarily capitalized and written off over succeeding years.

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