

KNOWLEDGE NETWORK CORPORATION

2015/16 – 2017/18 SERVICE PLAN



For more information on Knowledge Network Corporation contact:

4355 Mathissis Place
Burnaby B.C. Canada
V5G 4S8

Phone: 604.431.2222 Toll Free: 1.877.456.6988

Email: info@knowledge.ca

or visit our website at:

Knowledge.ca

**BRITISH
COLUMBIA'S** | **Knowledge
Network:**

Accountability Statement

The 2015/16 - 2017/18 Knowledge Network Corporation Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 30, 2015 have been considered in preparing the plan. The performance measures presented are consistent with Knowledge Network Corporation's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of Knowledge Network Corporation's operating environment, forecast conditions, risk assessment and past performance.



Nini Baird, C.M.

Chair, Knowledge Network Corporation Board of Directors

Table of Contents

Accountability Statement	3
Strategic Direction and Context	5
Performance Plan	6
Financial Plan	12
Resource Summary Table.....	12
Appendices	14
Appendix A: Hyperlinks to Additonal Information	14
Appendix B: Subsidiaries and Operating Segments	15

Strategic Direction and Context

Strategic Direction

Knowledge Network is committed to strengthening relationships with British Columbians through expansion of digital platforms, investment in original B.C. content, and improving long term sustainability. Our diverse content offerings encourage public engagement on relevant issues, such as emergency care and the impact of China's growth on world economies.

Our 2015/16 Mandate Letter (hyperlink when complete) and Taxpayer Accountability Evaluation Plan will inform our actions in the coming year. The taxpayer accountability principles of cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity guide our four strategic priority actions:

1. Curate and broadcast the 2015/16 program schedule to feature the following B.C. challenges:
 - Seniors' demographic shifts
 - Early learning initiatives
 - Asian trade and cultural awareness
 - Health care sustainability
 - First Nations culture and issues
 - Environmental challenges
 - Economic issues
2. Launch a new, multi-platform documentary series on B.C. paramedics in partnership with B.C.'s independent television and interactive producers:
 - Work with B.C.-based Lark Productions and B.C. Emergency Health Services to produce a six-part documentary series and interactive website for launch in 2016.
3. Develop a mobile App and 2nd generation website for young children and parents:
 - Begin development of the second generation Knowledge Kids website and app for the series "I Can Dance."
4. Self-finance and upgrade digital broadcast infrastructure:
 - Identify and prioritize replacement of aging broadcast equipment.

Operating Environment

Knowledge Network is federally licensed by the Canadian Radio-television and Telecommunications Commission (CRTC) and provincially mandated by the Government of British Columbia. Knowledge Network is also a registered charity with the Canada Revenue Agency, engaging in fundraising activities through Knowledge Partners and the Knowledge Endowment Fund. Our Service Plan supports both our federal and provincial commitments, and identifies the opportunities and risks we face moving forward.

There are five primary risks that may have an impact on our public service in 2015/16:

1. Digital technology upgrades:
 - Older equipment may impact delivery and quality of service on multiple platforms.
2. Broadcast distribution undertaking (BDU) carriage and province-wide distribution:
 - High Definition channel will displace the Standard Definition channel.
3. Increased competition and costs for online streaming rights
 - Unable to meet audience demand for programs available online.
4. Asynchronous viewing on multiple platforms:
 - To service viewers on different content platforms, increased investment for web and mobile devices is required.
5. BBC Kids revenue generation:
 - Broadcast industry consolidation impacts availability of content, and increased pressure for more consumer choice may result in deconstruction of favourable pricing model.

We have identified opportunities and mitigation strategies to address these risks within our operating environment.

Performance Plan

Goals, Strategies, Measures and Targets

This is the last year of Knowledge Network's 2013-2016 strategic plan *Engaging You, British Columbia*. Five strategic goals set the course for strengthening relationships with audiences in the digital world, while continuing to invest in original content and improving long term sustainability.

Goal 1: Expand digital platforms to serve audiences anywhere, anytime.

Strategies

1. Expand carriage of High Definition channel.
2. Develop mobile Apps for Knowledge.ca and KnowledgeKids.ca.

Performance Measures:

Performance Measures		2013/2014 Actuals	2014/2015 Forecast	2015/2016 Target	2016/2017 Target	2017/2018 Target
TOTAL REACH (TV Audience) ¹	Knowledge Primetime	2,637,000	2,275,000	2,275,000	2,275,000	2,275,000
	Knowledge Kids	1,842,000	1,700,000	1,600,000	1,500,000	1,500,000
AVERAGE WEEKLY HOURS VIEWED ²	Knowledge Primetime	1,454,410	1,500,000	1,400,000	1,400,000	1,400,000
	Knowledge Kids	468,546	500,000	450,000	400,000	375,000
WEB VISITS ³	Knowledge.ca	1,044,827	1,000,000	1,000,000	1,000,000	1,000,000
	KnowledgeKids.ca	398,926	270,000 ⁴	225,000	225,000	225,000
	TOTAL	1,423,753	1,270,000	1,225,000	1,225,000	1,225,000
WEB PAGE VIEWS ⁵	Knowledge.ca	5,249,000	4,600,000	4,600,000	4,600,000	4,600,000
	KnowledgeKids.ca	732,203	600,000	450,000	450,000	450,000
	TOTAL	5,981,203	5,200,000	5,050,000	5,050,000	5,050,000
TOTAL HOURS ON SITE ⁶	Knowledge.ca	373,061	400,000	400,000	400,000	400,000
	KnowledgeKids.ca	124,633	90,000	70,000	70,000	70,000
	TOTAL	497,694	490,000	470,000	470,000	470,000

¹ Unduplicated number of those viewing at least one minute of programming in the Vancouver Extended Market for Knowledge Primetime (6pm to 12am) and Knowledge Kids (6am to 6pm, M-F; 6am to 12pm, Sat and Sun) measured by BBM Canada.

² Averaged over the course of the fiscal year, the total number of hours of Knowledge Network programming viewed per week in the Vancouver Extended Market. Knowledge Primetime (6pm to 12am) and Knowledge Kids (6am to 6pm, M-F; 6am to 12pm, Sat and Sun) measured by BBM Canada.

³ A period of interaction between a visitor's browser and a particular website, ending when the browser is closed. Knowledge.ca and KnowledgeKids.ca measured using Google Analytics.

⁴ Decrease in web usage for KnowledgeKids.ca reflects the changing behaviour of children online as the environment becomes more competitive.

⁵ A view of a page on a site that is tracked by a tracking code. There can be one or more web page views per session. Knowledge.ca and KnowledgeKids.ca measured using Google Analytics.

⁶ The total aggregate time spent on Knowledge.ca and KnowledgeKids.ca by all visitors in hours.

Discussion

Media consumption patterns and new technologies continue to evolve rapidly. Our viewers now expect access to high quality content, anywhere and anytime they choose. To maintain its relevance, Knowledge Network must ensure its presence on new platforms as they are adopted by consumers. This goal also supports the Taxpayer Accountability Principles by ensuring Knowledge Network delivers a cost-efficient, effective public service for British Columbians.

Goal 2: Commission original British Columbian content in partnership with independent producers for multi-platform delivery.

Strategies

1. Invest in British Columbian stories for distribution on multiple platforms.
2. Develop the intellectual property of the Knowledge Kids’ characters, Luna, Chip and Inkie, to create new content for children and families.

Performance Measures:

Performance Measures	2013/2014 Actuals	2014/2015 Forecast	2015/2016 Target	2016/2017 Target	2017/2018 Target
BUDGET COMMITMENT TO ORIGINAL MULTI-PLATFORM CONTENT⁷	\$960,280	\$1,043,820	\$950,000	\$1,000,000	\$1,000,000
B.C. INDEPENDENT PRODUCTION BUDGETS SUPPORTED BY KNOWLEDGE NETWORK⁸	\$12,000,000 ⁹	\$3,231,450	\$2,400,000	\$2,450,000	\$2,450,000

Discussion

Knowledge Network continues to play a vital role in the development and production of multi-platform content at a time when the industry is challenged by economic pressures. Knowledge

⁷ Knowledge Network funding of independent productions of original content for television and other media platforms.

⁸ This number represents all contributions to independent production budgets, including those committed by Knowledge Network in a fiscal year. Independent production budgets are comprised of funding from many sources, including domestic and international broadcasters, the Canada Media Fund, private media funds and B.C. and Canada tax credits.

⁹ Reflects the budget for an extraordinary international, animated children’s co-production supported by Knowledge Network. Projects of this scale are not the norm; targets for this measure will vary based on the non-cyclical nature of content production.

Network’s commitment to broadcast B.C. productions and access to external project funding serves as a catalyst in the creation of B.C. stories on the platforms consumers desire.

Goal 3: Engage audiences through personalized, interactive social experiences

Strategies

1. Develop interactive initiatives to “pull” viewers into our websites and social networks so that they may engage and interact with our content, complementing the traditional broadcast experience of “pushing” content out.
2. Launch personalization features on our web and mobile platforms that are driven by user preferences that encourage participation, such as personal playlists and schedules, recommendations, polls, ratings and commenting.

Performance Measures:

Performance Measures	2013/2014 Actuals	2014/2015 Forecast	2015/2016 Target	2016/2017 Target	2017/2018 Target
COMMUNITY EVENTS ¹⁰	15	9	8	8	8
REGISTERED USERS ON KNOWLEDGE.CA ¹¹	BENCHMARK YEAR	1,700	2,000	2,500	3,000
NUMBER OF GAMES PLAYED AT KNOWLEDGEKIDS.CA ¹²	464,474	400,000	300,000	300,000	300,000

Discussion

To be sustainable over the long term, Knowledge Network must enhance our ability to engage and attract audiences. Leveraging the most popular platforms, we will strengthen our relationship with our 1.4 million weekly viewers by creating personalized experiences with our brand.

The children’s online environment is dynamic and competitive. A new children’s app and game for KnowledgeKids.ca are in development; however, expansion of online offerings will require significant, new investment.

¹⁰ Number of events hosted and sponsored by Knowledge Network in B.C. communities

¹¹ Number of registered users on Knowledge.ca

¹² Measured through user interactions with content tracked independently from a web page or screen load using Google Analytics.

Goal 4: Strengthen the Knowledge Network brand story and share it.

Strategies

1. Brand Knowledge Network as British Columbia’s multi-channel, multi-platform, commercial-free public broadcast service; and strengthen its appeal as an organization with charitable status.
2. Broaden awareness of Knowledge Kids by participating in events targeted at children and families.
3. Maintain, and where possible, improve the presence and visibility of Knowledge Network throughout the province with events in and outreach to B.C.’s diverse cultural communities.

Performance Measures:

Performance Measures	2013/2014 Actuals	2014/2015 Forecast	2015/2016 Target	2016/2017 Target	2017/2018 Target
PUBLIC AWARENESS OF BRITISH COLUMBIA’S KNOWLEDGE NETWORK ¹³	66%	66%	66%	66%	66%

Discussion

Knowledge Network’s position as British Columbia’s valued public broadcaster extends to serving audiences anywhere, anytime. In the digital world, exponential growth in content choices are fragmenting audiences. Maintaining current brand awareness levels are a constant challenge in this highly competitive and dynamic environment. Strengthening Knowledge Network’s brand story will help audiences consuming content from a variety of sources identify with Knowledge Network’s broadcast service. The target of 66% includes marginal projected population growth within the 55+ demographic.

¹³ Measured each spring using Ipsos Reid’s B.C. Reid Express Omnibus Surveys.

Goal 5: Increase revenue through entrepreneurial and philanthropic initiatives.

Strategies

Philanthropic

1. Convert a larger percentage of our 1.4 million weekly viewers to donors by employing new solicitation approaches enabled by our constituent relationship management database.
2. Retain current donors by strengthening relationships through personalized stewardship, increased interaction online and at face to face events, resulting in a higher renewal rate, increased gift size and more additional gifts.
3. Continue our Major Gift and Legacy Gift programs with individual donors.
4. Identify and develop opportunities for corporate financial support.

Entrepreneurial

1. Explore revenue generating opportunities for expanded carriage of the Knowledge Network signal in new markets.
2. Develop partnership opportunities that leverage our broadcasting strengths and align with our competencies.

Performance Measures:

Performance Measures	2013/2014 Actuals	2014/2015 Forecast	2015/2016 Target	2016/2017 Target	2017/2018 Target
KNOWLEDGE PARTNER DONATIONS¹⁴	\$3,490,069	\$3,600,000	\$3,500,000	\$3,500,000	\$3,500,000
OTHER BUDGETED REVENUES¹⁵	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000

Discussion

Knowledge Network continues to improve its long-term sustainability. We are building on the success of the BBC Kids channel acquisition by seeking out new opportunities to generate entrepreneurial revenue that can, in turn, support the public service. The new technology systems we now have in place will allow us to expand our philanthropic initiatives in ways that previously were not viable.

¹⁴ Measured by tracking total Knowledge Partners donations received annually.

¹⁵ Overall annual revenue generated from the management and operation of BBC Kids.

Financial Plan

2013-2018 Summary Financial Outlook

(Consolidated, \$000)

	2013/14 (Actual)	2014/15 (Forecast)	2015/16 (Budget)	2016/17 (Budget)	2017/18 (Budget)
Provincial Operating Grant	6,260	6,260	6,260	6,260	6,260
Donations and Sponsorships	3,531	3,625	3,525	3,525	3,525
Other Revenue	428	406	400	400	400
Amortization of Deferred Contributions	472	491	491	491	491
Total Revenues	10,691	10,782	10,676	10,676	10,676
Salaries and Benefits	4,340	4,550	4,625	4,625	4,625
Amortization of Capital Assets and Broadcast Rights	3,235	3,512	3,525	3,525	3,525
Marketing and Development	1,166	1,164	1,170	1,170	1,170
Programming and Presentation	569	546	550	550	550
Broadcast Platforms and Corporate IT	989	745	750	750	750
General	60	84	85	85	85
Administration	418	443	445	445	445
Total Expenses	10,777	11,044	11,150	11,150	11,150
Net Loss Knowledge Network	(86)	(263)	(474)	(474)	(474)
Revenue from Subsidiary Operations	1,387	1,619	1,620	1,620	1,620
Expenses from Subsidiary Operations	960	1,044	1,050	1,050	1,050
Net Income from Subsidiary	427	575	570	570	570
Annual Endowment Contributions (held in trust) ¹⁶	338	700	300	300	300
Consolidated Net Income from Operations	680	1,013	396	396	396
Capital Assets and Broadcast Rights Acquired	4,478	3,092	3,200	3,200	3,200
Total Liabilities	3,659	3,500	3,500	3,500	3,500
Accumulated Surplus (Invested in Broadcast Rights & Capital Assets, Endowment Fund)	11,817	12,829	13,225	13,620	14,016

¹⁶ Endowment contributions are held in trust and are not treated as revenue.

Key Forecast Assumptions

Increases in charitable donations over the last seven years have contributed to improved program offerings, but may start to plateau within the next three years. While demographic trends have worked in our favour, it is difficult to predict the giving habits of new cohorts of Knowledge viewers. Revenues from entrepreneurial activities are stable with new initiatives currently being explored. The CRTC is expected to announce new broadcast policies in 2015 which may impact current revenue models for specialty services.

Sensitivity Analysis

With online services competing with broadcasters for program rights, acquiring content is becoming more challenging. We monitor the media environment closely to anticipate any significant trends in the licensing of program rights.

Management Perspective on Future Financial Outlook

Knowledge Network's success has been built on a foundation of support from the Government of British Columbia as well as from other key stakeholders.

We are currently positioned to serve audiences in this dynamic operating environment. The quality of our broadcast services continues to improve with the addition of our high definition television channel and programming available at Knowledge.ca. Our major challenge in the next three years will be to continue investments in web and mobile services.

Our industry is changing rapidly as on-demand streaming media becomes more popular with audiences. The necessary expansion of our online services to remain competitive will result in higher bandwidth and other operating costs. Our ability to resource new media platforms is limited. As a result, we anticipate static audience growth for web and mobile devices during the period of this plan.

Appendix A:

Hyperlinks to Additional Information

Corporate Governance - knowledge.ca/about/governance

Organizational Overview - knowledge.ca/about/governance

Appendix B:

Subsidiaries and Operating Segments

Active Subsidiaries

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981. KWCC owns and operates BBC Kids, a Canadian children's subscription channel. The CRTC approved KWCC's acquisition of assets for BBC Kids in April 2011. BBC Kids is a commercial-free service reinforcing the values of both Knowledge Network Corporation and the BBC. KWCC financial results are proportionately consolidated under Knowledge Network Corporation's audited financial statements.

