



**New Zealand  
FILM COMMISSION**



Te Tumu Whakaata Taonga

**New Zealand Film Commission  
Statement of Performance Expectations  
2019 - 2020**




**This Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149E of the Crown Entities Act 2004.**

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



**Kerry Prendergast**  
*Chair*



**Tom Greally**  
*Chair, Finance, Audit & Risk Committee*

June 2019



**Funded by the New Zealand Government through the Ministry for Culture and Heritage,  
Ministry of Business, Innovation and Employment and by the Lottery Grants Board.**

Crown copyright ©

Copyright material on the ICT.govt.nz website is protected by copyright owned by the Department of Internal Affairs on behalf of the Crown. Unless indicated otherwise for specific items or collections of content (either below or within specific items or collections), this copyright material is licensed for re-use under the Creative Commons Attribution 3.0 New Zealand licence. In essence, you are free to copy, distribute and adapt the material, as long as you attribute it to the Department of Internal Affairs and abide by the other licence terms. Please note that this licence does not apply to any logos, emblems and trademarks on the website or to the website's design elements. Those specific items may not be re-used without express permission.

## **CONTENTS**

<b>Introduction</b>	<b>4.</b>
<b>1. Statement of output performance</b>	<b>6</b>
<b>Forecast financial performance by output</b>	<b>9</b>
<b>2. Performance assessment and annual expectations</b>	<b>11</b>
<b>Impact and output measures</b>	<b>12</b>
<b>Organisational health</b>	<b>25</b>
<b>Annual operational and output performance measures</b>	<b>28</b>
<b>3. Forecast financial statements</b>	<b>14</b>
<b>Notes to the financial statements</b>	
<b>4. Glossary</b>	<b>30</b>

## **INTRODUCTION**

The information in this document is directly associated with the performance targets set for the year ending 30 June 2020. All information is provided in accordance with the Crown Entities Act 2004.

Results of performance against these targets will be provided in the annual report, which will be published by 31 October 2020. It is intended that interim results will be provided on the NZFC website periodically during the year.

This Statement of Performance Expectations has three parts:

### **1. Statement of output performance**

This section provides information on how our two reportable classes of outputs are delivered.

Output 1 - purchased by the Minister for Arts, Culture and Heritage

Output 2 - purchased by the Minister for Economic Development

Outputs are delivered through seven activity classes, which are explained in more detail in Section 2.4:

- Talent development
- Development and production
- Rautaki/Māori and Pacific Island screen stories
- Marketing
- International relations
- International screen business attraction and promotion
- Screen incentives.

Film investment targets and performance expectations related to the New Zealand Film Commission's discretionary funding are subject to receipt of satisfactory funding applications from filmmakers. If sufficient quality feature film production funding applications are not received in any 12-month period (due to the cyclical nature of the industry), targets will be adjusted accordingly to ensure taxpayer funds are allocated appropriately.

### **2. Performance assessment and annual expectations**

Annual performance expectations provide targets, budgets and performance measures for the year ending 30 June 2020 in accordance with section 149E of the Crown Entities Act 2004. These targets, budgets and performance measures reflect the forecast financial statements set out in section 3.

Activities contribute to the non-departmental output expenses:

- a. “Promotion and Support of the Arts and Film”, within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage (MCH). This appropriation is intended to achieve high quality New Zealand arts and film production for New Zealand and international audiences; and
  
- a. “Economic Development: Attracting International Screen Productions” within Vote Business, Science and Innovation, administered by the Ministry of Business, Innovation and Employment (MBIE). This appropriation is intended to achieve the attracting of international screen production projects to locate in New Zealand, leverage economic benefits for New Zealand, and provide a suite of services to support international clients during their time in New Zealand.

The Film Commission does not propose to supply any class of outputs in the financial year that is not a reportable class of outputs.

### **3. Forecast financial statements**

The forecast financial statements provide all appropriate financial information and explanations needed to fairly reflect the forecast financial operations and financial position of the New Zealand Film Commission for the year ending 30 June 2020 in accordance with section 149G of the Crown Entities Act 2004.

# 1. STATEMENT OF OUTPUT PERFORMANCE

## Overall Framework

The core framework utilised by the New Zealand Film Commission to demonstrate performance continues to be the “investment to outcomes” model.

Figure 1 – New Zealand Film Commission Results Framework

Outcomes for New Zealand	Improved wellbeing for all New Zealanders	An economy that is growing and working for all of us	Making New Zealand proud		
<b>Valuing who we are as a country</b>					
Sector outcomes	New Zealanders share a distinctive and inclusive identity and value our history and traditions	The cultural sector is supported and growing sustainably	All New Zealanders can access and participate in cultural experiences		
NZFC medium term goals	Activate high impact, authentic and culturally significant screen stories	Sustain and strengthen economic growth for our thriving screen industry	Facilitate dynamic pathways for outstanding people, projects and businesses	Maximise interest and audiences for New Zealand screen stories here and overseas	Build and maintain stakeholder relationships to generate excellence in partnerships
Output Class	Output 1	Output 1 & 2	Output 1	Output 1	Output 1
How we will make a difference	<p><b>Facilitate development and production opportunities</b> Encourage more screen stories</p> <p><b>Fund the production of culturally significant films, including those in Te Reo Māori</b> Provide development opportunities for under-represented voices in the screen industry</p>	<p>Position New Zealand as a leading destination for screen production</p> <p><b>Promote and administer the screen incentives</b> Attract a regular and diverse range of international productions</p> <p><b>Facilitate strategic relationships especially with North America, Europe and Asia</b></p>	<p><b>Identify and support NZ screen talent</b> Connect NZ and international screen talent</p>	<p>Provide effective marketing support for cinema releases and additional release platforms</p> <p><b>Manage a focused international festival strategy</b> Conduct audience research</p>	<p><b>Refine internal systems to offer better service to our external clients and partners</b> Build long-term partnerships with people and businesses that align with our goals</p> <p><b>Staff are expert, motivated, courageous and proactive professionals</b> Engage and empower diverse communities</p>
How we will know we are making a difference	<p><b>Number of culturally significant films financed by the NZFC</b> Number of feature films and series dramas with NZFC development support</p> <p><b>Increased use of official co-production structures</b> Number of culturally significant films released in New Zealand</p> <p><b>Domestic critical acclaim</b></p>	<p>Feature film production spend in New Zealand grows</p> <p><b>Volume of international productions increases</b> Private investment into NZFC films grows over time</p> <p><b>More connections with international screen partners</b></p>	<p><b>NZ screen talent moves from talent development initiatives to feature films or series dramas over time</b> NZ screen talent is involved in feature films or series drama with strong market attachments</p> <p><b>NZ screen talent is working internationally or with international partners</b></p>	<p><b>Total domestic audience for NZFC films across all screens increases</b> Total annual admissions for NZFC-funded films at NZ cinemas increases</p> <p><b>Number of NZ films selected for A-list festivals</b> Number of films with 50,000+ domestic theatrical admissions annually</p>	<p>Increased satisfaction rating from stakeholders</p> <p><b>Recognised by industry as being a focused, high-performing, learning organisation</b> Partners work together to share knowledge, learning and seek meaningful collaboration</p>

**Our five medium term goals are aligned to the key functions of the NZFC as set out in Section 17 of our Act**

<p>Sec 17 (1) (a) To encourage and also to participate and assist in the making, promotion, distribution and exhibition of films</p>	<ul style="list-style-type: none"> <li>• Maximise interest and audiences for New Zealand screen stories here and overseas</li> <li>• Activate impactful, authentic and culturally significant screen stories</li> <li>• Build and maintain stakeholder relationships to generate excellence in partnerships</li> </ul>
<p>Sec 17 (1) (b) To encourage and promote the efficient use of available resources within the New Zealand film industry, and to ...encourage and promote employment in the New Zealand film industry</p>	<ul style="list-style-type: none"> <li>• Facilitate dynamic pathways for outstanding people, projects and businesses</li> <li>• Sustain and strengthen economic activity for our thriving screen industry</li> <li>• Build and maintain stakeholder relationships to generate excellence in partnerships</li> </ul>



**Figure 2 – Summary of Forecast Revenue and Output Expenditure**

**Output 1: Vote Arts, Culture & Heritage**

	2019/20 Budget \$000	2018/19 Budget \$000	2018/19 Forecast \$000	2017/18 Actual \$000
<b>A. Revenue</b>				
Crown revenue - MCH	5,401	5,401	5,401	5,437
Lottery Grants Board revenue	17,875	17,875	17,000	17,877
Other revenue	1,270	1,430	2,016	7,682
<b>TOTAL REVENUE</b>	<b>24,546</b>	<b>24,706</b>	<b>24,417</b>	<b>30,996</b>

**B. Output Expenses**

Talent development	2,627	3,440	3,456	3,088
Rautaki	858	963	821	607
Development and production	17,003	16,560	18,879	14,542
Marketing	2,032	2,348	2,193	2,367
International relations	418	428	403	399
Screen incentive administration	75	75	75	84
<b>Total funding commitments</b>	<b>23,013</b>	<b>23,814</b>	<b>25,827</b>	<b>21,087</b>
Personnel	4,122	3,961	4,020	3,667
Corporate overheads	1,598	1,534	1,519	1,516
<b>TOTAL OUTPUT EXPENSES</b>	<b>28,733</b>	<b>29,309</b>	<b>31,366</b>	<b>26,270</b>

**Output 2: Vote Business, Science & Innovation**

<b>A. Revenue</b>				
Crown revenue - MBIC	1,300	1,300	1,300	1,300
<b>TOTAL REVENUE</b>	<b>1,300</b>	<b>1,300</b>	<b>1,300</b>	<b>1,300</b>
<b>B. Output Expenses</b>				
Int. screen business attraction	415	409	391	236
Int. screen promotion	209	218	216	103
Screen incentive administration	158	157	137	132
<b>Total funding commitments</b>	<b>782</b>	<b>784</b>	<b>744</b>	<b>471</b>
Personnel	663	596	606	572
Corporate overheads	178	170	169	168
<b>TOTAL OUTPUT EXPENSES</b>	<b>1,623</b>	<b>1,550</b>	<b>1,519</b>	<b>1,211</b>

### **Forecast Financial Performance**

The NZFC is planning to run a deficit of approximately \$4.51M in the 2019/20 financial year. We expect to commence the year with \$6.7M of equity and finish the year with \$2.229M of equity, which is the minimum level of equity that we feel comfortable holding.

After several years of steady increases in annual grants from major funder the Lottery Grants Board (LGB), the organisation is now facing a period where LGB funding is likely to become more volatile.

The NZFC has been fortunate in holding a high level of reserves in recent times, which we are now deliberately reducing to ensure continuing strong levels of talent development and production activity in the screen sector.

We know there is a good chance that Lotto profits will pick up again in the next couple of years.

If they don't, we will need to make some difficult decisions and potentially wind up some funding initiatives.

We are confident we can manage the volatility associated with LGB funding, and that we will, if required, make the right strategic choices with the financial resources at our disposal to achieve our long-term goal of empowering and attracting distinctive and diverse screen productions for local audiences.

## 2. PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

### Impact measures

#### **MISSION: EMPOWER AND ATTRACT DISTINCTIVE AND DIVERSE SCREEN PRODUCTIONS FOR ALL AUDIENCES**

### How we will make a difference

We have identified five medium term goals that we will strive to achieve.

These medium-term goals all feed into our long-term goal of activating and attracting distinct and diverse screen productions for global audiences.

#### 1. **Activate high impact, authentic and culturally significant screen stories**

The NZFC's Development and Production team will facilitate the production of up to 12 feature films annually, subject to the quality of applications received and quantum of financing requested. The NZFC is available to work in partnership with screen practitioners and their projects from concept stage right through to the marketing and release.

For 40 years this organisation's focus has been on supporting industry to make great films to screen in cinemas. With technology changes and more choices for audiences to consume screen content, the NZFC is broadening its scope and support for screen stories that can reach both local and global audiences. While funding the development and production of feature films and theatrical documentaries remains central to our vision, the NZFC proposes funding the development of high-quality series drama with and for the international marketplace. This is essential if New Zealand stories are to compete with the wealth of high-quality international content readily available to New Zealand audiences across a range of platforms.

The NZFC acknowledges the unique and distinctive culture in New Zealand that differentiates our screen stories. The NZFC's Te Rautaki Māori, launched in 2018, outlines the manner in which the NZFC works in partnership with the Māori screen industry to encourage, enable and embrace aspirations within the sector. The Pou Whakahaere leads this partnership and develops opportunities across the industry. A range of bespoke funding is tailored to meet the objectives of Te Rautaki Māori.

Films with strong cultural elements, such as *Boy*, *Whale Rider*, *The World's Fastest Indian*, *Sione's Wedding*, *In My Father's Den*, *Hunt for the Wilderpeople* and more recently, *Waru*, have resonated the most with audiences over the last 20 years. Continuing to finance films with a strong and unique cultural voice, including at least one per year in Te Reo Māori, is a priority.

## **2. Sustain and strengthen economic growth for our thriving film industry**

Increased screen production activity leads to strong, sustainable screen businesses that create meaningful employment and contribute to career pathways. While the majority of the annual discretionary budget is allocated to activating the production of distinctive New Zealand films, attracting a regular and diverse range of international productions to New Zealand is also important for the ecology and sustainability of screen business in New Zealand.

The New Zealand Screen Production Grant (NZSPG) supports high quality local projects and attracts international productions. The NZSPG generates screen activity which in turn generates meaningful employment opportunities, economic growth and spill-over benefits in other sectors such as tourism and education. Research has indicated the screen sector is growing, but this growth is not sustainable without the grant.

Working closely with partners at MBIE and MCH the NZFC ensures New Zealand's Screen Production Grant and operating environment are globally attractive and competitive. These requirements are essential to ensure sustainable, commercial, economic and cultural growth and success in New Zealand

## **3. Facilitate dynamic pathways for outstanding people, projects and businesses**

While supporting the production and release of feature films remains a priority, the NZFC has an ongoing commitment to finding, fostering and connecting producers, writers, directors, actors and other screen practitioners at various stages of their careers. To help screen practitioners build sustainable careers, the NZFC identifies and develops bespoke pathways and opportunities. Partnerships with industry organisations allow for the creation of a wider range of innovative programmes for up-skilling screen practitioners. The NZFC has a commitment to diversity, equality and inclusion, ensuring the talent supported, as well as the films made, reflect contemporary New Zealand society.

Talent and career development, including the facilitation of international connections, is important to sustain and strengthen New Zealand's thriving screen industry. To help talented screen practitioners seek finance for their projects, support for travel to international festivals and markets is offered.

NZFC staff maintain links to key festivals and markets to build and maintain relationships with sales agents, festival selectors, other national agencies off-shore, and individual producers. These relationships facilitate further business and creative relationships for the industry

#### **4. Maximise interest and audiences for New Zealand screen stories here and overseas**

The NZFC continues to invest in feature films with theatrical potential, but actively seeks opportunities for them to be seen on other platforms so they can reach the largest number of viewers. Promoting and growing the New Zealand voice on the global stage is a priority.

Audience research is undertaken to understand changes in viewing behaviour and monitor audiences here and overseas where data is available. The lack of availability of viewer numbers from streaming services makes this difficult, and addressing this is something to focus on going forward.

#### **5. Build and maintain stakeholder relationships to generate excellence in partnerships**

Key stakeholders share the NZFC's aim of empowering the creation of impactful screen stories. To ensure partnerships are productive, the NZFC continues to be proactive, courageous and professional in all engagements, as well as transparent and accountable in collaborations.

An ongoing commitment to improving the health and capability of our organisation begins with having engaged staff, a robust governance structure, valid and appropriate operational policies and effective and efficient internal processes. Cultural and creative considerations are at the forefront of any investments.

#### **The NZFC's work is consistent with Government and screen sector priorities, in particular:**

- contributing to the improved wellbeing and wellness for all New Zealanders
- contributing to a thriving New Zealand economy through a thriving screen industry
- An inclusive strategy that contributes to regional growth and development
- A commitment to developing our people and our stories
- An acknowledgement that people, place and stories are our greatest asset

## IMPACT AND OUTPUT MEASURES

### 1. ACTIVATE HIGH IMPACT, AUTHENTIC AND CULTURALLY SIGNIFICANT SCREEN STORIES

Impact measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>Fund the production of culturally significant feature films<sup>1</sup></b>				
1a. Percentage of NZFC-funded feature films that are culturally significant (over a three-year timeframe)	83%	80%	83%	80%
1b. Percentage of New Zealanders who agree that New Zealand screen stories are important <sup>2</sup>	75%	75%	TBC	75%
<b>Facilitate film development and production opportunities</b>				
1c. Number of feature films produced with NZFC development support (direct or devolved) <sup>3</sup>	8	8	15	10
<b>Encourage more film co-productions</b>				
1d. Number of long-form screen story official co-productions (based on films that are in production during this financial year)	2	2	1	2
Operational and output measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>DEVELOPMENT &amp; PRODUCTION – Operational Measures</b>				
<b>Provide development and production opportunities for under-represented voices in the screen industry</b>				
1e. Percentage of short films, feature films or series dramas that receive NZFC development or production funding with Māori practitioners in at least two key creative roles <sup>4</sup>	New measure	New measure	19%	15%
1f. Percentage of short films, feature films or series dramas that receive NZFC development or production funding with a woman director attached	New measure	New measure	48%	40%
<b>DEVELOPMENT &amp; PRODUCTION – Output Target</b>				
1g. Number of NZFC-funded feature films <sup>5</sup>	12	10	13	10
1h. Number of NZFC-funded feature films in Te Reo Maori <sup>6</sup>	New measure	1	0	1

#### NOTES:

<sup>1</sup> Culturally significant films and screen stories are those that New Zealand audiences will recognise as reflecting New Zealand identity and culture. Minority co-productions set in another country are unlikely to meet these criteria.

<sup>2</sup> The percentage figure is calculated from an annual, independent representative population online survey of New Zealanders aged 18 years and over

<sup>3</sup> Definition of “feature films produced”: First day of principal photography falls within the period of the financial year

<sup>4</sup> Key creatives are defined as writer, director, producer.

<sup>5</sup> Measured from the date a commitment to fund made

<sup>6</sup> The majority of dialogue spoken must be in Te Reo Maori

## 2. SUSTAIN AND STRENGTHEN ECONOMIC OUTCOMES FOR OUR THRIVING SCREEN INDUSTRY

Impact measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>Position and promote New Zealand as a leading destination for screen production</b>				
2a. Percentage of international stakeholders who agree that: New Zealand is considered a world leading destination for screen production <sup>7</sup>	85%	75%	N/A	85%
<b>Administer and promote the screen incentives</b>				
2b. Total annual value of production expenditure in New Zealand administered within the NZSPG (NZ productions)	\$42M	\$52M	\$37.9M	\$82M
<b>Attract a regular and diverse range of international productions</b>				
2c. Total annual value of international production budgets attracted to New Zealand by the NZSPG (international productions)	\$693M	\$693M	\$294M	\$600M
<b>Facilitate strategic relationships</b>				
2d. Private investment or matched funding in NZFC-funded projects over time (rolling three-year average)	39%	40%	39%	40%
Output measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>SCREEN INCENTIVES &amp; INTERNATIONAL RELATIONS – Output Targets</b>				
2e. Number of final NZSPG certificates issued for New Zealand productions	13	14	8	17
2f. Number of final NZSPG certificates issued for international productions	29	20	16	22
<b>INTERNATIONAL SCREEN BUSINESS ATTRACTION – Output Target</b>				
2g. Number of international screen attraction business enquiries	352	200	311	200

### NOTES:

<sup>7</sup> Calculated from the New Zealand Film Commission's biennial stakeholder survey. The percentage of respondents (producers or studio executives who have made enquiries about international productions or NZSPG International) who strongly agree or agree with the statement: New Zealand is a leading destination for screen production.

### 3. FACILITATE DYNAMIC PATHWAYS FOR OUTSTANDING PEOPLE, PROJECTS AND BUSINESSES

Impact measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>Identify and support NZ screen talent</b>				
3a. Total number of opportunities for writers, producers and directors to move from a NZFC talent development initiative to NZFC funded long-form screen story development/production or identified alternative pathway <sup>8</sup>	102	25	37	25
3b. Number of screen practitioners moving from one Talent Development eligibility criteria level to another <sup>9</sup>	N/A	N/A	N/A	New measure
<b>Connect NZ and international screen talent</b>				
3c. Number of NZFC supported screen practitioners (writers, directors, producers, actors) moving from local projects/activity into international projects/activity <sup>10</sup>	New measure	20	9	20
Output measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>TALENT DEVELOPMENT – Output Targets</b>				
3d. Number of short films funded by the NZFC	14	10	3	12
3e. Number of NZFC-funded talent development initiatives	145	100	128	100
3f. Total number of screen practitioners actively engaging with the NZFC's talent development team <sup>11</sup>	763	150	52	150

**NOTES:**

<sup>8</sup> Alternative pathways include television series, web series, international productions and for directors and producers, commercials and music videos.

<sup>9</sup> Screen practitioners define their own eligibility criteria level which is then verified by the Talent Development team

<sup>10</sup> International projects and activity could include international films or television series, securing a US manager/agent etc.

<sup>11</sup> Engagements are focused on progression of talent from first contact (phone call/meeting/enquiry) to next opportunity (funded initiative / development and production support) – a minimum of three engagements per filmmaker are required to count towards this number. In previous years a single engagement has been counted, hence the larger number of actual engagements in the 2017/18 year.



#### 4. MAXIMISE INTEREST AND AUDIENCES FOR NEW ZEALAND SCREEN STORIES HERE AND OVERSEAS

Impact measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>Provide effective marketing support for domestic cinema releases &amp; additional release platforms</b>				
4a. Total domestic audience for NZFC-funded long-form screen stories across all screens in the year <sup>12</sup>	5.6M	4.5M	TBC	4.5M
4b. Total annual admissions at the New Zealand box office for all NZFC-funded films (Admissions during 1 July - 30 June financial year)	258,473	200,000	117,823	200,000
<b>Manage a focused international festival strategy</b>				
4c. Number of NZFC-funded feature and short films that are selected for A-list film festivals <sup>13</sup>	N/A	N/A	New measure	15
4d. Number of NZFC-funded films that secured more than 50,000 admissions at the NZ box office (Admissions during one-year time-period 1 July - 30 June financial year)	14	10	3	12
Output measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>MARKETING – Output Targets</b>				
4e. Number of feature film finishing and feature film print and advertising grants given	23	21	20	20

#### NOTES:

<sup>12</sup> The estimation of the 'total domestic audience for NZFC-funded long-form screen stories across all screens' is based on an online survey conducted by Kudos Organisational Dynamics amongst a representative sample of 1,000 New Zealanders aged 18 years and over. Results are extrapolated to the total New Zealand population using census data.

<sup>13</sup> Film Festivals the NZFC recognises as A-list are: Cannes, Berlin, Toronto, Sundance, Venice, Melbourne, NZIFF, Rotterdam, SXSW, Tribeca, IDFA, Clermont Ferrand, Busan, Sydney and Hot Docs.

## 5. BUILD AND MAINTAIN STAKEHOLDER RELATIONSHIPS TO GENERATE EXCELLENCE IN PARTNERSHIPS

Impact measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>Identify and support NZ screen talent</b>				
5a. Average overall satisfaction rating in dealing with team responsible for talent development <sup>14</sup>	79%	70%	N/A	75%
5b. Average overall satisfaction rating in dealing with the team responsible for screen incentives, co-productions and international screen attractions <sup>15</sup>	86%	70%	N/A	80%
5c. Average overall satisfaction rating in dealing with the team responsible for feature and short film marketing <sup>16</sup>	85%	70%	N/A	80%
5d. Average overall satisfaction rating in dealing with team responsible for development and production funding <sup>17</sup>	72%	72%	N/A	75%
Impact measures	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
<b>Operational and output measures</b>				
5e. Number of meetings with industry guilds	N/A	N/A	N/A	New Measure
5f. Number of collaborations with other agencies	N/A	N/A	N/A	New Measure

### NOTES:

<sup>14</sup> The NZFC's Biennial Stakeholder Survey reports on the percentage of people who are satisfied with the statement: Overall, I am satisfied with my experience in dealing with the NZFC team responsible for talent development and relationships. The survey will next be done in 2020.

<sup>15</sup> The NZFC's Biennial Stakeholder Survey reports on the percentage of people who are satisfied with the statement: Overall, I am satisfied with my experience in dealing with the NZFC team responsible for incentives, co-productions, international screen business attraction and international relations. The survey will next be done in 2020.

<sup>16</sup> The NZFC's Biennial Stakeholder Survey reports on the percentage of people who are satisfied with the statement: Overall, I am satisfied with my experience in dealing with the NZFC team responsible for long-form screen story marketing. The survey will next be done in 2020.

<sup>17</sup> The NZFC's Biennial Stakeholder Survey reports on the percentage of people who are satisfied with the statement: Overall, I am satisfied with my experience in dealing with the NZFC team responsible for long-form screen story development and production. The survey will next be done in 2020

## 2.2 Organisational health

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19 YTD	Target 2019/20
Annual staff engagement survey – performance index <sup>18</sup>	62.7	73	TBC	73%
Individual staff performance and development needs are assessed annually	New Measure	Achieve	Achieved	Achieve
Reported safety hazards are attended to promptly, significant hazards are attended to immediately	New Measure	Achieve	Achieved	Achieve
Proactive support of a safe & healthy workplace. Immediate investigation of any reported instances of harassment, bullying or discrimination.	New Measure	Achieve	Achieved	Achieve
Proactive support of a safe & healthy workplace. Immediate investigation of any reported instances of harassment, bullying or discrimination.	New Measure	Achieve	Achieved	Achieve
Exit interviews are offered to all leavers. Constructive feedback is welcomed, and relevant actions are implemented	New Measure	Achieve	Achieved	Achieve

**NOTES:**

<sup>18</sup> The NZFC participates in an annual employee engagement survey.

## **ANNUAL OPERATIONAL AND OUTPUT PERFORMANCE MEASURES**

### **MISSION: EMPOWER AND ATTRACT HIGHLY DISTINCTIVE AND DIVERSE SCREEN PRODUCTIONS FOR ALL AUDIENCES**

**This section covers the detailed operational and output targets for the year ending 30 June 2020.**

We deliver our outputs through seven activity classes. The first five activity classes (talent development, development and production, Māori and Pacific Island screen stories, marketing and international relations) contribute to the output “promotion and support of the arts and film”. These activity classes are funded by MCH. The sixth activity class (international screen business attraction and promotion) contributes to the output “attract international screen production projects to locate in New Zealand, leverage economic benefits for New Zealand, and provide a suite of services to support international clients during their time in New Zealand” and is funded by MBIE. The seventh activity class (screen incentives) contributes to both of the above outputs and is jointly funded by MCH and MBIE.

An explanation of what each activity class is intended to achieve is set out below:

#### **Talent development**

This activity class comprises knowledge sharing, training, professional development, on the job development, short films and progression to feature films or series drama. Investing in professional development ensures talented people develop successful careers and create a diverse range of projects that will be successful in a modern screen industry. Investing in a wide diversity of programmes in partnership with industry organisations ensures a growing and sustainable talent base in New Zealand. A proactive approach to diversity, equality and inclusion ensures the talent developed, as well as the films made, reflect contemporary New Zealand society.

#### **Development and production**

This activity class facilitates the development and production of a range of feature films and series drama each year by providing development and/or production funding to New Zealand projects. It also includes devolved development schemes such as He Ara, Seed Funding and Boost, and bespoke production funding opportunities for Māori.

#### **Māori and Pacific Island screen stories**

This activity class leads in ensuring the effective implementation of the NZFC’s Te Rautaki Māori, developing robust and effective partnerships with the Māori screen industry, and the development and implementation of funding initiatives and training opportunities for Māori and Pacific Island screen practitioners.

### **Marketing**

This activity class aims to maximise the audience for New Zealand films, in cinemas and on other screens, here and overseas. Marketing grants are provided to distributors to enhance domestic cinema releases and to independent filmmakers to finish and screen their projects. New Zealand films are promoted at key international festivals and markets and back-catalogue digitisation continues, ensuring classic New Zealand films can continue to be seen in modern formats.

Recognising the importance of safeguarding New Zealand's film history led to the NZFC becoming a key partner in Te Puna Ataata The New Zealand Film Heritage Trust, a newly created charitable trust which can be appointed by filmmakers to be guardian and decision maker for their New Zealand films, thus ensuring their films' legacy and accessibility into the future.

Titles that are not independently represented by sales agents and remain in the care of the NZFC continue to become part of the gallery of films called Te Ahi Kā. Te Ahi Kā literally means "the home fire" – a concept which epitomises the organisation's intention to be a responsible guardian and marketer for New Zealand screen taonga.

### **International relations**

This activity class focuses on the facilitation of strategic relationships between the New Zealand screen industry and international counterparts, especially those in Europe, North America and Asia. It has a particular focus on facilitating official film and television co-productions under New Zealand's 18 bilateral co-production treaties and agreements and is the first point of contact for New Zealand's overseas diplomatic posts, foreign diplomatic posts in New Zealand, and all the NZFC's sister agencies internationally.

### **International screen business attraction and promotion**

This activity class focuses on the promotion of New Zealand as a destination of choice for international screen production through highlighting key factors such as business friendliness, creativity, technical expertise, favourable exchange rate, incentives and locations. The best possible advice is provided, with support and information to encourage incoming productions to choose to work in New Zealand.

### **Screen incentives**

This activity class comprises administration of the NZSPG on behalf of MBIE and MCH in accordance with the criteria, including the management and convening of the NZSPG panel. It also includes the negotiation and facilitation of the 5% Uplift.

### **Corporate**

The NZFC's core support unit, this comprises **Business Affairs, Human Resources, Operations** and **Finance** and is responsible for compliance and effective operations behind the scenes.

This activity class also performs the role of “competent authority” in certifying film and television official co-productions.

### **Collaboration**

The NZFC continues to work with local industry, government organisations and fellow international funding agencies to improve New Zealand screen sector outcomes. We work closely with our colleagues from other government organisations including the Ministry for Culture and Heritage (MCH), Ministry of Business, Innovation and Employment (MBIE) and Ministry of Foreign Affairs and Trade (MFAT). We also work with Ngā Taonga Sound and Vision and share our Wellington office building with NZ On Air with whom we collaborate on selected projects.

We provide core funding to the key screen industry guilds such as SPADA, New Zealand Writers' Guild, WIFT and Script to Screen, and collaborate on training initiatives and other issues such as health and safety.

### 3. FORECAST FINANCIAL STATEMENTS

#### PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2020

	2019/20 Budget \$000s	2018/19 Budget \$000s	2018/19 Forecast Actual \$000s
<b>Revenue</b>			
Crown revenue - MCH	5,401	5,401	5,401
Crown revenue - MBIE	1,300	1,300	1,300
Lottery Grants Board revenue	17,875	17,875	17,000
Film income and sales commission	510	710	1,210
Interest received	750	700	750
Writebacks	0	0	47
Other income	10	20	10
Total Operating Revenue	25,846	26,006	25,718
Government grant - NZSPG	32,800	20,700	20,000
<b>Total Revenue</b>	<b>58,646</b>	<b>46,706</b>	<b>45,718</b>
<b>Expenditure</b>			
Talent development	2,627	3,440	3,456
Rautaki	858	963	821
Development and production	17,003	16,560	18,879
Marketing	2,032	2,348	2,193
International screen business attraction & promotion	595	549	517
International relations	418	428	403
Screen incentives administration	217	257	252
Depreciation & amortisation	200	200	200
Personnel	4,830	4,610	4,676
Corporate	1,576	1,504	1,488
Total Operating Expenditure	30,356	30,859	32,885
Government grant - NZSPG	32,800	20,700	20,000
<b>Total Expenditure</b>	<b>63,156</b>	<b>51,559</b>	<b>52,885</b>
<b>Net Surplus/(Deficit)</b>	<b>(4,510)</b>	<b>(4,853)</b>	<b>(7,167)</b>
Other comprehensive revenue and expense	0	0	0
<b>Total Comprehensive Expense</b>	<b>(4,510)</b>	<b>(4,853)</b>	<b>(7,167)</b>
<b>Statement of forecast movements in equity</b>			
Public Equity as at 1 July	6,739	10,602	13,907
Total Comprehensive Expense	(4,510)	(4,853)	(7,167)
<b>Public Equity as at 30 June</b>	<b>2,229</b>	<b>5,749</b>	<b>6,740</b>

## PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

As at 30 June 2020

	2019/20 Budget \$000s	2018/19 Budget \$000s	2018/19 Forecast Actual \$000s
<b>Current Assets</b>			
Cash and cash equivalents	2,000	2,000	4,000
Term deposits	14,000	14,000	19,000
Accounts receivable	6,000	8,000	6,500
	22,000	24,000	29,500
<b>Non Current Assets</b>			
Investments	0	0	0
Fixed assets	400	400	350
	400	400	350
<b>Total Assets</b>	<b>22,400</b>	<b>24,400</b>	<b>29,850</b>
<b>Current Liabilities</b>			
Accounts payable	2,000	2,000	4,000
Employee Entitlements	250	200	250
Film income account	400	400	500
Project commitments	17,521	16,051	18,361
<b>Total Liabilities</b>	<b>20,171</b>	<b>18,651</b>	<b>23,111</b>
<b>Public Equity</b>	<b>2,229</b>	<b>5,749</b>	<b>6,739</b>
<b>Total Liabilities &amp; Public Equity</b>	<b>22,400</b>	<b>24,400</b>	<b>29,850</b>



## PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2020

	2019/20 Budget \$000s	2018/19 Budget \$000s	2018/19 Forecast Actual \$000s
<b>Cash Flows from Operating Activities</b>			
Receipts from Crown Revenue & Other Income	57,896	46,203	44,921
Interest Received	750	620	750
Support, Suppliers & Employees	(63,356)	(51,053)	(53,085)
Goods and Services Tax (net)	0	0	0
<b>Net Cash from Operating Activities</b>	<b>(4,710)</b>	<b>(4,230)</b>	<b>(7,414)</b>
<b>Cash Flows from Investing Activities</b>			
Sale of investments	14,000	4,500	19,000
Purchase of investments	(9,290)	0	(12,105)
Purchase of Property, Plant & Equipment	0	(250)	0
Sale of Property, Plant & Equipment	0	0	0
Purchase of Intangible Assets	0	(20)	0
<b>Net Cash from Investing Activities</b>	<b>4,710</b>	<b>4,230</b>	<b>6,895</b>
<b>Cash Flows from Financing Activities</b>			
Short Term Loans Issued	0	0	0
Short Term Loans Repaid	0	0	0
<b>Net Cash from Financing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase / (Decrease) in Cash at Bank</b>	<b>0</b>	<b>0</b>	<b>(519)</b>
<b>Opening Cash at Bank</b>	<b>2,000</b>	<b>2,000</b>	<b>4519</b>
<b>Closing Cash at Bank</b>	<b>2,000</b>	<b>2,000</b>	<b>4,000</b>

### **3.1 Notes to the financial statements**

#### **FINANCIAL PLANNING ASSUMPTIONS**

In the projected financial statements for the year ended 30 June 2020 we have assumed that:

- a. Our core business will remain unchanged with financing the production of New Zealand feature films/screen stories remaining the most important activity.
- b. We will continue to take commercial recoupment positions in the films we invest in.
- c. Film income estimated as \$510,000 and interest received estimated as \$750,000 will augment Crown and Lottery funding. If these sums are not achieved, the feature film production funding budget will be reduced pro rata by the required amount.

#### **REPORTING ENTITY**

Pursuant to the New Zealand Film Commission Act 1978, the New Zealand Film Commission (the NZFC) was established on 13 November 1978. It is defined as a Crown Entity in terms of the Crown Entities Act 2004. NZFC's ultimate parent is the New Zealand Crown.

These are the NZFC's projected 2019/20 financial statements. They are prepared subject to the New Zealand Film Commission Act 1978 and the Crown Entities Act 2004.

The primary objective of the NZFC is to encourage and also participate and assist in the making, promotion and exhibition of films. It has been established exclusively for charitable purposes in New Zealand. Accordingly, the NZFC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

#### **BASIS OF PREPARATION**

##### **Statement of compliance**

These forecast financial statements have been prepared to comply with the requirements of the Crown Entities Act 2004. They may not be appropriate for purposes other than complying with the requirements of this Act.

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and in accordance with Tier 1 PBE accounting standards. This includes PBE FRS 42: Prospective Financial Statements.

The Board of the NZFC authorised the issue of these forecast financial statements and is responsible for the information presented, including the appropriateness of the assumptions underlying the financial statements and all other required disclosures.

Forecast actual results for 2018/19 are based on actual financial results covering the ten month period to 30 April 2019.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **Measurement base**

The financial statements have been prepared on a going concern basis.

#### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (000's).

Foreign currency transactions are translated into NZ\$ (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **Revenue**

Revenue is measured at the fair value of considerations received or receivable.

#### ***Crown revenue***

The NZFC is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the NZFC meeting its objectives as specified in the Statement of Intent. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

#### ***Other grants***

Non-government grants are recognised as revenue when they become receivable.

#### ***Interest***

Interest revenue is recognised using the effective interest method which recognises interest as earned. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

#### ***Film income***

Returns from film investments are recognised as revenue when either a sales contract is executed or, in the case of film royalty "overages", when the royalties have been reported and become receivable.

### **Grant expenditure**

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the NZFC has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the relevant NZFC committee and the approval has been communicated to the applicant.

### **Leases**

#### ***Operating leases***

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### **Financial instruments**

The NZFC is party to financial instruments as part of its normal operations. Financial instruments include:

- a. financial assets - cash and cash equivalents, investments and trade and other receivables
- b. financial liabilities - trade and other payables

Purchases and sales of financial assets are recognised on the date when the NZFC becomes party to a financial contract. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired.

Financial instruments are initially recognised at fair value plus transaction cost. Subsequent measurement of financial instruments depends on the classification of the financial instrument.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Any bank deposits held in foreign currencies at balance date are valued at the quoted mid-rate at the close of business on 30 June. The unrealised gain or loss resulting from the valuation is recognised in the surplus or deficit.

### **Trade and other receivables**

Trade and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established on a case by case basis, when there is objective evidence that the NZFC will not be able to collect amounts due per the original terms of the receivable.

Indicators that the debtor is impaired include significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments. The carrying amount of the asset is reversed and written off against the unpaid invoices account in the Film Income Account. Overdue invoices that have been renegotiated are reclassified as current (i.e. not past due).

#### **STAR loans**

Short Term Assured Repayment (STAR) loans are initially recognised at their transaction cost. They are subsequently measured at amortised cost using the effective interest method.

The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expenditure.

#### **Investments and advances**

##### ***Funding for film development and production***

Funding for film development and production, while in the nature of an investment, is treated as expenditure because of its high-risk nature. This expenditure is recognised at the time the commitment is approved and includes funds committed but not paid out at year-end. The exceptions to this policy are:

- a.** investments for which a certain level of revenue is contracted and reasonably assured. Such investments are treated as assets and valued at the minimum level of expected revenue
- b.** short term advances made on a fully recourse basis where the payment is secured by some means so as to give a reasonable expectation of repayment.

##### ***Bank term deposits***

Investments in bank term deposits are initially measured at the amount invested.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

##### ***Investments***

The NZFC designates portfolio investments at fair value through surplus and deficit, which are initially measured at the amount invested.

After initial recognition, these investments are measured at their fair value with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses which are recognised in the surplus or deficit.

A significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment. If impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) is recognised in the surplus or deficit.

### **Property, plant & equipment**

Property, plant & equipment consists of the following asset classes: leasehold alterations, computer hardware, office equipment and furniture and fittings. All classes are measured at cost, less accumulated depreciation and impairment losses.

#### ***Additions***

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the NZFC and the cost of the item can be measured reliably.

#### ***Disposals***

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

#### ***Subsequent costs***

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZFC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

#### ***Depreciation***

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

<b>Computer Hardware</b>	<b>3 years</b>	<b>33.33%</b>
<b>Furniture and Fittings</b>	<b>7 years</b>	<b>14.29%</b>
<b>Office Equipment</b>	<b>5 years</b>	<b>20.00%</b>
<b>Leasehold Alterations</b>	<b>3-9 years</b>	<b>11.11% - 33.33%</b>

Leasehold alterations are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the alteration, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

## **Intangible assets**

### **Software acquisition and development**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the NZFC, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

- Staff training costs are recognised as an expense when incurred.
- Costs associated with maintaining computer software are recognised as an expense when incurred.
- Costs associated with the development and maintenance of the NZFC's website are recognised as an expense when incurred.

### **Amortisation**

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

<b>Computer software</b>	<b>3 years</b>	<b>33.33%</b>
--------------------------	----------------	---------------

### **Impairment of property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the NZFC would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount.

The total impairment loss is recognised in the surplus or deficit.

**Trade and other payables**

Trade and other payables are recorded at their face value.

**Employee Entitlements**

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

***Presentation of employee entitlements***

Salaries and wages and annual leave are classified as a current liability.

**Superannuation schemes**

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as incurred.

**Project commitments**

This amount represents financial commitments and advances for film development and production committed by the NZFC, but not paid out at year-end.

**Write backs**

Write backs represent commitments for investments and advances treated as expenditure in previous years and subsequently revised or cancelled and therefore written back to the current year's revenue.

**Goods and services tax (GST)**

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

**Income tax**

The NZFC is exempt from income tax in accordance with Section 29 of the New Zealand Film Commission Act 1978. Accordingly, no provision has been made for income tax.



### **Cost allocation**

The NZFC has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on the proportion of direct costs for each output of total direct costs.

### **Critical judgements in applying the NZFC's accounting policies and critical accounting estimates and assumptions**

In preparing these financial statements the NZFC has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### ***Estimating useful lives and residual values of property, plant and equipment***

At each balance date, the NZFC reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the NZFC to consider a number of factors such as the physical condition of the asset and expected period of use of the asset by the NZFC.

An incorrect estimate of the useful lives and residual values will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The NZFC minimises the risk of this estimation uncertainty by

- a. physical inspection of the asset
- b. asset replacement programs.

The NZFC has not made significant changes to past assumptions concerning useful lives and residual values.

**Funding expenditure**

We have exercised judgement in developing our funding expenditure accounting policy as there is no specific accounting standard for funding expenditure.

With the recent introduction of the new PBE Accounting Standards, there has been debate on the appropriate framework to apply when accounting for such expenditure.

We are aware that the need for a clear standard or authoritative guidance on accounting for grant expenditure has been raised with the New Zealand Accounting Standards Board. We will keep the matter under review and consider any developments.

A challenging area in particular is accounting for funding arrangements that include conditions or milestones. Although our feature film production funding contracts may set out milestones, these are primarily for administrative purposes, and on this basis, we recognise the full commitment as expenditure. Furthermore, our assessment is that the recipient and other related parties have a valid expectation that funding will be paid in full

**Funding liabilities**

We recognise a liability for funding expenditure when the following conditions have been met:

- a. The funding has been approved by the relevant NZFC decision making body;
- b. The funding recipient has been advised; and
- c. It is probable (more likely than not) that the funded proposal will be completed.

## **GLOSSARY**

We interact with several organisations and use a number of terms throughout this Statement of Performance Expectations and the associated Statement of Intent that readers may not be familiar with and have defined these below to assist with the understanding of both documents.

<b>Boost</b>	<b>A devolved development scheme designed to accelerate the feature film slates of active producers</b>
<b>MBIE</b>	<b>Ministry of Business, Innovation &amp; Employment</b>
<b>MCH</b>	<b>Ministry for Culture &amp; Heritage</b>
<b>MFAT</b>	<b>Ministry of Foreign Affairs &amp; Trade</b>
<b>NZFC</b>	<b>New Zealand Film Commission</b>
<b>NZSPG</b>	<b>New Zealand Screen Production Grant (replaced SPIF and LBSPG effective 1 April 2014)</b>
<b>NZTE</b>	<b>New Zealand Trade &amp; Enterprise</b>
<b>Pou Whakahaere</b>	<b>The person responsible for managing the NZFC's Māori cultural policies and programmes</b>
<b>SPE</b>	<b>Statement of Performance Expectations</b>