



**New Zealand
FILM COMMISSION**



Te Tumu Whakaata Taonga

**New Zealand Film Commission
Statement of Performance Expectations
2020 - 2021**



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



David Wright
Chair, Finance, Audit & Risk Committee

June 2020



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Ministry of Business, Innovation and Employment and by the Lottery Grants Board.**

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COVID-19

The screen industry faces unprecedented disruption as a result of COVID-19. Like any organisation, the New Zealand Film Commission needs to understand what may prevent the organisation from achieving its performance expectations and seek to mitigate these risks. While we are able to forecast some of the short term impacts this disruption may have, many of the long-term impacts remain unclear. Therefore, this Statement of Performance Expectations reflects both business as usual expectations and anticipated changes in our day-to-day operations. The New Zealand Film Commission attempts to be agile and nimble in responding to changes to the organisation and the screen industry with respect to its planning and reporting cycles. Accordingly, we will review expectations and amend this Statement of Performance Expectations during the 2020/2021 year as circumstances require. Consultation will take place with the Associate Minister for Arts, Culture and Heritage should changes be required.

INTRODUCTION

The Organisation:

Te Tumu Whakaata Taonga The New Zealand Film Commission (NZFC) is an Autonomous Crown Entity operating under the New Zealand Film Commission Act 1978.

The NZFC has a statutory responsibility “to encourage, participate and assist in the making, promotion, distribution and exhibition of films” and is funded by the Ministry for Arts, Culture and Heritage (MCH), the Ministry of Business, Innovation and Employment (MBIE) and the New Zealand Lottery Grants Board (LGB).

The NZFC supports a diverse range of New Zealand and international screen stories. It develops career pathways and offers industry training, funds the production and distribution of New Zealand screen projects and assists international partners to produce their screen projects in New Zealand. .

Vision:

To champion exceptional storytellers to create enduring taonga for Aotearoa.

Mission:

To empower and attract distinctive and diverse screen productions for all audiences.

Goals:

1. Activate high impact, authentic and culturally significant screen stories
2. Sustain and strengthen economic growth for our film industry
3. Facilitate dynamic pathways for outstanding people, projects and businesses
4. Maximise interest and audiences for New Zealand screen stories here and overseas
5. Build and maintain stakeholder relationships to generate excellence in partnerships

The NZFC aligns with the Government’s Priorities for New Zealand:

Government priorities are central to how the NZFC operates. The Government has set out three priorities to build a modern and fairer New Zealand. These are:

- Building an economy that is growing and working for us
- Improving the wellbeing of New Zealanders and their families
- Making New Zealand proud

The NZFC contributes to all the identified priorities, and the organisation contributes most strongly to making New Zealand proud, specifically valuing who we are as a country. The Arts, Culture and Heritage Ministers have identified four priority outcomes, and these play a key role in the NZFC’s vision, mission and goals, particularly the first three:

- All New Zealanders can access and participate in cultural experiences
- The cultural sector is supported and growing sustainably
- New Zealanders share a distinct and inclusive identity and value our history and traditions
- New Zealand has a strong public media system that ensures an informed democracy.

The NZFC aligns with six of the Government's Wellbeing Domains

The Treasury has developed a Living Standards Framework (the Framework) to measure and analyse wellbeing and support policy makers in applying wellbeing now and into the future. The Framework was adopted to prompt thinking about policy impacts across the different dimensions of wellbeing and to ensure that the wellbeing of New Zealanders will be lifted over time. The NZFC contributes to six wellbeing domains that form part of the Framework and these are listed below.

Jobs and Earnings:

The NZFC provides skilled jobs for New Zealanders working in the screen industry and supports the professional development of filmmakers who work on New Zealand and international feature film and series drama projects. Film productions funded by the NZFC provide thousands of jobs for New Zealanders and the latest figures from Statistics New Zealand show that in 2017, the screen industry employed 16,200 people in a total of 29,700 jobs.

Cultural Identity:

Promoting New Zealand content is crucial in enabling us to share our values and identities. The NZFC continues to fund content that depicts New Zealand, allowing a diverse range of New Zealanders the opportunity to see themselves reflected on the screen. The NZFC is committed to supporting New Zealand's diverse communities to express their unique voices, stories and cultures and has developed funding programmes to activate projects from underrepresented sectors of the community.

Income and Consumption:

A high level of screen activity generates economic growth and spill-over benefits in sectors such as tourism and education, particularly in regional New Zealand. The New Zealand Screen Production Grant (NZSPG) generates export revenue by attracting international production companies and studios to spend in the economy during film production. Productions funded by the NZFC that showcase New Zealand's natural environment, culture and society contribute to marketing New Zealand as an attractive tourist destination. The NZFC is also committed to working with international industry participants; international production partnerships are a signal that New Zealand is open for business beyond the screen industry.

Knowledge and Skills:

Finding, fostering and progressing talented New Zealand filmmakers is a key focus for the NZFC. The NZFC supports screen practitioners through internships, professional placements, mentorships, and short film funding. Core funding is provided to industry guilds so they can support their members, and the NZFC funds guilds and organisations to provide programmes that will upskill practitioners to benefit the screen sector.

Social Connections:

The NZFC promotes its films in New Zealand and overseas, encouraging New Zealanders to come together to experience the range of stories filmmakers have to offer. The critical success of New Zealand films is increasingly making us a more confident and cohesive nation. The NZFC also organises and participates in events designed to expand connections in our sector.

Subjective Wellbeing:

The NZFC funds films that allow people to consume and discuss thought-provoking and complex issues in an accessible way. Participating in watching film can help develop emotional understanding and resilience, while the act of filmmaking itself can provide a powerful means of self-expression and creative outlet.

NEW FUNDING AND OPPORTUNITIES:

New Zealand continues to adapt and recover from the COVID-19 pandemic and the Government recognises that the Cultural Sector has an important role in this recovery. Accordingly, the NZFC will continue to explore new and innovative ways of supporting the screen sector.

In addition to baseline funding, Minister Sepuloni, the Associate Minister for Arts, Culture and Heritage has advised the NZFC will receive an additional \$15.4M over two years through Budget 2020. This funding will contribute to the following outcomes:

Cultural Sector Capability Funding (\$2M):

This will ensure the screen industry has necessary industry, technical and business capability to meet the challenges of a post-COVID-19 environment. Funding will be used to revamp the NZFC's current professional development programme to expand and offer online support for New Zealand screen talent. This will include online mentorships, masterclasses, training and resources; creating an opportunity to motivate creative endeavour, build capacity and inspire screen talent to develop their skills and projects. This will provide employment and training opportunities for New Zealanders in the screen industry who have been impacted by COVID-19.

This funding will also go toward capacity support to cover running costs and strategic training programmes for screen sector guilds and organisations. Many guilds and organisations that are directly supported through the NZFC as the 'peak bodies' within the screen sector have indicated that resources and funds are limited or unavailable due to the impacts of COVID-19. As these organisations represent the majority of the New Zealand screen sector, investment into focused training and development programmes will help enable the screen sector to re-emerge and regenerate.

Screen Production Fund (\$13.4M):

When New Zealand entered Alert Level 4 in March 2020, 47 NZFC funded long form productions (film and television) and 17 short films were affected. These projects were in various stages of production; financing or pre-production, filming and post-production. Some of these projects were intending to imminently release in domestic cinemas. This funding will support these affected productions to return to their respective stage of production once restrictions are lifted.

This will ensure that NZFC-funded projects are completed, delivered and screened; investments committed to projects by the NZFC can be fulfilled, and provides the opportunity for New Zealand stories to reach New Zealand audiences. There are widespread benefits to the New Zealand screen sector as this funding will continue to activate work and ensure that crew working on NZFC-funded productions will have jobs and income.

Premium Drama Fund (\$50M):

In addition to the \$15.4M, the Government has also announced a Premium Drama Fund, including \$50M over two years (\$25M in 2020/21 and \$25M in 2021/22) to support premium New Zealand films and/or series drama for New Zealand and international audiences. This fund will be managed in partnership with NZ On Air. This fund will support economic growth, through the attraction of international investment in New Zealand's screen sector, increased employment, and cultural benefits, through providing the resources to tell New Zealand stories at a scale not previously possible. This fund is not reflected in this Statement of Performance Expectations budget as we continue to work with MCH and NZ On Air on the administration and management of the fund.

ABOUT THIS STATEMENT OF PERFORMANCE EXPECTATIONS (SPE):

Each year, the NZFC publishes an SPE that outlines planned activity, performance targets and forecast financial information for the relevant financial year. The SPE sits under the Statement of Intent 2019-2023 (SOI) and describes how the year ahead will contribute to achieving the strategic direction set out in the SOI. In this SPE, the NZFC sets out what will be done to achieve investment impacts, and how progress will be measured.

This SPE covers the performance targets set for the year ending 30 June 2021. 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 in December 2021. It is intended that interim results will be provided on the NZFC website periodically during the year.

This SPE comprises 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 the section 'Annual operational and output performance measures.'

- 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 NZFC'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 2021 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 contributing to the non-departmental output expenses:

Output 1 - “Promotion and Support of the Arts and Film”, within Vote Arts, Culture and Heritage, administered by MCH. This appropriation is intended to achieve high quality New Zealand arts and film production for New Zealand and international audiences; and

Output 2 - “Economic Development: Attracting International Screen Productions” within Vote Business, Science and Innovation, administered by 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 NZFC 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 NZFC for the year ending 30 June 2021 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 – NZFC 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		
Valuing who we are as a country					
Sector outcomes	All New Zealanders can access & participate in cultural experiences	The cultural sector is supported & growing sustainably	New Zealanders share a distinct & inclusive identity & value our history & traditions	New Zealand has a strong public media system that ensures an informed democracy	
NZFC medium term goals	Activate high impact, authentic & culturally significant screen stories	Sustain & strengthen economic growth for our thriving screen industry	Facilitate dynamic pathways for outstanding people, projects & businesses	Maximise interest & audiences for New Zealand screen stories here & overseas	Build & 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	Facilitate development & production opportunities Encourage more screen stories Fund the production of culturally significant films, including those in Te Reo Māori Provide development opportunities for under-represented voices in the screen industry	Position New Zealand as a leading destination for screen production Promote and administer the screen incentives Attract a regular & diverse range of international productions Facilitate strategic relationships especially with North America, Europe & Asia	Identify & support NZ screen talent Connect NZ & international screen talent	Provide effective marketing support for cinema releases & additional release platforms Manage a focused international festival strategy Conduct audience research	Refine internal systems to offer better service to our external clients & partners Build long-term partnerships with people & businesses that align with our goals Staff are expert, motivated, courageous & proactive professionals Engage & empower diverse communities
How we will know we are making a difference	Number of culturally significant films financed by the NZFC Number of feature films & series dramas with NZFC development support Increased use of official co-production structures Number of culturally significant films released in New Zealand Domestic critical acclaim	Feature film production spend in New Zealand grows Volume of international productions increases Private investment into NZFC films grows over time More connections with international screen partners	NZ screen talent moves from talent development initiatives to feature films or series dramas over time NZ screen talent is involved in feature films or series drama with strong market attachments NZ screen talent is working internationally or with international partners	Total domestic audience for NZFC films across all screens increases Total annual admissions for NZFC-funded films at NZFC cinemas increases Number of NZ films selected for A-list festivals Number of films with 50,000+ domestic theatrical admissions annually	Increased satisfaction rating from stakeholders Recognised by industry as being a focused, high-performing, learning organisation Partners work together to share knowledge, learning and seek meaningful collaboration

Our five medium term goals are aligned to the key functions of the NZFC as set out in Section 17 of The New Zealand Film Commission Act 1978

<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"> • Maximise interest and audiences for New Zealand screen stories here and overseas • Activate impactful, authentic and culturally significant screen stories • Build and maintain stakeholder relationships to generate excellence in partnerships
<p>Sec 17 (1) (b) (ii)(iii) To encourage and promote the efficient use of available resources within the New Zealand film industry, and to co-operate with other interested or affected bodies and organisations in order to encourage and promote employment in the New Zealand film industry</p>	<ul style="list-style-type: none"> • Facilitate dynamic pathways for outstanding people, projects and businesses • Sustain and strengthen economic activity for our thriving screen industry • Build and maintain stakeholder relationships to generate excellence in partnerships

The majority of the NZFC’s annual expenditure is allocated towards film production. This aligns with Sec 17 (1) (a) of the Act and provides a tangible outcome for New Zealand stakeholders (Government and audiences).

A key secondary focus is facilitating pathways and careers for talented New Zealand filmmakers. This enables a regular supply of financeable film projects to meet our main objective – culturally significant screen stories for domestic and international audiences.

Figure 2 – Summary of Forecast Revenue and Output Expenditure

Output 1: Vote Arts, Culture & Heritage

	2020/21 Budget \$000	2019/20 Budget \$000	2019/20 Forecast \$000	2018/19 Actual \$000
A. Revenue				
Crown revenue - MCH	17,101	5,401	8,101	5,437
Lottery Grants Board revenue	18,000	17,875	19,500	17,877
Other revenue	610	1,270	3,211	7,682
TOTAL REVENUE	35,711	24,546	30,812	30,996
B. Output Expenses				
Talent development	3,720	2,627	2,882	2,778
Rautaki	840	858	892	607
Development and production	29,898	17,003	17,524	14,542
Marketing	1,602	2,032	1,164	2,367
International relations	130	418	267	399
Screen incentive administration	75	75	95	84
Total funding commitments	36,265	23,013	22,824	20,777
Personnel	4,037	4,122	4,093	3,667
Corporate overheads	1,761	1,598	1,465	1,516
TOTAL OUTPUT EXPENSES	42,063	28,733	28,382	25,960

Output 2: Vote Business, Science & Innovation

	2020/21 Budget \$000	2019/20 Budget \$000	2019/20 Forecast \$000	2018/19 Actual \$000
A. Revenue				
Crown revenue - MBIE	1,300	1,300	1,300	1,300
TOTAL REVENUE	1,300	1,300	1,300	1,300
B. Output Expenses				
Int. screen business attraction	323	415	257	236
Int. screen promotion	136	209	122	103
Screen incentive administration	143	158	151	132
Total funding commitments	602	782	530	471
Personnel	668	663	622	572
Corporate overheads	234	178	170	168
TOTAL OUTPUT EXPENSES	1,504	1,623	1,322	1,211

Forecast Financial Performance

The NZFC is planning to run a deficit of approximately \$6.5M in the 2020/21 financial year. We expect to commence the year with \$10.6M of equity and finish the year with \$4.0M of equity.

The NZFC has had several years of steady increases in annual grants from major funder the New Zealand Lottery Grants Board (LGB). As a result of COVID-19, 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.

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

There are five medium term goals that the NZFC will strive to achieve in 2020/2021. The organisation's goals are aligned to the Statement of Output Performance (see page 11).

These medium-term goals all feed into our long-term goal of activating and attracting distinct and diverse screen productions for global audiences as well as supporting the Government's priorities.

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, *Daffodils*, *Bellbird* and *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 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 screen industry.

NZFC staff maintain links to key festivals and markets to build and maintain relationships with sales agents, festival selectors, other national agencies offshore, 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

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 2021.

We deliver outputs through seven activity classes. The first five activity classes are funded by MCH and contribute to the output “promotion and support of the arts and film”, these are:

- Talent development
- Development and production
- Te Rautaki Māori and Pacific Island screen stories
- Marketing
- International relations

The sixth activity class, international screen business attraction and promotion, is funded by MBIE and 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”.

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 Boost, He Ara, Seed Funding, and bespoke production funding opportunities for Māori.

Te Rautaki 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. 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.

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.

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

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.

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 MCH, 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 the Screen Production and Development Association (SPADA), New Zealand Writers' Guild, Women in Film and Television (WIFT) and Script to Screen and collaborate on training initiatives and other issues such as health and safety.

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 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.

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

Impact measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
Fund the production of culturally significant feature films and long-form screen stories¹				
1a. Percentage of NZFC-funded feature films that are culturally significant (over a three-year timeframe)	93%	80%	86%	80%
1b. Percentage of New Zealanders who agree that New Zealand screen stories are important ²	76%	75%	TBC	75%
Facilitate film development and production opportunities				
1c. Number of long-form screen stories produced with NZFC development support (direct or devolved) ³	15	10	10	8
Encourage more film co-productions				
1d. Number of long-form screen story official co-productions receiving NZFC discretionary financing (based on films that are in production during this financial year)	2	2	2	2

NOTES:

¹ 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.

² The percentage figure is calculated from surveys taken during test screenings of New Zealand films and while doing other audience research (eg. Exit surveys). The results are then extrapolated to the New Zealand population.

³ Definition of "long-form screen stories produced": First day of principal photography falls within the period of the financial year.

Operational and output measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
DEVELOPMENT & PRODUCTION – Operational Measures				
Provide development and production opportunities for under-represented voices in the screen industry				
1e. Percentage of short films, feature films or series dramas that receive NZFC development and/or production funding with Māori practitioners in at least two key creative roles ⁴	20%	20%	34%	20%
1f. Percentage of short films, feature films or series dramas that receive NZFC production funding with a woman or gender-diverse director attached	57%	40%	49%	50%
DEVELOPMENT & PRODUCTION – Output Target				
1g. Number of long-form screen stories offered NZFC production financing ⁵	14	10	10	12*
1h. Number of short films, feature films or series dramas stories in Te Reo Māori receiving NZFC development and/or production funding ⁶	New measure	1	3	5
1i. Number of NZFC-financed productions impacted by COVID-19 that reach final delivery	New measure	New measure	New measure	25**

NOTES:

⁴ Key creatives are defined as writer, director, producer.

⁵ Measured from the date a commitment to finance production is made.

⁶ The majority of dialogue spoken must be in Te Reo Maori.

* Two of these projects are to be funded via the joint Premium Drama Fund administered by the NZFC and NZOA.

**At the time of the COVID-19 lockdown, 47 NZFC-funded films were at some point in production, 28 of which had NZFC discretionary financing. This measure reflects the number of these COVID-19 affected productions we believe will reach delivery in the period.

2. SUSTAIN AND STRENGTHEN ECONOMIC OUTCOMES FOR OUR SCREEN INDUSTRY

Impact measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
Position and promote New Zealand as a leading destination for screen production				
2a. Percentage of international stakeholders who agree that: New Zealand is considered a world leading destination for screen production ⁷	NA	85%	TBC	85%
Administer the screen incentives				
2b. Total annual value of production expenditure in New Zealand administered within the NZSPG (NZ productions)	\$49M	\$82M	\$76.9M	\$78M
Attract a regular and diverse range of international productions				
2c. Total annual value of international production budgets attracted to New Zealand by the NZSPG (international productions)	\$572M	\$600M	\$553.3M	\$553M
Facilitate strategic relationships				
2d. Number of provisional and final co-production certificates issued	New Measure	New Measure	New Measure	Benchmark

NOTES:

⁷ 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.

Output measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
SCREEN INCENTIVES – Output Targets				
2e. Number of final NZSPG certificates issued for New Zealand productions ⁸	11	17	10	20
2f. Number of final NZSPG certificates issued for international productions ⁸	20	22	17	23
2g. Number of final NZSPG certificates issued to productions impacted by COVID-19*	New Measure	New Measure	New Measure	10
INTERNATIONAL SCREEN BUSINESS ATTRACTION – Output Target				
2h. Number of international screen attraction business enquiries	396	200	476	250

NOTES:

⁸ New Zealand Screen Production Grant applications are assessed by a panel comprising representatives from MCH or MBIE as appropriate, NZFC staff and independent industry experts. This number does not include provisional grants.

* At the time of the COVID-19 lockdown, 47 NZFC-funded films were at some point in production, 19 of which were NZSPG projects. This measure reflects the number of these COVID-19 affected productions we believe will apply for final NZSPG certificates in the period.

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

Impact measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
Identify and support NZ screen talent				
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 ⁹	73	25	53	35
Connect NZ and international screen talent				
3b. Number of NZFC supported screen practitioners (writers, directors, producers, actors) moving from local projects/activity into international projects/activity ¹⁰	20	20	21	15

NOTES:

⁹ Alternative pathways include television series, web series, international productions and for directors and producers, commercials and music videos.

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

Output measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
TALENT DEVELOPMENT – Output Targets				
3c. Number of short films funded by the NZFC	9	12	15	16
3d. Number of NZFC-funded talent development initiatives	141	100	125	80
3e. Total number of screen practitioners actively engaging with the NZFC's talent development team ¹¹	105	150	156	150

NOTES:

¹¹ 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 two engagements per filmmaker are required to count towards this number.

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

Impact measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
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Provide effective marketing support for domestic cinema releases & additional release platforms

4a. Total domestic audience for NZFC-financed long-form screen stories across all screens in the year ¹²	4.75M	4.5M	TBC	2M
4b. Total annual admissions at the New Zealand box office for all NZFC-financed feature films (Admissions during 1 July - 30 June financial year)	142,146	200,000	84,314	50,000
4c. 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)	1	1	0	0

Manage a focused festival strategy

4d. Number of NZFC -funded feature and short films that are selected for A-list film festivals ¹³	New measure	15	20	5
4e. Number of NZFC-funded long-form screen stories to screen in the New Zealand International Film Festival	New measure	New measure	New measure	Benchmark

NOTES:

¹² This includes cinema, home entertainment and other platforms where possible. Measurement will be based on actual box office figures, Neilson data, DVD sales figures, NZ Film On Demand sales and any audience data available from streaming platforms.

¹³ 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.

Output measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
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MARKETING - Output Targets

4f. Number of feature film directors who have had more than one NZFC-financed feature film screened at an A-List film festival (in the 7-year period 1 July 2014 - 30 June 2021)	New measure	New measure	New measure	Benchmark
4g. Number of feature film directors whose NZFC-funded short film(s) have screened at A-List film festivals (during the 5-year period 1 July 2016-30 June 2021)	New measure	New measure	New measure	Benchmark

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

Impact measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
5a. Average overall satisfaction rating in dealing with team responsible for talent development ¹⁴	NA	75%	TBC	NA
5b. Average overall satisfaction rating in dealing with the team responsible for screen incentives, co-productions and international screen attractions ¹⁵	NA	80%	TBC	NA
5c. Average overall satisfaction rating in dealing with the team responsible for feature and short film marketing ¹⁶	NA	80%	TBC	NA
5d. Average overall satisfaction rating in dealing with team responsible for development and production funding ¹⁷	NA	75%	TBC	NA
5e. Average overall satisfaction rating in dealing with team responsible for Te Rautaki Maori & Pacific Island Screen Stories ¹⁸	NA	NA	TBC	NA

NOTES:

¹⁴ 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 2022.

¹⁵ 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 2022.

¹⁶ 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 2022.

¹⁷ 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 story development and production. The survey will next be done in 2022.

¹⁸ 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 Te Rautaki Maori and Pacific Island Screen Stories. The survey will next be done in 2022..

Operational and output measures	Actual 2018/19	Target 2019/20	Estimated Actual 2019/2	Target 2020/21
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STAKEHOLDER ENGAGEMENT – Operational Measures

5f. Number of meetings with industry guilds	NA	New measure	6	4
5g. Number of collaborations with other agencies	NA	New measure	TBC	50

2.2 ORGANISATIONAL HEALTH

Measure	Actual 2018/19	Target 2019/20	Estimated Actual 2019/20	Target 2020/21
Annual staff engagement survey – performance index ¹⁸	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
Exit interviews are offered to all leavers. Constructive feedback is welcomed, and relevant actions are implemented	New measure	Achieve	Achieved	Achieve

NOTES:

¹⁸ The NZFC participates in an annual employee engagement survey.

3. FORECAST FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2021

	2020/21 Budget \$000s	2019/20 Budget \$000s	2019/20 Forecast Actual \$000s
Revenue			
Crown revenue - MCH	17,101	5,401	8,101
Crown revenue - MBIE	1,300	1,300	1,300
Lottery Grants Board revenue	18,000	17,875	19,500
Film income and sales commission	300	510	700
Interest received	300	750	522
Writebacks	0	0	1,961
Other income	10	10	28
Total Operating Revenue	37,011	25,846	32,112
Government grant - NZSPG	45,000	32,800	31,500
Total Revenue	82,011	58,646	63,612
Expenditure			
Talent development	3,720	2,627	2,882
Rautaki	840	858	892
Development and production	29,898	17,003	17,524
Marketing	1,602	2,032	1,164
International screen business attraction & promotion	459	595	379
International relations	130	418	267
Screen incentives administration	218	217	246
Depreciation & amortisation	150	200	155
Personnel	4,705	4,830	4,715
Corporate	1,845	1,576	1,480
Total Operating Expenditure	43,567	30,356	29,601
Government grant - NZSPG	45,000	32,800	31,500
Total Expenditure	88,567	63,156	61,101
Net Surplus/(Deficit)	(6,556)	(4,510)	2,512
Other comprehensive revenue and expense	0	0	0
Total Comprehensive Expense	(6,556)	(4,510)	2,512
Statement of forecast movements in equity			
Public Equity as at 1 July	10,604	6,739	8,092
Total Comprehensive Expense	(6,556)	(4,510)	2,408
Public Equity as at 30 June	4,048	2,229	10,604

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	2020/21 Budget \$'000s	2019/20 Budget \$'000s	2019/20 Forecast Actual \$'000s
Current Assets			
Cash and cash equivalents	3,000	2,000	5,000
Term deposits	18,000	14,000	18,000
Accounts receivable	5,000	6,000	7,500
	26,000	22,000	30,500
Non Current Assets			
Investments	0	0	0
Fixed assets	300	400	200
	300	400	200
Total Assets	26,300	22,400	30,700
Current Liabilities			
Accounts payable	3,500	2,000	2,800
Employee Entitlements	250	250	250
Film income account	800	400	800
Project commitments	17,702	17,521	16,246
Total Liabilities	22,752	20,171	20,096
Public Equity	4,048	2,229	10,604
Total Liabilities & Public Equity	26,300	22,400	30,700

PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2021

	2020/21 Budget \$000s	2019/20 Budget \$000s	2019/20 Forecast Actual \$000s
Cash Flows from Operating Activities			
Receipts from Crown Revenue & Other Income	60,200	57,896	45,710
Interest Received	300	750	550
Support, Suppliers & Employees	(63,300)	(63,356)	(53,895)
Goods and Services Tax (net)	0	0	0
Net Cash from Operating Activities	(2,800)	(4,710)	(7,635)
Cash Flows from Investing Activities			
Sale of investments	29,600	14,000	29,083
Purchase of investments	(28,000)	(9,290)	(20,568)
Purchase of Property, Plant & Equipment	200	0	0
Sale of Property, Plant & Equipment	0	0	0
Purchase of Intangible Assets	0	0	0
Net Cash from Investing Activities	1,800	4,710	8,515
Cash Flows from Financing Activities			
Short Term Loans Issued	0	0	0
Short Term Loans Repaid	0	0	0
Net Cash from Financing Activities	0	0	0
Net Increase / (Decrease) in Cash at Bank	(1,000)	0	800
Opening Cash at Bank	4,000	2,000	4,120
Closing Cash at Bank	3,000	2,000	5,000

3.1 NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL PLANNING ASSUMPTIONS

In the projected financial statements for the year ended 30 June 2021 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 \$300,000 and interest received estimated as \$300,000 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 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 2020/21 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, 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 2019/20 are based on draft financial results covering the 12-month period to 30 June 2020.

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:

- c.** 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
- d.** 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:

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

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:

Computer software	3 years	33.33%
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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.

Boost	A devolved development scheme designed to accelerate the feature film slates of active producers
LGB	New Zealand Lottery Grants Board
MBIE	Ministry of Business, Innovation & Employment
MCH	Ministry for Culture & Heritage
MFAT	Ministry of Foreign Affairs & Trade
NZFC	New Zealand Film Commission
NZ On Air	Broadcasting Commission – Media content funding body
NZSPG	New Zealand Screen Production Grant (replaced SPIF and LBSPG effective 1 April 2014)
NZTE	New Zealand Trade & Enterprise
Pou Whakahaere	The person responsible for managing the NZFC’s Māori cultural policies and programmes
SPE	Statement of Performance Expectations