



**New Zealand
FILM COMMISSION**



Te Tumu Whakaata Taonga

**New Zealand Film Commission
Statement of Performance Expectations
2021 - 2022**



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

March 2021

[Redacted]



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VISON, VALUES & GOALS

MAHIA TE MAHI HEI ORANGA MŌ TE IWI | WORKING IN SUPPORT OF THE SCREEN INDUSTRY

NGĀ UARA

- Ko te auaha te mea nui mō tātou
- Tukua mā te mahi ngaio me te tika mā te katoa, e ārahi, i te taha mahi, i te taha tūmanako
- Tukua mā te māia tātou e whakahihiri
- Ko te hiranga tā tātou e whai nei
- He whai painga te kanorau mā te katoa
- Ko te ahurea me ngā taonga tuku iho tō tātou pūtake

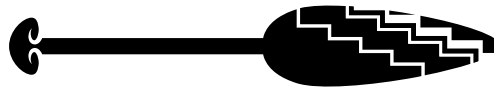
VALUES

- Creativity is at the heart of what we do
- Professionalism and fairness drive how we act and what we expect
- Courage is what inspires us
- Excellence is what we strive for
- Diversity and Inclusion is good for everyone
- Culture and heritage are what shape us



NGĀ HOE

- Pūrā kau Motuhenga
- Whanaketanga Ōhanga
- Ara Whakaoho Māuri
- Whakahihiko ki te Ao
- Ko tui Hiranga



PADDLES

- Authentic Stories
- Economic Growth
- Dynamic Pathways
- Maximise Audiences
- Excellence in Partnerships

MATAKITE

He poipoi i ngā kaitātaki pūrākau kia puta ai he taonga tūturu mō Aotearoa

VISION

Champion exceptional storytellers to create enduring taonga for Aotearoa

KAUPAPA

He whakakaha, he tō mai hoki i te huhua o ngā kiriata ahurei mā ngā momo kaimātakitaki katoa

MISSION

Empower and attract distinctive and diverse screen productions for all audiences



TABLE OF CONTENTS

SECTION ONE: Introduction	6
Overview	6
The year ahead	6
NZFC contribution to sector priorities.	8
SECTION TWO: Statement of output performance	12
Strategic and performance framework	12
SECTION THREE: Performance assessment and annual expectations	16
Organisational goals	16
Annual operational and output performance measures	18
SECTION FOUR: Forecast financial statements	25
Notes to the financial statements	28

SECTION ONE: INTRODUCTION

OVERVIEW:

Te Tumu Whakaata Taonga The New Zealand Film Commission (NZFC) is an Autonomous Crown Entity operating under the New Zealand Film Commission Act 1978. We facilitate the telling and viewing of New Zealand screen stories, with a central vision of championing exceptional storytellers to create enduring taonga for Aotearoa New Zealand.

The NZFC is funded by the Ministry for Culture and Heritage (MCH), the Ministry of Business, Innovation and Employment (MBIE) and the New Zealand Lottery Grants Board (NZLGB) and 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.

Each year, the NZFC publishes a Statement of Performance Expectations (SPE) that outlines planned activity, performance targets and forecast financial information for the upcoming financial year. This SPE sits under the Statement of Intent 2019-23 (SOI) and describes how the year ahead will contribute to achieving the strategic direction set out in the SOI.

This SPE outlines the performance targets set for the year ending 30 June 2022. 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 November 2022.

THE YEAR AHEAD:

The global screen industry is one of constant change, with rapid digitisation and the diversification of the industry creating challenges and opportunities for the Aotearoa screen sector. The impact of the COVID-19 pandemic has been significant for filmmakers, and the NZFC continues to navigate a rapidly changing and evolving environment. Our strategic framework as set out in the SOI remains the foundation of the NZFC's work in 2021/22. As COVID-19 has accelerated some of the trends the industry was anticipating, we will focus on responding to the immediate needs of the industry over the next year.

NZFC theme for 2021/22: Connection

Connection is at the heart of the screen industry. Screen stories help us to connect with each other, engage with a diversity of thoughts and experiences, and help us to reflect on our place in the world. The NZFC recognises the importance of connection with filmmakers, guilds, communities and stakeholders and maintaining channels of communication to understand where the NZFC can add value and improve services will be a priority for 2021/22.

As we come out of a COVID-19 environment, the NZFC is focusing on reconnecting with the sector. We will take on opportunities to collaborate with the industry, engaging on policies and strategies and working cohesively to make the most of evolving technology, ensuring we are best placed to meet the ever-changing environment.

Supporting the industry to recover from COVID-19:

In addition to baseline funding, the NZFC has received additional funding to support the economic recovery of the industry from the impact of the COVID-19 pandemic. COVID-19 funding from MCH in 2021/22 comprises:

Premium Productions for International Audiences Fund (Te Puna Kairangi – Premium Fund):

The NZFC, NZ On Air and Te Māngai Pāho have collaborated to design the Premium Productions for International Audiences Fund (Te Puna Kairangi) to support the Aotearoa New Zealand production sector to recover from COVID-19 by supporting high-quality productions that tell New Zealand stories for global audiences.

To capitalise on New Zealand’s current production advantage and support the sector with employment opportunities, the Premium Fund has up to \$50M available to invest. This is a significant one-off opportunity to drive a step-change for the sector by allowing production at a scale and ambition not previously possible.

There are two rounds of production funding decisions, the first in the 2020/2021 financial year and with the second before the end of the 2021/2022 financial year.

The first round will provide financial support to production ready projects to help mitigate impacts of COVID-19 for New Zealand production companies in the short term. The second round will be for projects with longer production lead times.

Cultural Sector Capability Funding: \$1M has been allocated to this fund in 2021/22 to ensure the industry has the necessary industry, technical and business capability to meet the challenges of a post-COVID-19 environment. Funding will be allocated through the following four strands of activity:

1. Support for ‘peak’ sector organisations
2. Sector wide skills and industry development programmes
3. Audience development/short form content fund
4. Enhanced ‘On the Job’ development programme

This funding will provide employment and training opportunities for New Zealanders in the screen industry who have been impacted by COVID-19.

It will also go toward capability support to cover running costs and strategic training programmes for screen sector guilds and organisations. Investment into focused training and development programmes will help enable the screen sector to re-emerge and regenerate.

Rautaki Māori – Maihi Karauna me Te Tiriti o Waitangi:

A review of Te Rautaki Māori Strategy is underway and will be finalised in 2021/22. This review will seek input on the objectives and performance goals that will guide Te Rautaki Māori for a further three years. Consultation and inclusion with Māori filmmakers will be a valuable and critical tool in understanding the industry's needs more clearly. Programme focus and implementation will continue to champion Māori film and filmmakers in partnership with the Māori film industry, to Aotearoa and the world.

As part of our obligations to support the implementation of the Maihi Karauna, the NZFC is committed to the maintenance and revitalisation of Te Reo Māori. In 2021/22 'Kia Kaha Kia Ora Te Reo Māori: Strengthen and energise Te Reo Māori', Māori Language Plan (2020-2024) will be progressed. The plan supports the Māori Language Act 2016 and the ongoing revitalisation of the Māori language as an enduring taonga of Aotearoa. The plan will sit alongside Te Rautaki Māori with the aim of ensuring Te Reo Māori is widely spoken in the NZFC and as a living language of the Aotearoa screen sector.

The Aotearoa New Zealand Screen Sector Strategy 2030:

The NZFC acknowledges the recently released Aotearoa New Zealand Screen Sector Strategy 2030. An internal working group has been set up to assess the alignment of NZFC practices and the strategic direction of the organisation with key aspects of the 2030 Strategy. In 2021/22, the working group will focus on how the NZFC may respond to the challenges and opportunities identified in the 2030 Strategy, and exactly how the NZFC will support the New Zealand screen sector in reaching its 2030 potential.

NZFC CONTRIBUTION TO SECTOR PRIORITIES**2020 Speech from the Throne:**

Building on the foundations laid in the first term, the 2020 Speech from the Throne outlines the Government's overarching objectives for the next three years and has highlighted the need and importance for taking a broader view of success: keeping New Zealanders safe from COVID-19, accelerating our economic recovery and laying the foundations for a better future. To achieve these, three priority outcomes have been identified with support from Ministers, agencies, and the sector:

- Economic recovery
- Vibrant, innovative sectors
- Better access and participation

The NZFC has an important role in contributing to these and is prioritising the timely delivery of investment made by the Government to support the screen industry to recover from COVID-19.

The ongoing impact of COVID-19 on the global economy is a significant risk, and the government is focused on building an economy that is productive, sustainable and resilient. "Sustain and strengthen economic growth for our thriving screen industry" remains a core goal of the NZFC and we are focused on keeping New Zealanders in screen sector jobs, securing high value productions and focusing on ways to raise New Zealand's profile as an attractive screen destination. Attracting international production to New Zealand results in increased economic benefit, sustainable businesses, jobs for screen sector workers as well as indirect employment.

Attracting international production to New Zealand provides on-the-ground production expenditure and spill-over benefits to other areas of economic activity. International productions can create jobs, build New Zealand's global brand - supporting tourist attraction when borders reopen, accelerate the growth of talent and skills in our local film industry and provide spill-over benefits to the wider economy, including through technology transfer.

Production activity in New Zealand has expanded significantly since the introduction of the New Zealand Screen Production Grant (NZSPG) - International in 2014. New Zealand is experiencing strong demand for international production activity and there are opportunities to maximise the value for New Zealanders from the portfolio of productions that are made here. The NZFC will engage with MBIE in strategic work to align international screen attraction activity with the government's economic priorities.

Screen stories make a significant contribution to the lives of many New Zealanders who access and enjoy New Zealand content, are employed in the industry and drive the creation of exceptional stories, with both economic and wider wellbeing impacts for our society. The NZFC will continue to maintain a vibrant and innovative sector and commit to collaborating with the industry to ensure we are best placed to implement advanced and original programmes.

The NZFC is committed to strengthening better access and participation in the Aotearoa screen industry, supporting the creation of diverse stories and fostering an organisation where filmmakers have equal access to opportunities and do not experience discrimination. The NZFC will publish a Diversity and Inclusion Strategy in 2021/22 which supports both NZFC staff and external stakeholders and will respond to these commitments.

We align with the Cultural Sector's priority outcomes:

The Ministry for Culture and Heritage has identified four priority outcomes for the sector:

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

The NZFC Strategic and Performance Framework incorporates these priority outcomes and our five goals respond directly to them (see Section 2: Statement of Output Performance).

The Responsible Minister writes to the NZFC each year outlining the Government's expectations for the forthcoming performance year. The NZFC has regard to these areas, along with the COVID-19 related expectations and reports on these expectations each quarter.

Four overarching expectations are emphasised:

- **Ensuring no surprises:** the NZFC is committed to informing the Responsible Minister about matters of significance as they arise
- **Supporting future focused Māori Crown relations, including supporting the Maihi Karauna:** demonstrated through the review of the Rautaki Māori and Māori Language Plan
- **Ensuring your workplaces and leadership teams are diverse and inclusive:** demonstrated through the NZFC Diversity and Inclusion Strategy
- **Taking active steps to reduce greenhouse gas emissions, improve energy efficiency, and reduce waste outputs:** The NZFC is tracking carbon emissions relating to travel, and conversations with MCH are underway on how we may effectively measure and manage emissions over the coming years

We align with the government's Economic strategy

The Government's economic focus is on its five-point recovery plan:

- Investing in our people;
- Jobs;
- Preparing for the future;
- Supporting our small businesses; and
- Positioning New Zealand globally.

This wider economic strategy is being delivered across government at a regional, sectoral and national level and feeding into a portfolio of investments. This includes investment through Industry Transformation Plans, the Regional Strategic Partnership Fund and other key initiatives such as Jobs for Nature and the Infrastructure Upgrade Programme. Wider work is also underway including on skills and workforce development, support for business, and improving the investment system. The Government is actively engaged in building a productive, sustainable inclusive and resilient economy in the wake of COVID-19.

The NZFC will continue to work effectively with MBIE to ensure that this activity maximises economic benefits for New Zealanders and supports the government's economic strategy and recovery from COVID-19.

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 a wellbeing lens 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.

Cultural Identity:

Promoting New Zealand content is crucial in enabling us to share our values and identities and 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.

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 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.

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 NZSPG generates foreign revenue by attracting international production companies and studios to spend in the economy during production and/or post-production. Productions funded by the NZFC that showcase New Zealand's natural environment, culture and society contribute to marketing New Zealand as an attractive production 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 New Zealand films locally and globally, encouraging New Zealanders and international viewers to come together to experience the range of stories filmmakers have to offer. Successful New Zealand films contribute to our national identity and our collective sense of place in the world.

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.

SECTION TWO: STATEMENT OF OUTPUT PERFORMANCE

STRATEGIC AND PERFORMANCE FRAMEWORK

The NZFC uses the “investment to outcomes” framework model to demonstrate performance. We have two reportable classes of outputs:

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.

Talent development	Output 1
Development and production	Output 1
Rautaki Māori screen stories	Output 1
Marketing	Output 1
International relations	Output 1
International screen business attraction and promotion	Output 2
Screen incentives	Output 1 & 2

Figure 1 – NZFC Results Framework

Outcomes for New Zealand	Keeping New Zealanders safe from COVID-19	Accelerating our economic recovery	Laying foundations for a better future
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

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	<p>Facilitate development & production opportunities Encourage more screen stories</p> <p>Fund the production of culturally significant films, including those in Te Reo Māori 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>Promote and administer the screen incentives Attract a regular & diverse range of international productions</p> <p>Facilitate strategic relationships especially with North America, Europe & Asia</p>	<p>Identify & support NZ screen talent Connect NZ & international screen talent</p>	<p>Provide effective marketing support for cinema releases & additional release platforms</p> <p>Manage a focused international festival strategy Conduct audience research</p>	<p>Refine internal systems to offer better service to our external clients & partners Build long-term partnerships with people & businesses that align with our goals</p> <p>Staff are expert, motivated, courageous & proactive professionals Engage & empower diverse communities</p>
How we will know we are making a difference	<p>Number of culturally significant films financed by the NZFC Number of feature films & series dramas with NZFC development support</p> <p>Increased use of official co-production structures Number of culturally significant films released in New Zealand</p> <p>Domestic critical acclaim</p>	<p>Feature film production spend in New Zealand grows</p> <p>Volume of international productions increases Private investment into NZFC films grows over time</p> <p>More connections with international screen partners</p>	<p>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</p> <p>NZ screen talent is working internationally or with international partners</p>	<p>Total domestic audience for NZFC films across all screens</p> <p>Total annual admissions for NZFC-funded films at NZ cinemas Number of NZ films selected for premiere film festivals</p> <p>Number of films with 50,000+ domestic theatrical admissions annually</p>	<p>Increased satisfaction rating from stakeholders Recognised by industry as being a focused, high-performing, learning organisation</p> <p>Partners work together to share knowledge, learning and seek meaningful collaboration</p>

Figure 2 – Summary of Forecast Revenue and Output Expenditure

Output 1: Vote Arts, Culture & Heritage

	2021/22 Budget \$000	2020/21 Budget \$000	2020/21 Forecast \$000	2019/20 Actual \$000
A. Revenue				
Crown revenue - MCH	6,401	17,101	13,076	8,101
Crown revenue - MCH - Premium Fund	25,000	0	21,530	21,530
Lottery Grants Board revenue	22,000	18,000	23,200	20,371
Other revenue	560	610	1,795	3,375
TOTAL REVENUE	53,961	35,711	59,601	31,847
B. Output Expenses				
Talent development	4,178	3,720	3,700	2,778
Rautaki	915	840	720	892
Development and production	21,019	29,898	24,175	17,525
Premium Fund	25,000	0	21,530	0
Marketing	1,758	1,602	1,300	1,220
International relations	98	130	29	281
Screen incentive administration	92	75	88	117
Total funding commitments	53,060	36,265	51,542	22,813
Personnel	4,677	4,037	4,100	4,132
Corporate overheads	1,883	1,761	1,425	1,412
TOTAL OUTPUT EXPENSES	59,620	42,063	57,067	28,357

Output 2: Vote Business, Science & Innovation

	2021/22 Budget \$000	2020/21 Budget \$000	2020/21 Forecast \$000	2019/20 Actual \$000
A. Revenue				
Contract for services - 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	364	323	63	256
Int. screen promotion	154	136	55	137
Screen incentive administration	136	143	140	128
Total funding commitments	654	602	258	521
Personnel	805	668	700	688
Corporate overheads	207	234	150	157
TOTAL OUTPUT EXPENSES	1,666	1,504	1,108	1,366

The forecast film investment targets and performance expectations related to the NZFCs 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), funds will be held over for the following financial year.

Forecast Financial Performance

The NZFC is planning to run a deficit of approximately \$6M in the 2021/22 financial year. We expect to commence the year with \$11.5M of equity and finish the year with \$5.5M of equity.

The NZFC has had several years of steady increases in annual grants from major funder the New Zealand Lottery Grants Board (NZLGB).

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.

SECTION THREE: PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

ORGANISATIONAL GOALS

The strategic framework as set out in the SOI remains relevant and has underpinned our 2021/22 planning process. There are five organisational goals that drive the work we do and are aligned to the Statement of Output Performance.

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 works 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 achieving our vision, in 2021/22 the NZFC will also be 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. Dedicated funding is allocated 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*, *Bellbird*, *Savage* and *Cousins* 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 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

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 the NZFC is allocating resources to 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 aspires 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 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. 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, New Zealand Writers Guild, Directors and Editors Guild of New Zealand, Women in Film and Television New Zealand 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 Aotearoa New Zealand Film Heritage Trust, a charitable trust which can be appointed by New Zealand filmmakers to be guardian and decisionmaker for their films, thus ensuring films' legacy and accessibility into the future.

ANNUAL OPERATIONAL AND OUTPUT PERFORMANCE MEASURES

We deliver outputs through seven activity classes:

Talent Development

This 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. We invest in a wide diversity of programmes in partnerships with industry organisations to ensure a growing and sustainable talent base in New Zealand. Talent Development has a proactive approach to diversity and inclusion, ensuring the talent developed, as well as films made meaningfully reflect and represent New Zealand culture and society.

Development and Production

This 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 includes the Premium Production for International Audiences Fund (Te Puna Kairangi – Premium Fund), devolved development funding 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.

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, Policy, Human Resources, Operations** and **Finance** and is responsible for compliance and effective operations behind the scenes.

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

Impact measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
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)	86%	80%	89%	80%
1b. Percentage of New Zealanders who agree that New Zealand screen stories are important ²	79%	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	11	8	9	10

NOTES:

¹Culturally 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.

²Based on responses to a survey of 1000 randomly selected New Zealanders asking “Do you believe New Zealand screen stories are important?”

³Definition of “long-form screen stories produced”: First day of principal photography falls within the period of the financial year. Includes films receiving NZFC production financing and/or the NZSPG – NZ. Development support includes funding through schemes such as Seed. Early Development, Advanced Development, He Ara, Boost or Whakawhanake Kiriata

Operational and output measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
Champion Māori film and filmmakers in partnership with the Māori screen industry				
1d. 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	34%	20%	27%	20%
1e. Number of short films, feature films or series dramas in Te Reo Māori receiving NZFC development or production funding ⁵	3	5	3	5
Facilitate film development and production opportunities				
1f. Percentage of short films, feature films or series dramas that receive NZFC production funding with a woman or gender-diverse director attached	46%	50%	56%	50%
1g. Number of long-form screen stories offered NZFC production financing ⁶	10	12	17	18
1h. Percentage of long-form screen stories funded through the Te Puna Kairangi Premium Fund that have private international investment of at least 10% of the production value	New measure	New measure	New measure	100%

NOTES:

⁴Key creatives are defined as writer, director, producer

⁵The majority of dialogue must be in te reo

⁶Measured from the date a commitment to finance production is made. Includes projects receiving NZFC production financing, feature film finishing grant and/or Te Puna Kairangi Premium Drama funding

2. SUSTAIN AND STRENGTHEN ECONOMIC OUTCOMES FOR OUR SCREEN INDUSTRY

Impact measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
2a. Percentage of international stakeholders who agree that: New Zealand is considered a world leading destination for screen production ⁷	83%	85%	N/A	85%
2b. Total annual value of Qualifying New Zealand production expenditure in New Zealand administered within the NZSPG (NZ productions)	\$76.9M	\$78M	\$71.2M	\$143.8M
2c. Total annual value of Qualifying New Zealand production expenditure administered within the NZSPG (international productions)	\$553.3M	\$553M	\$534.9M	\$640M
2d. Percentage of New Zealand cast and crew employed on international productions receiving the NZSPG international	New measure	New measure	New measure	Benchmark

NOTES:

⁷Calculated 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 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
2e. Number of final NZSPG certificates issued for New Zealand productions ⁸	10	20	15	40
2f. Number of final NZSPG certificates issued for international productions ⁸	17	23	19	12
2g. Number of NZSPG New Zealand final certificates issued to productions impacted by COVID-19*	New measure	10	5	10
2h. Number of international screen attraction business enquiries ⁹	491	250	390	200
2j. Number of provisional and final official co-production certificates issued	New measure	Benchmark	16	12

NOTES:

⁸New 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. Estimates are based on production schedules provided at time of registration or provisional application the ongoing impact of COVID-19 may affect actual production and therefore administration timeframes

⁹Method for counting engagements has been changed, hence the lower target than in previous years

*Based on films receiving support from the Screen Production Recovery Fund

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

Impact measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
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	53	35	30	35
Build NZ's screen sector capacity				
3b. Guilds and industry organisations who receive the capability funding support for organisations have maintained at least 85% of their membership, services and/or core programmes.	N/A	Achieve	TBC	Achieve
3c. Percentage of recipients of the capability skills and industry development funding have an increase in their skills and/or confidence in approaching their work in a post COVID world. ¹⁰	N/A	85%	TBC	85%

NOTES:

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

¹⁰This will be measured using the reports recipients must supply outlining their experiences and outcomes from receiving the funding

Output measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
TALENT DEVELOPMENT – Output Targets				
3d. Number of short films funded by the NZFC	15	16	10	13
3e. Number of industry organisations receiving operational support	New measure	New measure	New measure	Benchmark
2f. Total number of screen practitioners participating in NZFC funded initiatives and programmes	New measure	New measure	New measure	Benchmark
2g. Number of Māori practitioners supported through Te Rautaki talent development initiatives	New measure	New measure	New measure	Benchmark

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

Impact measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
Provide effective marketing support for domestic cinema releases				
4a. Percentage of New Zealanders who have seen a New Zealand film in the last 12 months ¹¹	N/A	N/A	N/A	Benchmark
4b. Total annual admissions at the New Zealand box office for all NZFC-financed feature films (Admissions during 1 July - 30 June financial year)	84,314	50,000	511,623	200,000
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)	0	0	3	1
4d. Percentage growth of audiences for NZFC-financed films at cinemas in regional areas	N/A	N/A	N/A	Benchmark
Manage a focused festival strategy				
4e. Number of NZFC -funded feature and short films that are selected for premiere film festivals ¹²	20	5	11	5
4f. Number of NZFC-funded long-form screen stories to screen in the New Zealand International Film Festival or Doc Edge Film Festival	New measure	Benchmark	2	5

NOTES:

¹¹Based on responses to a survey of 1000 randomly selected New Zealanders asking “have you seen a New Zealand film in the last 12 months?”

¹²Premiere film festivals are: Cannes, Berlin, Toronto, Sundance, Venice, Melbourne, Rotterdam, SXSW, Tribeca, IDFA, Clermont Ferrand, Busan, Sydney and Hot Docs. In previous years these have been referred to as A-List film festivals

Output measures	Actual 2019/20	Target 2020/21	Status 2020/21 YTD	Target 2021/22
MARKETING – Output Targets				
4g. Number of feature film directors who have had more than one NZFC-financed feature film screened at a premiere film festival* (in the 7-year period 1 July 2015 – 30 June 2022)	New measure	Benchmark	7	5
4h. Number of feature film directors whose NZFC-funded short film(s) have screened at premiere film festivals* (during the 5-year period 1 July 2017 – 30 June 2022)	New measure	Benchmark	4	2
4j. 4j. Percentage increase in excellent & very good ratings between test screening and exit survey results	New measure	New measure	New measure	Benchmark

*Premium film festivals for these measures include the New Zealand International Film Festival (NZIFF) as well as those listed above

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

Impact measures	Actual 2019/20	Target 2020/21	Estimated Actual 2020/21	Target 2021/22
5a. Average overall satisfaction rating in dealing with team responsible for talent development ¹¹	71%	NA	NA	75%
5b. Average overall satisfaction rating in dealing with the team responsible for screen incentives, co-productions and international screen attractions ¹²	83%	NA	NA	85%
5c. Average overall satisfaction rating in dealing with the team responsible for long-form and short form screen story marketing ¹³	74%	NA	NA	75%
5d. Average overall satisfaction rating in dealing with team responsible for development and production funding (including Te Puna Kairangi Premium Fund) ¹⁴	56%	NA	NA	65%

NOTES:

¹¹The 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*

¹²The 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*

¹³The 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 and short-form screen story marketing*

¹⁴The 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*

Operational and output measures	Actual 2019/20	Target 2020/21	Estimated Actual 2020/21	Target 2021/22
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STAKEHOLDER ENGAGEMENT – Operational Measures

5e. Number of meetings with industry organisations and guilds ¹⁶	6	4	11	20
5f. Number of collaborations with other agencies ¹⁷	24	50	22	20
5g. Number of screen practitioners participating in programmes and initiatives delivered in partnership with guilds and industry organisations ¹⁸	New measure	New measure	New measure	Benchmark

NOTES:

¹⁶Captures meetings between the NZFC and industry organisations or guilds that are a minimum of one hour in length, or include three or more outside organisations or guilds

¹⁷Includes collaborations with agencies locally and internationally. Collaboration is defined as a jointly delivered, resourced and/or supported screen industry project, whether this project be in-person or virtual

¹⁸Includes local and international opportunities offered by the NZFC in partnership with another organisation

SECTION FOUR: 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 2022 in accordance with section 149G of the Crown Entities Act 2004.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2022

	2021/22 Budget \$000s	2020/21 Budget \$000s	2020/21 Forecast Actual \$000s
Revenue			
Crown revenue - MCH	6,401	17,101	6,401
Crown revenue - MCH - SPRF recovery fund	0	0	3,975
Crown revenue - MCH - Premium Fund	25,000	0	21,530
Crown revenue - MBIE	1,300	1,300	1,300
Lottery Grants Board revenue	22,000	18,000	23,200
Film income and sales commission	300	300	1,260
Interest received	250	300	375
Writebacks	0	0	100
Other income	10	10	60
Total Operating Revenue	55,261	37,011	58,201
Government grant - NZSPG	51,400	45,000	75,000
Total Revenue	106,661	82,011	133,201
Expenditure			
Talent development	4,178	3,720	3,700
Rautaki	915	840	720
Development and production	21,019	29,898	17,500
COVID Recovery Fund (SPRF)	0	0	6,675
Premium Production Fund	25,000	0	21,530
Marketing	1,758	1,602	1,300
International screen business attraction & promotion	518	459	120
International relations	98	130	25
Screen incentives administration	228	218	230
Depreciation & amortisation	220	150	150
Personnel	5,482	4,705	4,800
Corporate	1,870	1,845	1,425
Total Operating Expenditure	61,286	43,567	58,175
Government grant - NZSPG	51,400	45,000	75,000
Total Expenditure	112,686	88,567	133,175
Net Surplus/(Deficit)	(6,025)	(6,556)	26
Other comprehensive revenue and expense	0	0	0
Total Comprehensive Expense	(6,025)	(6,556)	26
Statement of forecast movements in equity			
Public Equity as at 1 July	11,541	10,604	11,515
Total Comprehensive Expense	(6,025)	(6,556)	26
Public Equity as at 30 June	5,516	4,048	11,541

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	2021/22 Budget \$000s	2020/21 Budget \$000s	2020/21 Forecast Actual \$000s
Current Assets			
Cash and cash equivalents	3,000	3,000	3,000
Term deposits	20,000	18,000	30,000
Accounts receivable	7,000	5,000	21,000
NZSPG receivable	59,400		65,000
	89,400	26,000	119,000
Non Current Assets			
Investments	0	0	0
Fixed assets	300	300	450
	300	300	450
Total Assets	89,700	26,300	119,450
Current Liabilities			
Accounts payable	3,284	3,500	7,500
Employee Entitlements	350	250	350
Film income account	700	800	750
Project commitments	20,450	17,702	34,309
NZSPG provision	59,400		65,000
Total Liabilities	84,184	22,252	107,909
Public Equity	5,516	4,048	11,541
Total Liabilities & Public Equity	89,700	26,300	119,450

PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2022

	2021/22 Budget \$000s	2020/21 Budget \$000s	2020/21 Forecast Actual \$000s
Cash Flows from Operating Activities			
Receipts from Crown Revenue & Other Income	105,000	60,200	57,896
Interest Received	250	300	750
Production Funding, Marketing, Industry	0	0	0
Support, Suppliers & Employees	(111,000)	(63,300)	(63,356)
Goods and Services Tax (net)	0	0	0
Net Cash from Operating Activities	(5,750)	(2,800)	(4,710)
Cash Flows from Investing Activities			
Sale of investments	38,750	29,600	15,000
Purchase of investments	(33,000)	(28,000)	(9,290)
Purchase of Property, Plant & Equipment	0	200	0
Sale of Property, Plant & Equipment	0	0	0
Purchase of Intangible Assets	0	0	0
Net Cash from Investing Activities	5,750	1,800	5,710
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	0	(1,000)	1,000
Opening Cash at Bank	3,000	4,000	2,000
Closing Cash at Bank	3,000	3,000	3,000

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL PLANNING ASSUMPTIONS

In the projected financial statements for the year ended 30 June 2022 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 \$200,000 and interest received estimated as \$400,000 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 actual financial results covering the nine-month period to 31 March 2021.

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:

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%

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.

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

The NZFC provides a range of funding programmes. In most instances the funding is provided as a non-recoupable grant. This includes the funding of feature film script development and related producer devolved development schemes. Feature film production funding assistance is however provided in the form of equity investment. These gives the NZFC an entitlement to share financially alongside other investors if the film is commercially successful.

We have exercised judgement in developing our funding expenditure accounting policy as there is no specific accounting standard for funding expenditure. 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 in the financial year of commitment. Furthermore, our assessment is that the recipient and other related parties have a valid expectation that funding will be paid in full.

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.

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

MBIE Ministry of Business, Innovation & Employment

MCH Ministry for Culture & Heritage

MFAT Ministry of Foreign Affairs & Trade

NZ On Air Broadcasting Commission – Media content funding body

NZFC New Zealand Film Commission

NZSPG New Zealand Screen Production Grant (replaced SPIF and LBSPG effective 1 April 2014)

NZTE New Zealand Trade & Enterprise

SPE Statement of Performance Expectations
