

# New Zealand Film Commission

STATEMENT OF INTENT 2012/13 – 2014/15







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Minister for Arts, Culture & Heritage

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### ***Cover images:***

Medicine Woman [photo: Todd Eyre],

Night Shift [photo: Matt Klitscher]

# Statements from the NZFC and the Minister for Arts, Culture and Heritage

2011/12 has been a year of further review of the screen sector. In 2012/13 we expect to know the recommendations from the Government screen sector work programme which could have a significant impact on the NZFC as it covers many areas of our everyday operations including the administration of the incentive schemes, co-production arrangements and screen training and development. For the purposes of this Statement of Intent (SOI) we have assumed business as usual for 2012/13.

This year we will:

- cooperate with the Ministry for Culture & Heritage (MCH) and the Ministry of Economic Development (MED) on implementing actions arising from the screen sector review
- continue to consider ways to encourage more private sector investment in projects we fund and to reduce film-maker reliance on government sources of funding
- work towards establishing a closer relationship with NZ On Air with a view to maximising value from the Government's investment in the screen sector
- continue to develop strategies to ensure we support the industry to maximise opportunities offered by the rapidly changing screen environment.

Last year we re-vamped our SOI.

This year we have continued to refine it to better reflect what we do, why we do it and how we measure our success. We have redefined our key outcome to be growth in the New Zealand film industry. This outcome better reflects our view that cultural activity can only flourish if we have a healthy film industry. In 2011 the New Zealand screen industry grew 4% to nearly \$3 billion and feature film revenue rose 15% to more than \$700 million. The figures emphasise the importance of the sector's contribution to the New Zealand economy.

Our intermediate outcomes are:

- New Zealand film-making talent is developed and nurtured
- Great New Zealand stories are told through the medium of film
- New Zealand films are seen and valued.

Last year we undertook a stakeholder survey to see whether perceptions of us had changed following the Jackson/ Court Review and to gain baseline data for stakeholder satisfaction. The survey covered all of the outputs we provide. We are pleased that respondents noticed positive changes at the NZFC in the past 12 months. There is also room for improvement and thus we aim to increase satisfaction levels in the coming year. We have already begun work on redeveloping our website which we hope will improve our communications with

industry and enable more transparency, openness and support for film-makers. We will also be concentrating on developing and nurturing talent with dedicated training schemes.

This S0I represents our aims and objectives for the period to 30 June 2015 and is presented by the NZFC in accordance with sections 138 to 148 of the Crown Entities Act 2004.



**Patsy Reddy**

*Chair*

June 2012



In accordance with section 149 of the Crown Entities Act 2004 I present this Statement of Intent to the House of Representatives.

**Hon Christopher Finlayson**

*Minister for Arts, Culture and Heritage*



**Andrew Cornwell**

*Board Member*

# Part 1 / Overview and Strategic Issues



## WHAT WE DO

### Vision

The NZFC aims for growth in the New Zealand film industry. We identify New Zealand film-making talent, help them make their first film, support them for subsequent films and ensure that those who are successful continue to make films in New Zealand. We want New Zealand films to be seen and valued by local and international audiences.

### Functions

The NZFC touches just about everything to do with film in New Zealand. We don't just provide script and production funding, although these are our core activities. We also assist in the marketing and selling of New Zealand films here and abroad, and funding for training opportunities for film-makers at all stages of their career. Our complete functions are set out in Section 17 of the New Zealand Film Commission Act 1978 (attached at appendix 1).

We certify New Zealand films for tax purposes and we are the competent authority that approves film and television projects as official co-productions under the various treaties that the New Zealand government has entered into over recent years. We also administer the Large Budget Screen Production Grant (LBSPG) scheme and the Screen Production Incentive Fund (SPIF) and provide administrative services to The Film Fund. A glossary of terms used throughout this SOI can be found at the back of this document.

Our specific outputs can be summarised as follows:

- talent and capability building
- script and production funding and advice
- film incentive scheme administration and certification
- distribution support, marketing and sales.

## **Why we do what we do**

Growth of the domestic film industry requires a pool of talented, experienced and committed film-makers, supported as required by government through tailored programmes of assistance (both financial and non-financial).

We are the key government agency in the area of film, and the New Zealand film industry as it exists today is in no small part a result of our establishment by government back in 1978. In the preceding 40 years, only 10 feature films were made in New Zealand. In the 30 plus years since inception we have financed 170 local feature films, in the process identifying and nurturing numerous talented film-makers (Sir Peter Jackson being the most notable example).

In this time we have seen a considerable maturing of the industry. The number of people working in the feature film sector has grown and the quality and range of films has improved. Nevertheless our key outputs listed above (excluding film incentive scheme administration) remain essentially unaltered from day one.

Our outputs reflect the reality of film-making in a country with a small population base. We are involved from the start to the end of the film-making process. There is generally nowhere else for producers to raise risk capital to pay writers to write scripts. Even finding small amounts of private investment for film production purposes is difficult. There are relatively few domestic distributors interested in local product and sales companies tend to be based on the other side of the world.

Each of our main outputs reflects a critical step in the film-making process. Successful films are made by talented writers, directors and producers. The scripts need to be well crafted and fully honed, which usually involves several drafts. Film production remains an expensive business and the financing is often elusive. Once a film is completed it competes for local and international audiences with high quality films from all over the world. A well thought out, professional sales and distribution strategy is a pre-requisite. We add considerable value in all these areas, not just by the provision of advice and financing to film-makers, but most critically through applying the collective experience and judgement of staff to choose from competing film-makers and projects those most worthy of support.



## Benefit to New Zealand

Our existence means New Zealand stories, talent and landscapes are celebrated at home and showcased to the world. This is an important part of our evolving national identity, and also underpins a sector which brings significant benefit to the economy.

## Values

When deciding whether to invest in a film we consider the following:

- CULTURAL: Will the film reflect New Zealand and New Zealanders?
- CONNECTION: Will the film connect with the audience it is targeting?
- CREATIVE: Will the film achieve critical acclaim?
- CAREER: Will the film develop the careers of the film-makers involved?

Our ideal outcome is that every film we fund achieves all four of the considerations above.

Overarching these considerations is the requirement for us to demonstrate VALUE FOR MONEY. This means, for instance, that when we consider the likely audience for a film we also consider whether our investment is relative to that audience. We also need to balance building talent with maintaining audiences.

## OUR ENVIRONMENT

### Screen sector work programme

Throughout 2011/12, MCH and MED have been reviewing several aspects of the screen sector as part of the screen sector work programme. The specific work streams are:

- Screen sector economic impact assessment
- SPIF evaluation
- LBSPG evaluation
- Film co-production agreement assessment
- Screen agency institutional arrangements
- Physical screen infrastructure assessment
- Screen training and development assessment
- Maori screen support assessment.

All of these work streams impact on the NZFC to some extent but some more directly than others and these are focused on in more detail below.

### *SPIF evaluation*

The SPIF evaluation impacts on us both as administrator of the scheme but also as co-investor in most SPIF films. An element of the SPIF approach was to encourage producers to use the equity position (from SPIF) to encourage more private sector finance into specific projects. The timing of the introduction of SPIF in July 2008 coincided with the difficult international credit situation. SPIF also reduced direct NZFC funding by \$6.5m per annum. These factors are resulting in producers placing more pressure on us to further assist production financing at a time of reduced overall funds. The October 2011 decrease in the required expenditure threshold for feature films from \$4m to \$2.5m will enable more New Zealand films to be made. We hope the SPIF scheme continues after the current five-year appropriation ends in 2013 to ensure feature film production levels are maintained.

### *LBSPG evaluation*

We administer the LBSPG scheme which includes the PDV Grant but the scheme is also important to us as LBSPG and PDV projects provide continuity of work for New Zealand cast and crew and up-skilling opportunities. It is because of these opportunities that smaller New Zealand films have access to such skilled practitioners.

### *Film co-production agreement assessment*

We are the competent authority for approving film co-productions. Co-productions are also an important way to spread NZFC investment as these projects can bring in significant offshore financing and access to other markets.

### *Screen agency institutional arrangements*

The assessment of screen agency institutional arrangements could directly impact on our day-to-day operations and structure. We are keen to explore opportunities for collaboration with other agencies operating in the screen sector.

### *Screen training and development assessment*

We provide the majority of funding for training and development in the New Zealand screen industry but our funding is limited to feature film whereas practitioners often work across a variety of industries (e.g. film, television, gaming). We are keen to ensure that our funding is strategically focused and to explore other sources of funding to maximise training opportunities for the industry as a whole.

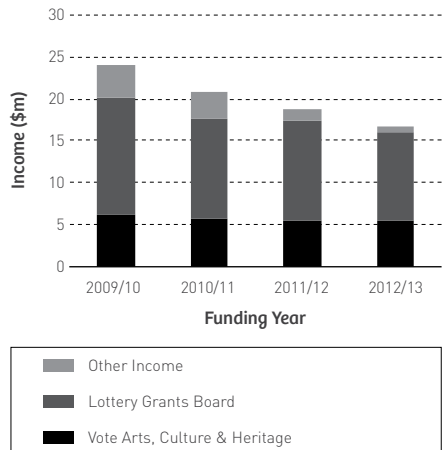
## Changes in technology

Digital technology has had a significant impact on the film industry by reducing certain costs of production enabling the NZFC to implement low budget talent development schemes such as the Fresh Shorts and Escalator schemes. Production and post-production workflows have changed significantly. Most dramatically, the physical distribution and exhibition landscape is transforming. As cinemas transition to digital projection, the cost of distribution of films for projection in cinemas has arguably reduced but the risk of piracy has increased. Currently film-makers need to be able to provide both film and digital materials to be able to exhibit their films which adds additional cost to production budgets. However, film-makers are also able to access audiences using new distribution methods and the windows between theatrical release, home video and television broadcast are reducing. We continue to explore how we can maximise the opportunities that these rapid changes in technology are providing while ensuring that commercial exploitation of the films we invest in is not compromised.

## How we are funded

Our income comes from three main sources; Government via Vote Arts, Culture & Heritage, the Lottery Grants Board (LGB) and income generated from our own activities (film income, sales agency fees and interest). Occasionally, films that we have offered investment to in the previous financial year do not go ahead and this figure is written back and shows as income the next year. The graph below shows our actual funding for 2009/10 and 2010/11, the forecast funding for 2011/12 and the budgeted funding for 2012/13:

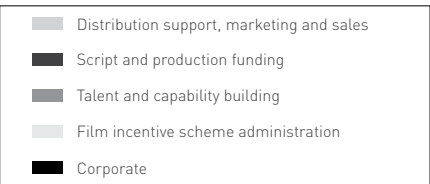
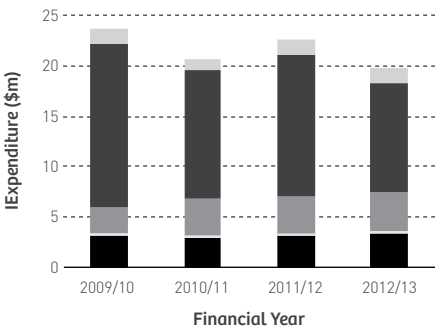
**NZFC Income by Funding Source**



Our funding from Vote Arts, Culture & Heritage has been static for the last three years. Funding from the LGB can vary year on year as it represents 6.5% of the LGB profit; for instance, in 2010/11 and 2011/12 we received additional one-off payments from this source. Income from films and interest varies and the impact of the global financial crisis on our other income can be seen in the graph above. For several years we have used our reserves to smooth funding but these reserves are diminishing.

The graph below shows how we spent our funding over the last three years and how we plan to spend it in the coming year.

**NZFC Expenditure by Output**



We have traditionally aimed to invest in at least four feature films per year but with an ambition to do more. With depleted reserves going forward we will need to place more emphasis on value for money in order to be able to continue to fund this number of films. From September 2011 we reduced the maximum sum we put in per project (from \$2.5m to \$2.0m) in order to make our funds go further and to encourage film-makers to find other sources of funding to supplement our own.

We will encourage film-makers to be very aware of the audience they are making the film for relative to the size of the budget needed to reach that audience and the stage they are at in their career. Film is an expensive medium and budgets need to reflect the likely demand from the audience.

## Factors impacting on our activities

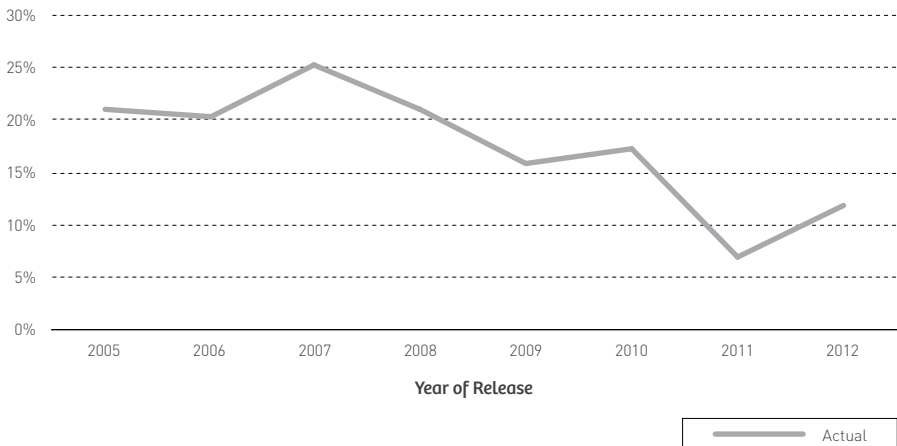
Set out below are some of the key external and internal factors which could impact on our activities in the near future:

- *Screen Sector Work Programme:* The recommendations from this work programme are due to be made to Cabinet in June 2012. These recommendations could have a dramatic impact on our funding and expenditure.
- *Global economy:* With the ongoing worldwide recession, there are fewer opportunities for raising international financing for film production. There is

also more competition at film festivals, fewer film distribution companies, and a marked decrease in ancillary income. Consequently it is harder than ever to finance the production of films and there are fewer companies willing and able to buy the films that do get made.

The graph below shows the average percentage of private investment in projects we have funded over the last eight years. As can be seen, there has been a marked decrease in private investment in recent years.

**Average percentage of private investment to total budget for NZFC funded films**



As a result of the difficult international financial climate, our challenge is to support programmes or activities which encourage the development of high-quality projects which will stand out in the international marketplace, and which enable New Zealand producers to compete effectively for the reduced amounts of available commercial financing for their feature film projects. This year we will continue to consider ways to encourage more private sector investment in projects we fund, particularly by up-skilling producers in these areas.

- *Diminishing NZFC reserves:* For several years we have relied on our reserves to supplement the funding we receive from other sources. Based on current projections, by 2014/15 we will have nearly exhausted our reserves. Without additional funding sources we anticipate a decrease in the number of feature films we can support.

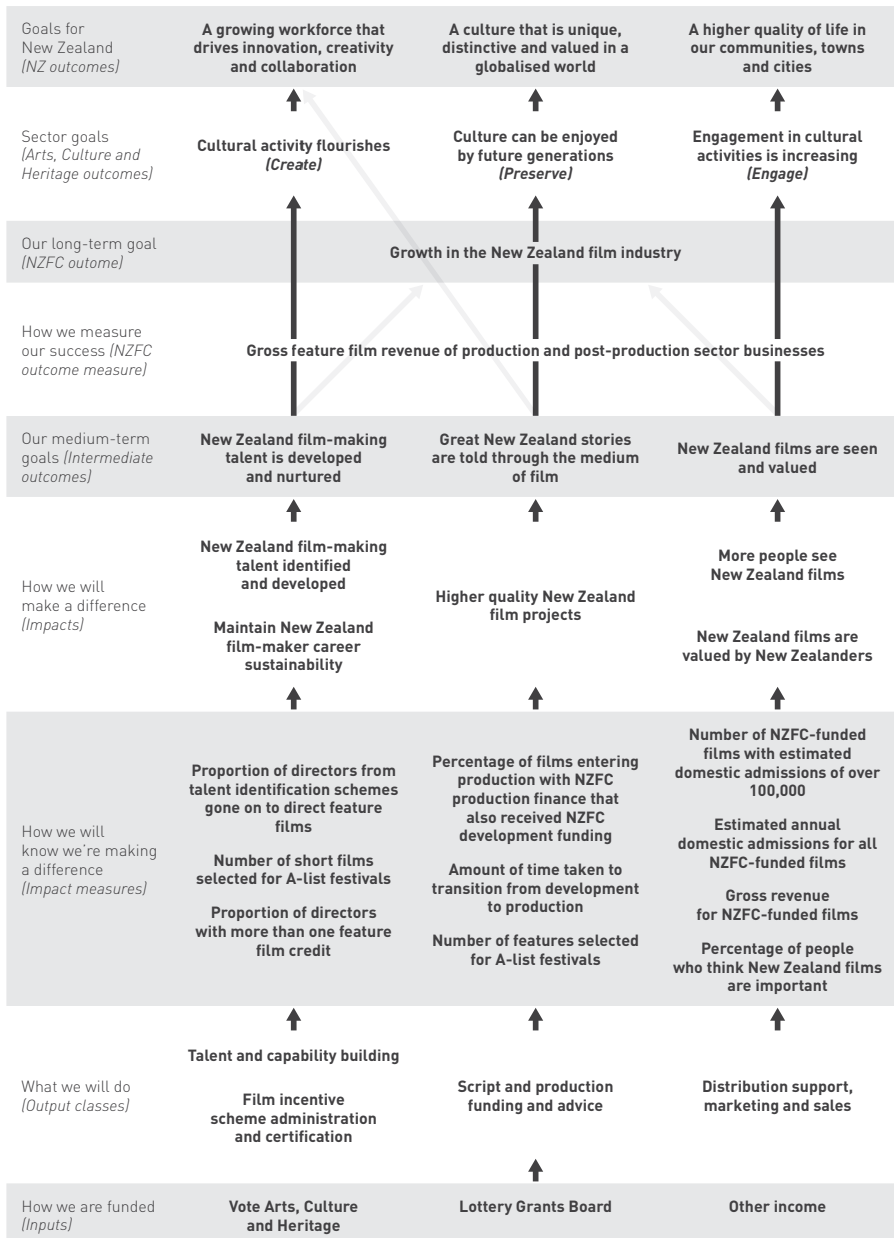


*Snow in Paradise.*



*Snow in Paradise.*

## The NZFC's Outcome Framework



## HOW WE WILL ACHIEVE THESE OUTCOMES

### **Outcome 1: New Zealand film-making talent is developed and nurtured (Create)**

#### **TALENT AND CAPABILITY BUILDING**

##### **Talent identification**

We identify new writing, directing and producing talent with a number of schemes designed to give them a pathway through to feature films and an opportunity to forge alliances with each other:

- **Short films:** The Fresh Shorts scheme allows for eight short films at \$10,000 each and eight short films at \$30,000 each to be made annually. We also have a Premiere Shorts scheme which selects six films at \$90,000 each.
- **Low-budget feature films:** The Escalator Scheme is a three-year initiative giving up to four teams annually the opportunity to make a feature film on a low budget.

Previously we have submitted short films to a wide range of festivals on behalf of film-makers at both an A and B-list level. However, with the change in the funding environment (the introduction of Fresh Shorts) we are now in the position of having a wider and stronger slate of short films to support than ever before. To enable us

to best support these films and to meet our measurement target (A-list festival acceptance) we will now only submit films to a refined A-list and only to those festivals that suit the genre of the film. Film-makers will be provided with a list of recommended festivals that they may submit to directly.

We also provide travel assistance to directors and producers whose films are accepted into A-list festivals. Previously this money has been administered purely as a travel grant. This funding will now sit within our Professional Development area to signal to film-makers that attendance at any festival will be based on tangible professional development that they can achieve at the festival attended (e.g. workshops, seminars, meetings in addition to festival screenings and audience interaction). We will be ensuring that travel assistance is linked to defined goals for each film-maker and that festival attendance will provide tangible development opportunities for those film-makers.

The aim of the Escalator Scheme is less about festival exposure and more about the experience of making a feature film and forging alliances with other key creatives. Attracting a significant audience for these films is not as high a priority and this is reflected in the fact that there is no requirement to attach a distributor.



## Training and industry support

We are committed to fostering the development of those working in the New Zealand film industry so that they have sustainable careers. We support a range of workshops and schemes that focus on professional development such as individual/one-off local events, Producer's International Travel Assistance, Professional Development Awards, the Trainee Feature Director scheme and a series of focused professional development annual initiatives (both locally and internationally). Each initiative has its own application criteria and process but largely, decisions are made around the ability to support and grow talent and career or project development.

We also work with the following industry guilds to support training initiatives for their members: the New Zealand Writers Guild, the Screen Producers and Development Association, the Screen Directors Guild of New Zealand, Nga Aho Whakaari, Women in Film & Television and Script to Screen.

We also provide financial assistance towards the costs of film festivals and awards programmes in order to support screening opportunities for new talent and recognise excellence and reward achievement in all aspects of feature film production.

For those who have achieved a level of success with at least one feature film, we have the Talent Awards scheme; a contestable fund awarding grants of up to \$50,000 to producers, writers or directors who present a strategy for building their slate of films and/or developing their career in the coming year.

## FILM INCENTIVE SCHEME ADMINISTRATION AND CERTIFICATION

We believe the SPIF and LBSPG schemes help the New Zealand screen industry by keeping cast and crew in work and, in the case of SPIF, giving producers a larger share of equity in their projects. Both schemes also encourage inward investment to New Zealand.

The aim of the SPIF scheme is to encourage private sector finance in New Zealand films, increase New Zealand cultural content and retain talent. The LBSPG scheme is focused on encouraging the production of large budget products, including attracting offshore productions to New Zealand.

Although we are not directly responsible for these schemes, we do administer them and need to ensure that the industry knows how they work, that applications are processed efficiently and that grants are paid promptly. We aim to process provisional applications within six weeks and final applications within three months. However, processing time is dependent on a complete application being received from the applicant and the workload of our staff, independent consultants and the Inland Revenue Department.

We also certify films as New Zealand films and official co-productions. Official co-productions are able to access the SPIF grant and tax benefits.

## **Outcome 2: Great New Zealand stories are told through the medium of film (Create/Preserve)**

### **SCRIPT AND PRODUCTION FUNDING AND ADVICE**

If we are to meet our target of investing in at least four feature films per year (excluding low-budget features) we need a pool of continually refreshed production-ready scripts. In order to maintain such a pool, we provide script development financing to promising projects so ideas can be explored (via Seed Development Funding) and developed (Early Development Funding).

We view the development of scripts as a structure like a stepped pyramid with a broad base of projects that decreases at each step towards the pinnacle. We encourage the development of a large number of ideas at an early stage to develop talent and allow for the many factors which affect a project's journey to production.

As the size of the loan against a project increases, and it moves higher up the pyramid, the criteria against which it is judged become more rigorous and more market focused. Experienced industry professionals sit as advisors at the advanced development stage. Advanced Development Funding is used to assist a project to a production-ready stage by covering costs related to budgeting, scheduling, casting, packaging and financing.

We offer creative feedback to writers and producers of supported projects through notes and meetings, in person or via phone or skype, at each stage of the development process. We aim to provide feedback and advice on scripts (other than at the very early stage) within four weeks. We also introduce teams to independent script consultants as required or requested.

We have a continued commitment to Maori film-makers and stories and developing distinctive indigenous voices. Together with Nga Aho Whakaari, which represents Maori interests in the screen industry, we provide specific support to the Maori development funding organisation Te Paepae Ataata. Maori film-makers may choose the process that best suits their needs and their project – working with Te Paepae Ataata or with our development staff.

When a project is sufficiently advanced, producers can apply to us for production funding or, if the film has already been shot, post-production funding. We offer feedback quickly if we foresee issues with projects as we believe the next best answer to a “yes” is a “fast no” supported with clear reasons.

Staff assess projects from many perspectives, e.g. script, team, market, budget, financing plan and recoupment and the expected outcomes of a project based on our values (cultural, connection, creative, career, value for money). We may also provide other forms of financial assistance such as sales advances, short-term loans and pre-closing advances. Staff make recommendations to the Board on funding applications as staff are more closely involved with each project. The Board have a governance role and ensure recommendations are consistent with our values and policies but it is staff that are accountable for these recommendations.

The films we support range from low budget features/documentaries or first-time films where the NZFC can contribute the majority of the film’s budget, to international co-productions where our contribution might be a small proportion of the budget. We will work to up-skill producers via specific training initiatives so that they can maximise opportunities to access private sector investment.

### **Outcome 3: New Zealand films are seen and valued (Preserve/Engage)**

#### **DISTRIBUTION SUPPORT, MARKETING AND SALES**

We expect all the films we fund to be seen in New Zealand cinemas. New Zealand films are generally at a distribution disadvantage because they do not have the benefit of economies of scale in marketing and print costs that international films have. To this end we subsidise film prints and provide a proportion of the advertising budget of local films. We also work with the producer and distributor to determine the best release strategy to offset the disadvantage local films have and maximise audience and revenue. As exhibition moves from film prints to digital projection, we will review our print subsidy policy in view of the costs of digital projection.

We continue to explore the potential for new distribution strategies such as Video on Demand (VOD) platforms to take advantage of established audiences for our films that may or may not be catered to via traditional/conventional distribution and exhibition practices. We seek promotional opportunities with new media partners as part of release campaigns.

Our Sales and Marketing team provides a link to international partners by:

- Developing and sustaining relationships with a wide range of international distributors who are interested in releasing New Zealand productions
- Ensuring that every New Zealand film gets promoted at relevant international festivals and markets, with an international strategy tailored to the needs of each film
- Providing key market intelligence to New Zealand film-makers
- Promoting the New Zealand film brand in partnership with trade and foreign affairs agencies
- Maintaining relationships with key film festival directors aiming at maximum festival exposure for new films.

In addition, we also run a sales agency called NZ Film. It is the producer's choice if they wish to use NZ Film or an offshore sales agency.

## Archiving

Although our Act lists the proper maintenance of films in archives as one of our functions, funding for the Film Archive has been removed from the NZFC and is provided directly from MCH. Nevertheless, it is important that the physical materials (film prints, master tapes, digital files) for all films we fund are accessible so that future generations can enjoy them.

Over the last few years we have been undertaking restoration for feature films we have funded and will continue to do so with a view to availability on new media platforms.



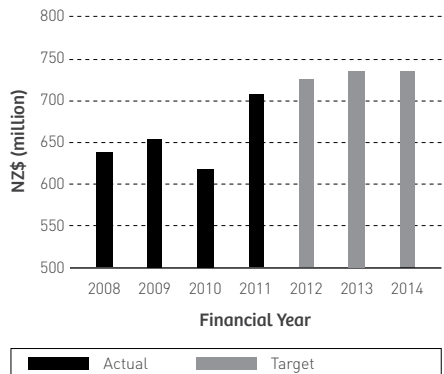
*Mt Zion.*

## HOW WE MEASURE OUR SUCCESS

### Key outcome: Growth in the New Zealand film industry

Our key outcome is for growth in the New Zealand film industry. We measure growth by way of gross feature film revenue of production and post-production sector businesses as recorded each year by Statistics NZ. In the year to 31 March 2011, feature film revenue generated \$707 million for New Zealand businesses; more than a 15% increase from 2010. We expect this figure to increase over the next two years to reflect the current high level of feature film production due to large projects such as *The Hobbit* but recognise that this level of activity may not be maintained following completion of that film unless another project of its scale follows soon after.

### Gross revenue of production and post-production sector businesses (feature film)



This measure replaces last year's SOI measure of the number of people employed in the screen industry as that figure did not take into account the freelance contractors who make up the majority of the film industry.

**How we will make a difference  
(Intermediate outcomes and  
related impacts)**

Our medium-term goals all feed into the key outcome of growth in the film industry. We aim to achieve these goals via the specific activities mentioned in

the previous section (output classes). In order to determine if our activities are achieving these goals, we assess the impact our interventions have as follows.

**1. New Zealand film-making talent is developed and nurtured**

Impact and measure	Type	2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<i>New Zealand film-making talent identified and developed</i>						
1a. Proportion of directors from talent identification schemes gone on to direct feature films	Quantity	1 in 7	1 in 7/ (1 in 6)	1 in 6	1 in 6	1 in 6
1b. Number of short films selected for A-list festivals	Quality	7	5/(12)	5	5	5
<i>Maintain New Zealand film-maker career sustainability</i>						
1c. Proportion of directors with more than one feature film credit	Quantity	N/A	47%	Increase	Increase	Increase

- 1a.** Figure is derived from total number of short films and Escalator films funded from 1985 onwards and adjusted to reflect directors who have directed more than one short film. A short film-maker who goes on to direct an Escalator film would be counted in this statistic.
- 1b.** Measure is based on qualifying A-list film festivals (as defined in NZFC Short Film Post Production Fund Guidelines available on our website). The 2011/12 forecast is high due to a number of Premiere Shorts being available later than expected and films from our Fresh Shorts scheme being completed.
- 1c.** Figure is derived from all NZFC-funded films since 1978 which represents 170 films as at April 2012 and 107 individual directors. Directors who are already established in feature films when we fund them are not counted under this measure. The proportion of directors who have directed more than two films is 14%.

### *Why we have used these measures*

In order to measure the success of our talent identification interventions (Premiere Shorts, Escalator), we track the number of directors that go on to direct feature films and the number of short films that are selected for international A-list film festivals. The Premiere Shorts and Escalator schemes aim to identify feature film-making talent. If directors progress from a short film to a low-budget feature (e.g. Escalator) or from a low-budget feature to a higher budget feature then the schemes are meeting this aim. Directors of Fresh Shorts are not expected to transition to features directly from Fresh Shorts so are not included in this measure.

A-list film festivals are highly competitive so if a short film we fund is selected for an A-list festival this is a good proxy for quality. Screening at an A-list festival is an excellent professional development opportunity for film-makers and enables them to make connections with potential future financiers and collaborators. However, even if a film is not selected, the experience gained in making the film itself is often invaluable, as are the opportunities to find key collaborators.

Last year we aimed to have one in seven short film makers move from a short film to a feature film and this transition usually takes between seven to ten years. In the medium-term we aim for the number of

short film makers making this transition to increase. We have consolidated directors of Escalator films going on to make feature films at higher budgets in this measure. We expect there to be at least a three to five year time lag before the success of the Escalator scheme can be known.

In order to have a sustainable film career, film-makers need to build on their experience by continuing to work on film projects. We use the proportion of directors who go on to make further feature films as a proxy for career sustainability. If none of the directors we funded went on to make another film, then our ability to back talent or quality projects would be called into question. The more films New Zealand film-makers are making, the more opportunities for cast and crew to work. Whereas there is generally only one director per film, there will be numerous roles for cast and crew for each film. Going forward we also intend to gather baseline data for the number of producers who have produced more than one feature film.

Although we believe the incentive schemes we administer contribute to career sustainability, we do not specifically measure the impact of these schemes as we administer them on behalf of MCH and MED who set the policy and fund the grants.

## 2. Great New Zealand stories are told through the medium of film

Impact and measure		2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<i>Higher quality New Zealand film projects</i>						
2a.	Percentage of films entering production with NZFC production finance that also received NZFC development funding	Effectiveness	83%	80%/ (100%)	80%	80%
2b.	Amount of time taken to transition from development to production	Quality	N/A	Baseline TBC	Decrease	Decrease
2c.	Number of features selected for A-list festivals	Quality	2	N/A/(3)	2	2

**2a.** Percentage is derived from total films receiving NZFC production financing in the financial year (excluding low-budget features and documentaries). Low-budget features include Escalator films and films with budgets under \$1 million. Development funding includes devolved development funding (funding given to producers to develop their slate rather than on a project-specific basis).

**2b.** New measure. Methodology is still to be confirmed but this measure will only apply to NZFC-funded films that have received development funding from NZFC. If all development funding is taken into account initial figures suggest the average time taken to transition from the earliest development phase to a project being fully financed so that it can enter production is just over three years.

**2c.** Measure only applies to NZFC-funded films. A-list festivals/markets are as defined by our Sales & Marketing team from time to time – see <http://www.nzfilm.co.nz/SalesAndMarketing/FeatureFilms/KeyFestivalsMarkets.aspx>.



### *Why we have used these measures*

We aim to have a good pool of high quality projects to invest in each year bearing in mind that we only have limited funds to invest. As such, we want projects that receive development funding from us to have a good chance of going into production. There are many reasons why a production-ready project does not go into production, with the main reason being the inability to raise financing, but the stronger a project is, the more likely it is to be able to attract full financing. If none of the projects that received development funding from us went into production then we would not be backing successful projects and therefore we would not be spending our development funds wisely. We also need to ensure that the script feedback and advice we give improves the projects so that they are production-ready.

Going forward we also intend to measure the amount of time taken from providing the first tranche of development funding to the time all financing is committed. This measure may be further refined to look at the time between a project receiving advanced development funding to the time all financing is committed. We are being more stringent in our development process to avoid projects amassing large development spends where there is little evidence of moving towards production.

We now only accept applications for advanced development funding if we think a project has a good chance of being fully financed within months, not years. If this time decreases then we are providing better value for money. Of course, there will always be exceptions; *The World's Fastest Indian* first applied for development funding in 1979 and was finally made in 2004.

We encourage private investment or market investment (pre-sales, distribution advances and sales advances) to supplement funding from government/taxpayer-funded sources. Last year we looked at the ratio of NZFC/SPIF/Film Fund funding to the total budget.

We have removed this measure because of the myriad external factors that impact on the availability of private/market investment. However, we will continue to report on the ratio of private investment to total budget when considering the environment we are operating in.

We have also re-introduced the measure of the number of A-list film festivals/markets that films we fund are selected to screen at. A-list film festivals are highly competitive so if a feature film we fund is selected for an A-list festival this is a good proxy for quality. Screening at an A-list festival is an excellent opportunity for film-makers to raise their profile and make connections with potential financiers and collaborators for their next feature film.

### 3. New Zealand films are seen and valued

Impact and measure		2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<i>More people see New Zealand films</i>						
3a.	Number of NZFC-funded films with estimated domestic admissions of over 100,000	Quantity/ quality	4 films in last 3 years	2 films in last 3 years/ (4 films in last 3 years)	2 films in last 3 years	2 films in last 3 years
3b.	Estimated annual domestic admissions for all NZFC-funded films	Quantity/ quality	323,000	400,000/ (334,000)	400,000	400,000
3c.	Gross revenue for NZFC-funded films	Quantity/ quality	2.3m	N/A/ (0.46m)	Increase	Increase
<i>New Zealand films are valued by New Zealanders</i>						
3d.	Percentage of people who think New Zealand films are important	Quantity	N/A	Baseline TBC	Increase	Increase

**3a and 3b.** All admissions are allocated to the financial year the film is released even if admissions occurred in the next financial year.

**3c.** Gross income excludes pre-sales used for production financing and reflects actual income collected by the collection agent (which may be the NZFC).

### *Why we have used these measures*

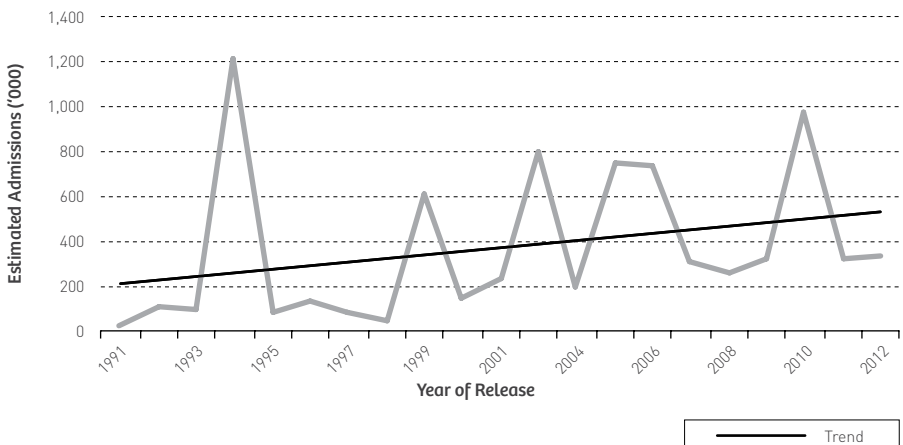
We extrapolate New Zealand gross box office figures to reach an estimated domestic admissions figure in order to measure the size of the New Zealand audience for our films. We use this measure rather than gross box office figures so that ticket prices and tax changes do not skew results and we can easily compare year on year. At the moment, a gross box office figure of \$1.1m equates to about 100,000 admissions.

We measure individual film performance by the number of films over the previous three year period that have achieved 100,000 domestic admissions or more. We use a rolling three year period due to the time lag between funding and release. We also look

at the total annual domestic admissions for all films we fund. This method shows the peaks and troughs of the film industry but also helps determine whether there is an upward trend. Audience figures vary depending on the type of film and some films that we fund may have only niche audiences. In these cases we would expect the size of our investment to be less or for the film to achieve other outcomes such as career development, critical acclaim or cultural value so that the investment is still good value for money.

The following graph shows the estimated number of admissions for all NZFC-funded feature films released since 1991 (the 2012 figure is forecast).

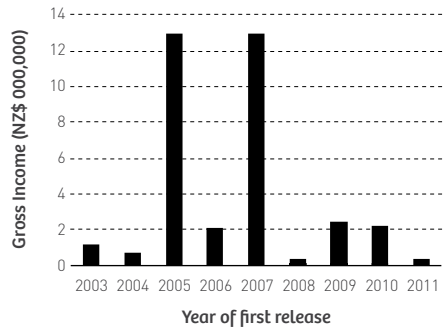
### **Annual admissions for NZFC funded features**



We want to continue the upward trend for domestic admissions and increase the hit rate for successful films.

International sales are a secondary aim but will also be important as they are another way of measuring the quality of films we fund and recouping our investment. In terms of international success, we have previously measured this by way of the distribution fees earned by NZ Film. As these fees only reflect the commission earned by NZ Film where it is acting as sales agent and not necessarily all films that we have funded, we have changed the measure to gross revenue earned by funded films. We have specifically chosen not to measure return on investment as this measure can be skewed by the recoupment position the NZFC has, particularly where there is significant offshore investment in a film. In the graph below gross income excludes pre-sales used for production financing and reflects actual income collected by the collection agent (which may be the NZFC).

**Gross income of NZFC-funded feature films**



This year we will also be undertaking a survey of New Zealanders, in conjunction with NZ On Air, to determine the importance of New Zealand films to New Zealanders. The results will be used to determine a baseline figure for future measurement.

# Part 2 /

Service Performance and  
Financial Management



# STATEMENT OF SERVICE PERFORMANCE

## Output 1: Talent and capability building

### Output Description

This output is linked to the following impacts:

- New Zealand film-making talent identified and developed
- Maintain New Zealand film-maker career sustainability

The output includes:

- initiatives specifically designed to identify new talent and give them a pathway to feature films; Fresh Shorts, Premiere Shorts and the low-budget feature scheme Escalator;
- training initiatives such as workshops, internships, assistance to travel to markets to attract film financing and Talent Awards;
- industry support for film festivals, awards, industry guilds and Film NZ.

We make a call for applications for most of these initiatives on an annual basis and decisions are made for most schemes by a panel comprising staff and industry experts.

<b>Revenue</b>	<b>\$4,321,212</b>
Short films	\$1,030,000
Escalator	\$1,250,000
Training	\$1,125,000
Industry support	\$640,000
<b>Subtotal</b>	<b>\$4,045,000</b>
Personnel costs	\$276,212
<b>Expenditure</b>	<b>\$4,321,212</b>
<b>Surplus/(Deficit)</b>	<b>Nil</b>

Output measure	Type of measure	2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<i>1. Talent and capability building</i>						
1a. Number of short films funded by the NZFC (Fresh Shorts, Premiere Shorts)	Quantity	22	22/(22)	22	22	22
1b. Average overall satisfaction rating in dealing with team responsible for short films	Quality	N/A	N/A/(3.48)	3.75	3.75	3.75
1c. Number of escalator films funded by the NZFC	Quantity	4	4/(3)	4	-	-
1d. Number of training initiatives funded by the NZFC including producer international travel assistance	Quantity	43	19/(26)	30	30	30
1e. Average rating of training initiatives excluding producer international travel assistance	Quality	N/A	TBC/ (4.52)	3.75	3.75	3.75

**1b.** Figures taken from stakeholder survey conducted in 2011/12.

**1c.** Escalator was launched in 2010/11 and we have currently committed to the scheme for three years. In 2011/12 we committed to three films as it was felt that the other films shortlisted did not meet the low-budget ethos of the Escalator scheme.

**1d.** This output relates to workshops, seminars and internships and Producer International Travel Assistance (PITA). Previously we measured these activities separately. We have consolidated them this year as they both relate to capability building. This measure excludes Talent Awards and Professional Development Awards made to individual film-makers as these Awards are demand-based and discretionary.

**1e.** We devolve a number of training initiatives to guilds. These results are based on seminars and workshops run by WIFT, SDGNZ and Film NZ which is only a small subset of the initiatives run. Only a small number of respondents gave feedback but we aim to increase the amount of feedback we receive in coming years.

**Output 2: Script and production funding and advice**

*Output Description*

<p>This output is linked to the following impact:</p> <ul style="list-style-type: none"><li>- Higher quality New Zealand film projects.</li></ul> <p>The output includes funding for feature film scripts in various stages of development. At the early stages we fund writers to write a first draft based on a synopsis and/or treatment. If the project progresses, a producer may come on board and seek more development funding to produce further drafts of the script until it is in a state where it is ready to seek production financing. Application deadlines vary based on the stage of development funding requested and meetings are convened to consider applications as necessary.</p> <p>This output also includes funding of feature films either for production or post-production. \$2m of this funding is provided from MCH specifically to co-invest in a SPIF film. There are six application rounds per year and applications are considered by the Board based on recommendations by staff.</p>	<b>Revenue</b>	<b>\$8,158,956</b>
	Feature film development	\$1,120,000
	Feature film production	\$7,388,000
	SPIF co-investment	\$2,000,000
	Feature film post-production	\$150,000
	Other production costs	\$70,000
	<b>Subtotal</b>	<b>\$10,728,000</b>
	Personnel costs	\$390,956
	<b>Total</b>	<b>\$11,118,956</b>
	<b>Surplus/(Deficit)</b>	<b>(\$2,960,000)</b>



Output measure	Type of measure	2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<b>2. Script and production funding and advice</b>						
2a. Number of scripts at advanced development stage that received NZFC development funding	Quantity/ Quality	21	10/(17)	10	10	10
2b. Time taken to provide feedback and advice from receiving a new draft (monthly cycle)	Effectiveness	-	4 weeks/ (4 weeks)	4 weeks	4 weeks	4 weeks
2c. Average overall satisfaction rating in dealing with team responsible for development funding	Quality	N/A	N/A/(3.56)	3.75	3.75	3.75
2d. Number of NZFC funded feature films	Quantity	9	4/(7)	4	4	4
2e. Average overall satisfaction rating in dealing with team responsible for production funding	Quality	N/A	N/A/(3.56)	3.75	3.75	3.75

**2a.** In order to determine whether a project is at advanced development stage we apply the following criteria: a) director attached; b) draft at a stage that is advanced; and c) project overall is approaching market-readiness/market-ready/currently being packaged or financed. NZFC development funding includes Te Paepae Ataata funding or devolved development funding.

**2b.** No data recorded in 2010/11.

**2c and 2e.** Figures taken from stakeholder survey conducted in 2011/12.

**2d.** Actual figures in 2010/11 and forecast figures in 2011/12 are higher than targets set for that year due to low-budget features and feature documentaries which we do not specifically allow for. Figures exclude Escalator films which are measured in Output 1.

*NB: A previous measure regarding the percentage of NZFC funded films that reflect NZ culture and/or promote NZ talent has been removed as the NZFC is unable to fund films that do not have significant NZ content.*

**Output 3: Film incentive scheme administration and certification**

*Output Description*

<p>This output is linked to the following impact:</p> <ul style="list-style-type: none"><li>- Maintain New Zealand film-maker career sustainability.</li></ul> <p>The output comprises administration of the SPIF and LBSPG schemes as well as certification of films for significant NZ content and co-productions. Applications are received throughout the year as projects are completed. Many of these projects do not receive equity financing from the NZFC as they may be television series or studio-funded projects.</p>	<b>Revenue</b>	<b>\$205,540</b>
	Regulatory costs	\$101,000
	<b>Subtotal</b>	<b>\$101,000</b>
	Personnel costs	\$104,540
	<b>Expenditure</b>	<b>\$205,540</b>
	<b>Surplus/(Deficit)</b>	<b>Nil</b>

Output measure	Type of measure	2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<b>3. Film incentive scheme administration and certification</b>						
3a. Percentage of complete SPIF and LBSPG final applications processed within 3 months	Effectiveness	100% SPIF 71% LBSPG	100%/ (100%)	100%	100%	100%
3b. Percentage of SPIF and LBSPG Frequently Asked Questions updated within one month of relevant meeting	Effectiveness	N/A	N/A/New measure	100%	100%	100%
3c. Average overall satisfaction rating with team responsible for regulatory approvals and financial incentives	Quality	N/A	N/A/(3.59 and 3.87)	3.75	3.75	3.75

**3a.** This timeframe is based on fully-completed applications being received. Occasionally further information is required to process an application.

**3b.** Previous performance measure was that criteria and FAQs be available on the website and updated every two months. As meetings are not held on a regular basis, we have adjusted the measure to better reflect the process.

**3c.** Figures taken from stakeholder survey conducted in 2011/12.

**Output 4: Distribution support, marketing and sales**

*Output Description*

<p>This output links to the following impacts:</p> <ul style="list-style-type: none"><li>- More people see New Zealand films</li><li>- New Zealand films are valued by New Zealanders.</li></ul> <p>This output comprises:</p> <ul style="list-style-type: none"><li>- prints and advertising (P&amp;A) grants to distributors to supplement distribution and marketing of their films in New Zealand;</li><li>- sales agent activities for New Zealand films that choose to use NZ Film as their sales agent;</li><li>- marketing of New Zealand films locally and internationally.</li></ul> <p>Distributors can apply for P&amp;A grants as the film nears completion and delivery.</p>	<b>Revenue</b>	<b>\$1,833,002</b>
	P&A Grants	\$500,000
	Other domestic advertising/promotion	\$227,000
	International marketing	\$105,500
	International festivals	\$262,000
	Sales agency	\$358,000
	<b>Subtotal</b>	<b>\$1,452,500</b>
	Personnel costs	\$380,502
	<b>Expenditure</b>	<b>\$1,833,002</b>
	<b>Surplus/(Deficit)</b>	<b>Nil</b>

Output measure	Type of measure	2010/11 Actual	2011/12 Target/ (Forecast)	2012/13 Target	2013/14 Target	2014/15 Target
<b>4. Distribution support, marketing and sales</b>						
4a. Number of prints and advertising grants made	Quantity	7	7/(5)	7	7	7
4b. NZ Film distribution fees earned	Effectiveness	\$370,000	\$195,000/ (\$195,000)	\$90,000	\$120,000	\$120,000
4c. Percentage of NZFC-funded feature films restored or undergoing restoration	Quantity	N/A	70%	75%	80%	85%
4d. Average overall satisfaction rating in dealing with team responsible for feature film sales agency, distribution and marketing	Quality	N/A	N/A/(3.31)	3.75	3.75	3.75

**4b.** Targets have been revised since last year's SOI to reflect lower forecast figures.

**4c.** As at March 2012, of the 112 feature films funded between 1939 and 2004, 78 films have been restored or are undergoing restoration. Films made after 2004 tend to have accessible materials already. Restoration in this case means transferring to digital betacam with picture and audio enhancement and a one pass colour grade. Accessibility to a further 26 (pre 2004) titles will be assessed as the next step followed by the post 2004 titles.

**4d.** Figures taken from stakeholder survey conducted in 2011/12.

## Prospective Statement of Comprehensive Income

### For the three years to 30 June 2015

	Forecast Actual 11/12 \$000s	Budget 12/13 \$000s	Budget 13/14 \$000s	Budget 14/15 \$000s
<b>Income</b>				
Government Grant	3,401	3,401	3,401	3,401
Government Grant -SPIF (NZFC co-invest)	2,000	2,000	-	-
SPIF Surplus	9	-	-	-
Lottery Board Grant	11,924	10,621	10,621	10,621
Film Income	450	120	200	200
Sales Commission	195	90	120	120
Interest Rec'd	700	525	400	300
Writebacks	-	-	-	-
Other Income	65	-	-	-
<i>Operating Income</i>	<i>18,744</i>	<i>16,757</i>	<i>14,742</i>	<i>14,642</i>
Government Grant -SPIF	8,485	12,920	-	-
<b>Total Income</b>	<b>27,229</b>	<b>29,677</b>	<b>14,742</b>	<b>14,642</b>
<b>Expenditure</b>				
<i>Talent and capability building</i>				
Short films	1,120	1,030	750	700
Escalator	980	1,250	-	-
Training	973	1,125	1,040	820
Industry support	692	640	500	500
<i>Script and production funding</i>				
Feature film development	1,142	1,120	1,060	980
Feature film financing	12,894	9,608	8,070	7,970
<i>Film incentive scheme administration</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>

Continued →

	Forecast Actual 11/12 \$000s	Budget 12/13 \$000s	Budget 13/14 \$000s	Budget 14/15 \$000s
<i>Distribution support, marketing and sales</i>				
Domestic	627	727	500	500
International	874	725	600	600
<i>Corporate</i>				
Administration	1,107	1,136	1,099	1,099
Depreciation	180	210	180	160
Personnel Costs	1,876	2,045	2,045	2,045
<i>Operating Expenses</i>	22,566	19,717	15,945	15,475
Government Grant -SPIF	8,485	12,920	-	-
<b>Total Expenditure</b>	<b>31,051</b>	<b>32,637</b>	<b>15,945</b>	<b>15,475</b>
<b>Total Comprehensive Expense</b>	<b>(3,822)</b>	<b>(2,960)</b>	<b>(1,203)</b>	<b>(833)</b>

## Prospective Statement of Changes In Equity

### For the three years to 30 June 2015

Public equity 1 July	10,427	6,605	3,645	2,442
<b>Total Comprehensive Expense</b>	<b>(3,822)</b>	<b>(2,960)</b>	<b>(1,203)</b>	<b>(833)</b>
<b>Public equity 30 June</b>	<b>6,605</b>	<b>3,645</b>	<b>2,442</b>	<b>1,609</b>

## Prospective Statement of Financial Position

### For the three years to 30 June 2015

	Forecast Actual 11/12 \$000s	Budget 12/13 \$000s	Budget 13/14 \$000s	Budget 14/15 \$000s
<b>Current Assets</b>				
Cash & Cash Equivalents	3,500	2,500	2,500	2,500
Term Deposits	6,200	4,500	2,800	2,100
Accounts Receivable	3,700	2,000	1,800	1,600
<b>Total Current Assets</b>	<b>13,400</b>	<b>9,000</b>	<b>7,100</b>	<b>6,200</b>
<b>Non Current Assets</b>				
Investments	3,600	3,500	3,500	3,500
Plant, Property & Equipment	600	700	600	500
<b>Total Non Current Assets</b>	<b>4,200</b>	<b>4,200</b>	<b>4,100</b>	<b>4,000</b>
<b>Total Assets</b>	<b>17,600</b>	<b>13,200</b>	<b>11,200</b>	<b>10,200</b>
<b>Current Liabilities</b>				
Accounts Payable	1,637	1,470	862	854
Employee Entitlements	163	130	138	146
Project Commitments	8,795	7,555	7,358	7,291
Film Income Account	400	400	400	300
<b>Total Liabilities</b>	<b>10,995</b>	<b>9,555</b>	<b>8,758</b>	<b>8,591</b>
<b>Public Equity</b>	<b>6,605</b>	<b>3,645</b>	<b>2,442</b>	<b>1,609</b>
<b>Total Liabilities &amp; Public Equity</b>	<b>17,600</b>	<b>13,200</b>	<b>11,200</b>	<b>10,200</b>



## Prospective Statement of Cash Flow

### For the three years to 30 June 2015

	Forecast Actual 11/12 \$000s	Budget 12/13 \$000s	Budget 13/14 \$000s	Budget 14/15 \$000s
<b>Cash flows from operating activities</b>				
Grants and other income	26,529	29,152	14,342	14,342
Interest Received	700	525	400	300
Production funding,marketing, talent development,suppliers and employees	(28,333)	(34,437)	(16,582)	(15,562)
Net GST	(150)	100	80	80
<b>Net cash inflow/(outflow) from operating activities</b>	(1,254)	(4,660)	(1,760)	(840)
<b>Cash flows from investing activities</b>				
Decrease in Short Term Deposits	2,800	1,700	1,700	700
Sale of Property,Plant,Equipment	0	0	0	0
(Increase)/Decrease in Investments	(3,600)	100	0	0
Purchase of Property,Plant,Equipment	(25)	(25)	(30)	(30)
Purchase of Intangible Assets	(175)	(100)	(20)	(30)
<b>Net cash inflow/(outflow) from investing activities</b>	(1,000)	1,675	1,650	640
<b>Cash flows from financing activities</b>				
Short Term Loans Received	195	3,185	1,110	1,200
Short Term Loans Issued	(1,871)	(1,200)	(1,000)	(1,000)
<b>Net cash inflow/(outflow) from financing activities</b>	(1,676)	1,985	110	200
<b>Net Increase/(Decrease) in Cash at Bank</b>	<b>(3,930)</b>	<b>(1,000)</b>	<b>0</b>	<b>0</b>
Opening Cash & Cash Equivalents	7,430	3,500	2,500	2,500
<b>Closing Cash &amp; Cash Equivalents at Bank</b>	<b>3,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>

## FINANCIAL PLANNING ASSUMPTIONS

In the projected financial statements for the three years through to June 2015, we have assumed that:

- a) Our core business will remain unchanged, with financing the production of New Zealand feature films remaining the most important activity.
- b) As the SPIF scheme is currently a five-year appropriation until 30 June 2013 we have not included SPIF funds beyond this period. There is funding tagged for SPIF beyond this date, however the exact funding arrangements are subject to a final decision by Cabinet regarding the future of the scheme, due to be made in June 2012, after the publication of this SOI.
- c) We will continue to market and sell many of the feature films we invest in, and will continue to take commercial recoupment positions in those films.
- d) There will be film income returns and interest received ranging between \$620,000 and \$735,000 per year to augment Government and Lottery funding. If this is not achieved the total production funds will be reduced pro rata by the required amount.
- e) Reserves will be utilised in a manner that allows for partial depletion over the next three financial years, on the assumption that no additional Government funds become available in that time frame.

## STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

Pursuant to the New Zealand Film Commission Act 1978, the NZFC was established on 13 November 1978 as a Crown Entity in terms of the Crown Entities Act 2004. Our functions and responsibilities are set out in the New Zealand Film Commission Act 1978.

Our primary objective is to encourage and also participate and assist in the making, promotion and exhibition of films and has been established exclusively for charitable purposes in New Zealand. Accordingly, we have designated ourselves as a public benefit entity for the purposes of New Zealand equivalents to IFRS (NZ IFRS).

### Basis Of Preparation

#### Statement of compliance

Our financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### Measurement base

The reporting period for these forecast financial statements is the three years ended 30 June 2015 and they have been prepared on a historical cost basis.

## Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. Our functional currency is New Zealand dollars.

## Judgements and estimates

The preparation of financial statements to conform with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future period if the revision affects both current and future periods.

## SIGNIFICANT ACCOUNTING POLICIES

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

### Revenue

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

#### *Crown Revenue*

We are primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of meeting our objectives as specified in the Statement of Intent.

#### *Other grants*

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

#### *Interest*

Interest income is recognised using the effective interest method.

#### *Returns from Film Investments*

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.

## Leases

### *Operating Leases*

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

## Financial Instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the statement of comprehensive income.

## Cash and cash equivalents

Cash includes cash on hand and funds on deposit with banks and is measured at its face value.

## Investments and Advances

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 income is contracted and reasonably assured. Such investments are treated as assets and valued at the minimum level of expected income.
- 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.
- c) Investment classification includes transferable certificates of deposit and short term deposits. Investments are valued at the lower of cost or market value. Interest has been accrued at year-end.

## Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of a receivable is established on a case by case basis, when there is objective evidence that we will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. 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).

Loans are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. 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 income.

## Prepayments

Expenses for future film markets and festivals incurred in the current year are shown as prepayments.

## Property, Plant & Equipment

Property, Plant & Equipment is shown at cost or valuation, 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 us 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 included in the statement of comprehensive income.

### *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.

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

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 us, 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 maintenance of our 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 statement of comprehensive income. 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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### **Trade and other payables**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **Employee Entitlements**

Employee benefits that we expect to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date. We recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### **Superannuation Schemes**

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

### **Project Commitments**

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

### **Writebacks**

Writebacks 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 income.

### **Goods and Services Tax (GST)**

The financial statements are prepared on a GST exclusive basis, except for receivables and payables, which are stated GST inclusive. Where GST is irrecoverable 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**

We are exempt from income tax in accordance with Section 29 of the New Zealand Film Commission Act 1978.

## ORGANISATIONAL HEALTH AND CAPABILITY

### Core services

We need to ensure we have the capability to deliver core services, meet increased levels of compliance and expectations, and make improvements to our business. Our structure is tailored to our outputs, for example, we have a Production & Development Team which encompasses Short Films to recognise that our shorts programme is aimed at talent development. Our Corporate staff will continue to assist with our production financing and film incentive schemes. Sales and Marketing continues in its current form as marketer for New Zealand films and sales agent (where appointed by the producer).

### Good employer principles

Our culture and work environment reflects a genuine commitment to the principles of being a good employer as outlined in the Crown Entities Act. We maintain a positive, dynamic and safe environment to enable the employment and retention of skilled staff with recent industry experience. This year we have engaged a part-time HR consultant to ensure that we are employing best practice in recruitment, performance management and staff policies.

We encourage our staff to attend industry functions, gain industry experience in their spare time and we organise regular screenings of short films and feature trailers so that all staff are familiar with the films we have invested in. All staff have an opportunity to attend courses on te reo and tikanga.

We maintain a fully capable and effective senior management team with a second tier of competent and professional staff who are able to cover the roles. Recruitment to senior positions in the NZFC is a mix of internal promotions and external appointments to ensure a freshness of approach, and meet the criteria of recent industry experience. Employees are treated fairly. Different skills, talents, experiences and perspectives are recognised and valued, and different cultural values and beliefs are respected. The needs of Maori, ethnic or minority groups, women, and persons with disabilities, are recognised. We do not tolerate harassment, bullying and discrimination.

### Equal employment opportunity

Our culture and work environment reflects a genuine commitment to the principles of equal employment opportunities by elimination of all aspects of procedures, practices or any institutional barriers that may cause or perpetuate inequalities in respect of employment opportunities for any person or group of persons. We have 22 full-time equivalents. Our workforce is younger compared to most with an average age of 36.5 years and predominantly female (74%). We have two staff identifying as Pacific Island and one staff as Maori.

## **Recruitment**

We appoint the best candidates after a strict selection process, which incorporates equal opportunity principles. Staff selection is on the basis of merit – for any position the best available person is appointed irrespective of gender, race, colour, ethnic or national origins, religious or ethical beliefs, disability, marital or family status, age, sexual orientation or any other irrelevant factor. However, we are keen to ensure our workplace reflects New Zealand's diversity and will take this into account where we are able. Industry development programmes have a secondary benefit for us because they provide a talent pool from which staff can be recruited. Most recruits return to the industry after a period with us. We believe this porous border between the organisation and the industry is healthy and seek to encourage it. We have adopted a recruitment policy based on such cross-fertilisation.

## **Remuneration**

Fair and appropriate and gender-neutral remuneration is an important aspect of developing long-term capability at the NZFC. The remuneration framework balances competitive pay and reward with affordability. Remuneration policies are focused on attracting and retaining skilled, flexible and knowledgeable staff.

## **Professional development**

We provide individually tailored professional development opportunities for all staff based on identified needs. We are committed to developing and up-skilling staff to work towards our objectives. The effectiveness of training and development activity is evaluated to ensure that key objectives are met.

## **Succession**

Our small size and our close relationship with the industry means that succession plans will always depend on the available industry talent pool (both national and international) as well as the experience of our own staff.



# Appendix 1

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## Functions, roles and responsibilities

We are a body corporate established by the New Zealand Film Commission Act 1978. We have functions and powers under Section 17 and 19 of the Act relating to the support and encouragement of New Zealand film and the New Zealand film industry. We are required to carry out our statutory obligations using and/or administering funds provided for that purpose, by Parliamentary appropriation. We also receive substantial annual funding through the New Zealand Lottery Grants Board and a small level of earned income.

## Section 17 – Functions of the NZFC

The NZFC shall have the following functions:

- (1) To encourage and also to participate and assist in the making, promotion, distribution and exhibition of films:
- (2) To encourage and promote cohesion within the New Zealand film industry, and in particular:
  - a) To encourage and promote the exchange of information among persons engaged in the film industry; and
  - b) To encourage and promote the efficient use of available resources within the New Zealand film industry; and
- c) To co-operate with other interested or affected bodies and organisations in order to encourage and promote employment in the New Zealand film industry, and the productivity of that industry:
- (3) To encourage and promote the proper maintenance of films in archives:
- (4) To encourage and promote, for the benefit of the New Zealand film industry, the study and appreciation of films and of filmmaking:
- (5) To gather, collate, disseminate and publish information that ... relates to the making, promoting, distribution, and exhibition of films:
- (6) To advise the Minister on matters relating to or affecting the functions of the NZFC. The NZFC may carry out its functions within and beyond New Zealand.

## **Roles and responsibilities**

We have several decision making bodies:

- a) The full Board (currently seven members) which meets on average every two months to set policy and budgets, monitor progress against targets and budgets, and consider applications for feature film production financing. Our Board members are appointed by the Minister for Arts, Culture and Heritage, usually for terms of three years.
- b) Finance & Audit Committee: a subcommittee of the Board which takes responsibility for risk management and financial issues to maximise the time available for policy and production financing decisions at full Commission meetings.
- c) SPIF Committee: a subcommittee of the Board which takes responsibility for considering all provisional and final SPIF applications. Currently five industry personnel are members of the Committee and operate as a pool with two required for each meeting.
- d) Certification Committee: a subcommittee of the Board which takes responsibility for considering all provisional and final co-production applications.

## **NZFC Board members**

### **to 30 June 2012**

Patsy Reddy (*chair*)

Charles Finny

Christopher Hampson

Rhiannon McKinnon

Witi Ihimaera

Andrew Cornwell

Cameron Harland

### **Board subcommittees**

*Finance and Audit Committee* – Andrew Cornwell (chair), Rhiannon McKinnon, Patsy Reddy

*SPIF Committee* – One Board member, Chief Executive, Deputy Chief Executive (chair), Head of Business Affairs and five industry representatives

*Certification Committee* – One Board member, Deputy Chief Executive and Head of Business Affairs

# NZFC operational units and staff

as at 17 May 2012

## **Corporate**

Graeme Mason	<i>Chief Executive</i>
Rosalind Croad	<i>PA to Chief Executive</i>
Mladen Ivancic	<i>Deputy Chief Executive</i>
Naomi Wallwork	<i>Head of Business Affairs</i>
Sarah Allerby	<i>Business Affairs Executive</i>
Hannah Collins	<i>Receptionist</i>
Janka Palinkas	<i>Accountant</i>
Sophie Hathaway	<i>Accounts Assistant</i>
Dominique Fromont	<i>Film Income Manager (part-time)</i>
Gina Rogers	<i>Senior Communications Advisor (part-time)</i>

## **Production and development**

Kath Akuhata-Brown	<i>Development Executive</i>
Katherine Fry	<i>Development Executive</i>
Chris Payne	<i>Development Executive</i>
Bonnie Slater	<i>Professional Development Executive</i>
Faith Dennis	<i>Development Co-ordinator</i>
Lisa Chatfield	<i>Short Film Manager</i>
Hayden Ellis	<i>Short Film Assistant</i>
Sam Burt	<i>Fresh Shorts Assistant (temp contract)</i>

## **Sales and marketing**

James Thompson	<i>Head of Sales and Marketing</i>
Robin Laing	<i>Film Materials Manager</i>
Jasmin McSweeney	<i>Marketing Executive</i>
Beth Brash	<i>Sales and Marketing Assistant</i>

# Glossary

We interact with a number of organisations and use a number of terms throughout this Statement of Intent that readers may not be familiar with and have defined these below to assist with understanding of this document.

<b>NZFC</b>	New Zealand Film Commission
<b>MCH</b>	Ministry for Culture & Heritage
<b>MED</b>	Ministry of Economic Development
<b>The Film Fund</b>	The New Zealand Film Production Fund Trust, an independent charitable trust with a limited active life span (NZFC appoints 2 of its 5 trustees)
<b>LBSPG</b>	Large Budget Screen Production Grant (funding via MED)
<b>PDV Grant</b>	Post-production, Digital & Visual Effects Grant
<b>SPIF</b>	Screen Production Incentive Fund (funding via MCH)
<b>Escalator</b>	A low budget feature film initiative started by the NZFC in 2010
<b>Fresh Shorts</b>	A low budget short film initiative started by the NZFC in 2010
<b>Premiere Shorts</b>	Higher budget short film initiative
<b>LGB</b>	Lottery Grants Board, a body set up by Parliament to distribute the proceeds of state lotteries
<b>Jackson/Court Review</b>	The Review of the New Zealand Film Commission conducted by Sir Peter Jackson and David Court and published in July 2010
<b>Film NZ</b>	An independent industry-led organisation facilitating access to New Zealand as a screen production destination
<b>NZ On Air</b>	Broadcasting Commission – TV funding body
<b>Nga Aho Whakaari</b>	Organisation representing Maori interests in the screen industry
<b>Te Paepae Ataata</b>	Maori film development organisation
<b>SDG NZ</b>	Screen Directors Guild of New Zealand
<b>WIFT</b>	Women in Film & Television
<b>Script to Screen</b>	Charitable trust developing the craft and culture of storytelling for the screen in New Zealand





[www.nzfilm.co.nz](http://www.nzfilm.co.nz)