

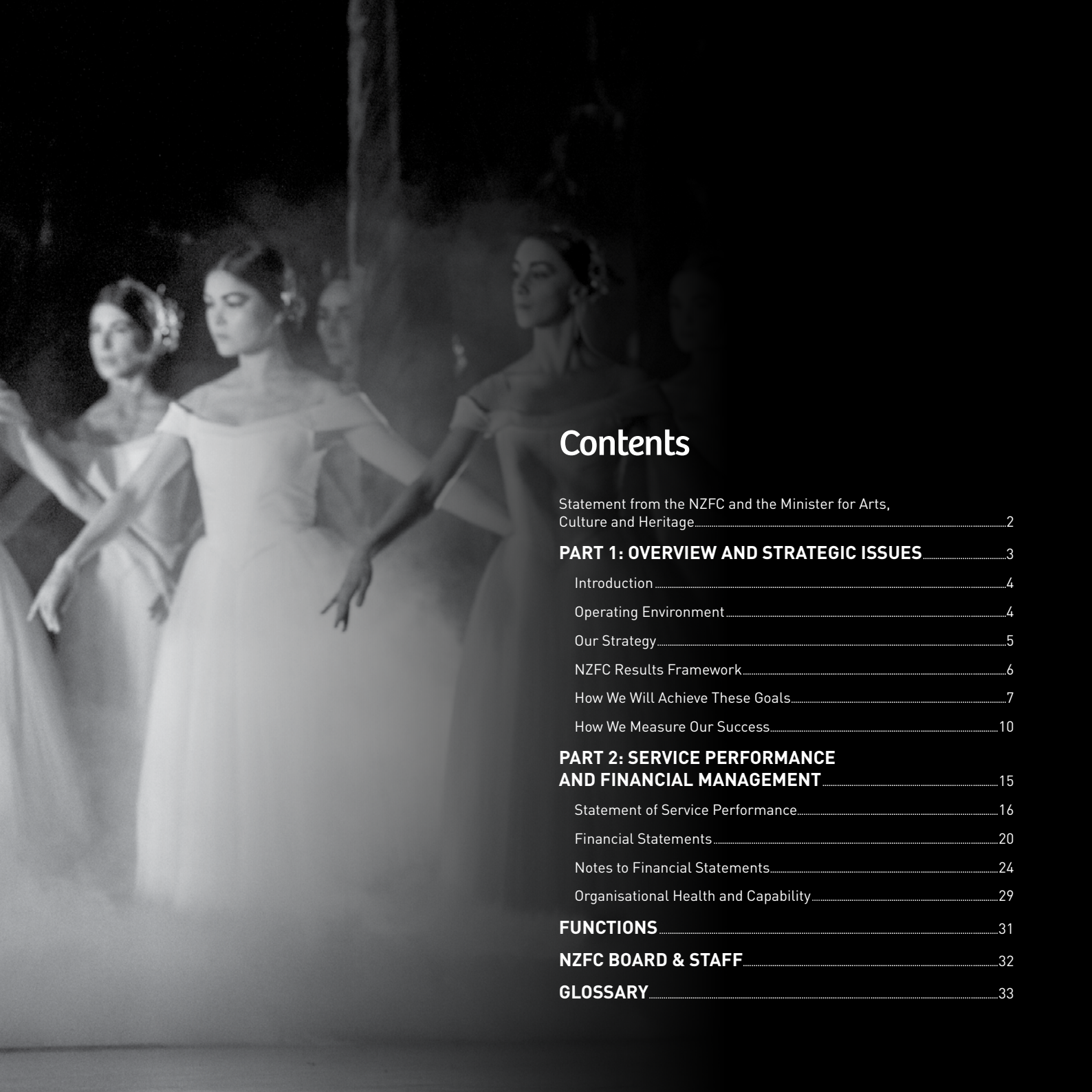


New Zealand Film Commission

STATEMENT OF INTENT 2013/14 – 2015/16



Cover: *Beyond the Edge*
Inside Cover: *Giselle*



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

The Government review of the screen sector continued throughout 2012/13. In 2013/14 we expect to know the recommendations from the 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 2013/14.

This year we have continued to refine our SOI to better reflect what we do, why we do it and how we measure our success. We have redefined our long-term goal to be 'that New Zealand has a sustainable and internationally competitive screen sector'. This outcome reflects our view that cultural activity can only flourish if we have a healthy screen industry. In 2012 New Zealand screen industry revenue surpassed \$3 billion for the first time since the Statistics NZ survey began in 2005 and feature film revenue rose almost 50% to more than \$1 billion. The figures emphasise the importance of the sector's contribution to the New Zealand economy.

This year we will:

- co-operate with the Ministry for Culture and Heritage (MCH) and the Ministry of Business, Innovation and Employment (MBIE) on implementing actions arising from the screen sector review
- continue to seek closer co-operation at both the strategic and operational levels with NZ On Air
- continue to work closely with the New Zealand Film Archive in respect of digitising the NZFC back-catalogue of valuable film heritage
- assist filmmakers and the wider industry to actively contribute to the First World War Centenary commemorations.

Our income from Vote: Arts, Culture and Heritage is not expected to increase over the next three to five years, although our income from the New Zealand Lottery Grants Board (LGB) can fluctuate. If LGB income does increase beyond the forecast levels, we will consult with the Minister for Arts, Culture and Heritage and MCH in establishing priorities for use of this additional funding.

Our medium-term goals have also been slightly refined and are:

- New Zealand screen talent is recognised internationally
- material with high production values gets funded
- New Zealand stories are seen and valued in New Zealand and overseas.

For the second year we conducted a stakeholder survey to continue to monitor stakeholder satisfaction. We are pleased that the average rise across all categories surveyed was 18 per cent although there are still areas where improvement is needed, particularly around specific feedback on funding applications. In 2012 we re-launched our website and will continue to improve our communications with industry and enable more transparency, openness and support for filmmakers. We are also revisiting ways we support professional development and business sustainability.

This SOI represents our aims and objectives for the period to 30 June 2016 and is presented by the NZFC in accordance with sections 138 to 148 of the Crown Entities Act 2004.



Patsy Reddy
Chair
June 2013



Andrew Cornwell
Board Member

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





Part 1 Overview and Strategic Issues

Introduction

The New Zealand Film Commission (NZFC) is an Autonomous Crown Entity with a wide statutory remit in respect of New Zealand film and the New Zealand film industry. We allocate funds provided by the Crown and Lottery Grants Board to meet our statutory functions and implement government policies.

We fund the making of New Zealand films and a wide range of capability programmes aimed at building skills within the wider screen industry, among producers, directors and writers and the many actors and technicians who comprise most industry personnel.

We administer two substantial grant programmes on behalf of the Government: the Large Budget Screen Production Grant (LBSPG) and the Screen Production Incentive Fund (SPIF).

We also market and promote the interests of New Zealand film and New Zealand filmmakers overseas and act as the competent authority for official co-productions with other countries.

Our role is that of an enabler for creative and talented New Zealanders, encompassing both economic and cultural objectives. We exist to foster a successful screen industry in New Zealand and the expression of New Zealand culture on screen. New Zealand culture is enriched by New Zealand stories being told and where New Zealanders are instrumental in bringing stories to life.

These objectives are mutually reinforcing. New Zealand culture is what gives the New Zealand screen industry its vibrancy; a vibrant screen industry helps to ensure that New Zealand culture can be seen and valued on screen, both here and overseas.

Operating Environment

Our role is consistent with the Government's priorities to build a more competitive and productive economy and deliver better public services to New Zealanders within tighter budgets.

During the course of 2012/13, officials in the Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Culture and Heritage (MCH) reviewed screen sector issues, with a view to determining the appropriateness of current policy interventions. A workshop with industry representatives took place in June 2012.

The review included:

- assessing the economic value of screen sector activities in New Zealand
- reviewing the policy settings for the LBSPG and SPIF
- considering a range of strategic issues such as international marketing and promotion, institutional arrangements for government-funded screen sector and capability and infrastructure.

The Government has not yet announced the outcomes of the screen sector review. In general terms, however, it is clear that we are operating in an environment in which the Government has high expectations of the screen sector and the contribution we can make to screen sector outcomes. For example, it is already clear that:

- Significant economic value is derived from spending in New Zealand by offshore interests. Screen sector activity in New Zealand also generates important spill-over benefits to other parts of the economy, e.g. transfer of skills and technology to other sectors; and international connections for trade and diplomacy.
- There is potential to grow this activity and for New Zealand to develop more of its own intellectual property and export this to the rest of the world.
- Because of the need for continuing fiscal restraint, the pool of government funding available for screen sector activities in New Zealand is unlikely to increase in the foreseeable future. If the sector is to grow, therefore, it will be necessary to attract more overseas capital for projects in New Zealand and ensure that public expenditure provides the best possible value for money.
- As the report by Sir Peter Jackson and David Court on the New Zealand Film Commission in 2010 noted, a key strategy for growing the industry is to deepen and broaden New Zealand's talent pool.

Our Strategy

Leadership role

By virtue of our unique role in the sector we expect to play a leading role in working towards improved screen sector outcomes, consistent with the Government's expectation that government agencies will exercise leadership within their respective sectors, as part of delivering better public services. The NZFC will work with relevant agencies towards a more integrated approach to the marketing and promotion of the New Zealand screen sector offshore.

An example where a more integrated approach is already being taken is the collaboration between the NZFC and NZ On Air in offering a joint documentary fund, sharing a communications person, collaborating on a public perception survey and co-locating in the same building from 2013/14.

Strategic priorities

Over 2013-16, we plan to focus on building screen activities in New Zealand that are financially sustainable and internationally competitive. We consider that building a sound business platform is essential not only to assist the industry to grow but to continue to ensure that New Zealand stories are told and seen in New Zealand and overseas.

While a number of commercially and artistically successful films and other productions for the screen continue to be made in New Zealand, the reality is that the industry is hampered by lack of capital and scale. Despite the support that the NZFC and other funding agencies can provide, we are aware of a number of promising projects that are struggling to find funding and may not go into production for this reason.

For many working in the screen industry, work is intermittent and insufficient to support a full-time career. Industry professionals have to go where there is work. This is sometimes in film, but more often in television, and increasingly in digital media such as animation and games. These distinctions are becoming less relevant as technologies continue to converge and consumer preferences evolve, and government agencies therefore need to take a broader sector view in delivering their mandates.

As noted above, being able to attract more overseas capital for projects in New Zealand and ensure that public expenditure provides the best possible value for money are key objectives in helping to provide for a more sustainable screen industry in New Zealand.

Value for money requires ensuring that spending is cost-effective and targeted at those areas of highest need. In the area of professional development services, for example, targeting areas of highest need involves making a judgement about the areas in which there is a demand for skills in the industry that are currently in deficit. There has to be a reasonable expectation that those being trained will actually have the opportunity to employ those skills in New Zealand in due course. It also calls for agencies operating in similar areas to co-ordinate their activities effectively and look for ways to leverage their respective investments.

While a number of factors affect New Zealand's ability to attract overseas capital, not the least of which is the exchange rate, at the heart of things is our reputation for developing talented filmmakers. Having world class post-production facilities and internationally recognisable producers, directors and writers are essential draw-cards, but also important are the actors and technicians who comprise most screen industry personnel.

To these ends, over 2013-16 the NZFC proposes to build on its existing policies and programmes for supporting New Zealand talent by:

- placing more emphasis on building talent in areas where internationally recognisable skills are in relatively short supply in New Zealand
- working with talented individuals more intensively and over longer periods, especially in the early phases of their careers and up to the point where they can be self-sufficient
- fostering international networks and connections for talented New Zealand filmmakers
- establishing a new relationship with screen sector guilds and industry organisations to support professional development within the industry, with a view to improving value for money
- being more rigorous about the need for publicly-funded productions to reach their target audiences.

In addition, we plan to consider measures to help build scale at a company/enterprise level within the industry and to continue working collaboratively with sister agencies such as NZ On Air, Te Māngai Pāho and Film NZ as well as government departments such as MCH and MBIE, with a view to making the best possible use of the Government's investment of public funds across the screen sector.

We propose to work closely with stakeholders to ensure that proposed approaches are well-understood and industry views are taken into account in setting strategic directions.

NZFC Results Framework

Government priorities		To build a more competitive and productive economy	To deliver better public services to New Zealanders, within tighter budgets
Sector goals	More productive and internationally competitive businesses AND increased opportunities for all New Zealanders to participate in the economy, for example:		New Zealand's distinctive culture enriches our lives:
	– Improved business capability and high levels of innovation		– Cultural activity flourishes in New Zealand
	– Productive and successful people, communities and regions		– Our heritage can be enjoyed by future generations
	– Improved international flows of people, ideas, investment and trade		– Engagement in cultural activities is increasing
			– Cultural activities achieve high quality
Our long-term goal (NZFC result)		New Zealand has a sustainable and internationally competitive screen sector	
How we measure our success (NZFC result measure)		Gross feature film revenue of production and post-production sector businesses	
Our medium-term goals (Intermediate outcomes)	New Zealand screen talent is recognised internationally		New Zealand stories are seen and valued in New Zealand and overseas
	Material with high production values gets funded		
How we will make a difference (Impacts)	Talented individuals are well-connected internationally		Publicly-funded productions reach their target audiences
	Overseas and local investors are aware of talented individuals and investment opportunities in New Zealand		
How we will know we're making a difference (Impact measures)	Proportion of directors from talent identification schemes gone on to direct feature films	Ratio of private local and foreign direct investment to total budget of NZFC-funded feature films	Number of NZFC-funded films that secure more than 100,000 admissions at the NZ box office
	Number of NZFC-funded films that are selected for A-list festivals	Amount of time taken to transition from development to production	Estimated annual admissions at the NZ box office for all NZFC-funded films
	Number of individuals supported by NZFC who work internationally		Percentage of people who think New Zealand films are important

How We Will Achieve These Goals

What we will do (Output classes)	Talent and capability building	Script and production funding and advice	Distribution support, marketing and sales
		Screen incentive scheme administration and certification	
How we are funded (Inputs)	Vote Arts, Culture and Heritage	Lottery Grants Board	Other income

New Zealand Screen Talent is Recognised Internationally

Talented individuals are well-connected internationally

TALENT AND CAPABILITY BUILDING

There are two limbs to achieving this goal; first, to identify New Zealand screen talent and second, to assist that talent to make international connections.

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 funds up to sixteen short films annually at two budget levels (\$10,000 and \$30,000). We also have a Premiere Shorts scheme, which funds up to six films at \$90,000 each.
- **Low-budget feature films:** The Escalator Scheme has come to the end of its three-year term and eight films were funded; the scheme will be reviewed once more films are completed. Following the successful Make My Movie competition in 2011/12, the NZFC is supporting a further competition in 2013/14. Low-budget feature films are welcome to come to us at any time.

CAPABILITY BUILDING

Once talented individuals have been identified, we need to consider how best to support their professional development whether that is as a producer, director, writer, actor or technician. We plan to do this through a professional development services programme that has identified priority areas for training within the screen sector in collaboration with industry. This programme will cover a range of training from experiential learning (mentoring and internship programmes), instructional learning (master-classes and hothouses) and other initiatives (festivals, awards and conferences).

We provide travel assistance to directors and producers whose films are accepted into A-list festivals. Attendance at any festival is based on tangible professional development that can be achieved at the festival attended (e.g. workshops, seminars, meetings in addition to festival screenings and audience interaction). We continue to ensure that travel assistance is linked to defined goals for each filmmaker and that festival attendance will facilitate international connections and provide tangible development opportunities for those filmmakers.

We are considering specific initiatives for filmmakers transitioning from shorts to features, e.g. director-focused internships and workshops, slate development grants, screenings of shorts and a co-funded series of shorts. A first feature film lab was conducted in 2013 in order to further bridge the pathway from shorts to features, which we expect to continue in 2014.

For those who have achieved a level of success with at least one feature film, we have the Annual Development 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.

We will provide one-off operational funding to industry guilds and organisations in 2013/14 to help them transition to a new arrangement that involves more collaboration among the agencies and is less dependent on government assistance.

Material with High Production Values gets funded

Overseas and local investors are aware of talented individuals and investment opportunities in New Zealand

SCRIPT AND PRODUCTION FUNDING AND ADVICE

SCRIPT DEVELOPMENT

If we are to meet our target of investing in at least four feature films per year (excluding documentaries funded via the joint documentary fund with NZ On Air) 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 that 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 to six weeks. We also introduce teams to independent script consultants as required or requested.

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

We have a specific documentary development fund aimed at feature documentaries likely to attract a broad theatrical audience. In 2013 we launched the documentary development fund Te Whai Ao, which gives emerging and experimental feature documentary-makers a chance to develop documentary ideas and get projects to a stage where they are able to apply for production, post-production or finishing funding.

PRODUCTION FUNDING

When a project is sufficiently advanced, producers can apply to us for production funding or, if the film has already been shot, post-production or finishing 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.

In 2013 we launched a joint documentary fund in conjunction with NZ On Air that is expected to support five projects in 2013/14.

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 short-term loans and pre-closing advances. Staff make recommendations to the Board on all funding applications. The Board has a governance role to ensure recommendations are consistent with our values, policies and business plan.

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 are also considering measures to help build scale at a company/enterprise level within the industry and hope to be able to provide more information on the form this might take in the new financial year.

SCREEN 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 projects, including attracting offshore productions to New Zealand.

Although we are not directly responsible for the outcomes of these schemes, we do administer them. Our role is to ensure that the industry knows how they work, liaise with productions at an early stage to ensure systems and processes are set up to ease the application process, process applications efficiently and ensure 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 Inland Revenue.

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

New Zealand stories are seen and valued in New Zealand and overseas

Publicly-funded productions reach their target audiences

DISTRIBUTION SUPPORT, MARKETING AND SALES

We expect all the films we fund to be seen in New Zealand cinemas (other than those funded via specific talent development initiatives such as Escalator, Fresh Shorts and Premiere Shorts). 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 have in the past subsidised film prints and provided 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.

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. We aim to provide a VOD player on our website in 2013/14 so that New Zealanders can buy or rent New Zealand films online.

Our Marketing and Sales 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 filmmakers
- 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 offer international sales services. It is the producer's choice if they wish to use us or an offshore sales agency.

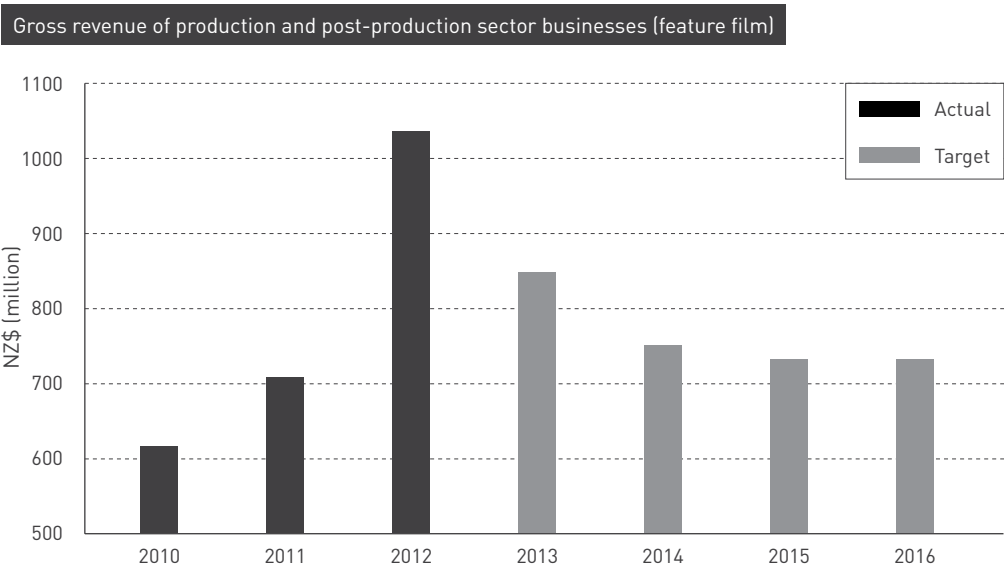
ARCHIVING

Funding for the Film Archive is now provided directly from MCH and LGB rather than via NZFC. Nevertheless, the maintenance of films in archives is one of the functions specified in our Act and it is important that the physical materials (film prints, master tapes, digital files) for all films we fund continue to be accessible so that future generations can enjoy them. Over the last few years we have been supporting the restoration of feature films we have funded and will continue to do so with a view to availability on new media platforms. We are working with the Film Archive on a digital restoration project and recently committed \$1 million to ensure key titles are preserved and accessible in the future.

How We Measure Our Success

Long-term goal: New Zealand has a sustainable and internationally competitive screen sector

We measure growth in the screen sector 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 2012, feature film revenue generated \$1.04 billion for New Zealand businesses; up 47% from 2011. This figure exceeded expectations and, as such, we have revised the target for 2013 to reflect the current high level of feature film production due to large projects such as *The Hobbit* films. However, this level of activity may not be maintained following completion of those films unless another project of their scale follows soon after and the targets for 2014 to 2016 reflect this.



How we will make a difference (Medium-term goals and related impacts)

Our medium-term goals all feed into the long-term goal of sustainability and international competitiveness of the New Zealand screen sector. We aim to achieve these goals via the specific activities mentioned already (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 SCREEN TALENT IS RECOGNISED INTERNATIONALLY

Impact and measure		Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
Talented individuals are well-connected internationally							
1a.	Proportion of directors from talent identification schemes gone on to direct feature films	Quantity	1 in 7	1 in 6/ (1 in 7)	1 in 7	1 in 7	1 in 7
1b.	Number of NZFC-funded films that are selected for A-list film festivals	Quality	13 Shorts 3 Features	5 Shorts 2 Features/ (5 Shorts 3 Features)	5 Shorts 2 Features	5 Shorts 2 Features	5 Shorts 2 Features
1c.	Number of directors supported by NZFC who work internationally	Quality	TBC	TBC - new measure	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 filmmaker who goes from making a short to directing a low-budget feature would be counted in this statistic. Target has been revised to 1 in 7 (from last year's 1 in 6) to reflect the impact of increased numbers of shorts via Fresh Shorts and Premiere Shorts schemes compared to the number of feature films we fund remaining largely static.

1b. Measure for short films is based on qualifying A-list film festivals (as defined in NZFC Short Film Post Production Fund Guidelines available on our website) and measure for feature films is based on A-list festivals/markets (as defined by our Sales & Marketing team from time to time – see <http://www.nzfilm.co.nz/SalesAndMarketing/FeatureFilms/KeyFestivalsMarkets.aspx>). The 2011/12 actual 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 any NZ director of a NZFC-funded feature film since 1978 who has directed a feature film, television drama or documentary either in New Zealand with significant offshore financing or internationally. We only use statistics for directors at this stage as this information is more easily accessible, but would like to extend the measure to producers and writers long-term. This measure replaces last year's measure of the proportion of directors we fund that go on to make further feature films as our focus is on international connections.

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 filmmaking 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 or 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 professional development opportunity for filmmakers 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.

It is very difficult for a feature film writer, director or producer to have a sustainable career by working solely in New Zealand due to the size of the market. Therefore, it is our aim to have our key creatives work internationally in feature film or other formats (television drama, television documentary). Working internationally may mean that work is done offshore (e.g. directing a US television drama) or that work done in New Zealand includes significant offshore financing (e.g. *The Hobbit*).

2. MATERIAL WITH HIGH PRODUCTION VALUES GETS FUNDED

Impact and measure	Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
<i>Overseas and local investors are aware of talented individuals and investment opportunities in New Zealand</i>						
2a. Ratio of private local and foreign direct investment to total budget of NZFC-funded feature films	Effectiveness	16%	New measure/ (22%)	Increase	Increase	Increase
2b. Amount of time taken for NZFC supported projects to move from development to production	Quality	Not measured	Baseline TBC/ (3.8 years)	Decrease	Decrease	Decrease

2a. New measure. Measure is the average ratio of private local and foreign direct investment to total budget for all NZFC-funded feature films excluding Escalator films commencing production in the relevant NZFC financial year or for post-production funding, contracted in the relevant financial year. Funding from NZ government sources is excluded from this calculation.

2b. This measure only applies to NZFC-funded films that have received direct (as opposed to devolved) development funding from NZFC. This measure is calculated from first tranche of development funding (at any level) to first day of principal photography.

Why we have used these measures

We encourage private investment or market investment (pre-sales, distribution advances and sales advances) to supplement funding from government/taxpayer-funded sources as not only does this ensure good value for money but it also shows there is external endorsement for a project. Each year when considering production funding applications we try to ensure that the amount of government/taxpayer funding is appropriate for the type of film (e.g. is it a first-time director where external funding might be limited, is it a film that could be expected to do well commercially, does the film have high cultural value but limited international prospects).

We previously measured the percentage of films entering production with NZFC finance that also received development funding as a way of confirming that our development funding is well-directed to those projects that have the most potential. We have removed this measure as it was not easily understood and is covered in part by the next measure and the output measure for projects receiving Advanced Development Funding.

We measure the amount of time taken from providing the first tranche of development funding to the first day of principal photography. 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.

Although we believe the incentive schemes we administer contribute to a sustainable screen sector and international competitiveness, we do not specifically measure the impact of these schemes as we administer them on behalf of MCH and MBIE who set the policy and fund the grants.

3. NEW ZEALAND STORIES ARE SEEN AND VALUED IN NEW ZEALAND AND OVERSEAS

Impact and measure	Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
<i>Publicly-funded productions reach their target audiences</i>						
3a. Number of NZFC-funded films that secure more than 100,000 admissions at the NZ box office	Quantity/ quality	4 films in last 3 years	2 films in last 3 years/ (2 films in last 3 years)	2 films in last 3 years	2 films in last 3 years	2 films in last 3 years
3b. Estimated annual admissions at the NZ box office for all NZFC-funded films	Quantity/ quality	393,000	400,000 / (228,200)	400,000	400,000	400,000
3c. Percentage of people who think New Zealand films are important	Quantity	90%	Increase / (TBC)	Maintain	Maintain	Maintain

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. Results for 2012/13 based on NZ On Air/NZFC Public Perception Survey conducted in May/June 2012 so not available at time of publishing.

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 by calendar year (the 2013 figure is forecast). Note: the measure at 3b above is based on the NZFC financial year.

Annual admissions for NZFC funded features



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

This year we will again undertake a survey of New Zealanders, in conjunction with NZ On Air, to determine the importance of New Zealand films to New Zealanders.



Part 2 Service Performance and Financial Management

Statement Of Service Performance

OUTPUT 1: TALENT AND CAPABILITY BUILDING

OUTPUT DESCRIPTION

<p>This output is linked to the following impact:</p> <ul style="list-style-type: none"> – Talented individuals are well-connected internationally <p>The output includes:</p> <ul style="list-style-type: none"> – initiatives specifically designed to identify new talent and give them a pathway to feature films; Fresh Shorts, Premiere Shorts and low-budget feature film initiatives such as Make My Movie; – training initiatives such as workshops, internships, mentoring, assistance to travel to markets to attract film financing and Annual Development Awards; – industry support for film festivals, awards and industry organisations. <p>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.</p>		2011/12 Actual	2013/14 Budget
	Revenue	\$3,540,742	\$4,092,000
	Expenditure	\$3,540,742	\$4,092,000
	Surplus/(Deficit)	Nil	Nil

	Impact and measure	Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
	<i>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	3.48	3.75 / (4.14)	3.75	3.75	3.75
1c.	Number of training initiatives funded by the NZFC including producer international travel assistance	Quantity	52	30 / (56)	30	30	30
1d.	Average rating of training initiatives excluding producer international travel assistance	Quality	4.52	3.75 / (4.24)	3.75	3.75	3.75

1b. Figures taken from annual stakeholder survey.

1c. This output relates to workshops, seminars and internships and Producer International Travel Assistance (PITA). This measure excludes Annual Development Awards and Professional Development Awards made to individual filmmakers as these awards are demand-based and discretionary.

1d. The 2011/12 figure was based on seminars and workshops run by WIFT, SDGNZ and Film NZ, which was only a small subset of the initiatives run. Only a small number of respondents gave feedback so the 2012/13 figure is based on a specific question on training initiatives in our stakeholder survey conducted in 2012/13.

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"> – Overseas and local investors are aware of talented individuals and investment opportunities in New Zealand. <p>This output includes:</p> <ul style="list-style-type: none"> – script funding for feature films – funding for a new initiative to help build scale – documentary development funding via Te Whai Ao – feature film production including \$2million from MCH for SPIF co-investment – feature film finishing grants – other production costs (legal, audit). <p>Application deadlines vary depending on the scheme being accessed. For feature film production there are six application rounds per year and applications are considered by the Board based on recommendations by staff.</p>		2011/12 Actual	2013/14 Budget
	Revenue	\$13,557,342	\$11,118,000
	Expenditure	\$14,034,890	\$14,018,000
	Surplus/(Deficit)	(\$477,548)	(\$2,900,000)

	Impact and measure	Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
	<i>Script and production funding and advice</i>						
2a.	Number of scripts at advanced development stage that received NZFC development funding	Quantity/ quality	15	10 / (18)	10	10	10
2b.	Time taken to provide feedback and advice from receiving a new draft	Effectiveness	4 weeks (monthly cycle)	4 weeks average / [4 weeks average]	6 weeks average	6 weeks average	6 weeks average
2c.	Average overall satisfaction rating in dealing with team responsible for development funding	Quality	3.56	3.75 / [3.93]	3.75	3.75	3.75
2d.	Number of NZFC funded feature films [4 drama, 5 doco]	Quantity	7	4 / [9]	9	9	9
2e.	Average overall satisfaction rating in dealing with team responsible for production funding	Quality	3.56	3.75 / [3.88]	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. Time taken is measured from submission of an application for EDF or ADF to initial notification of decision and is based on the average across both schemes.

2c and 2e. Figures taken from annual stakeholder survey.

2d. Actual figures in 2011/12 and forecast figures in 2012/13 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 specific low budget initiatives such as Escalator or Make My Movie. The target for 2013/14 and out years has increased to nine in the expectation that five documentaries will be funded via the Joint Documentary Fund.

OUTPUT 3: SCREEN INCENTIVE SCHEME ADMINISTRATION AND CERTIFICATION

OUTPUT DESCRIPTION

<p>This output is linked to the following impact:</p> <ul style="list-style-type: none"> – Overseas and local investors are aware of talented individuals and investment opportunities in New Zealand. <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>		2011/12 Actual	2013/14 Budget
	Revenue	\$81,650	\$280,000
	Expenditure	\$81,650	\$280,000
	Surplus/(Deficit)	Nil	Nil
<p><i>Note: increase in 2013/14 is due to a change in apportionment methodology for personnel costs.</i></p>			

Impact and measure	Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
<i>Screen incentive scheme administration and certification</i>						
3a. Percentage of complete SPIF and LBSPG final applications processed within 3 months	Effectiveness	100%	100%	100%	100%	100%
3b. Time taken to update SPIF and LBSPG Frequently Asked Questions	Effectiveness	SPIF: average 3 weeks LBSPG: average 5 weeks	Within one month of relevant meeting / (SPIF: 6 weeks, LBSPG: N/A)	Within one month of relevant meeting	Within one month of relevant meeting	Within one month of relevant meeting
3c. Average overall satisfaction rating in dealing with team responsible for regulatory approvals and financial incentives	Quality	Regulatory: 3.59 Incentives: 3.87	Regulatory: 3.75 Incentives: 3.75 / (Regulatory: 4.31 Incentives: 4.30)	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. Where no FAQs have been identified throughout the year the result is N/A.

3c. Figures taken from annual stakeholder survey.

OUTPUT 4: DISTRIBUTION SUPPORT, MARKETING AND SALES

OUTPUT DESCRIPTION

<p>This output links to the following impact:</p> <ul style="list-style-type: none"> Publicly-funded productions reach their target audiences. <p>This output comprises:</p> <ul style="list-style-type: none"> prints and advertising (P&A) grants to distributors to supplement distribution and marketing of their films in New Zealand; short film and feature film preservation and restoration scheme; sales agent activities for New Zealand films that choose to use us as their sales agent; marketing of New Zealand films locally and internationally. <p>Distributors can apply for P&A grants as the film nears completion and delivery.</p>		2011/12 Actual	2013/14 Budget
	Revenue	\$1,610,611	\$2,726,000
	Expenditure	\$1,610,611	\$2,726,000
	Surplus/(Deficit)	Nil	Nil
<p><i>Note: increase in 2013/14 is largely due to additional \$1 million for restoration scheme.</i></p>			

Impact and measure		Type	2011/12 Actual	2012/13 Target/ (Forecast)	2013/14 Target	2014/15 Target	2015/16 Target
<i>Distribution support, marketing and sales</i>							
4a.	Number of prints and advertising grants made	Quantity	7	7 / (7)	7	7	7
4b.	Distribution fees earned	Effectiveness	\$220,568	\$90,000 / (\$85,000)	\$50,000	\$25,000	\$25,000
4c.	Number of NZFC-funded films digitally preserved and publicly accessible	Quantity	N/A - new measure	N/A - new measure	9 features 10 shorts	9 features 10 shorts	9 features 10 shorts
4d.	Average overall satisfaction rating in dealing with team responsible for feature film sales agency, distribution and marketing	Quality	3.31	3.75 / (3.57)	Increase on previous year	Maintain	Maintain

4b. Targets have been revised since last year's SOI to reflect lower forecast figures as we are expecting producers to use third party sales agents more often in future.

4c. We have identified a list of priority titles that require digital preservation so that they can be made publicly accessible. This measure relates to progress against this list. Digital preservation in this instance means a 2K scan and output in a format to be determined for each film title and public accessibility means the film is available on the NZFC website, NZ On Screen or other online means as agreed with the producer, sales agent and/or distributor.

4d. Figures taken from annual stakeholder survey.

Financial Statements

Prospective Statement Of Comprehensive Income FOR THE THREE YEARS TO 30 JUNE 2016

	2012/13 Forecast Actual \$000	2013/14 Budget \$000	2014/15 Budget \$000	2015/16 Budget \$000
Income				
Government Grant	3,401	3,401	3,401	3,401
Government Grant -SPIF (NZFC co-invest)	2,008	2,000	2,000	2,000
Lottery Board Grant	13,444	11,960	11,960	11,960
Film Income	160	200	200	200
Sales Commission	85	50	25	25
Interest Rec'd	600	600	575	550
Writebacks	207	-	-	-
Other Income	35	5	5	5
<i>Operating Income</i>	<i>19,940</i>	<i>18,216</i>	<i>18,166</i>	<i>18,141</i>
Government Grant -SPIF	16,412	12,750	12,750	12,750
Total Income	36,352	30,966	30,916	30,891
Expenditure				
<i>Talent and capability building</i>				
Short Films	1,111	1,126	750	700
Escalator	400	-	-	-
Training	1,058	1,525	1,040	820
Industry Support	733	712	650	600
Personnel Costs	237	249	249	249
Staff Travel	60	70	70	70
<i>Script and production funding</i>				
Feature Film Development	1,116	2,080	2,850	3,250
Feature Film Financing	13,589	10,072	9,242	8,742
Personnel Costs	392	420	420	420
Staff Travel	38	41	41	41

continued from previous...

Film incentive scheme administration

Regulatory Costs	124	97	97	97
Personnel Costs	145	155	155	155

Distribution support, marketing and sales

Domestic	1,527	1,505	500	500
International	670	592	590	590
Personnel Costs	320	346	346	346
Staff Travel	21	10	10	10

Corporate

Administration	1,147	1,024	1,099	1,099
Depreciation	175	200	180	160
Personnel Costs	877	892	892	892

Operating Expenses

23,740 21,116 19,181 18,741

Government Grant -SPIF

16,412 12,750 12,750 12,750

Total Expenditure

40,152 33,866 31,931 31,491

Total Comprehensive Expense

(3,800) (2,900) (1,015) (600)

Prospective Statement Of Changes In Equity

FOR THE THREE YEARS TO 30 JUNE 2016

Public equity 1 July	9,949	6,149	3,249	2,234
Total Comprehensive Expense	(3,800)	(2,900)	(1,015)	(600)
Public equity 30 June	6,149	3,249	2,234	1,634

Prospective Statement Of Financial Position

FOR THE THREE YEARS TO 30 JUNE 2016

	2012/13 Forecast Actual \$000	2013/14 Budget \$000	2014/15 Budget \$000	2015/16 Budget \$000
Current Assets				
Cash & Cash Equivalents	5,500	3,000	1,975	1,950
Term Deposits	6,000	5,000	2,800	2,100
Accounts Receivable	4,500	2,000	1,800	1,600
Total Current Assets	16,000	10,000	6,575	5,650
Non Current Assets				
Investments	4,600	4,600	4,000	4,000
Plant, Property & Equipment	500	550	450	400
Total Non Current Assets	5,100	5,150	4,450	4,400
Total Assets	21,100	15,150	11,025	10,050
Current Liabilities				
Accounts Payable	1,993	1,800	862	854
Employee Entitlements	165	170	138	146
Project Commitments	12,393	9,531	7,391	7,116
Film Income Account	400	400	400	300
Total Liabilities	14,951	11,901	8,791	8,416
Public Equity	6,149	3,249	2,234	1,634
Total Liabilities & Public Equity	21,100	15,150	11,025	10,050

Prospective Statement Of Cash Flows

FOR THE THREE YEARS TO 30 JUNE 2016

	2012/13 Forecast Actual \$000	2013/14 Budget \$000	2014/15 Budget \$000	2015/16 Budget \$000
Cash flows from operating activities				
Grants and other income	35,545	30,366	30,341	30,341
Interest Received	600	600	575	550
Production funding,marketing, talent development,suppliers and employees	(30,854)	(35,757)	(35,041)	(31,916)
Net GST	(1,029)	741	100	80
Net cash inflow/(outflow) from operating activities	4,262	(4,050)	(4,025)	(945)
Cash flows from investing activities				
(Increase)/Decrease in Short Term Deposits	(2,646)	1,000	2,200	700
(Increase)/Decrease in Investments	(657)	0	600	0
Purchase of Property,Plant,Equipment	(227)	(50)	(50)	(30)
Purchase of Intangible Assets	(5)	0	0	0
Net cash inflow/(outflow) from investing activities	(3,535)	950	2,750	670
Cash flows from financing activities				
Short Term Loans Received	2,071	1,100	500	250
Short Term Loans Issued	(85)	(500)	(250)	0
Net cash inflow/(outflow) from financing activities	1,986	600	250	250
Net Increase/(Decrease) in Cash at Bank	2,713	(2,500)	(1,025)	(25)
Opening Cash & Cash Equivalents	2,787	5,500	3,000	1,975
Closing Cash & Cash Equivalents at Bank	5,500	3,000	1,975	1,950

Notes to Financial Statements

Financial Planning Assumptions

In the projected financial statements for the three years through to June 2016, 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) The SPIF scheme in its present format is a five-year appropriation until 30 June 2013 and a recommendation regarding the future of the scheme is part of the screen sector review. However, we have assumed that the SPIF will continue past this date.
- c) We will continue to market many of the feature films we invest in, and will continue to take commercial recoupment positions in those films. However, as producers are free to appoint third party sales agents we expect a decline in sales commissions over the coming years.
- d) There will be film income returns and interest received ranging between \$775,000 and \$850,000 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. The NZFC 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 2016. They have been prepared on a historical cost basis, except the measurement of portfolio investments at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). Our functional currency is New Zealand dollars.

JUDGEMENTS AND ESTIMATES

The preparation of forecast 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. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

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.

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 we have no obligation to award on receipt of the grant application and are recognised as expenditure when the approval has been made and 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

We are party to financial instruments as part of our normal operations. Financial instruments include:

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

Purchases and sales of financial assets are recognised on the date when we become 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 at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured 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 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).

STAR LOANS

Short Term Assured Repayment (STAR) loans are initially recognised at their face value. 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.

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 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.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs.

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

For bank deposits, impairment is established when there is objective evidence that we will not be able to collect amounts due according to the original term of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into receivership or liquidation, and default in payments are considered indicators that the deposit is impaired.

Investments

We designate portfolio investments at fair value through surplus and deficit, which are initially measured at fair value plus transaction costs.

After initial recognition, these investments are measured at their fair value with gains and losses recognised in other comprehensive income, 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 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 Hardware	3 years	33.33%
Furniture and Fittings	7 years	14.29%
Office Equipment	5 years	20.00%
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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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.

For assets not carried at a revalued 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, and sick leave.

The liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlement earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

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.

Presentation of employee entitlements

Salaries and wages, annual leave, sick leave and bonuses 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 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 that 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. Marketing and Sales 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.

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 Māori, ethnic or minority groups, women, and persons with disabilities, are recognised. We do not tolerate harassment, bullying and discrimination.

EQUAL EMPLOYMENT OPPORTUNITIES

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 currently have 21 full-time equivalents. Our workforce is younger compared to most with an average age of 36 years and predominantly female (81%). We have three staff identifying as Pacific Island and one staff as Māori.

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 we 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.

The following capability matrix demonstrates results and targets against staff turnover and employee engagement.

NZFC People Capability Measures

Measure	2011/12 Actual	2012/13 Actual as at 31 March	2013/14 Target	2014/15 Target	2015/16 Target
Staff turnover	31%	14%	<20%	<20%	<20%
Employee engagement survey - overall weighted mean score	69%	n/a	75%	77.5%	80%

Note - 2012/13 employee engagement survey taking place in fourth quarter

Functions

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 and Risk Committee: a subcommittee of the Board that 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 that 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 that takes responsibility for considering all provisional and final co-production applications.

NZFC Board and Staff

NZFC Board members to 30 June 2013

Patsy Reddy (*chair*)
Charles Finny
Christopher Hampson
Rhiannon McKinnon
Witi Ihimaera
Andrew Cornwell
Cameron Harland

Board subcommittees

Finance, Audit and Risk 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 1 May 2013

CORPORATE

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

PRODUCTION AND DEVELOPMENT

Katherine Fry	Development Executive
Briar Grace-Smith	Development Executive
Chris Payne	Development Executive
Zelda Edwards	Professional Development Executive (acting)
Faith Dennis	Development Co-ordinator
Lisa Chatfield	Short Film Manager
Hayden Ellis	Short Film Assistant
Chantelle Burgoyne	Fresh Shorts Assistant (fixed term contract)

SALES AND MARKETING

To be appointed	Head of Marketing and Sales
Jasmin McSweeney	Marketing Manager
Rachel Corley	Film Materials Manager
Beth Brash	Marketing and Sales Assistant

CONTACT

PO Box 11-546, Wellington
04 382 7680
www.nzfilm.co.nz

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.

NZFC	New Zealand Film Commission
MCH	Ministry for Culture and Heritage
MBIE	Ministry of Business, Innovation and Employment (formerly Ministry of Economic Development)
The Film Fund	The New Zealand Film Production Fund Trust, an independent charitable trust with a limited active life span (NZFC appoints 2 of its 5 trustees)
LGB	Lottery Grants Board
LBSPG	Large Budget Screen Production Grant (funding via MBIE)
SPIF	Screen Production Incentive Fund (funding via MCH)
ADF	Advanced Development Funding
EDF	Early Development Funding
Escalator	A low budget feature film initiative run by the NZFC from 2010 to 2012
Fresh Shorts	A low budget short film initiative started by the NZFC in 2010
Premiere Shorts	Higher budget short film initiative
Te Whai Ao	Documentary development fund for emerging and experimental filmmakers started by the NZFC in 2013
Joint Documentary Fund	Documentary production fund for experienced filmmakers in conjunction with NZ On Air started in 2013
Film NZ	An independent industry-led organisation facilitating access to New Zealand as a screen production destination
NZ On Air	Broadcasting Commission – TV funding body
Ngā Aho Whakaari	Organisation representing Māori interests in the screen industry
Te Paepae Ataata	Māori film development organisation
SDGNZ	Screen Directors Guild of New Zealand
WIFT	Women in Film and Television



Lottery Grants Board
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