

New Zealand Film Commission Statement of Performance Expectations

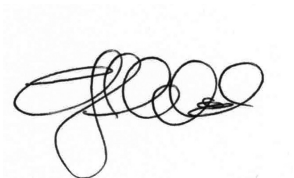


This Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with s149E of the Crown Entities Act 2004.

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



Dame Patsy Reddy
Chair



Cameron Harland
Chair, Finance, Audit & Risk Committee



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Funded by the New Zealand Government through the Ministry for Culture and Heritage
and by the Lottery Grants Board.

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Introduction

This document replaces the second Statement of Performance Expectations (SPE) prepared by the New Zealand Film Commission (NZFC) and published in September 2015. The updated information in this document is directly associated with the performance targets we have set for the year ending 30 June 2016, and reflects the integration of Film New Zealand (FilmNZ) with NZFC on 1 August 2015. All information is provided in accordance with the Crown Entities Act 2004.

Results of performance against these targets will be provided in our annual report which will be published by 31 October 2016. It is intended that interim results will be provided on our website periodically during the year.

This SPE is provided in three parts:

1. Statement of output performance

This section provides information on how we deliver the outputs purchased by the Minister for Arts, Culture and Heritage through four activity classes:

- Talent development
- Development and production
- Marketing
- Screen incentives and international relations

Investment targets and performance expectations are subject to receipt of satisfactory funding applications from viable entities. If such applications are not received we will adjust targets accordingly to ensure taxpayer funds are allocated appropriately.

2. Performance assessment and annual expectations

Our annual performance expectations provide targets, budgets and performance measures for the year ending 30 June 2016 in accordance with section 149E of the Crown Entities Act 2004. These targets, budgets and performance measures reflect the forecast financial statements set out in section 3.

Our activities contribute to the non-departmental output expense “promotion and support of the arts and film”, within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage. Within this framework, the NZFC has one output class “to promote and support film”.

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

3. Forecast financial statements

The forecast financial statements provide all appropriate financial information and explanations needed to fairly reflect the forecast financial operations and financial position of the NZFC for the year ended 30 June 2016 in accordance with section 149G of the Crown Entities Act 2004.

1. Statement of output performance

Overall Framework

The core framework utilised by the NZFC to demonstrate performance continues to be the “investment to outcomes” model. We judge our success by the success of the New Zealand screen industry. To describe what success would look like, we use the image of ‘lining up the planets’ for our industry and stakeholders; when each planet is shining bright, we’re getting it right.

Figure 1 – NZFC Results Framework

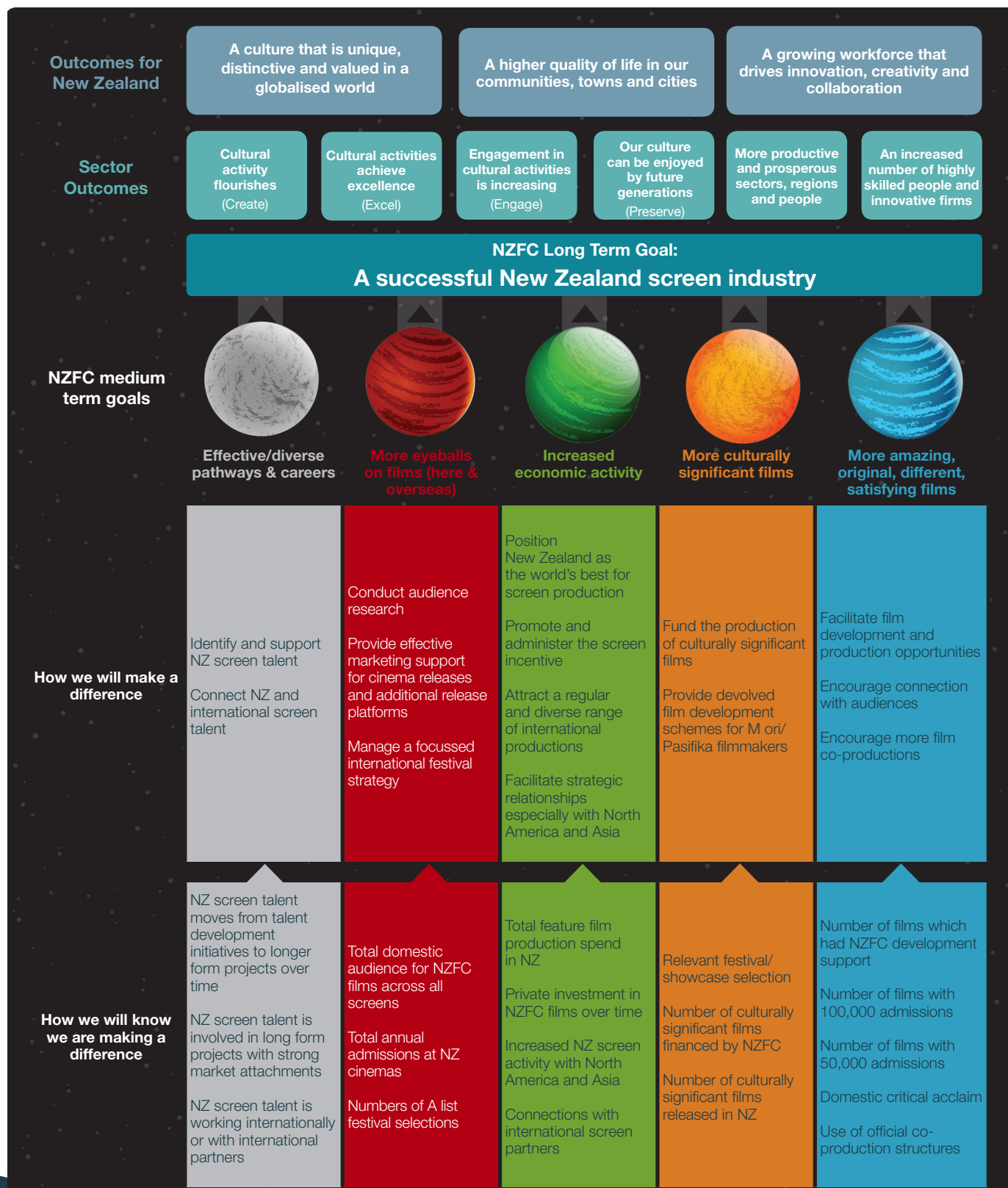


Figure 2 – Summary of Forecast Output Expenditure

	2015/16	2014/15	2014/15	2013/14
	Budget \$000	Budget \$000	Actual \$000	Actual \$000
A. Revenue				
Crown revenue - MCH ¹	5,401	5,401	5,546	5,401
Crown revenue - MBIE ²	1,300	-	-	-
Lottery Grants Board revenue ¹	13,000	14,326	13,465	16,197
Other revenue	1,080	970	8,035	1,277
TOTAL REVENUE	20,781	20,697	27,046	22,875
B. Output Expenses				
Talent development	3,016	3,745	3,518	3,275
Development and production	14,311	15,013	20,515	17,437
Marketing	1,968	2,539	2,177	1,839
International screen business attraction	1,300	-	-	-
Screen incentives and international relations	945	539	307	308
Total funding commitments	21,540	21,836	26,517	22,859
Corporate	2,646	2,417	2,784	2,591
TOTAL OUTPUT EXPENSES	24,186	24,253	29,301	25,450

¹The NZFC receives Crown revenue from MCH and Lottery Grants Board revenue for the purpose of presenting high quality New Zealand screen productions for New Zealand and international audiences. This one overall output is divided into five sub outputs in the Summary of Forecast Output Expenditure (Fig.2 above). Because there is only one overall output, revenue streams have not been allocated to the sub outputs.

²The NZFC receives Crown revenue from MBIE for the purpose of international screen business attraction.

2. Performance assessment and annual expectations

2.1 Effectiveness Indicators

Long-term goal: A successful New Zealand screen industry

How we will make a difference

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

These medium-term goals all feed into our long-term goal of a successful New Zealand screen industry.

1. Effective/diverse pathways and careers

To develop and produce outstanding feature films, we need to allocate sufficient resources to first identify film making talent, and then support that talent (writers, directors, producers, actors) to demonstrate their potential.

2. More eyeballs on films (here and overseas)

We have set ourselves a goal of larger audiences for the films we finance. In the past we have measured audience reach simply by domestic cinema audience numbers. We have now expanded that measure so it takes into account television and new media audiences for our films as well.

3. Increased economic activity

Increased economic activity means more screen production in New Zealand; particularly strong, sustainable screen businesses that create jobs. We will continue to allocate the majority of our annual discretionary budget to feature film investment. Strategic relationships are facilitated with film financiers, sales agents and key distributors to increase the level of private investment into NZFC funded films. We will continue to attract a regular and diverse range of international productions, and promote and administer the screen incentive.

4. More culturally significant films

The most successful films we have backed over the last 20 years have been films with a strong cultural element; films such as *Once Were Warriors*, *Boy*, *Whale Rider* and *The World's Fastest Indian*. For this reason we will continue to finance films with a strong and unique cultural voice.

5. More amazing, original, different, satisfying films

Our development and production team will facilitate the making of between eight and 12 feature films a year. The exact number funded in any annual financial period will depend on the quality of applications received and quantum of financing requested.

Our staff will be involved with these film projects from concept stage right through to the shoot and post. The driver in this area is “exciting ideas to great films”.

Impact measures - how we will know we are making a difference

We have developed a range of measures to help assess whether we are making a difference.

Figure 3 – Impact measures

1. EFFECTIVE/DIVERSE PATHWAYS AND CAREERS				
	Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
<i>Identify and support NZ screen talent</i>				
1a. Number of writers who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway	n/a New measure	5 (per annum)	11	20 ¹
1b. Number of producers who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway	n/a New measure	5 (per annum)	14	20 ¹
1c. Number of directors who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway	4 directors (per annum)	2 directors (per annum)	4 directors (per annum)	10 ¹
1d. Average overall satisfaction rating in dealing with team responsible for talent development & relationships ²	4.14	≥ 3.75	3.94	≥ 4.0
1e. Number of active engagements with the NZFC Talent Development team	New measure	New measure	New measure	Benchmark
<i>Connect NZ and international screen talent</i>				
1f. Number of international project collaborations with confirmed development or production funding secured in New Zealand or offshore	New measure	New measure	New measure	Benchmark
1g. Participant satisfaction with NZFC funded and/or NZFC-led international film festival or market delegations	New measure	New measure	New measure	85%
1h. Average overall satisfaction rating in dealing with the team responsible for international relations and connections	New measure	New measure	New measure	≥ 3.75

Notes:

¹ This is a three year rolling target starting from 2014/15. This more accurately reflects the time period required for progress to be demonstrated.

² Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is “strongly disagree” and 5 is “strongly agree”: Overall I am satisfied with my experience in dealing with the NZFC team responsible for talent development and relationships.

2. MORE EYEBALLS ON FILMS (HERE AND OVERSEAS)				
	Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
Conduct audience research				
2a. Conduct audience research for NZ feature films across all screens in the year	N/A	Yes	Yes	Yes
Provide effective marketing support for domestic cinema releases & additional release platforms				
2b. Total domestic audience for NZ feature films across all screens in the year. This includes cinema, TV, DVD and other platforms ³	N/A	1.0M	8.0M	An increase on last year
2c. Total annual admissions at the NZ box office for all NZFC-funded films [Admissions during 1 July - 30 June financial year]	393,800	400,000	446,700	400,000
2d. Average overall satisfaction rating in dealing with team responsible for feature and short film marketing ⁴	2.85	≥ 3.75	tbc	≥ 3.75
Manage a focused international festival strategy				
2e. Number of NZFC-funded feature films that are selected for A-list film festivals	7 features	2 features	9 features	5
2f. Number of NZFC-funded short films that are selected for A-list film festivals	8 shorts	5 shorts	11 shorts	3

Notes:

³ The estimation of the ‘total domestic audience for NZ feature films across all screens’ in the financial year is based on a survey conducted by Colmar Brunton amongst a stratified representative sample of 2,000 New Zealanders aged 15 years and over. Results are projected on to the total New Zealand population aged 15 years and over. Survey respondents are asked if they have seen a NZ feature film title (released in the past three years) and to indicate which media platform was used to view the film e.g. cinema, Sky channel, free to air television.

⁴ Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is “strongly disagree” and 5 is “strongly agree”. Overall I am satisfied with my experience in dealing with the NZFC team responsible for feature and short film marketing.

3. INCREASED ECONOMIC ACTIVITY

	Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
Position New Zealand as the world's best for screen production				
3a. New Zealand is considered as a world leading destination for screen production	New measure	New measure	New measure	Benchmark
3b. Total annual feature film production spend in New Zealand ⁵	\$860M	Increase on previous year	\$816M	\$600M ⁶
Promote and administer the screen incentives				
3c. Total annual value of approved QNZPE for NZSPG (NZ productions)	New measure	\$25M	\$12M	\$35M
3d. Total annual value of approved QNZPE for NZSPG (international productions)	New measure	\$375M	\$362M	\$350M
3e. Number of provisional NZSPG certificates issued for NZ productions	SPIF 8	7	19	10
3f. Average overall satisfaction rating in dealing with team responsible for screen incentives, co-productions and international screen attractions ⁷	4.31	≥ 3.75	4.01	≥ 4.0
3g. Overall satisfaction with services provided by NZFC to international productions in NZ	New measure	New measure	New measure	Benchmark
Attract a regular and diverse range of international productions				
3h. Total international screen production spend in NZ (rolling three year average for NZ and international SPG productions)	New Measure	New Measure	New Measure	Benchmark
Facilitate strategic relationships especially with North America and Asia				
3i. Private investment in NZFC-funded feature films over time (rolling three year average)	New measure	New measure	23%	An increase on last year
3j. BDS funded entities achieve all significant KPIs negotiated with NZFC annually	New measure	100%	100%	100%
3k. Number of NZFC supported feature film projects in development with partners from Asia or North America attached	New measure	New measure	New measure	Benchmark

Notes:

⁵ Statistics New Zealand Industry Survey 2014 (Reported April 201)

⁶ Target reflects cyclical nature of large scale screen production activity

⁷ Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is "strongly disagree" and 5 is "strongly agree": Overall I am satisfied with my experience in dealing with the NZFC team responsible for incentives and co-productions.

4. MORE CULTURALLY SIGNIFICANT FILMS*

	Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
Fund the production of culturally significant films⁸				
4a. Number of culturally significant NZFC feature films selected by international festivals/showcased internationally	n/a	5	11	5
4b Proportion of NZFC feature films released theatrically in New Zealand that are culturally significant (over a three year time-frame)	Revised measure	Revised measure	96%	75%
4c Percentage of New Zealanders who agree that New Zealand films are important	New measure	New measure	New measure	75%
4d. Number of culturally significant feature films financed by NZFC	2	7	16	9

5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

	Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
Encourage connection with audiences				
5a. Number of NZFC-funded films in the past three financial years that have secured more than 100,000 admissions at the NZ box office	3	2	3	3
5b. Number of NZFC-funded films that secured more than 50,000 admissions at the NZ box office [Admissions during 1 July - 30 June financial year]	1	1	3	2
5c. Average domestic review star ratings for all NZFC-funded feature films released in the year	4.1	3.5	4.2	3.5
Facilitate film development and production opportunities				
5d. Number of NZFC-funded feature films ⁹	13 (6 drama 7 doco)	10 (5 drama 5 doco)	17 (11 drama 6 doco)	12
5e. Number of feature films produced with NZFC development funding support (direct or devolved)	New measure	7	6	7
5f. Average overall satisfaction rating in dealing with team responsible for development & production funding ¹⁰	3.71	≥ 3.75	3.43	≥ 3.75
Encourage more film co-productions				
5g. Number of feature film official co-productions (based on films that are in production during this financial year)	1	Increase on previous year	2	3

Notes:

⁸ Culturally significant films are those that NZ audiences will recognise as reflecting NZ identity and culture. Minority co-productions set in another country are unlikely to meet these criteria.

⁹ Measured from date commitment to fund made.

¹⁰ Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is "strongly disagree" and 5 is "strongly agree": Overall I am satisfied with my experience in dealing with the NZFC team responsible for development and production.

2.2 Annual output performance measures

This section covers the detailed targets, and measures for the year ending 30 June 2016.

We have identified four activity classes. An explanation of what each activity class is intended to achieve is set out below:

1. Talent development

This activity class comprises training, professional development and short films. We invest in professional development to ensure talented filmmakers are developing successful careers and are creating projects with larger budgets and international connections. We also invest in programmes in partnership with industry organisations to ensure a growing talent base in New Zealand.

2. Development and production

This activity class facilitates the production of a range of feature films each year by providing development or production funding to those projects. It also includes devolved development schemes (He Ara, Boost and BDS).

3. Marketing

This activity class aims to maximise the audience for New Zealand films, in cinemas and on other screens, both here and overseas. We provide grants to distributors for releasing films and also to filmmakers to finish and screen their films. We promote New Zealand films at key international festivals and markets. We are also continuing our back catalogue digitisation project, to ensure classic New Zealand films can continue to be seen.

4. Screen incentives and international relations

This activity class comprises administration of the NZSPG on behalf of MBIE and MCH. We aim to position New Zealand as a world class destination and investment partner in screen production.

Output measures

Figure 4 – Output measures

TALENT DEVELOPMENT		Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
1a.	Number of Fresh Shorts funded by the NZFC	22	16	14	14
1b.	Number of training initiatives funded by the NZFC	67	60	79	50
1c.	Number of international travel grants provided by the NZFC	11	25	23	30
1d.	Total number of attendees at NZFC funded industry training initiatives	New measure	New measure	New measure	Benchmark
1e.	Percentage of talent development grants provided by the NZFC to women ¹	New measure	New measure	New measure	50%
DEVELOPMENT & PRODUCTION		Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
2a.	Number of scripts at advanced development stage that received NZFC development funding ²	19	20	14	14
2b.	Production investment applications are processed within eight weeks ³	100%	100%	100%	100%
2c.	Number of application rounds for feature film development and production funding	New measure	New measure	New measure	11
MARKETING		Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
3a.	Number of feature film domestic release prints and advertising grants made	9	10	10	10
3b.	Number of NZFC-funded films newly digitally preserved and publicly accessible ⁴	23	35	31	14
3c.	Number of feature film finishing grants made	New measure	6	8	6
3d.	Number of key international festivals/ markets attended	New measure	3	5	3
3e.	Number of NZFC funded feature films submitted to international or A List festivals	New measure	New measure	New measure	12
3f.	Web traffic to screen attractions website	New measure	New measure	New measure	Benchmark

SCREEN INCENTIVES & INTERNATIONAL RELATIONS					
		Actual 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
4a.	Percentage of complete provisional NZSPG applications for New Zealand productions processed within three months	100%	100%	56%	100%
4b.	Percentage of complete final NZSPG applications for New Zealand productions processed within three months	100%	100%	100%	100%
4c.	Percentage of complete final NZSPG applications for international productions processed within three months	100%	100%	60%	100%
4d.	Percentage of complete official co-production applications processed within three months	100%	100%	100%	100%
4e.	Number of international market travel grants	27	35	34	30
4f.	Number of international screen business markets/major screen tradeshow	New Measure	New Measure	New Measure	2
4g.	Respond to international production enquiries within 24 hours	New Measure	New Measure	New Measure	100%
4h.	Number of final NZSPG certificates issued for NZ productions	SPIF 8	7	5	10
4i.	Number of final NZSPG certificates issued for international productions	LBSPG 13	10	6	10
4j.	KPIs in the memoranda of understanding with successful 5% uplift applicants achieved	New Measure	New Measure	New Measure	100%

2.3 Organisational health

Measure	Results 2013/14	Target 2014/15	Actual 2014/15	Target 2015/16
Employee engagement survey – overall weighted mean score	63.9	70	67.3	70

Notes:

¹This does not include Fresh Shorts and Premiere Pathways.

²In 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 market-ready/currently being packaged or financed. NZFC development funding includes all devolved development funding.

³Measured from the due date for the relevant funding round (usually the 20th of the month) to notification of decision.

⁴The previous targets reflected the backlog of films requiring digital preservation which has now been successfully completed. The current target reflects the projected volume of work.

3. Forecast financial statements

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2016

	2015/16 Budget	2014/15 Budget	2014/15 Actual
	\$000s	\$000s	\$000s
Income			
Crown revenue - MCH	5,401	5,401	5,546
Crown revenue - MBIE	1,300	-	-
Lottery Grants Board revenue	13,000	14,326	13,465
Film income & sales commission	275	125	655
Interest received	800	840	1,052
Writebacks	-	-	6,211
Other income	5	5	117
<i>Total operating income</i>	20,781	20,697	27,046
Government grant - NZSPG	18,740	12,750	4,536
Total Income	39,521	33,447	31,582
Expenditure			
Talent development	3,016	3,745	3,518
Development and production	14,311	15,013	20,515
Marketing	1,968	2,539	2,177
International screen business attraction	1,300	-	-
Screen incentives and international relations	945	539	307
Corporate	2,646	2,417	2,784
Total operating expenses	24,186	24,253	29,301
Government grant -NZSPG	18,740	12,750	4,536
Total Expenditure	42,926	37,003	
Net (deficit)/surplus for the year	(3,405)	(3,556)	(2,255)
Other comprehensive revenue and expense	-	-	-
Total Comprehensive Expense	(3,405)	(3,556)	(2,255)
Statement of forecast movements in equity			
Public equity 1 July	3,795	7,136	7,351
Total Comprehensive Expense	(3,405)	(3,556)	(2,255)
Public equity 30 June	390	3,580	5,096

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

For the year to 30 June 2016

	2015/16 Budget	2014/15 Budget	2014/15 Actual
	\$000s	\$000s	\$000s
Current Assets			
Cash & cash equivalents	4,000	3,000	5,093
Term deposits	5,000	6,000	10,871
Accounts receivable	3,000	3,500	3,566
Total Current Assets	12,000	12,500	19,530
Non Current Assets			
Investments	4,500	5,000	4,136
Plant, property & equipment	400	600	392
Total Non Current Assets	4,900	5,600	4,528
Total Assets		18,100	24,058
Current Liabilities			
Accounts payable	1,500	1,500	1,880
Employee entitlements	150	150	133
Project commitments	14,140	12,570	16,597
Film income account	800	300	352
Total Liabilities	16,590	14,520	18,962
Public Equity	310	3,580	5,096
Total Liabilities & Public Equity	16,900	18,100	24,058

PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2016

	2015/16 Budget	2014/15 Budget	2014/15 Actual
	\$000s	\$000s	\$000s
Cash flows from operating activities			
Grants and other income	37,700	32,882	27,327
Interest received	800	840	1,087
Production funding, marketing, talent development, suppliers and employees	(44,963)	(39,097)	(31,713)
Net GST	-	25	377
Net cash inflow/(outflow) from operating activities	(6,463)	(5,350)	(3,676)
Cash flows from investing activities			
(Increase)/decrease in short term deposits	6,500	4,000	-
(Increase)/decrease in investments	(665)	(700)	2,088
Purchase of property, plant, equipment	(50)	(30)	(106)
Purchase of intangible assets	(50)	(20)	(23)
Net cash inflow/(outflow) from investing activities	5,735	3,250	1,959
Cash flows from financing activities			
Short term loans received	0	0	0
Short term loans issued	0	0	0
Net cash inflow/(outflow) from financing activities	0	0	0
Net increase/(decrease) in cash at bank	(728)	(2,100)	(1,717)
Opening cash & cash equivalents	4,728	5,100	6,810
Closing cash & cash equivalents at bank	4,000	3,000	5,093

3.1 Notes to the financial statements

Financial Planning Assumptions

In the projected financial statements for the year ended 30 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) We will continue to take commercial recoupment positions in the films we invest in
- c) Film income and interest received estimated as \$1.075m will augment crown and lottery funding. If this sum is not achieved, the total production funding will be reduced pro rata by the required amount.

Reporting Entity

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

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

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

Basis of Preparation

Statement of compliance

The financial statements of the NZFC 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).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the NZFC is New Zealand dollars (NZ\$).

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

Standards issued and not yet effective and not early adopted

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. NZFC will apply these updated standards in preparing the 30 June 2016 financial statements. NZFC expects there will be minimal or no change in applying these updated accounting standards.

Significant Accounting Policies

Revenue

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

Crown revenue

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

Other grants

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

Interest

Interest revenue is recognised using the effective interest

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

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

Leases

Operating leases

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

Financial instruments

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

- 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 the NZFC becomes party to a financial contract. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired.

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

Cash and cash equivalents

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

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

valuation is recognised in the surplus or deficit.

Trade and other receivables

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

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

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:

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

Bank 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 the NZFC 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

The NZFC designates 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 revenue and expense, except for impairment losses which are recognised in the surplus or deficit.

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

Property, plant & equipment

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

Additions

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

Disposals

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

Subsequent costs

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

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

Depreciation

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

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the NZFC's website are recognised as an expense when incurred.

Amortisation

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

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

Computer software	3 years	33.33%
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Impairment of property, plant and equipment and intangible assets

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

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

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

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

Trade and other payables

Trade and other payables are recorded at their face value.

Employee entitlements

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

The NZFC recognises 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 surplus or deficit as incurred.

Project commitments

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

Write backs

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

The budget figures are those approved by the Board at the beginning of the financial year and are reported in the Statement of Performance Expectations (SPE) for the year ended 30 June 2015.

The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the NZFC for the preparation of the financial

statements.

Cost allocations

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

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

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

There have been no changes to the cost allocation methodology since the date of the last audited financial statements.

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

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

Estimating useful lives and residual values of property, plant

and equipment

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

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

- physical inspection of the asset
- asset replacement programs.

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

Glossary

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

Business Development Scheme (BDS)	Funding scheme to develop and grow New Zealand screen businesses
Boost	A new one-off scheme to accelerate the feature film slates of active producers
FilmNZ	Film New Zealand
FOD	Films on Demand
He Ara	Devolved development scheme to assist teams of established New Zealand writers, producers and directors of Maori and/or Pasifika heritage to express authentic Maori and Pasifika film perspectives
KPIs	Key Performance Indicators
LBSPG	Large Budget Screen Production Grant (funding via MBIE)
MBIE	Ministry of Business, Innovation & Employment
MCH	Ministry for Culture & Heritage
MFAT	Ministry of Foreign Affairs & Trade
NZ On Air	Broadcasting Commission – TV funding body
NZFC	New Zealand Film Commission
NZSPG	New Zealand Screen Production Grant (replaced SPIF and LBSPG effective 1 April 2014)
NZTE	New Zealand Trade & Enterprise
QNZPE	Qualifying New Zealand Production Expenditure
Publicity and Advertising Grant (P&A Grant)	Grant scheme for distributors to assist with the release of New Zealand films
SPE	Statement of Performance Expectations
SPIF	Screen Production Incentive Fund (funding via MCH)
Te Ahi K	The New Zealand Film Commission's commitment to care for and preserve New Zealand films for future generations