

STATEMENT OF PERFORMANCE EXPECTATIONS 2018 – 2019





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Cover Image: Angie Sanchez behind the scenes on *The Breaker-Upperers*. ©Matt Klitscher



CONTENTS

Introduction 5

1. Statement of output performance 6

2. Performance assessment and annual expectations 10

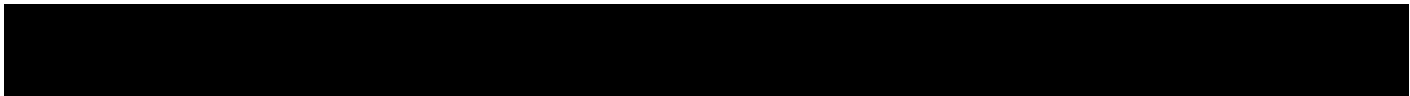
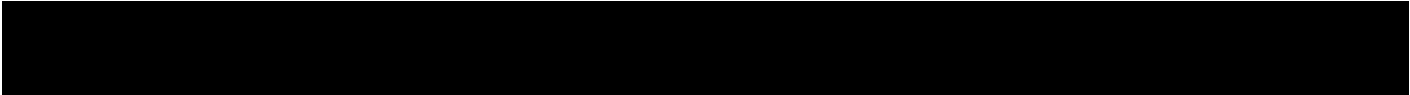
 2.1 Impact and output measures 12

 2.2 Organisational health 19

3. Forecast financial statements 21

 3.1 Notes to the financial statements 24

4. Glossary 32





NEW ZEALAND FILM COMMISSION STATEMENT OF PERFORMANCE EXPECTATIONS 2018/2019

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

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

Kerry Prendergast

Chair

28 May 2018

Tom Greally

Chair, Finance, Audit & Risk Committee



INTRODUCTION

The information in this document is directly associated with the performance targets we have set for the year ending 30 June 2019. 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 2019. It is intended that interim results will be provided on our website periodically during the year.

This Statement of Performance Expectations has three parts:

1. Statement of output performance

This section provides information on how we deliver our two reportable classes of outputs.

Output 1 - purchased by the Minister for Arts, Culture and Heritage

Output 2 - purchased by the Minister for Economic Development

Our outputs are delivered through six activity classes;

- Talent development
- Development and production
- Marketing
- International screen business attraction and promotion
- Screen incentives
- International relations.

Film investment targets and performance expectations related to the New Zealand Film Commission's discretionary funding are subject to receipt of satisfactory funding applications from filmmakers. If sufficient quality feature film production funding applications are not received in any 12-month period (due to the cyclical nature of the industry), 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 2019 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 expenses:

- a. "Promotion and Support of the Arts and Film", within Vote Arts, Culture and Heritage, administered by the Ministry for Culture and Heritage (MCH). This appropriation is intended to achieve high quality New Zealand arts and film production for New Zealand and international audiences; and
- b. "Economic Development: Attracting International Screen Productions" within Vote Business, Science and Innovation, administered by the Ministry of Business, Innovation and Employment (MBIE). This appropriation is intended to achieve the attracting of international screen production projects to locate in New Zealand, leverage economic benefits for New Zealand, and provide a suite of services to support international clients during their time in New Zealand.

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

3. Forecast financial statements

The forecast financial statements provide all appropriate financial information and explanations needed to fairly reflect the forecast financial operations and financial position of the NZFC for the year ended 30 June 2019 in accordance with section 149G of the Crown Entities Act 2004.

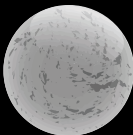
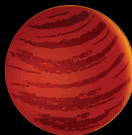
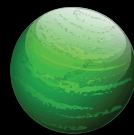
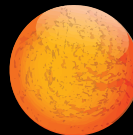
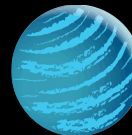
1. STATEMENT OF OUTPUT PERFORMANCE



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.

Figure 1 - NZFC Results Framework

Outcomes for New Zealand	A culture that is unique, distinctive and valued in a globalised world		Improved wellbeing and living standards for all New Zealanders		A prosperous country where all people and cultures are valued	
Sector outcomes	Cultural activity flourishes (Create)	Cultural activities achieve excellence (Excel)	Engagement in cultural activities is increasing (Engage)	Our culture can be enjoyed by future generations (Preserve)	More productive and prosperous sectors, regions and people (Grow)	An increased number of highly skilled people and innovative films (Innovate)
NZFC LONG TERM GOAL: A successful New Zealand screen industry						
NZFC medium term goals	 Pathways & careers for people	 Increased economic activity	 More eyeballs on films here & overseas	 Culturally significant films	 Amazing, original satisfying, films	
How we will make a difference	Identify and support NZ screen talent Connect NZ and international screen talent	Position New Zealand as a leading destination for screen production Promote and administer the screen incentives Attract a regular and diverse range of international productions Facilitate strategic relationships especially with North America and Asia	Provide effective marketing support for cinema releases and additional release platforms Manage a focussed international festival strategy	Fund the production of culturally significant films including at least one feature and short film in Te Reo Māori Provide development and production opportunities for Māori and Pasifika filmmakers	Facilitate film development and production opportunities Encourage connection with audiences Encourage more film productions Provide film development opportunities for voices that are under-represented in the screen industry	
How we will know we are making a difference	NZ screen talent moves from talent development initiatives to longer form projects over time. NZ screen talent is involved in long form projects with strong market attachments NZ screen talent is working internationally or with international partners	Feature film production spend in NZ Volume of international productions Private investment in NZFC films over time Increased NZ screen activity with North America and Asia Connections with international screen partners	Total domestic audience for NZFC films across all screens Conduct audience research Total annual admissions at NZ cinemas Number of A list festival selections	Relevant festival/showcase selection Number of culturally significant films financed by NZFC Number of culturally significant films released in NZ	Number of films which had NZFC development support Number of films with 100,000 admissions Number of films with 50,000 admissions Domestic critical acclaim Use of official co-production structures	

Our five medium term goals are aligned to the key functions of the NZFC as set out in Section 17 of our Act.

Sec 17 (1) a. <i>To encourage and also to participate and assist in the making, promotion, distribution and exhibition of films</i>	<ul style="list-style-type: none">• More eyeballs on films here and overseas• Culturally significant films• Amazing, original, satisfying films
Sec 17 (1) b. <i>To encourage and promote the efficient use of available resources within the New Zealand film industry, and to encourage and promote employment in the New Zealand film industry</i>	<ul style="list-style-type: none">• Pathways and careers for people• Increased economic activity

Figure 2 – Summary of Forecast Revenue and Output Expenditure

Output 1: Vote Arts, Culture & Heritage				
	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Forecast \$000	2016/17 Actual \$000
A. Revenue				
Crown revenue - MCH	5,401	5,401	5,437	5,476
Lottery Grants Board revenue	17,875	16,100	17,550	17,557
Other revenue	1,430	1,045	4,748	5,467
TOTAL REVENUE	24,706	22,546	27,735	28,500
B. Output Expenses				
Talent development	4,393	3,555	4,081	3,570
Development and production	17,493	15,794	14,823	17,262
Marketing	2,848	3,128	3,081	3,677
International relations	672	711	668	324
Screen incentive administration	429	490	293	419
Total funding commitments	25,835	23,678	22,946	25,252
Corporate	3,613	2,950	3,062	2,614
TOTAL OUTPUT EXPENSES	29,448	26,628	26,008	27,866

Output 2: Vote Business, Science & Innovation				
	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Forecast \$000	2016/17 Actual \$000
A. Revenue				
Crown revenue - MBIE	1,300	1,300	1,300	1,300
TOTAL REVENUE	1,300	1,300	1,300	1,300
B. Output Expenses				
International screen business attraction and promotion	1,055	1,078	964	711
Screen incentive administration	100	20	229	381
Total funding commitments	1,155	1,098	1,193	1,092
Corporate	256	292	325	290
TOTAL OUTPUT EXPENSES	1,411	1,390	1,518	1,382



Forecast Financial Performance

The NZFC is planning to run a deficit of approximately \$4.85M in the 2018/19 financial year.

We are launching several new funding programmes in the period including a gender/diversity film production fund, a film production fund for Māori filmmakers and a Te Reo film production fund.

The new programmes are budgeted to cost over \$7m in total.

We will fund these programmes from our reserves, which we anticipate being in excess of \$10M at 30 June 2018.

The high level of equity which we expect to carry forward into the new 2018/19 financial year arises from increased revenues (LGB profits higher than initially forecast and one major feature film funding commitment from a prior year being “written back”) together with lower than anticipated demand for our feature film production funds in the twelve-month period to 30 June 2018.



2. PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

Impact and Output Measures

LONG-TERM GOAL: A SUCCESSFUL NEW ZEALAND SCREEN INDUSTRY

How we will make a difference

We have identified five medium-term goals 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 filmmaking talent, and then support that talent (writers, directors, producers, actors) to develop and demonstrate their potential.

2. 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 New Zealand Film Commission funded films. We will work to attract a regular and diverse range of international productions and will continue to responsibly and robustly administer the screen incentives (New Zealand Screen Production Grant) against current criteria.

3. 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 other platforms including television and new media audiences for our films in the domestic market. We continue to monitor overseas audiences for our films at selected festivals and markets where audience data is available.

4. More culturally significant films

The most successful films we have backed with our discretionary funding over the last 20 years have been films with strong cultural elements; films such as *Boy*, *Whale Rider*, *The World's Fastest Indian*, *Sione's Wedding*, *Rain* and more recently, *Hunt for the Wilderpeople* and *Waru*. 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 production 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 marketing and theatrical release of the finished film. The driver in this area is "exciting ideas to great films".

Annual Operational and Output Performance Measures

LONG-TERM GOAL: A SUCCESSFUL NEW ZEALAND SCREEN INDUSTRY

This section covers the detailed operational and output targets for the year ending 30 June 2019.

We have identified six activity classes. The first three activity classes (talent development, development and production, and marketing) contribute to the output “promotion and support of the arts and film”. These activity classes are funded by MCH. The fourth activity class (international screen business attraction and promotion) contributes to the output “attract international screen production projects to locate in New Zealand, leverage economic benefits for New Zealand, and provide a suite of services to support international clients during their time in New Zealand” and is funded by MBIE. The fifth and sixth activity classes (screen incentives and international relations) contribute to both of the Film Commission’s outputs and are jointly funded by MCH and MBIE.

1. Talent development

This activity class comprises training, professional development and short film funding. We invest in professional development to ensure talented filmmakers develop successful careers and create 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 and/or production funding to a range of projects. It also includes devolved development schemes (He Ara and Boost).

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 marketing grants to distributors to enhance domestic cinema releases and also to independent 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. International screen business attraction and promotion

This activity class focuses on the promotion of New Zealand as a destination of choice for international screen production through highlighting key factors such as business friendliness, creativity, technical expertise, incentives and locations, and to provide the best possible advice, support and information to encourage incoming productions to choose to work in New Zealand.

5. Screen incentive administration

This activity class comprises administration of the New Zealand Screen Production Grant on behalf of MBIE and MCH.

6. International relations

This activity class focuses on the facilitation of strategic relationships between the New Zealand screen industry and international counterparts, especially in Asia and North America.

Collaboration

We continue to work closely with local industry, government organisations and fellow international funding agencies to improve New Zealand screen sector outcomes. We work closely with our colleagues from other government organisations including the Ministry for Culture and Heritage (MCH), Ministry of Business, Innovation and Employment (MBIE) and Ministry of Foreign Affairs and Trade (MFAT). We work closely with Ngā Taonga Sound and Vision and share our Wellington office building with NZ On Air with whom we collaborate on selected projects.

We provide core funding to the key screen industry guilds such as SPADA, New Zealand Writers’ Guild, WIFT and Script to Screen, and work closely together on training initiatives and other issues such as health and safety.



2.1 Impact and Output Measures

1. EFFECTIVE/DIVERSE PATHWAYS AND CAREERS				
Impact measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
Identify and support NZ screen talent				
1a. Total number of opportunities for writers, producers and directors to move from a New Zealand Film Commission talent development initiative to Film Commission funded feature film development/production or identified alternative pathway ¹	84	72	100	25
1b. Number of Māori filmmakers (writer/director/producer/HOD) who move from a New Zealand Film Commission talent development initiative to Film Commission funded feature film development or identified alternative pathway ¹ (three-year total rolling target)	New measure	New measure	New measure	5
Connect NZ and international screen talent				
1c. Number of New Zealand Film Commission supported filmmakers (writers, directors, producers, actors) moving from local projects/activity into international projects/activity ²	⁴ New measure	New measure	New measure	20

NOTES:

¹ The target for 2018/19 is lower than previous years as the focus will shift primarily to top tier emerging talent. Alternative pathways include television series, web series, international productions and for directors and producers, commercials and music videos.

² International projects and activity could include international films or television series, securing a US manager/agent etc.



1. EFFECTIVE/DIVERSE PATHWAYS AND CAREERS

Operational and output measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
TALENT DEVELOPMENT – Operational Measures				
1d. Percentage of talent development grants provided by the New Zealand Film Commission to women	58%	50%	70%	50%
1e. Average overall satisfaction rating in dealing with team responsible for talent development ³	N/A	≥ 4.0	TBC	70%
1f. Participant satisfaction with New Zealand Film Commission -funded and/or Film Commission-led international film festival or market delegations ⁴	88%	90%	94%	90%
TALENT DEVELOPMENT – Output Targets				
1g. Number of short films funded by the New Zealand Film Commission	14	14	8	10
1h. Number of New Zealand Film Commission -funded talent development initiatives	113	65	115	100
1i. Total number of filmmakers actively engaging with the Film Commission's Talent Development team ⁵	282	100	741	150
1k. Number of Māori filmmakers actively engaging with the Film Commission's Talent Development team.	New measure	New measure	New measure	30

NOTES:

³ The New Zealand Film Commission Stakeholder Survey was previously reported as the mean satisfaction score from the following question: *Overall, I am satisfied with my experience in dealing with the New Zealand Film Commission team responsible for talent development and relationships*. In future we will report as the percentage who are satisfied.

⁴ Satisfaction is calculated from the percentage of participants who are satisfied with their overall experience on a New Zealand Film Commission funded and/or Film Commission-led international film festival or market delegation.

⁵ Two or more of the following types of engagement between the Talent Development team and filmmakers: face to face meeting, phone call, funding engagement, referral, introduction.



2. INCREASED ECONOMIC ACTIVITY

Impact measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
Position and promote New Zealand as a leading destination for screen production				
2a. Percentage of international stakeholders who agree that: New Zealand is considered a world leading destination for screen production ⁶	N/A	75%	TBC	75%
Administer the screen incentives				
2b. Total annual value of production expenditure in New Zealand administered within the New Zealand Screen Production Grant (NZ productions)	\$62M	\$70M	\$51M	\$52M
2c. Total annual value of international production budgets attracted to New Zealand by the New Zealand Screen Production Grant (international productions)	\$409M	\$350M	\$578M	\$590M
Attract a regular and diverse range of international productions				
2d. Total international screen production spend in New Zealand (rolling three-year average for international screen sector revenue as reported by Statistics New Zealand) ⁷	N/A	\$550M	\$657M	\$669M
2e. Number of countries of origin for international productions (including co-productions)	8	6	9	7
Facilitate strategic relationships				
2f. Private investment in New Zealand Film Commission-funded feature films over time (rolling three-year average)	41.43%	40%	39%	40%
2g. Number of New Zealand Film Commission supported feature film projects in development with partners from North America attached	8	10	10	15
2h. Number of New Zealand Film Commission supported feature film projects in development with partners from Asia attached	20	20	21	25

NOTES:

⁶ Calculated from the New Zealand Film Commission's stakeholder survey. The percentage of respondents (producers or studio executives who have made enquiries about international productions or NZSPG International) who strongly agree or agree with the statement: *New Zealand is a leading destination for screen production*.

⁷ The methodology for calculation has been revised and the result is now reported from the Statistics New Zealand Screen Sector Survey report on gross revenue from international sources received by production and post-production sector businesses.



2. INCREASED ECONOMIC ACTIVITY

Operational and output measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
SCREEN INCENTIVES, INTERNATIONAL RELATIONS & INTERNATIONAL SCREEN BUSINESS ATTRACTION & PROMOTION – Operational Measures				
2i. Percentage of complete provisional and final New Zealand Screen Production Grant applications for New Zealand productions processed within three months	100%	100%	100%	100%
2k. Percentage of complete final New Zealand Screen Production Grant applications for international productions processed within three months	100%	100%	100%	100%
2l. Percentage of complete official co-production applications processed within three months	100%	100%	100%	100%
2m. Percentage of New Zealand Screen Production Grant 5% uplift applicants with New Zealand Film Commission monitoring processes in place to facilitate successful delivery of the initiatives outlined in memoranda of understanding ⁸	100%	100%	100%	100%
2n. Average overall satisfaction rating in dealing with the team responsible for screen incentives, co-productions and international screen attractions ⁹	N/A	≥ 4.0	TBC	70%

SCREEN INCENTIVES & INTERNATIONAL RELATIONS – Output Targets

2p. Number of final New Zealand Screen Production Grant certificates issued for New Zealand productions ¹⁰	11	10	11	14
2q. Number of final New Zealand Screen Production Grant certificates issued for international productions	19	10	24	20
2r. Number of international market travel grants	46	40	32	40

INTERNATIONAL SCREEN BUSINESS ATTRACTION & PROMOTION– Output Target

2s. Number of international screen business enquiries	New measure	Benchmark	253	200
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NOTES:

⁸ The monitoring process for each project will be mutually agreed with each New Zealand Screen Production Grant 5% uplift applicant.

⁹ The New Zealand Film Commission Stakeholder Survey was previously reported as the mean satisfaction score from the following question: *Overall, I am satisfied with my experience in dealing with the New Zealand Film Commission team responsible for incentives, co-productions, international screen business attraction and international relations.* In future we will report as the percentage who are satisfied

¹⁰ New Zealand Screen Production Grant applications are assessed by a panel comprising representatives from MCH or MBIE as appropriate, NZFC staff and independent industry experts.



3. MORE EYEBALLS ON FILMS (HERE AND OVERSEAS)

Impact measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
Provide effective marketing support for domestic cinema releases & additional release platforms				
3a. Total domestic audience for Film Commission-funded feature films across all screens in the year (including cinema, free-to-air TV channels, Sky TV, DVD, subscription video on demand and other platforms) ¹¹	6.0M	4.5M	5.4M	4.5M
3b. Total annual admissions at the New Zealand box office for all New Zealand Film Commission -funded films (Admissions during 1 July - 30 June financial year)	508,272	400,000	166,733	200,000
Manage a focused international festival strategy				
3c. Number of New Zealand Film Commission -funded feature films that are selected for A-list film festivals	9	5	11	5

NOTES:

¹¹ The estimation of the 'total domestic audience for New Zealand Film Commission funded feature films across all screens' is based on an online survey conducted by Colmar Brunton amongst a representative sample of 1,000 New Zealanders aged 16 years and over. Results are extrapolated to the total New Zealand population using census data.

3. MORE EYEBALLS ON FILMS (HERE AND OVERSEAS)

Operational and output measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
MARKETING – Operational Measures				
3d. Average overall satisfaction rating in dealing with the team responsible for feature film marketing ¹²	N/A	≥ 3.75	N/A	70%
MARKETING – Output Targets				
3e. Number of New Zealand Film Commission-funded feature films and short films newly digitally preserved and publicly accessible ¹³	9	10	7	3
3f. Number of feature film domestic release print and advertising grants made	10	10	14	15

NOTES:

¹² The New Zealand Film Commission Stakeholder Survey was previously reported as the mean satisfaction score from the following question: *Overall, I am satisfied with my experience in dealing with the New Zealand Film Commission team responsible for feature film marketing.* In future we will report as the percentage who are satisfied.

¹³ The previous targets reflected the backlog of films requiring digital preservation which has now been successfully completed. The 2018/19 target reflects the projected volume of work, negotiated access and budget available.



4. MORE CULTURALLY SIGNIFICANT FILMS

Impact measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
Fund the production of culturally significant films¹⁴				
4a. Number of culturally significant New Zealand Film Commission feature films selected by international festivals/showcased internationally	22	10	23	35
4b. Proportion of Film Commission feature films released theatrically in New Zealand that are culturally significant	86%	80%	92%	80%
4c. Percentage of feature films financed by the Film Commission that are culturally significant	86%	80%	83%	80%
4d. Percentage of New Zealanders who agree that New Zealand films are important ¹⁵	80%	75%	TBC	75%

NOTES:

¹⁴ Culturally significant films are those that New Zealand audiences will recognise as reflecting New Zealand identity and culture. Minority co-productions set in another country are unlikely to meet these criteria.

¹⁵ The percentage figure is calculated from an annual, independent representative population online survey of New Zealanders aged 16 years and over.

4. MORE CULTURALLY SIGNIFICANT FILMS

Operational and output measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
DEVELOPMENT & PRODUCTION – Operational Measures				
4e. Percentage of scripts at advanced development stage that receive New Zealand Film Commission development funding that are culturally significant ¹⁶	84%	75%	88%	80%
Provide development and production opportunities for Māori and Pasifika filmmakers				
4f. Percentage of feature film projects receiving development and production funding with at least two Māori key creatives. ¹⁷	New measure	New measure	New measure	20%

NOTES:

¹⁶ 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. For this measure New Zealand Film Commission development funding includes all devolved development funding.

¹⁷ Key creatives are defined as writer, director, producer.



5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

Impact measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
Facilitate film development and production opportunities				
5a. Number of New Zealand Film Commission -funded feature films ¹⁸	13	12	6	10
5b. Number of feature film projects developed through direct or devolved development schemes judged as being at advanced development stage – as determined by Film Commission staff ¹⁹	20	35	26	25
5c. Number of feature films produced with New Zealand Film Commission development funding or production funding support (direct or devolved) ²⁰	19	7	7	7
5d. Percentage of feature films receiving Film Commission production funding with a woman director attached.	New measure	New measure	New measure	40%
Encourage connection with audiences				
5e. Number of New Zealand Film Commission-funded films in the past three financial years that have secured more than 100,000 admissions at the New Zealand box office (Admissions during three-year time-period 1 July 2016-30 June 2019 financial years)	5	3	2	2
5f. Number of New Zealand Film Commission -funded films that secured more than 50,000 admissions at the NZ box office (Admissions during one-year time-period 1 July-30 June financial year)	4	2	0	1
Encourage more film co-productions				
5g. Number of feature film official co-productions (based on films that are in production during this financial year)	3	3	2	2

NOTES:

¹⁸ Measured from the date a commitment to fund made.

¹⁹ To determine whether a project is at advanced development stage we apply the following criteria:

- a. director attached;
- b. script at a stage that is advanced;
- c. project overall is market-ready/currently being packaged or financed.

²⁰ Definition of "feature films produced": First day of principal photography falls within the period of the financial year



5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

Operational and output measures	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
DEVELOPMENT & PRODUCTION – Operational Measures				
5h. Average overall satisfaction rating in dealing with team responsible for development and production funding ²¹	N/A	≥ 3.75	TBC	70%
DEVELOPMENT & PRODUCTION – Output Target				
5i. Number of application rounds for feature film development and production funding	11	11	10	11
MARKETING – Output Target				
5k. Number of Feature Film Finishing Grants made	7	6	1	6

NOTES:

²¹ The New Zealand Film Commission Stakeholder Survey was previously reported as the mean satisfaction score from the following question: *Overall, I am satisfied with my experience in dealing with the New Zealand Film Commission team responsible for feature film development and production.* In future we will report as the percentage who are satisfied.

2.2 Organisational health

Measure	Actual 2016/17	Target 2017/18	Actual 2017/18 YTD	Target 2018/19
Annual staff engagement survey – performance index ²²	72.3	74	N/A	73
Individual staff performance and development needs are assessed annually	New measure	New measure	New measure	Achieve
Reported safety hazards are attended to promptly, significant hazards are attended to immediately	New measure	New measure	New measure	Achieve
Proactive support of a safe and healthy workplace. Immediate investigation of any reported instances of harassment, bullying or discrimination	New measure	New measure	New measure	Achieve
Exit interviews are offered to all leavers. Constructive feedback is welcomed and relevant actions are implemented	New measure	New measure	New measure	Achieve

NOTES:

²² The New Zealand Film Commission (along with other cultural agencies such as Ministry for Culture and Heritage) participates in an annual employee engagement survey designed and administered by IBM.



Image: Behind the scenes, *The Messiah*



3. FORECAST FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2019

	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Forecast actual \$000
Revenue			
Crown revenue - MCH	5,401	5,401	5,437
Crown revenue - MBIE	1,300	1,300	1,300
Lottery Grants Board revenue	17,875	16,100	17,550
Film income and sales commission	710	410	560
Interest received	700	620	820
Writebacks	-	-	3,348
Other income	20	15	20
Total Operating Revenue	26,006	23,846	29,035
Government grant - NZSPG	20,700	28,000	20,000
Total Revenue	46,706	51,846	49,035
Expenditure			
Talent development	4,393	3,555	4,081
Development and production	17,493	15,794	14,823
Marketing	2,848	3,128	3,081
International screen business attraction & promotion	1,055	1,078	964
International relations	672	711	668
Screen incentives administration	529	510	522
Depreciation & amortisation	200	220	180
Corporate	3,669	3,022	3,207
Total Operating Expenditure	30,859	28,018	27,526
Government grant - NZSPG	20,700	28,000	20,000
Total Expenditure	51,559	56,018	47,526
Net Surplus/(Deficit)	(4,853)	(4,172)	1,509
Other comprehensive revenue and expense	-	-	-
Total Comprehensive Revenue and Expense	(4,853)	(4,172)	1,509
Statement of forecast movements in equity			
Public Equity as at 1 July	10,602	8,802	9,093
Total Comprehensive Revenue and Expense for the year	(4,853)	(4,172)	1,509
Public Equity as at 30 June	5,749	4,630	10,602



PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	2018/19 Budget \$'000	2017/18 Budget \$'000	2017/18 Forecast actual \$'000
Current Assets			
Cash and cash equivalents	2,000	2,000	2,000
Term deposits	14,000	11,000	20,000
Accounts receivable	8,000	6,500	8,000
	24,000	19,500	30,000
Non-Current Assets			
Investments	–	5,000	–
Fixed assets	400	440	350
	400	5,440	350
Total Assets	24,400	24,940	30,350
Current Liabilities			
Accounts payable	2,000	2,260	1,700
Employee entitlements	200	200	200
Film income account	400	650	800
Project commitments	16,051	17,200	17,048
Total Liabilities	18,651	20,310	19,748
Public Equity	5,749	4,630	10,602
Total Liabilities & Public Equity	24,400	24,940	30,350

PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2019

	2018/19 Budget \$000	2017/18 Budget \$000	2017/18 Forecast actual \$000
Cash Flows from Operating Activities			
Receipts from Crown Revenue & Other Income	46,203	47,047	41,799
Interest Received	620	620	600
Production Funding, Marketing, Industry			
Support, Suppliers & Employees	(51,053)	(50,417)	(35,089)
Goods and Services Tax (net)	-	-	-
Net Cash from Operating Activities	(4,230)	(2,750)	7,310
Cash Flows from Investing Activities			
(Increase)/ decrease in short term deposits	4,500	4,000	(10,000)
(Increase)/ decrease in investments	-	(50)	800
Purchase of Property, Plant & Equipment	(250)	(50)	(50)
Sale of Property, Plant & Equipment	-	-	-
Purchase of Intangible Asset	(20)	(150)	(145)
Net Cash from Investing Activities	4,230	3,750	(9,395)
Cash Flows from Financing Activities			
Short Term Loans Issued	-	-	-
Short Term Loans Repaid	-	-	-
Net Cash from Financing Activities	-	-	-
Net Increase / (Decrease) in Cash at Bank	-	1,000	(2,085)
Opening Cash at Bank	2,000	1,000	4,085
Closing Cash at Bank	2,000	2,000	2,000



3.1 Notes to the financial statements

FINANCIAL PLANNING ASSUMPTIONS

In the projected financial statements for the year ended 30 June 2019 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 \$980,000 will augment crown and lottery funding. If this sum is not achieved, the feature film production funding budget will be reduced pro rata by the required amount.

REPORTING ENTITY

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

These are the NZFC's projected 2018/19 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

These forecast financial statements have been prepared to comply with the requirements of the Crown Entities Act 2004. They may not be appropriate for purposes other than complying with the requirements of this Act.

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and in accordance with Tier 1 PBE accounting standards. This includes PBE FRS 42: Prospective Financial Statements.

The Board of the NZFC authorised the issue of these forecast financial statements and is responsible for the information presented, including the appropriateness of the assumptions underlying the financial statements and all other required disclosures.

Actual financial results incorporated within these forecast financial statements cover the ten month period to 30 April 2018. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (000's).

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



SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Crown revenue

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

Other grants

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

Interest

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

Film income

Returns from film investments are recognised as revenue when either a sales contract is executed or, in the case of film royalty “overages”, when the royalties have been reported and become receivable.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

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

Leases

Operating leases

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

Financial instruments

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

- a.** financial assets - cash and cash equivalents, investments and trade and other receivables
- b.** financial liabilities - trade and other payables

Purchases and sales of financial assets are recognised on the date when the NZFC becomes party to a financial contract. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired.



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

Cash and cash equivalents

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

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

Trade and other receivables

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

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

Indicators that the debtor is impaired include significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments. The carrying amount of the asset is reversed and written off against the unpaid invoices account in the Film Income Account. Overdue invoices that have been renegotiated are reclassified as current (i.e. not past due).

STAR loans

Short Term Assured Repayment (STAR) loans are initially recognised at their transaction cost. They are subsequently measured at amortised cost using the effective interest method.

The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expenditure.

Investments and advances


Funding for film development and production

Funding for film development and production, while in the nature of an investment, is treated as expenditure because of its high-risk nature. This expenditure is recognised at the time the commitment is approved and includes funds committed but not paid out at year-end. The exceptions to this policy are:

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

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested.



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

Investments

The NZFC designates portfolio investments at fair value through surplus and deficit, which are initially measured at the amount invested.

After initial recognition, these investments are measured at their fair value with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses which are recognised in the surplus or deficit.

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

Property, plant & equipment

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

Additions

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

Disposals

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

Subsequent costs

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

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



Depreciation

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

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

Amortisation

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

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

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

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

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

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

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

Trade and other payables

Trade and other payables are recorded at their face value.

Employee Entitlements

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

Presentation of employee entitlements

Salaries and wages and annual leave are classified as a current liability.

Superannuation schemes

Obligations for contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as incurred.

Project commitments

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

Write backs

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



Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Cost allocation

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

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

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


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

In preparing these financial statements the NZFC has made estimates and assumptions concerning the future.

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

Estimating useful lives and residual values of property, plant and equipment

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



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

- a. physical inspection of the asset
- b. asset replacement programmes.

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

Funding expenditure

We have exercised judgement in developing our funding expenditure accounting policy as there is no specific accounting standard for funding expenditure.

With the recent introduction of the new PBE Accounting Standards, there has been debate on the appropriate framework to apply when accounting for such expenditure.

We are aware that the need for a clear standard or authoritative guidance on accounting for grant expenditure has been raised with the New Zealand Accounting Standards Board. We will keep the matter under review and consider any developments.

A challenging area in particular is accounting for funding arrangements that include conditions or milestones. Although our feature film production funding contracts may set out milestones, these are primarily for administrative purposes, and on this basis, we recognise the full commitment as expenditure. Furthermore, our assessment is that the recipient and other related parties have a valid expectation that funding will be paid in full.

Funding liabilities

We recognise a liability for funding expenditure when the following conditions have been met:

- a. The funding has been approved by the relevant NZFC decision making body;
- b. The funding recipient has been advised; and
- c. It is probable (more likely than not) that the funded proposal will be completed.



GLOSSARY

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

Boost	A devolved development scheme designed to accelerate the feature film slates of active producers
FOD	Film on Demand
He Ara/ He Ara Plus	A devolved development scheme designed to assist teams of established New Zealand writers, producers and directors of Māori and/or Pasifika heritage to express authentic Māori 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 – Media content funding body
NZFC	New Zealand Film Commission
NZSPG	New Zealand Screen Production Grant (replaced SPIF and LBSPG effective 1 April 2014)
QNZPE	Qualifying New Zealand Production Expenditure
Publicity and Advertising Grant (P&A Grant)	Grant scheme for distributors to assist with the domestic cinema release of New Zealand films
SPE	Statement of Performance Expectations