



STATEMENT OF PERFORMANCE EXPECTATIONS 2017 – 2018





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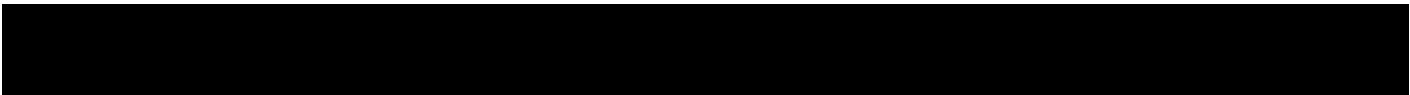
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Cover Image: Behind the scenes, *One Thousand Ropes*



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NEW ZEALAND FILM COMMISSION STATEMENT OF PERFORMANCE EXPECTATIONS 2017/2018

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

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 2018. 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 2018. It is intended that interim results will be provided on our website periodically during the year.

This SPE 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 promotions
- Screen incentives
- International relations.

Film investment targets and performance expectations related to the NZFC'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 2018 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:

- a. 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; and
- b. the non-departmental output expense "attracting 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" within Vote Business, Science and Innovation, administered by the Ministry of Business, Innovation and Employment.

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 2018 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

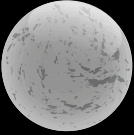
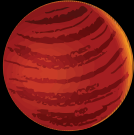
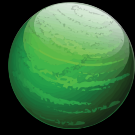
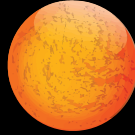
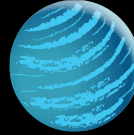
Outcomes for New Zealand	A culture that is unique, distinctive and valued in a globalised world		A higher quality of life in our communities, homes and cities		A growing workforce that drives innovations, creativity and collaboration	
Sector outcomes	Cultural activity flourishes (Create)	Cultural activities 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 Provide devolved film development schemes for Māori and Pasifika filmmakers	Facilitate film development and production opportunities Encourage connection with audiences Encourage more film productions	
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	

Figure 2 – Summary of Forecast Output Expenditure

Output 1: Vote Arts, Culture & Heritage				
	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Forecast \$000	2015/16 Actual \$000
A. Revenue				
Crown revenue - MCH	5,401	5,401	5,475	5,401
Lottery Grants Board revenue	16,100	12,400	17,698	13,403
Other revenue	1,045	2,505	5,345	6,402
TOTAL REVENUE	22,546	20,306	28,518	25,206
B. Output Expenses				
Talent development	3,555	2,915	3,590	2,738
Development and production	15,794	13,938	17,293	13,302
Marketing	3,128	1,905	3,804	1,994
Screen incentives	490	389	263	407
International relations	711	580	505	375
Total funding commitments	23,678	19,727	25,455	18,816
Corporate	2,950	2,526	2,707	2,786
TOTAL OUTPUT EXPENSES	26,628	22,253	28,162	21,602

Output 2: Vote Business, Science & Innovation				
	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Forecast \$000	015/16 Actual \$000
A. Revenue				
Crown revenue - MBIE	1,300	1,300	1,300	925
TOTAL REVENUE	1,300	1,300	1,300	925
B. Output Expenses				
International screen business attraction	676	550	538	488
International promotions	402	400	329	244
Screen incentives	20	160	232	0
Total funding commitments	1,098	1,110	1,099	732
Corporate	292	190	272	353
TOTAL OUTPUT EXPENSES	1,390	1,300	1,371	1,085



2. PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

2.1 Impact 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 NZFC funded films. Following the integration of Film NZ with the NZFC in August 2015, we will work to attract a regular and diverse range of international productions. We will continue to responsibly and robustly administer the screen incentives (NZSPG) 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*. 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”.



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 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
Identify and support NZ screen talent				
1a. Number of writers who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway (three-year total rolling target)	18 ¹	25 ²	29	26 ²
1b. Number of producers who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway (three-year total rolling target)	18 ¹	22 ²	34	23 ²
1c. Number of directors who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway (three-year total rolling target)	13 ¹	18 ²	21	23 ²
Connect NZ and international screen talent				
1d. Number of international project collaborations with confirmed development or production funding secured in New Zealand or offshore	45	50	60	55

NOTES:

¹ The 2017/2018 result will cover a rolling total for the measurement period 1 July 2015-30 June 2018.

² This is a three-year rolling target commencing from 1 July 2015 which more accurately reflects the time-period required for progress to be demonstrated



2. INCREASED ECONOMIC ACTIVITY

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
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 ³	New Measure	New Measure	New Measure	75%
Administer the screen incentives				
2b. Total annual value of production expenditure in New Zealand administered within the NZSPG (NZ productions)	\$38M	\$35M	\$51M	\$70M
2c. Total annual value of international production budgets attracted to New Zealand by the NZSPG (international productions)	\$294M	\$350M	\$404M	\$350M
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)	\$500M	N/A	\$563M	\$550M
2e. Number of countries of origin for international productions (including co-productions)	4	5	8	6
Facilitate strategic relationships				
2f. Private investment in NZFC-funded feature films over time (rolling three-year average)	39%	40%	41%	40%
2g. Number of NZFC supported feature film projects in development with partners from North America attached	4	5	7	10
2h. Number of NZFC supported feature film projects in development with partners from Asia attached	20	20	19	20

NOTES:

³ Bi-annual NZFC Stakeholder Survey due for completion in June 2018: 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.

⁴ The methodology for calculation has been revised and is 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.



3. MORE EYEBALLS ON FILMS (HERE AND OVERSEAS)

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
Provide effective marketing support for domestic cinema releases & additional release platforms				
3a. Total domestic audience for NZ feature films across all screens in the year (including cinema, TV, DVD and other platforms) ⁵	2.9M	4.5M	4.7M	4.5M
3b. Total annual admissions at the NZ box office for all NZFC-funded films (Admissions during 1 July - 30 June financial year)	952,000	400,000	533,725	400,000
Manage a focused international festival strategy				
3c. Number of NZFC-funded feature films that are selected for A-list film festivals	10	5	9	5

NOTES:

⁵ 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 1,000 New Zealanders aged 15 years and over. Results are projected onto 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. MORE CULTURALLY SIGNIFICANT FILMS

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
Fund the production of culturally significant films⁶				
4a. Number of culturally significant NZFC feature films selected by international festivals/showcased internationally ⁶	16	10	22	10
4b. Proportion of NZFC feature films released theatrically in New Zealand that are culturally significant (over a three-year time-frame) ⁷	88%	80%	88%	80%
4c. Percentage of feature films financed by NZFC that are culturally significant	New measure	80%	80%	80%
4d. Percentage of New Zealanders who agree that New Zealand films are important ⁸	75%	75%	80%	75%
Provide devolved film development schemes for Māori and Pasifika filmmakers				
4e. Number of Māori and Pasifika feature filmmaking teams funded (rolling three-year total)	7	7	6	7

NOTES:

⁶ 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.

⁷ Average percentage over a three-year time-frame

⁸ An independent representative population online survey of New Zealanders aged 15+ will be conducted in June 2018 by Colmar Brunton.



5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
Facilitate film development and production opportunities				
5a. Number of NZFC-funded feature films ⁹	13	12	8	12
5b. Number of feature film projects developed through direct or devolved development schemes judged as being at advanced development stage – as determined by NZFC staff ¹⁰	New measure	25	20	35
5c. Number of feature films produced with NZFC development funding (direct or devolved) ¹¹	6	7	7	7
Encourage connection with audiences				
5d. Number of NZFC-funded films in the past three financial years that have secured more than 100,000 admissions at the NZ box office (Admissions during three-year time-period 1 July 2015-30 June 2018 financial years)	4	3	4	3
5e. Number of NZFC-funded films that secured more than 50,000 admissions at the NZ box office (Admissions during one-year time-period 1 July-30 June financial year)	2	2	4	2
5f. Percentage of positive domestic review star ratings for all NZFC-funded feature films released in the year (3 star out of 5 or equivalent)	New measure	75%	73%	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	3	3	3

NOTES:

⁹ Measured from the date a commitment to fund made

¹⁰ 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.

¹¹ Definition of “feature films produced”: First day of principal photography falls within the period of the financial year



2.2 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 2018.

We have identified six activity classes. The first four activity classes (talent development, development and production, marketing, international relations) contribute to the output “promotion and support of the arts and film”. These activity classes are funded by MCH. The fifth activity class (international screen business attraction) 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 sixth activity class (screen incentives) contributes to both of NZFC’s outputs and is jointly funded by MCH and MBIE.

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 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, 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 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 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.

- **5. 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.

- **6. Screen incentives**

This activity class comprises administration of the NZSPG on behalf of MBIE and MCH.



OPERATIONAL AND OUTPUT MEASURES

Figure 4 – Operational and output measures

1. EFFECTIVE/DIVERSE PATHWAYS AND CAREERS				
	Actual 2015/16	Target 2016/17	Actual 2016/2017 YTD	Target 2017/18
TALENT DEVELOPMENT – Operational Measures				
1a. Percentage of talent development grants provided by the NZFC to women	58%	50%	53%	50%
1b. Average overall satisfaction rating in dealing with team responsible for talent development ¹²	3.94	≥ 4.0	N/A	≥ 4.0
1c. Participant satisfaction with NZFC-funded and/or NZFC-led international film festival or market delegations ¹³	92%	85%	86%	90%
TALENT DEVELOPMENT – Output Targets				
1d. Number of short films funded by the NZFC	17	14	14	14
1e. Number of NZFC-funded talent development initiatives	91	50	113	65
1f. Total number of attendees at NZFC funded talent development initiatives	1,603	3,000	4,114	3,000
1g. Number of filmmakers actively engaging with the NZFC talent development team ¹⁴	New Measure	100	282	100

NOTES:

¹² Bi-annual NZFC Stakeholder Survey due for completion in June 2018: Satisfaction is calculated from the percentage of stakeholders, who have had contact with the Talent Development team, 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.

¹³ Satisfaction is calculated from the percentage of participants who are satisfied with their overall experience on a NZFC funded and/or NZFC-led international film festival or market delegation.

¹⁴ 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

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
SCREEN INCENTIVES, INTERNATIONAL RELATIONS & ATTRACTION – Operational Measures				
2a. Percentage of complete provisional and final NZSPG applications for New Zealand productions processed within three months	100%	100%	100%	100%
2b. Percentage of complete final NZSPG applications for international productions processed within three months	75%	100%	100%	100%
2c. Percentage of complete official co-production applications processed within three months	100%	100%	100%	100%
2d. Percentage of NZSPG 5% uplift applicants with NZFC monitoring processes in place to facilitate successful delivery of the initiatives outlined in memoranda of understanding ¹⁵	100%	100%	100%	100%
2e. Average overall satisfaction rating in dealing with the team responsible for screen incentives, co-productions and international screen attractions ¹⁶	4.01	≥ 4.0	N/A	≥ 4.0
SCREEN INCENTIVES & INTERNATIONAL RELATIONS – Output Targets				
2f. Number of final NZSPG certificates issued for NZ productions ¹⁷	10	10	11	10
2g. Number of final NZSPG certificates issued for international productions	16	10	18	10
2h. Number of international market travel grants	34	40	46	40
INTERNATIONAL SCREEN BUSINESS ATTRACTION – Output Target				
2i. Number of international screen business enquiries	New measure	New measure	New measure	Benchmark

NOTES:

¹⁵ The monitoring process for each project will be mutually agreed with each NZSPG 5% uplift applicant.

¹⁶ Bi-annual NZFC Stakeholder Survey due for completion in June 2018: Satisfaction is calculated from the percentage of stakeholders, who have had contact with the International team, 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, co-productions, international screen business attraction and international relations.

¹⁷ NZSPG 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)

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
MARKETING – Operational Measures				
3a. Conduct on-going audience research (including test audience screenings) which is made available to the public	Yes	Yes	Yes	Yes
3b. Average overall satisfaction rating in dealing with the team responsible for feature and short film marketing ¹⁸	3.64	≥ 3.75	N/A	≥ 3.75
MARKETING – Output Targets				
3c. Number of NZFC-funded feature films and short films newly digitally preserved and publicly accessible ¹⁹	7	1	10	10
3c. Number of feature film domestic release print and advertising grants made	9	10	10	10

NOTES:

¹⁸ Bi-annual NZFC Stakeholder Survey due for completion in June 2018: Satisfaction is calculated from the percentage of stakeholders, who have had contact with the Marketing team, 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.

¹⁹ The previous targets reflected the backlog of films requiring digital preservation which has now been successfully completed. The 2017/18 target reflects the projected volume of work, negotiated access and budget available.



4. MORE CULTURALLY SIGNIFICANT FILMS

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
DEVELOPMENT & PRODUCTION – Operational Measures				
4a. Percentage of scripts at advanced development stage that receive NZFC development funding that are culturally significant ²⁰	76%	75%	84%	75%

NOTES:

²⁰ 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 NZFC development funding includes all devolved development funding.

5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

	Actual 2015/16	Target 2016/17	Actual 2016/17 YTD	Target 2017/18
DEVELOPMENT & PRODUCTION – Operational Measures				
5a. Average overall satisfaction rating in dealing with team responsible for development and production funding ²¹	3.70	≥ 3.75	N/A	≥ 3.75
DEVELOPMENT & PRODUCTION – Output Target				
5b. Number of application rounds for feature film development and production funding	12	11	10	11
MARKETING – Output Target				
5c. Number of Feature Film Finishing Grants made	6	6	7	6

NOTES:

²¹ Bi-annual NZFC Stakeholder Survey due for completion in June 2018: Satisfaction is calculated from the percentage of stakeholders, who have had contact with the Development and Production team, 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 film development and production.



2.3 Organisational health

Measure	Actual 2015/16	Target 2016/17	Actual 2016/17	Target 2017/18
Employee engagement survey - overall weighted mean score ²²	71.9	74	72.3	74

NOTES:

²² Overall weighted mean 'performance index' score is calculated using a methodology consistent with similar Ministry for Culture and Heritage agencies including NZ On Air and Heritage New Zealand.



Image: Behind the scenes, *Theodora*



3. FORECAST FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2018

	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Forecast actual \$000
Revenue			
Crown revenue - MCH	5,401	5,401	5,401
Crown revenue - MBIE	1,300	1,300	1,300
Lottery Grants Board revenue	16,100	12,400	17,698
Film income and sales commission	410	2,000	2,910
Interest received	620	500	700
Writebacks	-	-	1,710
Other income	15	5	75
Total Operating Revenue	23,846	21,606	29,794
Government grant - NZSPG	28,000	23,466	24,906
Total Revenue	51,846	45,072	54,700
Expenditure			
Talent development	3,555	2,915	3,590
Development and production	15,794	13,938	17,293
Marketing	3,128	1,905	3,802
International screen business attraction & promotions	1,078	950	713
International relations	711	580	529
Screen incentives administration	510	549	627
Depreciation & amortisation	220	280	170
Corporate	3,022	2,436	2,808
Total Operating Expenditure	28,018	23,553	29,532
Government grant - NZSPG	28,000	23,466	24,906
Total Expenditure	56,018	47,019	54,438
Net Surplus/(Deficit)	(4,172)	(1,947)	262
Other comprehensive revenue and expense	-	-	-
Total Comprehensive Revenue and Expense	(4,172)	(1,947)	262
Statement of forecast movements in equity			
Public Equity as at 1 July	8,802	5,299	8,540
Total Comprehensive Revenue and Expense for the year	(4,172)	(1,947)	262
Public Equity as at 30 June	4,630	3,352	8,802



PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Forecast actual \$000
Current Assets			
Cash and cash equivalents	2,000	3,000	1,000
Term deposits	11,000	8,000	13,300
Accounts receivable	6,500	2,500	12,922
	19,500	13,500	27,222
Non-Current Assets			
Investments	5,000	4,550	5,000
Fixed assets	440	350	290
	5,440	4,900	5,290
Total Assets	24,940	18,400	32,512
Current Liabilities			
Accounts payable	2,260	1,288	6,009
Employee Entitlements	200	150	200
Film income account	650	650	570
Project commitments	17,200	12,960	16,931
Total Liabilities	20,310	15,048	23,710
Public Equity	4,630	3,352	8,802
Total Liabilities & Public Equity	24,940	18,400	32,512



PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2018

	2017/18 Budget \$000	2016/17 Budget \$000	2016/17 Forecast actual \$000
Cash Flows from Operating Activities			
Receipts from Crown Revenue & Other Income	47,047	44,956	49,068
Interest Received	620	420	700
Production Funding, Marketing, Industry	-	-	-
Support, Suppliers & Employees	(50,417)	(47,406)	(49,618)
Goods and Services Tax (net)	-	-	-
Net Cash from Operating Activities	(2,750)	(2,030)	150
Cash Flows from Investing Activities			
(Increase)/ decrease in short term deposits	4,000	700	(3,000)
(Increase)/ decrease in investments	(50)	(100)	(200)
Purchase of Property, Plant & Equipment	(50)	(50)	(20)
Sale of Property, Plant & Equipment	-	-	-
Purchase of Intangible Asset	(150)	(20)	(20)
Net Cash from Investing Activities	3,750	530	(3,240)
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	(1,500)	(3,090)
Opening Cash at Bank	1,000	4,500	4,090
Closing Cash at Bank	2,000	3,000	1,000



3.1 Notes to the financial statements

FINANCIAL PLANNING ASSUMPTIONS

In the projected financial statements for the year ended 30 June 2018 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 \$1.0m 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 2017/18 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.

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. This includes New Zealand Reporting Standards no. 42: Prospective Financial Statements (FRS-42).

These financial statements comply with 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 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 programs.

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.

Business Development Scheme (BDS)	Funding scheme to develop and grow New Zealand screen businesses
Boost	A devolved development scheme designed to accelerate the feature film slates of active producers
Film NZ	Film New Zealand
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
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
Te Ahi Kā	The New Zealand Film Commission’s commitment to care for and preserve New Zealand films for future generations