



**NEW ZEALAND FILM COMMISSION  
STATEMENT OF PERFORMANCE  
EXPECTATIONS**

2016/2017

## **NEW ZEALAND FILM COMMISSION STATEMENT OF PERFORMANCE EXPECTATIONS 2016/2017**

This Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with section 149E of the Crown Entities Act 2004.

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



Dame Patsy Reddy

*Chair*



Cameron Harland

*Board Member*

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## INTRODUCTION

This document supersedes the third Statement of Performance Expectations (SPE) prepared by the New Zealand Film Commission (NZFC) and published in December 2015. The third SPE was prepared following the acquisition by NZFC of Film NZ in August 2015 and covers the 12 months ending 30 June 2016.

The information in this document is directly associated with the performance targets we have set for the year ending 30 June 2017. 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 2017. 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 the outputs purchased by the Minister for Arts, Culture and Heritage and the Minister for Economic Development through five activity classes:

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

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

### 2. Performance assessment and annual expectations

Our annual performance expectations provide targets, budgets and performance measures for the year ending 30 June 2017 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 2017 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	An increased number of highly skilled people and innovative films
NZFC medium term goals	NZFC Long Term Goal: A successful New Zealand screen industry					
						
	Pathways & careers for people	Increased economic activity	More eyeballs on films here & overseas	Culturally significant films	Amazing, original, satisfying films	
	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 co-productions	
How we will make a difference						
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				
	CONSOLIDATED		CONSOLIDATED	
	2016/17 BUDGET	2015/16 BUDGET	2015/16 FORECAST	2014/15 ACTUAL
<b>A. Revenue</b>	\$000	\$000	\$000	\$000
Crown revenue - MCH	5,401	5,401	5,401	5,546
Lottery Grants Board revenue	12,400	13,000	12,000	13,465
Other revenue	2,505	1,080	5,028	8,035
<b>TOTAL REVENUE</b>	<b>20,306</b>	<b>19,481</b>	<b>22,429</b>	<b>27,046</b>
<b>B. Output Expenses</b>				
Talent development	2,915	3,056	3,040	3,518
Development and production	13,938	14,311	13,500	20,515
Marketing	1,905	1,979	2,000	2,177
Screen incentives and international relations	969	905	936	307
<b>Total funding commitments</b>	<b>19,727</b>	<b>20,251</b>	<b>19,476</b>	<b>26,517</b>
Corporate	2,526	2,635	2,750	2,784
<b>TOTAL OUTPUT EXPENSES</b>	<b>22,253</b>	<b>22,886</b>	<b>22,226</b>	<b>29,301</b>

Output 2: Vote Business, Science & Innovation				
	CONSOLIDATED		CONSOLIDATED	
	2016/17 BUDGET	2015/16 BUDGET	2015/16 FORECAST	2014/15 ACTUAL
<b>A. Revenue</b>	\$000	\$000	\$000	\$000
Crown revenue - MBIE	1,300	1,300	1,300	—
<b>TOTAL REVENUE</b>	<b>1,300</b>	<b>1,300</b>	<b>1,300</b>	<b>—</b>
<b>B. Output Expenses</b>				
International screen business attraction	950	1,300	825	—
Screen incentives and international relations	160	—	—	—
<b>Total funding commitments</b>	<b>1,110</b>	<b>1,300</b>	<b>825</b>	<b>—</b>
Corporate	190	—	475	—
<b>TOTAL OUTPUT EXPENSES</b>	<b>1,300</b>	<b>1,300</b>	<b>1,300</b>	<b>—</b>

## 2. PERFORMANCE ASSESSMENT AND ANNUAL EXPECTATIONS

### 2.1 EFFECTIVENESS INDICATORS

#### LONG-TERM GOAL: A SUCCESSFUL NEW ZEALAND SCREEN INDUSTRY

##### How we will make a difference

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

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

#### 1. Effective/diverse pathways and careers

To develop and produce outstanding feature films, we need to allocate sufficient resources to first identify 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 promote and administer the screen incentives.

#### 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.

#### 4. More culturally significant films

The most successful films we have backed over the last 20 years have been films with a strong cultural element; films such as *Once Were Warriors*, *Boy*, *Whale Rider*, *The World's Fastest Indian* 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 making of between eight and 12 feature films a year. The exact number funded in any annual financial period will depend on the quality of applications received and quantum of financing requested.

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

## IMPACT MEASURES – HOW WE WILL KNOW WE ARE MAKING A DIFFERENCE

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

**Figure 3 – Impact measures**

1. EFFECTIVE/DIVERSE PATHWAYS AND CAREERS				
	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Identify and support NZ screen talent</b>				
1a. Number of <b>writers</b> who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway (three year rolling target)	11 <sup>1</sup>	20 <sup>2</sup>	14	25 <sup>2</sup>
1b. Number of <b>producers</b> who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway (three year rolling target)	14 <sup>1</sup>	20 <sup>2</sup>	16	25 <sup>2</sup>
1c. Number of <b>directors</b> who move from a NZFC talent development initiative to NZFC funded feature film development or identified alternative pathway (three year rolling target)	4 <sup>1</sup>	10 <sup>2</sup>	8	18 <sup>2</sup>
<b>Connect NZ and international screen talent</b>				
1d. Number of international project collaborations with confirmed development or production funding secured in New Zealand or offshore	New Measure	Benchmark	40	50

### NOTES:

<sup>1</sup> The measurement period covers the time period 1 July 2014-30 June 2015.

<sup>2</sup> This is a three year rolling target commencing from 1 July 2014 which more accurately reflects the time period required for progress to be demonstrated

2. INCREASED ECONOMIC ACTIVITY				
	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Position New Zealand as a leading destination for screen production</b>				
2a. New Zealand is considered a world leading destination for screen production <sup>3</sup>	New Measure	New Measure	New Measure	75%
<b>Promote and administer the screen incentives</b>				
2b. Total annual value of approved QNZPE for NZSPG (NZ productions)	\$12M	\$35M	\$34.7M	\$35M
2c. Total annual value of approved QNZPE for NZSPG (international SPG productions)	\$362M	\$350M	\$268M	\$350M



## 2. INCREASED ECONOMIC ACTIVITY

	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Attract a regular and diverse range of international productions</b>				
2d. Total international screen production spend in New Zealand (rolling three-year average for international SPG productions)	New Measure	New Measure	\$360.3M	\$280M <sup>4</sup>
2e. Number of countries of origin for international productions (including co-productions)	New Measure	New Measure	4	5
<b>Facilitate strategic relationships, especially with North America and Asia</b>				
2f. Private investment in NZFC-funded feature films over time (rolling three year average)	34%	An increase on last year	39%	40%
2g. Number of NZFC supported feature film projects in development with partners from North America attached	New Measure	New Measure	4	5
2h. Number of NZFC supported feature film projects in development with partners from Asia attached	New Measure	New Measure	17	20

### NOTES:

- <sup>3</sup> Percentage of MBIE-administered exit survey respondents (producers of completed NZSPG international productions) who strongly agree or agree with the statement: New Zealand is a world leading destination for screen production.
- <sup>4</sup> The projected decrease is due to the cyclical nature of large scale screen production activity.

## 3. MORE EYEBALLS ON FILMS (HERE AND OVERSEAS)

	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Provide effective marketing support for domestic cinema releases &amp; additional release platforms</b>				
3a. Total domestic audience for NZ feature films across all screens in the year (including cinema, TV, DVD and other platforms) <sup>5</sup>	8.0M	An increase on last year	TBC	8.5M
3b. Total annual admissions at the NZ box office for all NZFC-funded films (Admissions during 1 July - 30 June financial year)	446,700	400,000	952,000	400,000
<b>Manage a focused international festival strategy</b>				
3c. Number of NZFC-funded <b>feature films</b> that are selected for A-list film festivals	8	5	11	5
3d. Number of NZFC-funded <b>short films</b> that are selected for A-list film festivals	6	3	5	3

### NOTES:

- <sup>5</sup> The estimation of the 'total domestic audience for NZ feature films across all screens' in the financial year is based on a survey conducted by Colmar Brunton amongst a stratified representative sample of 2,000 New Zealanders aged 15 years and over. Results are projected 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 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Fund the production of culturally significant films<sup>6</sup></b>				
4a. Number of culturally significant NZFC feature films selected by international festivals/showcased internationally	11	5	16	10
4b. Proportion of NZFC feature films released theatrically in New Zealand that are culturally significant (over a three year time-frame) <sup>7</sup>	96%	75%	88%	80%
4c. Percentage of feature films financed by NZFC that are culturally significant	New Measure	TBC	TBC	80%
4d. Percentage of New Zealanders who agree that New Zealand films are important <sup>8</sup>	New Measure	75%	TBC	75%
<b>Provide devolved film development schemes for Māori and Pasifika filmmakers</b>				
4e. Number of Māori and Pasifika feature filmmaking teams funded (rolling three year total)	New Measure	New Measure	7	7

#### NOTES:

- <sup>6</sup> 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.
- <sup>7</sup> Average percentage over a three-year time-frame.
- <sup>8</sup> Independent Independent representative online survey of New Zealanders aged 18+ (conducted in mid-2016 by Colmar Brunton)

#### 5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Facilitate film development and production opportunities</b>				
5a. Number of NZFC-funded feature films <sup>9</sup>	18 (11 drama, 7 doco)	12	12	12
5b. Number of feature film projects developed through devolved development schemes judged as being at advanced development stage – as determined by the producers of the projects <sup>9</sup>	New Measure	New Measure	23	25
5c. Number of feature film projects developed through direct NZFC development funding judged as being at advanced development stage – as determined by NZFC staff <sup>10</sup>	14	14	15	15
5d. Number of feature films <b>produced</b> with NZFC development funding support (direct or devolved) <sup>11</sup>	7	7	6	7

## 5. MORE AMAZING, ORIGINAL, DIFFERENT, SATISFYING FILMS

	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>Encourage connection with audiences</b>				
5e. 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 1 July 2014-30 June 2017 financial years)	2	3	3	3
5f. Number of NZFC-funded films that secured more than 50,000 admissions at the NZ box office (Admissions during 1 July-30 June financial year)	3	2	2	2
5g. 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	New Measure	85%	75%
<b>Encourage more film co-productions</b>				
5h. Number of feature film official co-productions (based on films that are in production during this financial year)	2	3	1	3

### NOTES:

<sup>9</sup> Measured from the date a commitment to fund made.

<sup>10</sup> In order 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.

<sup>11</sup> 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 2017**

We have identified five activity classes. The first three activity classes (talent development, development and production, 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) 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 activity class (screen incentives and international relations) 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 are developing successful careers and are creating projects with larger budgets and international connections. We also invest in programmes in partnership with industry organisations to ensure a growing talent base in New Zealand.

#### **2. Development and production**

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

#### **3. Marketing**

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

#### **4. International screen business attraction**

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 incentives and international relations**

This activity class comprises administration of the NZSPG on behalf of MBIE and MCH and the facilitation of strategic relationships between the New Zealand screen industry and international counterparts, especially in Asia and North America.

## OPERATIONAL AND OUTPUT MEASURES

Figure 4 – Operational and output measures

1. EFFECTIVE/DIVERSE PATHWAYS AND CAREERS				
	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>TALENT DEVELOPMENT – Operational Measures</b>				
1a. Percentage of talent development grants provided by the NZFC to women	New Measure	50%	64%	50%
1b. Average overall satisfaction rating in dealing with team responsible for talent development <sup>12</sup>	3.94	≥ 4.0	TBC	≥ 4.0
1c. Participant satisfaction with NZFC-funded and/or NZFC-led international film festival or market delegations <sup>13</sup>	New Measure	85%	90%	85%
<b>TALENT DEVELOPMENT – Output Targets</b>				
1d. Number of Fresh Shorts funded by the NZFC	14	14	17	14
1e. Number of NZFC-funded talent development initiatives	New Measure	New Measure	91	50
1f. Total number of attendees at NZFC funded talent development initiatives	New Measure	New Measure	1,603	3,000
1g. Number of filmmakers actively engaging with the NZFC talent development team <sup>14</sup>	New Measure	New Measure	New Measure	100

### NOTES:

<sup>12</sup> Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is “strongly disagree” and 5 is “strongly agree”: Overall I am satisfied with my experience in dealing with the NZFC team responsible for talent development and relationships (NZFC Stakeholder survey due for completion in June 2017).

<sup>13</sup> 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.

<sup>14</sup> Two of 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 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>SCREEN INCENTIVES, INTERNATIONAL ATTRACTIONS &amp; RELATIONS – Operational Measures</b>					
2a.	Percentage of complete provisional and final NZSPG applications for New Zealand productions processed within three months	56%	100%	100%	100%
2b.	Percentage of complete final NZSPG applications for international productions processed within three months	60%	75%	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 <sup>15</sup>	New Measure	New Measure	100%	100%
2e.	Acknowledge international production enquiries within 24 hours/one business day	New Measure	100%	100%	100%
2f.	Average overall satisfaction rating in dealing with team responsible for screen incentives, co-productions and international screen attractions <sup>16</sup>	4.01	≥ 4.0	TBC	≥ 4.0
<b>SCREEN INCENTIVES &amp; INTERNATIONAL RELATIONS – Output Targets</b>					
2g.	Number of final NZSPG certificates issued for NZ productions	2	10	9	10
2h.	Number of final NZSPG certificates issued for international productions	6	10	12	10
2i.	Number of international market travel grants	34	30	34	40
<b>INTERNATIONAL ATTRACTIONS – Output Target</b>					
2j.	Number of international screen business markets/major screen tradeshows attended by NZFC staff	New Measure	2	2	2

### NOTES:

<sup>15</sup> Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is “strongly disagree” and 5 is “strongly agree”: Overall I am satisfied with my experience in dealing with the NZFC team responsible for feature and short film marketing (NZFC Stakeholder survey due for completion in June 2017)

<sup>16</sup> The previous targets reflected the backlog of films requiring digital preservation which has now been successfully completed. The current target reflects the projected volume of work and budget constraints.

### 3. MORE EYEBALLS ON FILMS (HERE AND OVERSEAS)

	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>MARKETING – Operational Measures</b>				
3a. Number of NZFC-funded feature films presented to international or A-list festivals by the NZFC	New measure	12	12	12
3b. Conduct audience research (including test audience screenings)	Yes	Yes	Yes	Yes
3c. Average overall satisfaction rating in dealing with the team responsible for feature and short film marketing <sup>17</sup>	3.64	≥ 3.75	TBC	≥ 3.75
<b>MARKETING – Output Targets</b>				
3d. Number of key international festivals/markets attended by NZFC staff.	New measure	3	4	3
3e. Number of NZFC-funded feature films and short films newly digitally preserved and publicly accessible <sup>18</sup>	32	14	7	1
3f. Number of feature film domestic release print and advertising grants made	10	10	9	10

**NOTES:**

<sup>17</sup> The monitoring process for each project will be mutually agreed with each NZSPG 5% uplift applicant.

<sup>18</sup> Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is “strongly disagree” and 5 is “strongly agree”: Overall I am satisfied with my experience in dealing with the NZFC team responsible for incentives, co-productions and screen attractions (NZFC Stakeholder survey due for completion in June 2017).

### 4. MORE CULTURALLY SIGNIFICANT FILMS

	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>DEVELOPMENT &amp; PRODUCTION – Operational Measures</b>				
4a. Percentage of scripts at advanced development stage that receive NZFC development funding that are culturally significant <sup>19</sup>	New measure	New measure	76%	75%

**NOTES:**

<sup>19</sup> In order to determine whether a project is at advanced development stage we apply the following criteria:

- a. director attached;
- b. draft at a stage that is advanced; and
- c. project overall is 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 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
<b>DEVELOPMENT &amp; PRODUCTION – Operational Measures</b>				
5a. Production investment applications are processed within eight weeks <sup>20</sup>	100%	100%	100%	100%
5b. Average overall satisfaction rating in dealing with team responsible for development and production funding <sup>21</sup>	3.43	≥ 3.75	TBC	≥ 3.75
<b>DEVELOPMENT &amp; PRODUCTION – Output Target</b>				
5c. Number of application rounds for feature film development and production funding	12	11	12	11
<b>MARKETING – Output Target</b>				
5d. Number of Feature Film Finishing Grants made	8	6	6	6

### NOTES:

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

<sup>21</sup> Satisfaction is calculated from the percentage of stakeholders indicating their level of agreement with the following statement on a scale of 1-5 where 1 is "strongly disagree" and 5 is "strongly agree": Overall I am satisfied with my experience in dealing with the NZFC team responsible for feature film development and production (NZFC Stakeholder survey due for completion in June 2017).

## 2.3 ORGANISATIONAL HEALTH

Measure	ACTUAL 2014/15	TARGET 2015/16	ACTUAL 2015/16 YTD	TARGET 2016/17
Employee engagement survey – overall weighted mean score <sup>22</sup>	67.3	70	71.9	74

### NOTES:

<sup>22</sup> Overall weighted mean score is calculated using methodology consistent with similar agencies including NZ On Air and Heritage New Zealand.

### 3. FORECAST FINANCIAL STATEMENTS

#### PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

For the year to 30 June 2017

	2016/17 Budget \$000s	Consolidated 2015/16 Budget \$000s	Consolidated 2015/16 Forecast actual \$000s
<b>Revenue</b>			
Crown revenue — MCH	5,401	5,401	5,401
Crown revenue — MBIE	1,300	1,300	1,300
Lottery Grants Board revenue	12,400	13,000	12,000
Film income and sales commission	2,000	275	650
Interest received	500	800	720
Writebacks	—	—	3,608
Other income	5	5	50
<b>Total Operating Revenue</b>	<b>21,606</b>	<b>20,781</b>	<b>23,729</b>
Government grant - NZSPG	23,466	18,740	15,619
<b>Total Revenue</b>	<b>45,072</b>	<b>39,521</b>	<b>39,348</b>
<b>Expenditure</b>			
Talent development	2,915	3,056	3,040
Development and production	13,938	14,311	13,500
Marketing	1,905	1,979	2,000
International screen business attraction	950	1,300	825
Screen incentives administration & international relations	1,129	905	936
Corporate	2,716	2,635	3,225
<b>Total Operating Expenditure</b>	<b>23,553</b>	<b>24,186</b>	<b>23,526</b>
Government grant - NZSPG	23,466	18,740	15,619
<b>Total Expenditure</b>	<b>47,019</b>	<b>42,926</b>	<b>39,145</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,947)</b>	<b>(3,405)</b>	<b>203</b>
Other comprehensive revenue and expense	—	—	—
<b>Total Comprehensive Expense</b>	<b>(1,947)</b>	<b>(3,405)</b>	<b>203</b>
<b>Statement of forecast movements in equity</b>			
Public Equity as at 1 July	5,299	3,795	5,096
Total Comprehensive Expense	(1,947)	(3,405)	203
<b>Public Equity as at 30 June</b>	<b>3,352</b>	<b>390</b>	<b>5,299</b>

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	2016/17 Budget \$000s	Consolidated 2015/16 Budget \$000s	Consolidated 2015/16 Forecast actual \$000s
<b>Current Assets</b>			
Cash and cash equivalents	3,000	4,000	4,500
Term deposits	8,000	5,000	9,000
Accounts receivable	2,500	3,000	3,000
	13,500	12,000	16,500
<b>Non Current Assets</b>			
Investments	4,550	4,500	4,450
Fixed assets	350	400	370
	4,900	4,900	4,820
<b>Total Assets</b>	<b>18,400</b>	<b>16,900</b>	<b>21,320</b>
<b>Current Liabilities</b>			
Accounts payable	1,288	1,500	1,521
Employee Entitlements	150	150	150
Film income account	650	720	750
Project commitments	12,960	14,140	13,600
<b>Total Liabilities</b>	<b>15,048</b>	<b>16,510</b>	<b>16,021</b>
<b>Public Equity</b>	<b>3,352</b>	<b>390</b>	<b>5,299</b>
<b>Total Liabilities &amp; Public Equity</b>	<b>18,400</b>	<b>16,900</b>	<b>21,320</b>



## PROSPECTIVE STATEMENT OF CASH FLOWS

For the year to 30 June 2017

	2016/17 Budget \$000s	Consolidated 2015/16 Budget \$000s	Consolidated 2015/16 Forecast actual \$000s
<b>Cash Flows from Operating Activities</b>			
Receipts from Crown Revenue & Other Income	44,956	37,700	36,827
Interest Received	420	800	720
Production Funding, Marketing, Industry Support, Suppliers & Employees	(47,406)	(44,963)	(38,540)
Goods and Services Tax (net)	—	—	—
<b>Net Cash from Operating Activities</b>	<b>(2,030)</b>	<b>(6,463)</b>	<b>(993)</b>
<b>Cash Flows from Investing Activities</b>			
(Increase)/ decrease in short term deposits	700	6,500	1,210
(Increase)/ decrease in investments	(100)	(665)	(680)
Purchase of Property, Plant & Equipment	(50)	(50)	(100)
Sale of Property, Plant & Equipment	—	—	—
Purchase of Intangible Asset	(20)	(50)	(30)
<b>Net Cash from Investing Activities</b>	<b>530</b>	<b>5,735</b>	<b>400</b>
<b>Cash Flows from Financing Activities</b>			
Short Term Loans Issued	—	—	—
Short Term Loans Repaid	—	—	—
<b>Net Cash from Financing Activities</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Increase/(Decrease) in Cash at Bank</b>	<b>(1,500)</b>	<b>(728)</b>	<b>(593)</b>
<b>Opening Cash at Bank</b>	<b>4,500</b>	<b>4,728</b>	<b>5,093</b>
<b>Closing Cash at Bank</b>	<b>3,000</b>	<b>4,000</b>	<b>4,500</b>

### 3.1 NOTES TO THE FINANCIAL STATEMENTS

#### FINANCIAL PLANNING ASSUMPTIONS

In the projected financial statements for the year ending 30 June 2017 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. Our subsidiary Film NZ will cease trading on 30 June 2016. Thereafter all activities previously carried out by Film New Zealand will be undertaken in the name of the NZFC by NZFC staff.
- c. We will continue to take commercial recoupment positions in the films we invest in.
- d. Film income and interest received estimated as \$2.5m 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 as a Crown Entity in terms of the Crown Entities Act 2004. NZFC's ultimate parent is the New Zealand Crown.

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

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

#### BASIS OF PREPARATION

##### Statement of compliance

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

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

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

##### Measurement base

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

##### Functional and presentation currency

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

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

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue**

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

#### *Crown revenue*

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

#### *Other grants*

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

#### *Interest*

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

#### *Returns from film investments*

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

### **Grant expenditure**

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

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

### **Leases**

#### *Operating leases*

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

### **Financial instruments**

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

- 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 according to the original terms of the receivable.

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

### **STAR loans**

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

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

### **Prepayments**

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

### **Investments and advances**

#### ***Funding for film development and production***

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

- 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 deposits**

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

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

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

### *Investments*

The NZFC designates portfolio investments at fair value through surplus and deficit, which are initially measured at fair value plus transaction costs.

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

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

### **Property, plant & equipment**

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

### *Additions*

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

### *Disposals*

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.

### *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 Alteration	9 years	11.11%

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



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

### **Intangible assets**

#### *Software acquisition and development*

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

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

Staff training costs are recognised as an expense when incurred.

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

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

#### *Amortisation*

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

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

Computer Software	3 years	33.33%
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### **Impairment of property, plant and equipment and intangible assets**

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

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

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

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

### **Trade and other payables**

Trade and other payables are recorded at their face value.

### Employee entitlements

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

The liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlement earned in the coming year.

The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

The NZFC recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *Presentation of employee entitlements*

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

### Superannuation schemes

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

### Project commitments

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

### Write backs

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

### Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### Income tax

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

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

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

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

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

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

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

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

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

- 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.

## GLOSSARY

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

### Business Development

<b>Scheme (BDS)</b>	Funding scheme to develop and grow New Zealand screen businesses
<b>Boost</b>	A new scheme to accelerate the feature film slates of active producers
<b>Film NZ</b>	Film New Zealand
<b>FOD</b>	Films on Demand
<b>He Ara</b>	Devolved development scheme 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
<b>KPIs</b>	Key Performance Indicators
<b>LBSPG</b>	Large Budget Screen Production Grant (funding via MBIE)
<b>MBIE</b>	Ministry of Business, Innovation & Employment
<b>MCH</b>	Ministry for Culture & Heritage
<b>MFAT</b>	Ministry of Foreign Affairs & Trade
<b>NZ On Air</b>	Broadcasting Commission – TV funding body
<b>NZFC</b>	New Zealand Film Commission
<b>NZSPG</b>	New Zealand Screen Production Grant (replaced SPIF and LBSPG effective 1 April 2014)
<b>NZTE</b>	New Zealand Trade & Enterprise
<b>QNZPE</b>	Qualifying New Zealand Production Expenditure

### Publicity and Advertising

<b>Grant (P&amp;A Grant)</b>	Grant scheme for distributors to assist with the release of New Zealand films
<b>SPE</b>	Statement of Performance Expectations
<b>SPIF</b>	Screen Production Incentive Fund (funding via MCH)
<b>Te Ahi Kā</b>	The New Zealand Film Commission's commitment to care for and preserve New Zealand films for future generations