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STATEMENT OF
PERFORMANCE EXPECTATIONS
1 July 2025 to 30 June 2026

Classification Office

TE MANA WHAKAATU

Statement of Performance Expectations

Classification Office | TE MANA WHAKAATU

Cite as:

Classification Office | Te Mana Whakaatu
Statement of Performance Expectations 2024/25
Wellington, New Zealand

June 2025

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Presented to the House of Representatives pursuant to s149 of the

Crown Entities Act 2004

STATEMENT OF BOARD RESPONSIBILITY

The Statement of Performance Expectations for the Classification Office – Te Mana Whakaatu presented in this report for the year ending 30 June 2025 has been prepared in accordance with section 38 of the Public Finance Act 1989 and the Crown Entities Act 2004.

This Statement is to be read in conjunction with the Classification Office's 2024–2028 Statement of Intent, which outlines the Classification Office's longer-term strategic focus and operating environment. The Performance framework figure on page 22 shows the alignment of the Office's activities and intended outcomes.

The Chairperson of the Board of the Classification Office acknowledges that in signing this Statement they are responsible for the information contained in this Statement of Performance Expectations.

Caroline Flora	Rupert Ablett-Hampson
Chair	Deputy Chair

On behalf of the Board of the Classification Office

Dated: 30 June 2025

OUTPUT CLASS

Classification of Films, Videos and Publications

The functions and powers of the Classification Office – Te Mana Whakaatu and its accountabilities are set out in the Films, Videos, and Publications Classification Act 1993 (the Classification Act) and the Crown Entities Act 2004.

The Classification Office is funded in the estimates under Vote: Internal Affairs Non-Departmental Output Expense for a single output class: Classification of Films, Videos, and Publications (M41).

Scope of Appropriation 2025/26

> **"The examination and classification of films, videos and publications by the Office of Film and Literature Classification under the Films, Videos, and Publications Classification Act 1993."**

The Classification Office is an independent Crown entity under the Crown Entities Act 2004. The Minister is accountable for the financial and non-financial performance of the Office and oversees the Crown's interests in the Office. The Minister's role in relation to the Office is set out in the Cabinet Office Manual and s27 of the Crown Entities Act 2004.

In addition to the Office's funding under Vote: Internal Affairs, the Classification Office is funded by:

- third-party revenue derived from fees, levies, and charges, including Commercial Video on-Demand providers participating in the self-rating system, and members of the public; and
- interest revenue earned on funds held by the Office.

Revenue and Proposed Expenses 2025/26

	Ex GST $'000
Crown Appropriation	3,278
Third-Party Revenue	386
Levy & Sundry	458
Interest Revenue	122
Total Revenue	**4,244**
Expenses	4,312
Expected Surplus/(Deficit)	**(68)**

Payments of Crown Appropriation

The total amount paid by the Crown for the provision of this output in 2025/26 is $3.278M (GST exclusive).

Payments are made on an annual basis within 20 working days of the commencement of the year.

Figure 1: Outcome Structure

Our Purpose

We prevent exposure to harmful content while upholding the right to freedom of expression and empowering New Zealanders to make informed choices about what they, and their rangatahi and tamariki, watch.

What impact will our activities have?

- The Public is better educated & informed about the classification system
- The Public has less exposure to harmful material
- The Public has greater confidence in classification decisions, ratings & warnings

We undertake the following activities

1. Classification decisions are produced [s23].
2. Information about the Classification Act and the Office is produced and distributed [s88(2)(b)].
3. An Inquiries and Complaints Service is provided [s88(2)(c)].
4. Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)].
5. Approve, review, and support self-rating systems used by CVoD providers [s77(1)].

HOW WE ASSESS OUR PERFORMANCE

ACTIVITY 1 – PRODUCTION OF CLASSIFICATION DECISIONS

Description

This activity is concerned with the examination and classification of publications in accordance with the relevant legislation.

How this will be assessed

Quantity[1]		Estimates
1.1	Number of entertainment[2] publications classified.	487 – 616 each year
1.2	Number of forensic[3] publications classified.	264 – 614 each year
Quality[4]		**Target**
1.3	**Classification decisions**	
	a) Classification decisions are written in a style that is accessible to a range of readers. b) The analysis supports the classification decision so that the reader understands the reasoning for the decision.	Our most complex decisions are reviewed throughout the year to provide an assessment of Adequate/Inadequate, and commentary with recommendations for improvements.
Timeliness[4]		**Target**
1.4	**Entertainment classification**	
	Percentage of standard s12 submissions that are classified within 30 working days of receipt.	90%
1.5	**Forensic classification**	
	Percentage of s13 submissions that are classified within 55 working days of receipt, where statutory obligations enable this.	85%

Notes:

1. These are demand-driven activities.
2. Entertainment publications are submitted for classification via the Film and Video Labelling Body. They are films and programs for release in New Zealand in cinemas, on DVD or a streaming service. The purpose of the classification is to produce a label to indicate whether the publication is restricted to, or recommended for, audiences over a specified age. No written decision is produced however our working documents are available for review on request. All classification decisions are entered into the register of decisions which is available to the public.
3. Forensic publications are usually submitted by the NZ Police, NZ Customs, the Department of Internal Affairs or the Court. They are typically publications that relate to an ongoing investigation or to proceedings before the Court. The purpose of the classification is to determine whether the publication is objectionable, and therefore illegal, in New Zealand. A written notice of the reasons for the classification is produced. All classification decisions are entered into the register of decisions which is available to the public.
4. Timeliness and Quality targets are set at the minimum levels acceptable to the Office. Therefore, actual results are expected to be higher than the target.

ACTIVITY 2 – DISSEMINATION OF INFORMATION

Description

Section 88(2)(b) of the Classification Act requires the Classification Office to disseminate information about the functions, powers and procedures of the Office.

How this will be assessed

Quantity		Targets
2.1	**Website** Number of visits to the Classification Office website.	650 – 850 (average per day)
2.2	**Engagement** Number of public and forensic engagement activities	17 – 27 each year
2.3	**Training** Deliver training to enforcement agencies on the classification framework	2-4 each year
Quality		**Targets**
2.4	Website is regularly updated with editor- and moderator-approved content.	15-20 (average per month)
2.5	Responses to client satisfaction surveys 'Very Good' or better.	80%

ACTIVITY 3 – INQUIRIES AND COMPLAINTS

Description

Section 88(2)(c) of the Classification Act requires the Office to receive inquiries and complaints concerning the operation of the classification system.

Section 46H of the Classification Act requires the Office to receive and respond to complaints concerning warnings on video on-demand content.

How this will be assessed

QUANTITY		Estimates
3.1	Inquiries and complaints answered.	300 – 415 each year
QUALITY		**Target**
3.2	Responses to 'Request for Feedback' on Inquiries and Complaints Service are 'Satisfied with Service'.	80%
TIMELINESS		**Targets**
3.3	Inquiries and complaints responded to promptly.	80% within five working days 100% within 20 working days

ACTIVITY 4 – RESEARCH

Description

Section 88(2)(a) of the Classification Act requires the Classification Office to provide research services to enable the Office to perform its functions effectively.

How this will be assessed

QUANTITY		Target
4.1	Annual Research Report published each year.	1
QUALITY		**Target**
4.2	Published research enables the Classification Office to perform our functions effectively and helps inform the public, policy makers and others about content harms and classification issues	A qualitative analysis is conducted to assesses ongoing value of our research, considering the following factors: • Ongoing interest in our research reports (via website downloads and/or unique views) of both new research and prior reports. • Research used or cited/referenced in other publications, external resources or policy documents • Media coverage in mainstream outlets

ACTIVITY 5 – SELF-RATING SYSTEM FOR COMMERCIAL VIDEO ON-DEMAND

Description

Sections 46G, 46H and 77(1) of the Classification Act require the Office to approve, review and support the development of self-rating systems used by specified Commercial Video on-Demand (CVoD) providers.

Section 46J of the Classification Act sets out the complaints process for commercial video on-demand content.

How this will be assessed

QUANTITY		Targets
5.1	Number of publications assessed, using an appropriate sampling methodology.	150 – 200 per year
QUALITY		**Estimate**
5.2	All approved self-rating systems are reviewed annually, using an appropriate review methodology.	Estimated number of systems reviewed: 5 – 7 per year[1]
TIMELINESS		**Targets**
5.3	Approved self-rating systems are reviewed within three months following the anniversary of the date on which the system was originally approved.	75%

Note 1: This estimate is subject to changes made to the number of providers listed on Schedule 4 of the Films, Videos, and Publications Classification Act 1993, and the number of providers that elect to operate a self-rating system. During 2024/25 eight providers were listed on Schedule 4 of the Classification Act, of which six providers self-rate their content.

REPORTING TO THE MINISTER

Quarterly Reports

The Classification Office provides the Minister with three reports relating to the quarters ending September, December, and March each year. Reports related to the first and third quarters are provided six weeks following the end of the quarter. The report related to the second quarter has an extended due date to allow for non-working days in January.

Copies of the report are also provided to the Department of Internal Affairs.

For 2025/26 the reports to the Minister are due:

Quarter	Report provided to the Minister by:
Qtr. 1: 1 July – 30 September 2025	12 November 2025
Qtr. 2: 1 October – 31 December 2025	27 February 2026
Qtr. 3: 1 January – 31 March 2026	13 May 2026

These reports contain information about matters set out in the Statement of Intent, and the Statement of Performance Expectations. They cover service and financial performance and are based upon unaudited internal management information, including:

- the environment and the Office's capability to meet its challenges,
- the Office's performance in each quarter, which is measured against standards set out in the Statement of Performance Expectations,
- explanations of significant variances, and any action proposed to correct them, and the factors driving them,
- a summary of key events, significant activities or risks over the period, with particular emphasis on events or activities that occurred that were unforeseen, unusual and/or likely to:
  - have a major impact on the ability of the Office to satisfy its obligations under the Classification Act,
  - affect the current financial year viability of the Office,
  - lead to a financial surplus or deficit for the financial year, unless forecast.

Consultation between the Office and the Minister

The Classification Office ensures the Minister is kept informed in a timely manner on all significant matters for which the Office has responsibility. The Office acknowledges the importance of keeping the Minister informed of the Office's activities for the purposes of financial and non-financial accountability and service performance, and that the Minister is briefed on important matters in the public interest relating to classification matters.

The Minister set out their expectations of the Office for 2025/26, and these are included in a Letter of Expectations, dated 9 April 2025.

DISCUSSION OF FINANCIAL INFORMATION

Overview

The Office has successfully arrested growing expenditure through reprioritisation, reduction of some overheads, closely managed leave liabilities, and clear investment strategies.

The Board's strategic priorities and work programme include a sustainability and investment plan. The plan sets out the work the Board is doing to realise savings and efficiencies, grow revenue where possible, and strengthen financial controls. Revenue from the Crown is fixed and third-party revenue is uncertain, while operating costs grow. Annual line-by-line reviews have identified areas for savings without compromising the delivery of the statutory functions of the Office. As a result of these measures the Office has started to rebuild our cash reserves, which have been eroded following several years of operating at a deficit.

The Classification Office has forecast a deficit of $68K in 2025/26. This reflects a slight increase in forecast revenue (less than 1%) to bring forecasts in line with 2024/25 income.

Significant events that impact out-year forecasting include:

- **Uncertain Labelling Body Revenue:** After several years of rapidly declining revenue from the Labelling Body revenue this currently has stabilised and is expected to contribute 11% of revenue in 2025/26, and this is expected to reduce in out-years. However, there are expected to be changes to the labeling system which will impact this revenue stream.
- **Rebuilding of Cash Reserves:** The Office has been operating in a deficit position for several years and this was funded by cash reserves. Savings achieved under the investment and sustainability plan have enabled us to replace a substantial proportion of these funds and the Office is now in a position to replace our largest strategic asset, the Classification Database Application (CDA), which has been fully depreciated.
- **Collective settlement** – In November 2024 the Office settled a three-year collective agreement. The terms of the settlement were in line with the governments' workplace guidance and the costs of this are spread evenly across 2024 to 2027.

Further analysis of the Office's financial forecast is discussed in detail below.

Revenue

How the Classification Office Is Funded

The Crown predominantly funds the Office as a non-departmental output of the Department of Internal Affairs.

Fee revenue is received from the Film and Video Labelling Body to classify commercially released films and games that may need to be restricted.

Fee revenue for classification and exemptions may also be received from members of the public, industry (usually related to non-film content), and online content hosts seeking the classification of material that is subject to a takedown notice issued by the Department of Internal Affairs.

Levy revenue is received from streaming video on-demand providers listed on Schedule 4 of the Classification Act as distributors of commercial video on-demand content. This levy supports the operation of the self-rating system. This activity is partially (25%) funded by the Crown.

No fees are payable for submissions made by enforcement agencies as they are currently exempt under the fees regulations.

Crown Revenue

Classification Office Crown funding is $3,278K, which includes a partial contribution to the costs of operating the self-rating system of approximately $155K. This is 25% of the cost to the Office of operating the Commercial Video on-Demand self-rating framework.

Labelling Body Revenue

Fees for classification were set in the Films, Videos, and Publications Classification (Fees) Regulations 1994. The Department of Internal Affairs is responsible for the administration of these regulations.

For forecasting purposes, the Classification Office estimates the number of publications it expects to receive using trends in activity from previous years, and discussions with submitters and distributors. Based on these estimates, the Office establishes targets for the number of publications it will process. The Office expects to meet demand and, where possible, allocates resources to enable this.

Labelling Body submissions, and therefore revenue, have been reducing over time but are currently relatively stable.

Forecast revenue from the Labelling Body for 2025/26 is $386K. While this is a slight increase on forecast revenue for 2024/25, it reflects a reduction in comparison to actual volumes and revenue for the year to March 2025. Increasing revenue coupled with decreasing volumes is largely explained by an increase in the proportion of full-fee publications. The forecast for out-years assumes that Labelling Body revenue will decline to the point when commercial fees from DVDs and games have minimal bearing on forecast revenue.

CVoD Levy Revenue

The Classification Act establishes an annual levy and/or fees payable by CVoD providers listed in Schedule 4 of the Act. This applies to international streaming providers such as Netflix, Neon and Disney+ and local provider Sky. The addition, or removal, of providers on the Schedule will directly impact levy revenue.

The Films, Videos, and Publications Classification Commercial Video on-Demand Levy Regulations 2021 came into force on 31 May 2021 and have recently been amended to remove regulation 3 which revoked the CVOD Levy.

Sundry Revenue

While submissions from members of the public tend to require significant resources to process, they have minimal bearing on forecast revenue (the fee for non-commercial submissions is just $25.50 gst inc.).

Expenditure

Total forecast expenditure has increased by 1.2% over the prior year budget, while general costs have increased across the board, we have been able to achieve some savings which have been reallocated for expenditure on strategic projects.

Operating Expenditure

The Office has achieved savings of 2% on budgeted operating expenditure in comparison to the prior year’s budget.

Matters of specific note for forecast expenditure:

- In preparing this budget we have conducted a detailed line-by-line review of expenditure. Despite a range of unavoidable cost increases, this achieved savings of 2%, while allowing some expenditure to be reallocated to strategic projects.
- The forecast for expenditure for out-years is generally stable, with allowance only made

for contracted rent increases.

- Forecast Depreciation is updated based on actual and forecast capital expenditure for the entire period of this forecast, including the build and implementation of the CDA

Personnel Expenditure

Forecast personnel expenditure has increased by 5%. This increase in expenditure is a result of filling positions which were held vacant during 2024/25 as well as the settlement of a 3-year collective with the PSA. As a small organisation these vacancies created delivery risk and limited our ability to deliver on our strategic priorities.

For outyears the Office has budgeted for salary increases negotiated as part of the 2024 collective agreement settlement but has made no allowance for incremental or CPI salary movements, or changes in staffing levels.

Capital Expenditure and Depreciation

Around $700K of capital funds set aside for asset replacement have been used to fund the deficit of previous years. We continue to work to replenish these funds as this erosion has limited our ability to invest in and replace capital assets and has reduced the funds available to respond to critical or urgent investment requirements.

Our Classification Database Application (CDA) was brought into production in 2008/09 and is fully depreciated. The CDA is considered a business-critical asset for the Office. The CDA holds, and reports on, all classification records and produces the Register of Decisions, which is required under the Classification Act. It is our main workflow management tool and supports billing and document production. While the CDA continues to deliver its core functionality, in recent years upgrade work has been limited to work, which ensures the CDA remains compatible with our environment. As such its age hinders process improvements and its performance is deteriorating.

The Office has commenced work to revise or replace this system, in line with Cabinet Circular CO (23) 9: Investment Management and Asset Performance in Departments and Other Entities. Our investment decisions will take into account the potential for regulatory change, and other changes to our operating model.

It is a priority for the Board to invest in tools and approaches that not only ensure continuity of service but also bring efficiency and increase the impact of our work. Depreciations forecasts have been adjusted to recognises this planned investment.

Equity

As discussed earlier, capital funds have been recovered to the degree that we are now able invest in maintaining or replacing significant capital assets.

The forecast financial information has been prepared as a best-effort indication of the Office's future financial performance, and the financial forecast signals medium-term risks for our financial viability. We will continue to work with the Department and the Minister of Internal Affairs on longer-term financial prospects and solutions.

Actual financial results for the period covered are likely to vary from the information presented, potentially in a material manner.

FORECAST FINANCIAL STATEMENTS

Statement of Financial Performance

In New Zealand Dollars

REVENUE	Forecast 2024/25 $'000	Year 1 2025/26 $'000	Year 2 2026/27 $'000	Year 3 2027/28 $'000
Revenue from the Crown	3,278	3,278	3,278	3,278
Third Party Revenue	376	386	347	348
Levy & Sundry Revenue	458	458	458	458
Interest Revenue	87	122	110	99
Total Revenue	**4,200**	**4,244**	**4,193**	**4,183**
LESS EXPENSES				
Personnel	2,912	3,068	3,129	3,129
Operating	1,174	1,154	1,159	1,165
Depreciation	175	90	174	203
Total Expenses	**4,261**	**4,312**	**4,462**	**4,497**
Surplus/(Deficit)	**(62)**	**(68)**	**(269)**	**(314)**
Other Comprehensive Revenue	0	0	0	0
Total Comprehensive Revenue & Expenses	**(62)**	**(68)**	**(269)**	**(314)**

Note 1: All information is GST exclusive unless otherwise stated.

Note 2: The above financial information does not include any allowance in 2025/26 or out-years for inflation.

FORECAST OF FINANCIAL INFORMATION

Statement of Financial Position

As at 30 June 2024

In New Zealand Dollars

CURRENT ASSETS	Forecast 2024/25 $'000	Year 1 2025/26 $'000	Year 2 2026/27 $'000	Year 3 2027/28 $'000
Cash & Cash Equivalents	421	401	142	(121)
Investments	1,050	600	450	450
Debtors & Other Receivables	99	100	96	96
Total Current Assets	**1,570**	**1,101**	**688**	**425**
CURRENT LIABILITIES				
Employee Entitlements	328	328	328	328
Creditors	113	111	111	112
Fees Received in Advance	11	11	11	11
GST Refund	35	33	35	37
Total Current Liabilities	**487**	**483**	**485**	**488**
Net Current Assets	**1,083**	**618**	**203**	**(63)**
NON-CURRENT ASSETS				
Property, Plant & Equipment	36	79	111	217
Intangible Assets	474	828	942	788
Total Non-Current Assets	**510**	**907**	**1,053**	**1,005**
Net Assets	**1,593**	**1,525**	**1,256**	**942**
Represented by:				
EQUITY				
General Funds	1,593	1,525	1,256	942
TOTAL EQUITY	1,593	1,525	1,256	942

Note 1: 2023/24 actual closing position is used as the opening position of the forecast statements.

Note 2: Some cash held is earmarked for asset replacement over time.

FORECAST FINANCIAL INFORMATION

Statement of Changes in Equity

In New Zealand Dollars

	Forecast 2024/25 $'000	Year 1 2025/26 $'000	Year 2 2026/27 $'000	Year 3 2027/28 $'000
Opening Balance	1,655	1,593	1,525	1,256
Surplus/(Deficit)	(62)	(68)	(269)	(314)
Comprehensive Revenue & Expenses	(62)	(68)	(269)	(314)
Closing Balance	**1,593**	**1,525**	**1,256**	**942**

FORECAST OF FINANCIAL INFORMATION

Statement of Cash Flows

In New Zealand Dollars

For the year ended 30 June 2024

	Forecast 2024/25 $'000	Year 1 2025/26 $'000	Year 2 2026/27 $'000	Year 3 2027/28 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from the Crown	3,278			
Receipts from Customers	829	3,278	3,278	3,278
Interest Received	88	840	843	809
Net Goods & Services Tax Received	616	88	122	110
	4,811	618	618	613
Cash was distributed to:				
Payments to Suppliers & Employees	4,089	4,142	4,223	4,288
Net Goods & Services Tax Paid	620	638	620	611
Net Cash Flow from Operating Activities	**102**	**44**	**18**	**(89)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Property, Plant & Equipment	-	-	-	-
Sale of Investments	-	450	150	-
Cash was distributed to:				
Purchase of Property, Plant & Equipment	48	66	66	63
Purchase of Intangibles	437	422	254	92
Acquisition of Investments	0	0	0	0
Net Cash Flow from Investing Activities	**(485)**	**(38)**	**(170)**	**(155)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Cash Flow from Financing Activities	-	-	-	-
Net Increase/(Decrease) in Cash & Cash Equivalents	(441)	(20)	(259)	(263)
Cash & Equivalents at Beginning of Year	862	421	401	142
Cash & Cash Equivalents at End of Year	**421**	**401**	**142**	**(121)**

STATEMENT OF SIGNIFICANT ASSUMPTIONS

Reporting Entity

The Classification Office is an entity formed under the Films, Videos, and Publications Classification Act 1993. These statements have been prepared in accordance with the Crown Entities Act 2004.

The Office's primary objective is to provide services to the New Zealand public, as opposed to making a financial return. Accordingly, the Office has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Key Judgements and Assumptions

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods.

The Office does not intend to update these prospective financial statements subsequent to presentation.

Basis of Preparation

Statement of compliance

The forecast financial statements of the Office have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand's generally accepted accounting practice ("NZ GAAP"). The Office is a public sector PBE, so has elected to prepare these financial statements in accordance with the Tier 2 PBE Standards with Reduced Disclosure Requirements applicable to public sector entities, as it does not have public accountability and is not large. The financial statements have been prepared on a 'going concern' basis, and the accounting policies have been applied consistently through the year.

Basis of measurement

The forecast financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The forecast financial statements are presented in New Zealand dollars ($), which is the Office's functional currency, and all values are rounded to the nearest thousand dollars.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements.

Budget figures

The budget figures are those approved by the Board of the Classification Office at the beginning of the financial year. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with those adopted by the Office for the preparation of the financial statements.

Revenue

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

CROWN REVENUE

The Office is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Office meeting its objectives as specified in the Statement of Performance Expectations.

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

INTEREST

Interest income is recognised using the effective interest method.

OTHER REVENUE

Labelling Body income, other fee income, and sundry income are recognised when earned and are reported in the financial period, and are considered exchange revenue.

Expenses

OPERATING LEASE

Leases that do not transfer substantially all the risks and rewards incidental to the ownership of an asset to the Office are classified as operating leases.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Revenue and Expenses.

FINANCE LEASES

The Office has no finance leases.

Cash and cash equivalents

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

Short-term investments

These investments comprise term deposits of more than three months and less than 12 months.

Debtors and other receivables

Debtors and other receivables are recorded at the amount due, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Office 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 amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expenses. When the receivable is uncollectible, it is written off against the allowance account for receivables.

Property, plant & equipment

Items of property, plant and equipment are shown at cost less any accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Office, and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the forecast Statement of Comprehensive Revenue and Expenses.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment at the 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 – 4 years
• Fit out	6 years
• Furniture and fittings	10 years
• Office equipment	4 – 5 years
• Other equipment	4 – 5 years
• Technical equipment	4 – 5 years
• Vehicles	5 – 6 years

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 into use the specific software.

Costs that are directly associated with the development of software for internal use by the Classification Office 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 Office's website are recognised as an expense when incurred. Intangible assets are reviewed annually for impairment.

AMORTISATION

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

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

• Software	3 – 4 years
• Self-rating tool	5 years
• Classification database	12 years

Impairment

Property, plant and equipment 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 its value in use.

Value in use is depreciated replacement costs 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 Office would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired, and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in revaluation reserve, the balance is recognised in the Statement of Comprehensive Revenue and Expenses.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. Entitlements to sick leave are calculated based on an actuarial approach to assess the level of leave that is expected to be taken over and above the annual entitlement and calculated using current pay rates at the time of creation.

Superannuation schemes

DEFINED CONTRIBUTION SCHEMES

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme, and are recognised as an expense in the forecast Statement of Comprehensive Revenue and Expenses as incurred.

Provisions

The Office recognises a provision for future expenditure of uncertain amount or timing, where there is a present obligation (either legal or constructive) as a result of a past event, and/or it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, 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 Classification Office is exempt from the payment of income tax under the first schedule of the Films, Videos, and Publications Classification Act 1993.

Cost of service statements

The Office has only one output class, and all expenses are directly allocated to this one output class.

Commitments

Future payments are disclosed as commitments at the point when a contractual obligation arises, to the extent that they are equally unperformed obligations.

Commitments relating to employment contracts are not disclosed.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Figure 2: Performance Framework

This will happen when...	Measured by...	Activities 2025/26		Measured by...	Targets / Estimates
A. The public has greater confidence in classification decisions, ratings & warnings B. The public has less exposure to harmful material C. The public is better educated and informed about the classification system	60% or more of those surveyed indicate that they are satisfied with the classification system, because they are of the view that they are neither too lenient nor too strict (Source: OFLC Data) We survey the public to gauge their experiences and concerns about exposure to potentially harmful content, whether in commercial films and shows, or online. (Source: OFLC Data) An increasing proportion of those surveyed indicate that they use classification information when making viewing choices for children (Source: OFLC Data)	1. Classification decisions are produced [s23]		Quantity	
			1.1	Number of entertainment publications classified	487 – 616 each year
			1.2	Number of forensic publications classified	264 – 614 each year
				Quality	
			1.3	**External: Classification decisions** (a) Classification decisions are written in a style which is accessible to a range of readers (b) The analysis supports the classification decision, so that the reader understands the reasoning of the decision	Our most complex decisions are reviewed throughout the year to provide an assessment of Adequate/Inadequate and commentary with recommendations for improvements
				Timeliness	
			1.4	Entertainment decisions	90% within 30 working days
			1.5	Forensic decisions	85% within 55 working days
		2. Information about the Classification Act and the Office is produced and distributed [s88(2)(b)]		Quantity	
			2.1	Number of visits to Classification Office website	Average of visits 650 – 850 per day
			2.2	Number of Public and Forensic Engagements	17 - 27 each year
			2.3	Number of Training Engagments	2-4 each year
				Quality	
			2.4	Website regularly updated with editor- and moderator-approved content	15-20 (average per month)
			2.5	Responses to Client Satisfaction surveys	80% 'Very Good' or better
		3. An Inquiries and Complaints Service is provided [s88(2)(c)]		Quantity	
			3.1	Inquiries and Complaints answered	300-415 each year
				Quality	
			3.2	Responses to 'Request for Feedback' on Inquires and Complaints Service are 'satisfied with service'	80%
				Timeliness	
			3.3	Inquiries and Complaints responded to promptly	80% within 5 working days 100% within 20 working days
		4. Research is carried out which enables the Office to perform its functions effectively [s88(2)(a)]		Quantity	
			4.1	Research projects published each year	1
				Quality	
			4.2	Published research enables the Classification Office to perform our functions effectively and helps inform the public, policy makers and others about content harms and classification issues.	A qualitative analysis is conducted to assesses ongoing value of our research, considering the following factors: • Ongoing interest in our research reports (via website downloads and/or unique views) of both new research and prior reports. • Research used or cited/referenced in other publications, external resources or policy documents • Media coverage in mainstream outlets
		5. Approve, review and support self-rating systems used by CVoD providers [s77(1)]		Quantity	
			5.1	Number of publications assessed, using an appropriate sampling methodology	150 - 200 per year
				Quality	
			5.2	All approved self-rating systems are reviewed annually, using an appropriate review methodology	Estimated number of systems reviewed: 5 - 7 per year
				Timeliness	
			5.3	Annual reviews of self-rating systems are conducted within three months following the anniversary of the date on which the system was originally approved	75%

GLOSSARY

Section references are for the Films, Videos, and Publications Classification Act 1993.
Regulation references are the Films, Videos, and Publications Classification Regulations 1994.

SUBMISSIONS CHANNELS – ENTERATINMENT

Section 12(1)	Submission channel where the Labelling Body is not permitted to assign a rating.
Section 12(3)	Submission channel where the Labelling Body is having difficulty in assigning a rating.
Section 13(1)(c)	Submission channel for any other person subject to the Chief Censor's discretion.
Section 42	Application channel for persons seeking reconsideration of classifications.
Section 46E(3)	Submission of potentially objectionable content that has not previously been labelled or classified by Commercial Video on-Demand providers.
Regulation 27(3)	Application channel for persons seeking poster approvals.
Regulation 27(4)	Application channel for persons seeking poster approvals where the Labelling Body has declined to approve.

SUBMISSION CHANNELS – FORENSIC

Section 13(1)(a)	Submission channel for the Comptroller of Customs.
Section 13(1)(ab)	Submission channel for the Commissioner of Police.
Section 13(1)(b)	Submission channel for the Secretary of Internal Affairs.
Section 13(1)(ba)	Submission channel for online content hosts.
Section 13(3)	Chief Censor's own motion to either the Comptroller of Customs or the Secretary of Internal Affairs to submit publications for classification.
Section 29(1)	Referral from the Courts.
Section 41(3)	Court referral for reconsideration of a classification brought at the instigation of the defendant.

Section 21 Consultation	In examining a publication, the Classification Office may show a publication to any person who may be able to assist the Office in forming an opinion of the publication.

TIMELINESS MEASURES

Standard Publications	A publication for which excisions are not offered is categorised as 'Standard'.
Timeliness Parameters	The number of working days between the receipt of a submission and the associated publication/s and the date the decision is dispatched.