



OFFICE OF FILM
& LITERATURE CLASSIFICATION
Te Tari Whakarōpū Tukuata, Tubituhinga

ANNUAL REPORT

2017/18

Annual Report of the OFFICE OF FILM & LITERATURE CLASSIFICATION *TE TARI WHAKARŌPŪ TUKUATA, TUHITUHINGA*



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for the year ended 30 June 2018



OFFICE OF FILM
& LITERATURE CLASSIFICATION
Te Tari Whakarōpū Tukuata, Tuhitubinga

The Hon. Minister of Internal Affairs

Minister

Pursuant to Section 150 of the Crown Entities Act 2004, I present the Annual Report of the Office of Film & Literature Classification for the year ended 30 June 2018.

Yours sincerely

D E Shanks
Chief Censor

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OUR PURPOSE

Informing and empowering people to reduce the harm from media exposure so New Zealanders can grow, survive and thrive in a society with strong, positive values.

STRUCTURE AND ROLE OF THE OFFICE

The Office of Film and Literature Classification (the Classification Office or the Office) is established by s76 of the Films, Videos, and Publications Classification Act 1993 (the Classification Act). The Classification Office replaced the Chief Censor of Films, the Indecent Publications Tribunal and the Video Recordings Authority. The Office is structured into two main units, both of which are supported by a Corporate Services Unit. The primary function of the Classification Unit is to determine the classification of any publication submitted to it by the Film and Video Labelling Body, the Secretary for Internal Affairs, the Comptroller of Customs, the Commissioner of Police, the Courts, commercial applicants and members of the public. These publications deal with matters such as sex, horror, crime, cruelty or violence in a manner which may cause injury to the public good. The functions of the Information Unit are to disseminate to the public information about the classification system, to receive complaints and inquiries, and to provide research services to the Classification Unit and the Office.

The Classification Office is an independent Crown entity named in Part 3 of Schedule 1 of the Crown Entities Act 2004. Its Board consists of the Chief Censor and the Deputy Chief Censor, who are Chairperson and Deputy Chairperson respectively. The Chief Censor is also the Office's Chief Executive for purposes of the Public Finance Act 1989. The Chief Censor and Deputy Chief Censor are appointed by the Governor-General.

The regulatory environment is depicted on page **53**.

CHIEF CENSOR'S FOREWORD

It is a pleasure to present the annual report of the Office of Film and Literature Classification for the year ended 30 June 2018.



The work of the Office over this past year has reflected the significant change in direction I signalled in last years' annual report.

Key to this change in direction is the power of research and evidence-led policy making. Last year I reported on the completion of our ground breaking series of research reports into New Zealand teenagers viewing sexual violence. This proved incredibly valuable for informing our current classification work, and helped point the way towards other ways in which our tamariki might be supported as they navigate the new digital landscape.

We wanted to build on that work, and drive it further, which is why over this year we undertook a major survey of over 2,000 New Zealand teens aged 14-17, investigating their exposure to, and use of, pornography. We suspected from overseas studies that exposure to online pornography would be commonplace, but there was no current, authoritative New Zealand data on this.

We will be publishing our research report in December 2018, but having seen the data now I can say already – it is commonplace.

The fact that our young people can so readily stumble upon or seek out material that has always been regarded as 'adults only' gives us a clear message. We need to rethink our existing approaches to regulating, informing and educating in this space. We need to think seriously about how we can provide young people with the help they tell us that they need.

These are big and complex issues that do not lend themselves to simple solutions. There is only so much this Office can do alone in this space and accordingly we have undertaken significant work this year to build relationships with other agencies involved in health, education and social support areas, to explore areas where we can team up to make a difference.

As we rethink our approach we need to keep putting young people's perspectives and lived experiences front and centre. To help us with that on 23 June 2018 we established a pilot Youth Advisory Panel, consisting of a fantastic, engaged group of a dozen 16 to 20 year old's,

who have been helping us gain insights into what life is like for them, their approaches to impactful media, how they think about the risks, and the things that might be helpful for them. It has been a rewarding and informative experience, both for the Office and for the panel.

In terms of our classification work, volumes continue to drop as predicted. Over this year we classified 1,825 “publications”. This is lower than any given year out of the past 10 years, as an examination of the comparative tables in this report will show. Publications received through the Labelling Body (such as cinematic release films, DVD movies and series, and some games released on disc) numbered 1,114 (the lowest number of submissions this decade).

Conversely, the numbers of publications submitted to this Office by organisations such as the Police, Customs or the enforcement arm of the Department of Internal Affairs remain high.

I spoke in last year’s Annual Report about the fundamental technological, commercial and social changes underpinning these shifts. These forces remain in play, and continue to drive the need to reshape the operating model for the Office. A notable factor over the past year has been an increase in ‘call ins’ (under s13(3) of our Act) of films or series that do not come through this Office as a matter of course – such as content provided to the public by streaming services. This too is a predictable sign of the times.

In order to ensure that the Office was responsive to these environmental changes, was operating in as lean a fashion as possible while also remaining flexible and responsive, we undertook a major restructure of the Office. The outcome of this was that we reduced our overall head count from 24 to 18 while taking on four new employees, injecting fresh skills and experiences into the mix. We also broadened our core Classification Advisor roles, ensuring that everyone in this group has a role in both classifying and supporting research and dissemination of information about our work.

There is much to do. The issues surrounding the power and impact of media, and how to fairly inform and equip people to manage those impacts, have never been more relevant. It is a big challenge, but the Office has never been better positioned to respond to the challenge.



D E Shanks
Chief Censor

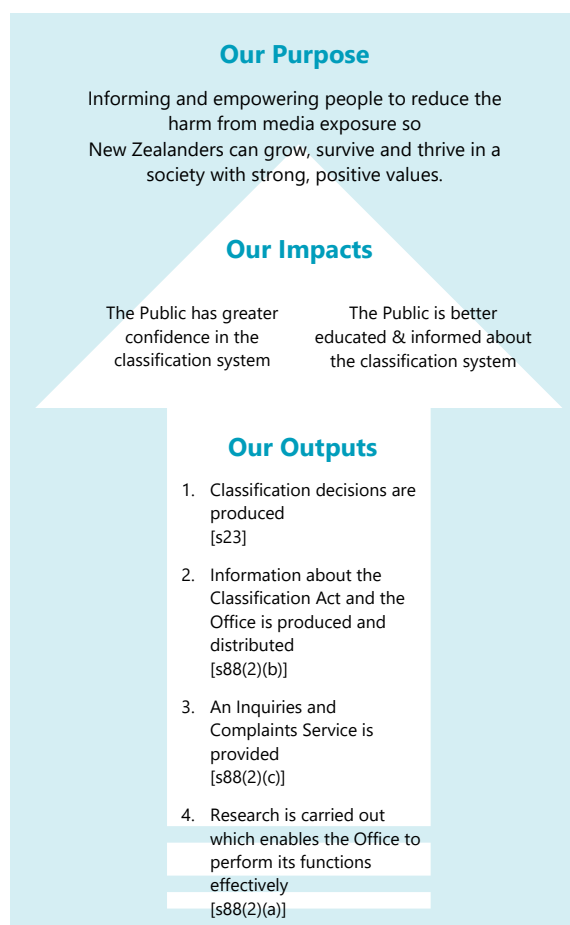
WHAT IMPACT DOES THE OFFICE HAVE?

It is now more important than ever that New Zealanders have the tools and information to allow everyone to take advantage of the freedom and opportunity the digital revolution represents – while being smart about managing the downsides.

Regulation is lagging behind – our system does not recognise the changes in the way New Zealanders now consume media. New Zealanders have increasingly borne the consequences of a confusing and out of date approach. The evidence is mounting about the impacts of consuming violent and graphic media, and technology keeps raising the stakes – virtual reality and immersive media are now making an impact.

A partnership approach between agencies can ensure the messages are consistent, and cut through the noise in this space.

Chart 1: Outcome Structure



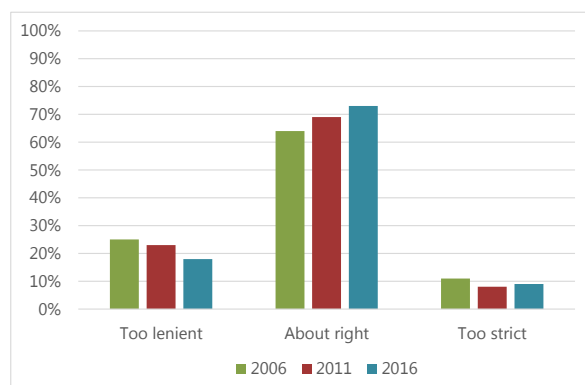
Within this context the work of the Office will have the most impact when people trust the classification system, are able to make informed decisions about they watch, and when we operate in a transparent manner.

The following indicators assist the Office with understanding our progress towards having an impact on individuals' decision making, ultimately achieving our purpose.

Impact A: The Public has greater confidence in the classification system

Representative surveys to understand public knowledge and use of the classification system are carried out in association with Research under output 4. This helps us evaluate the extent to which our activities have contributed to public confidence in the classification system. The Office conducts these surveys every five years. In 2016 we asked participants whether they feel the classification system for films, shows, and games is too strict, too lenient, or about right.

Chart 2: Confidence in Classification System



This survey also found that 92% of respondents think classifications are important or very important when adults are choosing movies and games for children or teenagers, and 69% think the Classification Office is doing a 'good' or 'excellent' job.

Another survey from the same year found that 83% of New Zealanders think the same classifications should apply in cinemas, on DVD/Blu-ray, online and on TV – and of this number, 66% would prefer to see the classifications currently assigned by the Classification Office.

Impact B: The Public is better educated & informed about the classification system

New Zealanders are entitled to clear, simple information so they can make informed choices about what they view and play. They also expect that they should have access to tools and education that help them make their digital world accessible and responsibly managed for their children. Recognition and usage of the classification labels only goes a small way to measuring the impact of the work of the Office in this area. Our public engagement has highlighted three areas where we can have the biggest impact on supporting New Zealanders to grow, survive and thrive in the digital era.

Consistent and accurate consumer labelling of commercial entertainment

Over the last 10 years large holes have emerged in the regulatory environment as online and on-demand content have become more prevalent. Regulatory reform efforts over this period have not translated into legislative action, exposing New Zealanders and their families to an ever more complicated and confusing environment.

A representative survey in 2016 showed that 83% of New Zealanders thought there should be one labelling system regardless of how media content was accessed (on-demand, cinema, blu-ray, games). Of this number, two-thirds (66%) would prefer the classifications currently assigned by the Classification Office to those used for broadcast television, or any other system.

More information about content

Young people in particular tell us they want better information about what they are looking to view and better support to help them critically analyse content. They tell us they would make use of content warnings if they were available where they actually access content – and this service can so easily be provided. Content variety and ease of access are of primary importance to them. With the increasing popularity and diversity of online streaming services in NZ homes, young people turn more and more to reliable, high quality services (such as the household Netflix account) before looking for illegal copies. Experts and community groups spoken to as part of the OFLC's *Young New Zealanders Viewing Sexual Violence* research indicated they would oppose changes that would limit people's access to detailed content information before films were viewed. These participants thought that the Classification Office had an educational role in the community, and felt that a classification system was a necessary element of broader social strategies – particularly those aimed at reducing sexual violence.

Better education about media effects and media literacy

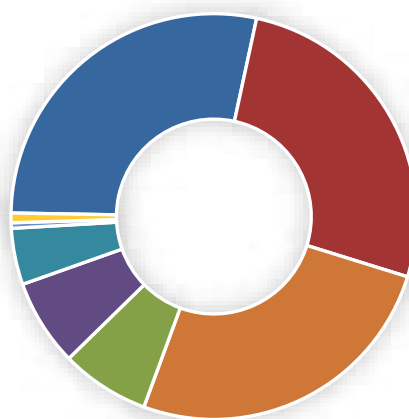
Better education of young people about media effects and media literacy is required, including guidance and resources about content that may be outside any official regulatory regime. This includes social media, pornography, and other extreme or disturbing content available on websites. Our research shows that young people are willing and able to talk about their media use and the concerns they have about content, but they are often unwilling to approach adults about this, or do not think adults are willing or able to provide guidance. Some adults may lack the knowledge and experience to discuss sensitive (or technical) topics with confidence.

Classification Activities

A total of 1,825 publications were classified this year, significantly less than the 2,411 classified in 2016/2017. The two key contributors to this reduced volume have been the continued reduction in commercial publications (1,109 classified in 2017/2018 compared with 1,327 in 2016/2017) and a reduction in official submissions from the Secretary of Internal Affairs (17 this year, compared with 509 in 2016/2017).

Chart 3: Publications Classified by Medium

Computer Material (Non-Moving)	513	28%
Films & Film Trailers	482	26%
DVDs	471	26%
Computer Material (Moving)	129	7%
Advertising for Publications	126	7%
Digital Games	82	4%
Other material	14	1%
Magazines / Books	8	<1%
TOTAL	1,825	



The reduction in commercial submissions continues to reflect the widening gaps in regulation and consumer protection across different forms of media.

For instance, Video Games are only required to be classified by the Classification Office if they are distributed in New Zealand in hard-copy or if the Chief Censor calls them in for classification. In practice, this leaves the hugely popular, and growing, digital video game sector largely unregulated. Nevertheless, there can be some significant, harmful content in the games that the Classification Office does get to classify

Case Study: Misogyny at the Beach



Senran Kagura: Peach Beach Splash is an anime-style third person action game created for PlayStation 4, and is presented in Japanese with English subtitles. The *Senran Kagura* series tells stories of competitions between the students of rival shinobi academies, and *Peach Beach Splash* finds the young women ninjas transported to a tropical island for a water-gun tournament.

The player may blast young women with a water stream, focusing on face, breasts or buttocks. Depending where the player aims the water, either their bikini top or bottom will fly off. While any nudity is

obscured by a lens flare effect, the camera leans in to focus on her embarrassment as she lies on the ground attempting to cover herself. This is highly exploitive and sexualised with little purpose beyond titillation.



Innuendo is a regular feature of dialogue and text, for example one shinobi's enthusiasm for the competition of "Strongest AND wettest? Just hearing that makes ME wet".

Using a 'Dressing Room' feature players can change the appearance of their favourite shinobi, switching out hair styles, clothes, and accessories they have unlocked with successful gameplay. As with previous *Senran Kagura* games players can pose characters in any of the game's stages, as well as against a variety of 2D or animated backdrops. These vary from Japanese gardens, to bathhouses and beaches, or even the rumpled sheets of a bed. While some poses are innocuous sitting, standing or jumping actions, many are highly sexualised. A pose tellingly titled "lying and begging" depicts young women on their back with legs splayed. Expressions can be altered – from happy to angry, or embarrassed and teary-eyed.

The game also has a feature known as 'Skinship'. With the camera locked around a single character, players can spray them with water, and using disembodied cartoon hands, rub, slap or grab them. Even if the women object, the players can continue to touch, spray or view the women.

From the splash screen to the end credits, *Senran Kagura: Peach Beach Splash* is unrelenting in sexualizing, exploiting and demeaning its female cast. It presents a potential for harm by negatively influencing younger audiences, including teenagers, through the promotion and normalisation of harmful attitudes towards women.

Senran Kagura: Peach Beach Splash was therefore classified as objectionable unless its availability is restricted to persons who have attained the age of 18 years. It carries a warning for nudity and sexual content that may offend.

The Chief Censor has also continued to work pro-actively with on-demand streaming services to ensure that adequate consumer information was provided in relation to high profile and high risk TV shows.

Case Study: Harmful Video On-demand Targeted at Teens



The Classification Office used its power under section 13(3) to call in the second season of the popular teen melodrama *13 Reasons Why* made and distributed by online streaming service Netflix. The decision to call in this season (and, previously, season one of the same series) was largely in response to widespread public concern regarding the portrayal of suicide

in both seasons¹.

13 Reasons Why is particularly challenging as it contains R18 level explicit depictions of content such as suicide, rape and drug use, while being about 16 and 17 year old students, and being strongly marketed at a mid-teen audience. The Office has directed Netflix to display an appropriate Classification and warning for both seasons and has provided online advisory information for parents and young people¹. The Classification Office collaborated with the New Zealand Mental Health Foundation to provide public information and resources for Season 2².

Although Season 2 does not repeat the detailed depiction of Hannah's suicide it continues many of the other problematic suicide themes. Hannah is still seen as influencing the events of friends and loved ones after her own death (by interfering with the new relationship of her boyfriend for instance) and in one particularly troubling scene is shown listening to her own emotional eulogy at a memorial service for her death. Being present at one's own funeral to witness the love and emotion of those left behind is a particularly harmful romantic fantasy for young people who may be at risk of suicide.

Unfortunately Season 2 does not have the same level of merit for its intended audience of teenagers as the first season. The story structure is far less coherent and veers away from the sensitive portrayals of the first season towards teen melodrama.

Of greater concern is the highly graphic rape of a male character in the final episode of the series. The rape is seemingly only included to provide the dubious motivation for the victim to attempt a school shooting. Commentators have noted that the rape of this particular character is not contextualized and treated with some degree of (#MeToo) sympathy, as is typically the case for other rapes in the series. It appears to the Classification Office (and to a number of independent reviewers) that this brutal act was inserted into the show solely provide an equivalent (or greater) level of attention-grabbing shock-value to the graphic depiction of suicide in Season 1.

¹ <https://www.classificationoffice.govt.nz/news/latest-news/13-reasons-why-season-2-episode-guide/>

² <https://www.mentalhealth.org.nz/get-help/13-reasons-why/>

The Classification Office understands that challenging and 'edgy' content about young people will always find a ready audience in teenagers. Netflix, in particular, has pioneered high-impact, high-risk and hugely popular entertainment for teens that features adult levels of violent, sexualised material. In addition to *13 Reasons Why* Netflix also commissioned and distributed the gritty, violent, sexualised (and sometimes darkly amusing) teen dramedy *The End Of The F***ing World*.



Netflix and other large international streaming providers have an unprecedented and highly accurate understanding of their target market for each series based on extensive information of viewers and their habits as well as advanced computer assisted analytics. Streaming

providers will be well aware, for example, of teens tendency to “binge watch” series and to access material outside of parental control and supervision.

Our interest is in having impactful content delivered in a safe and responsible manner. Many young people will be able to watch *13 Reasons Why: Season 2* and not be negatively influenced by it – in some cases it even can have value in generating important discussions. This possibility is something we have promoted in our parent guide: *Challenging Media*¹.

However, approximately one in five young New Zealanders will have experienced a mental health problem in the last year. According to statistics available on Rape Prevention Education website, one in three girls will be subject to an unwanted sexual experience by the age of 16, and it is likely the figure for boys will be around one in seven. We have extremely high and increasing levels of youth suicide.

We know that these levels of abuse, rape, assault and suicide mean that we have a large, vulnerable population of young people who have survived or been impacted by these serious events. It is these vulnerable young viewers who are most at risk. Given the commercial success of *13 Reasons Why* we anticipate that there will be more series developed for mid and younger teens, with increasingly high levels of graphic and potentially harmful content.

¹ <https://www.classificationoffice.govt.nz/news/latest-news/challenging-media/>

Chart 4: Subject Matter of Objectionable Publications

●	Exploitation of children/child nudity s3(2)(a), s3(3)(b)	360	64%
●	Sexual Violence s3(2)(b), s3(3)(a)(ii), s3(3)(a)(v)	60	11%
●	Sexual conduct with or by children or young persons, or both s3(3)(a)(iv)	60	11%
●	Bestiality s3(2)(e)	54	10%
●	Promotes or encourages crime s3(3)(d)	10	2%
●	Violence, Cruelty, Torture s3(2)(f), s3(3)(a)(i)	9	2%
●	Urine/Excrement s3(2)(d)l	4	1%
●	Sexual conduct with or upon the body of a dead person s3(2)(c)	2	<1%
●	Necrophilia s3(2)(c)	1	<1%
	TOTAL	560	

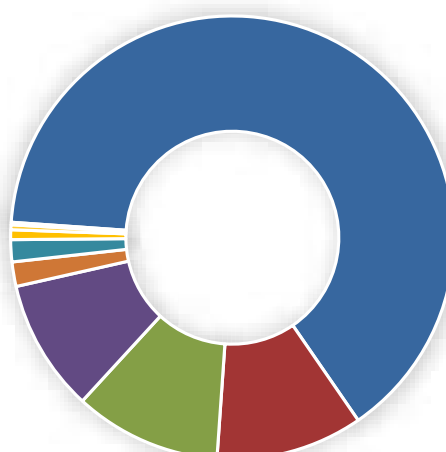
Material Submitted by Enforcement Agencies

2017/18 has seen continued high volumes of material submitted by enforcement agencies. The Police submitted 537 publications (compared with 396 the previous year), Internal Affairs submitted 18, and 39 were submitted from the Courts.

The vast majority of submissions from enforcement agencies have continued to relate to child sexual abuse images and text but 2017/18 also saw a continued volume of violent and potentially extremist material submitted to the Office. This violent material tested the boundaries of freedom of expression (especially on political or religious grounds) and has been amongst the most challenging material the Classification Office has been required to classify in recent years.

Not all of this material was classified as objectionable. For example, a video file submitted by Customs that depicted the killing of two men by uniformed soldiers and the machine gunning of a pile of bodies received an R18 classification.

In this particular video, the events were presented in a matter-of-fact and neutral manner. The activity did not appear to have been orchestrated, nor was there any attempt by the person filming it to influence what was happening. Although the killing was without context,



the way it played out elicited sympathy for the victims rather than admiration for, or understanding of, the killers' actions. Therefore the clip could not be said to promote or support extreme violence and cruelty.

Understanding the context is a vital part of classification. For example, the killing of the two men could be part of the civil unrest and conflict in the Middle East. The clip could also be a record of a war crime in which case its availability may have some wider benefit to the relatives and community of the victims of that crime. It is also possible that one or other of the parties in the clip may have terrorist affiliations and that the clip may depict an act of, or be a response to, wider terrorist activity. In the absence of any context, the Classification Office couldn't conclude that the clip promoted or encouraged crime or acts of terrorism.

Still, the clip showed real-life killing. It focused on the victims' suffering and would be shocking and repellent to most people. Children and teenagers are likely to be highly shocked and disturbed if they were to see this material hence the R18 classification.

Regrettably, the Classification Office never ceases to be surprised by the variety (and in many cases the depravity) of some of the material submitted by enforcement agencies as shown in following case study.

Case Study: The Hidden Camera at the Homestay

The Classification Office received seven video clips from Police. The clips were all surreptitious video recordings of young women using a bathroom. Each woman was filmed as they undressed before a shower and as they dried and dressed afterwards. The camera appeared to be positioned on a shelf facing the bathroom door. The women were clearly unaware that they are being filmed.

The recordings were edited into a commercial product. They began with an introductory caption stating "Bathroom voyeur of paying guest" and introduced each woman by their age, ethnicity and occupation.

Once the women left the bathroom, the recordings ended with a preview of another similar video featuring a woman removing her clothing and a caption such as "coming soon...20 year old from America". Finally a title screen invited viewers' feedback (identical in each video), stating "The end for now.. if you guys want me to post more comment/leave a thanks on the posts, 15 seconds of your time now means i am more motivated to post material for you guys later.."

The videos degrade and demean the subjects to a high extent and degree. The women are fully identifiable by clear shots of their faces and captions outlining their personal details. There are also captions making personal comments about the women. The captions vary, but all objectify female body parts. Many of these comments are degrading and in some cases mock the women and their bodies. The maker clearly revels in the fact that these women are unaware they are being filmed. The videos have then been disseminated via a pornographic website, further demeaning the women and violating their privacy.

The videos promote and encourage the illegal activity of covertly filming others to a high extent and degree. In one case the maker states that "it made me smile knowing he [the boyfriend] was unable to protect her and her privacy being violated as she strips for 1000's watching around the world."

All seven computer moving image files are classified objectionable. The owner was subsequently prosecuted and convicted of knowingly making objectionable publications, knowingly distributing objectionable publications, and of publishing intimate visual recordings.

Table 1: Publications Classified by Channel & Medium 2017/18

	ADVERTISING FOR PUBLICATIONS	OTHER MATERIAL	MAGAZINES/ BOOKS	COMPUTER MATERIAL (MOVING)	COMPUTER MATERIAL (NON-MOVING)	DIGITAL GAMES	DVDS	FILMS & FILM TRAILERS	TOTAL
Section 12(1) Labelling Body	126	0	0	0	0	82	465	436	1,109
Section 13(1)(a) Comptroller of Customs	0	0	5	3	0	0	0	0	8
Section 13(1)(ab) Commissioner of Police	0	4	1	117	463	0	0	1	586
Section 13(1)(b) Secretary for Internal Affairs	0	0	1	3	13	0	0	0	17
Section 13(1)(c) Public & Commercial	0	0	1	0	4	0	2	42	49
Section 13(3) Chief Censor's Own Motion	0	10	0	0	0	0	1	3	14
Section 29(1) Courts	0	0	0	6	33	0	0	0	39
Sections 42(1), (2) and (3) Reconsiderations	0	0	0	0	0	0	3	0	3
TOTAL	126	14	8	129	513	82	471	482	1,825

Table 2: Comparison of Publications Received 2008-2018

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Section 12(1) Labelling Body	1,114	1,195	2,315	1,852	1,741	1,998	1,886	1,798	2,234	2,165
Section 13(1)(a) Comptroller of Customs	8	6	13	5	8	1	3	35	53	40
Section 13(1)(ab) Commissioner of Police	536	401	131	127	155	44	49	192	279	167
Section 13(1)(b) Secretary for Internal Affairs	17	474	78	146	209	47	104	36	28	13
Section 13(1)(c) Public & Commercial	51	101	4	7	9	8	9	10	8	28
Section 13(3) Chief Censor's Own Motion	29	24	9	1	0	0	0	2	3	2
Section 29(1) Courts	39	89	6	16	116	100	30	109	145	174
Sections 42(1), (2) and (3) Reconsiderations	3	3	1	2	20	1	0	0	1	0
Regulation 27 Film Poster Approvals	0	0	0	0	1	3	6	12	12	12
TOTAL	1,797	2,293	2,557	2,156	2,259	2,202	2,087	2,194	2,763	2,601

Table 3: Comparison of Publications Examined 2008-2018

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Section 12(1) Labelling Body	1,100	1,323	2,220	1,955	1,587	1,957	1,816	1,829	2,238	2,165
Section 13(1)(a) Comptroller of Customs	8	6	13	5	8	1	38	0	57	36
Section 13(1)(ab) Commissioner of Police	537	396	131	173	115	47	33	242	284	129
Section 13(1)(b) Secretary for Internal Affairs	18	486	65	183	194	24	100	36	31	20
Section 13(1)(c) Public & Commercial	49	100	4	7	9	8	11	8	26	10
Section 13(3) Chief Censor's Own Motion	18	24	8	1	0	0	0	2	4	1
Section 29(1) Courts	39	95	0	16	115	111	22	125	130	161
Sections 42(1), (2) and (3) Reconsiderations	3	3	4	15	3	1	0	0	1	0
Regulation 27 Film Poster Approvals	0	0	0	0	1	3	6	13	13	13
TOTAL	1,772	2,433	2,445	2,355	2,032	2,152	2,026	2,255	2,784	2,535

Table 4: Comparison of Publications Classified 2008-2018

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Section 12(1) Labelling Body	1,109	1,327	2,219	1,958	1,594	1,942	1,830	1,814	2,263	2,189
Section 13(1)(a) Comptroller of Customs	8	10	9	5	8	1	38	0	57	36
Section 13(1)(ab) Commissioner of Police	586	344	111	173	115	47	33	253	293	109
Section 13(1)(b) Secretary for Internal Affairs	17	509	39	183	194	34	90	36	31	20
Section 13(1)(c) Public & Commercial	49	99	5	7	8	8	11	8	26	10
Section 13(3) Chief Censor's Own Motion	14	24	8	1	0	0	1	1	5	0
Section 29(1) Courts	39	95	0	16	134	92	22	135	123	158
Sections 42(1), (2) and (3) Reconsiderations	3	3	4	18	0	1	0	0	1	0
Regulation 27 Film Poster Approvals	0	0	0	0	1	3	6	13	13	13
TOTAL	1,825	2,411	2,395	2,361	2,054	2,128	2,031	2,260	2,812	2,535

Information Public Engagement and Research

As an Independent Crown Entity entrusted with protecting children and young people from media and content that may be harmful to them, the Office of Film and Literature Classification (OFLC) has a long history of engagement with youth. The need to have effective systems for protection of children from adult or prohibited material is recognised in international convention – the United Nations Convention of the Rights of the Child (UNCROC) requires that parties:

‘encourage the development of appropriate guidelines for the protection of the child from information and material injurious to his or her well-being’ (Article 17(e)).

“...in other words, the existence of film classification is required to respect children’s rights.” (Covell, 2017).

UNCROC (and our own Bill of Rights) also requires that children and young people have their right to freedom of expression respected, including the right to seek, receive and impart information and ideas of all kinds, and that any restriction on this right must be necessary and provided by law (UNCROC Article 13).

In order to get the balance right, particularly in an area as challenging and dynamic as media regulation, it is vital to listen to (and engage with) children and young people.

We already have a good foundation for this. New Zealand’s classification system and the OFLC have been

ranked in a [study](#) published in *‘The International Journal of Children’s Rights’* as having one of the highest levels of youth participation in the world, ahead of many usual comparators such as the UK, Australia and the USA. This is good, but as a regulator operating in a rapidly changing digital environment, we know we have to do better. This year we established processes that were not merely consultative, but truly placed the views, concerns and needs of young people at the heart of our decision-making.

Pilot Youth Advisory Panel



Chief Censor David Shanks and the Classification Office YAP working group (L-R) Charlie Wilkinson, Paul Hung and Georgia Davidson

The establishment of a Pilot Youth Advisory Panel emerged as a key initiative that could support our kaupapa above. Embracing the younger generation’s perception makes way for fresh and innovative ideas and adheres to the commitment of Te Tiriti o Waitangi and international obligations that focus on the rights of rangatahi.

The OFLC Pilot Youth Advisory Panel consists of 12 young people aged 16-19 sourced from the Wellington region.

United Nations Convention of the Rights of Children (General Assembly, 1989)

Article 12

1. States Parties shall assure to the child who is capable of forming his or her own views the right to express those views freely in all matters affecting the child, the views of the child being given due weight in accordance with the age and maturity of the child.

2. For this purpose, the child shall in particular be provided the opportunity to be heard in any judicial and administrative proceedings affecting the child, either directly, or through a representative or an appropriate body, in a manner consistent with the procedural rules of national law.

Article 13

1. The child shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of the child’s choice.

2. The exercise of this right may be subject to certain restrictions, but these shall only be such as are provided by law and are necessary.

The Panel informs and consults with the OFLC on a variety of projects concerning classification decision-making and research, and how they affect young people. They are assisting with planning and executing youth-targeted projects and developing resources for the Minds Over Media brand.

We share the Youth Advisory Panel with the Wellington Police as part of an inter-agency collaboration, sharing the costs and providing a wider range of experiences for the young people involved.

It is vital to note that the expectation of the members of the Youth Panel may not be wholly representative of the general youth population and are in no way expected to represent the voices of all young New Zealanders.

Research Project: *Youth and Porn - How and Why Young New Zealanders are Viewing Online Pornography*

The Office of Film & Literature Classification commenced the first phase of a two-stage research project, *Youth and Porn – how and why young New Zealanders are viewing pornography*.

This phased approach consists of a nationally representative quantitative survey (2018) which will in turn inform a qualitative phase (2019).

We expect this research to fill important gaps in understanding by asking people about prevalence and frequency of viewing pornography, as well as what they see in the pornography they are viewing.

There is ongoing debate about whether correlational studies of potential harms of pornography (for example an increase in sexual aggression, coercion or risky sexual behaviours) also imply causation. Nonetheless, research suggests that pornography can have significant effects on the attitudes and behaviours of young people, and while there is a lot of debate about the effects of pornography on adults, no one disputes the fact that porn is not for kids – they are simply not psychologically and developmentally equipped to deal with it. In any case, there is already a large body of existing international research about the potential impacts of pornography, and this is not the focus of our initial research phase.

For the New Zealand context, following consultations with

a variety of agencies and researchers we have identified a need for robust, up-to-date evidence about the scope of the issue. At the end of the fourth quarter, we appointed Colmar Brunton as the preferred provider to conduct the stage 1 nationally representative quantitative survey of just over 2,000 14-17-year-olds, almost one percent of the entire national cohort. Survey questions were finalised after close consultation with agency representatives and academics working/studying in the area of pornography, media studies, sexual violence etc. The project will continue throughout 2018-2019.

The research will inform policy responses to young people's use of online pornography by providing interested stakeholders and the wider public with both quantitative and qualitative data.

The Films, Videos, and Publications Classification Act 1993 requires the OFLC to undertake research to enable it to perform its functions effectively. It is important for the Classification Office to be informed about both academic arguments and public opinions on various aspects of censorship and media. Each year the Classification Office conducts research into areas relevant to our work. As a state-mandated Independent Crown Entity, we take seriously our obligation to take a neutral, evidence-led approach to any research work we undertake.

Secondary Schools Education Programme



Students participating in the Censor for a Day programme

The 2017-2018 Censor For A Day school education programme was delivered in Wellington, Auckland, Tauranga, Hamilton, Taranaki, Manawatu and Hawke's Bay.

We presented to approximately 800 students and 56 teachers from 37 schools. Students watched one of three

films – *Super Dark Times*, *Super Troopers 2* and *Blockers*, which had all recently been classified.

Censor for a Day gives senior media students in New Zealand a first-hand experience of how the classification system for entertainment media works in New Zealand. The programme is not only about teaching young people about the classification system, it's about hearing their views on the role of censorship in our society. As always, the views of participating students were thoughtful, constructive, and sometimes challenging. We are grateful for the chance to hear them.

13 Reasons Why: Season 2



The laws around classification of online (video on demand) content in New Zealand mean that Netflix isn't required to get its content classified before release.

However the Classification Office can require that specific content is classified if there are concerns that it might be harmful to the public. Given the level of public concern about the first *13 Reasons Why* series, we were prepared for *13 Reasons Why: Season 2* when it released in May 2018, and Netflix gave us access to the show on request prior to its release.

We consulted with the Mental Health Foundation in classifying the series as RP18 with a warning that it contains rape, suicide themes, drug use, and bullying. This classification allows young people to access it in a similar fashion to the first season, while requiring the support from an adult they need to stay safe and to process the challenging topics in the series.

Netflix is required to clearly display the classification and warning.

Chief Censor David Shanks warned parents and caregivers that if a young person in their care was planning to watch

the show, they should sit down and watch it with them – if not together then at least around the same time. That way they could at least try to have informed and constructive discussions with them about the content.

For parents and caregivers who don't have time to watch the entire series, the Classification Office also worked with the Mental Health Foundation to produce an **episode-by-episode** guide for parents/caregivers containing synopses of problematic content, and conversation starters to have with teens.

Public Education: Minds Over Media 'Watch Carefully; Think Critically'

As part of our Minds Over Media 'Watch Carefully; Think Critically' campaign, the Office of Film and Literature Classification produced a helpful parent guide, *Challenging Media Content: Talking with young people about what they're watching*.

The guide encourages parents and teenagers to think critically about what they view and includes advice for parents on how to discuss sensitive or complex issues; and how to support their teen if they're distressed by something they have watched.

We also produced a range of videos featuring youth health advocate, **Dr Sue Bagshaw** with advice on **how to talk to young people about a range of topics, including suicide and bullying**.



It's not everyone's fiction – be careful what you share'

Another component of our Minds Over Media campaign involved contracting two young filmmakers, Finn Culver and Grace Medicott to develop a social media video campaign targeting young people.



Finn Culver



Grace Medicott

We granted the 15-year-olds a wide open brief and full creative licence to come up with a video that shared their chosen message, *'It's not everyone's fiction – be careful what you share'*. They were mentored by the creative team at Wellington's **Capital E**, led by Melissa Conway.

The short film, which Grace produced and Finn directed, focuses on the ways that personal experiences shape individual responses to media – and what's ok for one person might not automatically be ok for another. Grace describes it as “centering on the idea that somebody wants their friend to watch something that they are not comfortable watching.”

Statements of the
OFFICE OF
FILM & LITERATURE CLASSIFICATION
TE TARI WHAKARŌPŪ TUKUATA, TUHITUHINGA

for the year ended 30 June 2018

STATEMENT OF RESPONSIBILITY

For the Year Ended 30 June 2018

The Board is responsible for the preparation of the Office of Film and Literature Classification's (Classification Office) financial statements and statement of service performance, and for the judgements made in them.

The Board is responsible for any end of year performance information provided by the Classification Office under section 19A of the Public Finance Act 1989.

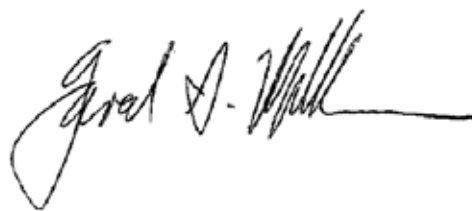
The Board of the Classification Office has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Classification Office for the year ended 30 June 2018.

On behalf of the Board of the Office of Film and Literature Classification



D E Shanks
Chairperson



J S Mullen
Deputy Chairperson

31 October 2018

Independent Auditor's Report
**To the readers of the Office of Film and Literature
Classification's financial statements and performance
information for the year ended 30 June 2018**

The Auditor-General is the auditor of the Office of Film and Literature Classification (the Office). The Auditor-General has appointed me, John Whittall, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, of the Office on his behalf.

Opinion

We have audited:

- the financial statements of the Office on pages 33 to 47, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Office on pages 7 to 19 and 25 to 32.

In our opinion:

- the financial statements of the Office on pages 33 to 47.
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Account Standards, with reduced disclosure regime; and
- the performance information on pages 7 to 19 and 25 to 32:
 - presents fairly, in all material respects, the Office's performance for the year ended 30

June 2018, including:

- for each class of reportable outputs:

- its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we explain the appropriateness of the use of the going concern assumption. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Appropriateness of the use of the going concern assumption

Without modifying our opinion, we draw your attention to the disclosure in note 1 on page 37 about the use of the going concern assumption for preparing the Office's financial statements. The disclosure highlights the Office's recent financial performance and that it is continuing to forecast deficits into the foreseeable future, and it explains the uncertainties surrounding its forecast revenue and expenses. These matters indicate that a material uncertainty exists that may cast significant doubt on the Office's ability to continue as a going concern. We consider the disclosure to be adequate.

Basis for our Opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Office for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Office for assessing the Office's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Office, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Office's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Office's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the

performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information obtained at the date of signing our opinion comprises the information included on pages 3 to 55 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Office in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Office.



John Whittal
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

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). The appropriation for this output class is \$1,960,000. The scope of the appropriation is:

"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 also receives revenue from fees paid by third parties and other sundry revenue. A shortfall in forecast revenue will be met by cash reserves.

Revenue and Proposed Expenses	Ex GST \$'000
Crown Appropriation	1,960
Third Party Revenue	550
Interest & Sundry Revenue	44
Total Revenue	2,554
Expenses	3,097
Expected Surplus/(Deficit)	(543)

CLASSIFICATION SERVICES

(Report against Statement of Performance Expectations 2017-2018)

OUTPUT 1 - PRODUCTION OF CLASSIFICATION DECISIONS

QUANTITY & QUALITY	Minimum Estimate	Maximum Estimate		Actual 2018	Actual 2017
Publications Received	1,175	2,012	1,797	✓	2,293
Publications Examined	1,175	2,012	1,772	✓	2,433
1.1.1 Third Party - Publications Classified	792	1,114	1,161	✓	1,429
1.1.2 Crown - Publications Classified	383	898	664	✓	982
1.1.3 Classification Decisions Registered	1,175	2,012	1,825	✓	2,411

Quality	Notes	Target	Actual 2018	Actual 2017
1.2.1 Classification decisions to set standard	1	95%	99.6% ✓	99.4%
1.2.2 Classification decisions	2,3			
(a) apply all relevant criteria		95%	Not assessed (See discussion at Note 3)	100%
(b) are soundly reasoned		95%		100%
(c) are written in a style accessible to a range of readers		95%		Not Assessed
1.2.3 Classification decisions are appropriately classified	4,5	95%	41.3% ✗	30.0%

Note 1: Quality of Classification Decisions

The quality measure target of 95% requires that classification decisions and directions are consistent with the standards set down in the *Classification Office Practice Manual*. The size of the sample consists of at least 15% of the total number of publications classified, with this figure comprising at least 15% from each submission channel employed for the period in question.

Note 2: Independent Review

To assess performance on this measure a representative sample of written classification decisions are externally reviewed, usually by a specialist in classification law, to ensure that the decisions apply all relevant legislative criteria and are soundly reasoned.

Reviews typically place an emphasis on the first aspects of the standard and focus on the legal requirements of the Office's written decisions - do the decisions apply all relevant legislative criteria, taking account of relevant administrative law principles and were the decisions soundly reasoned? More recently we asked our reviewers to assess whether our decisions were written in a style which is accessible to a range of readers (1.2.2(c)). The Office used specialists in plain language writing. Plain language documents support fair, efficient, and transparent communication.

Note 3: Independent Review not conducted

During 2017/18 our written classification decisions were not externally reviewed.

In response to suggestions for improvements made in the previous review, the Office introduced a new drafting process designed to focus the classifier's attention to the decision logic and rationale in a non-legalistic style and introduced website summaries for decisions which were of particular interest to the public.

During 2017/18 the templates used to support full written decisions were reviewed and updated. This work was conducted by experienced, legally qualified staff, who also produced extensive supporting material. This work factored in both legal and 'plain English' recommendations. This program of work was completed in June 2018.

Two factors contributed to the decision not to conduct a review at this point. From a practical perspective there was not a sufficient pool of material which was based on the new document templates to enable feedback which could be generalised. Secondly, and more significantly, the focus on written legal decisions as a measure of classification performance is counter to the strategic direction of the Office. We are increasingly focused on supporting New Zealanders to engage with media in a conscious and critical manner.

Classification activity has continued strong performance on internal quality standards. These standards are supported by well-established processes and workflow management tools which include peer review. Complaints about classification decisions made by the Office remain stable and do not indicate any general concern from members of the public. These factors provide assurance that classification standards are being maintained.

Note 4: Appropriate Classification Decisions

To achieve this measure at least 95% of Board of Review decisions issued over a 5 year period are the same as, or lower than, decisions issued by the Office.

Correct and consistent application of the law should result in similar classifications by the Office and the Board of Review. The Classification Office monitors classification decisions which are issued by the Board of Review to identify any significant divergence in classifications, or the rationale of classification decisions, between the Office and the Board of Review. Divergence could indicate that publications were not appropriately classified.

TIMELINESS PERFORMANCE ⁶

			Target ⁷		No. of Pubs	Actual 2018			Actual 2017
			Days	%		No.	%		%
Total Processing Time									
1.3.1	Standard s12 & s42		30	90%	1,108	1,106	100%	✓	99.8%
1.3.2	Complex s12 & s42		35	70%	0	0	-	-	100%
1.3.3	s13		55	70%	665	624	94%	✓	96%

Note 5: Quality Measure not achieved

The quality measure which relates to Board of Review decisions was not achieved.

During the five years to July 2018 the Board of Review made decisions relating to 63 publications. Of this total:

- 7 of publications received lower classifications than that made by the Office,
- 19 publication received the same classification and
- 37 publications were given a higher restriction.

A result of 41.3% was achieved against a target of 95%.

In the two-year period between 2014-2016 the Board of Review made 3 decisions which have particular bearing on this performance measure (and one of these decisions related to 28 images). The Office has reviewed and considered the decisions made by the Board and has incorporated some relevant points into our decision process.

In the 12 months to June 2018 the Board issued 2 decisions which related to 15 publications. These decisions resulted in 13 (87%) of the publications receiving the same classification as issued by the Office

Note 6: Timeliness Definitions

- The distinction between 'standard' and 'complex' publications is based on the need to consider excisions. Complex publications are those publications for which excisions have been recommended.
- Performance on Total Processing Time is calculated on publications registered during the reporting period.
- Publications requiring assistance under s21 of the Act and s29 (Crown) submissions are excluded from timeliness measures.

Note 7: Timeliness Target

Timeliness targets are set by the Office, not in legislation. The Act requires the Office to examine publications submitted 'as soon as practicable'.

Classification Analysis

Performance by Section of the Act against Estimates

	Minimum Estimate	Maximum Estimate	Actual 2018	Actual 2017
Section 12 - Labelling Body				
Publications Received	744	1,026	1,114	1,195
Publications Examined	744	1,026	1,100	1,323
Classifications Registered	744	1,026	1,109	1,327
Regulation 27 - Film Poster Approvals				
Publications Received	3	6	0	0
Publications Examined	3	6	0	0
Film Poster Decisions	3	6	0	0
Section 13(1)(a) - Comptroller of Customs				
Publications Received	6	12	8	6
Publications Examined	6	12	8	6
Classifications Registered	6	12	8	10
Section 13(1)(ab) - New Zealand Police				
Publications Received	162	240	536	401
Publications Examined	162	240	537	396
Classifications Registered	162	240	586	344
Section 13(1)(b) - Secretary for Internal Affairs				
Publications Received	134	508	17	474
Publications Examined	134	508	18	486
Classifications Registered	134	508	17	509
Section 13(1)(c) - Chief Censor Grants Leave (Commercial & Public)				
Publications Received	42	76	51	101
Publications Examined	42	76	49	100
Classifications Registered	42	76	49	99
Section 13(3) - Chief Censor's Own Motion				
Publications Received	15	26	29	24
Publications Examined	15	26	18	24
Classifications Registered	15	26	14	24

	Minimum Estimate	Maximum Estimate	Actual 2018	Actual 2017
Section 29 (1) - Courts				
Publications Received	66	112	39	89
Publications Examined	66	112	39	95
Classifications Registered	66	112	39	95

Sections 42(1), (2) & 3 - Reconsiderations

Publications Received	3	6	3	3
Publications Examined	3	6	3	3
Film Poster Decisions	3	6	3	3

SUMMARY

Publications Received For the Year	1,175	2,012	1,797	2,293
Publications Examined	1,175	2,012	1,772	2,433
Classifications and Film Poster Decisions	1,175	2,012	1,825	2,411

	Variance from Minimum Estimate	Variance from Maximum Estimate
VARIANCES		
Actual Received vs Estimate	53%	(11%)
Actual Examined vs Estimate	51%	(12%)
Actual Classifications Registered vs Estimate	55%	(9%)

Note 1:

These figures in the estimated range have been rounded to the nearest whole number.

Note 2:

Publications Received may be Examined and/or Registered in the next year.

Publications Examined and/or Registered may have been Received in the previous year.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

INFORMATION SERVICES

(Report against Statement of Performance Expectations 2017-2018)

OUTPUT 2 - DISSEMINATION OF INFORMATION

Activity 2.1 Development of a Quality Web Presence

	TARGETS	ACTUAL 2018	ACTUAL 2017
Quantity			
2.1.1 Number of visits to the Classification Office websites (average per day)	250	312 ✓	316
Quality			
2.1.2 Website regularly updated with Editor and Moderator approved content	New content added every month 12-36 items each year	✓ 51	New measure (Not measured in 2016/17)

Activity 2.2 Public Engagements

	NOTES	TARGETS	ACTUAL 2018	ACTUAL 2017
Quantity				
2.2.1 Number of public engagement activities	1	15-20	90 ✓	10
Quality				
2.2.2 Responses to client satisfaction surveys 'Very Good', or better	2	80%	71% ✗	100%

Note 1: Increase in Public Engagement Activities

There was a significant increase in the number of public engagement activities conducted during 2017/18. This activity area has previously focused on educational presentations however the Office is now strongly focused on a wide range of public engagement activities. During 2017/18 this included consultation with parents, youth, and NGO agencies on topics including the development of the Minds Over Media educational campaign, the development and implementation of our youth engagement strategy, presentation of the Office's research

Young New Zealander's Viewing Sexual Violence as well as consultation on classification matter such as the shows *To the Bone* and *13 Reasons Why: Season 2*.

Note 2: Public Engagements - measure not achieved

These surveys are used for our larger formal engagements, e.g. Censor For A Day and Rotary Club talks.

Feedback in relation to one of our Censor For A Day events widely varied. While some teachers indicated that their students enjoyed learning about the classification system

OUTPUT 3 – INQUIRIES AND COMPLAINTS

	NOTES	TARGETS	ACTUAL 2018	ACTUAL 2017
Quantity				
3.1 Number of inquiries and complaints answered		600-800	610 ✓	688
Quality				
3.2 Responses to 'request for feedback' on inquiries and complaints service are 'Satisfied with service'	3	80%	94.4% ✓	100%
Timeliness				
3.3 Inquiries and complaints responded to promptly		80% within 5 days	94% ✓	91%
		100% within 20 days	100% ✓	99.7%

and that C4AD was the highlight of their term, others did not enjoy the film, were offended by the sex and language it contained and one teacher commented that the film did not challenge their students' analytical and intellectual capacities.

1. Did I adequately address your questions? Yes/No
2. Were you satisfied with my overall response? Yes/No
3. Was there something I could have done to make this response more helpful? If so, please let me know."

Note 3: Inquiries and Complaints

Complaints covered a range of issues with the classification system. The films and series that members of the public were most concerned about and requested higher classifications for included *Show Dogs* (7), *Bladerunner* (4), *The Breaker Uppers* (3), and, *Kingsman - Golden Circle* (2).

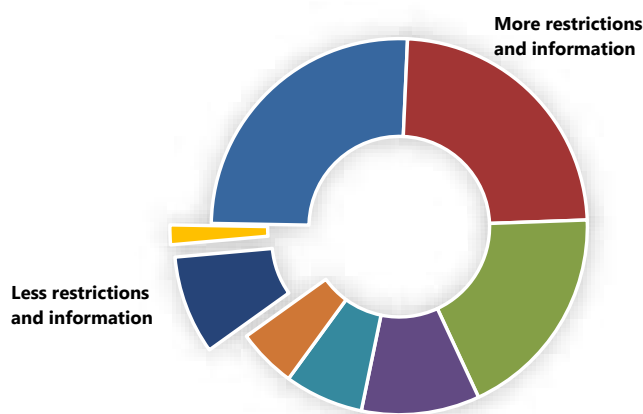
People who make an substantive written inquiry or complaint (including those considered to be an Official Information Act request) in writing via email are surveyed on our response to them. The purpose of the survey is to provide evidence about the quality of the responses we provide about the operation of the classification system under s88 of the Classification Act. The response rate for the survey is 6.2%. The survey questions are included at the bottom of our email signatures. Responses are entirely optional, i.e. we do not solicit responses.

Correspondents are asked:

"I would be grateful if you could give me some feedback via return email about my response to your inquiry/complaint:

Chart 5: Complaints Analysis

Complainants who want more restrictions		
●	Specific Rating too Low	25%
●	Why Isn't this classified?	24%
●	Specific Rating too Low (Cross-rated)	19%
●	Inadequate Labelling	10%
●	Inappropriate trailers	7%
●	General - Ratings are too Low	5%
Complainants who want less restrictions		
●	Specific Movie - Rating too high	8%
●	Why can't I take my baby to an R...	2%



OUTPUT 4 - RESEARCH

	NOTES	TARGETS	ACTUAL 2018	ACTUAL 2017
Quantity				
4.1 Research papers per year		1	1 ✓	2
Quality				
4.2 Published research helps inform the wider public about censorship issues		Research reports make up at least 10% of resources downloaded	27% ✓	26%
Timeliness				
4.3 Research findings are published within 1 month of report being finalised	4	100%	100% ✓	100%

Note 4:

This relates to the research conducted in the prior year.

Research conducted by the Office serves several purposes. It provides an evidence base to censorship policy-making. Published research is also intended to inform the wider public about censorship issues. Research conducted by the Office increases general understanding of people's attitudes and behaviours, fosters informed debate, and helps individuals understand the nature of injury to the individual, or society, of harmful publications.

The website is the main point of access to the Office's research and contains research published by the Office since 2001. If the Office's research is considered of

high value and quality it will continue to be accessed by researchers, students and others and will remain relevant over time.

At the end of the fourth quarter, we appointed Colmar Brunton as the preferred provider to conduct the stage 1 nationally representative quantitative survey of just over 2,000 14-17-year-olds, almost one percent of the entire national cohort. Survey questions were finalised after close consultation with agency representatives and academics working/studying in the area of pornography, media studies, sexual violence etc.

The project will continue throughout 2018-2019.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	ACTUAL 2018 \$'000	BUDGET 2018 \$'000	ACTUAL 2017 \$'000
REVENUE				
Revenue from the Crown	2	1,960	1,960	1,960
Labelling Body Revenue		616	550	692
Other Fee Revenue		2	0	1
		2,578	2,510	2,653
OTHER REVENUE				
Interest Revenue		29	44	33
Sundry Revenue		2	0	1
Gain On Sale Of Fixed Assets		0	0	1
		31	44	35
Total Revenue		2,609	2,554	2,688
EXPENSE				
Audit Fee		31	34	30
Depreciation & Amortisation Expense	8,9	209	220	206
Insurance Costs		14	17	13
Loss On Sale of Fixed Assets		0	0	7
Lease & Rental Costs		198	203	203
Other Operating Costs		608	639	595
Personnel Costs	15	2,441	1,984	2,066
Total Expense		3,501	3,097	3,120
Surplus/(Deficit)		(892)	(543)	(432)
Other Comprehensive Revenue		0	0	0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		(892)	(543)	(432)

Note: Explanations of major variances are provided in note 19.

Note: The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	ACTUAL 2018 \$'000	BUDGET 2018 \$'000	ACTUAL 2017 \$'000
Balance at 1 July 2017		1,871	2,072	2,303
Surplus/(Deficit)		(892)	(543)	(432)
Comprehensive Revenue and Expense		(892)	(543)	(432)
Balance at 30 June 2018	17	979	1,529	1,871

Note: The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	ACTUAL 2018 \$'000	BUDGET 2018 \$'000	ACTUAL 2017 \$'000
CURRENT ASSETS				
Cash & Cash Equivalents	3	623	434	620
Debtors & Other Receivables	4	79	96	80
Investments	5	0	665	815
Total Current Assets		702	1,195	1,515
CURRENT LIABILITIES				
Creditors & Other Payables	6	146	147	168
Employee Entitlements	7	175	154	196
Total Current Liabilities		321	301	364
Net Current Assets		381	894	1,151
NON-CURRENT ASSETS				
Property, Plant & Equipment	8	201	260	216
Intangible Assets	9	397	375	504
Total Non-Current Assets		598	635	720
Net Assets		979	1,529	1,871
<i>Represented By:</i>				
EQUITY				
Closing Equity	17	979	1,529	1,871
TOTAL EQUITY		979	1,529	1,871

Note: The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	ACTUAL 2018 \$'000	BUDGET 2018 \$'000	ACTUAL 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash was provided from:</i>				
Receipts from the Crown		1,960	1,960	1,960
Receipts from Customers		618	554	704
Interest Received		31	44	36
Net Goods & Services Tax Received		0	377	0
		2,609	2,935	2,700
<i>Cash was distributed to:</i>				
Net Goods & Services Tax Paid		2	377	9
Payment to Suppliers & Employees		3,332	2,874	2,807
		3,334	3,251	2,816
Net Cash Flow from Operating Activities		(725)	(316)	(116)
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment		0	0	40
Sale of Intangibles		0	0	0
Sale of Investments		815	150	0
		815	150	40
<i>Cash was distributed to:</i>				
Purchase of Property, Plant & Equipment		70	66	77
Purchase of Intangibles		18	14	0
Acquisition of Investments		0	0	0
		88	80	77
Net Cash Flow from Investing Activities		727	70	(37)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Cash Flow from Financing Activities		0	0	0
Net Increase/(Decrease) in Cash & Cash Equivalents		3	(246)	(153)
Cash & Cash Equivalents at Beginning of Year		620	680	773
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	3	623	434	620

Note: The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

Note: The accompanying accounting policies and notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Office of Film and Literature Classification is a Crown 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 of Film and Literature Classification's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the Classification Office has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the Classification Office are for the year ended 30 June 2018 and were approved by the Board on 31 October 2018.

Statement of Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Office of Film and Literature Classification (OFLC) will be able to continue to operate and meet its debts as they fall due.

The OFLC has incurred a net deficit of \$892,000 in 2018, this is the third consecutive year a net deficit has been reported. The OFLC has experienced significant reduction in the number of labelling body submissions over the past few years due to obsolescence of mediums like DVD's. The current level of deficit is likely to continue with deficit of \$330,000 forecast from 2019.

The Board has conducted a going concern assessment which is based on estimates of revenue and expenditure and is satisfied that the OFLC is a going concern. The Board has formed this view after considering the following:

- As at 31 August 2018, the number of commercial submissions was at the upper end of the forecast estimates. Commercial submissions for the 1st quarter 2018/19 remain in the upper end of the forecast estimates (at 297). Revenue is close to budget with a negative budget variance from the Labelling Body of \$9,200, as at the end of the first quarter.
- An organisational change programme carried out in 2017/18 has slowed the erosion of cash reserves, and reduced classification staffing by 40%.

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.

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Classification Office 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:

Property, plant & equipment useful lives and residual value

At each balance date the Classification Office 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 Classification Office to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Classification Office, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Comprehensive Revenue and Expenses, and carrying amount of the asset in the Statement of Financial Position. The Classification Office minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programmes;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

No significant changes were made to the estimates of the useful life or residual value of property, plant and equipment during the year. The carrying amounts of property, plant and equipment are disclosed in note 8.

Critical Judgements in Applying the Classification Office's Accounting Policies

Management has exercised the following critical judgements in applying the Classification Office's accounting policies for the period ended 30 June 2018:

Lease classifications

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Classification Office.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The Classification Office has exercised its judgement on the appropriate classification of equipment leases.

Basis of Preparation

Statement of compliance

The Financial Statements of the Classification Office 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 Classification Office is a public sector Public Benefit Entity and has elected to prepare these Financial Statements in accordance with 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 throughout the year.

Measurement base

The Financial Statements have been prepared on the historical cost basis.

Functional and presentation currency

The Financial Statements are presented in New Zealand dollars (\$), which is the Classification Office's functional currency. All financial information is presented in New Zealand dollars.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies

that are consistent with those adopted by the Classification Office in the preparation of the Financial Statements.

Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Revenue

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

Crown revenue

The Classification Office is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Classification 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. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Other revenue

Labelling Body income, other fee income and sundry income are recognised when earned and is reported in the financial period to which they relate.

Expenses

Operating Lease

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Classification 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 Classification Office has no finance leases.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Classification 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 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 and 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 Classification 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 disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the 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 licenses are capitalised on the basis of the costs incurred to acquire and bring in 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 Classification 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
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 Classification 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

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to the balance date 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 defined contribution superannuation scheme and is recognised as an expense in the Statement of Comprehensive Revenue and Expenses as incurred.

Provisions

The Classification Office recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, 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 & services tax

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 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 Classification Office is exempt from the payment of income tax in terms of the First Schedule to the Films, Videos, and Publications Classification Act 1993.

Cost of service statements

The Resources Employed statements, as reported in the Statement of Objectives and Service Performance, report the net cost of services for the outputs of the Classification Office and are represented by the costs of providing the output less all the revenue that can be allocated to these activities.

Cost Allocation: The Classification Office has derived the net cost of service for each significant activity of the Office using the cost allocation system outlined below.

Definition of Terms: Direct costs are those costs which are directly attributable to output classes. Indirect costs are all other costs that cannot be identified with output classes in an economically feasible manner. These costs include financial and administration costs, property costs, depreciation and computing costs.

Method of Assigning Costs to Output Classes: Direct costs that can be readily identified with a single output are assigned directly to that output class. For example, personnel costs are charged on the basis of actual time incurred.

Indirect costs are allocated to output classes based on a mix of salary costs, floor space, staff numbers and time spent on each output.

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 when the contingency is evident.

NOTE 2: RECONCILIATION OF CROWN REVENUE RECEIVED	2018 \$'000	2017 \$'000
Funds received from Vote: Internal Affairs regarding the Estimates of Appropriations (net GST)	1,960	1,960
Crown Revenue Per Accounts as at 30 June	1,960	1,960

The Classification Office has been provided with funding from the Crown for the specific purposes of the Classification Office as set out in its founding legislation and the scope of the relevant Government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding (2017: nil).

NOTE 3: CASH & CASH EQUIVALENTS	2018 \$'000	2017 \$'000
Petty Cash	0	0
Operating Accounts	264	46
Deposits ≤ 90 days	359	574
Total Cash & Cash Equivalents	623	620

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

NOTE 4: DEBTORS & OTHER RECEIVABLES	2018 \$'000	2017 \$'000
Interest Receivable	2	4
Sundry Debtors	0	0
Prepayments	24	24
Trade Debtors	53	52
	79	80
Less Provision for Doubtful Debts	0	0
Total Debtors & Other Receivables	79	80

As at 30 June 2018 all receivables have been assessed for impairment. The carrying value of receivables approximates their fair value. All receivables are resultant from exchange transactions.

NOTE 5: INVESTMENTS	2018 \$'000	2017 \$'000
Term deposits > 90 days	0	815
Total Investments	0	815

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and returned to the operating cheque account on maturity.

NOTE 6: CREDITORS & OTHER PAYABLES	2018 \$'000	2017 \$'000
Trade Creditors	87	95
Income in Advance	15	16
Sundry Creditors	28	42
GST	16	15
Total Creditors & Other Payables	146	168

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value. With the exception of GST payable all creditors are resultant from exchange transactions.

NOTE 7: EMPLOYEE ENTITLEMENTS	2018 \$'000	2017 \$'000
Accrued Annual Leave	135	142
Provision for Staff Accrued Personnel Costs	37	42
Long Service Leave	1	12
Sick Leave Provision	2	0
Total Employee Entitlements	175	196

The value of long service leave is calculated on an employee's current hourly rate and the number of days employees have available. Long Service leave is available to employees based on their individual employment agreements.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Movements for each class of assets are as follows:

Cost or Valuation	Computer Hardware \$'000	Fit Out \$'000	Furniture & Fittings \$'000	Office Equipment \$'000	Other Equipment \$'000	Technical Equipment \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2016	251	306	290	38	15	34	33	967
Balance at 30 June 2017	280	306	290	38	16	33	0	963
Additions	69	0	1	0	0	0	0	70
Disposals	(1)	0	(1)	0	0	0	0	(2)
Balance at 30 June 2018	348	306	290	38	16	33	0	1,031

Accumulated Depreciation & Impairment Losses	Computer Hardware \$'000	Fit Out \$'000	Furniture & Fittings \$'000	Office Equipment \$'000	Other Equipment \$'000	Technical Equipment \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2016	235	118	251	38	13	28	15	698
Balance at 30 June 2017	242	168	256	38	14	29	0	747
Depreciation Expense	25	51	5	0	1	2	0	84
Eliminate on Disposal	(1)	0	0	0	0	0	0	(1)
Balance at 30 June 2018	266	219	261	38	15	31	0	830

Carrying Amounts								
At 30 June 2016	16	188	39	0	2	6	18	269
At 30 June 2017	38	138	34	0	2	4	0	216
At 30 June 2018	82	87	29	0	1	2	0	201

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (Continued)

Restrictions

There are no restrictions over the Classification Office's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

NOTE 9: INTANGIBLE ASSETS

Movements for each class of intangible assets are as follows:

Cost or Valuation	Computer Software \$'000	Classification Database \$'000	Work In Progress \$'000	Total \$'000
Balance at 1 July 2016	81	1,828	0	1,909
Balance at 30 June 2017	81	1,828	0	1,909
Additions	0	0	18	18
Net transfer between classes	0	0	0	0
Balance at 30 June 2018	81	1,828	18	1,927

Accumulated Amortisation & Impairment Losses	Computer Software \$'000	Classification Database \$'000	Work In Progress \$'000	Total \$'000
Balance at 1 July 2016	81	1,200	0	1,281
Balance at 30 June 2017	81	1,324	0	1,405
Amortisation Expense	0	125	0	125
Balance at 30 June 2018	81	1,449	0	1,530

Carrying Amounts				
At 30 June 2016	0	628	0	628
At 30 June 2017	0	504	0	504
At 30 June 2018	0	379	18	397

The Classification Database Application (CDA) is internally generated software which largely comprises an interactive database. The CDA holds all classification records of the Office, produces the register of decisions of the Office (as required under the FVPC Act) and is our main workflow management tool. The CDA was brought into production in 2008/09 and will be fully depreciated in 2019/20.

Restrictions

There are no restrictions over the Classification Office's intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 10: FINANCIAL INFORMATION

The carrying amounts of financial assets and liabilities in each of the financial instruments categories are as follows:

	2018 \$'000	2017 \$'000
Financial Assets		
Cash and Equivalents	623	620
Receivables	56	56
Investments - Term Deposits	0	815
Total Financial Assets	679	1,491
Financial Liabilities		
Creditors and other Payables	146	168
Total Financial Liabilities	146	168
Total	533	1,323

NOTE 11: RELATED PARTY INFORMATION

The Office of Film & Literature Classification is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition not more or less favourable than those that it is reasonable to expect the Classification Office would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown Entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

NOTE 12: REPAYMENT OF PROFIT TO THE CROWN

Under Section 16 of the Crown Entities Act, the Minister of Finance may require repayment of any profit (or any portion of the profit). At the date of this report, the Classification Office has not been notified of any such request and therefore has not provided for any repayment relating to the years ended 30 June 1997 to 30 June 2018.

NOTE 13: CAPITAL COMMITMENTS AND OPERATING LEASES

The Office of Film & Literature Classification has long-term leases on its premises in Wellington. The lease expires 31 January 2020 and is subject to three-yearly reviews.

Operating leases include lease payments for the Office committed to at balance date.

	2018 \$'000	2017 \$'000
Operating Lease Commitments		
Not later than one year	192	192
Later than one year and not later than five years	109	301
Later than five years		
Total Operating Lease Commitments	301	493
Capital Commitments	0	0
Total Commitments	301	493

NOTE 14: CONTINGENCIES

The Office of Film & Literature Classification has no known contingent liabilities or assets as at 30 June 2018 (2017:nil).

NOTE 15: PERSONNEL COSTS	2018 \$'000	2017 \$'000
Salaries and Wages	2,421	1,978
Employer contributions to defined contributions plans	41	46
Increase/(decrease) in employee entitlements (Note 7)	(21)	42
Total Personnel Costs	2,441	2,066

NOTE 16: KEY MANAGEMENT & EMPLOYEE REMUNERATION	2018 \$'000	2017 \$'000
Salaries and Other	517	459
Post-employment Benefit	8	9
Total Key Management Personnel Compensation	525	468
Full time Equivalents	2	2

The key management personnel and board members are the Chief Censor and Deputy Chief Censor.

Employee Remuneration and Benefits	2018	2017
\$100,000 - \$109,999	1	1
\$120,000 - \$129,999	1	1
\$200,000 - \$209,999	0	1*
\$220,000 - \$229,999	0	1
\$240,000 - \$249,999	1	0
\$280,000 - \$289,999	1	0

* Refers to the Chief Executive's remuneration. Note the prior year is for a partial period.

Severance Payments

During the year ended 30 June 2018 nine employees (2017:nil) received compensation of \$520K in relation to cessation (2017: \$nil).

No Board members received compensation or other benefits in relation to cessation (2017:nil).

NOTE 17: EQUITY	2018 \$'000	2017 \$'000
Equity		
Balance at 1 July	1,871	2,303
Transfer from Revaluation Reserve	0	0
Surplus/(Deficit) for the year	(892)	(432)
Balance at 30 June	979	1,871
Revaluation Reserve		
Balance at 1 July	0	0
Transfer to Taxpayers' Funds	0	0
Balance at 30 June	0	0
Total Equity	979	1,871

NOTE 18: SUBSEQUENT EVENTS

There are no significant events after balance date.

NOTE 19: EXPLANATION OF KEY VARIANCE STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

Labelling Body Revenue

(2017/18 compared to 2016/17)

The Office received \$76K (11%) less revenue from the Labelling Body in 2017/18 than the prior year. As forecast, the volume and value of material submitted by the Labelling Body has continued the downward trend, with a 17% reduction in the volume of submissions. This is due to the withdrawal of online streaming services from the classification system and the obsolescence of the DVD. In 2017/18 revenue from DVDs dropped by \$104K. This reduction was been partially offset by increased revenue from the classification of cinematic films and computer games.

(2017/18 compared to Budget)

Labelling Body revenue exceeded budget by \$66K (12%). In recognition of changes in commercial submission trends Office forecast a 20% drop in Labelling Body revenue in comparison to 2016/17, however the actual drop in revenue was 11%.

DVD volumes remained stable during the first two quarters but dropped significantly in the second half of the year, resulting in a 17% drop in DVD submissions for the year. The cinematic film market remained strong and diverse with mainstream commercial market buoyed by activity in the film festival and cultural communities, while revenue from the games industry and urgencies fee exceeded forecast.

Interest Revenue

(2017/18 compared to Budget)

Revenue from interest earned on cash reserves was lower than forecast due to unbudgeted expense on the organisational change programme. This programme resulted in redundancy payments of \$520K. This compounded the Office's eroding equity position and reduced funds available for investment.

Depreciation & Amortisation Expense

(2017/18 compared to Budget)

Depreciation and Amortisation expense was \$12K (6%) less than budget due to the unplanned disposal of the Office's single vehicle, as well as planned expenditure on hardware and software occurring late in the year.

Insurance Costs

(2017/18 compared to Budget)

Expenditure on insurances was \$3K (18%) less than budget. The budget assumed there would be some increase to insurance costs following the Kaikoura earthquake of November 2016. However any increase in premiums was offset by the combined effect of the termination of vehicle cover and saving following the move to the AOG insurance provider.

Personnel Costs

(2017/18/ compared to Budget and 2016/17)

Personnel expenditure exceeded budget by \$375K (18%) and exceeded 2016/17 expenditure by \$457 (23%). The Office forecast a reduction in staff numbers via natural attrition however these savings did not eventuate. In September 2017 the Office conducted a significant organisational change process. Redundancy payments of \$520K were partially offset by savings

in salary in the second half of the year due to the reduction in staff numbers.

The proposal for change was to reduce the number of classification officer positions by 3-4 FTEs and to move the remaining staff to a new Classification Advisor position description. There was an overall reduction of 5 classification positions, with 9 staff accepting voluntary redundancy and 4 new staff commencing work in January 2018.

MANAGEMENT OF THE OFFICE OF FILM & LITERATURE CLASSIFICATION

ORGANISATIONAL HEALTH AND CAPABILITY

Health and Safety

The senior management team and Board are fully engaged with health and safety issues and activities of the Office.

In addition to, and in support of, our obligations to the Health and Safety at Work Act 2015 the Office has an existing range of benefits and programmes that support the health and wellbeing of our staff. This includes workplace assessments by a physiotherapist, an employee assistance programme, annual eye examinations and hearing checks, support for the social soccer team as well as management and staff participation on a health and safety committee.

The nature of publications requiring classification is, by definition, often demanding on staff. There is a risk of harm to staff who work in an environment where they are exposed to objectionable material. In order to support staff to maintain their mental and emotional wellbeing we continue to ensure that staff receive suitable peer and professional support and we have implemented a new policy which formalises our approach to supporting our staff when handling and viewing classification material that may be harmful or distressing.

We also encourage staff to pursue interests outside of the workplace and assist them in developing their skills and experience to enable them to pursue other careers in the future. The Office and the PSA work together to monitor how staff are being affected by objectionable material, considering the frequency and severity of exposure and the changing balance of Crown and commercial work.

Staffing

As a relatively small organisation, maintaining capability can be a challenge and changes in a small number of positions may have wide ranging impacts on the organisation. In May 2017 a new Chief Censor was appointed. This position is also the Chair of the Office's Board (along with the Deputy Chief Censor) and is the Chief Executive of the Office.

In September 2017 we undertook one of the most significant organisational change processes ever undertaken by the Office. A total of nine staff elected voluntary redundancy, providing the opportunity to recruit for new staff with new skills and experience to help drive our refreshed work programme, while also allowing us to downsize by five staff. This process has positioned the Office as a better equipped, more agile organisation, on a more sustainable track than the one we were on previously.

As at 30 June 2018 the Office had just 16.3 full time equivalent staff. The small size of the Office creates challenges around maintaining corporate knowledge, representation, and segregation of duties. The Office has redesigned how it delivers information and public engagement activities, and is more closely supported by classification staff. This has the benefit of maintaining capacity and flexibility within the Classification team, building capability for the delivery of Information services as well as providing a healthy work balance for staff. During the year we also used casual and contract staff to bridge gaps in resourcing.

A 3-year collective agreement is in place between the Office and the PSA and is due to be renegotiated in September 2019.

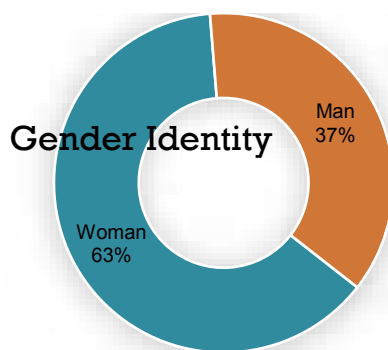
The Office As A Good Employer

Under the Crown Entities Act 2004, the Office is required to be a good employer. A good employer values equity and fairness and has policies, programmes and practices that promote these values. The good employer makes maximum use of skills and strengths of all staff but has special regard for those groups often overlooked or marginalised – including women, Māori, other ethnic communities, the LGBTIQ community, people with disabilities and other minority groups. The Office is also committed to being an Equal Employment Opportunities (EEO) employer.

Workplace Profile

In order to monitor the Office's performance as a good employer, the Office creates a 'workplace profile' annually, and consults with staff on a regular basis. A workplace profile survey is conducted each year. This is voluntary, and was completed by 88% of permanent staff.

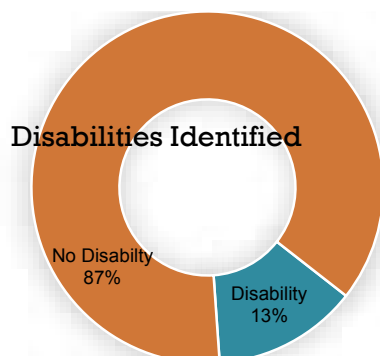
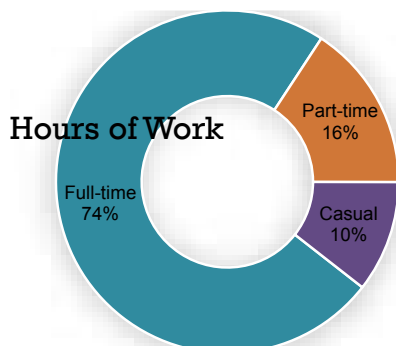
- 63% identify as women and 37% identify as men.
- Similarly in among classification staff (Classification Advisors and Senior Classification Advisors), 62.5% are women and 37.5% men.
- 71% of managers are women, and 29% are men.



The Office has agreed to work with the PSA to explore gender equality in pay at the Office and in November 2017 we measured our gender pay gap for the first time, using the formula recommended by the Human Rights Commission. This showed that there was no gender pay gap.

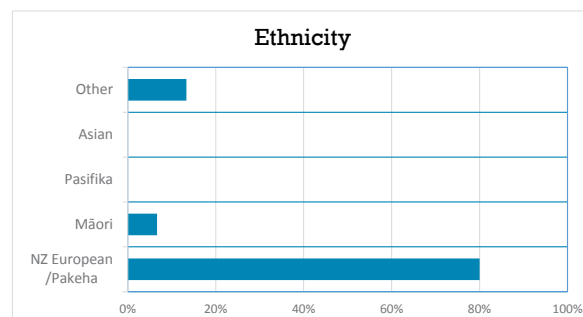
Of staff who responded to the survey

- approximately 27% have caregiver responsibilities of some kind, and the Office provides flexible working options to accommodate and support this.
- 16% work less than full-time hours, with more women than men working part-time.



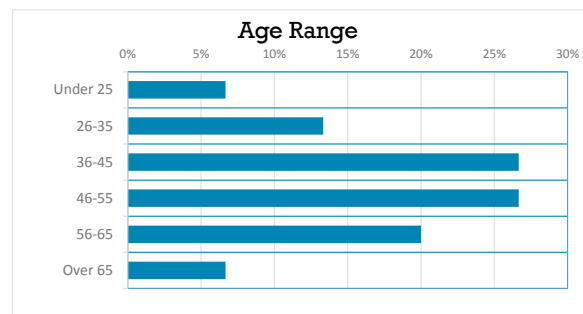
Ethnicity

Of those surveyed 80% of our staff identify as NZ European/Pakeha, 7% identify as Māori and 13% identifying as 'Other'. When the Office recruited new Classification Advisors in late 2017, we focused on attracting a diverse range of candidates, and will continue to do so in the future.



Age/Disability

Current employee ages range from 20s to 60s, and the average age is 44. Although the Office has a policy of no discrimination, because of the nature of the material processed within the Office it is not possible to employ staff under the age of 18 years. 33% of the Office are over 50 years of age and only 17% are under 30.



To assist fill this gap in representation, the Office consults with young people regarding material the Office is considering and has established a pilot youth panel to ensure the Office understands and reflects the views and concerns of young people.

Of those who completed the survey 13% reported that they had some form of disability. The Office aims to reduce obstacles for employees with disabilities, and any employee who identifies as having a disability (either permanent or temporary) has their individual needs accommodated as necessary.

The average length of service is 8.3 years.

Staff Consultation

The Office does not currently have an EEO Committee. Until it is reconvened the Office’s HR function and the PSA delegates have taken on the role of the committee including consulting with staff and working on different initiatives such as workplace culture and reviewing policy and practice, with the aim of constant improvement on good employer issues.

Key Good Employer Elements

**Leadership,
Accountability &
Culture**

The Chief Executive articulates his goals for the Office and expectations of staff. The weekly management meeting minutes are circulated to all staff and staff meetings are held to inform all staff about the wider activities of the Office. The Chief Executive has an ‘open door’ policy and seeks staff feedback.

Two of the key attributes in the performance development system are ‘commitment to open communication through sharing information, ideas and knowledge with others’ and ‘teamwork and co-operation’, which encourage staff to acknowledge the contribution, help or assistance of other team members.

Staff participation in activities which set and enhance the culture of the Office is facilitated and encouraged, and this behaviour is modelled by managers. This includes union (PSA) activities, Social Club Committee, Safety Wardens and a social sports team. Participation in these activities is open to all staff irrespective of position, unit, seniority or nature of employment (full or part-time, and casual).

**Recruitment,
Selection
& Induction**

The Office has an impartial, transparent employment process, and strives to employ the best person for the job. Consideration of EEO principles is incorporated into all aspects of the recruitment and selection process. A clear Recruitment and Selection policy, reduces the risk of inequality, including establishing expectations with recruitment agencies.

All new employees undergo a thorough induction process that is aimed at making them comfortable and confident in their new position, and at ensuring they are familiar with their rights and responsibilities as an employee of the Office.

**Employee
Development,
Promotion & Exit**

The Office has a positive, equitable approach to developing all employees. All staff have access to training and/or study appropriate to their skills, position and level of performance.

The reward structure that is integrated with the performance development system includes a significant personal development component. Once employees are proficient in the core skills required in their position, the emphasis of training is on professional and personal development. The training goals at these levels are to enhance morale and job satisfaction, and to develop staff for their continuing career within and beyond the Office.

While the small size of the Office and the length of service mean opportunities for promotion are somewhat limited, vacancies are made available to internal applicants and internal transfers are

considered. On occasion, employees have been able to undertake secondments to other agencies.

Flexibility & Work Design

The Office provides a flexible work environment that assists employees to balance work with the rest of their lives. The flexible working conditions provided by the Office include but are not limited to the statutory flexible working arrangements provided under the Employment Relations Act 2000.

Flexible work options include:

- flexitime
- job share and casual positions
- a number of positions able to be worked on a part-time basis if preferred by employees
- in certain circumstances, working from home is an option
- requests for changes to hours of work (such as reducing hours to part-time) is considered for all employees.

Remuneration, Recognition & Conditions

The Office has an equitable, transparent and gender neutral remuneration system. Pay ranges for all positions covered by the Collective Agreement are set out in the Agreement and are negotiated with the PSA, in consultation with staff. Pay ranges for each position apply to incumbents whether they are covered by the Collective Agreement or Individual Agreements.

Via the performance development system, the Office formally recognises employee participation

in Office initiatives, teams, and projects, as well as individuals' contribution to increases in productivity and quality of core work.

Flexible working conditions are available to, and utilised by, staff throughout the organisation.

Harassment, Sexual Harassment & Bullying Prevention

The Office recognises the right of every employee to enjoy a workplace free of harassment, bullying and unlawful discrimination, and works to promote such an environment. Staff and managers have been trained on their rights and responsibilities, and maintaining awareness of this issue is an ongoing priority. The Office has an up-to-date Harassment and Bullying policy, which includes a complaints procedure.

Safe & Healthy Environment

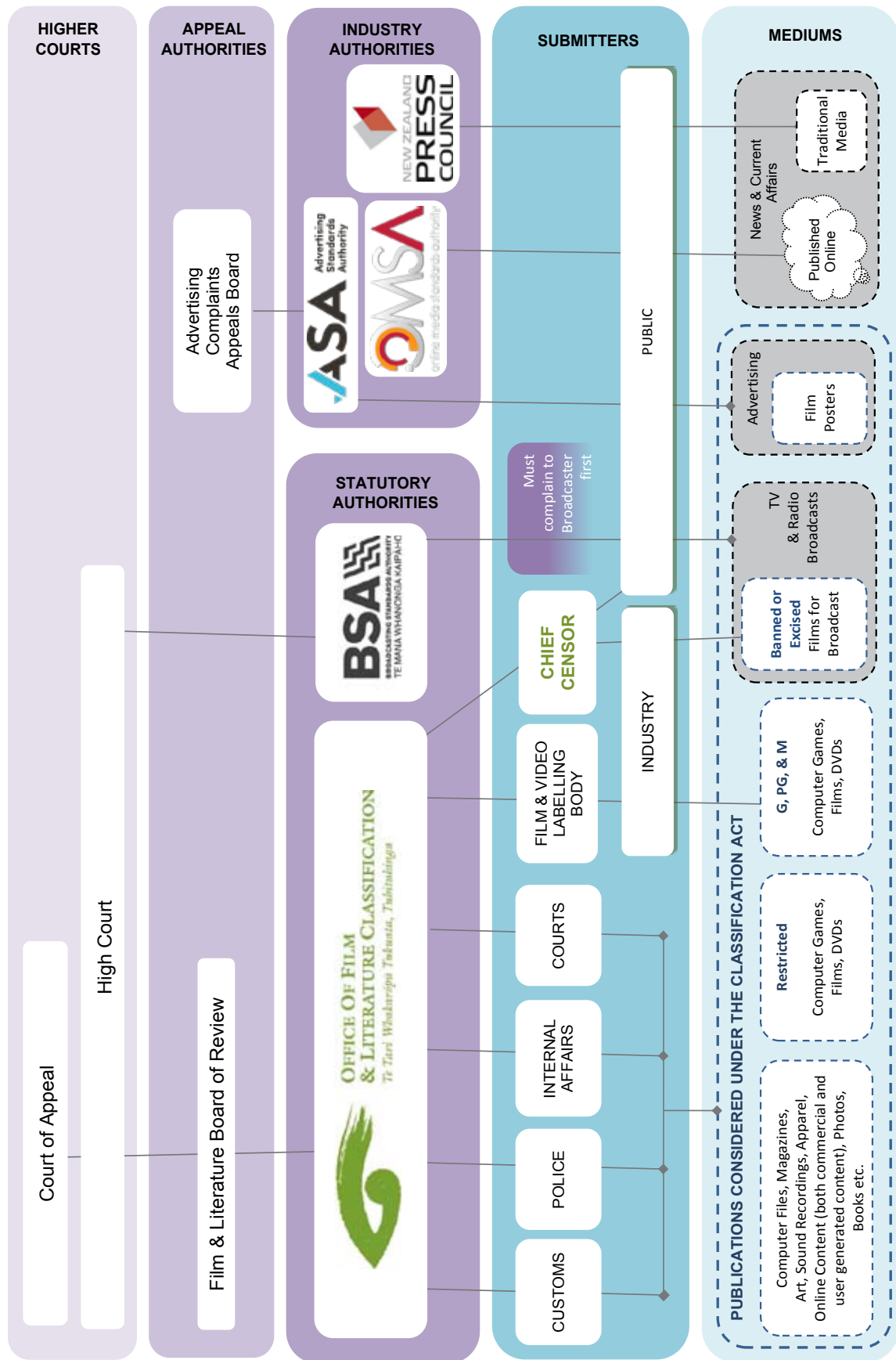
The Office takes a pro-active approach to employee health, safety and well-being.

Obstacles are removed for any staff who experience temporary or long-term disability, and disability is not a barrier for candidates when recruiting (with the exception of specific conditions that would prevent the job being performed).

The Office has a Health and Safety committee, informing staff of their rights and responsibilities. Safety wardens are trained and equipped to deal with emergencies and first aid training is made available to them.

The Office has a comprehensive well-being programme, which includes subsidised eye and hearing tests (and lenses and hearing aids when required), flu vaccinations, sick leave provisions in excess of statutory entitlements, Employee Assistance Programme (EAP) that provides all employees with access to clinical psychologists and counsellors, and ergonomic workspace assessments.

REGULATORY ENVIRONMENT



GLOSSARY

New Zealand's unrestricted classification labels What the unrestricted label means



G - Anyone can be shown or sold this. However, always consider whether the film is made for a family audience.



PG - Anyone can be shown or sold this, but younger children may need some parental support when watching the film. Read the label for any content warnings and consider whether the film is made for a family audience.

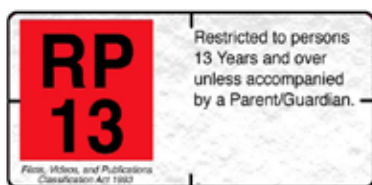


M - Anyone can be shown or sold this but it is more suitable for mature viewers. Read the label for any content warnings and consider whether the film is made for a family audience.

New Zealand's restricted classification labels What the restricted label means



R (age) - If something has one of these labels it can only be supplied to people of and over the age shown on the label. A parent, shop or cinema is breaking the law if they supply an age-restricted item to someone who is not legally allowed to access it. You will see these labels on films, games, DVDs and a few music recordings, magazines and books.



RP (age) - The RP label means that the film or DVD can only be watched by someone under the age on the label if they are with a parent or guardian (an adult over 18). You will see these labels on films and DVDs. A parent, shop or cinema is breaking the law if they allow unaccompanied children to access these films.

R means that there is a special restriction. Refer to the words on the right of the label for the full conditions

