



# 2016 Annual Report of the

**OFFICE OF FILM  
& LITERATURE CLASSIFICATION**

*Te Tari Whakarōpū Tukuata, Tuhituhinga*

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



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**for the year ended 30 June 2016**



OFFICE OF FILM  
& LITERATURE CLASSIFICATION  
*Te Tari Whakarōpū Tukuata, Tuhituhinga*

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 2016.

Yours sincerely

Dr AR Jack  
Chief Censor

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## OUR PURPOSE

Harm caused by the availability of restricted and objectionable publications is reduced.

## OUR VISION

New Zealand society is protected from the harm caused by the unrestricted availability of restricted and objectionable publications.

*We will achieve this by balancing the values inherent in freedom of expression with the need to protect society from injury.*

## 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 60.

## CHIEF CENSOR'S YEAR IN REVIEW

It is a pleasure to present the annual report of the Office of Film and Literature Classification for the year ended 30 June 2016.

### Context of the Work of the Classification Office

The right to freedom of expression is vital to our political, social and artistic existence. The right to seek, receive and impart information and opinions is necessary if citizens are to fully and meaningfully participate in democratic political life. It enables us to test and compare different ideas in pursuit of the truth, and it allows us to express ourselves through art. The right to freedom of expression is recognised in international legal instruments to which New Zealand has put its signature, such as the United Nations Declaration of Human Rights; the United Nations Declaration on the Rights of the Child; and the International Covenant on Civil and Political Rights. In New Zealand domestic legislation the right to freedom of expression is guaranteed in s14 of the New Zealand Bill of Rights Act 1990. Section 5 of that Act provides that any limitations to the right must be reasonable, demonstrably justified in a free and democratic society, and prescribed by law. In New Zealand some of these 'reasonable' and 'demonstrably justified' legally prescribed limitations are found in the Films, Videos, and Publications Classification Act 1993.



### Strengths of the New Zealand Classification System

The New Zealand classification system has three key strengths. The Act requires the Office of Film and Literature Classification, led by the Chief Censor, to only limit the availability of publications when they deal with sex, horror, crime, cruelty or violence in such a manner that it is likely to be injurious to the public good. This sets a high bar with a strong emphasis on the right to freedom of expression and is a key strength in the New Zealand classification system. The law permits only those limitations on the right to freedom of expression necessary to protect the community, in particular more vulnerable members of the community such as children, from the harm which would otherwise flow from unrestricted access to such harmful material.

Another key strength in the New Zealand classification system is the deliberately structured independence of the Chief Censor. The Classification Office as the arbiter of such limitations is a statutory entity independent of government, independent of the commercial interests which influence those involved in distributing publications, and free from capture by particular interest groups within the community. The Chief Censor and Deputy Chief Censor are independent, apolitical and quasi-judicial statutory officers holding office under warrants from the Governor-General. The roles required of them are carefully prescribed in the Films, Videos, and Publications Classification Act 1993.

The third key strength of the New Zealand classification system is the express statutory requirement for the Office to inform the public about the classification system, and to conduct research to assist the Office to perform its functions effectively. This requirement reflects the sophisticated nature of the law and the expertise required to properly mark out the boundaries of the right to freedom of expression in New Zealand.

### Research and Community Engagement Highlights

The landscape of media consumption continues to evolve, and we are keenly aware of the importance of delivering information about New Zealand's classification system to those who need it in a timely, easy, accessible and relevant way. During the year in review we therefore continued to build and expand our communications initiatives and strategies to achieve this end.

Our five-yearly research on *changing media use and public perceptions of the classification system* was carried out by Colmar Brunton to update and expand upon research commissioned by the Office in 2006 and 2011. The representative survey found that:

- 69% think the Classification Office is doing a 'good' or 'excellent' job
- 73% think classifications are 'about right' — not too strict or too lenient
- 92% think classifications are important when choosing entertainment media for children and teens.

Much of our focus during the year under review has been on ensuring that the public and policy makers understand the nature and extent of the harm that entertainment content can cause to individuals and to our society as a whole. Studies show that harm is more than simply short term shock or offence; content presented in the form of entertainment can have profoundly negative consequences for New Zealand society as a whole leading to increased levels of violent behaviour, reduced levels of empathy for our neighbours, and increased tolerance for denigration and sexual mistreatment — particularly of women and children. Our ongoing research and consultation programme about *the effects of sexual violence in entertainment media* — initiated during the year under review — will help inform classification decisions and ensure New Zealand's classification system continues to protect New Zealanders from such harm.

We have strong relationships with a wide range of groups, from librarians and media studies educators though to law enforcement agencies, as well as a range of NGO's working with victims of domestic and sexual violence. These relationships are proving invaluable in helping us support New Zealanders in making wise choices about the entertainment they choose for themselves and the people around them.

We have continued to develop our presence on various social media platforms in order to increase opportunities for members of the public to engage with us, and for us to in turn disseminate information to a wider audience. We have seen a steady growth in the number of followers we have on Facebook and Twitter and continue to engage with participants in the social media space in a friendly and informative way.

Following the highly successful re-development of our student website we have rejuvenated our main website ([www.classificationoffice.govt.nz](http://www.classificationoffice.govt.nz)) as well. The information on the site has been refreshed, clarified and restructured along with the introduction of new information and features. The site presents information on what the classification system does (and does not) apply to, and explains why we have a classification system in New Zealand and how various aspects of the system work in practice. There is also an extensive and growing collection of summaries of the classifications assigned to high profile films and games designed to provide insight into how classification decisions were made in respect of these popular titles. It is

hoped that through increased transparency and understanding of the classification system New Zealanders' high levels of trust and confidence in the system will be maintained. The website is now fully responsive and compatible with a number of tools such as screen readers, screen magnifiers, and speech recognition software.

Once again we received excellent feedback for our community presentations. On invitation, both the Chief Censor and the Deputy Chief Censor discuss the classification system and the work of the Office with community, student, and special interest groups, and participate in our Censor for a Day programme for senior secondary school students. These forums are a great opportunity to keep in touch with public views about the classification system, and to debate its strengths and weaknesses in our increasingly digital environment.

### **Administrative and Policy Highlights**

The Office continues to focus on its Organisational Development Plan and to build on existing initiatives to maintain strong controls on its expenditure. At the end of June 2016 the Office reported a deficit of \$144,000. This is a satisfactory result achieved in the face of costs which continue to rise, highly unstable commercial submissions, and static Crown revenue through appropriation which has not been reviewed since 1998. I am very proud of the team for attaining this result in such a challenging and volatile environment.

During the year government began its review of New Zealand's entertainment content regulation system. The Office welcomed the review and made enthusiastic contributions to the review process, no easy feat for a small, lean organisation with limited dedicated policy resources.

Aside from the uncertainty which inevitably accompanies such policy reviews the Office's wider operating environment also continues to be volatile, with a number of dramatic spikes in submission volumes throughout the year both for commercial submissions and Crown submissions. The entertainment content policy review also provides an excellent opportunity to make changes to the Office's funding model to address commercial stakeholder's legitimate concerns about the unfairness and inequities in the Office's current model, and to provide the Office with a sound and enduring financial base for the future.

### **Looking forward**

Building on the achievements of 2015/16 I will maintain our commitment to support the changes in New Zealand's entertainment content regulation model as they emerge from the review process started in September 2015. We will also maintain focus on implementing the Office's Organisational Development Plan, looking for opportunities to further control costs where possible – without sacrificing the high level of service New Zealanders have come to expect as we provide the community with trusted guidance and protection from harm.



Dr AR Jack  
Chief Censor



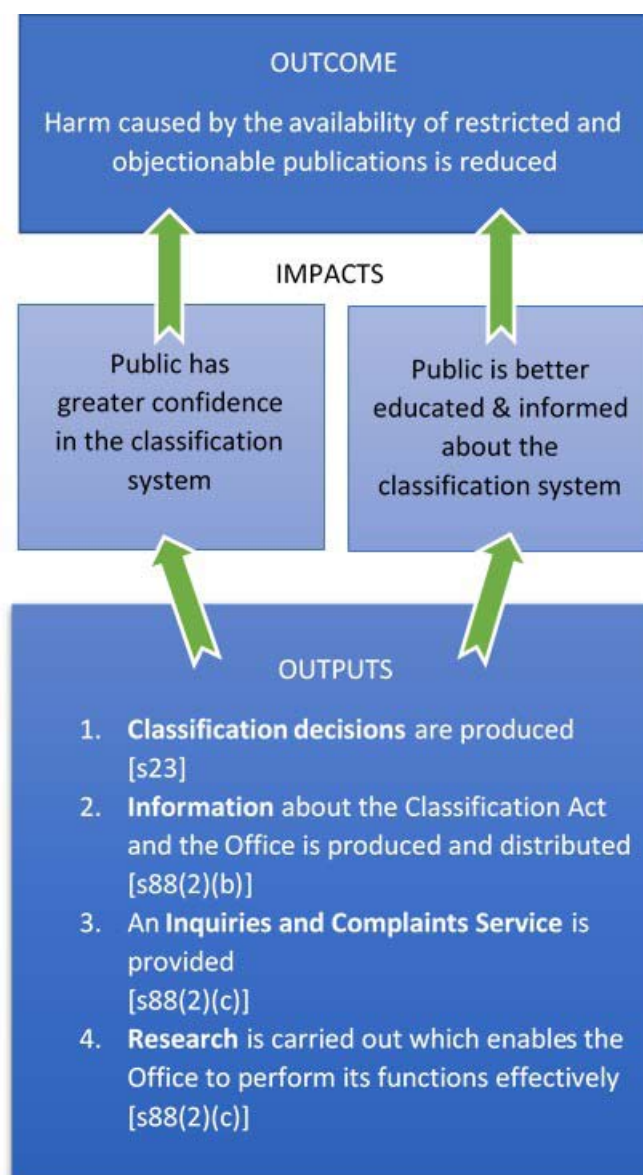
## Discussion of Outcome and Outputs

The Office's work contributes to reducing harm to the public good which can be caused by the availability of restricted and objectionable publications.

The idea of 'public good' and how this may be 'harmed' are fairly intangible concepts and measuring such things is fraught. It is far more than physical or emotional injury to an individual, it includes changes in attitudes, behaviour and beliefs and it includes how these changes affect other members of our society, either directly or indirectly.

The public good is best protected when people understand the classification system, are able to make informed viewing decisions, and when the Classification Office operates in a transparent manner.

*Chart 1: Outcome Structure*



### *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 assists in evaluating the extent to which our outputs have contributed to public confidence in the classification system. The Office conducts these surveys every five years.

When this survey was carried out in 2011 we found that:

69% thought the classification system was 'about right'.

23% felt it was too lenient.

8% felt the system was too strict.

In the survey carried out in 2016 we found that:

73% thought the classification system was 'about right'.

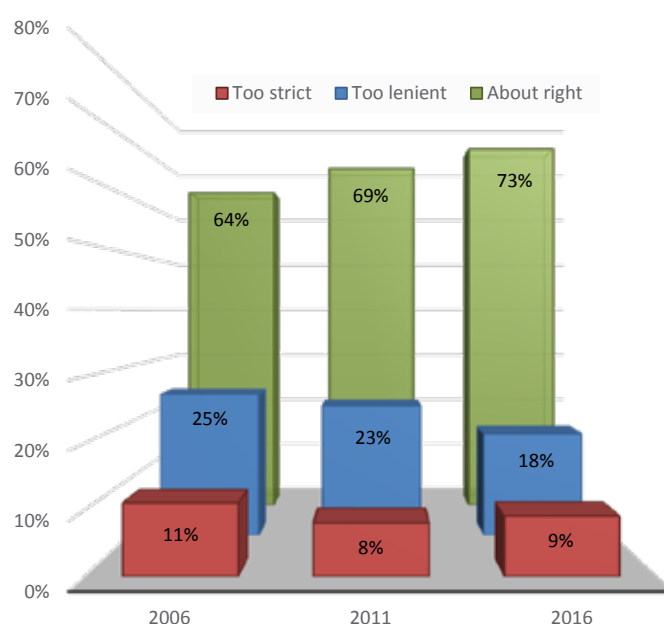
18% felt it was too lenient.

9% felt the system was too strict.

The 2016 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 2016 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.

*Chart 2: Confidence in Classification System*



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

The public good is best protected when people understand the classification system, are able to make informed viewing decisions and engage in informed debate; and when the Classification Office operates in a transparent manner.

The Office undertakes a range of activities to increase public understanding of the classification system. During the year, the Information Unit continued to implement our communications plan for the years 2013-2016 with the objective to engage with industry and the public on relevant issues particularly:

- compliance with the classification system
- the changing entertainment media environment
- the potential for regulatory reform and
- the social and personal impacts of increased access to restricted and objectionable material, particularly by young people.

We are engaging with industry and the public to achieve the following:

- a public informed about the protective purpose of the system
- a public educated about the harm of restricted/objectionable material
- an enhanced focus on the classification system's purpose to keep children safe from harm
- people understand how to comply with the classification system, and why they should
- engagement with people about how we can apply the classification system's protective intent in new technologies' delivery of publications.

To this end, we have relaunched our main website and our website for students, both with responsive design for easy access from mobile devices like smartphones and tablets. The main website also features summaries of recent classifications to better inform the public about the reasons for our decisions. We have continued to promote our series of video clips on the theme of wise choices for all the family. We have also been active on social media, including production of regular blog posts, and have produced social media advertising campaigns for the first time – with the aim of increasing public awareness and understanding of the New Zealand classification system. We continue to investigate alternative ways to implement advertising and information campaigns.

Our 2016 public understanding survey found that knowledge of classification labels is generally good, however there has been a decline in understanding of individual labels since 2011 (down from an average of 82% in 2011 to 78% in 2016). Lower general understanding of labels this year may relate to a significant decrease in frequency of watching DVDs and videos, which has historically been one of the main contexts for noticing and using the labels. Another factor in the decline in understanding may be the proliferation of alternative labelling systems for movies, television shows and games, particularly in the online space.

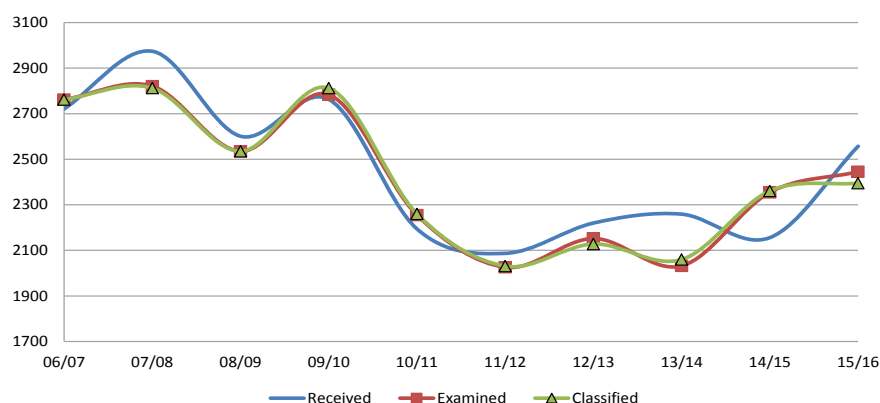
## Classification Statistics

A total of 2,557 publications were submitted for classification this year 2,445 publications were examined and 2,395 decisions registered. Publications received were 12% above the projected maximum estimate, publications examined and registered were 7% and 5% above the projected maximums respectively.

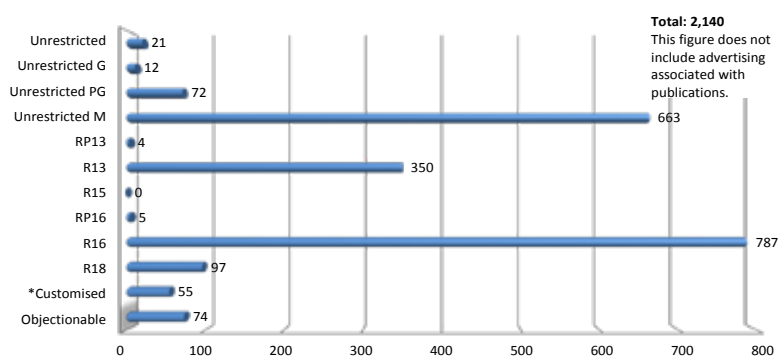
The increased volumes are driven by commercial factors with commercial submissions exceeding estimates by 26% and prior year submissions by 25%.

While there has been a general downward trend in the number of publications submitted for classification, this has reversed over the last two years, due to the introduction of video-on-demand to the New Zealand market. During 2015/16 there was a disproportionate increase in the submission of single episode and groups of episodes from video-on-demand distributors, in place of DVD and DVD box sets. Episodes have much shorter run time in comparison to DVD and full length films and consequently carry a lower fee.

*Chart 3: Publications Received, Examined and Classified 2005-2015*



*Chart 4: Classification of all Publications*



*\*Customised Classifications during 2015/16:*

*13(1)(ab): Objectionable unless restricted to the subject depicted in the photograph or image (banned on review)*

*13(1)(b): Objectionable unless restricted to NIDSS clinical staff for the purpose of the assessment and treatment of the person who created the publication.*

*13(3): Objectionable except in the possession of Government officials engaged in work relating to the Ministry of Culture and Heritage's Convergence and Content Consultation*

In contrast the Crown submissions have decreased by 45% from the previous year and 15% less than estimated. The majority of Crown submissions were from the Police and the Department of Internal Affairs. There has been continued drop in court referrals to the Office with no submissions from the Courts during the year (2014/15:16, 2013/14:115).

The Chief Censor also called in eight publications during the period. These were mainly films which had been made unrestricted in Australia and contained violent or sexually violent material. Four of these publications were restricted by the Office (see case study on *Perfect Sisters* below).

#### Case Study: *Perfect Sisters*

A member of the public emailed the Classification Office on 04 March 2016, outlining concerns about the classification of the DVD *Perfect Sisters*. The DVD was cross-rated by the New Zealand Film and Video Labelling Body from its Australian rating of M, with a note for sex scenes and offensive language.

The complainant was surprised at the unrestricted M rating as they observed that the film contained strong suicide references; sex scenes including attempted coercion; and violence, including attempted drowning of a parent in a bath. The complainant also noted that the film (under the title *Deadly Sisters*) is classified 18 in the United Kingdom, with an advisory about "strong violence, suicide references".



The Chief Censor called in the DVD for classification under section 13(3) of the Films, Videos and Publications Classification Act 1993.

The feature centres on two teenaged sisters, Sandra and Beth, who live with their younger brother and mother Linda, an alcoholic. Linda enters a relationship with an abusive man named Steve, and their situation soon becomes unbearable. After unsuccessfully seeking help from various adults about their tragic situation, Sandra and Beth, so disordered from their dysfunctional home life, decide to murder Linda to rid their lives of alcoholism and abuse.

Sandra and Beth decide to get Linda drunk, give her medication, and drown her in the bath. The three are shown together at the kitchen table, the girls refilling Linda's glass and offering her pills. They then lead Linda to the bathroom and draw her bath. Sandra then places her hands on Linda's head and holds her face down in the water. Linda begins to struggle, but Sandra keeps her head under the water until a timer indicates she has been submerged for four minutes. This is a relatively drawn out scene; Linda's face is shown under the water, and her legs flail and kick until she is dead.

Beth is sexually attacked by Steve on several occasions and Steve is also depicted raping a very drunk Linda who is barely conscious. The rape occurs in full view of the girls' little brother. There is no nudity or shots of full bodies, but it is clear by Steve's movements and Sandra's and Beth's reactions that Steve is having sex with Linda, who due to her level of intoxication would clearly not be able to give meaningful consent to this.

The feature contains depictions of drug use, and two attempted suicides.

Older teens and adults will be more likely to recognise Sandra and Beth's behaviour, including their ability to commit a shocking act of lethal violence as an extreme reaction to their dysfunctional home environment. Younger teens and children will not be able to place this material in a meaningful context and would likely be greatly shocked and disturbed.

Unfortunately, *Perfect Sisters* illustrates a growing divergence between Australia and New Zealand in the tolerance of material that depicts violence and sexual violence.

**RESTRICTED**  
**16**

Films, Videos and Publications  
Classification Act 1993

Restricted to persons  
16 Years and over.

NOTE.  
Violence, sexual  
violence, drug use and  
offensive language

During 2015/16 the Office registered two decisions issued by the Board of Review which related to two publications. One of these decisions related to the New Zealand novel *Into the River*, winner of the Book of the Year Award at the 2013 New Zealand Post Children's Book Awards. To read more about this book which has been classified four times, see <http://www.censor.org.nz/resources/case-studies/into-river.html>.

74 publications were banned this year by the Office. This lower number reflects the lower number of Crown publications processed during 2015/16. Objectionable publications are predominantly computer files submitted to the Classification Office by Crown agencies. However during 2015/16 the Office also banned a 2 disc set of a Japanese manga series which was intended for commercial distribution (see case study on *Maken-Ki! Two* below) and five out of nine 'Wicked Camper' campervans which were submitted by the Police (see case study on page 15 and 16).

#### Case Study: *Maken-Ki! Two*

OFLC received a set of two Blu-ray discs showing season two of the Japanese anime series *Maken-Ki* from distributor Madman Entertainment for classification prior to commercial release in New Zealand. The series was classified as objectionable (i.e. banned).



The series relates to a group of gifted or magical students who attend a specialised high school named Tenbi Academy. A select group of them form the leadership committee which resolves crises, using their powers and weapons (Maken-Ki), which enhance their powers. The majority of the publication is dubbed in English or is in Japanese with English subtitles.

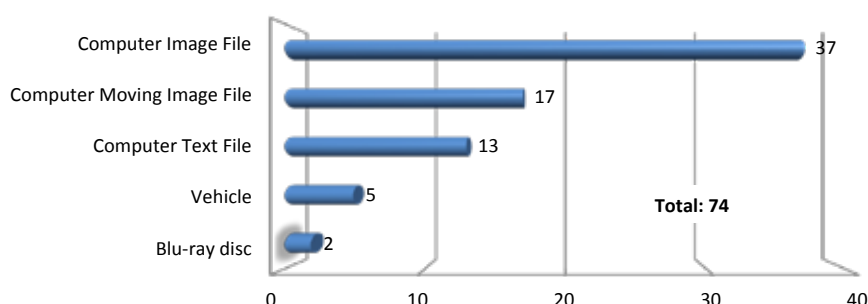
The series tends to promote or support the exploitation of young persons for sexual purposes through the unrelenting sexualisation and fetishisation of the young female characters. The characters are all in high school. Their youth is evidenced by their being dressed in school uniforms, the high school setting, and the fact that they engage in high school activities such as classes and homework. The oldest of the high school characters describes herself as a senior (aged 17), while a number of the characters are described as juniors or freshmen. The younger characters are drawn to be more diminutive in stature and have small undeveloped breasts (regularly commented upon as making them less sexually attractive).

This sexual focus is relentless. Every episode features extreme close ups of bare breasts and nipples, and every episode features the characters willingly, or having been coerced, fondling each other's breasts and genital areas. Often characters express arousal or climax. The animated medium does not detract from this purpose. If anything the medium allows for greater creative manipulation of the imagery to the benefit of this sexual exploitation.

The main purpose of this publication and its hyper-sexualisation of the young female characters is the titillation and arousal of the viewer. Young people are presented as sexual objects who are desirable because of their youth, as at once both sexually naïve and constantly sexually available, and at times as engaging in sexual conduct with adults. It is therefore likely to attract viewers with a prurient interest in young persons. It is likely to reinforce such an interest in young persons and contribute to the problem of young persons being sexually exploited in real life.



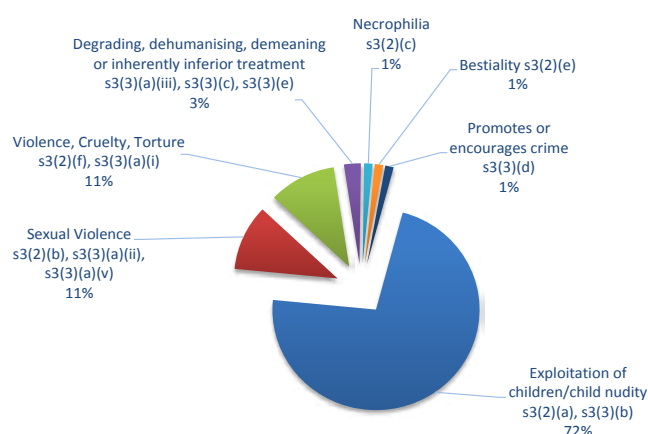
*Chart 5 Publications Classified as Objectionable (by Medium)*



In addition to the 74 publications banned by the Office, subsequent to year-end the Board of Review made a decision to ban a series of 27 photographs. These publications had previously been restricted to an individual by the Office. Three publications were made objectionable but after excisions were accepted by the broadcaster, were made R18. A further 22 publications were restricted to clinical staff working in a specific situation, which would have otherwise been banned.

72% of material which was banned by the Office dealt with the sexual exploitation of children and young persons, 11% dealt with sexual violence and 11% were banned on the basis of their treatment of violence, cruelty or torture. On page 17 see a case study on video clips submitted by New Zealand Customs Service. This was commercially produced content which normalise and encourage extremely violent and degrading conduct.

*Chart 6: Subject Matter of Objectionable Publications*



**Case Study: *Wicked Camper GCT798***

While the medium - a campervan - is relatively unusual, it clearly fits the definition of "publication" under s2(c) of the Films, Videos, and Publications Classification Act, as do other unusual mediums previously considered under the FVPC Act.

For instance:

- Apparel: Vestal Masturbation (Cradle Of Filth T-Shirt)
- Drink Can – *Miss Svenson's Classroom Detention*
- Playing Cards: *Hershe Highway*
- Billboard: *Erotica Lifestyles Expo* Billboard
- Card/Jigsaw Puzzle: *Colt Puzzle Cards*
- Calendar: *Massive FHM Wall Calendar 2003*
- Street Sign: "The New Venus Shop" Sign on Karangahape Rd
- Packing Box: - '*Just*' 17 Love Doll
- Sticker: *Panty Dropper*



The Classification Office received copies of the material for classification in the form of photographs of all four sides of each campervan. They were submitted for classification on behalf of the Commissioner of Police under s13(1)(ab) of the FVPC Act.

The images in question on *Wicked Camper GCT798* are superimposed on a background of purple and yellow paintwork in swirling patterns on the front and the left side of the vehicle, and red patterns on an orange background on the back and right side.

The front has a large peace symbol centred over the number plate.

The left side has a large image of the bearded face of the American beat poet, Allen Ginsberg. Text over the front wheel in white capitals reads, "Don't hide the madness". Beneath the campervan's windows, in very large red capitals outlined in white, is the word "Howl", the title of a famous Ginsberg poem.

The right side features an image of the heads and upper bodies of two male figures. One appears young. He is long-haired and is wearing sunglasses, a headband and a t-shirt with a peace symbol design on the front. His raised hand also gives the "peace" sign. The bearded figure behind him is said to represent Charles Manson. His staring eyes give his face a somewhat malevolent look. Text in green capitals, outlined in black, reads, "Make new friends. Join a cult."

The back window has text in white capitals, reading "Bukkake ruined my carpet!"



The text on the back window of the campervan is an expression of misogyny that degrades and dehumanises women. It is the type of deliberately offensive jokes that derives its humour from its transgressive nature and its insensitivity. By blatantly referencing explicit sexual subject matter on the back of a campervan it contravenes accepted standards, but is also a joke at the expense of women rather than just a joke. To imply that the most damaging outcome of bukkake is that it ruins the carpet overlooks the humiliation and degradation the practice involves for women, and so derives its humour from being blind to the sensibilities or perspective of women. By using the phrase on the back of a campervan, *Wicked Campers* shows, and tends to celebrate, a degree of implicit contempt for the concerns of women.

Unlike films, discs and books that contain references to extreme sexual practices, the medium removes agency and control over access from the viewer. The vehicle in its present form is designed to draw attention to a commercial operation and specifically intended to be displayed to a wide public audience. Images on the campervan have the potential to be inadvertently viewed in motion on the road, as well as in car-parks and a variety of off-road situations, including camping grounds. Unlike other portable media (such as t-shirts) the campervan cannot easily be covered or displayed only in restricted areas. In this instance, the strongest material is on the back of the van.

Commercial expression is protected by the NZBORA. However it has been limited more readily than some other forms of expression, for example political discourse, in overseas jurisdictions and in New Zealand. This is not an unusual or excessive limitation of commercial free speech. The promotion of other potentially harmful activities to anyone, such as the advertising of tobacco, is also prohibited.

In this instance the potential for injury extends from the likelihood of harm to young people's development of sexual attitudes and behaviours to the potential for a harmful influence on the attitudes of adult viewers. A classification of R18, which is consistent with other publications and would prevent access by children and young people, was considered but is impractical given that this is a campervan intended to be driven on the open road and displayed in public. Hence, the van was classified as objectionable.



### Case Study: Video Clips Submitted by New Zealand Customs

*WARNING: the following case study describes explicit sexual activity and sexual violence which may be triggering for some people.*

The following three video clips were submitted by New Zealand Customs as part of a larger collection of seized material. These are examples of commercially available American pornography. This is more obvious in some of the clips than others, and to many viewers the material will certainly appear authentic, including the scenes ostensibly showing women being choked or garrotted to death. It is unclear to what extent the more extreme violent and degrading content within the rape scenarios is consensual rough sex/rape fantasy/dominance play between the participants or whether some of the conduct goes beyond the women's comfort levels and what they have consented to as performers. Regardless of any of this, the clips invite viewers to gain sexual pleasure from women being subjected to brutal sexual violence and to extreme violence to the point of being killed, and from necrophilia, and are therefore objectionable.

Clip 1: At the beginning of the clip text appears on screen advertising a production company located in the United States. The clip depicts woman on a metal medical table in a morgue. She is naked. A man in scrubs meticulously examines the woman's body and makes medical comments on a recording device, noting scratches and other body markings such as piercings and tattoos. The camera often focuses on the woman's genitals and breasts. The man then manipulates the woman's head and commences oral penetration. He then has intercourse with the corpse. After he ejaculates the camera spends a considerable amount of time panning over the woman's body. There is a brief blooper reel after this scene ends, which depicts the female performer laughing and struggling to remain still during the scene.

Clip 2: This clip has a running time of 19 minutes 59 seconds. The clip consists of one sexually explicit scene. It is in full colour and has little production value. The footage depicts a young woman entering a public bathroom. She enters a stall and uses the toilet. A man who is also in the bathroom bursts into her stall, places his hand over her mouth and begins to rip her clothing off. The woman struggles and screams. The rest of the clip depicts the man violently raping the woman. He eventually ejaculates over her body and leaves her crying on the floor. The camera constantly focuses on the woman's distress and fear, and often focuses on her genitals during the violation.

Clip 3: This clip has a running time of 22 minutes 32 seconds. The clip consists of one sexually explicit scene. It is in full colour, is clear and crisp and has been filmed in a plush house. The footage depicts a young woman being violently raped and verbally abused by two men, and then strangled to death.



As the retail market for DVDs shrinks so the proportion of DVDs submitted to the Office reduces. In 2013/14 DVDs made up 50% of the publications classified by the Office, this reduced to 36% in 2014/15 and 26% for the current year. This reduction has been offset by the growth in the reporting category of Film. This includes films for cinematic release, feature films released online as well as episodic content available online (sometimes referred to as 'video-on-demand').

Corresponding to this change in the material submitted to the Office, so the classifications issued have changed proportionally. Less sexually explicit DVDs intended for an adult audiences has seen R18 classifications drop to 4%. However increases in the submission of single episode and groups of episodes from video-on-demand distributors has seen a proportional increase in the number of R16 classifications.

#### Case Study: *Senran Kagura Estival Versus* (Console Game)

*Senran Kagura Estival Versus* is a video game developed for the PlayStation 4 and PlayStation Vita by Japanese studio Tamsoft. For this Western release it is presented in Japanese with English subtitles. In this continuation of the *Senran Kagura* series, girls from rival shinobi academies find themselves magically transported to the sunny beaches of a mysterious island. Tasked with a series of challenges, the girls battle it out for victory.



The constant sexualisation and sexual themes of the publication are of particular concern. With an exclusively female roster, the game uses a damage mechanic based on the character's clothing. As enemies or allies lose health, their clothing is ripped and torn away with the camera leering at breasts and buttocks as the material disappears. The characters are shown to be embarrassed and with teary eyes during these sequences. During the fights, the player can also instigate a "shinobi transformation", which has several variations. With a swirling background the character is stripped nude, although lens flare effects obscure any genital or nipple nudity. A ninja scroll is then extracted from between their breasts or thighs and held up in a hero pose. The camera focuses on their breasts and buttocks during this, and again as their transformation clothing appears. There is little reason for this beyond titillation.

Some of the stronger sexualised sequences occur with defeated characters. Variants include; a "Pole Dance" where she flies into a pole, spins around and collapses, with the pole obscuring her nudity; hitting a food cart, with hot dogs landing suggestively around her face; and landing in a tree, to end up splayed across the branches. The sound effects evoke slapstick comedy, although the camera inevitably leers at their (obscured) nudity and embarrassment. Similarly, the end of battle scenes where a character is defeated shows them spread on the ground with breasts or underwear (or both) prominently in shot. They appear embarrassed and teary eyed, as they attempt to cover themselves. The dominant effect is of a lecherous focus on their sexualised humiliation.

Alongside the combat driven gameplay there is an extensive 'dressing room' mode. Players can pose their characters with numerous innocuous and sexualised positions, such as "sitting" and "power cleavage" or the particularly sexualised "lying and begging", where characters are on their backs with legs splayed open. While this mode allows players to customise the way their character appears in combat modes, the sheer extent of sexualised outfits and poses suggest the main purpose of the dressing room is further titillation.

The dominant effect of *Senran Kagura Estival Versus* is of a 3D combat game with an inordinate focus on the sexualisation of its female characters. This constant objectification is degrading and demeaning to women, and presents them as sexually available and compliant. This is likely to negatively influence the developing attitudes of younger audiences, including teenagers, by normalising and encouraging such conduct. Moreover, there is extensive sexual innuendo as well as references to adult sexual practices. Consequently, the game earned itself an R18 classification.



Films, Videos and Publications  
Classification Act 1993

Restricted to persons  
18 Years and over.

NOTE.  
Nudity and sexual  
content that may offend

### Case Study: *Hitman* (Computer Game)

The game *Hitman* (2015) was classified R18 in New Zealand. Through the use of firearms and explosives, players are able to kill a multitude of innocent people. Opening fire at a Parisian fashion show causes immediate panic, with civilians screaming in terror. Some are huddled on the ground with their hands over their heads, while others flee the room. Security guards and police will attempt to kill the player. If caught in the open the player will quickly die, but through the use of cover combat may be drawn out. With some elusive play and the acquisition of a new suit, the player can escape arrest relatively easily. Although, the blood and gore is not rendered at a high level of resolution, the effect of gunning down a screaming civilian crowd remains high impact.



While the killing of civilians is not overly encouraged by the routine gameplay in *Hitman*, the Classification Office is aware that players routinely post video game footage of these sorts of massacres online where they attract a level of appreciation and acknowledgement from like-minded players. The Classification Office must conclude that the purpose and intended audience of these posts is likely to be supportive of this high level of violence and cruelty.

Through an unfortunate coincidence, *Hitman* was commercially released soon after the terrorist attacks in Paris where civilians were brutally killed in a real life display of the types of tactics and behaviours demonstrated in the game.

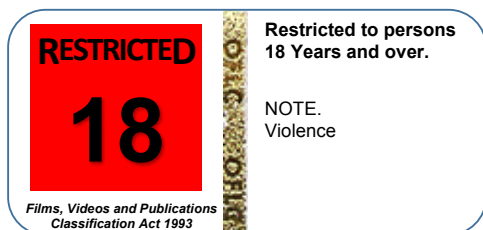
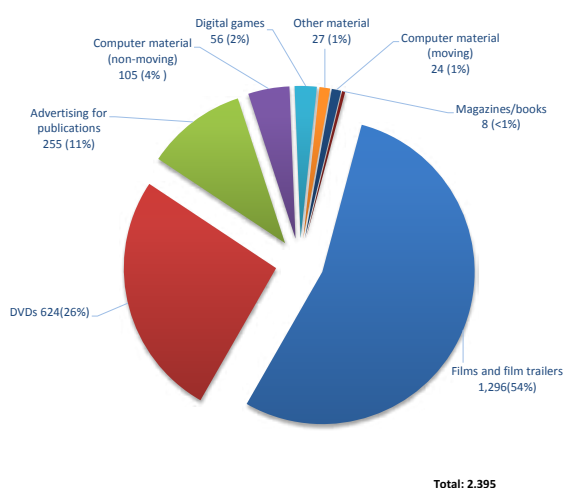
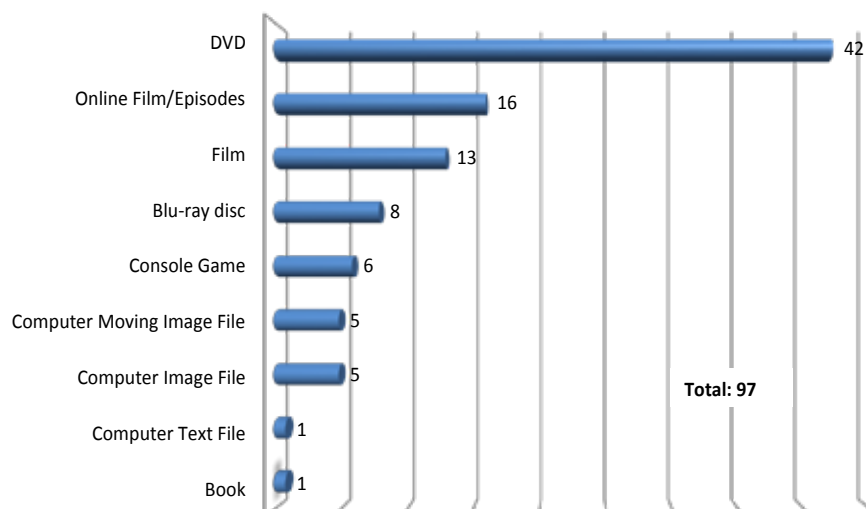


Chart 7: Publications Classified (by Medium)



*Chart 8: Publications Classified as R18 (by Medium)*



#### Case Study: Inside Amy Schumer

Amy Schumer is an American comedian who is known for her clever deconstruction of what life is like for young, single women whose urban heterosexual lifestyles are a minefield of uncomfortable pressures.

Schumer satirises a culture that degrades and demeans women in numerous skits and jokes that are aimed at women's self-obsessions including body-sculpting, the fitness industry, sexual "selfies", quick-fix methods of weight control and plastic surgery aimed at "vaginal rejuvenation". Schumer constantly exposes the difficulties of meeting male expectations.



Some of the material deals quite candidly with the "pornification" of American culture. For example, a "gang-bang" skit, relies on the over-used but still relevant feminist trope of women as sex objects. The disc has strong sexual content, particularly a skit that lampoons "scat porn" (faeces used in a sexual context) and segments where "golden showers" (urine used in a sexual context) are mentioned among other sexual proclivities of interviewees. Schumer does not shy away from presenting material dealing with anal sex, ejaculation on women's faces, or frank discussions of sexual parts, male and female. Extreme sexual practices, such as those commonly portrayed in porn, are discussed frankly and explicitly.

To help assess the level of age restriction required, the Office consulted with senior staff and counsellors at Wellington High School. The concerns identified by classification staff mirror those raised in this consultation process. The sexual content is clearly likely to cause harm if the DVD is available to children or young teenagers. However, injury is also likely if young people in their mid-teenage years access the material. The DVD confronts its viewers with strong sexual content that includes unusual sexual practices. Adults are presumed to have the ability to critically assess difficult content, but the bulk of 16 or 17 year-olds will not have the sophistication required to fully understand the irony and satire that is a feature of the comedy.

Some young people are likely to be disturbed or intimidated by the material and it could place expectations and pressure, particularly on young women, who might then feel that they "should" be more fully engaged in a sexualised world.

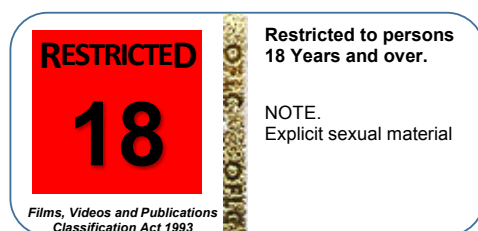


Table 1: Publications Classified by Channel &amp; Medium 2015/16

	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	255	0	0	0	0	55	615	1,294	2,219
Section 12(3) Labelling Body	0	0	0	0	0	0	0	0	0
Section 13(1)(a) Comptroller of Customs	0	0	0	9	0	0	0	0	9
Section 13(1)(ab) Commissioner of Police	0	9	0	13	89	0	0	0	111
Section 13(1)(b) Secretary for Internal Affairs	0	18	1	0	16	0	4	0	39
Section 13(1)(c) Public & Commercial	0	0	3	0	0	0	1	1	5
Section 13(3) Chief Censor's Own Motion	0	0	0	2	0	1	4	1	8
Section 29(1) Courts	0	0	0	0	0	0	0	0	0
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	0	0	4	0	0	0	0	0	4
Regulation 27 Film Poster Approvals	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>255</b>	<b>27</b>	<b>8</b>	<b>24</b>	<b>105</b>	<b>56</b>	<b>624</b>	<b>1,296</b>	<b>2,395</b>

Table 2: Comparison of Publications Received 2006-2016

	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Section 12(1) Labelling Body	2,315	1,852	1,741	1,998	1,886	1,798	2,234	2,165	2,577	2,423
Section 13(1)(a) Comptroller of Customs	13	5	8	1	3	35	53	40	80	79
Section 13(1)(ab) Commissioner of Police	131	127	155	44	49	192	279	167	180	44
Section 13(1)(b) Secretary for Internal Affairs	78	146	209	47	104	36	28	13	21	38
Section 13(1)(c) Public & Commercial	4	7	9	8	9	10	8	28	2	4
Section 13(3) Chief Censor's Own Motion	9	1	0	0	0	2	3	2	3	1
Section 29(1) Courts	6	16	116	100	30	109	145	174	80	115
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	1	2	20	1	0	0	1	0	0	0
Regulation 27 Film Poster Approvals	0	0	1	3	6	12	12	12	31	17
<b>Total</b>	<b>2,557</b>	<b>2,156</b>	<b>2,259</b>	<b>2,202</b>	<b>2,087</b>	<b>2,194</b>	<b>2,763</b>	<b>2,601</b>	<b>2,974</b>	<b>2,721</b>

Table 3: Comparison of Publications Examined 2006-2016

	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Section 12(1) Labelling Body	2,220	1,955	1,587	1,957	1,816	1,829	2,238	2,165	2,455	2,442
Section 13(1)(a) Comptroller of Customs	13	5	8	1	38	0	57	36	84	76
Section 13(1)(ab) Commissioner of Police	131	173	115	47	33	242	284	129	145	44
Section 13(1)(b) Secretary for Internal Affairs	65	183	194	24	100	36	31	20	14	41
Section 13(1)(c) Public & Commercial	4	7	9	8	11	8	26	10	2	4
Section 13(3) Chief Censor's Own Motion	8	1	0	0	0	2	4	1	3	5
Section 29(1) Courts	0	16	115	111	22	125	130	161	78	134
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	4	15	3	1	0	0	1	0	0	0
Regulation 27 Film Poster Approvals	0	0	1	3	6	13	13	13	31	16
<b>Total</b>	<b>2,445</b>	<b>2,355</b>	<b>2,032</b>	<b>2,152</b>	<b>2,026</b>	<b>2,255</b>	<b>2,784</b>	<b>2,535</b>	<b>2,812</b>	<b>2,762</b>



Table 4: Comparison of Publications Classified 2006-2016

	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Section 12(1) Labelling Body	2,219	1,958	1,594	1,942	1,830	1,814	2,263	2,189	2,462	2,451
Section 13(1)(a) Comptroller of Customs	9	5	8	1	38	0	57	36	84	74
Section 13(1)(ab) Commissioner of Police	111	173	115	47	33	253	293	109	146	41
Section 13(1)(b) Secretary for Internal Affairs	39	183	194	34	90	36	31	20	17	41
Section 13(1)(c) Chief Censor Grants Leave	5	7	8	8	11	8	26	10	2	7
Section 13(3) Chief Censor's Own Motion	8	1	0	0	1	1	5	0	3	5
Section 29(1) Courts	0	16	134	92	22	135	123	158	78	127
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	4	18	0	1	0	0	1	0	0	0
Regulation 27 Film Poster Approvals	0	0	1	3	6	13	13	13	29	16
<b>Total</b>	<b>2,395</b>	<b>2,361</b>	<b>2,054</b>	<b>2,128</b>	<b>2,031</b>	<b>2,260</b>	<b>2,812</b>	<b>2,535</b>	<b>2,821</b>	<b>2,762</b>

**Statements of the**

**OFFICE OF**

**FILM & LITERATURE CLASSIFICATION**

**TE TARI WHAKARŌPŪ TUKUATA, TUHITUHINGA**

**for the year ended 30 June 2016**

## STATEMENT OF MANAGEMENT RESPONSIBILITY

### For the Year Ended 30 June 2016

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.

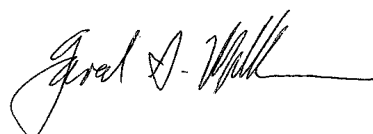
The Board of the Classification Office has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

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 2016.

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



Dr AR Jack  
*Board Member*



J S Mullen  
*Board Member*

31 October 2016

## 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 2016**

The Auditor-General is the auditor of the Office of Film and Literature Classification (the Classification 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.

### **Opinion on the financial statements and the performance information**

We have audited:

- the financial statements of the Classification Office on pages 38 to 53, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Classification Office on pages 8 to 10 and 30 to 37.

In our opinion:

- the financial statements of the Classification Office
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016;
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Standards with Reduced Disclosure Regime.
- the performance information:
  - presents fairly, in all material respects, the Classification Office's performance for the year ended 30 June 2016, including for each class of reportable outputs:
    - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and explain our independence.

### **Basis of Opinion**

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Classification Office's financial statements and performance information 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 Classification Office's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within the Classification Office's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

### **Responsibilities of the Board**

The Board is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand,
- present fairly the Classification Office's financial position, financial performance and cash flows; and
- present fairly the Classification Office's performance.

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

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

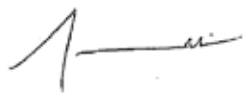
**Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

**Independence**

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Classification 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 2016

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. Provision of information and research on classification procedures and systems.”*

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.

	Ex GST \$'000
<b>Revenue and Proposed Expenses</b>	
Crown Appropriation	1,960
Third Party Revenue	907
Interest Revenue	65
Total Revenue	2,932
Expenses	3,044
Expected Surplus/(Deficit)	<b>(\$112)</b>

## Classification Services

(Report against Statement of Performance Expectations 2015-2016)

### Output 1 - Production of Classification Decisions

Quantity	Notes	Minimum Estimate	Maximum Estimate	Actual 2016	Actual 2015
Publications Received		1,646	2,275	2,557 ✓	2,156
Publications Examined		1,646	2,275	2,445 ✓	2,355
1.1.1 Third Party - Publications Classified		1,391	1,847	2,228 ✓	1,983
1.1.2 Crown - Publications Classified	1	255	428	167 ×	378
1.1.3 Classification Decisions Registered		1,646	2,275	2,395 ✓	2,361

Quality	Notes	Projected	Actual 2016	Actual 2015
1.2.1 Classification decisions to set standard	2	95%	99.8% ✓	99.4%
1.2.2 Classification decisions	3			
(a) apply all relevant criteria		95%	100% ✓	100%
(b) are soundly reasoned		95%	100% ✓	100%
(c) are accessible to a range of readers		95%	Not Achieved ✗	N/A (new measure)
1.2.3 Classification decisions are appropriately classified	4,5	95%	81.6% ✗	89.7%

**Note 1: Quantity Measure not achieved**

Actuals and Estimates vary because Estimates are based on historic submissions patterns. Actual volumes submitted by the Crown depend on the amount of crime detected and on decisions by independent agencies in relation to any crime detected. Actual volumes submitted by the Labelling Body depend on the commercial activity and decisions of distributors as part of a dynamic and competitive market.

**Note 2: 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 3: Independent Review**

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

Previous reviews placed emphasis on the first aspects of the standard and focused 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. This year we asked our reviewers to focus on a new aspect of the standard to ensure the classification decision process is transparent and accessible to a range of readers. Rather than using an expert in classification law the Office used experts in plain language. Plain language documents support fair, efficient, and transparent communication.

Eleven decisions of the Office, relating to 11 publications were reviewed against 10 standards. The sample included a range of mediums including a book, a film, a static image, a moving image file, a computer game and a video-on-demand episodic publication. These were submitted by the Police, the Department of Internal Affairs, commercial distributors and a concerned member of the public. The publications carried classifications from Unrestricted to R18.

This review found that while the Office's decisions were accurate and contained all the required information, a range of structural and stylistic changes were required to meet the reviewers 'plain English' standard writing. This highlights that well written legal documents designed for review by the Courts are seldom suitable for public consumption.

**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.

**Note 5: Quality Measure not achieved**

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

During the five years to June 2016 the Board of Review made decisions relating to 38 publications. Of these 21% of the decisions



were lower than that made by the Office and 18% were given a higher restriction. A result of 81.6% was achieved against a target of 95%.

During 2015/16 the Board made two decisions. One decision confirmed the classification issued by the Office and the other decision lowered the classification from R18 to R16. Both of these decisions meet the standard. Despite this the reported performance against this standard has dropped from 89.7% for 2014/15 to 81.6% as at June 2016. In the five years to June 2015 seven of 68 publications did not meet the standard, and in the five years to June 2016 the same seven publications did not meet the standard but only 38 publications were reviewed.

As discussed in the prior annual report the Office has reviewed and considered the single decision of the Board in 2014/15 which resulted in the seven publications not achieving the standard, and the Office remains comfortable with decisions made by the Office.

## Timeliness

			Target <sup>2</sup>		No. of Pubs	Actual 2016			Actual 2015
			Days	%		No.	%	✓	%
Internal Measures	Queue Time	s12 & s42	20	90%	2,223	2,156	97%	✓	77%
		s13	25	70%	221	196	88.7%	✓	49%
	Processing Time	Standard s12 & s42	10	90%	2,218	2,154	97%	✓	97%
		Complex s12 & s42	15	70%	0	0	-		-
		s13	30	70%	133	128	96%	✓	100%
SPE Measures	Total Processing Time								
	1.3.1	Standard s12 & s42	30	90%	2,218	2,174	98%	✓	80%
	1.3.2	Complex s12 & s42	35	70%	0	0	-		-
	1.3.3	s13	55	70%	133	132	99%	✓	73%

### Note 1: Timeliness Definitions

- The distinction between 'standard' and 'complex' publications is based on the requirement to consider excisions. Complex publications are those publications for which excisions have been recommended.
- Performance on Queue Timeliness is calculated on publications examined during the reporting period.
- Performance on Processing Timeliness and Total Processing Timeliness are calculated on publications registered during the reporting period.
- Publications which achieve the Total Processing Timeliness target may have failed either Queue or Processing timeliness.
- Publications requiring assistance under s21 of the Act and s29 submissions are excluded from Processing and Combined timeliness measures.

### Note 2: 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

Section 12 - Labelling Body	Minimum Estimate	Maximum Estimate	Actual 2016	Actual 2015
Publications Received	1,386	1,835	<b>2,315</b>	1,852
Publications Examined	1,386	1,835	<b>2,220</b>	1,959
Classifications Registered	1,386	1,835	<b>2,219</b>	1,958

#### Regulation 27 - Film Poster Approvals

Publications Received	3	6	<b>0</b>	0
Publications Examined	3	6	<b>0</b>	0
Film Poster Decisions	3	6	<b>0</b>	0

#### Section 13(1)(a) - Comptroller of Customs

Publications Received	6	12	<b>13</b>	5
Publications Examined	6	12	<b>13</b>	5
Classifications Registered	6	12	<b>9</b>	5

#### Section 13(1)(ab) - New Zealand Police

Publications Received	100	150	<b>131</b>	127
Publications Examined	100	150	<b>131</b>	173
Classifications Registered	100	150	<b>111</b>	173

#### Section 13(1)(b) - Secretary for Internal Affairs

Publications Received	83	154	<b>78</b>	146
Publications Examined	83	154	<b>65</b>	183
Classifications Registered	83	154	<b>39</b>	183

#### Section 13(1)(c) - Chief Censor Grants Leave (Commercial & Public)

Publications Received	2	6	<b>4</b>	7
Publications Examined	2	6	<b>4</b>	7
Classifications Registered	2	6	<b>5</b>	7

#### Section 13(3) - Chief Censor's Own Motion

Publications Received	0	0	<b>9</b>	1
Publications Examined	0	0	<b>8</b>	1
Classifications Registered	0	0	<b>8</b>	1

Section 29(1) - Courts	Minimum Estimate	Maximum Estimate	Actual 2016	Actual 2015
Publications Received	66	112	6	16
Publications Examined	66	112	0	16
Classifications Registered	66	112	0	16

Section 41(3) - Court Reconsiderations				
Publications Received	0	0	0	0
Publications Examined	0	0	0	0
Classifications Registered	0	0	0	0

Sections 42(1),(2) & (3) Reconsiderations				
Publications Received	0	0	0	2
Publications Examined	0	0	0	15
Classifications Registered	0	0	0	18

SUMMARY				
Publications Received For the Year	1,646	2,275	2,557	2,156
Publications Examined	1,646	2,275	2,445	2,355
Classifications and Film Poster Decisions	1,646	2,275	2,395	2,361

	Variance from Minimum Estimate	Variance from Maximum Variance
VARIANCES		
Actual <b>Received</b> vs Estimate	55%	12%
Actual <b>Examined</b> vs Estimate	49%	7%
Actual <b>Classifications Registered</b> vs Estimate	46%	5%

**Note:**

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 2016

### Information Services

(Report against Statement of Performance Expectations 2015-2016)

#### Output 2 - Dissemination of Information

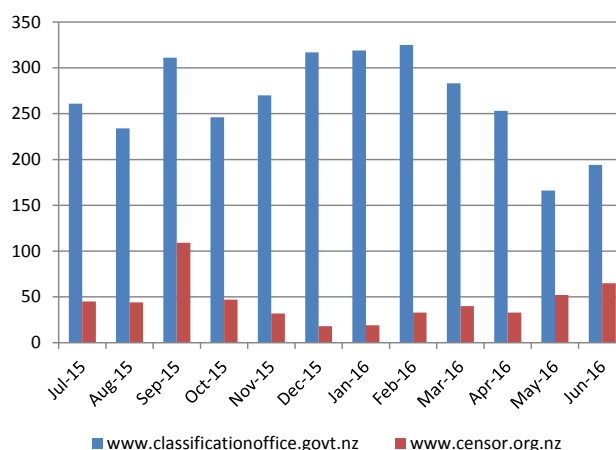
##### Activity 2.1 Development of a Quality Web Presence

Quantity & Quality	Notes	Targets	Actual 2016	Actual 2015
2.1.1 Number of visits to the Classification Office websites (average per day)		250	311* ✓	308
2.1.2 Website pages servicing frequently asked questions from the public are commonly accessed	At least 20% of page views of the 'Top 10' pages accessed on the OFLC website		52% ✓	29.6%

\* We launched our redesigned website for NCEA students and teachers in the first quarter, and a redesigned main website in the fourth quarter.

Chart 9 shows the average daily visits by month to the Office's sites.

Chart 9: Average Daily Visits 2015/16



The most frequently accessed information on our main site during the year was:

- New Zealand's classification labels
- what does the M label mean?
- search for a classification index page
- information for parents
- about New Zealand classification section index page, and
- public section index page.

## Activity 2.2 Educational Presentations

Quantity & Quality	Notes	Targets	Actual 2016	Actual 2015
2.2.1 Number of educational presentations given	1	15-20	16 ✓	15
2.2.2 Responses to client satisfaction surveys 'Very Good', or better		80%	100% ✓	88%

**Note 1:** This is a demand driven activity.

There were 16 presentations during the year to 1,114 attendees (cf. 1,202 in 2014/15).

### *Censor for a Day*

In our regular education programme for Media Studies students who can choose censorship topics within the NCEA unit standards, we conducted seven *Censor for a Day* events to around 550 students and teachers in Wellington, Tauranga, Hamilton, Napier, Palmerston North and New Plymouth. At these events, students are given a presentation about the classification system, watch a pre-release feature film and complete a written exercise to classify the film using the criteria in the Classification Act. After the events we publish a full report of the students' classification findings on our student website.

## Output 3 - Inquiries and Complaints

	Notes	Targets	Actual 2016	Actual 2015
Quantity				
3.1 Number of inquiries and complaints answered	1	600 - 800	1,237 ✓	961
Quality				
3.2 Responses to 'request for feedback' on inquiries and complaints service are 'Satisfied with service'		80%	98% ✓	100%
Timeliness				
3.3 Inquiries and complaints responded to promptly		80% within 5 days	96% ✓	99%
		100% within 20 days	100% ✓	100%

**Note 1:** This is a demand driven activity.

### *Quality of responses to complaints and inquiries*

The Information Unit administers a quality survey about its response to inquiries and complaints.

People who make a substantive inquiry or complaint in writing (considered to be an Official Information Act request) are surveyed on our response to them. The purpose of the survey is to provide evidence about the quality of the responses we provide.

949 emailed responses were sent during the year. 312 correspondents were surveyed and 33 completed the survey questions. The large disparity in emailed responses compared to surveyed

responses was due to a high number of complaints being generated by an email campaign by a lobbyist group about the classification of the book *Into the River*. These complaints received standard responses which did not include the quality survey. The total number of complaints was far higher than our expected range and removing the survey allowed for a more timely response (see below for more information about *Into the River*).

### ***Trends in inquiries and complaints***

Overall, we dealt with 280 fewer inquiries during the year, compared to the previous year. The difference was largely to do with the large number of inquiries received at the LIANZA conference in 2015. Average daily visits to our websites have remained steady following an upward trend in the past few years, indicating that many people are getting the information they need online.

619 complaints (cf. 63 in 2014/15) were received during the year. The vast majority of complaints (564) were about the classification of the book *Into the River*, and most of these were generated in a response to an email campaign by lobbyist group Family First. 24 (out of the 564) complaints were received from members of the public unhappy with the Film and Literature Board of Review's decision to place an Interim Restriction Order on the book pending a new classification, temporarily banning it from sale or supply. Aside from this book, complaints covered a range of issues with the classification system and with the classifications of specific publications. Other than *Into the River*, no film, game or other publication classified by the Classification Office received more than one complaint about its classification. 13 complaints were received about films that had been cross-rated from the Australian classification. The most complained about film was *Pixels* (3 complaints about the PG rating) followed by the short film *Sanjay's Super Team* (2 complaints about the PG rating). A further 5 complaints were received about children's access to M films in general. Following complaints, two cross-rated films (*Perfect Sisters* and *Autumn Blood*) were called in by the Chief Censor to be classified – both had their classifications changed from M to R16.

### ***Output 4 - Research***

	Notes	Targets	Actual 2016	Actual 2015
Quantity				
4.1 Research projects per year		1	2 ✓	0
Quality				
4.2.1 Published research helps inform the wider public about censorship issues	1	Research reports make up at least 10% of resources downloaded	19% ✓	19%
Timeliness				
4.3 Research findings are published within 1 month of report being finalised	2	100%	100% ✓	100%

**Note 1:** Published research helps inform the wider public about censorship issues.

Published research is 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. It provides an evidence base to censorship policy-making. The website is the main point of access to the Office's research and contains all 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.

**Note 2:** This relates to the research conducted in the prior year.

## FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

For the Year Ended 30 June 2016

		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
REVENUE	Notes			
Revenue from the Crown	2	1,960	1,960	1,960
Labelling Body Revenue		911	907	1,033
Other Fee Revenue		2	0	1
		2,873	2,867	2,994
OTHER REVENUE				
Interest Revenue		46	65	62
Gain On Sale Of Fixed Assets		0	0	0
		46	65	62
<b>Total Revenue</b>		<b>2,919</b>	<b>2,932</b>	<b>3,056</b>
EXPENDITURE				
Audit Fee		29	30	30
Depreciation & Amortisation Expense	8,9	227	200	224
Insurance Costs		13	18	17
Loss On Sale of Fixed Assets		1	0	1
Lease & Rental Costs		197	195	196
Other Operating Costs		614	613	553
Personnel Costs	15	1,982	1,988	2,032
<b>Total Expenditure</b>		<b>3,063</b>	<b>3,044</b>	<b>3,053</b>
<b>Surplus/(Deficit)</b>		<b>(144)</b>	<b>(112)</b>	<b>3</b>
Other Comprehensive Revenue		0	0	0
<b>TOTAL COMPREHENSIVE REVENUE</b>		<b>(144)</b>	<b>(112)</b>	<b>3</b>

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 2016

		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
	Notes			
<b>BALANCE AT 1 JULY</b>		<b>2,447</b>	2,335	2,444
Surplus/(Deficit)		(144)	(112)	3
Comprehensive Revenue and Expenses		(144)	(112)	3
<b>BALANCE AT 30 JUNE</b>	17	<b>2,303</b>	2,223	2,447

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 2016

		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CURRENT ASSETS	Notes			
Cash & Cash Equivalents	3	773	350	267
Debtors & Other Receivables	4	132	124	103
Investments	5	815	1,100	1,300
<b>Total Current Assets</b>		<b>1,720</b>	<b>1,574</b>	<b>1,670</b>
CURRENT LIABILITIES				
Creditors & Other Payables	6	160	226	158
Employee Entitlements	7	154	207	142
<b>Total Current Liabilities</b>		<b>314</b>	<b>433</b>	<b>300</b>
<b>NET CURRENT ASSETS</b>		<b>1,406</b>	<b>1,141</b>	<b>1,370</b>
NON-CURRENT ASSETS				
Property, Plant & Equipment	8	269	414	351
Intangible Assets	9	628	668	707
Work in Progress		0	0	19
<b>Total Non-Current Assets</b>		<b>897</b>	<b>1,082</b>	<b>1,077</b>
<b>NET ASSETS</b>		<b>2,303</b>	<b>2,223</b>	<b>2,447</b>
<i>Represented By:</i>				
EQUITY				
Closing Equity	17	2,303	2,223	2,447
<b>TOTAL EQUITY</b>		<b>2,303</b>	<b>2,223</b>	<b>2,447</b>

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 2016

		Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	Notes			
<i>Cash was provided from:</i>				
Receipts from the Crown		1,960	1,960	1,960
Receipts from Customers		888	907	973
Interest Received		47	65	68
Net Goods & Services Tax Received		2	430	0
		2,897	3,362	3,001
<i>Cash was distributed to:</i>				
Net Goods & Services Tax Paid		0	430	6
Payments to Suppliers & Employees		2,828	2,845	2,906
		2,828	3,275	2,912
<b>Net Cash Flow from Operating Activities</b>		69	87	89
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment		0	0	0
Sale of Investments		800	0	0
		800	0	0
<i>Cash was distributed to:</i>				
Purchase of Property, Plant & Equipment		21	58	15
Purchase of Intangible Assets		26	50	19
Acquisition of Investments		315	0	200
		362	108	234
<b>Net Cash Flow from Investing Activities</b>		438	(108)	(234)
CASH FLOWS FROM FINANCING ACTIVITIES				
<b>Net Cash Flow from Financing Activities</b>		0	0	0
Net Increase/(Decrease) in Cash & Cash Equivalents		506	(21)	(145)
Cash & Cash Equivalents at Beginning of Year		267	371	412
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	3	773	350	267

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 2016

### 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 2016 and were approved on 31 October 2016.

#### 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 2016:

#### 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 revenue is recognised using the effective interest method. Interest revenue 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 leases*

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.

	2016 \$'000	2015 \$'000
<b>Note 2: Reconciliation of Crown Revenue Received</b>		
Funds received from Vote: Internal Affairs regarding the Estimates of Appropriations (net GST)	1,960	1,960
<b>Crown Revenue Per Accounts as at 30 June</b>	<b>1,960</b>	<b>1,960</b>

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 (2015: nil).

	2016 \$'000	2015 \$'000
<b>Note 3: Cash &amp; Cash Equivalents</b>		
Petty Cash	0	0
Operating Accounts	99	(8)
Call Deposits ≤ 90 days	674	275
<b>Total Cash &amp; Cash Equivalents</b>	<b>773</b>	<b>267</b>

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

	2016 \$'000	2015 \$'000
<b>Note 4: Debtors &amp; Other Receivables</b>		
Interest Receivable	8	8
Sundry Debtors	0	0
Prepayments	36	34
Trade Debtors	88	61
	132	103
Less Provision for Doubtful Debts	0	0
<b>Total Debtors &amp; Other Receivables</b>	<b>132</b>	<b>103</b>

As at 30 June 2016 all receivables have been assessed for impairment. The carrying value of receivables approximates their fair value. All receivables are resultant from exchange transactions.

	2016 \$,000	2015 \$'000
<b>Note 5: Investments</b>		
Term deposits > 90 days	815	1,300
<b>Total Investments</b>	<b>815</b>	<b>1,300</b>

Note 6: Creditors & Other Payables	2016 \$'000	2015 \$'000
Trade Creditors	61	62
Revenue in Advance	41	39
Sundry Creditors	33	35
GST	25	22
<b>Total Creditors &amp; Other Payables</b>	<b>160</b>	<b>158</b>

Creditors and other payables are non-interest bearing and are normally settled on 30 days 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	2016 \$'000	2015 \$'000
Accrued Annual Leave	117	118
Provision for Staff Accrued Personnel Costs	35	22
Long Service Leave	2	2
<b>Total Employee Entitlements</b>	<b>154</b>	<b>142</b>

The value of long service leave is calculated on 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

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 2014	243	301	301	50	14	30	33	972
<b>Balance at 30 June 2015</b>	252	306	288	39	14	27	33	<b>959</b>
Additions	10	0	2	0	3	7	0	22
Disposals	(11)	0	0	(1)	(2)	0	0	(14)
<b>Balance at 30 June 2016</b>	251	306	290	38	15	34	33	<b>967</b>

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 2014	180	8	250	48	10	30	3	529
<b>Balance at 30 June 2015</b>	210	67	245	38	12	27	9	<b>608</b>
Depreciation Expense	36	51	6	1	2	1	6	103
Eliminate on Disposal	(11)	0	0	(1)	(1)	0	0	(13)
<b>Balance at 30 June 2016</b>	235	118	251	38	13	28	15	<b>698</b>
<b>Carrying Amounts</b>								
At 1 July 2014	63	293	51	2	4	0	30	443
At 30 June & 1 July 2015	42	239	43	1	2	0	24	351
At 30 June 2016	16	188	39	0	2	6	18	269

## 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 2014	81	1,783	0	1,864
<b>Balance at 30 June 2015</b>	81	1,783	19	1,883
Additions	0	26	0	26
Net transfer between classes	0	19	(19)	0
<b>Balance at 30 June 2016</b>	<b>81</b>	<b>1,828</b>	<b>0</b>	<b>1,909</b>

Accumulated Amortisation & Impairment Losses	Computer Software \$'000	Classification Database \$'000	Work In Progress \$'000	Total \$'000
Balance at 1 July 2014	79	961	0	1,040
<b>Balance at 30 June 2015</b>	80	1,077	0	1,157
Amortisation Expense	1	123	0	124
<b>Balance at 30 June 2016</b>	<b>81</b>	<b>1,200</b>	<b>0</b>	<b>1,281</b>
<b>Carrying Amounts</b>				
At 1 July 2014	2	822	0	824
At 30 June and 1 July 2015	1	706	19	726
At 30 June 2016	0	628	0	628

## Note 10: Financial Instruments

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

	2016 \$'000	2015 \$'000
<b>Financial Assets</b>		
Cash and Equivalents	773	267
Receivables	96	69
Investments - Term Deposits	815	1,300
<b>Total Financial Assets</b>	<b>1,684</b>	1,636
<b>Financial Liabilities</b>		
Creditors and Other Payables	160	158
<b>Total Financial Liabilities</b>	<b>160</b>	158
	<b>1,844</b>	1,794

### 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 2016.

### 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.

	2016 \$'000	2015 \$'000
<b>Operating Lease Commitments</b>		
Not later than one year	187	190
Later than one year and not later than five years	469	656
Later than five years	0	0
<i>Total Operating Lease Commitments</i>	<b>656</b>	846
Capital Commitments	0	0
<b>Total Commitments</b>	<b>656</b>	846

### Note 14: Contingencies

The Office of Film and Literature Classification has no known contingent liabilities or assets as at 30 June 2016 (2015: \$nil).

	2016 \$'000	2015 \$'000
<b>Note 15: Personnel Costs</b>		
Salaries & Wages	1,915	2,033
Employer contributions to defined contributions plans	55	65
Increase/(decrease) in employee entitlements (Note 6)	12	(66)
<b>Total Personnel Costs</b>	<b>1,982</b>	2,032

#### Note 16: Key Management & Employee Remuneration

	2016 \$'000	2015 \$'000
Key Management Personnel Compensation		
Salaries & Other	434	431
Post-employment Benefit	15	24
<b>Total Key Management Personnel Compensation</b>	<b>449</b>	<b>455</b>
<b>Full time Equivalents</b>	<b>2</b>	<b>2</b>

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

Employee Remuneration and Benefits	2016	2015
\$110,000 - \$119,999	1	1
\$170,000 - \$179,999	1	0
\$210,000 - \$219,999	0	1
\$230,000 - \$239,999	1*	0
\$240,000 - \$249,999	0	1*

\* This refers to the Chief Executive's remuneration.

#### Severance Payments

During the year ended 30 June 2016 no employees received compensation in relation to cessation (2015:\$nil).

No Board members received compensation or other benefits in relation to cessation (2015:\$nil).

Note 17: Equity	2016 \$'000	2015 \$'000
<b>Equity</b>		
Balance at 1 July	2,447	2,444
Surplus/(Deficit) for the year	(144)	3
<b>Balance at 30 June</b>	<b>2,303</b>	<b>2,447</b>

#### Note 18: Subsequent Events

There are no significant events after balance date.

#### Note 19: Explanation of Key Variances

##### Statement of Comprehensive Revenue and Expenses

##### Labelling Body Revenue

(2015/16 compared to 2014/15)

As forecast, the number of DVD submitted by the Labelling Body for examination was significantly lower in 2015/16 than prior years. While this was partially offset by episodic publications submitted by online distributors these changes in submissions resulted in less revenue from the Labelling Body.

### Interest Revenue

*(2015/16 compared to Budget and 2014/15)*

Revenue from interest earned on cash reserves was lower than forecast as interest rates during the period were lower than expected.

### Depreciation & Amortisation Expense

*(2015/16 compared to Budget)*

Depreciation expense was higher than forecast as the depreciation period for the Office's fitout was reduced from 12 years to 6 years, bringing it into line with the lease expiry. This change was made on the recommendation of the Office's auditors.

### Insurance Costs

*(2015/16 compared to Budget and 2014/15)*

The annual review of the Office's insurances resulted in saving in premiums and the termination of one policy, which resulted in reduced expenditure.

### Other Expenses

*(2015/16 compared to 2014/15)*

The primary driver of the variance between Other Expenses in 2015/16 and 2014/15 was the low levels of Information Unit activity in 2014/15, while the Office reviewed the activities conducted to meet the requirements of s88(2) of the FVPC Act. This included the deferral of the annual research project. Other Expenses in 2013/14 was \$623K, which is similar to 2015/16 levels.

### Personnel Costs

*(2015/16 compared to 2014/15)*

The primary driver of reduced personnel expenditure in 2015/16 was the vacancy of one position within the Information Unit.

## MANAGEMENT OF THE OFFICE OF FILM & LITERATURE CLASSIFICATION

### Organisational Health and Capability

During 2015/16 the new Health and Safety at Work legislation came into effect. In preparation for the introduction of the new Act the Office introduced an expanded reporting regimen to ensure 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.

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 September 2015 a new Deputy Chief Censor was appointed. This position is also a member of the Office's Board (along with the Chief Censor) and is the manager of the Classification Unit. In April 2016 a new manager of the Information Unit was also appointed. These changes mean a 50% turnover in the membership of the Office's senior management team and introduced fresh ideas and approaches to the work of the Office.

As at 30 June 2016 the Office had just 20.3 full time equivalent staff. This is the smallest the Office has been since it was formed in 1994. This creates challenges around maintaining corporate knowledge, representation, and segregation of duties. Recruitment planned for early in 2016/17 should go some way to address these issues.

The collective employment agreement between the Office and the PSA was due to expire in March 2016 however it was agreed that this should be rolled over for a further 6 months until September 2016.

### 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, people with disabilities and other minority groups. The Office is also committed to being an Equal Employment Opportunities (EEO) employer.

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.

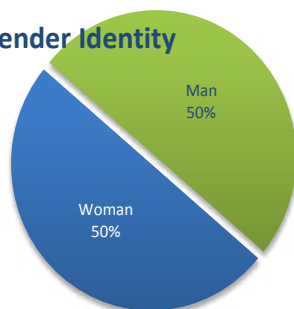
### Workplace Profile

As at the end of June 2016 the Office had 21 employees.

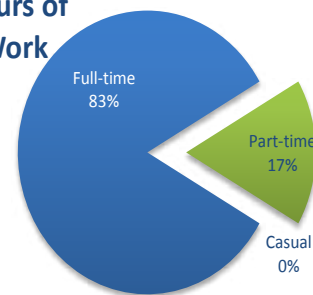
A workplace profile survey is conducted each year. This is voluntary, and was completed by 85% of staff.

- Gender identity within the Office is split evenly with 50% identifying as women and 50% identifying as men.
- Similarly in the Classification Unit (Classification Officers and Senior Classification Officers), 50% are women and 50% men.
- 57% of managers are women, and 43% are men.

**Gender Identity**



**Hours of Work**

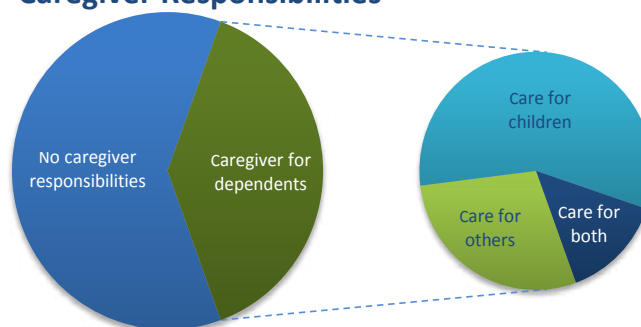


Of staff who responded to the survey 17% work less than full-time hours and more women than men work part time.

Approximately 40% of our staff have caregiver responsibilities of some kind, and the Office provides flexible working options to accommodate and support this.

The average length of service is 11.6 years.

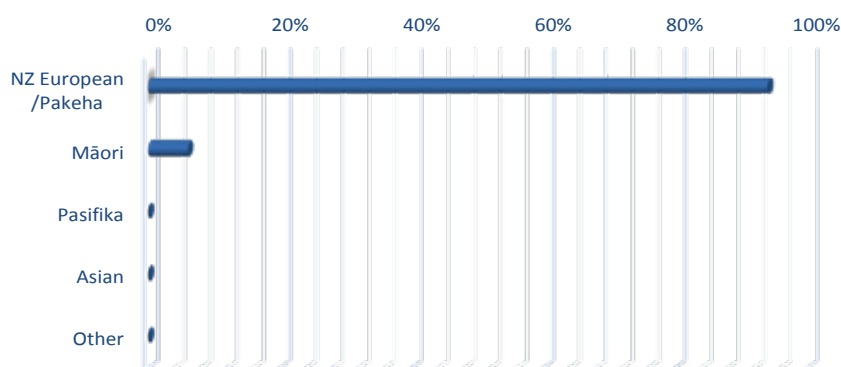
**Caregiver Responsibilities**





### Ethnicity

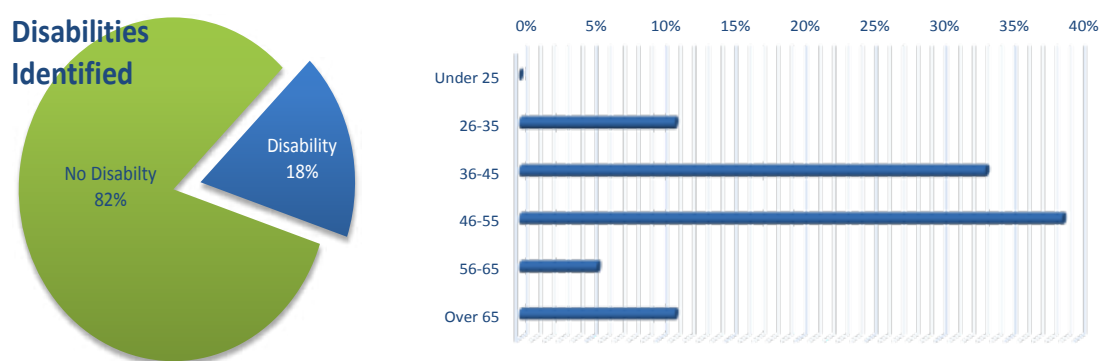
94% of the Office's employees identify as NZ European/Pakeha, with 6% identifying as Māori. When the Office recruited new Classification Officers in late 2012, we focused on attracting a diverse range of candidates, and will continue to do so in the future.



### Age/Disability

Current employee ages range from 30s to 70s, and the average age is 49. 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.

Of those who completed the survey 18% 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.



### Staff Consultation

During 2014 staff were asked to identify what 'good employer' issues they would like the Office to work on improving over the next 12-24 months. The top three factors were 'Remuneration, Recognition & Conditions', 'Health & Safety Environment' and 'Flexibility & Work Design'. During 2015/16 the focus has been on our health and safety environment.

During 2013 the EEO Committee disbanded. 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.

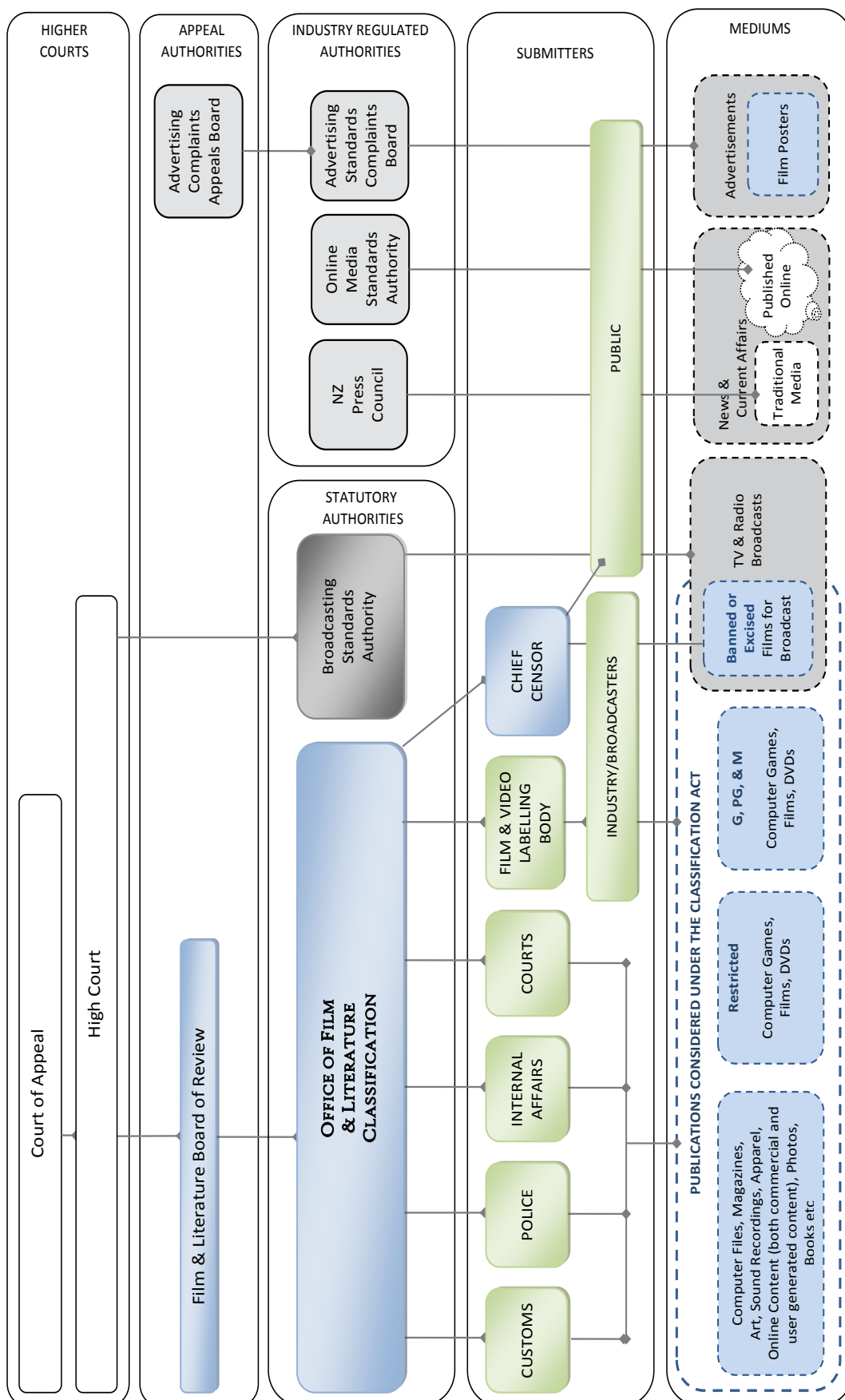
### Key Good Employer Elements

<p>Leadership, Accountability &amp; Culture</p>	<p>The Chief Executive articulates his goals for the Office and expectations of staff. The weekly management meeting minutes are circulated to all staff and a monthly staff meeting is held to inform all staff about the wider activities of the Office. The Chief Executive has an 'open door' policy and welcomes staff feedback.</p> <p>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.</p> <p>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).</p>
<p>Recruitment, Selection &amp; Induction</p>	<p>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.</p> <p>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.</p>

Employee Development, Promotion & Exit	<p>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.</p> <p>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.</p> <p>While the small size of the Office and the length of service mean opportunities for internal 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.</p>
Flexibility & Work Design	<p>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.</p> <p>Flexible work options include:</p> <ul style="list-style-type: none"> <li>• flexitime</li> <li>• job share and casual positions</li> <li>• a number of positions able to be worked on a part-time basis if preferred by employees</li> <li>• in certain circumstances, working from home is an option</li> <li>• requests for changes to hours of work (such as reducing hours to part-time) is considered for all employees.</li> </ul>

<p>Remuneration, Recognition &amp; Conditions</p>	<p>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.</p> <p>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.</p> <p>Flexible working conditions are available to, and utilised by, staff throughout the organisation.</p>
<p>Harassment &amp; Bullying Prevention</p>	<p>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.</p>
<p>Safe &amp; Healthy Environment</p>	<p>The Office takes a pro-active approach to employee health, safety and well-being.</p> <p>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).</p> <p>The Office has a Health and Safety policy, 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.</p> <p>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.</p>

## 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.



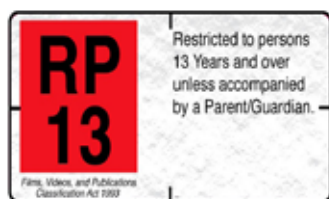
**M** - Anyone can be shown or sold this but it is more suitable for mature viewers. Read the label for any content warnings and consider whether the film is made for a family audience.

### 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

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