



2016/17
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 2017



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 2017.

Yours sincerely

D E Shanks
Chief Censor

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OUR VISION

The need to inform and empower people is more important than ever before – we want New Zealanders to grow, survive and thrive in a society with strong, positive values.

OUR PURPOSE

Reduce the harm to New Zealanders, particularly children and young people, from exposure to potentially harmful content such as sex and violence - while recognising the diverse views of all Kiwis and upholding our right to freedom of expression

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 58.

CHIEF CENSOR'S FOREWORD

It is a pleasure to present the annual report of the Office of Film and Literature Classification for the year ended 30 June 2017.

The work of the Office over this past year reflects a significant turning point.

Over the year the Office examined 2,433 "publications". This is around average for any given year out of the past 10 years, as an examination of the comparative tables in this report will show.



Closer examination will reveal however that there has been very significant shifts in the composition of this work. Publications received through the Labelling Body – (such as cinematic release films, DVD movies and series, and some games released on disc) numbered 1,195. This is by far the lowest number of commercial submissions examined over the last decade.

Conversely, the numbers of publications submitted to this Office by organisations such as the Police, Customs or the enforcement arm of the Department of Internal Affairs are at all time highs.

The reason is obvious. The digital transformation of how New Zealanders purchase and consume entertainment media is well underway. Major content providers such as Netflix are currently operating outside of the regulatory regimes we have in place to cover both film and broadcast content. The DVD industry that this Office has traditionally had as a focus is in its sunset.

At the same time, technology has provided a platform for extremely disturbing and illegal material to flourish. Child pornographers have multiple channels to share, publish and monetise their exploitative material. Terrorist organisations are finding the internet to be their most powerful propaganda tool. No wonder we have been so busy on those fronts.



David presenting the Sexual Violence Research at the International Classification Conference in Stockholm 2017

The changes are most significant for our youth. Over the past year the Office completed a ground breaking series of research reports into New Zealand teenagers viewing sexual violence. This has attracted significant attention both at home and internationally for what it has revealed about the attitudes and habits of young people in this space.

Parents are concerned about what their children are watching. They are right to be. This research confirms that our young people are 'free ranging' over digital content from all kinds of sources. What they are seeing is shaping their views. Many have seen things they wish they hadn't.

Our research programme has provided us with insights into how we can tailor our classification work in a way that is more effective and useful for young New Zealanders. More than that however, it points towards a new way of thinking about how to balance freedoms and rights with the need to provide some protections for the community – particularly the young.

The old approaches to regulation will not work in this environment. The future involves parents, children and young people who are better informed and equipped to deal with the digital environment. It involves an industry taking greater responsibility themselves, using digital tools to efficiently inform the public. It means leveraging international moves to address common concerns. We are better positioned than ever before to make this change.

I would like to acknowledge all of the dedicated staff at the Office who have made these significant achievements over the last year possible.

They have all served the public well. I salute them.

A handwritten signature in black ink, appearing to read 'D E Shanks', written in a cursive style.

D E Shanks
Chief Censor

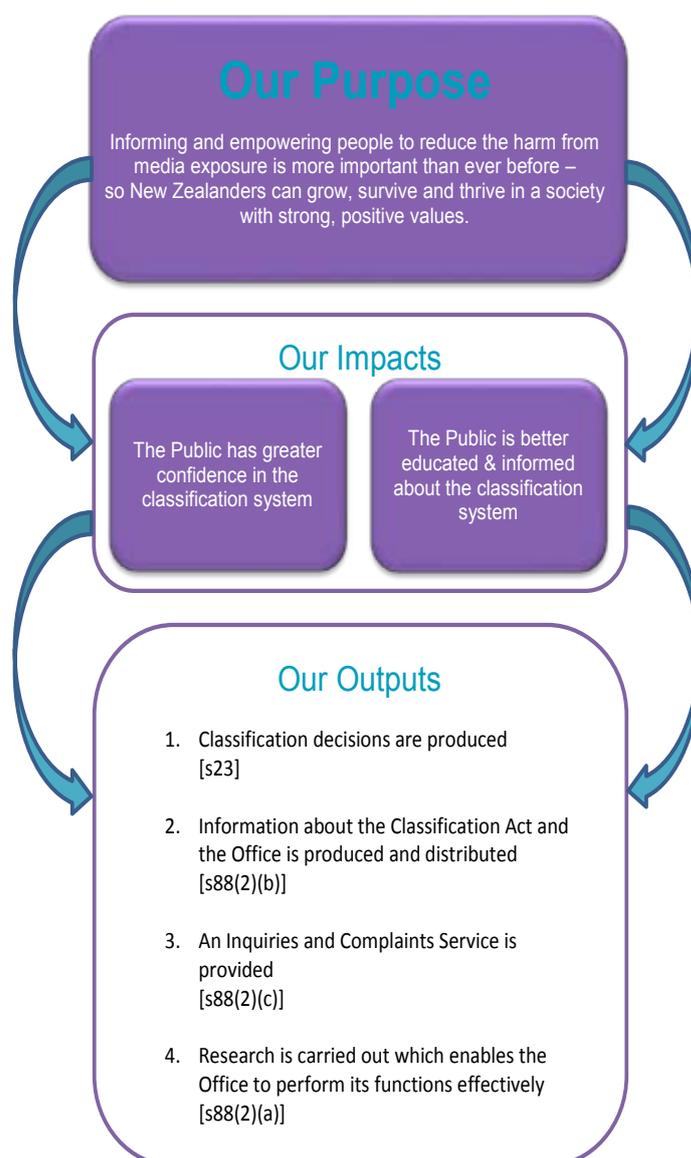
WHAT IMPACT DOES THE OFFICE HAVE?

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

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

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

Chart 1: Outcome Structure



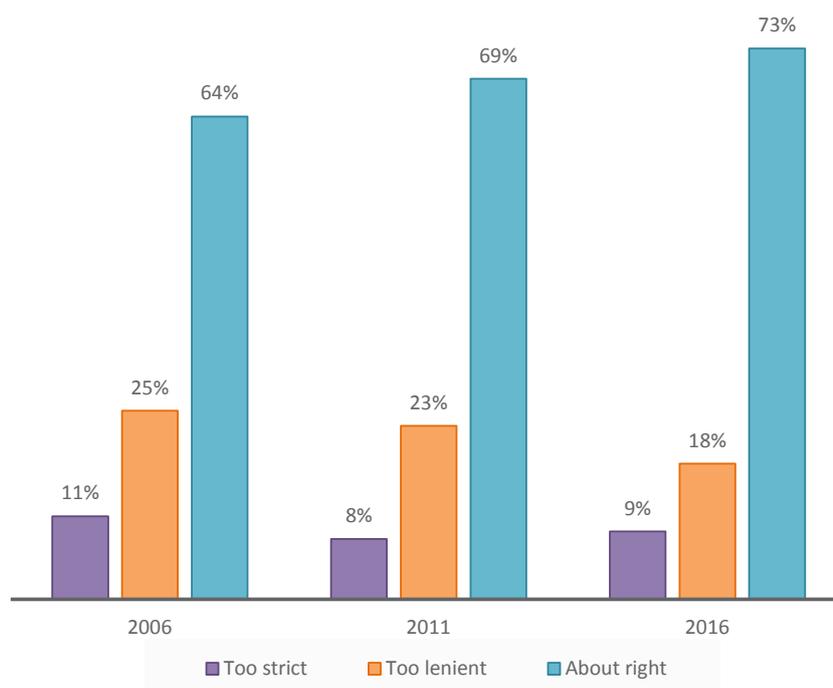
Within this context the work of the Office will have the most impact when people trust the classification system, are able to make informed decisions about they watch, and when we operate in a transparent manner.

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

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

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

Chart 2: Confidence in Classification System



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.

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

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

Consistent and accurate consumer labelling of commercial entertainment

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

A representative survey¹ in 2016 showed that 83% of New Zealanders thought there should be one labelling system regardless of how media content was accessed (on-demand, cinema, blu-ray, games). Of this number, two-thirds (66%) would prefer the classifications currently assigned by the Classification Office to those used for broadcast television, or any other system.

More information about content

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

Better education about media effects and media literacy

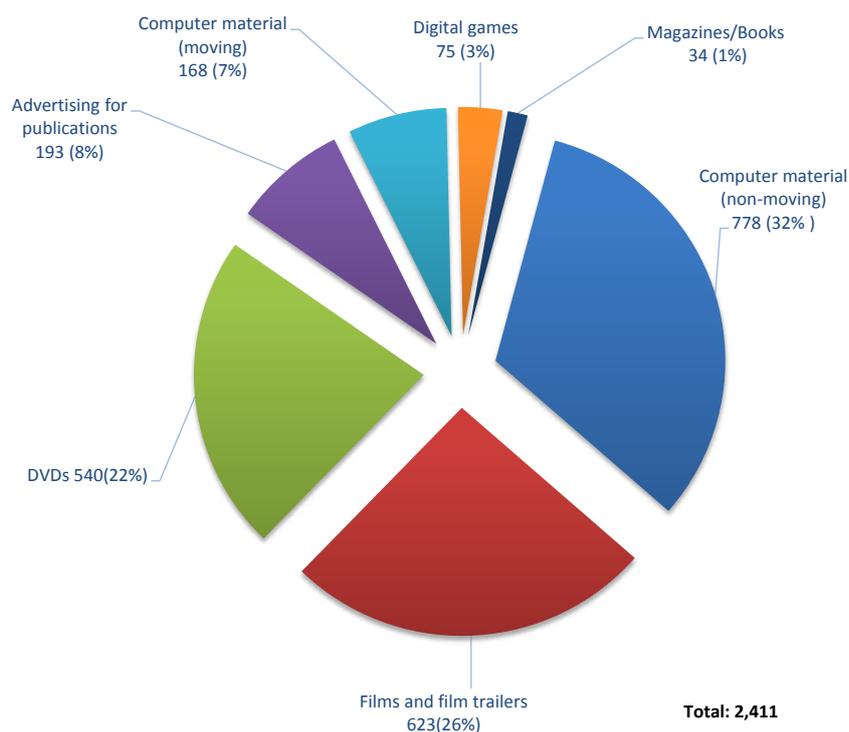
Better education of young people about media effects and media literacy is required, including guidance and resources about content that may be outside any official regulatory regime. This includes social media, pornography, and other extreme or disturbing content available on websites. Our research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

¹ Results are from the January 2016 UMR Online Omnibus survey. This is a nationally representative survey of 1,000 New Zealanders 18 years of age and over from UMR's SayIT panel (the margin for error for a 50% figure at the 95% confidence level being $\pm 3.1\%$).

Classification Activities

A total of 2,293 publications were submitted for classification this year and 2,411 were classified. A key feature this past year has been the dramatic reduction in commercial publications following official advice that on-demand streaming providers were no longer required to submit programmes for classification in advance of screening. As a result only 1,195 commercial publications were submitted in 2016/17, down substantially from 2,315 in 2015/16.

Chart 3: Publications Classified by Medium



In order to address large holes that have opened up in content regulation, and provide some measure of protection for the public, the Chief Censor has used his power to call in publications under s13(3).

For example, digital games available from online platforms like Steam and Sony's Playstation network are one of the largest and fastest growing areas of entertainment and they are unregulated – except by the power of the Chief Censor to call in and classify any publication. The Office has called in and banned two games that exploited the nudity of young people and contained elements of



sexual coercion and lack of sexual consent. These were games that were commercially available for purchase and download from the Steam web store. Such material which contains illustrated or animated characters in sexual situations has long been problematic from a classification perspective however this material is becoming increasingly mainstream, accessed by younger audiences and technology is being used to blur the line between fiction and reality.

A range of high-impact, violent games available online were also called in for classification and

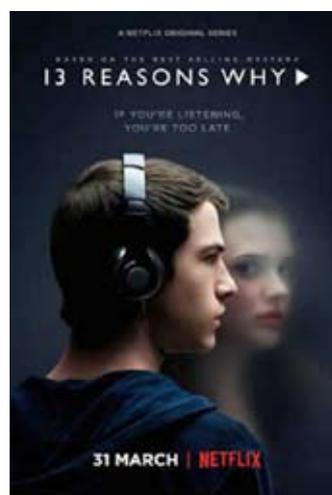
were age-restricted with strong warnings after consultation with a varied group of young New Zealand gamers.

The Chief Censor has also worked pro-actively with on-demand streaming services to ensure that adequate consumer information was provided in relation to high profile and high risk TV shows. A total of 24 publications were called in by the Chief Censor for classification in 2016/17 – including each episode of the Netflix series *13 Reasons Why*.

Case Study: Teen Mental Health Becomes Hot Commercial Property

The OFLC called in and classified the controversial Netflix series *13 Reasons Why* which focused on teen suicide. The drama *To The Bone* about a young woman struggling with anorexia followed soon after. In both cases, the OFLC called in the shows for classification following approaches by health specialists and members of the public who expressed serious concerns about their potential impact – particularly on children and young people.

Both shows were commercially successful, with *13 Reasons Why* in particular drawing huge audiences across the globe. In an informal poll of several hundred 16 to 17-year-old NZ media students who attended the Office's Censor for a Day, more than 80% had seen it.



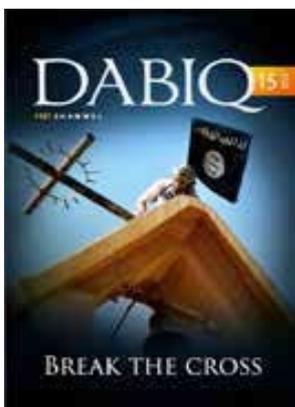
Internet searches about suicide took a worrying leap after *13 Reasons Why* screened in the US. The preliminary results in from [US emergency pediatric support services](#)¹ providing youth suicide support also indicate a substantial increase in volumes over the same period.

The impact on New Zealand young people – and our appallingly high suicide rate is as yet unclear.

13 Reasons Why: Season 2 (which early teasers hint at being even more controversial) is due for release soon.

¹ Internet searches for suicide following the release of *13 Reasons Why* by John W. Ayers, PhD, MA; Benjamin M. Althouse, PhD, ScM; Eric C. Leas, PhD, MPH; et al, *JAMA Intern Med.* Published online July 31, 2017

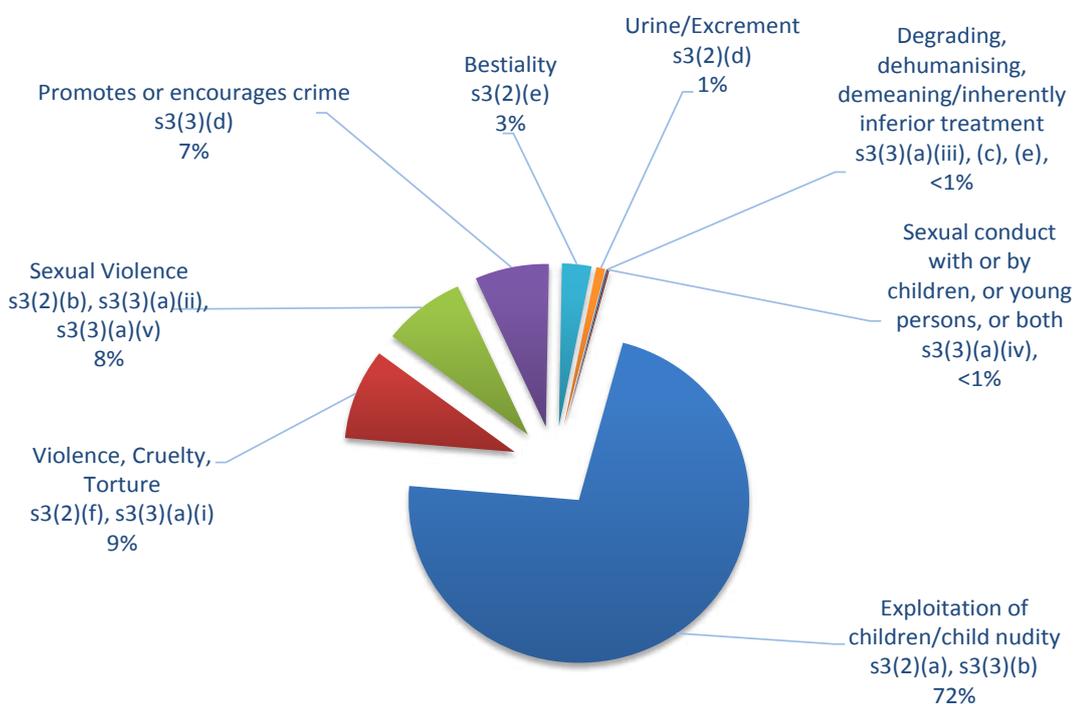
Big budget film releases coming in from Australia have also been called in under s13(3) and re-classified due to levels of violence, horror and sexual violence that could harm New Zealanders. For example, *Suicide Squad* contained high levels of repetitive violence, sadistic cruelty and a sub-plot involving sexual abuse, and torture. Rated M in Australia, the film was reclassified as R13 in New Zealand.



Partly offsetting the decline in the number of commercial publications received in 2016/17 has been the significant increase in material submitted by enforcement agencies. The Police submitted 401 publications (compared with 131 the previous year), Internal Affairs submitted 474 (up from 65 the previous year), and 95 were submitted from the Courts (no Court submissions were received in 2015/16).

The vast majority of submissions from enforcement agencies have continued to relate to child sexual abuse images and text but 2016/17 also saw an increase in the amount of extremist material submitted to the Office. Terrorist organisations Al Qaeda and ISIL have sophisticated online promotional efforts to recruit young people as foreign fighters or domestic terrorists. Both organisations have online magazines that are widely distributed, but illegal in New Zealand.

Chart 4: Subject Matter of Objectionable Publications



Not all banned material is submitted by enforcement agencies. The Office banned several commercial publications this year that promoted sexual violence to a high extent and degree.

Case Study: Australian Commercial Entertainment That Is banned in New Zealand



In 2016 the Office banned a low budget independent feature from Australia. The distributor submitted the disc for classification for New Zealand commercial release.

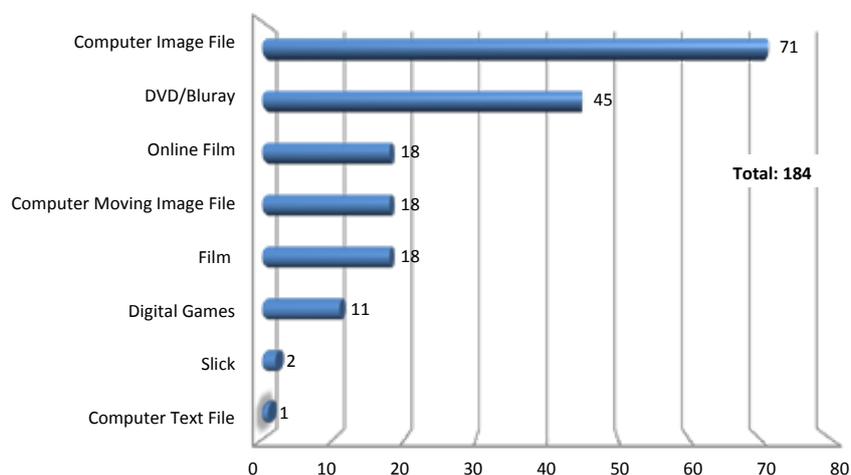
Cat Sick Blues is about a serial killer who stalks and rapes women while dressed as a cat. In one scene the man brutally rapes a woman to death.

While the violence throughout the feature is strong and visceral, this depiction of sexual violence is particularly problematic. The scene is accompanied with a dreamy, slow soundtrack and is filmed in slow-motion. The Classification Office has classified as objectionable, or required excisions for, scenes that show men inflicting degrading and violent forced sexual acts on women for the purpose of the sexual arousal of male viewers. In this case it is not only intended to degrade the woman and hurt her, but it is also the method by which she is killed.

The distributor chose not to cut the problematic material and as a result the film is banned in New Zealand. *Cat Sick Blues* is classified MA15+ in Australia meaning it can be viewed by anyone over 15 and by children if they are accompanied by a guardian over 18 years of age.

The long term shift in consumption of explicit sexual material to unclassified, online pornography has seen the portion of R18 classifications applied by the Office remain low (8%/184 publications). Nevertheless, the Office continues to apply R18 classifications to sexual material submitted by enforcement agencies and to commercial films that contain a high extent and degree of violence, cruelty and sexual material.

Chart 5 Publications Classified as R18 (by Medium)



Case Study: *Don't Breathe*

(R18: Contains violence, sexual violence and offensive language)



Don't Breathe is a suspenseful horror/thriller and focuses on the fear and desperation of young adults held captive and fighting to stay alive.

The distributor appealed the Chief Censor's R18 classification to the Film and Literature Board of Review, and made a submission for a lower classification. In its submission, the distributor said they did not agree with the original descriptive note, assigned by the Classification Office, that the movie contained "sexual violence" and stated that there was "no sexual violence" in the film. They sought an RP15 classification.

In its decision confirming the R18 classification, the Board of Review noted that their consideration of the movie comes shortly after the government's announcement that domestic violence in New Zealand "is at such a level and of such concern that significant political and social measures are necessary to address this problem."

"Movies which depict extreme violence and sexual violence towards women are of concern to New Zealand society as a whole," it reads.

Table 1: Publications Classified by Channel & Medium 2016/17

	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	188	0	0	0	0	70	523	546	1,327
Section 12(3) Labelling Body	0	0	0	0	0	0	0	0	0
Section 13(1)(a) Comptroller of Customs	0	0	3	0	7	0	0	0	10
Section 13(1)(ab) Commissioner of Police	0	0	0	77	267	0	0	0	344
Section 13(1)(b) Secretary for Internal Affairs	5	0	1	59	438	0	6	0	509
Section 13(1)(c) Public & Commercial	0	0	30	0	3	0	7	59	99
Section 13(3) Chief Censor's Own Motion	0	0	0	0	0	5	1	18	24
Section 29(1) Courts	0	0	0	32	63	0	0	0	95
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	0	0	0	0	0	0	3	0	3
Regulation 27 Film Poster Approvals	0	0	0	0	0	0	0	0	0
Total	193	0	34	168	778	75	540	623	2,411

Table 2: Comparison of Publications Received 2007-2017

	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Section 12(1) Labelling Body	1,195	2,315	1,852	1,741	1,998	1,886	1,798	2,234	2,165	2,577
Section 13(1)(a) Comptroller of Customs	6	13	5	8	1	3	35	53	40	80
Section 13(1)(ab) Commissioner of Police	401	131	127	155	44	49	192	279	167	180
Section 13(1)(b) Secretary for Internal Affairs	474	78	146	209	47	104	36	28	13	21
Section 13(1)(c) Public & Commercial	101	4	7	9	8	9	10	8	28	2
Section 13(3) Chief Censor's Own Motion	24	9	1	0	0	0	2	3	2	3
Section 29(1) Courts	89	6	16	116	100	30	109	145	174	80
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	3	1	2	20	1	0	0	1	0	0
Regulation 27 Film Poster Approvals	0	0	0	1	3	6	12	12	12	31
Total	2,293	2,557	2,156	2,259	2,202	2,087	2,194	2,763	2,601	2,974

Table 3: Comparison of Publications Examined 2007-2017

	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Section 12(1) Labelling Body	1,323	2,220	1,955	1,587	1,957	1,816	1,829	2,238	2,165	2,455
Section 13(1)(a) Comptroller of Customs	6	13	5	8	1	38	0	57	36	84
Section 13(1)(ab) Commissioner of Police	396	131	173	115	47	33	242	284	129	145
Section 13(1)(b) Secretary for Internal Affairs	486	65	183	194	24	100	36	31	20	14
Section 13(1)(c) Public & Commercial	100	4	7	9	8	11	8	26	10	2
Section 13(3) Chief Censor's Own Motion	24	8	1	0	0	0	2	4	1	3
Section 29(1) Courts	95	0	16	115	111	22	125	130	161	78
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	3	4	15	3	1	0	0	1	0	0
Regulation 27 Film Poster Approvals	0	0	0	1	3	6	13	13	13	31
Total	2,433	2,445	2,355	2,032	2,152	2,026	2,255	2,784	2,535	2,812

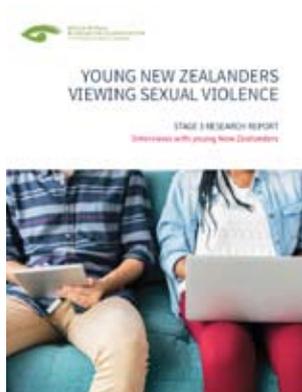
Table 4: Comparison of Publications Classified 2007-2017

	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Section 12(1) Labelling Body	1,327	2,219	1,958	1,594	1,942	1,830	1,814	2,263	2,189	2,462
Section 13(1)(a) Comptroller of Customs	10	9	5	8	1	38	0	57	36	84
Section 13(1)(ab) Commissioner of Police	344	111	173	115	47	33	253	293	109	146
Section 13(1)(b) Secretary for Internal Affairs	509	39	183	194	34	90	36	31	20	17
Section 13(1)(c) Chief Censor Grants Leave	99	5	7	8	8	11	8	26	10	2
Section 13(3) Chief Censor's Own Motion	24	8	1	0	0	1	1	5	0	3
Section 29(1) Courts	95	0	16	134	92	22	135	123	158	78
Section 41(3) Reconsiderations (Courts)	0	0	0	0	0	0	0	0	0	0
Sections 42(1), (2) and (3) Reconsiderations	3	4	18	0	1	0	0	1	0	0
Regulation 27 Film Poster Approvals	0	0	0	1	3	6	13	13	13	29
Total	2,411	2,395	2,361	2,054	2,128	2,031	2,260	2,812	2,535	2,821

Information, Public Engagement and Research

The Classification Office reflects the needs of all New Zealanders, however it is young people who are most affected by our decisions. Therefore close and meaningful engagement with rangatahi is crucial to our mahi. It is imperative that we engage directly with this audience – to listen, understand, acknowledge and act upon their feedback.

INTERVIEWS WITH YOUNG NEW ZEALANDERS



“My mum was watching Game of Thrones and I asked her what it was. She wouldn’t tell me so I just sat there. She didn’t tell me to get out. She let me sit there and watch. It disturbed me so I walked out and started playing my games. I didn’t talk to my mum all week” -

Older teen male participating in OFLC research

“...With stuff like that there’s nothing you can really do afterwards except try to forget about it and just bury it in the back of your mind”

- Younger male teen participant in Young New Zealanders Viewing Sexual Violence interview

This year a highlight was the completion of the year-long *Young New Zealanders Viewing Sexual Violence* research and consultation project, incorporating interviews with teenagers nationwide.

This project explores the effects on young people of viewing sexual violence in mainstream commercial media such as movies, TV shows and games.

We have noted an increase in sexual violence in material we are classifying, and this has coincided with public awareness of issues pertaining to sexual violence in wider society. Sexual violence is a complex social problem, and its depiction and impact on audiences is not well understood, particularly with respect to young people.

During the project, we consulted with 46 experts from 20 different organisations working at the frontline of youth health and advocacy. This ranged from representatives of government and non-government organisations such as the Sexual Abuse Prevention Network, Rape Crisis, NZ Prostitutes’ Collective, Salvation Army, InsideOUT, Vibe Youth Health, Male Survivors of Sexual Abuse, NZ Police, ACC, Office of the Commissioner for Children etc.

The final stage involved 24 paired interviews with 48 young people aged 13-18 from around New Zealand. Most were secondary school students and came from a cross-section of schools between deciles 1 and 10. We interviewed a diverse group of young people including those who identified as survivors of sexual violence, LGBTQI youth, and young people from rural areas. Groups were divided by gender and age.

This research shows that young people are willing and able to talk about their media use and the concerns they have about content, but they are often unwilling to approach adults about this, or do not think adults are willing or able to provide guidance. Some adults feel they lack the knowledge and experience to discuss these topics with confidence, and so the Classification Office will explore ways in which these conversations can be encouraged at home and in schools.

Better education of young people about media effects and media literacy is necessary. Young people told us they first learnt about sexual violence either in entertainment media or in programmes provided in schools. It therefore makes sense for existing sexual violence programmes to include information about relationships, sex and sexual violence in media. To ensure young people are provided with the best resources, the Classification Office will continue to develop and strengthen relationships with schools, libraries, government agencies and NGOs involved with sexual violence prevention, youth health and wellbeing, media regulation, and online safety.

Research findings can be found on our website - <https://www.classificationoffice.govt.nz/news/latest-news/young-new-zealanders-viewing-sexual-violence-stage-3/>

FURTHER RESEARCH REFLECTS PUBLIC CONCERN

The Children and Teen Exposure to Media Content report was published. The Classification Office commissioned UMR to survey New Zealanders about media content. Results indicate there is widespread public concern about content such as sex and violence in entertainment media, particularly amongst parents.



Some key findings:

- 76% of New Zealanders are concerned about children and teens' exposure to content in entertainment media. Those with dependent children are more likely to be concerned (84%).
- Levels of concern about specific content were sometimes higher: 85% were concerned about violence; 83% about sexual content.
- More than 70% of those who indicated some concern about media content identified a specific harm for children and teens.

The representative survey of 1,000 adult New Zealanders also identified a number of specific harms relating to young people's exposure to this content. The results support previous research showing the importance of classifications for making wise viewing choices.

LISTENING TO OUR YOUNG PEOPLE/RANGATAHI



“Suicide... suicidal thoughts are quite big. The show is definitely appropriate for 13-18 year-olds (and even older) as this demographic faces these issues” – teen during 13 Reasons Why consultation with OFLC

“Hannah cutting herself – it was graphic. I hated it. I couldn’t watch it the first time – it made me gag” – teen during 13 Reasons Why consultation with OFLC

We consulted with young people regarding the Netflix series *13 Reasons Why* after the Chief Censor called it in for classification. As part of this consultation, we also requested feedback from agency partners, such as the Sexual Abuse Prevention Network and the Mental Health Foundation.

The series received an RP18 classification with the following warning note: Series deals with suicide, bullying and depression. Episodes may contain violence, sexual material, drug use, and frequent offensive language. Some episodes contain graphic descriptions of suicide and rape.

All the teens we spoke to felt the show addressed issues that were relevant to them, and that the series overall had positive messages relating to social awareness: treating others with respect and compassion, and raising awareness about suicide, sexual violence, bullying, and other issues.

Nevertheless, there are real risks created by the portrayal of suicide in *13 Reasons Why*. The suicide method is clearly shown – contravening established health guidelines and creating the potential for copycat behaviour. The real links between mental health and suicide are not discussed at all in the series. The choice of the lead character to kill herself is also portrayed quite fatalistically. In real life, most of those with suicidal thoughts recover, and do not go on to end their lives.



“Feral. You’re shooting people, going crazy” – gamer commenting on *Hatred*, classified R18 with warning note: Graphic violence, offensive language and content that may disturb

“More to it than just killing. Game of cat ‘n mouse. Skill and strategy not just violence” – gamer commenting on *Dead By Daylight*, classified R16 with warning note: R16 Contains violence and horror.

Young gamers were consulted during the classification decision-making for video games, *Postal III*, *Dead By Daylight* and *Hatred*. These games were called in by the Chief Censor for classification under s13(3) of the Film, Videos, and Publications Classification Act 1993 due to concerns that they may contain objectionable or restricted content and were available for download through the Steam network. We invited the gamers to spend time at the Classification Office, playing and viewing the games. Of various ethnicities and backgrounds, the eight participants ranged in age from 15-21. These sessions were not intended as a formal piece of research, but rather as an open and engaging platform for serious young gamers to have their voices heard on these specific titles.

SECONDARY SCHOOLS EDUCATION PROGRAMME

The 2017 Censor For A Day school education programme was delivered in Wellington, Christchurch, Dunedin and Nelson. Senior high school students were guided through a classification exercise after viewing the R16 film, *Get Out*.

A majority of students (77%) classified the film R16. Students who chose R16 did so for a variety of reasons. The most common concerns were the depictions of violence and concerns that the film may normalise racism for younger viewers.

Organised by the Classification Office, the Censor For A Day programme has three key purposes:

- To provide senior media students with first-hand experience of the classification system, which they are studying at school.
- To engage with students and inform them about the classification system, which directly impacts their day-to-day media choices and consumption; and
- To give the Classification Office insight into the opinions of key stakeholders in the classification system.

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

for the year ended 30 June 2017

STATEMENT OF MANAGEMENT RESPONSIBILITY

For the Year Ended 30 June 2017

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 2017.

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



D E Shanks
Chairperson



J S Mullen
Deputy Chairperson

31 October 2017

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 2017

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

Opinion

We have audited:

- the financial statements of the Office on pages 36 to 51, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Office on pages 7 to 9 and 28 to 35.

In our opinion:

- the financial statements of the Office on pages 36 to 51.
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Account Standards, with reduced disclosure regime.
- the performance information on pages 7 to 9 and 28 to 35:
 - presents fairly, in all material respects, the Office's performance for the year ended 30 June 2017, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2017. 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 relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Office's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 6, 10 to 24 and 52 to 60, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



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

STATEMENT OF SERVICE PERFORMANCE

For the Year Ended 30 June 2017

The Classification Office is funded in the Estimates under Vote: Internal Affairs Non-Departmental Output Expense for a single output class: Classification of Films, Videos, and Publications (M41). The appropriation for this output class is \$1,960,000. The scope of the appropriation is:

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

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

Revenue and Proposed Expenses	Ex GST \$'000
Crown Appropriation	1,960
Third Party Revenue	591
Interest & Sundry Revenue	53
Total Revenue	2,604
Expenses	2,835
Expected Surplus/(Deficit)	(\$231)

Classification Services

(Report against Statement of Performance Expectations 2016-17)

Output 1 - Production of Classification Decisions

Quantity	Notes	Minimum Estimate	Maximum Estimate	Actual 2017	✓	Actual 2016
Publications Received		912	1,935	2,293	✓	2,557
Publications Examined		912	1,935	2,433	✓	2,445
1.1.1 Third Party - Publications Classified		649	1,488	1,429	×	2,228
1.1.2 Crown - Publications Classified	1	263	447	982	✓	167
1.1.3 Classification Decisions Registered		912	1,935	2,411	✓	2,395

Quality	Notes	Projected	Actual 2017		Actual 2016
1.2.1 Classification decisions to set standard	2	95%	99.4%	✓	99.8%
1.2.2 Classification decisions	3				
(a) apply all relevant criteria		95%	100%	✓	100%
(b) are soundly reasoned		95%	100%	✓	100%
(c) are written in a style accessible to a range of readers		95%	Not assessed	×	Not Achieved
1.2.3 Classification decisions are appropriately classified	4,5	95%	30.0%	×	81.6%

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.

During 2016/17 measures 1.2.2(a) and 1.2.2(b) were not independently reviewed. However results of prior reviews remain valid as the systems, processes and decision templates remain unchanged. Experienced personnel review all decisions and ensure these standards are adhered to.

We did ask our reviewers to focus on a new aspect of the standard – that classification decisions were written in a style which is accessible to a range of readers (1.2.2(c)). Rather than using an expert in classification law the Office used experts in plain language writing. Plain language documents support fair, efficient, and transparent communication. Rather than using an expert in classification law the Office used experts in plain language writing. Plain language documents support fair, efficient, and transparent communication. Eleven decisions of the Office were reviewed against 10 'plain English' standards. These decisions relate to a wide cross-section of material received by the Office. The sample included a book, a film, a static image, a moving image file, a computer game and a video-on-demand episodic publication. They had been submitted by the Police, the Department of Internal Affairs, commercial distributors and a concerned member of the public. Classifications issued were 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 of writing. This highlights that well written legal documents designed for review by the Courts are seldom suitable for public consumption.

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

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 July 2017 the Board of Review made decisions relating to 50 publications. Of these 16% of the decisions were lower than that made by the Office and 70% were given a higher restriction. A result of 30% was achieved against a target of 95%.

In the five years to June 2017 the Board made 3 decisions which have particular bearing on this performance measure. These decisions related to 40 publications (one decision related to 28 images). The Office has reviewed and considered the decisions made by the Board and has incorporated some relevant points into our decision process.

Timeliness			Target ²		No. of Pubs	Actual 2017			Actual 2016
			Days	%		No.	%	✓	%
Internal Measures	Queue Time	s12 & s42	20	90%	1,325	1,247	94%	✓	97%
		s13	25	70%	1,012	895	88%	✓	88.7%
	Processing Time	Standard s12 & s42	10	90%	1,330	1,305	98%	✓	97%
		Complex s12 & s42	15	70%	1	1	100%	✓	-
		s13	30	70%	974	913	94%	✓	96%
SPE Measures	Total Processing Time								
	1.3.1	Standard s12 & s42	30	90%	1,330	1,328	99.8%	✓	98%
	1.3.2	Complex s12 & s42	35	70%	1	1	100%	✓	-
	1.3.3	s13	55	70%	974	939	96%	✓	99%

Note 1: Timeliness Definitions

- The distinction between 'standard' and 'complex' publications is based on the need to consider excisions. Complex publications are those publications for which excisions have been recommended.
- Performance on 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 on 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 2017	Actual 2016
Publications Received	644	1,476	1,195	2,315
Publications Examined	644	1,476	1,323	2,220
Classifications Registered	644	1,476	1,327	2,219

Regulation 27 - Film Poster Approvals

Publications Received	3	6	0	0
Publications Examined	3	6	0	0
Film Poster Decisions	3	6	0	0

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

Publications Received	6	12	6	13
Publications Examined	6	12	6	13
Classifications Registered	6	12	10	9

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

Publications Received	100	150	401	131
Publications Examined	100	150	396	131
Classifications Registered	100	150	344	111

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

Publications Received	83	154	474	78
Publications Examined	83	154	486	65
Classifications Registered	83	154	509	39

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

Publications Received	2	6	101	4
Publications Examined	2	6	100	4
Classifications Registered	2	6	99	5

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

Publications Received	8	19	24	9
Publications Examined	8	19	24	8
Classifications Registered	8	19	24	8

	Minimum Estimate	Maximum Estimate	Actual 2017	Actual 2016
Section 29(1) - Courts				
Publications Received	66	112	89	6
Publications Examined	66	112	95	0
Classifications Registered	66	112	95	0
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	3	0
Publications Examined	0	0	3	0
Classifications Registered	0	0	3	0
SUMMARY				
Publications Received For the Year	912	1,935	2,293	2,557
Publications Examined	912	1,935	2,433	2,445
Classifications and Film Poster Decisions	912	1,935	2,411	2,395

VARIANCES	Variance from Minimum Estimate	Variance from Maximum Variance
Actual Received vs Estimate	151%	19%
Actual Examined vs Estimate	167%	26%
Actual Classifications Registered vs Estimate	166%	25%

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 2017

Information Services

(Report against Statement of Performance Expectations 2016-2017)

Output 2 - Dissemination of Information

Activity 2.1 Development of a Quality Web Presence

Quantity & Quality	Targets	Actual 2017	Actual 2016
2.1.1 Number of visits to the Classification Office websites (average per day)	250	316 ✓	311
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	56% ✓	52%

The main Classification website and the Student site were both upgraded this year from HTML Dreamweaver to the more efficient, user-friendly Silverstripe Content Management System (CMS).

Activity 2.2 Educational Presentations

Quantity & Quality	Notes	Targets	Actual 2017	Actual 2016
2.2.1 Number of educational presentations given	1,2	15-20	10 ×	16
2.2.2 Responses to client satisfaction surveys 'Very Good', or better		80%	100% ✓	100%

Note 1: This is a demand driven activity.

Note 2: This target was not achieved because of a change in dates for the delivery of the 2017 Censor For A Day education programme. All 2017 Censor For A Day events were expected to take place within this financial year, but four events were moved to the start of the 2017/18. This change was to accommodate workflow issues relating to the *Young New Zealanders Viewing Sexual Violence* research project.

The 2017 Censor For A Day event was held in Wellington, Nelson, Christchurch and Dunedin. Over 400 students and 32 teachers from 20 schools attended. Further discussions on Censor For a Day can be found on page 22.

Output 3 - Inquiries and Complaints

	Notes	Targets	Actual 2017	Actual 2016
Quantity				
3.1	Number of inquiries and complaints answered	600 - 800	688 ✓	1,237
Quality				
3.2	Responses to 'request for feedback' on inquiries and complaints service are 'Satisfied with service'	80%	100% ✓	98%
Timeliness				
3.3	Inquiries and complaints responded to promptly	80% within 5 days	91% ✓	96%
		100% within 20 days	99.7% ✗	100%

Note 1: This is a demand driven activity.

Note 2: Only two inquiries required response times greater than 20 working days and these were Official Information Act requests that involved significant staff hours. A formal extension was made consistent with the Official Information Act.

Quality of responses to complaints and inquiries

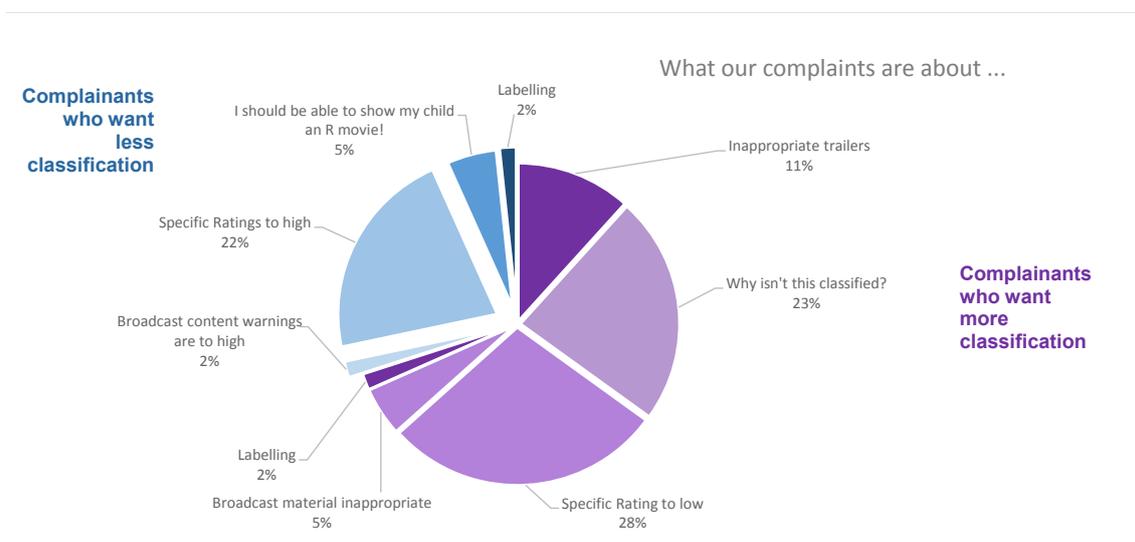
The Information Unit administers a quality survey about its response to inquiries and complaints.

People who make a substantive written inquiry or complaint (including those 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.

Trends in inquiries and complaints

We responded to 688 inquiries and complaints during the year. The previous year's higher than average total of 1,237 responses was due to the controversy surrounding classification of the book, *Into The River*. This attracted an unusually high number of complaints (564) mostly generated in response to an email campaign by lobbyist group Family First.

Chart 9: Complaints Analysis



As Chart 9 demonstrates, complaints covered a range of issues with the classification system. The films and series that members of the public were most concerned about and requested higher classifications for included *13 Reasons Why* (4), *The Secret Life of Pets* (3), *Split* (3), *Suicide Squad* (2), *Snatched* (1), *To The Bone* (1), *Sausage Party* (1), *Bad Moms* (1), *Fate of the Furious* (1).

The complaints about *Suicide Squad*, *Split*, and *The Secret Life of Pets* related to the films' original lower cross ratings with Australia, which prompted the Chief Censor to call them in for New Zealand appropriate classifications.

The two Netflix series *13 Reasons Why* and *To The Bone* were also called in by the Chief Censor due to the complaints from concerned members of the public and health experts about their problematic content.

The banning of video game *Gal*Gun: Double Peace* received the most complaints from nine people objecting to its classification. Two complainants thought that the film, *Logan* was classified too high.

Output 4 - Research

	Notes	Targets	Actual 2017	Actual 2016	
Quantity					
4.1	Research projects per year	1	2 ✓	2	
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	26% ✓	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.

This year a highlight was the completion of the year-long *Young New Zealanders Viewing Sexual Violence* research and consultation project, incorporating interviews with teenagers nationwide. Further discussions on the research can be found on pages 19 and 20. This project explores the effects on young people of viewing sexual violence in mainstream commercial media such as movies, TV shows and games.

The *Children and Teen Exposure to Media Content* report was published. The Classification Office commissioned UMR to survey New Zealanders about media content. Results indicate there is widespread public concern about content such as sex and violence in entertainment media, particularly amongst parents.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

For the Year Ended 30 June 2017

		Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
REVENUE	<i>Notes</i>			
Revenue from the Crown	2	1,960	1,960	1,960
Labelling Body Revenue		692	591	911
Other Fee Revenue		1	0	2
		2,653	2,551	2,873
OTHER REVENUE				
Interest Revenue		33	53	46
Sundry Revenue		1	0	0
Gain On Sale Of Fixed Assets		1	0	0
		35	53	46
Total Revenue		2,688	2,604	2,919
EXPENDITURE				
Audit Fee		30	30	29
Depreciation & Amortisation Expense	8,9	206	210	227
Insurance Costs		13	18	13
Loss On Sale of Fixed Assets		7	0	1
Lease & Rental Costs		203	195	197
Other Operating Costs		595	604	614
Personnel Costs	15	2,066	1,778	1,982
Total Expenditure		3,120	2,835	3,063
Surplus/(Deficit)		(432)	(231)	(144)
Other Comprehensive Revenue		0	0	0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		(432)	(231)	(144)

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 2017

	<i>Notes</i>	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
BALANCE AT 1 JULY 2016		2,303	2,335	2,447
Surplus/(Deficit)		(432)	(231)	(144)
Comprehensive Revenue and Expenses		(432)	(231)	(144)
BALANCE AT 30 JUNE 2017	17	1,871	2,104	2,303

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 2017

		Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
CURRENT ASSETS				
	<i>Notes</i>			
Cash & Cash Equivalents	3	620	98	773
Debtors & Other Receivables	4	80	99	132
Investments	5	815	1,300	815
Total Current Assets		1,515	1,497	1,720
CURRENT LIABILITIES				
Creditors & Other Payables	6	168	142	160
Employee Entitlements	7	196	141	154
Total Current Liabilities		364	283	314
NET CURRENT ASSETS		1,151	1,214	1,406
NON-CURRENT ASSETS				
Property, Plant & Equipment	8	216	318	269
Intangible Assets	9	504	572	628
Work in Progress		0	0	0
Total Non-Current Assets		720	890	897
NET ASSETS		1,871	2,104	2,303
<i>Represented By:</i>				
EQUITY				
Closing Equity	17	1,871	2,104	2,303
TOTAL EQUITY		1,871	2,104	2,303

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 2017

		Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
	<i>Notes</i>			
<i>Cash was provided from:</i>				
Receipts from the Crown		1,960	1,960	1,960
Receipts from Customers		704	617	888
Interest Received		36	53	47
Net Goods & Services Tax Received		0	387	2
		2,700	3,017	2,897
<i>Cash was distributed to:</i>				
Net Goods & Services Tax Paid		9	386	0
Payments to Suppliers & Employees		2,807	2,625	2,828
		2,816	3,011	2,828
Net Cash Flow from Operating Activities		(116)	6	69
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was provided from:</i>				
Sale of Property, Plant & Equipment		40	0	0
Sale of Intangibles		0	0	0
Sale of Investments		0	0	800
		40	0	800
<i>Cash was distributed to:</i>				
Purchase of Property, Plant & Equipment		77	67	21
Purchase of Intangible Assets		0	50	26
Acquisition of Investments		0	0	315
		77	117	362
Net Cash Flow from Investing Activities		(37)	(117)	438
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Cash Flow from Financing Activities		0	0	0
Net Increase/(Decrease) in Cash & Cash Equivalents		(153)	(111)	506
Cash & Cash Equivalents at Beginning of Year		773	160	267
Cash & Cash Equivalents at the End of the Year	3	620	49	773

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 2017

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 2017 and were approved on 31 October 2017.

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 2017:

Lease classifications

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

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

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

Basis of Preparation

Statement of compliance

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

Measurement base

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

Functional and presentation currency

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

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Classification Office in the preparation of the Financial Statements.

Changes in Accounting Policies

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

Significant Accounting Policies

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

Revenue

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

Crown revenue

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

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

Interest

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

Other revenue

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

Expenses

Operating 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.

Note 2: Reconciliation of Crown Revenue Received	2017 \$'000	2016 \$'000
Funds received from Vote: Internal Affairs regarding the Estimates of Appropriations (net GST)	1,960	1,960
Crown Revenue Per Accounts as at 30 June	1,960	1,960

The Classification Office has been provided with funding from the Crown for the specific purposes of the Classification Office as set out in its founding legislation and the scope of the relevant Government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding (2016: nil).

Note 3: Cash & Cash Equivalents	2017 \$'000	2016 \$'000
Petty Cash	0	0
Operating Accounts	46	99
Call Deposits ≤ 90 days	574	674
Total Cash & Cash Equivalents	620	773

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

Note 4: Debtors & Other Receivables	2017 \$'000	2016 \$'000
Interest Receivable	4	8
Sundry Debtors	0	0
Prepayments	24	36
Trade Debtors	52	88
	80	132
Less Provision for Doubtful Debts	0	0
Total Debtors & Other Receivables	80	132

As at 30 June 2017 all receivables have been assessed for impairment. The carrying value of receivables approximates their fair value. All receivables are resultant from exchange transactions.

Note 5: Investments	2017 \$,000	2016 \$'000
Term deposits > 90 days	815	815
Total Investments	815	815

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

	2017 \$'000	2016 \$'000
Note 6: Creditors & Other Payables		
Trade Creditors	95	54
Income in Advance	16	41
Sundry Creditors	42	40
GST	15	25
Total Creditors & Other Payables	168	160

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.

	2017 \$'000	2016 \$'000
Note 7: Employee Entitlements		
Accrued Annual Leave	142	117
Provision for Staff Accrued Personnel Costs	42	35
Long Service Leave	12	2
Total Employee Entitlements	196	154

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

Movements for each class of assets are as follows:

Cost or Valuation	Computer Hardware \$'000	Fit Out \$'000	Furniture & Fittings \$'000	Office Equipment \$'000	Other Equipment \$'000	Technical Equipment \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2015	252	306	288	39	14	27	33	959
Balance at 30 June 2016	251	306	290	38	15	34	33	967
Additions	40	0	1	0	2	0	35	78
Disposals	(11)	0	(1)	0	(1)	(1)	(68)	(82)
Balance at 30 June 2017	280	306	290	38	16	33	0	963

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 2015	210	67	245	38	12	27	9	608
Balance at 30 June 2016	235	118	251	38	13	28	15	698
Depreciation Expense	17	50	6	0	1	2	6	82
Eliminate on Disposal	(10)	0	(1)	0	0	(1)	(21)	(33)
Balance at 30 June 2017	242	168	256	38	14	29	0	747
Carrying Amounts								
At 30 June 2015	42	239	43	1	2	0	24	351
At 30 June 2016	16	188	39	0	2	6	18	269
At 30 June 2017	38	138	34	0	2	4	0	216

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 2015	81	1,783	19	1,883
Balance at 30 June 2016	81	1,828	0	1,909
Additions	0	0	0	0
Net transfer between classes	0	0	0	0
Balance at 30 June 2017	81	1,828	0	1,909

Accumulated Amortisation & Impairment Losses	Computer Software \$'000	Classification Database \$'000	Work In Progress \$'000	Total \$'000
Balance at 1 July 2015	80	1,077	0	1,157
Balance at 30 June 2016	81	1,200	0	1,281
Amortisation Expense	0	124	0	124
Balance at 30 June 2017	81	1,324	0	1,405
Carrying Amounts				
At 30 June 2015	1	706	19	726
At 30 June 2016	0	628	0	628
At 30 June 2017	0	504	0	504

Note 10: Financial Instruments

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

	2017 \$'000	2016 \$'000
Financial Assets		
Cash and Equivalents	620	773
Receivables	56	96
Investments - Term Deposits	815	815
Total Financial Assets	1,491	1,684
Financial Liabilities		
Creditors and Other Payables	168	160
Total Financial Liabilities	168	160
	1,323	1,524

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 2017.

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.

	2017	2016
	\$'000	\$'000
Operating Lease Commitments		
Not later than one year	192	187
Later than one year and not later than five years	301	469
Later than five years	0	0
<i>Total Operating Lease Commitments</i>	493	656
Capital Commitments	0	0
Total Commitments	493	656

Note 14: Contingencies

The Office of Film and Literature Classification has no known contingent liabilities or assets as at 30 June 2017 (2016: \$nil).

	2017	2016
	\$'000	\$'000
Note 15: Personnel Costs		
Salaries & Wages	1,978	1,915
Employer contributions to defined contributions plans	46	55
Increase/(decrease) in employee entitlements (Note 7)	42	12
Total Personnel Costs	2,066	1,982

Note 16: Key Management & Employee Remuneration

	2017	2016
Key Management Personnel Compensation	\$'000	\$'000
Salaries & Other	459	434
Post-employment Benefit	9	15
Total Key Management Personnel Compensation	468	449
Full time Equivalents	2	2

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

Employee Remuneration and Benefits	2017	2016
\$100,000 - \$109,999	1	0
\$110,000 - \$119,999	0	1
\$120,000 - \$129,999	1	0
\$170,000 - \$179,999	0	1
\$200,000 - \$209,999	*1	0
\$220,000 - \$229,999	1	0
\$230,000 - \$239,999	0	*1

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

Severance Payments

During the year ended 30 June 2017 no employees (2016:0) received compensation in relation to cessation (2016:\$nil).

No Board members received compensation or other benefits in relation to cessation (2016:\$nil).

Note 17: Equity	2017	2016
	\$'000	\$'000
Equity		
Balance at 1 July	2,303	2,447
Surplus/(Deficit) for the year	(432)	(144)
Balance at 30 June	1,871	2,303

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

(2016/17 compared to 2015/16)

As forecast, the volume and value of material submitted by the Labelling Body has continued the downward trend, with a 40% reduction in the volume of submissions. This is due to the withdrawal of online streaming services from the classification system and the obsolescence of the DVD. However the average fee charged per publication has increased

from \$462 in 2015/16 to \$608, with a move away from shows being submitted on a per episode basis, and this has slightly moderated the reduction in revenue.

(2016/17 compared to Budget)

In recognition of the downward trend in commercial submissions the Office forecast a 35% reduction in Labelling Body revenue and submissions for the year. During August 2016 this expectation came to fruition - no submissions from streaming services were made after August 2016. However cinematic film market remained strong and diverse with mainstream commercial market buoyed by activity in the film festival and cultural communities. In addition revenue from the games industry and urgencies fee exceeded forecast.

Interest Revenue

(2016/17 compared to Budget and 2015/16)

Revenue from interest earned on cash reserves was lower than forecast as interest rates during the period were on average 1% lower than expected. This was compounded by the Office's eroding equity position as less funds were available for investment.

Depreciation & Amortisation Expense

(2016/17 compared to 2015/16)

The depreciation expense was high in 2015/16 due to a one-off adjustment to the depreciation period for the Office's fit out (reduced from 12 years to 6 years). This brought the depreciation period into line with the lease expiry date. This change was made on the recommendation of the Office's auditors.

Insurance Costs

(2016/17 compared to Budget)

The budget was not adjusted to reflect savings which had been made in the prior year. The annual review of the Office's insurances in 2015/16 resulted in savings in premiums and one policy was terminated.

Personnel Costs

(2016/17 compared to Budget and 2015/16)

Personnel expenditure exceeded budget by 14%. While this expenditure is significantly over budget it is just 4% higher than 2015/16. The Office forecast reduction in staff numbers to reflect reducing commercial submissions, however additional staff were appointed to manage the volume of Crown submissions and high commercial submissions in the first quarter of the year. These new appointments have the dual functions of maintaining capacity and flexibility within the Classification area as well building capability within the Information Unit. In addition the Office settled a 3-year collective employment agreement, which had been deferred from the prior year.

MANAGEMENT OF THE OFFICE OF FILM & LITERATURE CLASSIFICATION

Organisational Health and Capability

Health and Safety

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

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

The nature of the publications requiring classification is, by definition, demanding on staff. There is a risk of harm to staff who work in an environment where they are exposed to objectionable material. In order to assist staff to maintain their mental and emotional wellbeing we continue to ensure that staff receive suitable peer and professional support.

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

Staffing

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

As at 30 June 2017 the Office had just 21.9 full time equivalent staff. The small size of the Office creates challenges around maintaining corporate knowledge, representation, and segregation of duties. The Office is rebuilding its Information Unit, with the support of classification staff. This has the benefit of maintaining capacity and flexibility within the Classification Unit, building capability within the Information Unit as well as providing a healthy work balance for staff.

A 3-year collective agreement was negotiated between the Office and the PSA. The prior agreement 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

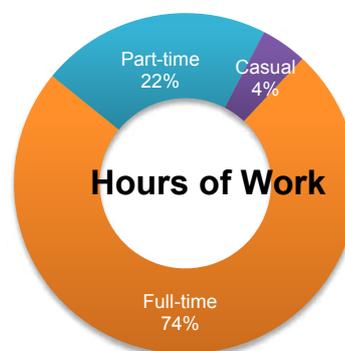
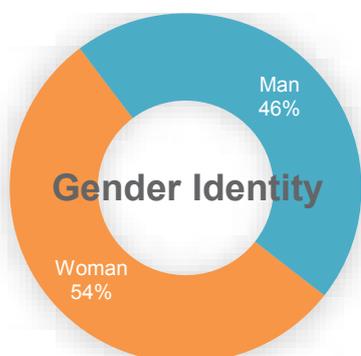
Under the Crown Entities Act 2004, the Office is required to be a good employer. A good employer values equity and fairness and has policies, programmes and practices that promote these values. The good employer makes maximum use of skills and strengths of all staff but has

special regard for those groups often overlooked or marginalised – including women, Māori, other ethnic communities, the LGBTIQ community, people with disabilities and other minority groups. The Office is also committed to being an Equal Employment Opportunities (EEO) employer.

Workplace Profile

In order to monitor the Office's performance as a good employer, the Office creates a 'workplace profile' annually, and consults with staff on a regular basis. A workplace profile survey is conducted each year. This is voluntary, and was completed by 90% of staff.

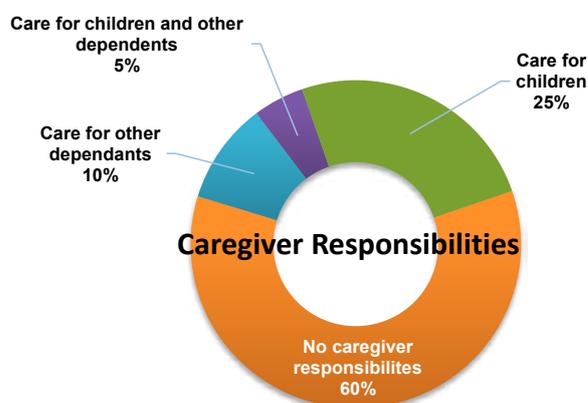
- Gender identity within the Office is split fairly evenly with 54% identifying as women and 46% identifying as men.
- Similarly in the Classification Unit (Classification Officers and Senior Classification Officers), 50% are women and 50% men.
- 57% of managers are women, and 43% are men.



Of staff who responded to the survey 26% work less than full-time hours and more women than men work part time. The Office has agreed to work with the PSA to explore gender equality in pay at the Office.

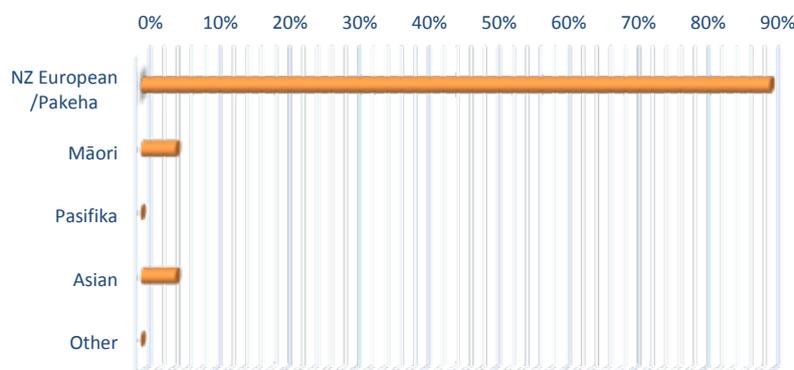
Approximately 36% of our staff have caregiver responsibilities of some kind, and the Office provides flexible working options to accommodate and support this.

The average length of service is 11.0 years.



Ethnicity

90% of the Office's employees identify as NZ European/Pakeha, with 5% identifying as Māori and 5% identifying as Asian. When the Office recruited new Classification Officers in late 2016, we focused on attracting a diverse range of candidates, and will continue to do so in the future.

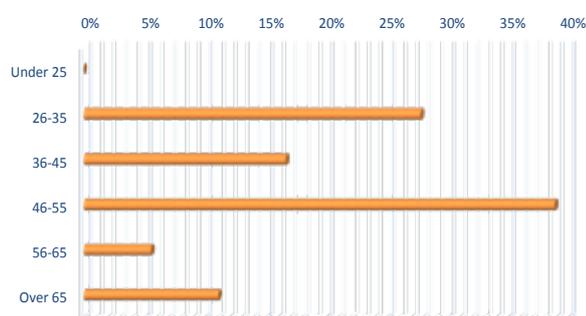


Age/Disability

Current employee ages range from 30s to 70s, and the average age is 48. 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. 43% of the Office are over 50 years of age and only 4% are under 30.

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

Of those who completed the survey 20% 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

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

Key Good Employer Elements

Leadership, Accountability & Culture

The Chief Executive articulates his goals for the Office and expectations of staff. The weekly management meeting minutes are circulated to all staff and 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.

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

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

Recruitment, Selection & Induction

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

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

Employee Development, Promotion & Exit

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

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

While the small size of the Office and the length of service mean opportunities for 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.

Flexibility & Work Design

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

Flexible work options include:

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

Remuneration, Recognition & Conditions

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

Via the performance development system, the Office formally recognises employee participation in Office initiatives, teams, and projects, as well as individuals' contribution to increases in productivity and quality of core work.

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

Harassment & Bullying Prevention

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

Safe & Healthy Environment

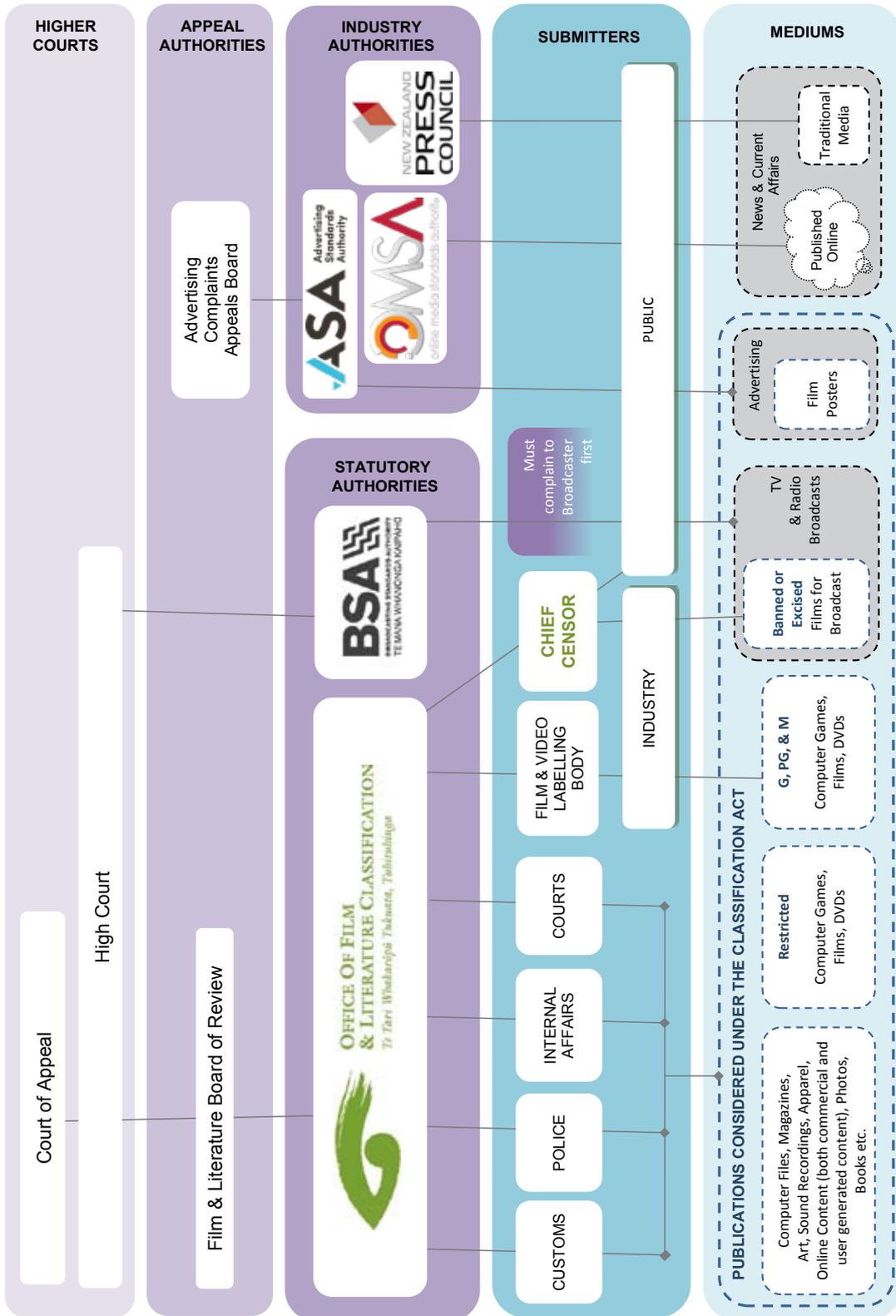
The Office takes a pro-active approach to employee health, safety and well-being.

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

The Office has a Health and Safety 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.

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

Regulatory Environment



GLOSSARY

New Zealand's unrestricted classification labels

What the unrestricted label means



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



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



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

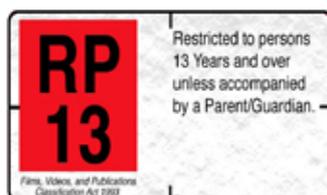
New Zealand's restricted classification labels

What the restricted label means

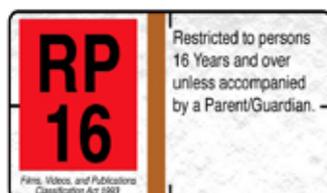


R (age) - If something has one of these labels it can only be supplied to people of and over the age shown on the label. A parent, shop or cinema is breaking the law if they supply an age-restricted item to someone who is not legally allowed to access it. You will see these labels on films, games, DVDs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





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



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

Office of Film and Literature Classification

PO Box 1999, Wellington 6140

**www.classificationoffice.govt.nz
info@classificationoffice.govt.nz**

Free Call 0508 CENSOR (236 767)