

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

for the year ended 30 June 2008



OFFICE OF FILM  
& LITERATURE  
CLASSIFICATION

*Tē Tari Whakarōpu Tukuata, Tūhītūbinga*

The Hon. Minister of Internal Affairs

Minister

Pursuant to Section 150 of the Crown Entities Act 2004, I present to you the Annual Report of the Office of Film and Literature Classification for the year ended 30 June 2008.

Yours sincerely

A handwritten signature in black ink, appearing to read 'W K Hastings'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

W K Hastings  
Chief Censor of Film and Literature

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## OUR PURPOSE

To provide and communicate impartial classification decisions and information about censorship.

## OUR VISION

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

We will achieve this by balancing the values inherent in the freedom of expression with the value of a society protected from injury.



## CHIEF CENSOR'S INTRODUCTION

This year's *Annual Report* is the first produced following the Treasury's 2007 review of accountability documents. In its *Preparing the Annual Report 2008: Guidance and Requirements for Crown Entities*,<sup>1</sup> the Treasury encouraged Crown entities

to adopt a plainer presentation style for their 2007/08 annual report. Wherever possible glossy public relations style material, unnecessary photographs and graphics, biographical material, and case studies should be avoided.

Readers "should not be overwhelmed by a multitude of measures without a clear sense of what the most important matters are." Parliament and the public need to be able to gauge quickly and accurately the extent to which public resources and statutory powers have been used prudently, legally and in the public interest.

This year's *Annual Report* attempts to follow this guidance. It is plainer. It dispenses with past years' discussions of interesting but admittedly rather more peripheral aspects of the environment in which we work, in favour of a focus on how well we performed the six activities we said we would perform in our *Statement of Intent 2007-2010*. This can be found in the Statement of Objectives and Service Performance starting on p 22. The resources used to achieve our objectives can be found in the financial statements beginning on p 37.

What follows is a briefer discussion of what we consider to be the more significant features of our performance that is set out in detail in the audited section of this report, accompanied by charts and graphs that show the sources and variety of publications submitted to the Office, how they were classified, and why they were classified in particular ways.

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<sup>1</sup> <http://www.ssc.govt.nz/preparing-ar08-crown-entity-guidance>

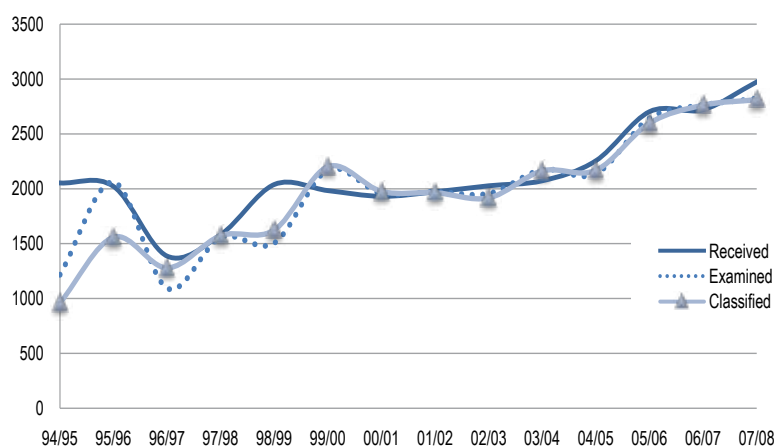
Photograph taken of Bill Hastings speaking at the Lisboa 2008 - European Conference of Film Classifiers on 24 October 2008.

## DISCUSSION OF ACTIVITIES

### *Activity 1: Examination, Classification and Registration of Publications*

The Classification Office received 2,974 publications, 9% more than last year. 2,812 publications were examined and 2,821 publications classified/registered. The majority of publications received were section 12 submissions (2,577). The section 12 submission channel is for publications submitted by the Film & Video Labelling Body Inc. These submissions were 9% above the estimated maximum and a 6% increase in publications submitted by the Labelling Body from the previous year.

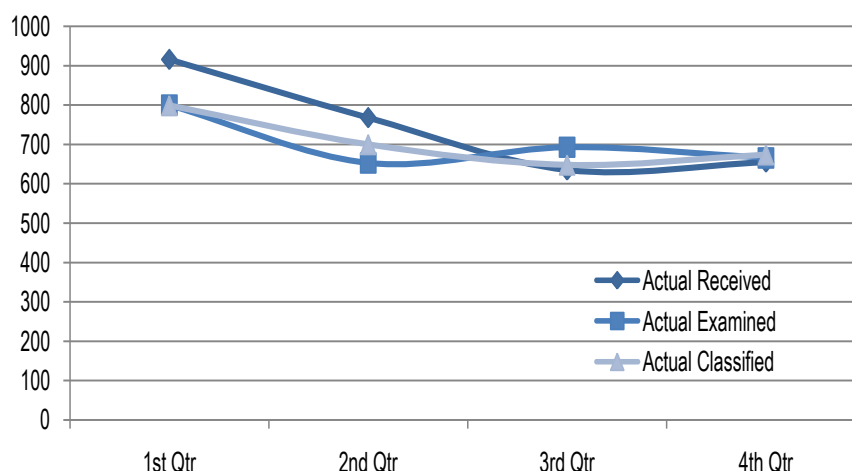
**Figure 1: Publications Received, Examined and Classified 1994-2008**



A public consultation on the film *Funny Games* (2007) was conducted this year. This film is a shot-for-shot remake of an earlier version of the film that was released in 1998 and restricted to adults attending specified screenings at a film festival because of its depictions of graphic violence. We screened the 2007 version of the film to 58 members of the public in order to investigate whether this version still warranted the original's restrictive classification. The 2007 version of the film was classified R18 with no further restrictions.

Classifications are compulsory for films, DVDs, videos and electronic games that contain content that may be restricted. The Classification Act requires that publications are examined and classified as soon as practicable (s23).

Classifications must be determined within a timeframe that allows for quality decision-making, but that minimises delays for the submitter, who typically has a commercial interest in the publication. Publications submitted by the Courts and enforcement agencies must be classified within a timeframe that provides the least possible delay in investigation and prosecution.

**Figure 2: Publications Received, Examined and Classified**

Higher than average submission activity combined with large numbers of publications submitted at one time in the 1st and 2nd quarters impacted upon the Office's ability to meet its timeliness targets, particularly by the 3rd quarter. However, once publications were scheduled for examination they were processed quickly and exceeded all processing targets. Total processing, while affected by the poor queue time results, were boosted by strong processing. The overall results were nevertheless below target.

Given the increase in publications received this year, and the lack of control the Office has on the volume and timing of submissions, processing times remained robust despite the increase in workloads.

The following charts and tables show historical trends, and information about the different types of publications that arrived at the Office for classification, the classifications they received, and their subject matter. Although this information forms no part of the audited Statement of Objectives and Service Performance, it does help to flesh out the nature of what the Office achieved this year, and to that end, assists readers in assessing the extent to which public resources and statutory powers have been used prudently, legally and in the public interest.

Table 1: Submissions by Channel &amp; Medium 2007/08

	Films & Film Trailers	Videos	DVDs	Blu-ray Discs	Digital Games	Magazines/ Books	Advertising for Publications	Computer Material (Moving)	Computer Material (Non Moving)	Other Material	Total
Section 12 Labelling Body	50	30	1,480	11	53	N/A	953	0	0	0	2,577
Section 13(1)(a) Comptroller of Customs	0	0	10	0	1	4	0	14	48	3	80
Section 13(1)(ab) Police	0	0	5	0	0	0	0	11	164	0	180
Section 13(1)(b) Secretary for Internal Affairs	0	1	0	0	1	5	0	1	10	3	21
Section 13(1)(c) (Commercial & Public)	0	0	1	0	0	0	0	0	0	1	2
Section 13(3) Chief Censor's Own Motion	1	0	2	0	0	0	0	0	0	0	3
Section 29(1) Courts	0	2	8	0	0	0	0	3	66	1	80
Section 41(3) Courts	0	0	0	0	0	0	0	0	0	0	0
Section 42 Reconsiderations	0	0	0	0	0	0	0	0	0	0	0
Regulation 27 Film Poster approvals	N/A	N/A	N/A	N/A	N/A	N/A	31	N/A	N/A	0	31
<b>Total</b>	<b>51</b>	<b>33</b>	<b>1,506</b>	<b>11</b>	<b>55</b>	<b>9</b>	<b>984</b>	<b>29</b>	<b>288</b>	<b>8</b>	<b>2,974</b>



Table 2: Comparison of Publications Received 1998-2008

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
Section 12 Labelling Body	2,577	2,423	2,471	1,994	1,789	1,747	1,796	1,678	1,519	1,211
Section 13(1)(a) Comptroller of Customs	80	79	22	36	43	31	25	26	103	28
Section 13(1)(ab) Police	180	44	11	16	N/A	N/A	N/A	N/A	N/A	N/A
Section 13(1)(b) Secretary for Internal Affairs	21	38	27	46	73	40	89	27	40	120
Section 13(1)(c) (Commercial & Public)	2	4	14	6	0	4	41	5	16	76
Section 13(3) Chief Censor's Own Motion	3	1	5	2	0	1	0	1	12	0
Section 29(1) Courts	80	115	143	143	164	191	20	165	278	575
Section 41(3) Courts	0	0	0	0	0	4	0	0	5	0
Section 42 Reconsiderations	0	0	0	12	1	0	7	6	1	4
Regulation 27 Film Poster approvals	31	17	10	1	3	9	12	23	9	25
<b>Total</b>	<b>2,974</b>	<b>2,721</b>	<b>2,703</b>	<b>2,256</b>	<b>2,073</b>	<b>2,027</b>	<b>1,990</b>	<b>1,931</b>	<b>1,983</b>	<b>2,039</b>

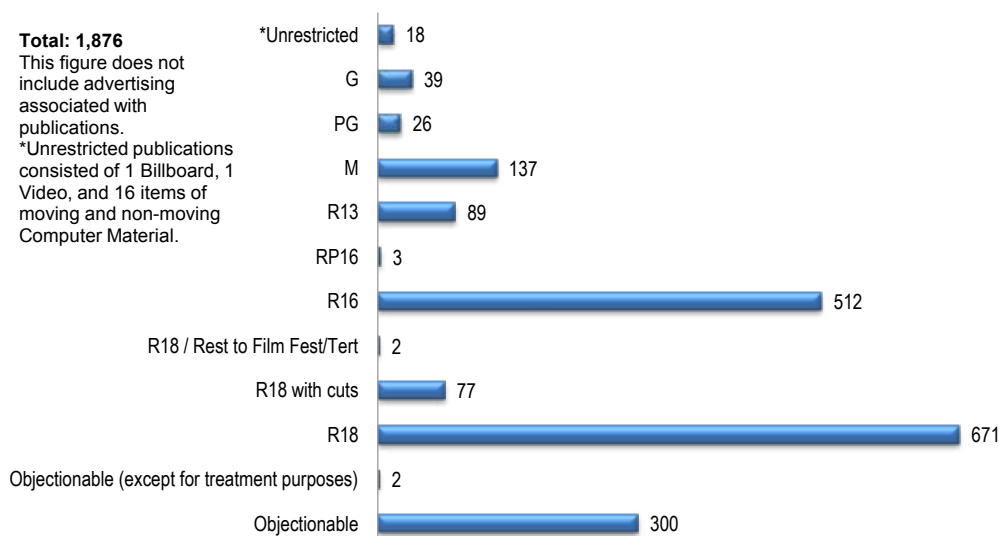
Table 3: Comparison of Publications Examined 1998-2008

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
Section 12 Labelling Body	2,455	2,442	2,416	1,898	1,812	1,732	1,793	1,665	1,435	1,190
Section 13(1)(a) Comptroller of Customs	84	76	27	28	57	18	28	53	72	27
Section 13(1)(ab) Police	145	44	20	7	N/A	N/A	N/A	N/A	N/A	N/A
Section 13(1)(b) Secretary for Internal Affairs	14	41	31	36	107	23	82	27	73	71
Section 13(1)(c) (Commercial & Public)	2	4	14	5	0	4	41	6	15	68
Section 13(3) Chief Censor's Own Motion	3	5	1	2	1	0	0	10	3	0
Section 29(1) Courts	78	134	124	147	192	160	14	165	558	121
Section 41(3) Courts	0	0	0	0	0	4	0	1	4	0
Section 42 Reconsiderations	0	0	0	12	1	3	4	6	2	3
Regulation 27 Film Poster approvals	31	16	10	1	3	11	10	23	10	26
<b>Total</b>	<b>2,812</b>	<b>2,762</b>	<b>2,643</b>	<b>2,136</b>	<b>2,173</b>	<b>1,955</b>	<b>1,972</b>	<b>1,956</b>	<b>2,172</b>	<b>1,506</b>

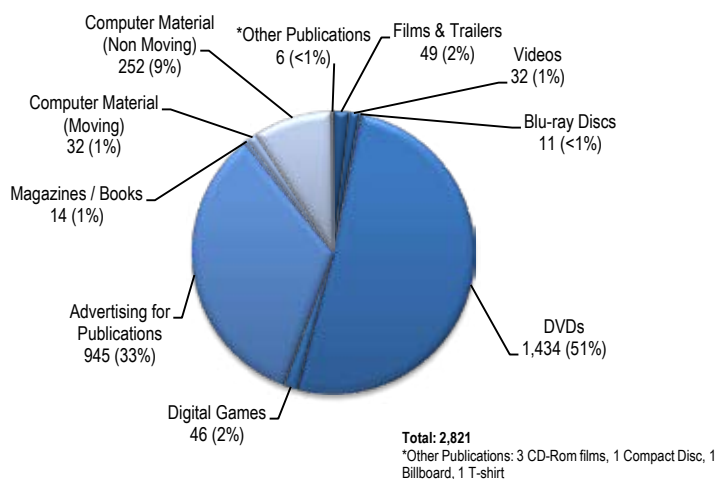
Table 4: Comparison of Publications Registered 1998-2008

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
Section 12 Labelling Body	2,462	2,451	2,378	1,905	1,822	1,715	1,798	1,663	1,453	1,189
Section 13(1)(a) Comptroller of Customs	84	74	27	28	57	16	31	66	57	64
Section 13(1)(ab) Police	146	41	20	7	N/A	N/A	N/A	N/A	N/A	N/A
Section 13(1)(c) Secretary for Internal Affairs	17	41	27	51	90	29	78	31	105	51
Section 13(1)(c) Commercial & Public	2	7	11	5	2	3	40	13	26	55
Section 13(3) Chief Censor's Own Motion	3	5	1	2	1	0	1	8	3	0
Section 29(1) Courts	78	127	124	157	189	138	4	163	544	227
Section 41(3) Courts	0	0	0	0	0	4	0	4	1	0
Section 42 Reconsiderations	0	0	0	13	0	3	4	6	3	15
Regulation 27 Film Poster approvals	29	16	10	1	3	9	9	22	10	24
<b>Total</b>	<b>2,821</b>	<b>2,762</b>	<b>2,598</b>	<b>2,169</b>	<b>2,164</b>	<b>1,917</b>	<b>1,965</b>	<b>1,976</b>	<b>2,202</b>	<b>1,625</b>

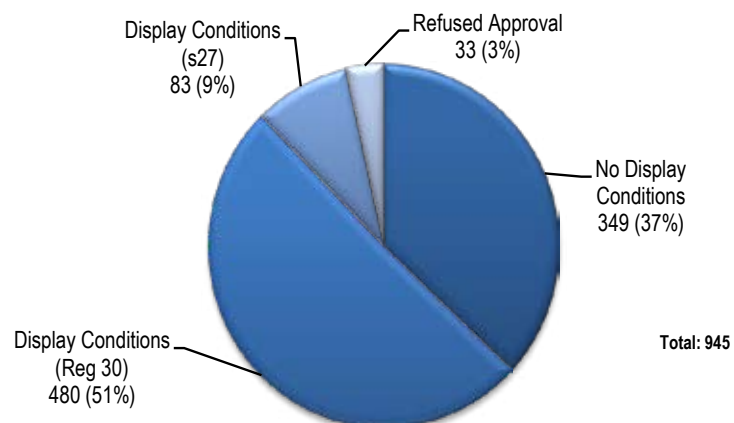
**Figure 3: Classification of all Publications 2007/08**



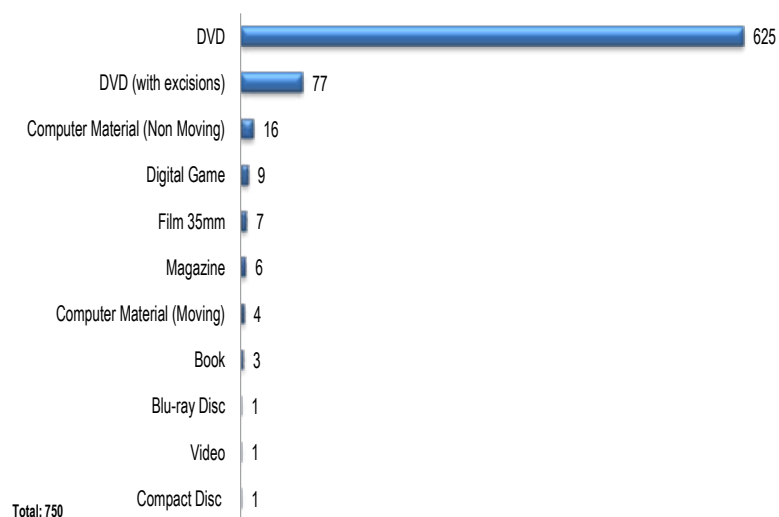
**Figure 4: Publications Registered by Medium 2007/08**



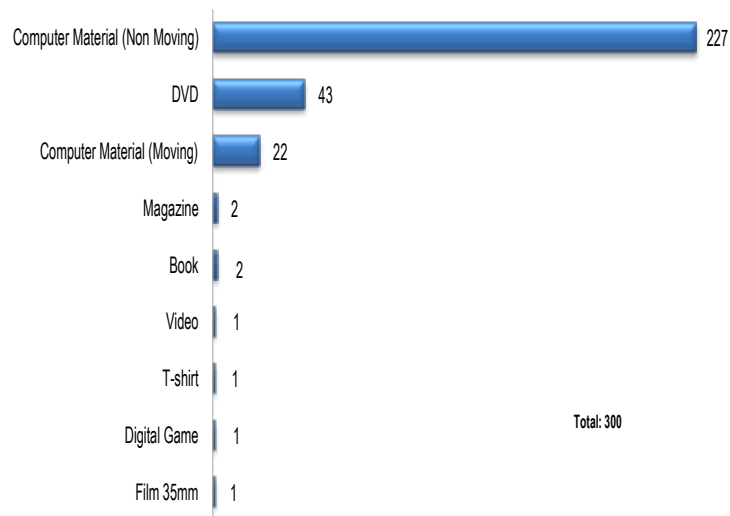
**Figure 5: Moving Image Advertising Material 2007/08**



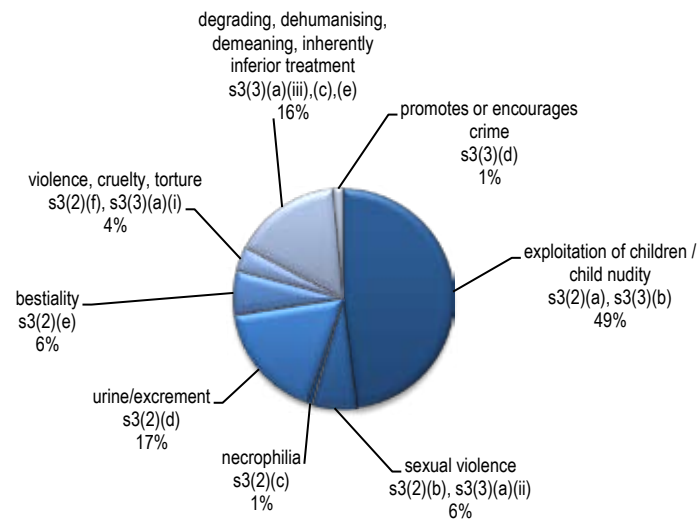
**Figure 6: Publications Classified as R18 by Medium 2007/08**

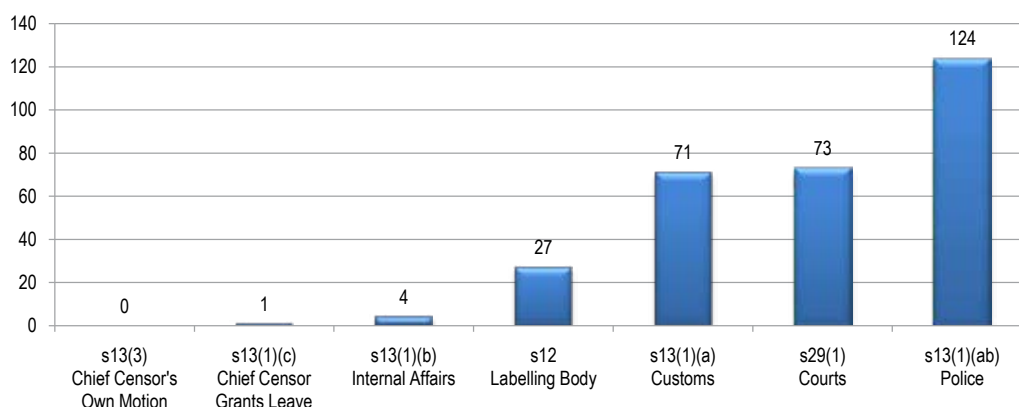


**Figure 7: Publications Classified as Objectionable by Medium 2007/08**



**Figure 8: Subject Matter of Objectionable Publications**



**Figure 9: Percentage of Objectionable Publications by Submitter*****Activity 4: High Quality research services are provided***

Section 88(2)(a) of the Films, Videos, and Publications Classification Act 1993 requires the Classification Office's Information Unit to provide research services to enable the Office to perform its functions effectively.

Research is important to inform the Classification Office and the public about attitudes, trends, and issues in New Zealand society that affect the classification of publications. Such research assists in understanding public attitudes relevant to our work to better inform our classification decisions. Types of research undertaken include surveys of public opinion, international literature reviews, and research into substantive issues such as the effects of depictions of sexuality and violence. When appropriate, our research is reviewed by an external expert.

***Activity 5: Accurate and relevant information is disseminated***

Section 88(2)(b) of the Films, Videos, and Publications Classification Act 1993 requires the Classification Office's Information Unit to disseminate information about the functions, powers and procedures of the Classification Office.

The Classification Office aims to protect the public good from injury caused by the unrestricted availability of restricted and objectionable material. In order for this to occur, the public must understand the classification system and the potential for injury caused by the availability of such material.

The Classification Office provides speakers on request to educational institutions, community groups, industry bodies and others. Talks are tailored to the audience to promote understanding of the classification system and the importance of complying with classification decisions and the law.

The Classification Office's website [www.censorship.govt.nz](http://www.censorship.govt.nz) is a significant source of classification information. Classification decisions of particular interest are published on the site along with research, policy statements, media releases, and information about the censorship system.

We provide targeted information to key groups such as industry bodies, young people and parents through dedicated sections of the website and through other communications such as school visits, responding to inquiries, and the Censor for a Day high schools programme.

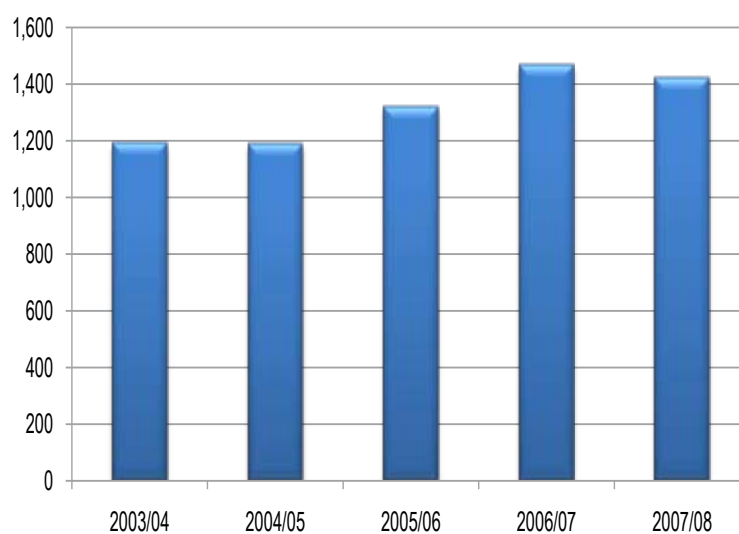
We send regular electronic newsletters to computer games industry members and to libraries. These newsletters provide lists of relevant classification decisions and censorship information likely to be of interest to the recipients.

We work with government agencies, industry bodies and non-government organisations on joint communications initiatives where appropriate.

***Activity 6: Inquiries and complaints are responded to with timely, accurate and useful information***

Section 88(2)(c) of the Films, Videos, and Publications Classification Act 1993 requires the Classification Office's Information Unit to receive inquiries and complaints about the classification system. Censorship places limits on the public's right to free expression. For this reason, it is important that people are able to seek information about the classification system, and are able to register their satisfaction or dissatisfaction with it. We provide people with information so that they know how to direct inquiries and complaints to us and we aim to respond to all inquiries and complaints with timely, accurate, and useful information.

**Figure 10: Inquiries and Complaints 2004-2008**





The publications that generated the most inquiries were as follows:

### *Hostel II*

On 30 July 2007, as a result of a decision by the film's distributor not to make an excision to the film required by the Office, *Hostel II* was classified as objectionable. The film's distributor appealed the Office's classification to the Film and Literature Board of Review. The Board examined the film, and required the distributor to make an excision. The distributor agreed to the Board's excision, and on 29 January 2008 the Board classified *Hostel II* as R18 "contains torture and sadistic violence". The classification process generated debate in the media and complaints and endorsements were received about both the banning of the uncut version of the film and the classification of the excised version.

### *Grand Theft Auto IV*

A version of *Grand Theft Auto IV* was submitted by the game's distributor Take2 Interactive in February 2008. On 27 February 2008 it was classified as R18 "contains violence and offensive language".

In March, the game's distributor issued a press release that stated that the edited Australian version had been submitted to the New Zealand Office of Film and Literature Classification. The Office received numerous inquiries from New Zealand gamers concerned that they were not able to play the full version of the game. The unedited version of the game was submitted to the Office and was classified on 22 May as R18 contains violence, offensive language and sex scenes. The game is almost identical to the original, save for the inclusion of a small amount of sexual content removed by Rockstar Games from the Australian version. Again, the classification surrounding this publication instigated a number of media and public inquiries, and complaints and endorsements from members of the public.

### *The Peaceful Pill Handbook (New Revised International Edition)*

The original version of *The Peaceful Pill Handbook* was classified as objectionable on 8 June 2007. On 5 February 2008, the Comptroller of Customs submitted *The Peaceful Pill Handbook (New Revised International Edition)* for classification as a result of the book having been seized at the border. Sections dealing with practical instructional detail on how to commit crime had been blacked out. *The Peaceful Pill Handbook (New Revised International Edition)* and the original *The Peaceful Pill Handbook* were published by Exit International, a group which advocates the right of persons suffering terminal illness to determine the time and method of their death. The revised edition of the book was classified as R18, and the Office required that it be displayed only in a sealed package and carry an official label showing its classification. This decision resulted in numerous inquiries from journalists as well as booksellers and libraries wanting clarification on the meaning of both the classification and the display conditions.

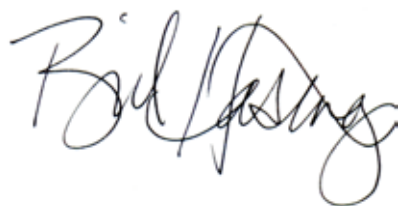
## STATEMENT OF RESPONSIBILITY

**For the Year Ended 30 June 2008**

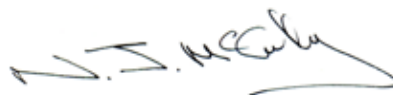
As Chairperson and Deputy Chairperson of the Board of the Office of Film and Literature Classification, we accept responsibility for the preparation of these Financial Statements. The Financial Statements have been prepared in accordance with generally accepted accounting practice and include the information required by the Crown Entities Act 2004.

As part of the development of the Classification Office's financial management systems, effective internal controls have been implemented and maintained to provide reasonable assurance as to the integrity and reliability of financial reporting. These internal controls are subject to independent random periodic audits to ensure compliance and effectiveness.

We are satisfied that, for the reporting period, the Statements of Account fairly reflect the financial position and operations of the Classification Office and the Statement of Service Performance fairly reflects the Classification Office's achievements against performance targets as set out in the Statement of Objectives.



W K Hastings  
*Chairperson*



N J McCully  
*Deputy Chairperson*

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

31 October 2008

# AUDIT REPORT

AUDIT NEW ZEALAND

Mana Aotake Aotearoa

## TO THE READERS OF THE OFFICE OF FILM AND LITERATURE CLASSIFICATION'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

### FOR THE YEAR ENDED 30 June 2008

The Auditor-General is the auditor of the Office of Film and Literature Classification (the Office). The Auditor General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Office for the year ended 30 June 2008.

### Unqualified opinion

In our opinion:

The financial statements of the Office on pages 37 to 59:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Office's financial position as at 30 June 2008; and
  - the results of its operations and cash flows for the year ended on that date.

The statement of service performance of the Office on pages 22 to 36:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects for each class of outputs:
  - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
  - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 31 October 2008, and 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 the Auditor, and explain our independence.

## **Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

## Responsibilities of the Board and the Auditor

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Office as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Office's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004 and the Films, Videos and Publications Classifications Act 1993.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

## Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Office.



Clare Helm  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

## STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

For the Year Ended 30 June 2008

### Classification Services

*(Report against Statement of Intent 2007-2010)*

#### Objectives

Publications are appropriately classified to prevent injury to the public good.  
The public has confidence in the classification system.

#### Activities

1. Classifications are of a high quality and are produced in a timely manner.
2. A Register of Decisions is maintained.
3. A List of Decisions is produced in accordance with quality and timeliness measures.

#### Resources Employed

		Projected 30 June 2008 \$	Actual 30 June 2008 \$
Revenue	Crown Revenue	1,256,459	1,256,458
	Third Party Revenue	1,250,424	1,438,550
	Other (including Interest)	173,400	225,896
	<b>Total Revenue</b>	<b>2,680,283</b>	<b>2,920,904</b>
Expenditure	<b>Total Expenditure</b>	<b>2,791,955</b>	<b>2,740,740</b>
Net Surplus/(Deficit)		<b>(111,672)</b>	<b>180,164</b>

**Activity 1 - Classifications are of a high quality and are produced in a timely manner**

**Service Performance**

Quantity (Note 1)	Notes	Minimum Estimate	Maximum Estimate	Actual
Publications Received		2,012	2,694	2,974
Publications Examined		2,012	2,694	2,812
Publications Classified		2,012	2,694	2,821

**Quantity - Exemptions/Waivers/Consents etc. (Note 2)**

Alternative Methods of Affixing Labels		8
Broadcast Consents		16
Certificate of Existing Decisions		0
Consultations Held (s21)		1
Publications with Fee Waiver Requests	3	146
Publications with Fee Waiver Requests Declined		4
Publications Withdrawn		41

Quality		Projected	Actual
Classification decisions to set standard	4	95%	99%
Number of classification decisions of the Office over-turned on judicial review		0	0*
*No decisions were judicially reviewed			

## Timeliness (Note 5 &amp; 6)

	Target		No. of Pubs	Actual Achieved	
	Days	%		No.	%
<b>Queue Time</b> s12 & s42	20	90%	2,469	1,714	69%
s13	25	70%	248	79	31%
<b>Processing Time</b> Simple s12 & s42	10	90%	2,334	2,228	96%
Complex s12 & s42	15	70%	157	115	73%
s13	30	70%	251	239	95%
<b>Combined Time</b> Simple s12 & s42	30	90%	2,334	2,055	88%
Complex s12 & s42	35	70%	157	96	61%
s13	55	70%	251	163	65%

**Note 1:**

The actuals and the estimates vary because estimates are based on historic submissions patterns, and the Crown and the Labelling Body have automatic rights of submission.

**Note 2:**

Estimates are not provided for some activities including decisions to grant or decline leave, waivers and broadcast consents when such an estimate may illegally fetter the discretionary decision-making authority of the Chief Censor.

**Note 3: Fee Waivers**

The number of fee waivers recorded relates to the number of publications which have been classified and for which a fee waiver application was received, and of these the number of which were declined.

**Note 4: 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. The target was exceeded with a 98% result for this financial year.



**Note 5: Timeliness of Classifications**

- Timeliness measures are set in the Statement of Intent 2007-2010.
- The distinction between 'simple' and 'complex' publications is based on the requirement to consider excisions. Complex publications are those publications for which excisions have been recommended.
- Performance on Queue Timeliness is calculated on all publications examined during the reporting period.
- Performance on Process Timeliness and Combined Timeliness are calculated on all publications registered during the reporting period.
- Publications which achieve the Combined Timeliness target may have failed on either Queue or Process timeliness.
- s29 submissions do not have a compliance measure. One hundred percent of s29 submissions are classified within the time mutually agreed between the Court and the Office.
- s12 and s42 publications requiring assistance under s21 of the Act are excluded from the timeliness measures.

**Note 6: Timeliness Targets Not Achieved**

Due to submissions exceeding estimates, only 69% of publications were able to be examined within 20 days of receipt. Consequently the combined timeliness measures were not met.

## CLASSIFICATION ANALYSIS

### Performance by Section of the Act against Estimates

	Minimum Estimate	Maximum Estimate	Actual
<b>Section 12 - Labelling Body</b>			
Publications Received	1,836	2,370	2,577
Publications Examined	1,836	2,370	2,455
Publications Classified	1,836	2,370	2,462
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	40%	9%	
<i>Examined</i>	34%	4%	
<i>Classified</i>	34%	4%	
<b>Regulation 27 - Film Poster Approvals</b>			
Publications Received	0	0	31
Publications Examined	0	0	31
Publications Classified	0	0	29
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	-	-	
<i>Examined</i>	-	-	
<i>Classified</i>	-	-	
<b>Section 13(1)(a) - Comptroller of Customs</b>			
Publications Received	36	75	80
Publications Examined	36	75	84
Publications Classified	36	75	84
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	122%	7%	
<i>Examined</i>	133%	12%	
<i>Classified</i>	133%	12%	
<b>Section 13(1)(ab) - New Zealand Police</b>			
Publications Received	12	24	180
Publications Examined	12	24	145
Publications Classified	12	24	146
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	1,400%	650%	
<i>Examined</i>	1,108%	504%	
<i>Classified</i>	1,117%	508%	

	Minimum Estimate	Maximum Estimate	Actual
<b>Section 13(1)(b) - Secretary for Internal Affairs</b>			
Publications Received	32	78	21
Publications Examined	32	78	14
Publications Classified	32	78	17
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	(34%)	(73%)	
<i>Examined</i>	(56%)	(82%)	
<i>Classified</i>	(47%)	(78%)	
<b>Section 13(1)(c) - Chief Censor Grants Leave (Commercial)</b>			
Publications Received	0	0	0
Publications Examined	0	0	0
Publications Classified	0	0	3
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	-	-	
<i>Examined</i>	-	-	
<i>Classified</i>	-	-	
<b>Section 13(1)(c) - Chief Censor Grants Leave (Public)</b>			
Publications Received	6	12	2
Publications Examined	6	12	2
Publications Classified	6	12	2
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	(67%)	(83%)	
<i>Examined</i>	(67%)	(83%)	
<i>Classified</i>	(67%)	(83%)	
<b>Section 13(3) - Chief Censor's Own Motion</b>			
Publications Received	0	3	3
Publications Examined	0	3	3
Publications Classified	0	3	3
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	-	0%	
<i>Examined</i>	-	0%	
<i>Classified</i>	-	0%	

	Minimum Estimate	Maximum Estimate	Actual
<b>Section 29(1) - Courts</b>			
Publications Received	90	132	80
Publications Examined	90	132	78
Publications Classified	90	132	78
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	(11%)	(39%)	
<i>Examined</i>	(13%)	(41%)	
<i>Classified</i>	(13%)	(41%)	
<b>Section 41(3) - Courts</b>			
Publications Received	0	0	0
Publications Examined	0	0	0
Publications Classified	0	0	0
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	-	-	
<i>Examined</i>	-	-	
<i>Classified</i>	-	-	
<b>Sections 42(1),(2) &amp; (3) Reconsiderations</b>			
Publications Received	0	0	0
Publications Examined	0	0	0
Publications Classified	0	0	0
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	-	-	
<i>Examined</i>	-	-	
<i>Classified</i>	-	-	
<b>SUMMARY</b>			
Publications Received For the Year	2,012	2,694	2,974
Publications Examined	2,012	2,694	2,812
Publications Classified	2,012	2,694	2,821
<b>Variance Between Actual and Estimates</b>			
<i>Received</i>	48%	10%	
<i>Examined</i>	40%	4%	
<i>Classified</i>	40%	5%	

**Note 1:**

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

**Note 2:**

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

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

## Activity 2 - A Register of Decisions is maintained

### Service Performance

Quantity (Note 1)	Notes	Minimum Estimate	Maximum Estimate	Actual
Decisions Registered		2,012	2,694	2,821

Quality		Target	Actual
The Register of Classification Decisions contains all classification decisions	2,3	100%	100%

#### Note 1:

The actuals and the estimates vary because the Crown and the Labelling Body have automatic rights of submission. Estimates are based on historic submission patterns.

#### Note 2: Register of Classification Decisions

Under s39 of the Act, the Chief Censor is required to set up and maintain a *Register of Classification Decisions*. The Register must contain:

- the classification given to a publication by the Classification Office; and
- where that publication is examined by the Film and Literature Board of Review, the classification given to the publication by the Board; and
- such other particulars as may be prescribed.

#### Note 3: Quality of Registrations

100% of decisions classified in each month are required to be registered within that month.

### Activity 3 - A List of Decisions is produced in accordance with quality and timeliness measures

#### Service Performance

Quantity	Notes	Target	Actual
Monthly List of Decisions is produced	1	12	12

Quality (Note 2)	Target	Actual
List of Decisions is published to quality standard	97.5%	99.14%
All Classification Decisions of the Office and of the Film and Literature Board of Review are entered into the List of Decisions for the month in which they are classified	100%	99.89%

Timeliness	Notes	Target	Actual
List of Decisions published by the 10th working day of the month	3	100%	100%

#### Note 1: List of Decisions

Under s40 of the Act, the Classification Office is required to produce a monthly list of classification decisions, which includes approvals of associated advertising material.

#### Note 2:

The List of Decisions consists of all publications that, during the month immediately preceeding the month in which the list is produced, have been classified by the Office or the Film and Literature Board of Review (when directed by the Board under s55(1)(e)(ii) of the Act).

Each List of Decisions produced in accordance with s40(1) of the Act shall:

- be in alphabetical order; and
- contain particulars of the publications listed as prescribed.

Corrigenda are to be issued on fewer than 2.5% of all entries in the List of Decisions. This quality measure is calculated using the number of decisions registered, which excludes associated advertising material.

#### Note 3: Timeliness

The List of Decisions is required to be:

- published by the 10th working day of the month following the month in which the decisions have been made; and
- is required to be open to inspection by the public during ordinary office hours.

# STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

For the Year Ended 30 June 2008

## Information Services

*(Report against Statement of Intent 2007-2010)*

### Objectives

Publications are appropriately classified to prevent injury to the public good.

The public has confidence in the classification system.

The public is well educated and informed about the classification system.

### Activities

4. High quality research services are provided.
5. Accurate and relevant information is disseminated.
6. Inquiries and complaints are answered in a timely, accurate, and useful manner.

## Resources Employed

		Projected	Actual
		30 June 2008	30 June 2008
		\$	\$
Revenue	Crown Revenue	703,542	703,542
	Third Party Revenue	-	-
	Other (including Interest)	-	-
	<b>Total Revenue</b>	<b>703,542</b>	<b>703,542</b>
Expenditure	<b>Total Expenditure</b>	<b>703,542</b>	<b>636,720</b>
Net Surplus/(Deficit)		<b>0</b>	<b>66,822</b>

### Activity 4 - High quality research services are provided

#### Service Performance

Quantity	Projected	Actual
Research Projects	1	1

#### Quality measures

##### *The purpose of the research*

The Classification Office and the Broadcasting Standards Authority carried out a joint research project, *Audience Perceptions of Violent Content in Audio-Visual Entertainment*. The study used clips depicting violence in different contexts and gathered focus group and individual reactions to them. It explored adult and teenager opinions about content in a range of formats including film, DVD, television, the internet and mobile phones.

The research objectives were to explore:

- levels of adult comfort/discomfort with violent depictions in audio-visual entertainment
- whether different sections of the community have different tolerance levels towards violent depictions
- perceptions of harm, if any, caused by violent depictions
- teenagers' levels of comfort/discomfort with violent depictions in audio-visual entertainment
- whether specific contexts of, and information about, violent depictions influence the responses of sections of the community.

##### *Summary of the findings*

Overall, participants' perceptions of what constituted low, medium, or high levels of violence were generally similar to academic and legislative definitions. The research indicated that there was alignment between the classifications that the Classification Office and broadcasters apply and how the public rates levels of violent content. That is, the current New Zealand classification system largely met participants' expectations.

While there was a large degree of consistency at an overall level, some demographic differences were evident in participants' reactions to the clips and their perceptions of the degree of violence. Women tended to base their assessment of each clip on the degree of empathy they felt with the characters involved. Women participants reacted more emotively. They were more likely to perceive harmful effects, to themselves or to children, from viewing the clips. Some male participants also reacted in this way, but men were more likely to 'step back' from the clip, viewing the content as simply entertainment, and discuss it in that context.

Age was also a factor in how participants viewed violence. Younger teenagers (14-15) often lacked the critical analysis skills to understand the context of the violence in a clip, or did not understand the sexual nature of some of the violence portrayed. Older teenagers (16-17) were more likely to feel they were able to make adult decisions about what they viewed, and to be strongly in favour of their freedom to view.



Participants thought that there was a range of harms, to young people in particular, from viewing material not suitable for their age range. These included emotional and psychological harms, and potential for changes in attitude or behaviour (for example, by imitating violent acts seen in audio-visual entertainment). The main concern was the potential for young people to take violence out of context and either be emotionally upset by it or attempt to imitate it in an inappropriate setting.

Participants made a clear distinction between what was appropriate viewing for mature and informed adults, and what was not appropriate for younger, less mature, audiences. They indicated that consistency across formats was important, and that a film or programme's content should be classified in the same way across the formats of television/film/DVD. Other participants felt that as free-to-air television was the most accessible format, it needed more careful and detailed classifications, warnings and monitoring than other formats that are less accessible (such as pay television, renting a video or DVD, or gaining entry into an age-restricted movie at a cinema).

Participants considered internet and mobile content slightly differently to the more traditional formats mentioned above. As both involved a certain degree of seeking out of content, they considered that people who looked for violent content on the internet or mobile phones were making a conscious decision to do so. They felt that a warning was necessary to alert people to violent content, but that policing and monitoring the internet for classification breaches was difficult.

Both adult and teenage participants considered warnings and classifications to be part of the information they needed to ensure they could make informed viewing choices, both for themselves and for those in their care.

Participants in the research (adults in particular) considered freedom to view to be an important part of being an adult. Few felt that the clips selected for the research warranted cutting or censoring. In general, censorship was considered necessary only for extremely violent and disturbing material.

*Whether and in what ways the research achieved its purpose*

The research adds to the knowledge gained over the years, updating us with a range of New Zealanders' viewpoints about how violent content in audio-visual entertainment influences them, others, and society as a whole.

We are encouraged that the participants' responses and insights reinforce the appropriateness of the present legal framework governing the possession, supply and exhibition of audio-visual publications. The findings underline the importance of the present classification system in assisting the public to make informed viewing choices. We are encouraged too by the keen desire of most adults to protect children and young people from exposure to material that could frighten, disturb or adversely influence their attitudes and behaviour.

### Activity 5 - Accurate and relevant information is disseminated

#### Service Performance

Quantity	Projected	Actual
5.1 Growing <a href="http://www.censorship.govt.nz">www.censorship.govt.nz</a>	Visits to website - increasing trend on previous year's visits	see Note 1
5.2 Speaking Engagements	24 - 48	46

#### Note 1:

The Office has replaced the software which was used to measure visits to the website. Data for the period indicated an increasing trend in visits, however a distinction was not made between actual visitors and automated contacts to the website.

#### Quality measures

##### *Website information easily available and accurate*

There are no verified errors of fact or law reported by website users. In October 2007, the website was redesigned to improve its readability and make it easier for staff to update its content. The newly designed site went live on 30 November with a substantial amount of new content, including a new libraries section containing information on books, DVDs and video classifications for libraries and also on the management of restricted publications.

The Information Unit submitted [www.censorship.govt.nz](http://www.censorship.govt.nz) for inclusion in the *New Zealand Government Web Standards Assessment 2008: Focus on Accessibility* audit conducted in April and May 2008. The website was audited between April and June 2008 and assessed as "Above Average".

##### *Website stability*

The website was stable between July and November, but several short outages of less than one hour occurred between December and April due to events beyond the Office's control. There was a planned outage in May for urgent maintenance work, and further maintenance to the site's firewall system was required in June.

##### *High client satisfaction with the quality of Classification Office presentations*

#### Censor for a Day

The Classification Office ran two Censor for a Day programmes during the year. The events are organised by the Information Unit and conducted by the Chief Censor and a classification officer. The first programme was run in Napier, New Plymouth and Palmerston North in Term 4 2007 and was attended by 266 students from 12 high schools. The students viewed and classified the film *Atonement* and most recommended an R16 classification in their written evaluations, but, after discussing the film, many considered M a more appropriate classification. The second programme was held in Term 1 2008 in Nelson, Invercargill,

Christchurch, Dunedin and Wellington and was attended by 728 students from 35 high schools. Students viewed and classified *Charlie Bartlett*. Overall, 60% of students gave this film a restricted rating, but 'M' was the most common classification, given by 39%. The film had been cross-rated by the Labelling Body from an Australia 'M'. We request feedback on these events from teachers.

The following quotes are representative of the written feedback received:

*A positive experience for the students and helped to bring the issues of censorship to life for them. The students continued to discuss the film and the censorship Act and how to apply it in the days following the programme. As a teacher who hasn't attended before I also found it valuable and it made the classification process clearer to me which will help in my teaching in this area - James Hargest College, Invercargill.*

*I think Bill's manner and way of dealing with questions is one of the real highlights of the event for students, he leads the discussion skilfully and has an attitude of respecting the kids ideas which I know they appreciate - Linwood College, Christchurch.*

*A most enjoyable day. Thank you. Students were buzzing afterwards. This fits so well with Media Studies 'Aspect of Media in NZ'. Bill's manner and approach with these students was spot on. - Onslow College, Wellington.*

### **Public Presentations**

Forty-six public presentations were given to groups during the year. Sixteen of these groups provided feedback on the survey form given to all external coordinators of public presentations. The survey form asks for feedback on the speaker's performance, the suitability of content, the educational and informative aspect of the presentation, and, if relevant, the information brochures provided. The 5 point assessment scale runs from 'Not Satisfactory' through to 'Excellent'. The feedback forms received all assessed the presentations as 'Very Good' or 'Excellent'.

### **Media Interviews and Inquiries**

The Classification Office gave 61 media interviews during the year, compared with 107 last year. Of the 61, 34% were with radio stations, 23% with newspapers, 21% with magazines and 16% with television stations. Six percent were provided to other media such as magazines.

Issues of interest to the media included:

- the banning and subsequent classification of the film *Hostel II*
- the classification of two versions of the computer game *Grand Theft Auto IV*
- the classification of the revised edition of *The Peaceful Pill Handbook*

### ***Activity 6 - Inquiries and complaints are answered in a timely, accurate, and useful manner***

#### **Service Performance**

Quantity	Minimum Estimate	Maximum Estimate	Actual
Inquiries	1,008	1,200	1,359
Complaints	60	120	67
Classification Information Requests	420	720	254

Timeliness	Projected	Actual
Written responses to inquiries, complaints, endorsements and classification requests are made within 20 working days of receipt	95%	100%

#### **Quality measures**

*Information provided by the Classification Office is viewed as 'useful' by recipients*

##### **Inquiries**

The Information Unit received 1,359 inquiries during the year. The groups most frequently in contact with the Office were (in descending order):

- members of the public
- libraries
- film and games industry members
- secondary students and teachers
- the Film and Video Labelling Body
- the Inspectors of Publications at the Department of Internal Affairs
- news media
- the NZ Police
- tertiary students and educational institutions
- filmmakers

##### **Information Dissemination**

A range of print material was developed and disseminated, including tear-off pads about the supply of restricted movies and games. About 200,000 individual sheets of these were distributed during the year, and regular requests for more supplies were received from stores and cinemas. 5,000 pens featuring our website address and freephone number were also distributed at presentations, conferences and Censor for a Day events.

In September 2007 the Office ran a stall at the LIANZA library conference in Rotorua. Staff answered inquiries on topics including labelling, book classification and internet usage from 144 librarians and distributed 250 information packs to delegates.

The Office ran an advertising campaign in publications for parents and children. The advertisements provided information on classification labels and contact details for the Office.

# STATEMENT OF ACCOUNTING POLICIES

**For the Year Ended 30 June 2008**

## 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 NZ public, as opposed to making a financial return. Accordingly, the Office has designated itself as a public benefit entity for the purposes of the New Zealand Equivalents to International Financial Reporting Standards.

The financial statements for the Office are for the year ended 30 June 2008 and were approved on 31 October 2008.

The Office of Film and Literature Classification works with a number of other agencies to maintain the censorship system and is the Government body responsible for classifying publications that may need to be restricted or banned.

## Key Judgements and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income 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.

## 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 financial statements also comply with NZ IFRS.

### *First year of preparation under NZ IFRS*

This is the first set of financial statements prepared using NZ IFRS, and comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Reconciliations of equity and surplus/(deficit) for the year ended 30 June 2007 under NZ IFRS to the balances report in the 30 June 2007 financial statements are detailed in note 17.

**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.

**Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

**Standards, amendments and interpretations issued that are not yet effective and have not been early adopted**

There are additional standards which have not been adopted, however they do not have any impact on the financial statements of the Office.

**Revenue***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 Intent.

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

*Other revenue*

Labelling Body income, other fee income and sundry income are recognised when earned and are 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 financial performance.

*Finance leases*

The Classification Office has no finance leases.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than 3 months.

**Short Term Investments**

Investments comprise term deposits of more than 3 months and less than 12 months.

**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 financial performance. 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 financial performance.

**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	8 - 9 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.

### **Revaluation**

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

The Office accounts for revaluations of property, plant and equipment on a class of asset basis.

## **Intangible assets**

### **Software acquisition and development**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in to 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 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 financial performance.



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

Software            3 – 4 years

## **Impairment**

Property, plant and equipment and intangibles 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 the depreciated replacement cost of 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.

The impairment is recognised in the statement of financial performance. The reversal of an impairment loss is recognised in the statement of financial performance.

## **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 financial performance as incurred.

### ***Defined benefit schemes***

The Office makes contributions to the DBP Contributors Scheme (the scheme), which is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

## 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 and 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 under the First Schedule

to the Films, Videos, and Publications Classification Act 1993.

## **Budget figures**

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

### **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.

## **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 and 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 financial performance, and the 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 programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Classification Office has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 7.

**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 2008:

***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.

# INCOME STATEMENT

For The Year Ended 30 June 2008  
In New Zealand Dollars

		Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
<b>REVENUE</b>	<i>Notes</i>			
Crown Revenue	1	1,960,000	1,960,000	1,960,000
Labelling Body Revenue		1,250,224	1,438,394	1,324,178
Other Fee Revenue		200	156	400
		3,210,424	3,398,550	3,284,578
<b>OTHER REVENUE</b>				
Interest Revenue		171,000	223,069	233,825
Sundry Revenue		2,400	1,416	2,304
Gain on sale of fixed assets		0	1,411	0
		173,400	225,896	236,129
<b>TOTAL REVENUE</b>		3,383,824	3,624,446	3,520,707
<b>LESS COST OF ACTIVITIES</b>				
Audit Fee		20,580	21,585	25,510
Audit Fee (IFRS)		0	4,500	0
Depreciation & Amortisation	7,8	188,004	134,421	135,196
Insurance		15,936	14,760	15,163
Lease and Rental Costs		362,628	381,891	357,994
Other Operating Costs		689,056	633,295	688,515
Personnel Expenditure	14	2,219,295	2,183,792	2,104,549
Loss on Sale of Assets		0	3,216	1,249
		3,495,498	3,377,460	3,328,176
<b>NET OPERATING SURPLUS (DEFICIT)</b>		(111,674)	246,986	192,531

*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 2008

In New Zealand Dollars

	Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
TAXPAYERS' FUNDS AS AT 1 JULY	3,174,297	3,453,576	3,261,416
Net Surplus	(111,674)	246,986	192,531
Total recognised revenues & expenses for the year	(111,674)	246,986	192,531
 TAXPAYERS' FUNDS AS AT 30 JUNE	 3,062,623	 3,700,562	 3,453,947

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

# BALANCE SHEET

As at 30 June 2008  
In New Zealand Dollars

		Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
<b>CURRENT ASSETS</b>	<i>Notes</i>			
Cash and Cash Equivalents	2	2,314,219	735,183	298,067
Debtors & Other Receivables	3	227,617	270,276	320,740
Investments	4	0	1,750,000	2,950,000
<b>Total Current Assets</b>		2,541,836	2,755,459	3,568,807

## CURRENT LIABILITIES

Creditors & Other Payables	5	191,929	381,224	644,223
Employee Entitlements	6	157,990	177,745	148,806
<b>Total Current Liabilities</b>		349,919	558,969	793,029
<b>WORKING CAPITAL</b>		2,919,917	2,196,490	2,775,778

## NON CURRENT ASSETS

Property, Plant & Equipment	7	500,707	327,132	324,326
Intangible Assets	8	370,000	1,176,940	353,472
<b>Total Non Current Assets</b>		870,707	1,504,072	677,798
<b>NET ASSETS</b>		<b>3,062,624</b>	<b>3,700,562</b>	<b>3,453,576</b>

*Represented By:*

## TAXPAYERS' FUNDS

Taxpayers' Funds	2,999,033	3,636,971	3,389,985
Revaluation Reserve	63,591	63,591	63,591
<b>TOTAL TAXPAYERS' FUNDS</b>	<b>3,062,624</b>	<b>3,700,562</b>	<b>3,453,576</b>

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

## STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2008

In New Zealand Dollars

	Budget 2008	Actual 2008	Actual 2007
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	\$	\$
<i>Cash was provided from:</i>			
Crown Revenue	1,960,000	1,960,000	1,960,000
Receipts from Customers	1,239,422	1,540,932	1,275,662
Interest Received	171,000	247,574	205,074
Net Goods & Services Tax Received	399,928	0	25,083
	3,770,350	3,748,506	3,465,819
<i>Cash was disbursed to:</i>			
Net Goods & Services Tax Paid	399,076	57,136	0
Payments to Suppliers & Employees	3,298,150	3,491,754	2,794,920
	3,697,226	3,548,890	2,794,920
<b>Net Cash Flows from Operating Activities</b>	73,124	199,616	670,899
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Sale of Property, Plant and Equipment	0	2,918	191
Sale of Intangibles	0	0	0
Sale of Investments	0	1,200,000	0
	0	1,202,918	191
<i>Cash was disbursed to:</i>			
Purchase of Property, Plant & Equipment	477,000	120,543	130,448
Purchase of Intangibles	0	844,875	343,984
Aquisition of Investments	0	0	800,000
	477,000	965,418	1,274,432
<b>Net Cash Flows from Investing Activities</b>	(477,000)	237,500	(1,274,241)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net Cash Flows from Financing Activities</b>	0	0	0
Net Increase/(Decrease) in Cash Held	(403,876)	437,116	(603,342)
Add Cash at Beginning of Year	2,718,095	298,067	901,409
<b>Balance at 30 June</b>	2,314,219	735,183	298,067

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



	Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
<b>RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Surplus (Deficit)	(111,674)	246,986	192,531
<b>Add/(Less) Non Cash Items</b>			
Depreciation	188,004	134,421	135,196
(Gain)/Loss on Sale of Fixed Assets	0	1,805	1,058
	188,004	136,226	136,254
<b>Add/(Less) Movements in Working Capital Items</b>			
Decrease/(Increase) in Receivables	(15,077)	51,689	(38,529)
Decrease/(Increase) in Prepayments	0	5,185	5,892
Decrease/(Increase) in GST	1,359	(57,136)	25,083
Decrease/(Increase) in Interest Accrual	0	24,505	(28,751)
Decrease/(Increase) in Receipts in Advance	0	47,866	(12,689)
(Decrease)/Increase in Payables	10,512	(284,644)	363,831
(Decrease)/Increase in Employee Entitlements	0	28,939	27,277
	(3,207)	(183,596)	342,114
<b>Add/(Less) Movements in Non Working Capital Items</b>			
Decrease/(Increase) in Fixed Assets	0	0	0
<b>Net Cash Flows from Operating Activities</b>	<b>73,124</b>	<b>199,616</b>	<b>670,899</b>

*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 FINANCIAL STATEMENTS

For the Year Ended 30 June 2008

	2008	2007
	\$	\$
<b>Note 1: Reconciliation of Crown Revenue Received</b>		
Funds received from Vote: Internal Affairs	1,960,000	1,960,000
Crown Revenue Per Accounts as at 30 June	1,960,000	1,960,000

### Note 2: Cash and Cash Equivalents

Petty Cash	300	200
Operating Accounts	710,741	223,725
Call Deposits < 90 days	24,142	74,142
	735,183	298,067

### Note 3: Debtors & Other Receivables

Interest Receivable	38,812	63,317
Sundry Debtors	343	345
Prepayments	64,522	69,707
Trade Debtors	135,684	187,371
GST	30,915	0
	270,276	320,740
Less Provision for Doubtful Debts	0	0
	270,276	320,740

The carrying value of receivables approximates their fair value. As at 30 June 2008 all receivables have been assessed for impairment.

### Note 4: Investments

Term deposits > 90 days	1,750,000	2,950,000
	1,750,000	2,950,000

	2008	2007
	\$	\$
<b>Note 5: Creditors &amp; Other Payables</b>		
Trade Creditors	183,660	428,878
Provision for Staff Accrued Personnel Costs	57,982	47,900
Receipts in Advance	106,488	58,622
Sundry Creditors	28,594	82,602
GST	0	26,221
Accrual for Audit Fee (IFRS)	4,500	0
	<u>381,224</u>	<u>644,223</u>

Creditors and other payable 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.

**Note 6: Employee Entitlements**

Accrued Annual Leave	168,514	132,417
Long Service Leave	7,131	11,188
Sick Leave Provision	2,100	5,201
	<u>177,745</u>	<u>148,806</u>

**Note 7: Property, Plant and Equipment**

Movements for each class of Property, Plant and Equipment are as follows:

Cost or Valuation	Computer Hardware	Fit Out	Furniture & Fittings	Office Equipment	Other Equipment	Technical Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2006	676,157	809,060	327,483	233,600	13,198	181,863	22,256	2,263,617
Additions	50,385	22,912	40,327	12,229	3,786	934	-	130,573
Revaluation Increase	-	-	-	-	-	-	-	-
Disposals	(118,528)	-	(29,715)	(61,608)	(7,766)	(327)	-	(217,944)
Balance at 30 June 2007	608,014	831,972	338,095	184,221	9,218	182,470	22,256	2,176,246
Balance at 1 July 2007	608,014	831,972	338,095	184,221	9,218	182,470	22,256	2,176,246
Additions	101,953	6,642	3,063	5,797	1,500	1,588	-	120,543
Revaluation Increase	-	-	-	-	-	-	-	-
Disposals	(10,904)	-	-	(1,152)	(3,786)	(3,595)	-	(19,437)
Balance at 30 June 2008	699,063	838,614	341,158	188,866	6,932	180,463	22,256	2,277,352

Accumulated Depreciation and Impairment Losses	Computer Hardware	Fit Out	Furniture & Fittings	Office Equipment	Other Equipment	Technical Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2006	591,038	684,410	291,907	229,033	10,715	154,450	7,678	1,969,231
Depreciation Expense	51,086	20,412	8,463	4,058	1,578	9,655	4,006	99,258
Eliminate on Disposal	(118,528)	-	(29,558)	(60,548)	(7,766)	(169)	-	(216,569)
Eliminate on Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Balance at 30 June 2007	523,596	704,822	270,812	172,543	4,527	163,936	11,684	1,851,920
Balance at 1 July 2007	523,596	704,822	270,812	172,543	4,527	163,936	11,684	1,851,920
Depreciation Expense	59,679	23,651	10,559	4,453	1,882	8,784	4,006	113,014
Eliminate on Disposal	(10,505)	-	-	(911)	(1,212)	(2,086)	-	(14,714)
Eliminate on Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Balance at 30 June 2008	572,770	728,473	281,371	176,085	5,197	170,634	15,690	1,950,220

**Note 8: Intangible Assets**

Movements for each class of Intangible Assets are as follows:

Cost or Valuation	Computer Software \$	Work In Progress \$	Total \$
Balance at 1 July 2006	859,982	-	859,982
Additions	35,913	308,071	343,984
Revaluation Increase	-	-	-
Disposals	(23,215)	-	(23,215)
Balance at 30 June 2007	872,680	308,071	1,180,751
Balance at 1 July 2007	872,680	308,071	1,180,751
Additions	-	844,875	844,875
Revaluation Increase	-	-	-
Disposals	-	-	-
Balance at 30 June 2008	872,680	1,152,946	2,025,626

Accumulated Amortisation and Impairment Losses	Computer Software \$	Work In Progress \$	Total \$
Balance at 1 July 2006	814,556	-	814,556
Amortisation Expense	35,938	-	35,938
Eliminate on Disposal	(23,215)	-	(23,215)
Eliminate on Revaluation	-	-	-
Impairment Losses	-	-	-
Balance at 30 June 2007	827,279	-	827,279
Balance at 1 July 2007	827,279	-	827,279
Amortisation Expense	21,407	-	21,407
Eliminate on Disposal	-	-	-
Eliminate on Revaluation	-	-	-
Impairment Losses	-	-	-
Balance at 30 June 2008	848,686	-	848,686

**Note 9: Financial Instruments**

The Office of Film and Literature Classification is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, and trade creditors.

**Credit Risk**

Credit risk is the risk that a third party will default on its obligations to the Classification Office and cause the Classification Office to incur a loss. In the normal course of its business, the Classification Office incurs credit risk from trade debtors, and transactions with financial institutions.

The Classification Office has no significant concentrations of credit risk. No collateral or security is held or given to support financial instruments. The Classification Office places funds on short-term deposit with New Zealand registered banks which have satisfactory credit ratings.

**Fair Value**

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

**Currency Risk and Interest Risk Rate**

The Classification Office has no significant exposure to either currency risk or interest rate risk.

**Note 10: Related Party Information**

The Office of Film and Literature Classification is a wholly owned entity of the Crown. The major source of revenue for the Classification Office is received from the Crown through Vote: Internal Affairs.

The Classification Office enters into numerous transactions with other Government departments and Crown agencies. These transactions are carried out on an arm's length basis on normal business terms and are not considered to be related party transactions.

Other than these there have been no other related party transactions.

**Note 11: Repayment of Profit to the Crown**

Under Section 16 of the Public Finance Act 1989, 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 2008.

**Note 12: Capital Commitments and Operating Leases**

The Office of Film and Literature Classification has long-term leases on its premises in Wellington. The annual lease payments are subject to three-yearly reviews.

Operating leases include lease payments for office equipment committed to at balance date.

	2008	2007
	\$	\$
<b>OPERATING LEASE COMMITMENTS</b>		
Not later than one year	363,763	12,988
Later than one year and not later than five years	1,407,854	17,742
Later than five years	789,244	0
<b>Total Operating Lease Commitments</b>	<b>2,560,861</b>	<b>30,730</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMMITMENTS</b>	<b>2,560,861</b>	<b>30,730</b>

#### Note 13: Contingencies

The Office of Film and Literature Classification has no known contingent liabilities or assets as at 30 June 2008 (Nil as at 2007).

#### Note 14: Key Management and Employee Remuneration

##### Key Management Personnel Compensation

	2008	2007
	\$	\$
Salaries & Other	359,400	348,800
Post-employment Benefit	25,538	23,628
	<b>384,938</b>	<b>372,428</b>

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

##### Employee Remuneration

Total Remuneration and Benefits \$000	Number of Employees	
	2008	2007
100-110	1	0
160-170	1	1
200-210	0	1*
210-220	1*	0

\* These refer to the Chief Executive's remuneration.

**Severance & Cessation Payments**

The Office of Film and Literature Classification made no severance or cessation payments during the years ending 30 June 2007 and 30 June 2008.

**Note 15: Subsequent Events**

There were no subsequent events which require disclosure in the financial statements.

**Note 16: Explanation of Key Variances**

**Labelling Body revenue** has increased \$188,000 from budget and by \$114,000 from 2006/07 due to higher than expected numbers of submissions from third parties, primarily in the submission of DVDs from the Labelling Body. During the 2006/07 year, a new distributor entered the market, which caused a peak in submissions as they established their catalogue under the New Zealand classification system. Contrary to the Office's expectations, submissions for this distributor increased, rather than decreased during 2007/08. In addition, the market for boxed sets of DVDs of TV series has continued to grow. Examples of these publications are series such as *CSI*, *The Sopranos*, *Prison Break* and *Californication*.

**Interest Income** has increased from budget by \$52,000 and decreased from prior year by \$11,000 due the transfer of a portion of expenditure on the Classification Database to 2008/09.

**Personnel Costs** have increased \$79,000 from prior year due to 2.5% increase in hours worked by staff and a 3% general salary movement, negotiated as part of the Collective Employment Agreement with the PSA.

**Depreciation/Amortisation** has decreased by \$54,000 from budget due to a delay bringing the Classification Database into production. This asset is not depreciated while it is a 'work in progress'.

**Other Operating Costs** have decreased \$56,000 from prior year and budget due a reduction of expenditure in a number of areas. Training expenditure was low as increased workloads meant staff were less able to take time away from core functions to undertake training. Expenditure on Computing Services (general maintenance and support of the Office's IT infrastructure) was deferred while work on the new Classification Database continued. In the area of Information Services, a senior manager's resignation resulted in the deferral of a significant information provision project.

**Note 17: Explanation of Transition to NZ IFRS****Transition to NZ IFRS**

As stated in the accounting policies, these are the Classification Office's first financial statements to be prepared in accordance with NZ IFRS.



The Classification Office's transition date is 1 July 2006 and the opening NZ IFRS balance sheet has been prepared as at that date. The Classification Office's NZ IFRS adoption date is 1 July 2007.

**Exemptions from full retrospective application elected by the Classification Office**

In preparing these financial statements in accordance with NZ IFRS 1, the Classification Office has not applied any options exemptions to full retrospective application of NZ IFRS.

The only mandatory exception from retrospective application that applies to the Classification Office is the requirement for estimates under NZ IFRS at 1 July 2006 and 30 June 2007 to be consistent with estimates made for the same date under previous NZ GAAP.

**Reconciliation of equity**

The following table shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2006 and 30 June 2007.

**Reconciliation of cash flows from the year ending 30 June 2007**

On transition to NZ IFRS the statement of cash flows presents the increase and decrease in short term deposits as investing activities rather than as part of the consolidated balance of cash and cash equivalents. This has resulted in an increase of cash disbursements to investing activities of \$800,000.

During preparation of the NZ IFRS statement of cashflows, an error was noted in the figures prepared for the year ended 30 June 2007 under NZ GAAP. This error resulted in cash disbursements of \$250,805 which were spent on property, plant and equipment being incorrectly shown as cash payments to suppliers. Accordingly, the error has been corrected as part of the transition movements.

The change in classification of computer software from property, plant and equipment to an intangible asset has resulted in the additions for each class now being recorded separately under investing activities. There is also a net increase of \$250,805 in cash disbursements on investing activities as a result of the error noted above.

## Explanatory notes – Reconciliation of equity

Note	1 July 2006			30 June 2007		
	Previous	Effect on	NZ IFRS	Previous	Effect on	NZ IFRS
	NZ GAAP	Transition to		NZ GAAP	Transition	
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash & cash equivalents	3,051,409	(2,150,000)	901,409	3,248,067	(2,950,000)	298,067
Investments >3 months	0	2,150,000	2,150,000	0	2,950,000	2,950,000
Debtors & other receivables	259,352	0	259,352	320,740	0	320,740
<b>Total Current Assets</b>	<b>3,310,761</b>	<b>0</b>	<b>3,310,761</b>	<b>3,568,807</b>	<b>0</b>	<b>3,568,807</b>
<b>Non Current Assets</b>						
Property, plant and equipment	339,811	(45,425)	294,386	677,798	(353,472)	324,326
Intangible assets <i>a</i>	0	45,425	45,425	0	353,472	353,472
<b>Total Non Current Assets</b>	<b>339,811</b>	<b>0</b>	<b>339,811</b>	<b>677,798</b>	<b>0</b>	<b>677,798</b>
<b>TOTAL ASSETS</b>	<b>3,650,572</b>	<b>0</b>	<b>3,650,572</b>	<b>4,246,605</b>	<b>0</b>	<b>4,246,605</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Creditors	267,998	0	267,998	644,223	0	644,223
Employee entitlements <i>b</i>	121,529	4,970	126,499	143,605	5,201	148,806
<b>Total Current Liabilities</b>	<b>389,527</b>	<b>4,970</b>	<b>394,497</b>	<b>787,828</b>	<b>5,201</b>	<b>793,029</b>
<b>TOTAL LIABILITIES</b>	<b>389,527</b>	<b>4,970</b>	<b>394,497</b>	<b>787,828</b>	<b>5,201</b>	<b>793,029</b>
<b>Net Assets</b>	<b>3,261,045</b>	<b>(4,970)</b>	<b>3,256,075</b>	<b>3,458,777</b>	<b>(5,201)</b>	<b>3,453,576</b>
<b>Equity</b>						
General Funds <i>c</i>	3,197,454	(4,970)	3,192,484	3,395,186	(5,201)	3,389,985
Other Reserves	63,591	0	63,591	63,591	0	63,591
<b>TOTAL EQUITY</b>	<b>3,261,045</b>	<b>(4,970)</b>	<b>3,256,075</b>	<b>3,458,777</b>	<b>(5,201)</b>	<b>3,453,576</b>

**a. Intangible Assets**

Computer software has been reclassified as an intangible asset. It was previously classified as property, plant and equipment.

**b. Employee Entitlements - Sick Leave**

Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires the Classification Office to recognise employees' unused sick leave entitlement that can be carried forward at balance date, to the extent the Classification Office anticipates it will be used by staff to cover future absences.

### c. General Funds

The adjustments to general funds are as follows:

	1 July 2006	30 June 2007
Sick leave liability	(4,970)	(5,201)
<b>Total adjustment to general funds</b>	<b>(4,970)</b>	<b>(5,201)</b>

### Reconciliation of surplus from the year ending 30 June 2007

The following table shows the changes in the Classifications Office surplus, resulting from the transition from previous NZ GAAP to NZ IFRS for the year ending 30 June 2007.

	Previous NZ GAAP	Effect on Transition to NZ IFRS	NZ IFRS
<i>Note</i>	\$	\$	\$
<b>REVENUE</b>			
Crown Revenue	1,960,000	0	1,960,000
Labelling Body Revenue	1,324,178	0	1,324,178
Other Fee Revenue	400	0	400
	3,284,578	0	3,284,578
<b>OTHER REVENUE</b>			
Interest Revenue	233,825	0	233,825
Sundry Revenue	2,304	0	2,304
Gain on sale of fixed assets	0	0	0
	236,129	0	236,129
<b>TOTAL REVENUE</b>	<b>3,520,707</b>	<b>0</b>	<b>3,520,707</b>
<b>LESS COST OF ACTIVITIES</b>			
Audit Fee	25,510	0	25,510
Depreciation	135,196	0	135,196
Insurance	15,163	0	15,163
Lease and Rental Costs	357,994	0	357,994
Other Operating Costs	688,515	0	688,515
Personnel Expenditure	2,099,348	5,201	2,104,549
Loss on Sale of Assets	1,249	0	1,249
	3,322,975	5,201	3,328,176
<b>NET OPERATING SURPLUS (DEFICIT)</b>	<b>197,732</b>	<b>(5,201)</b>	<b>192,531</b>

### a. Personnel Expenditure

This represents the increase in the sick leave provision, which was not recognised under previous NZ GAAP.

## MANAGEMENT OF THE OFFICE OF FILM AND LITERATURE CLASSIFICATION

### Organisational Health and Capability

#### Staffing

Staffing levels have remained relatively stable over the last 10 years, despite a 30%<sup>1</sup> increase in classification activities and a 20%<sup>2</sup> increase in information activities over the last 5 years. Fluctuations in publication submission levels occasionally make it difficult to achieve timeliness targets. On these occasions, the Office manages staffing levels and administrative processes to minimise the impact of these fluctuations.

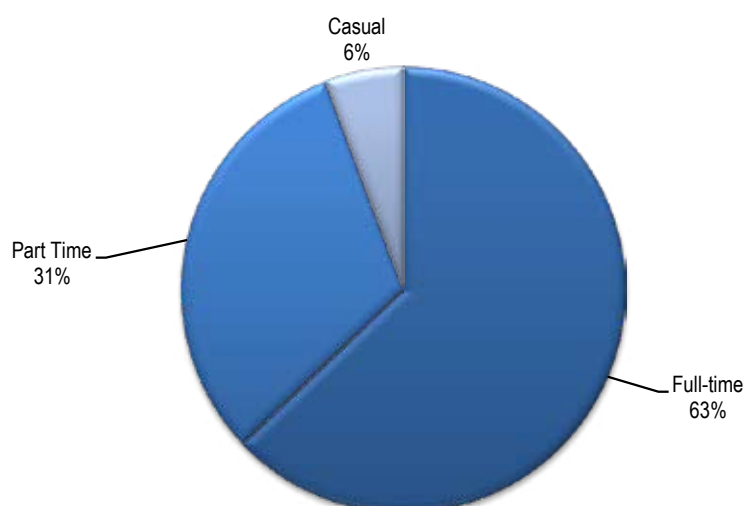
In the year ended 30 June 2008, seven staff resigned and six new staff were appointed. Despite this reduction in staff numbers, hours worked during the year increased by 2.5%, as part time staff increased their working hours to assist in achieving timeliness targets.

#### Staff Composition

	Male	Female
Classification Staff	8	11
Non-Classification Staff	3	13
	11	24

As discussed below, a significant proportion of staff the Classification Office work on a part time basis.

**Figure 11: Hours of Work of Staff of the Classification Office as at 30 June 2008**

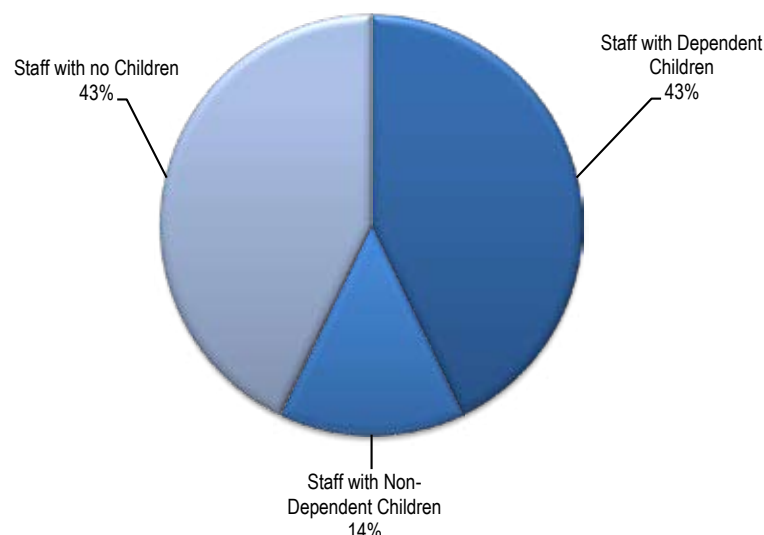


<sup>1</sup> 2,164 Registrations in 2003/04 and 2,821 Registrations in 2007/08.

<sup>2</sup> 1,090 Complaints & Inquiries in 2003/04 and 1,426 Complaints & Inquiries in 2007/08.

Related to the proportion of staff who elect to work less than full time hours, is the number of staff who have dependent children. The Office's flexible working conditions enable staff to vary their hours of work to meet both personal demands and fluctuations in the workload of the Office.

**Figure 12: Staff of the Classification Office as at 30 June 2008**



### **Good Employer Activities**

In addition to providing a family friendly environment with flexible hours and conditions of work, the Office undertakes a range of activities to support the physical and emotional well-being of its staff. These include:

- **Employee Assistance Programme**

The Employee Assistance Programme provides counsellors who are available to all staff of the Office. Counselling sessions may be used to help staff deal with objectionable material, work relations, career counselling, and personal issues which may affect work performance.

- **Workplace Assessments**

On joining the Office, and subsequently as required, all staff are provided with a workplace assessment which includes a review and adjustment of workstations, equipment recommendations and advice on exercises and self-management techniques to relieve any discomfort.

- **Massage**

The Office provides space for weekly massages onsite and staff time to organise the scheduling of the massages. Members of staff pay the provider directly for her services.

- **Support of Social Indoor Soccer Team**

The Office contributes to the game fees of the Office's social indoor soccer team. This contribution is supplemented by team members, and sporting grants when available.

- **Flu Vaccinations**

The Office provides flu vaccinations each year, for staff..

### ***Classification Information Systems Review***

The Films, Videos, and Publications Classification Act 1993 deems classification decisions made by abolished censorship authorities to be current and legally binding. This requires the Office to perform a significant archival function to preserve old records as far back as 1917.

The new Classification Database Application (CDA) will integrate and improve the Office's increasingly antiquated and unsupported systems. The new system will allow the Office to meet the demands of the growing numbers of submissions without compromising the integrity of the Office's decisions and processes, and ensure the Office is able to continue to meet its reporting responsibilities to the Crown. The CDA will provide enhanced workflow guidance and monitoring

The project is being delivered in phases and each phase permits the Office to test part of the functionality of the whole system as it is developed. Funding for the development of the CDA has been met from the Office's reserves, so no supplementary funding has been or will be sought.

### ***Management of Significant Relationships***

The Minister of Internal Affairs and the Chief Censor have agreed to a mutual "no surprises" approach to their relationship. This relationship continued on a good footing throughout the financial year.

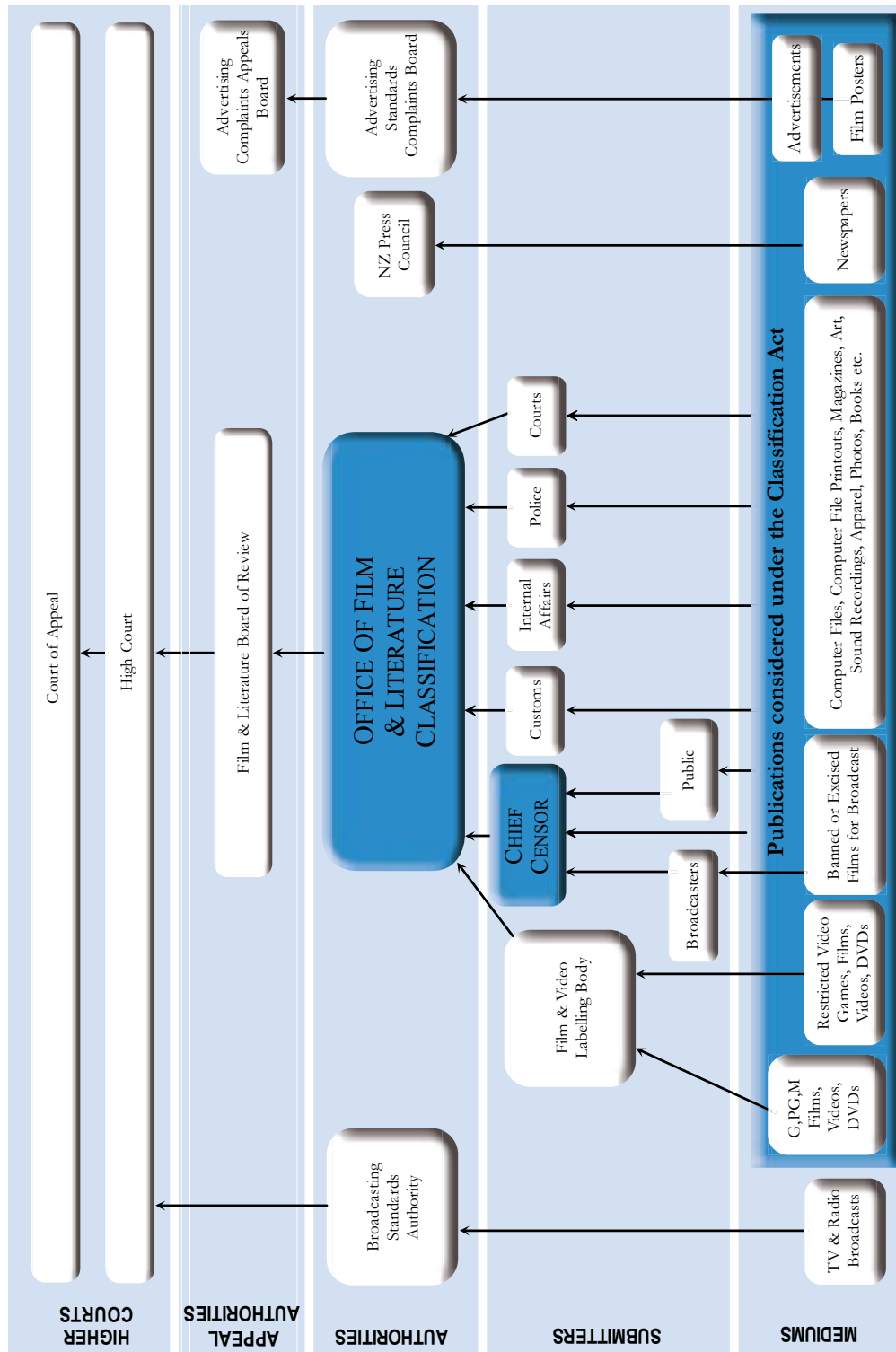
### ***Goodwill***

The Office is able to protect its reputation as an impartial provider of classification and information services by performing its functions to a high standard and in a transparent, legal and accountable manner. Ongoing ministerial and official support of the Office and its work is also essential to the maintenance of public confidence in the Office and the classification system. In the year ended 30 June 2008, the Office received sufficient official and ministerial support to perform its functions to a high standard.

### ***Ecologically sustainable development and environmental performance***

Classification Office activities relevant to the Ecologically Sustainable Development (ESD) principles are use of energy, water and material consumption, and waste disposal.

The Office's premises are close to public transport and incorporate a range of energy saving technologies. Where commercially viable, the OFLC recycles waste and uses recycled products. The Office gives and stores information electronically to avoid unnecessary paper and toner use. When the Office purchases new equipment, it considers their energy efficiency and overall environmental performance. The Office encourages staff to do double-side copying and printing to reduce paper consumption, and turn off unnecessary lighting and equipment.





## Office of Film & Literature Classification Structure as at June 2008

