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Report of the  
**TESTING LABORATORY  
REGISTRATION COUNCIL  
OF NEW ZEALAND**

for the year ended  
30 June 2003

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*Presented to the House of Representatives pursuant to  
section 26 of the Testing Laboratory Registration Act 1972  
and section 44A of the Public Finance Act 1989*

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**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****DIRECTORY****Head Offices**

INTERNATIONAL ACCREDITATION NEW ZEALAND  
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TELARC LIMITED  
Ground Floor, 626 Great South Road, Greenlane, Auckland 1005

**Regional Offices**

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**Auditor**

Audit New Zealand, on behalf of the Controller and Auditor-General,  
155 Queen Street, Auckland

**Bankers**

The National Bank of New Zealand Limited, Broadway, Newmarket,  
Auckland  
Westpac Trust Bank, 142 Broadway, Newmarket, Auckland

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****Solicitors**

Meredith Connell and Company, corner Shortland and O'Connell Streets, Auckland

**Insurer Brokers and Consultants**

Hopkins Paton, 57 Market Road, Remuera, Auckland.

**Council Members and Telarc Limited Directors***The Council*

Dr J Buckingham, Chairperson

Dr D A G Breton

Ms M Dean

Mr R Dimmock

Dr J Hay

Dr B J Linehan

Mr K J Lysaght

Mr C Martin

Mr G Robertson

*Telarc Limited*

Mr G Hunt, Chairperson

Mrs Lisa Cruickshank

Mr R Dimmock

Mr K J Lysaght

**Management**

Dr W L Richards, Chief Executive, Testing Laboratory Registration Council and International Accreditation New Zealand

Mr P D U Rose, Chief Executive, Telarc Limited

Mr N J Perfect, Chief Financial Officer

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

### STATEMENT OF PURPOSE

***Contribute to the safeguarding of the health and well being of New Zealanders; and New Zealand products and services meeting domestic and overseas regulatory and customer requirements.***

The Council was established as the national body for laboratory accreditation under the Testing Laboratory Registration Act, 1972. The Act was amended in 1983 to include certification of Quality Management Systems and again in 1988 to incorporate the functions of the New Zealand Industrial Design Council (now defunct).

The Council's primary functions, as agreed with the Minister of Commerce are:

*To promote the development and maintenance of good laboratory practice; and maintain a scheme for the accreditation of testing and calibration laboratories.*

International Accreditation New Zealand (IANZ) undertakes this function.

*To promote the development and maintenance of good quality assurance and environmental management practice in the supply of goods and services; and maintain a scheme for the registration of suppliers.*

This function is undertaken by Telarc Limited, a wholly owned subsidiary of the Council with a Board of Directors reporting to the Council.

*To promote the development and maintenance of good inspection body practice; and maintain a scheme for the accreditation of inspection bodies.*

International Accreditation New Zealand (IANZ) undertakes this function.

*To promote product and management systems certification through accreditation activities.*

International Accreditation New Zealand (IANZ) undertakes this function.

The New Zealand Quality College operates within IANZ, providing short courses on topics relevant to both IANZ and Telarc Limited functions.

IANZ accreditation is relevant for both domestic purposes and New Zealand's international trade. Accurate test results are essential for the health and safety of the population, as well as to give business confidence in the appropriateness of manufacturing output.

New Zealand regulatory agencies rely on IANZ accreditation as the basis for technical competence, and organisations accredited by IANZ provide assurance across many industries. This can include checking the safety of food and water, electrical devices, building materials or road construction; the hygiene requirements of food preparation; the quality of fuels and their effect on the environment; the composition of

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

pharmaceuticals; and the presence of human abnormalities through medical testing and x-rays.

The demand for total reliability in test and inspection results is growing every day. New Zealand now has over 800 laboratories, radiology services and inspection bodies accredited by IANZ. Together they conduct literally millions of tests, examinations, inspections and audits every year.

Good management systems are also a basic requirement for any trading enterprise, government department or statutory body. The need for clear procedures covering the range of services and activities offered is fundamental for any organisation. Recognition of good management systems, appropriate to the organisation, continues to be offered through Telarc Limited.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

### **CHAIRPERSON'S REPORT**

The Hon Lianne Dalziel, Minister of Commerce

I have the honour to submit the twenty-ninth report of the Testing Laboratory Registration Council of New Zealand.

#### **Introduction**

It is satisfying to report that the Council has finished the year with a surplus of \$52,348, and that the level of interest for accreditation and certification programmes remains steady. It is particularly pleasing to report a strong result from Telarc Limited, which lifted revenue by 8.7%.

IANZ accreditation is now recognised by 46 accreditation authorities in 35 economies, enabling test and inspection reports prepared by New Zealand exporters to be accepted in New Zealand's major trading partners.

#### **Significant events/key highlights**

Accreditation and certification activities remained consistent throughout the year, with modest growth in the number of organisations registered with IANZ and Telarc. The demand for training to meet both accreditation and certification requirements remained steady.

New Zealand regulators are increasingly relying on IANZ accreditation, where an assurance of competence is a necessary regulatory requirement.

IANZ, represented by the CEO and other senior executives, continued to be directly involved in the Asia Pacific Laboratory Accreditation Cooperation (APLAC), and the International Laboratory Accreditation Cooperation (ILAC). Through this representation, the interests of New Zealand exporters were protected in the formulation of international accreditation requirements and practices.

A number of countries are now developing new regulations with technical requirements that are non-tariff barriers to trade. IANZ is working in conjunction with the Ministry of Foreign Affairs and Trade to address these issues.

A significant new programme, Customer 1st™ was created and launched by Telarc this year and will recognise those companies that are customer focused in their operation. It is the first such programme in the world.

#### **Significant changes in the state of affairs**

Telarc Limited has improved performance and is now contributing to the Council's surplus.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

### **Likely developments**

All divisions of the Council are expected to strengthen their business performance and to produce greater returns from newly instigated programmes.

### **Council Members**

No changes to the structure and personnel on the Council were made during the year. All members participated at meetings and provided valuable input into the affairs of the Council.

### **Tributes**

The Council is always indebted to the many persons from New Zealand and overseas that make themselves available to serve on the Council's various professional advisory committees and as technical expert assessors. This vital contribution to the Council's accreditation activity is provided mainly by persons who, supported by their employers, volunteer their time freely. The Council recognises with gratitude this significant contribution towards keeping costs down and to maintaining the peer-review approach so essential for effective accreditation.

The Council also acknowledges the dedication and intellectual support it receives from its staff. It is through these staff that the Council ensures New Zealand's voice is heard in the international arena and that commerce and industry in New Zealand are maintaining quality and technical management practices to international standards.

### **Conclusion**

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2003.



J H Buckingham  
Chairperson

5 September 2003

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

### CHIEF EXECUTIVE'S REPORT

#### Financial

The Council achieved revenue of \$7,378,416 (last year \$7,216,964). As expected, Telarc Limited returned to profitability and contributed \$3,739,395 to this year's consolidated revenue. Revenue from IANZ accreditation services and the NZ Quality College training operation were slightly down on last year.

Overall, the Council made a surplus of \$52,348. This is an increase on the previous year's operational result of \$22,469 (prior to a taxation rebate). The Council's investment in public good and national recognition activities was \$562,298 (last year \$475,335).

#### International Accreditation New Zealand

##### *Operations*

International Accreditation New Zealand (IANZ), the operating arm of Council, is the national body responsible for accreditation of laboratories, radiology services, and inspection bodies. It accredits these organisations in accordance with international standards.

IANZ continues to operate to the following international standards:

- ISO/IEC Guide 58 *Calibration and testing laboratory accreditation systems – General requirements for operation and recognition* and ISO/IEC 17010 *General requirements for bodies providing accreditation of inspection bodies.*
- ISO/IEC Guide 61 *General requirements for assessment and accreditation of certification/registration bodies.*

Operational procedures were evaluated / audited against these standards by internal auditors.

A new standard, NZS/ISO 15189 *Medical laboratories – particular requirements for quality and competence* was introduced late in the year and the first accreditation has been issued. Prior to this, medical laboratories were accredited to The NZ Code of Laboratory Management Practice.

The accreditation criteria for all other types of laboratories is NZS/ISO/IEC 17025 *General requirements for the competence of testing and calibration laboratories.* This standard is also used in an adapted form by IANZ to accredit radiology services.

For inspection services, the international standard ISO/IEC 17020 *General criteria for the operation of various types of bodies performing*

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

*inspection* remained the criteria for accreditation. IANZ has published guidance on interpretation of ISO/IEC 17020, which has been accepted internationally.

A number of New Zealand regulatory agencies are now recognising the need for rigour in the assessment of competence and approval of testing organisations and inspection bodies. Increasingly, they are relying on IANZ accreditation as credible recognition of competence, as a prerequisite to regulatory approval.

### *Accreditation Services*

The services provided and client assessment units as at 30 June were:

	<i>2003</i>	<i>2002</i>
Accreditation of Calibration Laboratories	77	67
Accreditation of Testing Laboratories	959	930
Accreditation of Radiology Services	182	181
Accreditation of Inspection Bodies	95	96
Accreditation of Certification Bodies	3	2
Registration of OECD, GLP Compliant Laboratories	14	13
Designation of Conformity Assessment Bodies for CE Marking	6	6
Ministry of Health Food Safety (HACCP) Auditing Bodies	18	17
MAF Meat Industry Laboratories	49	50
Proficiency Testing	2	–
<b>Total</b>	<b>1405</b>	<b>1,362</b>

### **International Activities and National Recognition**

#### *Trade protection*

The bulk of New Zealand's exports require testing in an accredited laboratory to meet regulatory or industry requirements. All wool, dairy and meat products, steel aluminium, and most timber products are tested or inspected in facilities accredited by International Accreditation New Zealand.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

IANZ continues to ensure test results and certificates from New Zealand exporters are accepted internationally, avoiding the need for expensive re-testing and re-certification. A major part of this activity is work on the harmonisation and mutual recognition of conformity assessment procedures and the establishment of Mutual Recognition Arrangements with counterpart bodies around the world. IANZ now has 46 MRAs in 35 economies (34 last year). These arrangements greatly assist the flow of New Zealand goods into those economies.

IANZ also continues to support other Government Departments in negotiating and implementing government-to-government treaties where mutual recognition of conformity assessment is the basis of the agreements. A number of economies have introduced new regulations, especially with building products, which are effective non-tariff barriers. IANZ accreditation is recognised in the economies and assistance is being given to address these issues directly.

### *International cooperation*

International Accreditation New Zealand remains a leading member of International Laboratory Accreditation Cooperation (ILAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC). Staff members participate at the technical, promotion and policy levels.

In addition, IANZ provides representation to ISO/CASCO and its committees which write conformity assessment standards that affect New Zealand.

## **Telarc Limited**

### *Operations*

Telarc Limited is a certifying body providing a range of management system assessment, recognition and training services that ensure good quality practices in the supply of goods and services. It assesses organisations in accordance to international standards and to specific national regulatory, industry and company codes.

Telarc Limited continues to be accredited by JAS-ANZ (Joint Accreditation System of Australia and New Zealand) as operating to the international standard ISO/IEC Guide 62 *General requirements for bodies operating assessment and certification/registration of quality systems*.

Operational procedures and assessment staff competencies were evaluated by JAS-ANZ during the year.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

Telarc Limited also remained accredited by IANZ as an Inspection Body under ISO/IEC 17020 *General criteria for the operation of various types of bodies performing inspection*, for Ministry of Health and MAF audits of food safety programmes.

### ***Certification and Assessment Services***

The services provided by Telarc Limited included:

- Telarc Registered Supplier certification, for compliance with the AS/NZS ISO 9001:2000 standard
- Telarc Q-Base quality management system certification, for small to medium enterprises
- Telarc Certified Environmental Management System certification, for compliance with the ISO 14001 standard
- Telarc Health and Safety certification, for compliance with NZS 4801 and other industry standards
- Telarc Food Safety certification for compliance with HACCP and other food safety practices
- Designated Audit Agency for Ministry of Health: Health & Disability Sector standards
- Assessments to TQS1, Transit New Zealand quality system requirements
- Assessments to Land Transport Safety Authority requirements for the safe operation of rail sidings
- Independent audits of the ACC Workplace Safety Management Practices and ACC Partnership Programme schemes
- Audits for Ministry of Health for exemptions to the Food Hygiene Regulations 1974
- Third Party Agency assessments and monitoring against MAF Food Assurance Group Regulatory Model standards
- Customer 1st™, for approving an organisation's commitment to customers.

A new programme, Customer 1st™ was developed and launched in conjunction with Dr Ian Brooks, a leading expert on customer care and business management. The programme, believed to be the first of its type anywhere in the world, is based on a business model developed from the customer's perspective. Its aim is to improve the quality of service delivery to customers and improving business performance. Five companies were approved to the programme in this year.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

A significant share of the health and disability audit market has been achieved and will contribute to revenue growth in 2003-2004.

Telarc Limited staff continued to provide their expertise as trainers of management systems courses run by the New Zealand Quality College.

### **New Zealand Quality College**

A full range of training courses was provided by the NZQC in support of the Council's accreditation and certification services.

A total of 2129 training days were delivered to 1522 students. Training courses for laboratory staff to familiarise them with the ISO/IEC 17025 standard are now completed. Internal auditor training in all disciplines continued to be the strongest area of demand.

During the year, the NZ Quality College provided 200 days of training to 58 students in partnership with accreditation bodies from Hong Kong, USA, and Malaysia. The training focused on familiarisation and auditing to ISO/IEC 17025. Some demand for Medical Laboratory (ISO 15189) and Inspection Body (ISO/IEC 17020) training was shown.

### **Staff**

International Accreditation New Zealand increased assessment staff during the year to cover increased assessment requirements in the Inspection Body and Chemical/Biological programmes. Telarc staff numbers increased by two this year to cover additional work in the health and disability and food sectors. Total Council staff at 30 June 2003 was 59 full time equivalents.

Management and staff of International Accreditation New Zealand continued to comply with the Investors in People standard.

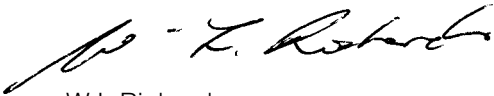
The Council's workplace health and safety management was again assessed this year against the ACC Workplace Safety Management Practices criteria and was found to conform to the specified secondary requirements.

### **Conclusion**

This year has again seen an improved operational result on the previous year. All programmes are showing signs of growth, and staff numbers have increased accordingly. In addition to servicing new activities, emphasis will be given to increasing the recognition of the role of accreditation and certification, and their importance in the economic growth for New Zealand goods and services.

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

During the coming financial year, the Council expects to see increased demand for accreditation by New Zealand regulators. It will also be working closely with other accreditation bodies in assisting regulators in other economies to recognise the benefits of accreditation. This will have a positive impact on trade facilitation to some of New Zealand's key markets.

A handwritten signature in black ink, appearing to read 'W L Richards', written in a cursive style.

W L Richards  
Chief Executive

5 September 2003

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

### **STATEMENT OF GOVERNANCE AND ACCOUNTABILITY**

#### **Role of the Council**

The Testing Laboratory Registration Act provides for the establishment of a governing Council. The Minister is required to appoint five members of this Council. These five appoint a further four members. The Council's governance responsibilities include:

- Communicating with the Minister and other stakeholders to ensure their views are reflected in the Council's planning
- Delegating responsibility for achievement of specific objectives to the Chief Executive of the Council / IANZ
- Monitoring organisational performance towards achieving objectives
- Accounting to the Minister on plans and progress against them
- Maintaining effective systems of internal control

#### **Structure of the Council**

The Council has appointed a single employee, the Chief Executive, to manage all Council operations. The Chief Executive has appointed all other employees of the Council. The Board directs the Chief Executive by delegating responsibility and authority for the achievement of objectives through setting policy.

#### **Council committees**

The Council has established expert Professional Advisory Committees (PAC) to advise Council and its staff on the management of its accreditation programmes. Such committees provide advice on the technical requirements for accreditation and on whether a particular new client should be accredited.

Committees are established for the following accreditation programmes:

Chemical, Biological, Dairy Product Testing

Physical Sciences

Metrology and Calibration

Medical Testing

Radiology Services

Inspection Bodies

Chairpersons of each PAC are members of the Accreditation Advisory Committee (AAC), chaired by a member of the Council. AAC is an independent body for adjudication of any appeals arising from IANZ accreditations.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

### **Quality assurance**

The overall quality management system is based on ISO 9001:2000 and this extends to incorporate ISO/IEC Guide 58: 1993 for accreditation services (IANZ); and ISO/IEC Guide 62 for certification services (Telarc).

The health and safety management system is based on the Health and Safety in Employment Act, 1992.

The management system is outlined in the Management Policy Manual and Procedure Manual. Customer Satisfaction Surveys are completed in approximately two yearly intervals, and customer feedback is provided following completion of assessments.

### **Subsidiaries**

The Council has established Telarc Limited as a wholly owned subsidiary.

### **Council membership**

The Council consists of:

- Five members appointed by the Minister
- Four members appointed by the Council

The Council is composed of members who have diverse knowledge and skills that are of advantage to the Council in the performance of its functions. Members are appointed for a term not exceeding three years, but may be reappointed. Members are required to act in the best interest of the Council and individual members have no separate governing role outside the boardroom.

### **Connection with stakeholders**

The Council acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain cognisant of the responsible Minister's expectations.

### **Division of responsibility**

There is a clear division between the roles of the Council and management. The Council concentrates on setting policy and strategy, and then monitors progress towards meeting objectives. Management is concerned with implementing policy and strategy. These roles are clearly demarcated and the delegation of responsibility and authority to the Chief Executive is concise and complete.

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

### **Accountability**

The Council holds meetings at least four times a year to monitor progress towards its strategic objectives and to ensure that the affairs of the Council are being conducted in accordance with the Council's policies.

### **Conflict of interest**

All Council members are aware of their obligations to declare conflicts of interest, and any declared interests are recorded in the minutes of Council meetings.

### **Internal audit**

While many of the Council's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Council. Internal controls include policies, systems and procedures established to provide assurance that specific objectives of the Council will be achieved. The Council and management have acknowledged their responsibility by signing the Statement of Responsibility on page 18.

### **Legislative compliance**

The Council acknowledges its responsibility to ensure the organisation complies with all legislation. The Council has delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them.

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****STATEMENT OF RESPONSIBILITY**

In the financial year ended 30 June 2003, the Council and management of IANZ accept responsibility for the preparation of the financial statements and the judgements used therein.

The Council and management of IANZ accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of IANZ, the financial statements for the financial year reflect fairly the financial position and operations of Council.



J H Buckingham  
Chairperson

5 September 2003



W L Richards  
Chief Executive Officer

5 September 2003



N J Perfect  
Chief Financial Officer

5 September 2003



**Audit New Zealand**

## **REPORT OF THE AUDITOR-GENERAL**

### **TO THE READERS OF THE FINANCIAL STATEMENTS OF TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND AND GROUP FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements on pages 21 to 39. The financial statements provide information about the past financial performance and financial position of Testing Laboratory Registration Council of New Zealand and group as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 21 to 24.

#### **Responsibilities of Council**

The Public Finance Act 1989 and the Testing Laboratory Registration Act 1972 require the Council to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of Testing Laboratory Registration Council of New Zealand and group as at 30 June 2003 and the results of its operations and cash flows for the year ended on that date.

#### **Auditor's Responsibilities**

Section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Council. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed J R Smaill, of Audit New Zealand, to undertake the audit.

#### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Council in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Testing Laboratory Registration Council of New Zealand and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Testing Laboratory Registration Council of New Zealand or its subsidiary.

### **Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion the financial statements of Testing Laboratory Registration Council of New Zealand and group on pages 21 to 39:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - Testing Laboratory Registration Council of New Zealand and group's financial position as at 30 June 2003; and
  - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 5 September 2003 and our unqualified opinion is expressed as at that date.



J R Smaill  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED  
30 JUNE 2003****Reporting Entity**

These are the financial statements of Testing Laboratory Registration Council of New Zealand, a Crown entity in terms of the Public Finance Act 1989.

These financial statements have been prepared in accordance with section 20, Testing Laboratory Registration Act 1972 and section 41 of the Public Finance Act 1989.

**Measurement Base**

The financial statements have been prepared on an historical cost basis.

**Accounting Policies**

The following particular accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

***Basis of Consolidation – purchase method***

The consolidated financial statements include the parent Council and its subsidiary. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

All significant inter-entity transactions are eliminated on consolidation.

***Budget figures***

The budget figures are those approved by the Council at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of financial statements.

***Revenue***

The Council derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

### *Goods and Services Tax*

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

### *Taxation*

The Council is exempt from income tax in accordance with section 21, Testing Laboratory Registration Act 1972.

Telarc Limited is exempt from income tax in accordance with a Private Ruling by the Inland Revenue Department dated 29 August 2001. The Ruling applies for the period 29 August 2001 to 28 August 2004.

### **Accounts Receivable**

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectable debts.

### *Investments*

Investments are stated at the lower of cost and net realisable value. Any decreases are recognised in the statement of financial performance.

### *Fixed assets*

Fixed assets are recorded at historical cost.

### *Depreciation*

Fixed assets are depreciated at rates that will write off the cost, on a straight-line basis, of the assets to their estimated residual value over their useful life. The useful lives and associated depreciation rates of major classes of assets used in the preparation of these statements are as follows:

Computer equipment and software	3–5 years	20%–33% straight line
Leasehold improvements	6 Years (max)	16.67% straight line
Office equipment and furniture	5–10 years	10%–20% straight line
Motor vehicles	5 years	20% straight line

## **TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

### *Employee entitlements*

Provision is made in respect of the Council and group's liability for annual leave and retirement leave. Annual leave and retirement leave has been calculated on an actual entitlement basis at current rates of pay.

Employees who have completed 20 years' continuous service may be granted once only four weeks' long service leave. No employee currently qualifies for this leave and no provision has been made for any liability that may arise in the future as any liability is considered to be insignificant.

### *Leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership, the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

### *Financial instruments*

The Council and group are party to financial instruments as part of normal operations. These financial instruments include bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

### *Statement of cash flows*

*Cash* means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council and group invest as part of day-to-day cash management.

*Operating activities* include cash received from all income sources of the Council and group and records the cash payments made for the supply of goods and services.

*Investing activities* are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* comprise the change in equity and debt capital structure of the Council and group.

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****Changes in accounting policies**

A Private Ruling issued by the Inland Revenue Department on 29 August 2001 granted Telarc Limited an exemption from taxation. Accordingly no provision for taxation has been made in the accounts for June 2003.

There have been no other changes in accounting policies since the date of the last audited financial statements. The policies have been applied on a basis consistent with other years.

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2003**

	Notes	CONSOLIDATED		PARENT	
		2003 Budget	2002 Actual	2003 Budget	2002 Actual
Revenue .....	2	7,398,437	7,216,964	3,830,450	3,778,417
Interest income .....		82,000	99,506	80,000	96,733
Dividend Income .....		—	—	99,000	—
<b>Total operating revenue</b> .....		<b>7,480,437</b>	<b>7,316,470</b>	<b>4,009,450</b>	<b>3,875,150</b>
Cost of services .....	2	7,314,384	7,294,001	3,901,977	3,761,277
Net operating surplus before tax for the period...		166,053	22,469	107,473	113,873
Income Tax .....	9	—	(132,923)	—	—
<b>Net operating surplus after tax for the period</b> .....	1	<b>166,053</b>	<b>155,392</b>	<b>107,473</b>	<b>113,873</b>

*The accompanying accounting policies and notes form an integral part of these financial statements.*

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

### STATEMENT OF MOVEMENT IN EQUITY For the year ended 30 June 2003

Notes	2003 Actual \$	2003 Budget \$	2002 Actual \$	2003 Actual \$	2003 Budget \$	2002 Actual \$
<b>Equity at 1 July</b> .....	3,234,105	3,234,105	3,078,713	3,055,419	3,055,419	2,941,546
Net operating surplus for the period .....	52,348	166,053	155,392	86,991	107,473	113,873
<b>Total recognised revenues and expenses for the period</b> .....	52,348	166,053	155,392	86,991	107,473	113,873
<b>Equity at 30 June</b> .....	3,286,453	3,400,158	3,234,105	3,142,410	3,162,892	3,055,419

*The accompanying accounting policies and notes form an integral part of these financial statements.*

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2003**

	Notes	2003 Actual \$	2002 Actual \$	2003 Actual \$	2003 Budget \$	2002 Actual \$	2003 Actual \$	2003 Budget \$	2002 Actual \$
<b>EQUITY</b>									
General funds .....		3,286,453	3,234,105	3,142,410	3,400,158	3,234,105	3,142,410	3,138,892	3,055,419
<b>TOTAL EQUITY</b> .....		3,286,453	3,234,105	3,142,410	3,400,158	3,234,105	3,142,410	3,138,892	3,055,419
Represented by:									
<b>ASSETS</b>									
<b>Current assets</b>									
Cash and bank .....		(8,259)	100,380	(12,445)	95,900	100,380	(12,445)	29,554	25,801
Receivables and prepayments .....	3	1,574,031	1,194,538	908,868	1,460,861	1,194,538	908,868	756,311	715,044
Short-term deposits .....	4	2,153,575	2,428,779	1,786,017	2,415,000	2,428,779	1,786,017	1,930,000	1,979,000
<b>Total current assets</b> .....	12	3,719,347	3,723,697	2,682,440	3,971,761	3,723,697	2,682,440	2,715,865	2,719,845
<b>Non current assets</b>									
Investments (Shares in Telarc Limited) .....	8	-	-	500,000	-	-	500,000	500,000	500,000
Fixed assets .....	5	916,608	796,647	736,254	796,647	797,797	736,254	624,477	530,477
<b>Total non current assets</b> .....		916,608	797,797	1,236,254	796,647	797,797	1,236,254	1,124,477	1,030,477
<b>Total assets</b> .....		4,635,955	4,521,494	3,918,694	4,768,408	4,521,494	3,918,694	3,840,342	3,750,322
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Payables .....	6	1,143,150	1,057,217	645,218	1,121,727	1,057,217	645,218	559,927	566,240
Employee entitlements .....	7	206,352	230,172	131,066	246,523	230,172	131,066	141,523	128,663
<b>Total current liabilities</b> .....		1,349,502	1,287,389	776,284	1,368,250	1,287,389	776,284	701,450	694,903
<b>Total liabilities</b> .....		1,349,502	1,287,389	776,284	1,368,250	1,287,389	776,284	701,450	694,903
<b>NET ASSETS</b> .....		3,286,453	3,234,105	3,142,410	3,400,158	3,234,105	3,142,410	3,138,892	3,055,419

*The accompanying accounting policies and notes form an integral part of these financial statements.*



**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

**STATEMENT OF CASH FLOWS—continued**  
**For the year ended 30 June 2003**

Notes	2003 Actual \$	2002 Actual \$	2003 Actual \$	2002 Actual \$	2003 Budget \$	2002 Actual \$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Cash was provided from:						
Proceeds advance repaid by Telarc Limited .....	—	—	40,500	—	75,000	250,000
Dividends Received from Telarc Limited .....	—	—	40,500	—	75,000	250,000
Cash was applied to:						
Advance to Telarc Limited .....	—	—	—	—	—	—
<b>Net Cash Flows from Financing Activities</b> .....	—	—	40,500	—	75,000	250,000
Net increase (decrease) in cash held .....	(383,843)	676,964	(231,229)	(45,247)	251,184	1,753,617
Plus opening cash .....	2,529,159	1,852,195	2,004,801	2,004,801	2,004,801	1,753,617
<b>Closing cash balance</b> .....	2,145,316	2,529,159	1,773,572	1,959,554	2,004,801	2,004,801
Cash and bank .....	(8,259)	100,380	(12,445)	29,554	25,801	25,801
Short term investments .....	2,153,575	2,428,779	1,786,017	1,930,000	1,979,000	1,979,000
<b>Closing cash balance</b> .....	2,145,316	2,529,159	1,773,572	1,959,554	2,004,801	2,004,801

*The accompanying accounting policies and notes form an integral part of these financial statements.*



**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

**STATEMENT OF COMMITMENTS  
AS AT 30 JUNE 2003**

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Capital commitments approved and contracted</b> .....	169,000	–	169,000	–
<b>Non-cancellable operating lease commitments, payable:</b>				
Not later than one year .....	350,694	270,836	285,376	221,999
Later than one year and not later than two years .....	359,053	285,872	314,248	221,999
Later than two years and not later than five years .....	845,411	342,249	829,396	342,249
Later than five years .....	199,592	–	199,592	–
	<u>1,754,750</u>	<u>898,957</u>	<u>1,628,612</u>	<u>786,247</u>

**Other non-cancellable contracts**

There are no material non-cancellable contracts at balance date (2002 Nil)

**STATEMENT OF CONTINGENT LIABILITIES  
AS AT 30 JUNE 2003**

As at balance date there are no known contingent liabilities (2002 \$43,200)

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2003**Note 1: Operating surplus/(deficit)**

The net surplus is after charging for:

	CONSOLIDATED		PARENT	
	2003 Actual	2002 Actual	2003 Budget	2002 Actual
Fees paid to auditors for external audit .....	24,500	24,000	13,750	13,500
Fees paid to auditors for other services .....	—	500	—	—
Council and Directors Fees .....	150,000	127,500	100,000	97,500
Depreciation by type:				
Motor vehicles .....	70,828	63,993	50,000	48,735
Office furniture and equipment .....	30,446	43,718	34,000	30,154
Leasehold improvements .....	19,678	19,678	15,000	15,610
Computer equipment .....	197,070	164,693	124,000	74,458
Total depreciation .....	318,022	292,082	223,000	168,957
Fixed assets written off				
Deficit (profit) on disposal of fixed assets .....	(16,724)	(10,721)	—	(10,721)
Rental expense on operating leases .....	270,912	289,012	170,000	164,719
Bad debts .....	—	14,061	—	4,340



## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

	CONSOLIDATED		PARENT	
	2003 Actual	2003 Budget	2003 Actual	2003 Budget
	\$	\$	\$	\$
<b>Note 3: Receivables and prepayments</b>				
Trade debtors .....	1,240,691	1,320,511	670,069	633,711
Other amounts receivable .....	137,213	78,000	115,352	67,000
Prepayments .....	196,127	62,350	123,447	55,600
<b>Total</b> .....	<b>1,574,031</b>	<b>1,460,861</b>	<b>908,868</b>	<b>756,311</b>
<b>Note 4: Investments</b>				
Current				
Short term deposits .....	2,153,575	2,415,000	1,786,017	1,930,000
Weighted average effective interest rates				
Short term deposits .....	5.50%	5.80%	5.78%	5.80%
<b>Note 5: Fixed Assets</b>				
Motor Vehicles (at cost) .....	317,294	373,613	237,952	282,347
Accumulated Depreciation .....	106,373	162,615	74,738	118,751
Net book value .....	210,921	210,998	163,214	163,596
Office Furniture and Equipment (at cost) .....	421,287	383,712	272,883	236,377
Accumulated Depreciation .....	275,841	293,550	152,166	169,755
Net book value .....	145,446	90,162	120,717	66,622
Leasehold Improvements (at cost) .....	221,594	219,354	202,614	200,374
Accumulated Depreciation .....	171,146	170,535	160,189	159,578
Net book value .....	50,448	48,819	42,425	40,796
Computer Equipment (at cost) .....	1,332,274	1,285,882	799,849	754,586
Accumulated Depreciation .....	822,481	839,214	389,951	401,123
Net book value .....	509,793	446,668	409,898	353,463
<b>Total Fixed Assets</b> .....	<b>916,608</b>	<b>796,647</b>	<b>736,254</b>	<b>624,477</b>

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**

	CONSOLIDATED		PARENT	
	2003	2002	2003	2002
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
<b>Note 6: Payables and accruals</b>				
Trade creditors .....	383,355	278,772	196,227	221,441
Other creditors .....	40,484	28,527	34,300	15,846
Accrual expenses .....	54,119	65,271	43,400	43,783
Revenue in advance .....	665,192	684,647	286,000	285,170
<b>Total payables and accruals</b> .....	<u>1,143,150</u>	<u>1,057,217</u>	<u>559,927</u>	<u>566,240</u>
<b>Note 7: Employee entitlements</b>				
Annual leave .....	197,244	230,172	141,523	128,663
Retirement Leave .....	9,108	—	—	—
<b>Total</b> .....	<u>206,532</u>	<u>230,172</u>	<u>141,523</u>	<u>128,663</u>

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****Note 8: Related party information**

The Council has entered into a number of transactions with government departments, Crown agencies, and state owned enterprises on an arm's length basis and where those parties are only acting in the course of the normal dealings with Council. These transactions are not considered to be related party transactions.

Council owns 100% of the share capital of Telarc Limited.

The share capital of Telarc Limited is 500,000 Ordinary Shares of \$1.00 fully paid.

The principle activity of Telarc Limited is the business of providing management system assessments and recognition services.

Telarc Limited balance date: 30 June

During the year the total transactions charged by the Council to Telarc Limited were \$649,789 and transactions charged to Council by Telarc Limited were \$51,950 ( 2002 transactions charged by Council \$691,366 and transactions charged to Council \$42,545.)

At year end Telarc Limited owed the Council:

Current Account Advances	\$Nil (2002 Nil)
Payables	\$65,964 (2002 \$61,510)

## TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

### Note 9: Taxation / Tax Losses

Telarc Limited was granted a Private Ruling by the Inland Revenue Department, dated 29 August 2001, for an exemption from taxation. The Ruling applies for the period 29 August 2001 to 28 August 2004.

### Note 10: Employees' Remuneration

During the year the number of employees of the Council and Group, not being members and directors, who received remuneration and other benefits in excess of \$100,000 were:

Remuneration	Number of Employees 2003	Number of Employees 2002
\$190,000 – \$200,000 .....	1	–
\$180,000 – \$190,000 .....	–	1
\$120,000 – \$130,000 .....	1	–
\$110,000 – \$120,000 .....	–	1
\$100,000 – \$110,000 .....	1	1

The chief executive's remuneration is in the \$190,000 to \$200,000 band.

### Note 11: Council and Directors Fees

Council members and Telarc Limited directors earned the following fees during the year:

	2003	2002
<b>Council members</b>		
Dr J Buckingham, Chairperson .....	20,000	20,000
Dr D A G Breton .....	10,000	10,000
Ms M R Dean .....	10,000	7,500
Dr J Hay .....	10,000	5,000
Mr R Dimmock .....	10,000	10,000
Mr P Haythornthwaite .....	–	2,500
Dr B J Linehan .....	10,000	10,000
Mr K J Lysaght .....	10,000	10,000
Mr C Martin .....	10,000	10,000
Dr G Page .....	–	2,500
Mr G Robertson .....	10,000	10,000
<b>Telarc Limited Directors</b>		
Mr G Hunt, Chairperson .....	20,000	20,000
Mrs L Cruickshank .....	10,000	10,000
Mr R Dimmock .....	10,000	–
Mr K Lysaght .....	10,000	–
Total Council and Directors fees .....	150,000	127,500

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****Note 12: Financial Instruments***Credit Risk*

The Council and group have a minimal credit risk in their holdings of various financial instruments. These instruments include cash, bank deposits and accounts receivable.

The Council and group place investments with institutions that have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. The Council and group believe that these policies reduce the risk of any loss which could arise from their investment activities. The Council and group do not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

*Fair Value*

The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position.

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

*Currency Risk*

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Council and group have no exposure to currency risk.

*Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 2003 (2002 nil). The interest rates on the Council and group's investments are shown in Note 4.

The Council does not consider that there is any significant interest exposure on investments.

**Note 13: Major Budget Variations**

There are no significant budget variations.

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND****Note 14: Post balance date events**

There are no significant events occurring between the year end and the signing of the financial statements to result in adjustments to the amounts in the financial statements.

**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**