

Report of the

**TESTING LABORATORY REGISTRATION COUNCIL OF  
NEW ZEALAND**

For the year ended 30 June 2006

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

## Testing Laboratory Registration Council

### DIRECTORY

#### Head Offices

##### International Accreditation New Zealand

Level 1, 626 Great South Road, Greenlane, Auckland

Private Bag 28908, Remuera, Auckland

Phone 09 525 6655, Facsimile 09 525 2266

##### Telarc Limited

Level 3, 626 Great South Road, Greenlane, Auckland

Private Bag 28901 Remuera Auckland

Phone 09 525-0100, Facsimile 09 525-1900

#### Regional Offices

##### Telarc Limited

Hamilton        795 Te Rapa Road  
                      P O Box 10 072, Te Rapa  
                      Phone 07 849-1996, Facsimile 07 849-1997

Tauranga        778 Cameron Road  
                      P O Box 9023  
                      Phone 07 571-2508, Facsimile 07 571-2415

Wellington      Level 2, 191 High Street, Lower Hutt  
                      P O Box 31 518 Lower Hutt  
                      Phone 04 569 3512, Facsimile 04 569 3513

Christchurch    161 Kilmore Street,  
                      P O Box 25 065 Christchurch  
                      Phone 03 379-7358, Facsimile 03 379-7368

#### Auditor

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

#### Bankers

The National Bank of New Zealand Limited, 187-193 Broadway, Newmarket, Auckland

Westpac Trust, 309 Broadway, Newmarket, Auckland

#### Solicitors

Meredith Connell, 55 Shortland Street, Auckland

#### Insurer Brokers and Consultants

Hopkins Paton, 57 Market Road, Remuera, Auckland.

## Testing Laboratory Registration Council

### CONTENTS

<b>Section</b>	<b>Page</b>
Directory	2
Contents	3
Chairperson's Report	4
Chief Executive's Report	8
Output Performance 2005-2006	13
Statement of Purpose	16
Statement of Governance and Accountability	18
Statement of Responsibility	22
Audit Report	23
Statement of Accounting Policies	26
Statement of Financial Performance	29
Statement of Movement in Equity	29
Statement of Financial Position	30
Statement of Cash Flows	31
Statement of Reconciliation of Reported Operating Surplus with Net Cash Flow from Operating Activities	32
Statement of Commitments	33
Statement of Contingent Liabilities	33
Notes to the Financial Statements	34

## CHAIRPERSON'S REPORT

### Special note

It is with considerable sadness that the Council reports the passing of Dr Geoff Page, Chair of the Council, on 2 August 2006. Dr Page was appointed by the Minister of Commerce to Chair the Council in December 2004. Prior to that, Dr Page was a member of the Council between September 1992 and October 2001 and was a founding director of Telarc Limited from July 1977.

Dr Page was the inaugural Chief Executive of Industrial Research Limited, which included responsibility for New Zealand's primary measurement standards laboratory. In recent years he was the Chief Executive of the Manukau Institute of Technology. The Council will miss his astuteness and insight.

The Hon Lianne Dalziel, Minister of Commerce

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

### Operating environment

Greater recognition by regulators and specifiers of the role of conformity assessment and compliance with specifications is occurring in New Zealand and world wide. This is being driven in part by the increasing number of bi-lateral and multi-lateral trade agreements being negotiated between economies and the assurances required for technical competence and effective management systems included in such agreements. At the same time, a growing number of New Zealand regulators are mandating the assurances that conformity assessment can provide in matters affecting the public's health, safety and well-being which come within their responsibilities to government.

The Council's Chief Executive has continued to be actively involved this year in assisting the Ministry of Foreign Affairs and Trade and the Ministry of Economic Development with trade negotiations, particularly with China. The international fora for accreditation bodies, of which the Council, through International Accreditation New Zealand, is a founding member, ensures that New Zealand exporters meet product testing and inspection requirements in China and in all other member economies throughout the world where New Zealand regularly trades.

At home, the desire of government for greater involvement of conformity assessment in the delivery of government agency outputs is attracting increased interest from various agencies. This is an area that involves IANZ and during this past year the Council has invested resources to ensure IANZ accreditation programmes can fully meet the requirements of government agencies specifying accreditation where it will help deliver improved services.

## **Testing Laboratory Registration Council**

The Council's primary function, of providing credible independent recognition of competence, has grown this year in a number of areas. In addition to the core radiology and medical testing accreditation programmes, assessments are now undertaken on behalf of the National Screening Unit of the Ministry of Health for breast screening, cervical screening and colposcopy screening providers. The Department of Building and Housing has also contracted IANZ to undertake the Department's accreditation assessments of building consent authorities. Other accreditation programmes, including those for biological testing and radiology practices continued to grow.

Telarc Limited's Health and Disability certification programme was expanded during the year to include allied health practices (physiotherapy and chiropractics) and home support services. A 23.5% increase in ISO 14001 certifications issued by Telarc Limited is, hopefully, a sign that more organisations are taking environmental management more seriously and wanting to demonstrate their commitment to the environment in a tangible way.

As a result of this year's growth in accreditation and certification services, the Council's training division, the New Zealand Quality College, provided courses for more people than for some years.

### **Financial results**

The Council increased revenue in this fiscal year by 6% to \$9,326,445 (\$8,804,897 last year), but made a loss of \$162,180 (surplus of \$97,219 last year). This result reflects the increased investment in IANZ staff to effectively deal with an upsurge in the development of new accreditation programmes. Operating costs were \$9,488,625 (\$8,707,678 last year).

The Council continues to fund all of its activities from revenue earned from fees charged to clients and without any government assistance. This includes the involvement of International Accreditation New Zealand in international accreditation and standards development fora.

### **Significant changes in the State of Affairs**

#### **Crown Entities Act 2004**

The Council now complies with the Crown Entities Act 2004, as required for this year. The Act has encouraged the Council and staff to broaden the scope of its activities to better meet government goals. This is particularly evident in the health and building sectors.

#### **Amendments to Act**

Parliament has before it recommended amendments to the Testing Laboratory Registration Act 1972 for its consideration during the current parliamentary term, which:

- Clarify that the Council's scope of functions will no longer include the ability to accredit certification bodies
- Confirm the Council's function of providing accreditation of inspection bodies

## Testing Laboratory Registration Council

- Provide for the Council's certification function to become discretionary rather than mandatory
- Repeal the Council's functions and powers in relation to industrial design
- Include a new function to develop and maintain international recognition and acceptance of conformity assessment in New Zealand and maintain appropriate international relationships
- Provide a power for the responsible Minister to direct the Council to carry out additional functions as appropriate.

While the Council has no objection to these changes, it is concerned that the issue of competition for inspection body accreditation between JAS-ANZ and IANZ now requires urgent resolution. This issue is currently the subject of review by the Ministry of Economic Development. The Council is concerned that continued competition for inspection body accreditation by JAS-ANZ risks compromising confidence in the credibility of New Zealand's accreditation system for inspection bodies, particularly in regulated areas critical to safety and public health. It is also an issue affecting major export sectors, where overseas regulators seek the assurance given by a single accreditation authority.

Any move towards increased alignment between the infrastructure bodies is likely to breach competition law, while this competition exists.

### **Council membership**

Two new members joined the Council in July 2005: Dr Tony Barker and Ms Sarah Kennedy replaced retiring members Dr Brian Linehan and Dr Derek Breton. Dr Linehan had been involved with the Council since the early 1980's, and chaired the Council from 1987 to 1998. Dr Breton also had long association with the Council, and their contributions over the years have been invaluable to the growth of the Council and its services.

Other members of the Council are: Mr Nigel Cann, Ms Miriam Dean QC, Mr Richard Dimmock (Vice Chair), Dr John Hay, Dr Richard Janes and Mr Graeme Robertson.

### **Tributes**

In February, the Council and staff were saddened to learn that the Council's second Chief Executive, Dr Jack Garside had passed away. Dr Garside was appointed by the Council in 1979 and was instrumental in the extensive development of both the accreditation and certification services until his retirement in 1996. The Council will always be grateful for the significant contribution Dr Garside provided in firmly establishing accreditation and certification in New Zealand and for his considerable efforts in ensuring New Zealand had a strong voice in the international fora.

## Testing Laboratory Registration Council

The Council is always indebted to the many persons from New Zealand and overseas who 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, with the support of their employers, volunteer their time freely to provide the essential peer-review. The Council recognises with gratitude this significant contribution to the effectiveness of IANZ accreditation domestically and internationally.

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

### **Conclusion**

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2006.

A handwritten signature in black ink, appearing to read 'Richard Dimmock', is positioned above the typed name and date.

Richard Dimmock, Acting Chair  
6 September 2006

## CHIEF EXECUTIVE'S REPORT

### Significant events/key highlights

#### New contracts

Two significant contracts were awarded to International Accreditation New Zealand, during the year. In one, the National Screening Unit of the Ministry of Health extended its contract with IANZ as Lead Provider Auditor to assess the competence of colposcopy screening providers throughout New Zealand. The first stage assessments were completed during this year, with further assessments scheduled over the next two years. In the other, the Department of Building and Housing contracted IANZ to undertake the assessments of registered building consent authorities against the Department's standards and criteria. The contract is for six years, with work commencing in the coming year.

#### Strategic alliance for Telarc Limited

Telarc Limited established a strategic alliance with AgriQuality New Zealand in October 2005, with AgriQuality acquiring the Telarc Food Safety Exemption auditing business and Telarc contracted to carry out ISO 9001 and ISO 14001 audits for AgriQuality. The four Telarc food auditors transferred to AgriQuality with the acquisition.

#### New international signatories

During 2005-2006, six accreditation bodies were new signatories to the international Mutual Recognition Arrangement, and five economies - Argentina, Cuba, Egypt, Mexico and The Philippines – joined forty-two other economies accepting reports from laboratories and inspection bodies accredited by IANZ. New regional groupings are developing in Latin America and the central regions of the old Soviet Russia.

#### Conference in New Zealand

The joint International Laboratory Accreditation Cooperation and International Accreditation Forum annual general assembly was hosted by IANZ in September 2005, in Auckland. Meetings were held over two weeks and were attended by 221 delegates from forty-six countries. This was a rare opportunity to host this event in New Zealand and full advantage was taken to promote the local and national attractions.

#### European evaluation

The IANZ Inspection Body programme was evaluated by representatives of the European cooperation for Accreditation (EA) for inclusion in EA Mutual Recognition Arrangements. The evaluation took place in April and it is expected IANZ will gain entry into the EA MRA for inspection in October 2006. This will then allow reports from New Zealand accredited inspection bodies to be accepted by regulators in twenty-five economies. IANZ is already a bilateral signatory with EA for recognition of test reports and calibration certificates from IANZ accredited laboratories.

## Testing Laboratory Registration Council

### Review of medical testing standard

IANZ has taken a leading role in the international review of the standard for medical testing laboratories, ISO 15189. Unlike most other economies, almost all the relevant laboratories in New Zealand are now accredited to this standard and IANZ is keen to ensure that this advantage (for the laboratories) is not compromised.

### Biosecurity MoU

The importance of biosecurity to the economy of New Zealand was highlighted during the year by the development of a MoU by IANZ with Biosecurity New Zealand for accreditation of biosecurity inspectors.

### Financial results

Two of the three operating units of the Council grew their revenues this year as developments in new programmes from previous years came more into effect. **Accreditation services** revenue increased to \$3,642,041 (\$3,328,463 last year), **certification services** revenue fell slightly to \$4,303,264 (\$4,233,034 last year) and **training and other services** revenue increased to \$868,188 (\$809,834 last year).

Overall, the Council made an operational loss for the year. In part, this was due to the increased investment in professional resources to cope with the newly developed accreditation programmes and costs associated with replacing a greater than expected number of staff that resigned. This investment is expected to show a significant improvement in the 2006-2007 year results. Additional costs were also incurred dealing with new initiatives, including involvement in the comprehensive international review of the ISO 15189 standard for medical testing laboratories.

### Staffing

Additional staff were employed by IANZ during the year to help manage the two new programmes – National Screening Unit and Building Consent Authority audits – and expansion in other programmes. In all, seven new positions were established within IANZ, six being accreditation officers and one an administration officer. All positions have been filled.

The sale of the food safety exemption programme reduced Telarc Limited's staff numbers during the year. In addition, one administration position was made redundant. Both IANZ and Telarc follow equal employment opportunity policies when recruiting new staff with the qualifications, experience and skills necessary to undertake lead auditor, management and administration functions. No discrimination is applied for age, gender, race, religion or marital status.

## Testing Laboratory Registration Council

Composition of new staff employed during the year to fill new and vacant positions:

	Male	Female
Professional staff	7	4
Management		1
Administration		2

Staff numbers as at 30 June 2006 were:

	Male	Female
International Accreditation New Zealand	26	17
Telarc Limited	16	11
New Zealand Quality College	1	1

### Key relationships

International Accreditation New Zealand continues to work closely with these government agencies in support of government economic and health and safety policies:

**Ministry of Economic Development** in regard to ensuring a sound standards and conformance infrastructure exists within New Zealand and helping to improve international trade. The Ministry is currently carrying out a review of the infrastructure, with the report and recommendations expected by November 2006. The Ministry is responsible for advising the Minister of Commerce on the Crown's interest in the Council. The Council also works with the Ministry in regard to electrical safety, EMI and telecommunication regulations

**Ministry of Foreign Affairs and Trade** in regard to the technical aspects of international trade negotiations.

**Department of Labour** in regard to engineering safety of pressure equipment, cranes, passenger ropeways, off-shore structures and pipelines and other occupational health and safety regulatory requirements.

**Ministry of Health** in regard to regulatory requirements for medical testing laboratories; for assessments of cervical screening, breast screening and colposcopy screening providers on behalf of the National Screening Unit; assessment of drinking water inspectors; and maintaining the register of drinking water testing laboratories; and auditing health providers to Ministry requirements.

**NZ Food Safety Authority** in regard to food safety regulations, including all export food testing (especially dairy and meat products), labelling compliance, wine testing and domestic food inspection.

**Department of Building and Housing** in regard to building consent authority requirements under the Building Act 2004.

## Testing Laboratory Registration Council

**Ministry of Agriculture and Forestry** in regard to national biosecurity requirements, including airport, port and mail quarantine inspection.

**Accident Compensation Corporation** in regard to requirements for MRI and CAT scans.

IANZ has also continued to work with the New Zealand metrology and standards infrastructure, including the **Measurements Standards Laboratory** (Industrial Research Limited),

**Measurement and Product Safety Service** (Ministry of Consumer Affairs), and **Standards**

**New Zealand**. This infrastructure is essential for maintaining confidence in the accuracy of measurement in all sectors of the economy, and for ensuring compliance standards are developed on an appropriate consensus basis. IANZ is also actively involved in the Conformity Assessment Committee of ISO on behalf of Standards New Zealand.

### International activities

All the international activities of the Council are performed by IANZ. IANZ remains a leading member of the International Laboratory Accreditation Cooperation (ILAC) and the Asia Pacific Laboratory Accreditation Cooperation (APLAC). IANZ is also a bilateral cooperation partner with the European cooperation for Accreditation (EA). The senior staff that are fully involved on committees and working groups with these organisations are:

**Chief Executive:** ILAC Executive; ILAC Arrangement Committee (Chair); Joint IAF/ILAC Inspection Working Group (Convenor).

**General Manager – Accreditation Services:** APLAC MRA Council; APLAC Technical Committee; APLAC Proficiency Testing Committee; ILAC Accreditation Committee and two Working Groups (Convener); Joint IAF/ILAC Working Group 17011; OECD Working Group on Good Laboratory Practice.

**Manager International Liaison:** APLAC Public Information Committee (Chair); ILAC Marketing and Communications Committee.

**Metrology Accreditation Programme Manager:** ILAC Accreditation Committee Working Group on Calibration.

IANZ also contributed to APLAC MRA Council evaluations in Thailand and the USA during the year. This peer assessment process is crucial to the continuing acceptance of test and inspection reports amongst MRA signatories.

As at June 2006, IANZ has signed Mutual Recognition Arrangements with fifty-nine accreditation bodies in forty-six economies, an increase of six accreditation bodies in five economies over the past twelve months. These arrangements are essential for the smooth transition of New Zealand meat, wool, dairy, and manufactured products into export markets in Europe, Asia, the Pacific and the Americas.

## **Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)**

In December 2002 the Accounting Standards Review Board (ASRB) announced that New Zealand reporting entities will be required to comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) for periods commencing on or after 1 January 2007, with the option to comply early for periods beginning on or after 1 January 2005. International Accreditation New Zealand plans to adopt NZ IFRS for its financial statements for the year ending 30 June 2008. The comparative financial statements will need to be restated and an opening position prepared using NZ IFRS as at 1 July 2006.

### **Planning for the Transition to NZ IFRS**

International Accreditation New Zealand has commenced an assessment of the impact of adopting NZ IFRS. This includes reviewing NZ IFRS model annual reports and considering guidance from Treasury. This process is overseen by the audit committee.

Because of the simplicity of its financial operations, International Accreditation New Zealand does not anticipate any significant changes to its accounting policies. No reliable estimates can be made of the impact at this stage, as the actual impacts on transition may be materially different from current estimates. Further developments of NZ IFRS may take place prior to International Accreditation New Zealand's adoption in 2008.

### **The year ahead**

Prospects for accreditation and certification services will remain strong in 2006-2007 and efforts will continue to further strengthen this position in the foreseeable future. Both IANZ and Telarc Limited have identified areas that offer increased activity and have plans in place to promote into these areas.



Dr W L Richards  
Chief Executive

6 September 2006

## OUTPUT PERFORMANCE 2005-2006

### Output 1: Accreditation services

The results against forecast for International Accreditation New Zealand were:

Performance measure	Forecast	Actual
Active assessment units	1,770	1,714
Gross revenue	\$3,677,000	\$3,642,041
Net revenue	\$(110,000)	\$(150,384)

Growth in most accreditation programmes was lower than expected. This was, in part, off-set by the inclusion of the second-party assessments undertaken for the National Screening Unit for the first time. Growth continued in biological testing (particularly biosecurity laboratories) and radiology practices.

The results for each accreditation programme are shown in the following table:

Programme	Assessment Units	
	2005-2006	2004-2005
Testing Laboratories (excluding medical)	661	665
Registrations (CE Mark, GLP Compliance, Food Safety)	20	24
Proficiency Testing	3	2
Calibration Laboratories	86	84
Inspection Bodies (including building consent authorities)	117	114
Medical Testing Laboratories	415	415
National Screening Unit	15	-
Radiology Services	393	369
Certification bodies	4	3
<b>Total</b>	<b>1,714</b>	<b>1,676</b>

### Output 2: Certification services

The results against forecast for Telarc Limited were:

Performance measure	Forecast	Actual
Certifications	2,200	2,193
Gross revenue	\$4,667,000	\$4,410,264
Net revenue	\$124,000	\$(133,199)

A 3.4% decline in ISO 9001 certifications continued a trend that has been evident in Australasia and Western European countries, where the market for this standard has matured. Telarc has introduced a campaign to address this decline by providing greater assistance to companies on how to improve their business process.

## Testing Laboratory Registration Council

Telarc Q-Base certifications declined with health and disability clients, many of which were Q-Base certified, opting to maintain recognition for their management system within their health and disability certification. A new standard, Q-Safe, was introduced late in the year, which incorporates the Q-Base management system with health and safety requirements, making it more practicable for small to medium businesses. Telarc has begun actively promoting Q-Safe and expects growth in certifications over the next few years.

Growth in both the Health and Safety and ACC Independent Audits programmes helped this year's results, although further expansion for Telarc certificates in these programmes is not expected in the present conditions.

The Product certification programme, established last year, has settled in and Telarc has now applied to JAS-ANZ for accreditation. Indications are that growth can be expected in a number of sectors with accreditation.

The results for each certification programme are shown in the following table:

Programme	Assessment Units	
	2005-2006	2004-2005
ISO 9001 Quality Management Systems	1,200	1,242
ISO 14001 Environmental Management Systems	100	81
Q-Base Code and Q-Safe	210	240
Health and Safety	34	32
Health and Disability	315	290
Food Safety	100	100
ACC Independent Audits	210	180
Rail Safety Licensing	5	5
Transit NZ TQS1	13	15
Product Certification	6	6
<b>Total</b>	<b>2,193</b>	<b>2,191</b>

### Output 3: Training services

The results against forecast for the New Zealand Quality College were:

Performance measure	Forecast	Actual
Training days	3,000	2,442
Gross revenue	\$875,000	\$868,188
Net revenue	\$185,000	\$197,943

The below-forecast number of training days this year was a result of planned courses on accreditation and auditing skills failing to eventuate in the USA, and fewer participants in these courses in Asia. Off-setting the off-shore performance was a 23% increase in training days within New Zealand where there was an increased demand for certification (especially ISO 9001) and auditing skills courses.

## Testing Laboratory Registration Council

The results for each training programme are shown in the following table:

<b>Programme</b>	<b>Training Days</b>	
	<b>2005-2006</b>	<b>2004-2005</b>
Accreditation Management	<b>1,245</b>	1,549
Certification Management	<b>425</b>	252
Auditing Skills	<b>772</b>	907
<b>Total</b>	<b>2,442</b>	2,708

### Output 4: International recognition

The result against forecast for the IANZ international activities were:

<b>Performance measure</b>	<b>Forecast</b>	<b>Actual</b>
Mutual Recognition Arrangements	56	60

The number of Mutual Recognition Arrangements signed world-wide, including New Zealand, is shown on the following table:

<b>MRA's</b>	<b>2005-2006</b>	<b>2004-2005</b>
Economies	<b>47</b>	42
Accreditation body signatories	<b>60</b>	54

## STATEMENT OF PURPOSE

**Providing confidence to New Zealand regulators, industry, and public through credible recognition of competence.**

### Act of Parliament

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). Further amendments to the Act are expected to be passed by Parliament in the second half of 2006.

### Primary functions

#### Function One

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

This function is undertaken by International Accreditation New Zealand using the following international accreditation criteria:

*NZS/ISO/IEC 17025 General Requirements for the Competence of Testing and Calibration Laboratories*

*NZS/ISO 15189 Medical Laboratories – Particular Requirements for Quality and Competence.*

New Zealand Code of Radiological practice (adapted from NZS/ISO/IEC 17025).

#### Function Two

**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, which is accredited to certify to these international standards:

*ISO 9001 Quality Management Systems – Requirements for Quality Management Systems; and*

*ISO 14001 Environmental Management Systems- Requirements with Guidance for Use.*

In addition, Telarc Limited is accredited as a Designated Auditing Agency by the Ministry of Health.

## Testing Laboratory Registration Council

### Function Three

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

This function is undertaken by International Accreditation New Zealand using the international accreditation criteria: AS/NZS ISO/IEC 17020 *General Criteria for the Operation of Various Types of Bodies Performing Inspection*. IANZ has published guidance on interpretation of ISO/IEC 17020 in conjunction with the standard.

### Function Four

**To promote the development and maintenance of good product and management systems certification; and maintain a scheme for the accreditation of certification bodies.**

This function, undertaken by International Accreditation New Zealand (IANZ), will be removed from the Act in the second half of 2006. IANZ is not actively promoting this programme.

Training courses in support of these four functions is provided by the New Zealand Quality College, which operates within IANZ.

## Primary activities

### Accreditation

IANZ accreditation is a rigorous independent peer assessment of laboratories, radiology practices or inspection bodies, to give credible recognition of their technical competence to undertake their specific testing or inspection activities. This recognition of competence is relevant for both domestic purposes and international trade. Accurate test and inspection 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. This recognition avoids multiple duplicate assessments of organisations to determine their technical competence. IANZ works with both domestic regulators and specifiers overseas to ensure the rigour of the IANZ assessment process meets their requirements.

### Certification

Good management systems are also a basic requirement for any trading enterprise, government department, or statutory body. The need for clear documented procedures covering the range of services and activities offered is fundamental for any organisation. Recognition of good management systems complying with international, national and industry standards is provided through Telarc Limited certification.

## 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.

### Subsidiaries

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

### 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 membership

The Council consists of:

- Five members (including the Chair) appointed by the Minister
- Four members appointed by the Council.

Members of the Council 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.

### 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.

## Testing Laboratory Registration Council

Professional Advisory Committees are active for the following accreditation programmes:

Chemical, Biological, Dairy 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.

### Quality assurance

#### International Accreditation New Zealand

IANZ operates to and is peer evaluated against the international standard ISO/IEC 17011: *General Requirements for Accreditation Bodies accrediting Conformity Assessment Bodies*. Management systems, based on ISO 9001:2000, are documented for corporate services, accreditation services and the New Zealand Quality College. These systems are internally audited annually.

The health and safety management system is based on the Health and Safety in Employment Act, 1992. IANZ is rated at secondary level for the ACC Workplace Safety Management Practices.

Customer Satisfaction Surveys are completed at regular intervals and customer feedback is provided following completion of assessments. The survey results are summarised for Council review.

#### Telarc Limited

Telarc Limited is 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 were evaluated / audited against these standards by internal auditors.

The Telarc Business Manual incorporates the corporate procedures following the principles of ISO 9001:2000. It includes a staff well-being and health and safety in the workplace policy. In addition, specific regulatory and accreditation requirements for certification programme are included. The systems and procedures are internally audited annually.

## **Testing Laboratory Registration Council**

### **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.

### **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 20.

The Council has established an Audit Committee to oversee external audit activities and to monitor internal controls.

### **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

### Council Members, Telarc Limited Directors and Senior Management

As at 30 June 2006

<b>The Council</b>	<b>Telarc Limited</b>
Dr Geoffrey Page, Chairperson (Deceased)	Mr Geoffrey Hunt, Chairperson
Dr Tony Barker (Appointed 1 July 2005)	Mrs Lisa Cruickshank
Mr Nigel Cann	Mr Richard Dimmock
Ms Miriam Dean QC	
Mr Richard Dimmock (Acting Chair)	
Dr John Hay	
Dr Richard Janes	
Ms Sarah Kennedy (Appointed 1 July 2005)	
Mr Graeme Robertson	

#### **Senior 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, International Accreditation New Zealand

## Testing Laboratory Registration Council

### STATEMENT OF RESPONSIBILITY

In the financial year ended 30 June 2006, the Council and management of International Accreditation New Zealand accept responsibility for the preparation of the financial statements and the judgements used therein.

The Council and management of International Accreditation New Zealand accepts 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 International Accreditation New Zealand, the financial statements for the financial year reflect fairly the financial position and operations of Council.



R Dimmock  
Acting Chair

6 September 2006



Dr W L Richards  
Chief Executive Officer

6 September 2006



N J Perfect  
Chief Financial Officer

6 September 2006



S Kennedy  
Council Member

6 September 2006

**AUDIT REPORT**  
**TO THE READERS OF**  
**TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**  
**AND GROUP'S**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

The Auditor-General is the auditor of Testing Laboratory Registration Council of New Zealand (the Council) and group. The Auditor-General has appointed me, John Scott, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Council and group, on his behalf, for the year ended 30 June 2006.

**Unqualified Opinion**

In our opinion the financial statements of the Council and group on pages 26 to 37:

- v comply with generally accepted accounting practice in New Zealand; and
- v fairly reflect:
  - the Council and group's financial position as at 30 June 2006; and
  - the results of operations and cash flows for the year ended on that date.

The audit was completed on 6 September 2006, 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 Council 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 did not have material misstatements, whether caused by fraud or error.

## Testing Laboratory Registration Council

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. 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. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

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

### **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Council and group as at 30 June 2006. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Council's responsibilities arise from the Public Finance Act 1989 and the Testing Laboratory Registration Act 1972.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

## 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 Council or its subsidiary.



John Scott  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

### **Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of Testing Laboratory Registration Council of New Zealand for the year ended 30 June 2006 included on Testing Laboratory Registration Council of New Zealand's web site. The Testing Laboratory Registration Council of New Zealand's Council is responsible for the maintenance and integrity of the Testing Laboratory Registration Council of New Zealand's web site. We have not been engaged to report on the integrity of the Testing Laboratory Registration Council of New Zealand's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 6 September 2006 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF ACCOUNTING POLICIES

**For The Year Ended 30 June 2006**

### **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 and the Crown Entities Act 2004.

These financial statements have been prepared in accordance with section 20, Testing Laboratory Registration Act 1972, and pursuant to 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.

#### **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 Part CW 31 Public authorities, of the Income Tax Act 2004.

## Testing Laboratory Registration Council

### Accounts Receivable

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectible 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 hardware	3-5 years	20% - 33% straight line
Leasehold improvements	6 Years (max)	16.67% straight line
Office furniture and equipment	5-10 years	10%-20% straight line
Motor vehicles	5 years	20% straight line

### Intangible Assets

Computer software is recorded at historical cost

### Amortisation

Computer software is amortised, at rates that will write off the cost, on a straight line basis, to the estimated residual value over the useful life of the software. The useful lives and associated amortisation rates used in the preparation of these statements are as follows:-

Computer software	3-5 years	20% - 33% straight line
-------------------	-----------	-------------------------

### 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.

## Testing Laboratory Registration Council

### **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 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.

### **Changes in accounting policies**

In the 2006 year, a change has been made to the classification of Computer Software, which was previously recorded as part of Fixed Assets under the category of Computer equipment. Computer software is now recorded as an Intangible asset and amortisation rates have been maintained at the previous depreciation rates of 3-5 years or 20%-33% straight line. Amortisation expense and asset value comparative figures for the 2005 year have been re-stated.

External audit fees for the June 2006 year include the costs of the 2005 audit, \$28,700 and the 2006 audit, \$30,130. Prior year's accounts have expensed the audit fee in the year the audit was conducted rather than in the accounting year the audit related to.

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

### STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2006

	Notes	CONSOLIDATED			PARENT		
		2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	2005 Actual \$
Revenue	2	9,017,094	9,489,669	8,704,281	4,536,027	4,740,637	4,064,543
Net income from sale of Food Safety Auditing Business		187,900	-	-	-	-	-
Interest income		121,451	85,000	100,616	108,038	70,000	83,348
Dividend Income		-	-	-	120,000	148,000	120,000
<b>Total operating revenue</b>		<u>9,326,445</u>	<u>9,574,669</u>	<u>8,804,897</u>	<u>4,764,065</u>	<u>4,958,637</u>	<u>4,267,891</u>
Cost of services	2	9,488,625	9,543,509	8,707,678	4,942,365	5,000,047	4,266,472
Net operating surplus (deficit) before tax for the period		(162,180)	31,160	97,219	(178,300)	(41,410)	1,419
<b>Net operating surplus (deficit) for the period</b>	1	<u>(162,180)</u>	<u>31,160</u>	<u>97,219</u>	<u>(178,300)</u>	<u>(41,410)</u>	<u>1,419</u>

### STATEMENT OF MOVEMENT IN EQUITY

For the year ended 30 June 2006

	CONSOLIDATED			PARENT		
	2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	2005 Actual \$
<b>Equity at 1 July</b>	3,288,031	3,288,031	3,190,812	2,968,430	2,968,430	2,967,011
Net operating surplus (deficit) for the period	(162,180)	31,160	97,219	(178,300)	(41,410)	1,419
<b>Total recognised revenues and expenses for the period</b>	<u>(162,180)</u>	<u>31,160</u>	<u>97,219</u>	<u>(178,300)</u>	<u>(41,410)</u>	<u>1,419</u>
<b>Equity at 30 June</b>	<u>3,125,851</u>	<u>3,319,191</u>	<u>3,288,031</u>	<u>2,790,130</u>	<u>2,927,020</u>	<u>2,968,430</u>

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

## Testing Laboratory Registration Council

### STATEMENT OF FINANCIAL POSITION As at 30 June 2006

	Notes	CONSOLIDATED			PARENT		
		2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	2005 Actual \$
<b>EQUITY</b>							
General funds		3,125,851	3,319,191	3,288,031	2,790,130	2,927,020	2,968,430
<b>TOTAL EQUITY</b>		<b>3,125,851</b>	<b>3,319,191</b>	<b>3,288,031</b>	<b>2,790,130</b>	<b>2,927,020</b>	<b>2,968,430</b>
Represented by:							
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and bank		72,142	66,649	60,946	17,491	22,663	20,495
Receivables and prepayments	3	1,741,134	1,693,000	1,817,554	1,078,702	1,114,100	1,125,466
Short-term deposits	4	1,803,996	2,320,000	2,005,858	1,411,892	1,640,000	1,540,000
<b>Total current assets</b>	13	<b>3,617,272</b>	<b>4,079,649</b>	<b>3,884,358</b>	<b>2,508,085</b>	<b>2,776,763</b>	<b>2,685,961</b>
<b>Non current assets</b>							
Investments (Shares in Telarc Limited)	9	-	-	-	500,000	500,000	500,000
Fixed assets	5	693,359	514,897	609,246	479,363	357,022	424,054
Intangibles	6	290,637	350,645	387,746	190,432	261,235	284,753
<b>Total non current assets</b>		<b>983,996</b>	<b>865,542</b>	<b>996,992</b>	<b>1,169,795</b>	<b>1,118,257</b>	<b>1,208,807</b>
<b>Total assets</b>		<b>4,601,268</b>	<b>4,945,191</b>	<b>4,881,350</b>	<b>3,677,880</b>	<b>3,895,020</b>	<b>3,894,768</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Payables	7	1,171,116	1,324,000	1,312,046	672,612	768,000	742,531
Employee entitlements	8	304,301	302,000	281,273	215,138	200,000	183,807
<b>Total current liabilities</b>		<b>1,475,417</b>	<b>1,626,000</b>	<b>1,593,319</b>	<b>887,750</b>	<b>968,000</b>	<b>926,338</b>
<b>Total liabilities</b>		<b>1,475,417</b>	<b>1,626,000</b>	<b>1,593,319</b>	<b>887,750</b>	<b>968,000</b>	<b>926,338</b>
<b>NET ASSETS</b>		<b>3,125,851</b>	<b>3,319,191</b>	<b>3,288,031</b>	<b>2,790,130</b>	<b>2,927,020</b>	<b>2,968,430</b>

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

## Testing Laboratory Registration Council

### STATEMENT OF CASH FLOWS For the year ended 30 June 2006

	CONSOLIDATED			PARENT		
	2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	2005 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash was provided from :						
Revenues from services provided	8,931,102	9,504,263	8,951,854	4,431,812	4,680,321	4,280,295
Interest received	114,565	85,110	97,685	101,520	70,270	80,546
	<u>9,045,667</u>	<u>9,589,373</u>	<u>9,049,539</u>	<u>4,533,332</u>	<u>4,750,591</u>	<u>4,360,841</u>
Cash was applied to :						
Payments to employees	4,453,825	4,014,663	3,898,845	2,583,253	2,529,520	2,178,807
Payments to suppliers	4,586,021	4,985,828	4,323,003	1,953,259	2,015,733	1,770,634
Net Goods and Services Tax	(32,447)	(46,013)	30,741	8,249	8,520	(2,237)
	<u>9,007,399</u>	<u>8,954,478</u>	<u>8,252,589</u>	<u>4,544,761</u>	<u>4,553,773</u>	<u>3,947,204</u>
<b>Net cash flows from operating activities</b>	<u>38,268</u>	<u>634,895</u>	<u>796,950</u>	<u>(11,429)</u>	<u>196,818</u>	<u>413,637</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Cash was provided from :						
Proceeds from sale of fixed assets	84,078	43,300	62,029	55,419	30,500	40,850
Proceeds from sale of Food Safety Auditing Business	187,900	-	-	-	-	-
Dividends Received from Telarc Limited	-	-	-	120,000	120,000	125,000
	<u>271,978</u>	<u>43,300</u>	<u>62,029</u>	<u>175,419</u>	<u>150,500</u>	<u>165,850</u>
Cash was applied to :						
Purchase of fixed assets	417,457	160,500	377,143	274,264	132,500	171,194
Purchase of Intangible assets (Computer Software)	83,455	197,850	44,784	20,838	112,650	23,320
	<u>500,912</u>	<u>358,350</u>	<u>421,927</u>	<u>295,102</u>	<u>245,150</u>	<u>194,514</u>
<b>Net cash flows from investing activities</b>	<u>(228,934)</u>	<u>(315,050)</u>	<u>(359,898)</u>	<u>(119,683)</u>	<u>(94,650)</u>	<u>(28,664)</u>
Net increase (decrease) in cash held	(190,666)	319,845	437,052	(131,112)	102,168	384,973
Plus opening cash	2,066,804	2,066,804	1,629,752	1,560,495	1,560,495	1,175,522
<b>Closing cash balance</b>	<u>1,876,138</u>	<u>2,386,649</u>	<u>2,066,804</u>	<u>1,429,383</u>	<u>1,662,663</u>	<u>1,560,495</u>
Cash and bank	72,142	66,649	60,946	17,491	22,663	20,495
Short term investments	1,803,996	2,320,000	2,005,858	1,411,892	1,640,000	1,540,000
<b>Closing cash balance</b>	<u>1,876,138</u>	<u>2,386,649</u>	<u>2,066,804</u>	<u>1,429,383</u>	<u>1,662,663</u>	<u>1,560,495</u>

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

## Testing Laboratory Registration Council

### STATEMENT OF RECONCILIATION OF REPORTED OPERATING SURPLUS WITH NET CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 30 June 2006

	CONSOLIDATED			PARENT		
	2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	2005 Actual \$
Net Operating Surplus	(162,180)	31,160	97,219	(178,300)	(41,410)	1,419
<i>Add (less) non cash item</i>						
Depreciation	255,036	246,568	48,201	174,478	169,051	17,516
Amortisation	180,564	199,932	373,410	115,159	136,149	282,948
<b>Total non cash items</b>	<b>435,600</b>	<b>446,500</b>	<b>421,611</b>	<b>289,637</b>	<b>305,200</b>	<b>300,464</b>
<i>Add/ (less) movement in working capital items :</i>						
Decrease (increase) in receivables	112,712	149,411	(14,882)	46,763	39,366	(63,633)
(Decrease) increase in payables	(133,071)	(3,957)	161,389	(60,859)	24,263	50,921
(Decrease) increase in employee entitlements	23,028	20,727	60,007	31,331	16,193	29,041
(Decrease) increase in other provisions	(60,425)	(8,946)	82,335	(25,335)	1,206	100,955
<b>Working capital movements - net</b>	<b>(57,756)</b>	<b>157,235</b>	<b>288,849</b>	<b>(8,100)</b>	<b>81,028</b>	<b>117,284</b>
<i>Add (less) items classified as investing activities</i>						
Net loss (gain) on disposal of assets	10,504	-	(10,729)	5,334	-	(5,530)
Dividend Received	-	-	-	(120,000)	(148,000)	-
Proceeds from sale of Food Safety Auditing business	(187,900)	-	-	-	-	-
<b>Net cash flow from operating activities</b>	<b>38,268</b>	<b>634,895</b>	<b>796,950</b>	<b>(11,429)</b>	<b>196,818</b>	<b>413,637</b>

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

## Testing Laboratory Registration Council

### STATEMENT OF COMMITMENTS

As at June 30 2006

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Capital commitments approved and contracted</b>	-	-	-	-
<b>Non-cancellable operating lease commitments, payable:</b>				
Not later than one year	410,654	391,509	272,897	266,123
Later than one year and not later than two years	412,449	386,406	272,897	266,123
Later than two year and not later than five years	523,610	823,160	204,672	465,715
Later than five years	50,762	106,149	-	-
	<u>1,397,475</u>	<u>1,707,224</u>	<u>750,466</u>	<u>997,961</u>

#### Other non-cancellable contracts

There are no material non-cancellable contracts at balance date (2005 Nil)

### STATEMENT OF CONTINGENT LIABILITIES

As at June 30 2006

As at balance date there are no known contingent liabilities (2005 Nil)

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

## Testing Laboratory Registration Council

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2006

	CONSOLIDATED			PARENT		2005 Actual \$
	2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	
<b>Note 1: Operating surplus/(deficit)</b>						
The net surplus (deficit) is after charging for:						
Fees paid to auditors for external audit	58,841	28,700	27,350	33,011	16,100	15,350
Fees paid to auditors for other services	-	-	-	-	-	-
Council and Directors Fees	149,167	165,000	144,583	106,667	120,000	99,583
Depreciation and Amortisation by type:-						
Motor vehicles	81,296	63,295	66,609	51,008	48,190	49,075
Office furniture and equipment	41,161	44,296	43,839	33,275	36,025	34,732
Leasehold improvements	41,943	41,218	48,658	38,693	37,968	44,613
Computer hardware	90,636	97,759	88,564	51,501	46,868	56,792
Amortisation Computer Software	180,564	199,932	173,941	115,159	136,149	115,252
<b>Total Depreciation and Amortisation</b>	<b>435,600</b>	<b>446,500</b>	<b>421,611</b>	<b>289,636</b>	<b>305,200</b>	<b>300,464</b>
Fixed assets written off						
Deficit (profit) on disposal of fixed assets	10,504	-	(10,729)	5,334	-	(5,530)
Rental expense on operating leases	421,171	415,000	403,814	277,483	270,000	260,484
Bad Debts	2,850	-	19,792	-	-	-
<b>Note 2: Net revenue/(cost) analysis</b>						
<b>Accreditation services</b>						
Revenue	3,642,041	3,697,277	3,328,463	3,642,041	3,697,277	3,328,463
Less cost	3,792,425	3,807,899	3,103,554	3,792,425	3,807,899	3,103,554
Net revenue/ (deficit)	(150,384)	(110,622)	224,909	(150,384)	(110,622)	224,909
<b>Certification services</b>						
Revenue	4,303,264	4,546,272	4,233,034	-	-	-
Revenue from discontinued operations	107,000	121,000	330,600	-	-	-
Less cost	4,543,463	4,543,311	4,439,487	-	-	-
Net revenue/ (deficit)	(103,199)	156,761	213,807	-	-	-
Net revenue/ (deficit) from discontinued operations	(30,000)	(32,800)	(89,660)	-	-	-
<b>Training and other services</b>						
Revenue	868,188	875,120	809,834	797,385	793,360	733,730
Less cost	670,245	689,727	641,387	667,448	689,576	639,668
Net revenue	197,943	185,393	168,447	129,937	103,784	94,062
<b>National recognition services</b>						
Revenue	96,601	250,000	2,350	96,601	250,000	2,350
Less cost	482,492	502,572	523,250	482,492	502,572	523,250
Net revenue/ (deficit)	(385,891)	(252,572)	(520,900)	(385,891)	(252,572)	(520,900)
<b>Other revenue</b>						
Income from sale of Food Safety Auditing Business	200,000	-	-	-	-	-
Less costs associated with sale of business	12,100	-	-	-	-	-
Net income from sale of Food Safety Auditing Business	187,900	-	-	-	-	-
<b>Total services and other revenue</b>						
Total revenue	9,110,094	9,368,669	8,373,681	4,536,027	4,740,637	4,064,543
Revenue from discontinued operations	107,000	121,000	330,600	-	-	-
Less total cost	9,500,725	9,543,509	8,707,678	4,942,365	5,000,047	4,266,472
Net revenue/ (deficit)	(253,631)	(21,040)	86,263	(406,338)	(259,410)	(201,929)
Net revenue/ (deficit) from discontinued operations	(30,000)	(32,800)	(89,660)	-	-	-
<b>Note 3: Receivables and prepayments</b>						
Trade debtors	1,376,639	1,410,000	1,178,837	664,123	740,000	557,813
Other amounts receivable	247,043	162,300	369,191	351,415	303,000	356,717
Prepayments	117,452	120,700	269,526	63,164	71,100	210,936
<b>Total</b>	<b>1,741,134</b>	<b>1,693,000</b>	<b>1,817,554</b>	<b>1,078,702</b>	<b>1,114,100</b>	<b>1,125,466</b>
<b>Note 4: Investments</b>						
Current						
Short term deposits	1,803,996	2,320,000	2,005,858	1,411,892	1,640,000	1,540,000
Weighted average effective interest rates						
Short term deposits	7.10%	6.75%	6.91%	7.10%	6.75%	6.94%

## Testing Laboratory Registration Council

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

	CONSOLIDATED			PARENT		
	2006 Actual \$	2006 Budget \$	2005 Actual \$	2006 Actual \$	2006 Budget \$	2005 Actual \$
<b>Note 5: Fixed Assets</b>						
Motor Vehicles (at cost)	454,517	307,424	307,424	292,090	220,382	220,382
Accumulated Depreciation	88,148	119,106	115,015	52,651	95,178	93,988
Net book value	<u>366,369</u>	<u>188,318</u>	<u>192,409</u>	<u>239,439</u>	<u>125,204</u>	<u>126,394</u>
Office Furniture and Equipment (at cost)	442,833	447,369	436,369	298,917	304,277	296,277
Accumulated Depreciation	333,751	336,887	292,591	222,412	225,162	189,137
Net book value	<u>109,082</u>	<u>110,482</u>	<u>143,778</u>	<u>76,505</u>	<u>79,115</u>	<u>107,140</u>
Leasehold Improvements (at cost)	407,634	493,323	391,945	382,697	468,386	367,008
Accumulated Depreciation	298,471	406,113	256,528	287,887	395,529	249,194
Net book value	<u>109,163</u>	<u>87,210</u>	<u>135,417</u>	<u>94,810</u>	<u>72,857</u>	<u>117,814</u>
Computer Hardware (at cost)	897,528	820,801	840,179	467,203	367,008	421,386
Accumulated Depreciation	788,783	691,914	702,537	398,594	287,162	348,680
Net book value	<u>108,745</u>	<u>128,887</u>	<u>137,642</u>	<u>68,609</u>	<u>79,846</u>	<u>72,706</u>
Total Fixed Assets	<u>693,359</u>	<u>514,897</u>	<u>609,246</u>	<u>479,363</u>	<u>357,022</u>	<u>424,054</u>
<b>Note 6: Intangibles</b>						
Computer Software	1,066,119	1,145,515	982,665	671,942	763,755	651,105
Less Accumulated Amortisation	775,482	794,870	594,919	481,510	502,520	366,352
Total Intangibles	<u>290,637</u>	<u>350,645</u>	<u>387,746</u>	<u>190,432</u>	<u>261,235</u>	<u>284,753</u>
<b>Note 7: Payables and accruals</b>						
Trade creditors	359,715	412,000	289,093	194,134	250,000	178,052
Other creditors	47,262	77,000	93,113	30,681	42,000	23,851
Accrual expenses	100,618	120,000	205,894	39,338	41,000	106,834
Revenue in advance	663,521	715,000	723,946	408,459	435,000	433,794
Total payables and accruals	<u>1,171,116</u>	<u>1,324,000</u>	<u>1,312,046</u>	<u>672,612</u>	<u>768,000</u>	<u>742,531</u>
<b>Note 8: Employee entitlements</b>						
Annual leave	289,839	289,000	268,073	200,676	187,000	170,607
Retirement Leave	14,462	13,000	13,200	14,462	13,000	13,200
Total	<u>304,301</u>	<u>302,000</u>	<u>281,273</u>	<u>215,138</u>	<u>200,000</u>	<u>183,807</u>

## Testing Laboratory Registration Council

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

#### Note 9: 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 principal 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 \$671,156, and transactions charged to Council by Telarc Limited were \$81,951 (2005 transactions charged by Council \$633,439 and transactions charged to Council \$87,016). There are no other related party transactions.

At year end Telarc Limited owed the Council:	
Current Account Advances	\$Nil (2005 Nil)
Payables	\$45,566 (2005 \$81,857)

At year end Council owed Telarc Limited:	
Payables	\$20,029 (2005 \$1,805)

#### 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	
	2,006	2005
\$220,000 - \$230,000	1	-
\$200,000 - \$210,000	-	1
\$150,000 - \$160,000	1	1
\$100,000 - \$110,000	1	-

The chief executive's remuneration is in the \$220,000 to \$230,000 band.

#### Note 11: Council and Directors Fees

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

Council members	2006	2005
Dr T Barker	10,625	-
Dr D A G Breton (until 30 June 2005)	-	10,000
Dr J Buckingham, Chairperson (until 17 December 2004)	-	14,167
Mr N Cann	10,625	2,917
Ms M R Dean	10,625	10,000
Mr R Dimmock	10,625	10,000
Dr J Hay	10,625	10,000
Dr R S Janes	11,042	2,500
Ms S Kennedy (from 1 July 2005)	10,625	-
Dr B J Linehan (until 30 June 2005)	-	10,000
Mr K J Lysaght (until 17 December 2004)	-	7,083
Mr C Martin (until 17 December 2004)	-	7,083
Dr G Page (from 17 December 2004)	21,250	5,833
Mr G Robertson	10,625	10,000
<b>Telarc Limited Directors</b>		
Mr G Hunt, Chairperson	21,250	20,000
Mrs L Cruickshank	10,625	10,000
Mr R Dimmock	10,625	10,000
Mr K Lysaght (until 30 September 2004)	-	5,000
<b>Total Council and Directors fees</b>	<b>149,167</b>	<b>144,583</b>

#### Note 12 Insurance Cover Directors and Employees

IANZ has effected Professional Indemnity, and Directors & Officers Liability, insurance cover for directors and Employees

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

### Note 13: Financial Instruments

#### Credit Risk

IANZ has a minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits and accounts receivable.

IANZ places its 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. IANZ believes that these policies reduce the risk of any loss which could arise from its investment activities. IANZ does 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.

IANZ has 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 2006 (2005 nil). The interest rates on IANZ 's investments are shown in Note 4.

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

### Note 14: Major Budget Variations

There are no significant budget variations.

### Note 15: 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.