

**TESTING LABORATORY REGISTRATION COUNCIL
OF NEW ZEALAND**

For the year ended 30 June 2007

*Presented to the House of Representatives pursuant to Section 150(3) of the
Crown Entities Act 2004 and pursuant to section 44 of the Public Finance Act
1989*

CONTENTS

Section	Page
Contents	2
Directory	3
Council's Overview	5
Chief Executive's Report	8
About the Council	12
Accreditation and Certification Explained	16
Statement of Service Performance 2006-2007	19
Statement of Responsibility	25
Report of the Auditor-General	26
Statement of Accounting Policies	28
Statement of Financial Performance	31
Statement of Movement in Equity	31
Statement of Financial Position	32
Statement of Cash Flows	33
Statement of Reconciliation of Reported Operating Surplus with Net Cash Flow from Operating Activities	34
Statement of Commitments	35
Statement of Contingent Liabilities	35
Notes to the Financial Statements	36

DIRECTORY

Head Offices

International Accreditation New Zealand

Level 1, 626 Great South Road, Ellerslie, Auckland 1051

Private Bag 28908, Remuera, Auckland 1541

Phone 09 525 6655, Facsimile 09 525 2266

Email info@ianz.govt.nz

www.ianz.govt.nz

Telarc SAI Limited

Level 3, 626 Great South Road, Ellerslie, Auckland 1051

Private Bag 28901, Remuera, Auckland 1541

Phone 09 525 0100, Facsimile 09 525 1900

Email info@telarcsai.co.nz

www.telarcsai.co.nz

New Zealand Quality College

Level 2, 626 Great South Road, Ellerslie, Auckland 1051

Private Bag 28908, Remuera, Auckland 1541

Phone 09 525 6633, Facsimile 09 525 2266

Email info@nzqc.co.nz

www.nzqc.co.nz

Regional Offices

Telarc SAI 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 4/24 Settlers Crescent,

P O Box 25 065

Phone 03 379-7358, Facsimile 03 379-7368

Quality Health New Zealand

A division of Telarc SAI Limited (from 1 July 2007)

Level 3, Hayman Centre, 24 Johnston Street. Wellington

P O Box 5088, Lambton Quay, Wellington

Phone (04) 499 0367, Facsimile (04) 499 0368

Email admin@qualityhealth.org.nz

www.qualityhealth.org.nz

Auditor

Audit New Zealand

(On behalf of the Controller and Auditor-General)

155 Queen Street, Auckland

Bankers

The National Bank of New Zealand Limited

Great South Road, Penrose, Auckland

Westpac New Zealand Limited

Great South Road, Penrose, Auckland

Solicitors

Meredith Connell

55 Shortland Street, Auckland

Insurer Brokers and Consultants

Hopkins Paton Limited

57 Market Road, Remuera, Auckland.

COUNCIL'S OVERVIEW

The Hon Lianne Dalziel, Minister of Commerce

We have the honour of presenting the thirty-third report of the Testing Laboratory Registration Council of New Zealand.

Financial result

The consolidated deficit of \$129,423 (last year deficit \$162,180), while disappointing, was, in large part, due to the timing of the implementation of the accreditation programme for Building Consent Authorities. It had been anticipated that this programme, performed by IANZ on behalf of the Department of Building and Housing, would be fully underway for the second half of the year but did not do so until mid-May. With almost all expected applications for this accreditation programme having been received by June 30 2007, the delayed work will contribute to the 2007-2008 results.

An extraordinary item on the financial results for this year is the \$249,204 profit on sale of shares in the Council's subsidiary company Telarc Limited (now Telarc SAI Limited) to SAI Global Limited. The renamed company, Telarc SAI Limited, will significantly boost Council's operating revenue from next year onwards.

Council's Act amended

As signalled in last year's annual report, the Testing Laboratory Registration Act 1972 was reprinted on 14 May 2007. Changes were made under Section 17C of the Acts and Regulations Publications Act 1989, which included both editorial changes to the format and style and the removal of sections now incorporated in the Crown Entities Act 2004. The functions of the Council were replaced with functions that are in line with present government requirements for standards and conformance.

Certification services expanded

Two significant certification services were acquired by the Council in this period. In April, the New Zealand operations of SAI Global Limited, Australia's largest certification body, were merged with Telarc Limited. With the merger, SAI Global took a 25% shareholding in Telarc Limited and the business now trades as Telarc SAI Limited. This lifted the annual number of quality and environmental management and product certification assessments from 1300 to 1900. The relationship with SAI Global will provide Telarc SAI with improved trans-Tasman capabilities, a strong linkage into international product development and access to new products and services for the New Zealand certification market.

In late June, arrangements were completed for the acquisition of the New Zealand Healthcare Standards Council business by Telarc SAI. Clients and staff of Quality Health New Zealand came under this arrangement from 1 July 2007.

Council appointments

Three new appointments to the Council were announced by the Minister of Commerce, Hon Lianne Dalziel, in April. Dr Robin Pratt succeeded the late Dr Geoff Page as council chair; Jo Brosnahan replaced outgoing member Graeme Robertson; Dr Richard Janes was appointed deputy chair.

Richard Dimmock, who had been acting chair, remains as a member of Council. The Council wishes to acknowledge the commitment and contribution Mr Dimmock made to the Council during this period.

Also in April, Dr Tony Barker resigned from the Council and from the Medical Testing Professional Advisory Committee. Dr Barker had served on the latter since 1982 and became its chair in 2005. His contribution over this long period is very much appreciated by the Council and by the managers and staff of International Accreditation New Zealand.

Governance

The composition of the Council during the year was as follows:

- Dr Robin Pratt (Chair) (Appointed 1 May 2007)
- Richard Dimmock (Acting Chair August 2006 to April 2007)
- Dr Richard Janes (Deputy Chair)
- Dr Tony Barker (Until 11 April 2007)
- Jo Brosnahan (From 1 May 2007)
- Nigel Cann
- Miriam Dean
- Dr John Hay
- Sarah Kennedy
- Graeme Robertson (Until 30 April 2007).

The government and advisory functions of the Council are subject to consideration by the Cabinet Economic Development Committee following the Standards and Conformance Infrastructure Review completed early in 2007. The Responsible Minister, the Minister of Commerce, has recommended the size of the Council be reduced (from nine) to six, including the chair; and that all Council members are appointed by the Responsible Minister. It is envisaged that a new Bill concerning the Council's governance will be introduced by July 2008.

Tributes

A huge loss was felt by Council members and staff with the passing of Dr Geoff Page in August 2006. Dr Page was, at the time, chair of the Council, to which he had been appointed in December 2004. Prior to that, Dr Page had been a Council member between September 1992 and October 2001. His astuteness and insight is missed.

The Council particularly acknowledges the significant time and effort provided during the year by Council member Richard Dimmock and Telarc SAI Limited Chief Executive, Peter Rose, to the acquisition of SAI Global's New Zealand operations and Quality Health New

Zealand. The successful outcome of these negotiations will contribute significantly to the Council's certification outputs in the future.

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

The Council is in sound financial and operational heart. This year it recorded increased revenues and increased registrations in both accreditation and certification businesses. Acquisitions of new businesses made by Telarc SAI Limited in 2006-2007 have strengthened Council's certification operations and will provide broader range of services to its clients. The Building Consents Authorities accreditation work did not eventuate in 2006-2007 as expected but is now underway and will fully contribute to the 2007-2008 results.

We have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2007.



Dr Robin Pratt
Chair
3 September 2007



Richard Dimmock
Chair Audit Committee
3 September 2007

CHIEF EXECUTIVE'S REPORT

Assurance provided

The operations of International Accreditation New Zealand (IANZ) and Telarc SAI Limited (previously Telarc Limited) continued to provide assurance across a broad spectrum of the New Zealand economy. IANZ accreditation of laboratories, inspection bodies, and radiology services provides independent, credible assurance of their competence through a rigorous peer review process.

IANZ, the accreditation arm of the Council, is subjected to regular scrutiny by the international accreditation fraternity to ensure it continues to operate as an accreditation body to the required standards. A joint Asia Pacific Laboratory Accreditation Cooperation / European cooperation for Accreditation evaluation of IANZ against ISO/IEC 17011 was undertaken in March 2007. A formal report is expected early in 2007-2008.

Telarc SAI certification business provides a recognised assurance of compliance with specific management standards and requirements. In October 2006, the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) undertook a routine surveillance assessment of Telarc SAI, the certification arm of the Council, against ISO/IEC Guide 62 (quality systems), ISO/IEC Guide 66 (environmental management systems) and ISO/IEC Guide 65 (product certification). Then in May 2007, JAS-ANZ undertook a 3-yearly full evaluation of Telarc SAI against the new standard ISO 17021 *Conformity Assessment – Requirements for Bodies Providing Audit and Certification of Management Systems*. This standard replaces the three ISO Guides (above) and which Telarc SAI will fully comply with from 2008-2009 onwards. This accreditation formally recognises Telarc SAI as a certification body. Corrective actions required have been or are being addressed.

Accreditation of Designated Audit Authorities for the certification of health care providers, a programme provided by Telarc SAI, is now no longer required by the Ministry of Health.

Financial performance

Operationally, the Council increased its revenue to \$10,033,946 (\$9,017,074). Accreditation service's revenue increased to \$4,176,128 (\$3,642,041). This is significantly less than budgeted, largely due to the timing of full implementation of the Building Consent Authorities accreditation programme. Certification services revenue at \$4,987,213 (\$4,303,264) was significantly up on budget.

The cost of international recognition activities was significantly higher than the previous year, largely as a result of IANZ hosting the major 2005 international ILAC/IAF General Assembly in New Zealand, thus reducing costs during the 2005-2006 year.

Testing Laboratory Registration Council

The final result, a loss of \$129,423 (\$162,180 loss) while disappointing, is largely a result of the timing of new activities. This is expected to be reversed in 2007-2008 with actual phasing of new accreditation activities.

International cooperation

Senior staff of IANZ were again fully involved in both regional and international laboratory accreditation cooperation forums. Those directly involved on management and technical committees were:

ILAC Arrangement	Chief Executive
ILAC Accreditation Issues	General Manager – Accreditation Services
ILAC Communications	International Affairs Manager
ILAC Arrangement Management	Chief Executive (chair) General Manager – Accreditation Services
ILAC Joint Committee for Closer Cooperation	Chief Executive
ILAC/IAF Joint Working Group	General Manager – Accreditation Services (co- convenor)
Joint Committee for Inspection	Chief Executive (co-convenor) Programme Manager – Inspection Bodies
APLAC Board of Management	General Manager – Accreditation Services
APLAC MRA Council	General Manager – Accreditation Services (chair)
APLAC Training	International Affairs Manager
APLAC Public Information	International Affairs Manager (chair) Chief Executive
APLAC Proficiency Testing	General Manager – Accreditation Services
APLAC Technical	General Manager – Accreditation Services

In addition to attending meetings of these committees throughout the year, senior staff attended the general assemblies of the Asia Pacific Laboratory Accreditation Cooperation (APLAC), Taipei, September 2006, and the International Laboratory Accreditation Cooperation (ILAC), Cancun, November 2006.

Accreditation and conformity assessment sound

In the Standards and Conformance Infrastructure Review, completed by the Ministry of Economic Development in early 2007, it was found that New Zealand has a world class infrastructure that is fundamentally sound. Within this infrastructure, IANZ and Telarc SAI Limited successfully support the New Zealand economy through their respective accreditation and certification services.

Initiative by the Ministry of Economic Development to create a Regulatory Forum of policy and regulation makers, regulators, other government departments, and standards and conformance infrastructure bodies, and others is welcomed by the Council. This will only enhance our current efforts to improve the understanding of conformance assessment with these sectors of the economy.

Staff increased

Both IANZ and Telarc SAI increased staff numbers during the year. Within IANZ, six new accreditation services positions were established to cater for the increased volume of work in the medical testing programme, and for Building Consent Authority and food assessments in the inspection body programme. Recruitment of the four inspection body programme positions has been completed, with two due to commence early in the 2007-2008 year; a vacancy still remains in the medical testing programme; a new assessor for the mechanical testing programme was recruited in October 2006. In addition, a vacancy exists for a programme manager in the medical testing programme.

Telarc SAI staff numbers were increased when four SAI Global New Zealand staff transferred to the new company in April 2007. No new positions were established.

Staff employed as at 30 June 2007

	Male	Female	Total	05-06
IANZ	25	18	43	41
Telarc SAI	19	11	30	26
NZQC	1	1	2	2
Total	45	30	75	69

Good employer policies and practices promoted

Every effort is made to ensure that no staff are disadvantaged and are equally treated regardless of their status. Firm guidelines in the recruitment process stress the need to appoint new staff on merit and their ability to perform the tasks required in their employment. Those responsible for recruiting staff were fully briefed on this aspect of the process, and overseen by the Personnel Development Officer.

Good employer practice is promulgated in the Corporate Manual under sections covering:

- Policies
- Health and safety
- Environmental
- Staffing
- Training and development
- Induction

Further explanation of good employment practices are contained in the Staff Manual and individual employment contracts, which clearly set out the procedure for personal

grievances based on being disadvantaged in their employment, are discriminated against, or sexually or racially harassed. The details of these documents have been discussed individually with all staff. There were no grievances of discrimination reported during 2006-2007.

Workplaces are designed to accommodate disabled people, and the regular building emergency evacuation drills incorporates the practice for managing such persons in emergencies.

Workplace stress was closely monitored by managers and the health and safety committee, and reported on monthly to manager's and staff meetings. Where stress was evident, action was taken by the responsible manager to lessen the pressure and to ensure staff took adequate precautions to avoid undue stress.

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 be restated and an opening position prepared using NZ IFRS as at 1 July 2006.



Dr W L Richards
Chief Executive

3 September 2007

ABOUT THE COUNCIL

Official status

The Council is a Crown Entity under the Crown Entities Act 2004, and reports annually to Parliament through the Minister of Commerce. It is a Public Benefit Entity and receives no Crown funding for its operations. It was established under the Testing Laboratory Registration Act 1972, which was amended and reprinted in May 2007.

Members

The Council consists of nine members. The Minister of Commerce appoints five of these, including the Chair. The remaining four are appointed by the Council itself to ensure broad industry coverage and the appropriate expertise necessary for Council's activities.

A director is appointed by the Council to manage its operations. Dr Llewellyn Richards is the present director.

Currently, there are eight Council members:

Dr Robin Pratt (Chair)
Dr Richard Janes (Deputy Chair)
Jo Brosnahan
Nigel Cann
Miriam Dean
Richard Dimmock
Dr John Hay
Sarah Kennedy

Functions

The functions of the Council, as provided in the current version of the Act, are:

- (a) To promote the development and maintenance of good practice in conformity assessment; and to establish and maintain a registration scheme for conformity assessment bodies (except certification bodies) that comply with that practice; and
- (b) To develop and maintain international recognition and acceptance of the Council's registration scheme; and to maintain appropriate international relationships consistent with the Council's functions under this section; and
- (c) If the Council chooses, to provide certification services; and
- (d) To perform any other functions that the Minister may direct the Council to perform in accordance with section 112 of the Crown Entities Act 2004.

The Council is required to act independent of Government in carrying out its functions and exercising its statutory powers.

Subsidiary

The certification function of the Council is performed by a subsidiary company, Telarc SAI Limited, which has its own Board of Directors, Chief Executive and staff that operate separately from the Council's accreditation function. This company is a Crown Entity Subsidiary in terms of the Crown Entity Act 2004.

Members of the Telarc SAI Limited board comprise three members appointed by the Council and one member appointed by SAI Global Limited, Sydney, Australia. The current board members are:

Geoffrey Hunt

Lisa Cruickshank

Richard Dimmock

Anthony Scotton (SAI Global Limited)

Ross Wraight (alternate for Anthony Scotton).

The Chief Executive is Peter Rose.

Statutory Outputs 2006-2007

In accordance with the Memorandum of Understanding agreed with the Minister of Commerce, the Council's outputs for the 2006-2007 year were:

- (a) Register testing and calibration laboratories which have met the requirements of ISO/IEC 17025
- (b) Register laboratories which have met the requirements of the Organisation of Economic Cooperation and Development's Good Laboratory Practice (OECD GLP) scheme
- (c) Register New Zealand Food Safety Authority meat industry laboratories which have met the requirements of ISO/IEC 17025
- (d) Register medical testing laboratories which have met the requirements of ISO 15189
- (e) Register radiology services which have met the requirements of the *New Zealand Code of Radiology Management Practice*
- (f) Register inspection bodies which have met the requirements of ISO/IEC 17020
- (g) Provide annual assessments for the certification bodies currently accredited by the Council
- (h) Register suppliers which have met the requirements of quality management and environmental management systems certification or other Telarc Limited criteria
- (i) Provide training courses in accreditation and certification.

Overall objectives

The Council, as an integral part of the New Zealand standards and conformance infrastructure, contributes directly to three overall objectives:

- Health, safety and environmental risks are managed
- Domestic economic development is facilitated, and
- International trade is facilitated.

For each of these, Telarc SAI certification assures consumers, businesses and regulators that products and processes have been assessed against stringent standards; and IANZ accreditation provides the assurance that conformity assessment results can be relied upon.

Standards of operation

International standards are a cornerstone to the credibility of accreditations and certifications provided by IANZ and Telarc SAI. Each organisation is regularly evaluated against specific standards for their type of operation.

To operate as an accreditation authority, IANZ complies with ISO/IEC 17011 *Conformity Assessment – General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies* standard. In addition, it meets the requirements of the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and of the European cooperation for Accreditation (EA). Every four years IANZ is evaluated by representatives of APLAC and EA to ensure continuing compliance with the standard and requirements. The most recent evaluations occurred in 2007.

To operate as a certification body, Telarc SAI Limited complies with:

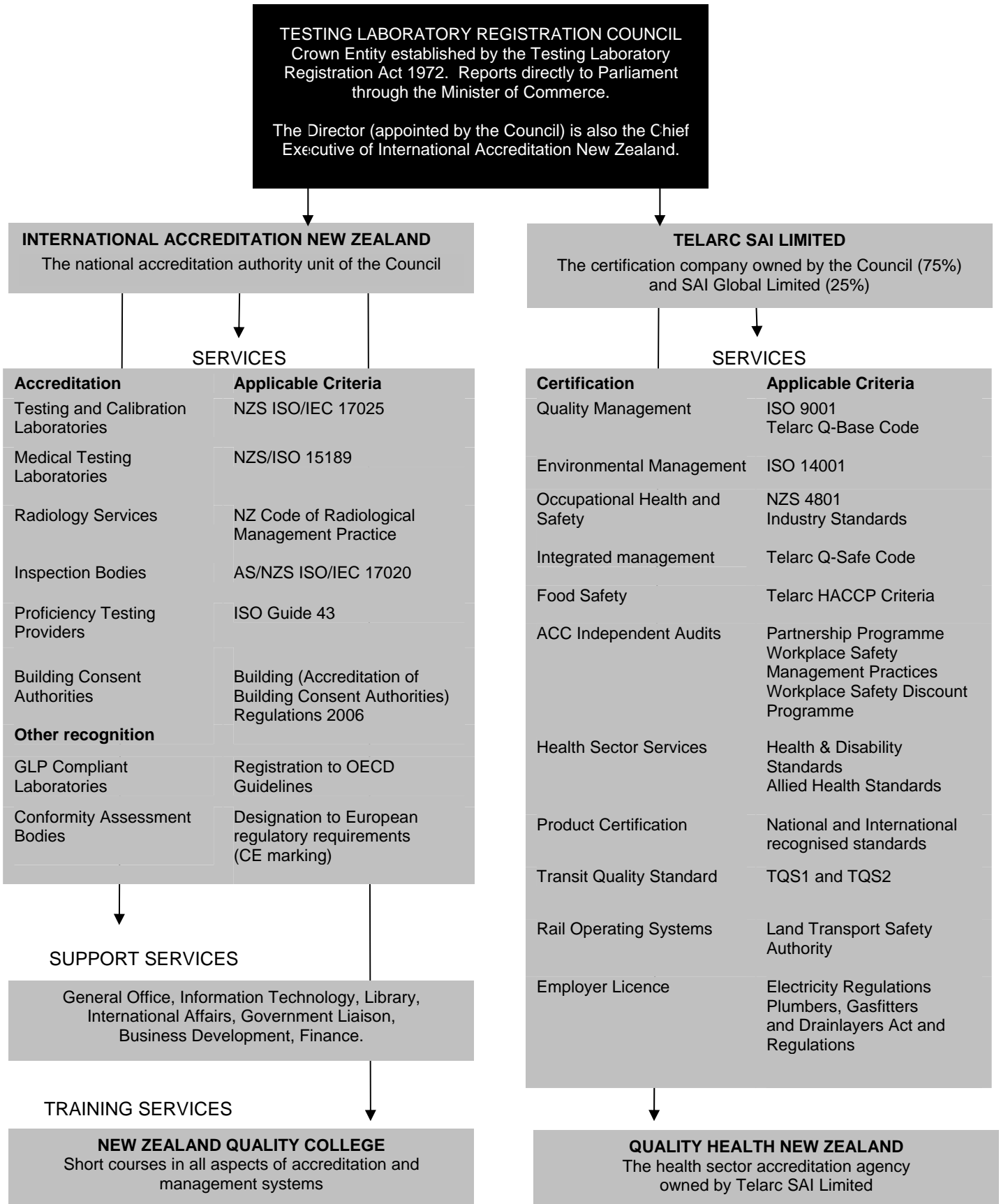
- (a) ISO Guide 62: 1996 *General requirements for Bodies Operating Assessment and Certification/Registration of Quality Systems*.
- (b) ISO/IEC Guide 66: 1999 *General requirements for bodies operating assessment and certification/registration of environmental management systems (EMS)*.
- (c) ISO/IEC Guide 65 *General Requirements for Bodies Operating Product Certification Systems*

NB: Currently, Telarc SAI is working towards compliance with ISO/IEC 17021 *Conformity Assessment – Requirements for Bodies Providing Audit and Certification of Management Systems*, which will replace both ISO/IEC Guide 65 and ISO/IEC Guide 66 during 2008.

Annual assessments of Telarc SAI against these standards are undertaken by the Trans-Tasman accreditation authority, Joint Accreditation System for Australia and New Zealand (JAS-ANZ).

These external evaluations are combined with twice-yearly management reviews and internal audits to provide Government, regulators and industry confidence to adopt the outputs provided by the Council for their purposes.

Testing Laboratory Registration Council Structure



ACCREDITATION AND CERTIFICATION EXPLAINED

Accreditation

Accreditation requires organisations to meet exacting conditions of technical competence in seven areas of their operations, facilities and procedures.

Personnel

The agency must be managed and staffed by personnel with appropriate technical qualifications. Staff must also have significant experience in their fields of inspection and testing, a thorough understanding of the scientific principles underlying their work and sound operational and managerial skills. The evaluation of laboratory staff expertise is a major component of the IANZ accreditation process.

Accommodation and environment

Many measurement and test procedures must be carried out under tightly controlled environmental conditions or in sterile or electromagnetically screened accommodation. Accreditation of an organisation is dependent upon its accommodation and environmental controls found to be appropriate for its work.

Inspection, test and measurement procedures

Accreditation is available only for validated inspection and test methods that are known to produce reliable results. An IANZ accredited organisation must implement rigorous quality control procedures to demonstrate the ongoing validity of their test and inspection methods. It must also properly determine its uncertainties of measurement and its limits of detection.

Test equipment

An accredited laboratory or inspection body must use test and measuring equipment as specified in its validated test methods. This equipment must be well maintained and regularly calibrated. Such calibrations must, where appropriate, be traceable to the New Zealand national standards of measurement maintained by the Measurement Standards Laboratory under the authority of the Measurement Standards Act 1992.

Reference standards and materials

An accredited organisation must be equipped with an appropriate range of reference measurement standards and reference materials sufficient to be able to demonstrate the accuracy of its tests and measurements. These essential quality control materials must have demonstrated traceability to appropriate international standards.

Records and reports

An accredited laboratory or inspection body must maintain complete records of its inspections and tests and must issue reports in formats that meet international standards for such documents.

Quality management

An accredited laboratory or inspection body must implement a quality management system that is essentially in compliance with the requirements of ISO 9001: 2000.

An Accredited Organisation

Any organisation providing inspection, testing or measurement services may apply for accreditation under the Testing Laboratory Registration Act (1972). The organisation is subjected to a searching assessment of its expertise, facilities, resources, operations, procedures and quality systems by a team of independent, technical experts accompanied by an IANZ accreditation assessor. Technical experts are selected for their personal expertise in the specific field involved. They are drawn from industry, academic institutions, research associations, government and private sector bodies in both Australia and New Zealand.

When full compliance with the accreditation criteria is achieved, the organisation is formally accredited by IANZ and may then be referred to as an Accredited Laboratory, Accredited Radiology Service, Accredited Inspection Body, or Accredited Calibration Laboratory, as appropriate.

Accredited organisations are subjected to annual reassessments to ensure that they continue to comply with the accreditation criteria. More frequent reassessments are carried out if necessary.

It should be noted that accreditation does not constitute a blanket endorsement of all of an organisation's activities. Accreditation is granted only for specific types of work in which the organisation has demonstrated its expertise. This work is defined in the organisation's Scope of Accreditation which is published on the IANZ website: www.ianz.govt.nz/directory. It is also printed in a schedule to each accredited organisation's certificate of accreditation, copies of which should be available from the organisations themselves.

Certification

Certification/registration is when an independent and competent third party certifies that a product, service, system, process or material conforms to specific requirements.

The most well known examples are the certification of quality management systems and environmental management systems as conforming, respectively, to ISO 9001 and ISO 14000 standards.

Over 410,000 businesses in 158 countries are certified with quality management systems that comply with ISO9001, and over 23,000 businesses in 84 countries are certified with environmental management systems that comply with ISO 14001.

In the ISO 9001 and ISO 14001 context, "certification" and "registration" are used interchangeably and they both mean the same thing. One term is preferred over the other depending on the country. Likewise, the bodies that issue ISO 9001 or ISO 14001 certificates are referred to in some countries as "certification bodies" and in others as "registration bodies" or "registrars".

The International Organisation for Standardisation (ISO), as the publisher of standards, does not issue certificates of conformity to any standard; these are issued by certification/registration bodies (such as Telarc SAI), which are independent of ISO and of the businesses they certify. There are over 740 certification or registration bodies worldwide.

The world association of Conformity Assessment Accreditation Bodies, the International Accreditation Forum, Inc. (IAF), requires that certification/registration bodies accredited by IAF accreditation body members comply with one or more of the international ISO/IEC Guides: 62 (quality systems), 65 (product certification) and/or 66 (environmental management systems) and the IAF Guidance to those Guides. The guides are designed to ensure that certification/registration bodies are both competent to carry out the work involved and are operated independently of businesses that are certified.

Quality and environmental management system certification assures users and customers that the business has management systems in place that comply with ISO 9001 or ISO 14001 standards, irrespective of the business and its work. To maintain compliance, standards are monitored by six-monthly or annual surveillance visits.

Product certification is specific to a particular product produced by a particular business. Product certification assures users and regulators that the certified product complies with the standard(s) specified on the certificate. Product certification may be limited to compliance with one or more standards even though the product may be subject to many standards.

STATEMENT OF SERVICE PERFORMANCE 2006-2007

Output One

Register testing and calibration laboratories

Accreditation Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
Testing laboratories (excluding medical)	671	654	661
Calibration laboratories	88	89	86
Proficiency Testing laboratories	2	3	-
OECD GLP Compliant laboratories	14	16	14
Conformity Assessment Bodies	6	6	6
TOTAL	781	768	767

Overall, the programmes are essentially mature as the majority of laboratories in New Zealand are now accredited.

Most of new registrations in the testing and calibration laboratory programmes were offset by withdrawals by laboratories subject of closure, merger and changed business direction.

Future growth in the programmes is expected to be minimal.

Output Two

Register medical testing laboratories

Accreditation Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
Medical testing laboratories	423	362	418
National Screening Unit (NCSP)	18	24	15

In addition to the routine accreditation of medical testing laboratories, this year saw the completion of the first round of routine compliance audits for the Ministry of Health's National Screening Unit of service providers to BreastScreen Aotearoa and the National Cervical Screening Programme.

The drop in medical testing active clients reflects closure of laboratories as a result of rationalisation in the healthcare sector.

Consolidation of medical testing laboratories by District Health Boards during 2006-2007 reduced the number of facilities to be accredited by IANZ, but placed greater demand on

the time required on-site to complete thorough assessments. One additional assessor was employed for this programme and another will be required in 2007-2008.

Minor changes to the NZS/ISO 15189:2003 standard, used by IANZ as the general criteria for medical testing laboratory accreditation, was amended by ISO in 2007. This will be published later in 2007 once the adoption process by Standards New Zealand is completed. Accredited medical testing laboratories will have up to two years to fully implement any new requirements.

Output Three

Register inspection bodies

Accreditation Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
Inspection bodies	103	99	117

This year the number of assessment units reduced slightly because of mergers within the inspection industry. However, there was increased inspection body accreditation activity in the food safety related field.

Output Four

Register Building Consent Authorities

Accreditation Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
Building Consent Authorities	40	65	-

Building Consent Authorities are assessed by IANZ against the requirements of the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations promulgated by the Department of Building and Housing, were passed in December 2006 and came into force in February 2007. By 30 June 2007, 61 organisations had applied to IANZ for accreditation in this new programme, and two initial assessments had been completed. However, at this date no applicant fully met the requirements for accreditation. The first is expected early in 2007-2008, with the remainder following as local authorities and independent providers implement systems that are compliant with the regulations.

Output Five

Register certification bodies

Accreditation Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
Certification bodies	4	4	4

As agreed with the Minister, registrations for this programme are restricted to those registered in 2005 and will discontinue being accredited by IANZ after the 2009-2010 year.

Output Six

Register radiology services

Accreditation Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
Radiology services	401	398	393
National Screening Unit (BreastScreening Aotearoa)	8	8	-

This programme has been very successfully implemented over the past 11 years, with virtually all practices now IANZ accredited. IANZ continues to accredit radiology services throughout the country to a code it developed from ISO/IEC 17025 *General Requirements for the Competence of Testing and Calibration Laboratories*. In the coming year, a new code will be developed based on ISO 15189:2007 *Medical Laboratories – Particular Requirements for Quality and Competence* for accreditations after 2008.

Output Seven**Register management systems of suppliers**

Certification Programme	Active Clients (Assessment Units)		
	Forecast 06-07	Actual 06-07	Actual 05-06
ISO 9001 Quality Management Systems	1270	1755	1200
ISO 14001 Environmental Management Systems	107	142	100
Q-Base and Q-Safe	280	219	210
Health and Safety	41	58	34
Health and Disability	330	250	315
Food Safety	-	35	100
ACC Independent Audits	230	342	210
Rail Safety Licensing	7	24	5
Transit NZ TQS1	8	15	13
Product Certification	28	4	-
Customer 1 st		41	6
Others		71	
TOTAL	2301	2956	2193

The merger of Telarc with the New Zealand operations of SAI Global – creating Telarc SAI Limited - boosted the number of assessments for the year in both the ISO 9001 quality and ISO 14001 environmental management systems programmes. These programmes are expected to continue at this new level for the next year.

Good progress was made in growing the health and disability sector certifications and, with the addition of Quality Health New Zealand clients in 2007-2008, this programme is set to be a substantial contributor to the overall performance of Telarc SAI.

Telarc received JAS-ANZ accreditation for product certification in February 2007 and had issued 7 certificates by 30 June.

All other programmes continued to perform at similar levels to previous years and are not expected to alter significantly in 2007-2008.

Output Eight

Provide training courses in accreditation and certification.

Training Programme	Training Days		
	Forecast 06-07	Actual 06-07	Actual 05-06
Accreditation management	1360	866	1360
Certification management	505	251	309
Auditing skills	838	1447	1121
TOTAL	2703	2564	2790

The below-expected number attending accreditation management courses was mainly attributable to fewer courses being held for counterpart accreditation bodies overseas. The decline also reflects fewer new IANZ accredited laboratories and the need to train new staff.

A training course covering the standards, criteria and procedures for accreditation as a Building Consent Authority was prepared for the Department of Building and Housing. This course was delivered to 220 building consent officers from territorial authorities at eleven centres throughout New Zealand in April and May 2007.

While courses on aspects of certification management were below that expected this year, there was considerable interest in auditing skills training, with courses in Auckland (6), Wellington (2) and Christchurch (2) attracting high attendances.

Output Nine

Facilitate New Zealand's trade by improving access to overseas markets.

The accreditation body in Costa Rica was added to the list of signatories to the regional and international mutual recognition arrangements. Costa Rica became the 49th economy to become a signatory. In addition, three new accreditation bodies, in Australia, Italy and the USA became MRA signatories. This brings the total number of accreditation bodies in MRAs worldwide to 64. The MRA is an essential component in open and transparent trade between economies, enabling accredited test and inspection reports to be accepted throughout the world.

In October 2006, IANZ joined the European cooperation for Accreditation (EA) as a bilateral partner in inspection body recognition. EA confirmed IANZ as the sole New Zealand accreditation body in the regulated sector for inspection bodies. This greatly increased the acceptance of IANZ accredited inspection reports accompanying New Zealand exports to major trading partners in Europe.

On two occasions this year the Chief Executive, at the invitation of the Ministry of Economic Development, accompanied the New Zealand Government delegation to the New Zealand/China Trade and Economic Cooperation Framework meetings in Beijing. Conformity

assessment of electrical and electronic goods forms an essential component of the Agreement. The Mutual Recognition Arrangements IANZ has with its counterpart body in China provided a major part of the technical confidence necessary to underpin the free trade agreement.

In February 2007, the OECD Working Group on Good Laboratory Practice met in Auckland at the invitation of IANZ. Thirty seven delegates and ten observers from twenty seven economies attended the three day meeting. IANZ was represented by the General Manager – Accreditation Services

Output Ten

Promote public understanding of the Council's functions.

News about IANZ and Telarc SAI activities was posted regularly on the respective websites and published in issues of *Focal Points* (IANZ) and *Telarc Talk*. These newsletters were sent to clients and other interested parties.

Information about IANZ accreditation and Telarc SAI certification is regularly reviewed and up-dated where necessary. All information is available on-line at www.ianz.govt and www.telarcsai.co.nz.

A new IANZ document, *Building Consent Authority Accreditation – Procedures and Conditions*, was published to assist local authorities and others beginning the accreditation process required to meet new building regulations promulgated by the Department of Building and Housing. Details of the procedures and conditions were explained to local authority personnel at a series of seminars throughout the country in April and May.

Specific criteria of accreditation for dairy testing laboratories were amended in April 2007 to replace references to the Ministry of Agriculture and Forestry requirements with the New Zealand Food Safety Authority; and to update other references. A significant new document will be required for dairy testing laboratories once new NZFSA regulations are brought in later in 2007.

Also, a new specific criteria of accreditation, *NZFSA Laboratory Approval Scheme*, was published for testing laboratories which conduct testing in support of the NZFSA official certification of exported food products.

A full review of the promotion of IANZ accreditation was completed this year and new publicity material explaining the role of accreditation is being published.

STATEMENT OF RESPONSIBILITY

In the financial year ended 30 June 2007, 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 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 IANZ, the financial statements for the financial year reflect fairly the financial position and operations of Council.



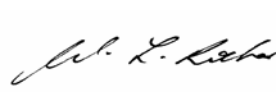
Dr R Pratt
Chairperson

3 September 2007



R Dimmock
Chairperson
Audit Committee

3 September 2007



Dr W L Richards
Chief Executive
Officer

3 September 2007

N J Perfect
Chief Financial Officer

3 September 2007

AUDIT REPORT
TO THE READERS OF
TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND
AND GROUP'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2007

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 on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Council and group for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- √ The financial statements of the Council and group on pages 28 to 39:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Council and group's financial position as at 30 June 2007; and
 - the results of operations and cash flows for the year ended on that date.

- √ The statement of service performance of the Council and group on pages 19 to 24:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 3 September 2007, 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 and statement of service performance did not have material misstatements, whether caused by fraud or error.

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

Testing Laboratory Registration Council

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

Audit procedures generally include:

- 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 and statement of service performance disclosures are adequate.

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

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

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Council and group as at 30 June 2007 and the results of operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Council and group's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Council's responsibilities arise from the Crown Entities Act 2004, 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 statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

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

Other than the audit, we have no relationship with or interests in the Council or any of its subsidiaries.



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

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

Reporting Entity

These are the financial statements of Testing Laboratory Registration Council of New Zealand, a Crown entity in terms of the Crown Entities Act 2004.

These financial statements have been prepared pursuant to the Public Finance Act 1989 and the Crown Entities Act 2004.

Measurement Base

The financial statements have been prepared on an historical cost basis and in compliance with NZ GAAP.

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.

The investment in subsidiary is carried at cost in the Council records and the Council confirms this reflects fair value.

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 SAI Limited is exempt from income tax in accordance with Part CW 31 Public authorities of the Income Tax Act 2004.

Trade and other Receivables

Trade and other receivables are stated at their expected realisable value after providing for doubtful and uncollectible debts.

Investments in Subsidiary, Telarc SAI Limited

Investment in Subsidiary is carried at cost in the Council's records and the Council confirms this reflects fair value.

Investments: Short Term Deposits

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

Property, Plant and Equipment

Property Plant and Equipment are recorded at historical cost.

Depreciation

Property Plant and Equipment 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 reviewed annually and 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.

Client lists purchased are 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 reviewed annually and are as follows:

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

Client lists purchased are amortised over 12 months from date of purchase.

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 have 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. Provision has been made for any liability that may arise in the future and has been calculated on an actuarial basis.

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 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

The Council has now established a provision for long service leave.

The 2006 comparative figures for Council and Group have been re-stated to allow for the provision created as at 30 June 2006 of \$59,130 for Council and \$76,530 for Group. This adjustment was made through Shareholder's equity.

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 2007

	Notes	CONSOLIDATED			PARENT		
		2007 Actual \$	2007 Budget \$	2006 Actual \$	2007 Actual \$	2007 Budget \$	2006 Actual \$
Revenue	2	10,033,946	10,011,815	9,017,094	4,972,125	5,409,775	4,536,027
Net income from sale of Food Safety Auditing Business		-	-	187,900	-	-	-
Interest income		119,995	107,000	121,451	111,037	97,000	108,038
Dividend Income		-	-	-	200,000	100,000	120,000
Profit on Sale of Shares in Telarc SAI Limited		249,204	-	-	249,204	-	-
Total operating revenue		10,403,145	10,118,815	9,326,445	5,532,366	5,606,775	4,764,065
Cost of services	2	10,532,568	10,014,782	9,488,625	5,628,466	5,603,601	4,942,365
Net operating surplus (deficit) before tax for the period		(129,423)	104,033	(162,180)	(96,100)	3,174	(178,300)
Net operating surplus (deficit) for the period	1	(129,423)	104,033	(162,180)	(96,100)	3,174	(178,300)
Surplus attributable to:-		48,906	-	-	-	-	-
		(178,329)	104,033	(162,180)	(96,100)	3,174	(178,300)
		(129,423)	104,033	(162,180)	(96,100)	3,174	(178,300)

STATEMENT OF MOVEMENT IN EQUITY
For the year ended 30 June 2007

	CONSOLIDATED			PARENT		
	2007 Actual \$	2007 Budget \$	2006 Actual \$	2007 Actual \$	2007 Budget \$	2006 Actual \$
Equity at 1 July	3,049,321	3,125,851	3,288,031	2,731,000	2,790,130	2,968,430
Net operating surplus (deficit) for the period	(129,423)	104,033	(162,180)	(96,100)	3,174	(178,300)
Provision for Long Service Leave	-	-	(76,530)	-	-	(59,130)
Total recognised revenues and expenses for the period	(129,423)	104,033	(238,710)	(96,100)	3,174	(237,430)
Increase in capital Telarc SAI Limited 1 April 2007	215,000	-	-	-	-	-
Sale of shares in Telarc SAI Limited	50,000	-	-	-	-	-
Equity at 30 June	3,184,898	3,229,884	3,049,321	2,634,900	2,793,304	2,731,000
Parent Entity interest	2,870,992	3,229,884	3,049,321	2,634,900	2,793,304	2,731,000
Minority Entity Interest						
Share Capital	265,000	-	-	-	-	-
Share of surplus	48,906	-	-	-	-	-
Total minority Interest	313,906	-	-	-	-	-
Total Equity	3,184,898	3,229,884	3,049,321	2,634,900	2,793,304	2,731,000

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 2007

	Notes	CONSOLIDATED				PARENT	
		2007 Actual \$	2007 Budget \$	2006 Actual \$	2007 Actual \$	2007 Budget \$	2006 Actual \$
EQUITY							
Parent entity Interest		2,870,992	3,229,884	3,049,321	2,634,900	2,793,304	2,731,000
Minority Interest		313,906	-	-	-	-	-
TOTAL EQUITY		3,184,898	3,229,884	3,049,321	2,634,900	2,793,304	2,731,000
Represented by:							
ASSETS							
Current assets							
Cash and cash equivalents		219,218	64,730	72,142	54,223	24,251	17,491
Trade & other receivables	3	1,921,289	1,872,000	1,623,682	881,371	1,143,000	1,015,538
Other financial assets: prepayments		225,734	109,000	117,452	42,448	58,000	63,164
Short-term deposits investments	4	4,213,407	1,910,000	1,803,996	3,308,294	1,460,000	1,411,892
Total current assets	13	6,579,648	3,955,730	3,617,272	4,286,336	2,685,251	2,508,085
Non current assets							
Investments (Shares in Telarc SAI Limited)	9	-	-	-	450,000	500,000	500,000
Property, Plant and Equipment	5	579,913	595,312	693,359	401,195	404,716	479,363
Total non current assets		579,913	595,312	693,359	851,195	904,716	979,363
Intangible assets							
Computer Software	6	210,829	324,884	290,637	111,255	181,379	190,432
Client lists purchased		318,231	-	-	-	-	-
Total intangible assets		529,060	324,884	290,637	111,255	181,379	190,432
Total assets		7,688,621	4,875,926	4,601,268	5,248,786	3,771,346	3,677,880
LIABILITIES							
Current liabilities							
Trade and other payables	7	4,059,110	1,353,042	1,171,116	2,322,605	778,042	672,612
Provision for employee entitlements	8	444,613	293,000	380,831	291,281	200,000	274,268
Total current liabilities		4,503,723	1,646,042	1,551,947	2,613,886	978,042	946,880
Total liabilities		4,503,723	1,646,042	1,551,947	2,613,886	978,042	946,880
NET ASSETS		3,184,898	3,229,884	3,049,321	2,634,900	2,793,304	2,731,000

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 2007

	CONSOLIDATED				PARENT	
	2007	2007	2006	2007	2007	2006
	Actual	Budget	Actual	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Revenues from services provided	12,377,372	9,816,590	8,931,102	6,541,622	5,328,341	4,431,812
Interest received	116,671	106,996	114,565	107,320	96,788	101,520
	<u>12,494,043</u>	<u>9,923,586</u>	<u>9,045,667</u>	<u>6,648,942</u>	<u>5,425,129</u>	<u>4,533,332</u>
Cash was applied to:						
Payments to employees	4,767,954	4,887,919	4,453,825	2,972,779	2,994,260	2,583,253
Payments to suppliers	5,150,653	4,515,619	4,586,021	2,298,326	2,259,830	1,953,259
Net Goods and Services Tax	(76,225)	18,281	(32,447)	(80,855)	5,896	8,249
	<u>9,842,382</u>	<u>9,421,819</u>	<u>9,007,399</u>	<u>5,190,250</u>	<u>5,259,986</u>	<u>4,544,761</u>
Net cash flows from operating activities	<u>2,651,661</u>	<u>501,767</u>	<u>38,268</u>	<u>1,458,692</u>	<u>165,143</u>	<u>(11,429)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from PPE	15,918	-	84,078	-	-	55,419
Proceeds from sale of Food Safety Auditing Business	-	-	187,900	-	-	-
Proceeds from sale of Shares in Telarc SAI Limited	299,204	-	-	299,204	-	-
Dividends Received from Telarc SAI Limited	-	-	-	320,000	120,000	120,000
	<u>315,122</u>	<u>-</u>	<u>271,978</u>	<u>619,204</u>	<u>120,000</u>	<u>175,419</u>
Cash was applied to:						
Purchase of PPE	183,434	166,275	417,457	119,965	116,275	274,264
Purchase of Intangible assets (Computer Software)	69,881	236,900	83,455	24,797	114,000	20,838
Purchase of Intangible assets (Client lists)	156,981	-	-	-	-	-
	<u>410,296</u>	<u>403,175</u>	<u>500,912</u>	<u>144,762</u>	<u>230,275</u>	<u>295,102</u>
Net cash flows from investing activities	<u>(95,174)</u>	<u>(403,175)</u>	<u>(228,934)</u>	<u>474,442</u>	<u>(110,275)</u>	<u>(119,683)</u>
Net increase (decrease) in cash held	2,556,487	98,592	(190,666)	1,933,134	54,868	(131,112)
Plus opening cash	1,876,138	1,876,138	2,066,804	1,429,383	1,429,383	1,560,495
Closing cash balance	<u>4,432,625</u>	<u>1,974,730</u>	<u>1,876,138</u>	<u>3,362,517</u>	<u>1,484,251</u>	<u>1,429,383</u>
Cash and bank	219,218	64,730	72,142	54,223	24,251	17,491
Short term investments	4,213,407	1,910,000	1,803,996	3,308,294	1,460,000	1,411,892
Closing cash balance	<u>4,432,625</u>	<u>1,974,730</u>	<u>1,876,138</u>	<u>3,362,517</u>	<u>1,484,251</u>	<u>1,429,383</u>

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

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

For the year ended 30 June 2007

	CONSOLIDATED			PARENT		
	2007 Actual \$	2007 Budget \$	2006 Actual \$	2007 Actual \$	2007 Budget \$	2006 Actual \$
Net Operating Surplus / (Deficit)	(129,423)	204,033	(162,180)	(96,100)	3,174	(178,300)
<i>Add (less) non cash item</i>						
Depreciation	260,463	255,047	255,036	181,857	174,647	174,478
Amortisation	226,084	195,653	180,564	110,121	123,053	115,159
Total non cash items	486,547	450,700	435,600	291,978	297,700	289,637
<i>Add/ (less) movement in working capital items :</i>						
Decrease (increase) in receivables	(322,103)	(251,300)	112,712	154,883	(142,298)	46,763
(Decrease) increase in payables	142,787	93,156	(133,071)	95,866	95,164	(60,859)
(Decrease) increase in employee entitlements	63,782	(11,301)	23,028	17,013	(15,138)	31,331
(Decrease) increase in other provisions	2,655,052	16,479	(60,425)	1,564,256	26,541	(25,335)
Working capital movements - net	2,539,518	(152,966)	(57,756)	1,832,018	(35,731)	(8,100)
<i>Add (less) items classified as investing activities</i>						
Net loss (gain) on disposal of assets	4,223	-	10,504	-	-	5,334
Dividend Received	-	-	-	(320,000)	(100,000)	(120,000)
Proceeds from sale of Shares in Telarc SAI Limited	(249,204)	-	(187,900)	(249,204)	-	-
Net cash flow from operating activities	2,651,661	501,767	38,268	1,458,692	165,143	(11,429)

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

STATEMENT OF COMMITMENTS

As at 30 June 2007

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
Capital commitments approved and contracted	-	-	-	-
Non-cancellable operating lease commitments, payable:				
Not later than one year	513,938	410,654	272,897	272,897
Later than one year and not later than two years	441,381	412,449	204,673	272,897
Later than two year and not later than five years	280,208	523,610	-	204,672
Later than five years	-	50,762	-	-
	<u>1,235,527</u>	<u>1,397,475</u>	<u>477,570</u>	<u>750,466</u>

Other non-cancellable contracts

There are no material non-cancellable contracts at balance date (2006 Nil)

STATEMENT OF CONTINGENT LIABILITIES

As at 30 June 2007

As at balance date there are no known contingent liabilities (2006 Nil)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	CONSOLIDATED			PARENT		
	2007 Actual \$	2007 Budget \$	2006 Actual \$	2007 Actual \$	2007 Budget \$	2006 Actual \$
Note 1: Operating surplus/(deficit)						
The net surplus (deficit) is after charging for:						
Fees paid to auditors for external audit	38,943	29,330	58,841	20,843	16,100	33,011
Fees paid to auditors for other services	2,700	-	-	1,500	-	-
Council and Director's Fees	167,709	165,000	149,167	117,709	120,000	106,667
Depreciation and Amortisation by type:						
Motor vehicles	91,990	80,675	81,296	58,417	48,190	51,008
Office furniture and equipment	40,970	45,025	41,161	32,056	36,025	33,275
Leasehold improvements	43,879	41,218	41,943	40,629	37,968	38,693
Computer hardware	83,624	82,533	90,636	50,755	46,868	51,501
Amortisation Computer Software	172,334	208,749	180,564	110,121	136,149	115,159
Amortisation client lists purchased	53,750	-	-	-	-	-
Total Depreciation and Amortisation	486,547	458,200	435,600	291,978	305,200	289,636
Deficit (profit) on disposal of fixed assets	4,223	-	10,504	-	-	5,334
Rental expense on operating leases	410,835	414,000	421,171	270,413	270,000	277,483
Bad Debts	7,563	-	2,850	7,563	-	-
Note 2: Net revenue/(cost) analysis						
Accreditation services						
Revenue	4,176,127	4,545,095	3,642,041	4,176,127	4,545,095	3,642,041
Less cost	4,366,494	4,377,541	3,792,425	4,366,494	4,377,541	3,792,425
Net revenue/ (deficit)	(190,367)	167,554	(150,384)	(190,367)	167,554	(150,384)
Certification services						
Revenue	4,987,213	4,529,013	4,303,264	-	-	-
Revenue from discontinued operations	-	-	107,000	-	-	-
Less cost	4,867,214	4,410,208	4,543,463	-	-	-
Net revenue/ (deficit)	119,999	118,805	(103,199)	-	-	-
Net revenue/ (deficit) from discontinued operations	-	-	(30,000)	-	-	-
Training and other services						
Revenue	870,606	927,707	868,188	795,998	854,680	797,385
Less cost	754,440	699,806	670,245	717,551	698,833	667,448
Net revenue	116,166	227,901	197,943	78,447	155,847	129,937
National recognition services						
Revenue	-	10,000	96,601	-	10,000	96,601
Less cost	544,420	527,227	482,492	544,420	527,227	482,492
Net revenue/ (deficit)	(544,420)	(517,227)	(385,891)	(544,420)	(517,227)	(385,891)
Other revenue						
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	-	-	-
Total services and other revenue						
Total revenue	10,033,946	10,011,815	9,110,094	4,972,125	5,409,775	4,536,027
Revenue from discontinued operations	-	-	107,000	-	-	-
Less total cost	10,532,568	10,014,782	9,500,725	5,628,465	5,603,601	4,942,365
Net revenue/ (deficit)	(498,622)	(2,967)	(253,631)	(656,340)	(193,826)	(406,338)
Net revenue/ (deficit) from discontinued operations	-	-	(30,000)	-	-	-
Note 3: Trade and other receivables						
Trade receivable	1,641,449	1,727,000	1,376,639	645,526	911,000	664,123
Other amounts receivable	279,840	145,000	247,043	235,845	232,000	351,415
Total	1,921,289	1,872,000	1,623,682	881,371	1,143,000	1,015,538

Testing Laboratory Registration Council

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	CONSOLIDATED		2006 Actual \$	2007 Actual \$	PARENT	
	2007 Actual \$	2007 Budget \$			2007 Budget \$	2006 Actual \$
Note 4: Investments						
Current						
Short term deposit investments	4,213,407	1,910,000	1,803,996	3,308,294	1,460,000	1,411,892
Weighted average effective interest rates						
Short term deposit investments	7.87%	6.75%	7.10%	7.77%	6.75%	7.10%

Short term deposit investments increased over 2006 due to advance fees received from applicants for the Building Consent Authorities Accreditation Programme, and advance fees received from clients of New Zealand Council on Healthcare Standards (Incorporated).

Note 5: Property, Plant and Equipment

Motor Vehicles (at cost)	455,669	454,517	454,517	292,090	292,090	292,090
Accumulated Depreciation	172,815	178,942	88,148	111,068	110,960	52,651
Net book value	282,854	275,575	366,369	181,022	181,130	239,439
Office Furniture and Equipment (at cost)	457,395	449,833	442,833	307,990	298,917	298,917
Accumulated Depreciation	374,721	373,994	333,751	254,468	253,655	222,412
Net book value	82,674	75,839	109,082	53,522	45,262	76,505
Leasehold Improvements (at cost)	424,407	567,140	407,634	399,470	542,203	382,697
Accumulated Depreciation	342,350	458,096	298,471	328,516	444,262	287,887
Net book value	82,057	109,044	109,163	70,954	97,941	94,810
Computer Hardware (at cost)	1,004,736	888,022	897,528	545,047	407,697	467,203
Accumulated Depreciation	872,408	753,168	788,783	449,350	327,314	398,594
Net book value	132,328	134,854	108,745	95,697	80,383	68,609
Total Property, Plant and Equipment	579,913	595,312	693,359	401,195	404,716	479,363

Note 6: Intangibles

Computer Software	1,158,645	1,296,019	1,066,119	702,886	785,942	671,942
Less Accumulated Amortisation	947,816	971,135	775,482	591,631	604,563	481,510
Net book value	210,829	324,884	290,637	111,255	181,379	190,432
Client lists purchased	371,981	-	-	-	-	-
Less Accumulated Amortisation	53,750	-	-	-	-	-
Net book value	318,231	-	-	-	-	-
Total Intangibles	529,060	324,884	290,637	111,255	181,379	190,432

Note 7: Trade and other payables

Trade payables	453,164	448,000	359,715	199,097	250,000	194,134
Other payables	124,376	77,042	47,262	97,086	52,042	30,681
Accrued expenses	162,997	148,000	100,618	53,707	41,000	39,338
Revenue in advance	3,318,573	680,000	663,521	1,972,715	435,000	408,459
Total trade and other payables	4,059,110	1,353,042	1,171,116	2,322,605	778,042	672,612

Revenue in advance increased over 2006 due to advance fees received from applicants for the Building Consent Authorities Accreditation Programme, and advance fees received from clients of New Zealand Council on Healthcare Standards (Incorporated).

Note 8: Employee entitlements

Annual leave	344,076	279,000	289,839	210,151	186,000	200,676
Long Service Leave	85,241	-	76,530	65,834	-	59,130
Retirement Leave	15,296	14,000	14,462	15,296	14,000	14,462
Total	444,613	293,000	380,831	291,281	200,000	274,268

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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 75% of the share capital of Telarc SAI Limited.

The share capital of Telarc SAI Limited is 600,000 Ordinary Shares.

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

Telarc SAI Limited balance date: 30 June

During the year the total transactions charged by the Council to Telarc SAI Limited were \$641,672, and transactions charged to Council by Telarc SAI Limited \$100,190. (2006 transactions charged by Council \$671,156 and transactions charged to Council \$81,951) There are no other related party transactions.

At year end Telarc SAI Limited owed the Council:

Current Account Advances	\$Nil (2006 Nil)
Payables	\$81,780 (2006 \$45,566)

At year end Council owed Telarc SAI Limited:

Payables	\$Nil (2006 \$20,029)
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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	
	2,007	2006
\$230,000 - \$240,000	1	-
\$220,000 - \$230,000	-	1
\$180,000 - \$190,000	1	-
\$150,000 - \$160,000	-	1
\$110,000 - \$120,000	1	-
\$100,000 - \$110,000	1	1

The Chief Executive's remuneration is in the \$230,000 to \$240,000 band.

Note 11: Council and Directors Fees

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

Council members	2007	2006
Dr T Barker (Until 11 April 2007)	9,375	10,625
J Brosnahan (From 1 May 2007)	2,083	-
Mr N Cann	12,500	10,625
Ms M R Dean	12,500	10,625
Mr R Dimmock, Acting Chairperson (Until 30 April 2007)	22,917	10,625
Dr J Hay	12,500	10,625
Dr R S Janes	12,500	11,042
Ms S Kennedy	12,500	10,625
Dr G Page (Until 1 August 2006, deceased)	-	21,250
Dr R Pratt, Chairman (From 1 May 2007)	4,167	-
Mr G Robertson (Until 30 April 2007)	10,417	10,625
Telarc SAI Limited Directors		
Mr G Hunt, Chairperson	25,000	21,250
Mrs L Cruickshank	12,500	10,625
Mr R Dimmock	12,500	10,625
Total Council and Directors fees	161,459	149,167

Note 12: Insurance Cover Directors and Employees

Council 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 2007

Note 13: Financial Instruments

Credit Risk

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

Council 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.

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

Fair Value

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.

Council 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 2007 (2006 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

The Building Consent Authorities Accreditation programme performed by IANZ on behalf of the Department of Building and Housing commenced at a date later than forecasted in the IANZ Budget. Consequently, the revenues from this contract were \$667,000 less than budget and the operating surplus \$123,000 less than budget.

A major budget variation arose with the purchase by Telarc SAI Limited, in April 2007, of SAI Global's New Zealand clients. This un-budgeted client acquisition increased revenues by \$215,000 and the operating surplus by \$48,000.

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.