

**TESTING LABORATORY REGISTRATION COUNCIL  
STATEMENT OF INTENT 2004-2005**

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# TESTING LABORATORY REGISTRATION COUNCIL

## STATEMENT OF INTENT 2004-2005

### 1. INTRODUCTION

In presenting this annual Statement of Intent of the Testing Laboratory Registration Council, I wish to draw attention to the considerable value that the Council's activities add to the well-being of our nation. Much of what it achieves receives very little public recognition, and yet, without the Council, the quality of essential services and overall business performance would be well below public expectations. Also, our ability to trade effectively in global markets would be considerably handicapped.

Through International Accreditation New Zealand, the Council's accreditation body, we can have confidence that our health, safety and environmental concerns are being attended to in the best possible way. A prime example is the accreditation of medical testing laboratories to ensure that, no matter where we live, the competence of these laboratories is assessed to the same international standard and in a consistent manner. The same applies to the testing of drinking water and food to ensure they are safe for consumption, something that we all take for granted but know little about how this is achieved.

To meet mandatory requirements, many regulators require all testing to be undertaken in accredited laboratories. It is the rigour and robustness of the IANZ accreditation process that gives regulators confidence in the competence of laboratories, inspection bodies, and other organisations; and in the reliability of the results reported.

The Council also plays a large part in assisting New Zealand businesses to trade successfully in international markets. Over the years, the Council has established Mutual Recognition Arrangements with counterpart authorities in all our major trading partners that allow test results from New Zealand laboratories to be recognised in the country of destination. This provides a significant advantage for our major exports of meat, wool and dairy products, as it does with manufactured items such as building materials, steel and aluminium, electrical goods, and even toys.

The Council's certification body, Telarc Limited has led the country in establishing good management practices in New Zealand organisations. Each year, Telarc reviews over one thousand organisations for the effectiveness of their management systems and identifies areas where improvements can be made. New Zealand consumers and company shareholders alike benefit greatly from the benefits these organisations enjoy in operating to the best international practices.

Now in its thirty-first year, the Council is unique in that it delivers this valuable assistance to the New Zealand economy without any government funding. Over the past decade, modest surpluses have been invested in increasing the scope of the Council's operations and the quality of its service delivery, and in securing international arrangements for the benefit of New Zealand trade.

Dr John Buckingham  
Chairman  
Testing Laboratory Registration Council  
June 2004

## **2. TESTING LABORATORY REGISTRATION COUNCIL**

- 2.1 The Testing Laboratory Registration Council is a user-funded statutory body, established by the Testing Laboratory Registration Act, 1972 to make provision for the registration of testing laboratories. The Act was amended in 1988 to make provision for the registration of suppliers of goods and services.

The Council reports annually to Parliament through the Minister of Commerce. It receives no crown funding for its operations.

- 2.2 The purpose of the Council is to contribute to the safeguarding of the health and well being of New Zealanders; and helping to ensure that New Zealand products and services meet domestic and overseas regulatory and customer requirements. This the Council achieves through independent recognition of competence given by accreditation of testing, inspection and certification.

- 2.3 The basis for the Council's performance targets and measures are its primary functions, namely promoting the development of and maintaining good practice in testing, inspection and certification, and good quality assurance practice in the supply of goods and services. The number of accreditations, licenses and certifications granted by the Council is dependent upon the demand for these services from secondary customers and regulators, and on the level of preparedness of applicants. These factors will influence the rate at which accreditations and registrations will be granted.

- 2.4 The Council's conformity, accreditation and certification procedures are in line with best international practice and are subject to regular peer review. Staff participate in international working groups reviewing procedures and evaluating other accreditation bodies; and regularly monitor overseas conformance trends that may impact on New Zealand.

- 2.5 The Council's revenue is derived in the main from the sale of its accreditation, registration, certification and training services. The Council has resolved to operate these programmes to recover all costs and, together with other income, to generate a surplus of income over expenditure which will be directed towards meeting national interest requirements, including international recognition; and towards programme growth and development.

### **3. FUNCTIONS**

The functions of the Council are to:

1. Promote the development and maintenance of good laboratory practice, and maintain a scheme for the accreditation of testing and calibration laboratories.
2. 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.
3. Promote the development and maintenance of good inspection body practice, and maintain a scheme for the accreditation of inspection bodies.
4. Promote product and management systems certification through accreditation activities. (This latter activity is no longer actively promoted following discussions with MED officials regarding the possibility of legislative amendment).

Functions 1, 3 & 4 are produced by International Accreditation New Zealand.

Telarc Limited produces Function 2.

## 4. NATURE AND SCOPE OF ACTIVITIES

The activities of the Council are provided by:

### 4.1 International Accreditation New Zealand, which is the national authority for accrediting testing and calibration laboratories, radiology services, and inspection bodies, and is one of the authorities for the accreditation of certification bodies. IANZ Accreditation is the means by which the integrity and competence of organisations are formally recognised.

The Council's Chief Executive is also the Chief Executive Officer of International Accreditation New Zealand.

IANZ's function is to develop and maintain good practice in testing, measuring, inspection and certification through formal recognition, against agreed international criteria standards, of the technical and management systems capabilities of New Zealand enterprises, which may also support regulatory requirements.

IANZ activities comprise the following accreditation and registration programmes: *(International criteria against which accreditations are judged are in brackets).*

- Testing and calibration laboratories (*NZS/ISO/IEC 17025*)
- Medical testing laboratories (*NZS/ISO 15189*)
- Radiology services (*based on NZS/ISO/IEC 17025*)
- Inspection bodies (*NZS/ISO/IEC 17020*)
- Quality management, environmental management, product and personnel certification bodies (*ISO/IEC Guide 62, ISO/IEC Guide 65 and ISO/IEC Guide 66*) \*
- Good Laboratory Practice compliance monitoring programme (*OECD Principles of Good Laboratory Practice*)
- Testing and inspection bodies for CE marking (*European regulatory requirements*), and for other government-to-government mutual recognition agreements such as Singapore
- Testing laboratories to specific regulatory requirements.

IANZ maintains on-going training of assessment staff to ensure its ability to deliver services to existing and new accreditation programmes. Additional staff are recruited only when a shortfall in numbers and/or specialist knowledge arises and for programme sustainability.

\* This activity is no longer actively promoted, following discussions with MED officials regarding the possibility of legislative amendment.

IANZ represents New Zealand in international technical accreditation fora and maintains close liaison with overseas counterpart agencies. It is active at regional and international levels through regular participation in the following organisations:

- International Laboratory Accreditation Cooperation (ILAC) - founding member
- Asia Pacific Laboratory Accreditation Cooperation (APLAC) – bilateral recognition partner
- European Cooperation for Accreditation (EA)
- ISO Conformity Assessment Committee (CASCO), developing international standards for accreditation, testing, inspection and other conformity assessment activities. IANZ represents Standards New Zealand in this activity.

The Directory of IANZ Accredited Laboratories, Radiology Services, and Inspection Bodies is updated regularly and published on the IANZ Website.

**4.2 Telarc Limited** provides management systems assessment and recognition that help New Zealand organisations improve their performance. Its functions are to develop and maintain good quality assurance practice in the supply of goods and services. It provides formal recognition, against agreed international, national and industry criteria standards, of the effectiveness of management systems. These include quality, environmental, occupational health and safety, food safety, health and disability, and product certification.

Telarc certificates of conformance provide public recognition where organisations conform to standards. Telarc also provides valuable assessment reports that help organisations to identify their areas of strength and areas where performance can be improved.

Activities comprise the following certification and recognition programmes:

*(International and national criteria against which certifications are judged are in brackets)*

- Quality management systems (*ISO 9001:2000 standard and Q-Base Code\**)
- Environmental management systems (*ISO 14001 standard*)
- Food safety assessments to New Zealand Food Safety Authority and other regulatory and industry requirements
- Health and disability sector audits to Ministry of Health requirements (*H&DS and related standards*)
- Occupational health and safety management systems (*NZS 4801 and other industry standards*)
- Customer management systems (*Customer 1st™\*\**)
- Product certification (*SAA/SNZ HB 16.65:1996*)
- ACC Employers Accident Insurance audits
- Rail safety assessment (*Land Transport Safety Authority requirements*).

\* *Q-Base Code is a Telarc propriety programme and is licensed to certification bodies in Australia and Canada.*

\*\* *Customer 1st™ is a Telarc propriety programme developed in association with Dr Ian Brooks.*

Organisations registered by Telarc are incorporated in the JAS-ANZ Register, published on [www.jas-anz.com.au](http://www.jas-anz.com.au) and updated regularly.

Telarc is assessed annually and accredited by:

- International Accreditation New Zealand (IANZ) to ISO/IEC 17020 as an Inspection Body for dairy food inspection
- the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) to ISO/IEC Guide 62 for quality and environmental management systems certification; and to ISO/IEC Guide 65 for product certification.

Telarc Limited is managed by a Chief Executive, who reports to the Telarc Limited Board.

**4.3 New Zealand Quality College** provides professional training courses on topics complimentary to the services provided by International Accreditation New Zealand and Telarc Limited.

The manager of the College reports to the IANZ Chief Executive.

Training courses of up to five days duration are provided within New Zealand and throughout Asia Pacific (in conjunction with MRA partners) in the following topics:

- Laboratory accreditation and management
- Management systems
- Inspection body accreditation
- Medical testing accreditation
- Environmental management
- Health and safety
- Food safety
- Auditing skills.

## 5. OPERATING ENVIRONMENT

### 5.1 Domestic regulations

Independent assurances of competence and accuracy in testing, measurement and inspection and of management systems meeting regulatory requirements are important components of domestic commerce and external trade.

Government actions to improve public and occupational health and safety in New Zealand are increasingly incorporating international standards and third-party verification as a significant tool for managing the process. Recent examples include food and water safety, workplace health and safety, health and disability services, and building safety. Government funding of medical testing laboratories is conditional on IANZ accreditation.

The Council, through **International Accreditation New Zealand**, is continuing to advise government and industry regulators on the suitability of incorporating international standards and third-party verification to ensure the high level of assurance they require. In particular, IANZ is in regular dialogue with and provides assistance to the following ministries:

**Ministry of Economic Development** with regard to the:

- NZ-European Community Mutual Recognition Agreement on Conformity Assessment, and the NZ-Singapore CEP. IANZ is the New Zealand Designating Body for both these Agreements.
- APEC Telecommunications MRA and APEC Electrical MRA.

**Ministry of Foreign Affairs and Trade** with technical support in trade negotiations with other governments.

**Ministry of Health** with regard to:

- Drinking water testing and drinking water supplies inspection
- Medical testing, cervical screening, and health and disability sector requirements.

**Accident Compensation Commission** with regard to contractual requirements for specialist medical imaging.

**New Zealand Food Safety Authority** with regard to food safety inspection (domestic and export); and meat, shellfish and dairy testing programmes.

**Department of Labour / OSH** with regard to pressure equipment, gas cylinder testing and pipeline inspection activities.

Through its participation at international accreditation fora, IANZ is well qualified to keep regulators and industry in general abreast with international accreditation standards and requirements.

### 5.2 Commerce

Businesses, in many instances, are reluctant to go through an accreditation or certification process unless required to by regulation or by customers. Those that do, realise the improvements that the process can make on their organisation's performance and the competitive advantage they can gain in the market place.

Certification to ISO 9001 for quality management systems is, by far, the standard most commonly implemented by organisations in New Zealand. However, interest in this certification has reached a plateau in recent years, with around 1% of total New Zealand companies currently certified. Council's promotional efforts (through Telarc Limited) in the past five years have, at best, maintained the status quo and it would require a substantial push to make any significant increase.

Similarly, interest in achieving environmental management systems certifications to ISO 14001, health and safety standards, and food safety requirements, is static and continues to attract just those organisations that need to demonstrate compliance for regulatory or stakeholder requirements. Of these certifications, only food safety can be expected to grow over the next two to three years as recent amendments to the Food Act 1981 are implemented.

### 5.3 World trade

New Zealand exporters are required to meet technical requirements for entry into overseas markets. The World Trade Organisation's Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) set rules for the management of technical requirements and encourage the use of international standards and systems for assessing conformity to standards.

Most of New Zealand's trade is in areas that are regulated, such as dairy products, meat, timber and electrical products. Some regulators around the world now recognise acceptance when such products are tested in laboratories that are accredited by an internationally recognised accreditation authority as an essential requirement for market access. In the non-regulated sector, international markets for products such as wool, steel and aluminium increasingly require testing to be carried out in an accredited laboratory before acceptance by the market.

Regulators in some overseas countries recognise their national accreditation body as a means of assuring the competence of independent inspection and testing reports to meet their own (regulatory) requirements. Increasingly, these authorities accept New Zealand test and inspection reports endorsed by IANZ as being equivalent to those provided locally.

The Council maintains Mutual Recognition Arrangements (MRAs) and informal relationships with overseas accreditation bodies through the international accreditation fora, as follows:

**European cooperation for Accreditation (EA)**, currently covering twenty-seven nationally recognised accreditation authorities in: Austria; Belgium; Czech Republic; Denmark; Finland; France; Germany; Ireland; Italy; Latvia; Lithuania; The Netherlands; Norway; Portugal; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; and United Kingdom.

**Asia Pacific Laboratory Accreditation Cooperation (APLAC)**, currently covering twenty nationally recognised accreditation bodies in Australia; Canada; People's Republic of China; Chinese Taipei; Hong Kong, China; India; Indonesia; Japan; Republic of Korea; Malaysia; New Zealand; Singapore; Thailand; United States of America; and Vietnam.

**International Laboratory Accreditation Cooperation (ILAC)**, linking signatories to the **EA** and **APLAC** MRAs (above), together with the economies of Brazil, Israel, and South Africa.

Memoranda of Understanding, expressing intent to work towards mutual recognition status for testing and calibration laboratories and inspection bodies, have been signed with IANZ's counterparts in the Philippines.

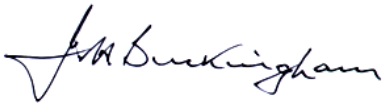
MRAs for accredited inspection bodies are in place for Australia; Singapore; Hong Kong, China; and the USA.

## 6. STATEMENT OF RESPONSIBILITY

For the financial year ended 30 June 2005, the Council and management accept responsibility for the preparation of the financial forecasts and the judgements used therein.

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

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



J H Buckingham  
Chairperson  
29 June 2004



W L Richards  
Chief Executive Officer  
29 June 2004

## 7. STATEMENT OF OBJECTIVES

### Output 1

#### **Accreditation services**

This output involves the accreditation of testing and calibration laboratories, radiology services and inspection bodies to international and national standards by International Accreditation New Zealand (IANZ). IANZ is peer-evaluated by Asia Pacific Laboratory Accreditation Cooperation and by International Laboratory Accreditation Cooperation on a regular basis to meet MLA signatory obligations.

Output 1 performance measures set for 2004/2005 are:

- 1290 assessment units accredited or registered
- Revenue of \$3,280,510
- Costs of \$2,953,560
- Net revenue of \$326,950

### Output 2

#### **Certification services**

This output, performed by Telarc Limited, involves the certification of management systems, including quality, environmental, occupational health and safety, health and disability, food safety and rail safety, to international, national and industry standards. Telarc's certification services are regularly evaluated by internationally recognised accreditation authorities.

Output 2 performance measures set for 2004/2005 are:

- 3400 assessment days
- 2200 certifications
- Revenue of \$4,000,000
- Costs of \$3,795,000
- Net revenue of \$205,000

### Output 3

#### **Training services**

This output, performed by the New Zealand Quality College (NZQC), provides short courses on topics complimentary to the Council's accreditation and certification functions. NZQC is evaluated as a Private Training Organisation on a regular basis by the New Zealand Qualifications Authority.

Output 3 performance measures set for 2004/2005 are:

- 2700 training days
- Revenue of \$830,340
- Costs of \$708,966
- Net revenue of \$121,374

### Output 4

#### **International recognition**

This output involves the Council's participation in the international conformity assessment fora, including mutual recognition arrangements with accreditation bodies worldwide, and standing on technical working groups for standards and government-to-government trade agreements. The international recognition services are maintained to meet both domestic regulatory requirements and to underpin international product access requirements. No revenue is earned from this output.

Output 4 performance measures set for 2004/2005 are:

- Costs of \$537,061
- Net deficit of (\$537,061)

## 8. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June

		2003	2004	2005	2006	2007
		Actual	Estimate	Budget	Forecast	Forecast
		\$	\$	\$	\$	\$
<b>IANZ</b>						
<b>Accreditation Services</b>	Revenue	2,851,586	2,949,267	3,280,510	3,488,510	3,552,510
	Less Cost	2,484,838	2,959,711	2,953,560	3,050,680	3,153,300
	Net Revenue / (Deficit)	366,748	(10,444)	326,950	437,830	399,210
<b>Training and Other Services</b>	Revenue	853,388	799,055	830,340	855,000	880,000
	Less Cost	649,591	677,497	708,966	730,000	751,400
	Net Revenue / (Deficit)	203,797	121,558	121,374	125,000	128,600
<b>National Recognition Services</b>	Revenue	7,781	2,165	-	-	-
	Less Cost	570,079	588,624	537,061	500,000	543,000
	Net Revenue / (Deficit)	(562,298)	(586,459)	(537,061)	(500,000)	(543,000)
<b>Telarc Certification Services</b>	Revenue	3,665,661	4,422,845	4,000,000	4,100,000	4,202,000
	Less Cost	3,747,844	4,243,987	3,795,000	3,895,000	3,992,000
	Net Revenue / (Deficit)	(82,183)	178,858	205,000	205,000	210,000
<b>Consolidated</b>	Total Revenue	7,378,416	8,173,332	8,110,850	8,443,510	8,634,510
	Less Total Cost	7,452,352	8,469,819	7,994,587	8,175,680	8,439,700
	Net Revenue / (Deficit)	(73,936)	(296,487)	116,263	267,830	194,810
	Interest	126,284	72,980	67,000	75,000	80,000
<b>Net Operating Surplus (Deficit) for the Period</b>		<b>52,348</b>	<b>(223,507)</b>	<b>183,263</b>	<b>342,830</b>	<b>274,810</b>

**9. STATEMENT OF MOVEMENT IN EQUITY**  
**For the year ended 30 June**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Equity at 1 July</b>	3,234,105	3,286,453	3,062,946	3,246,209	3,589,039
Net operating surplus for the period	52,348	(223,507)	183,263	342,830	274,810
<b>Total recognised revenues and expenses for the period</b>	52,348	(223,507)	183,263	342,830	274,810
<b>Equity at 30 June</b>	<b>3,286,453</b>	<b>3,062,946</b>	<b>3,246,209</b>	<b>3,589,039</b>	<b>3,863,849</b>

## 10. FORECAST STATEMENT OF FINANCIAL POSITION

As at 30 June

	2004	2005	2006	2007
	\$	\$	\$	\$
<b>Equity</b>				
<b>Opening General Funds</b>	3,286,453	3,062,946	3,246,209	3,589,039
Net operating surplus for the period	(223,507)	183,263	342,830	274,810
<b>Total Equity</b>	<b>3,062,946</b>	<b>3,246,209</b>	<b>3,589,039</b>	<b>3,863,849</b>
<b>Represented by:</b>				
<b>Current Assets</b>				
Cash and Bank	1,595,676	1,827,294	2,403,654	2,863,559
Receivables and Prepayments	1,721,500	1,678,000	1,731,500	1,870,900
<b>Total Current Assets</b>	<b>3,317,176</b>	<b>3,505,294</b>	<b>4,135,154</b>	<b>4,734,459</b>
<b>Fixed Assets</b>	<b>1,063,620</b>	<b>1,079,315</b>	<b>794,485</b>	<b>514,390</b>
<b>Total Assets</b>	<b>4,380,796</b>	<b>4,584,609</b>	<b>4,929,639</b>	<b>5,248,849</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,112,850	1,123,400	1,115,600	1,150,000
Employee Entitlements	205,000	215,000	225,000	235,000
<b>Total Current Liabilities</b>	<b>1,317,850</b>	<b>1,338,400</b>	<b>1,340,600</b>	<b>1,385,000</b>
<b>Total Liabilities</b>	<b>1,317,850</b>	<b>1,338,400</b>	<b>1,340,600</b>	<b>1,385,000</b>
<b>Total Net Assets</b>	<b>3,062,946</b>	<b>3,246,209</b>	<b>3,589,039</b>	<b>3,863,849</b>

**11. STATEMENT OF CASH FLOWS**  
For the year ended 30 June

	<b>2004 Forecast \$</b>	<b>2005 Budget \$</b>	<b>2006 Budget \$</b>	<b>2007 Budget \$</b>
<b>Cash Flows From Operating Activities</b>				
Cash provided from:				
Revenues from services provided	8,027,603	8,113,189	8,380,988	8,518,778
Interest	64,405	85,028	74,500	79,000
	<u>8,092,008</u>	<u>8,198,217</u>	<u>8,455,488</u>	<u>8,597,778</u>
Cash applied to:				
Suppliers	4,354,914	3,841,493	3,861,906	4,037,773
Employees	3,775,852	3,666,600	3,823,500	3,938,500
GST	(10,129)	(6,494)	722	7,600
	<u>8,120,637</u>	<u>7,501,599</u>	<u>7,686,128</u>	<u>7,983,873</u>
<b>Net Cash Flows From Operating Activities</b>	<b><u>(28,629)</u></b>	<b><u>696,618</u></b>	<b><u>769,360</u></b>	<b><u>613,905</u></b>
<b>Cash Flows From Investing Activities</b>				
Cash provided from sale of fixed assets	-	65,000	53,000	6,000
Cash applied to purchase fixed assets	521,012	530,000	246,000	160,000
	<u>(521,012)</u>	<u>(465,000)</u>	<u>(193,000)</u>	<u>(154,000)</u>
<b>Net Cash Flows From Investing Activities</b>	<b><u>(521,012)</u></b>	<b><u>(465,000)</u></b>	<b><u>(193,000)</u></b>	<b><u>(154,000)</u></b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(549,641)</b>	<b>231,618</b>	<b>576,360</b>	<b>459,905</b>
Plus Opening Cash	2,145,316	1,595,676	1,827,294	2,403,654
<b>Closing Cash Balance</b>	<b><u>1,595,675</u></b>	<b><u>1,827,294</u></b>	<b><u>2,403,654</u></b>	<b><u>2,863,559</u></b>
Cash and Bank	95,675	97,294	103,654	113,559
Short Term Investments	1,500,000	1,730,000	2,300,000	2,750,000
<b>Closing Cash Balance</b>	<b><u>1,595,675</u></b>	<b><u>1,827,294</u></b>	<b><u>2,403,654</u></b>	<b><u>2,863,559</u></b>

**12. FIXED ASSETS**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Motor Vehicles (at cost)	344,425	345,425	347,425	358,425
Accumulated Depreciation	173,900	191,130	222,048	299,549
Net book value	170,525	154,295	125,377	58,876
Office Furniture (at cost)	449,425	501,425	501,425	501,425
Accumulated Depreciation	321,348	368,611	410,753	439,083
Net book value	128,077	132,814	90,672	62,342
Leasehold Improvements (at cost)	385,988	485,988	485,988	485,988
Accumulated Depreciation	219,607	272,720	327,688	384,091
Net book value	166,381	213,268	158,300	101,897
Computer Equipment (at Cost)	1,620,126	1,867,126	2,005,126	2,143,126
Accumulated Depreciation	1,021,489	1,288,188	1,584,990	1,851,851
Net book value	598,637	578,938	420,136	291,275
<b>Total Fixed Assets</b>	<b>1,063,620</b>	<b>1,079,315</b>	<b>794,485</b>	<b>514,390</b>

**13. STATEMENT OF RECONCILIATION OF REPORTED OPERATING SURPLUS  
WITH NET CASH FLOW FROM OPERATING ACTIVITIES**  
For the year ended 30 June

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>
	\$	\$	\$	\$
Net surplus (deficit) from operations	(223,507)	183,263	342,830	274,810
<i>Add (less) non cash item</i>				
Depreciation	374,000	449,305	477,830	434,095
Total non cash items	<u>374,000</u>	<u>449,305</u>	<u>477,830</u>	<u>434,095</u>
Add/ (less) movement in working capitals items				
<i>Plus/ (Less ) Movement in Working Capital</i>				
Decrease (increase) in Receivables	(81,506)	43,500	(53,500)	(139,400)
(Decrease) increase in Payables	(96,264)	10,550	(7,800)	34,400
(Decrease) increase in employee entitlements	(1,352)	10,000	10,000	10,000
(Decrease) increase in other provisions	-	-	-	-
(Decrease) increase in Income Tax paid	-	-	-	-
(Decrease) increase in Taxation Provision	-	-	-	-
<b>Working capital movements - net</b>	<u>(179,122)</u>	<u>64,050</u>	<u>(51,300)</u>	<u>(95,000)</u>
<i>Add (less) items classified as investing activities</i>				
Net loss (gain) on disposal of assets	-	-	-	-
<b>Net Cash Flow from Operating Activities</b>	<u><u>(28,629)</u></u>	<u><u>696,618</u></u>	<u><u>769,360</u></u>	<u><u>613,905</u></u>

## **14. STATEMENT OF ACCOUNTING POLICIES**

### **14.1 Reporting Entity**

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

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

### **14.2 Measurement Base**

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

### **14.3 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 a Private Ruling by the Inland Revenue Department dated 29 August 2001. The Ruling applies for the period 29 August 2001 to 28 August 2004.

#### **Accounts Receivable**

Accounts receivable are stated at their expected realisable value after providing for doubtful and 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 asset**

Fixed assets are recorded at historical cost.

## Depreciation

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

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

## Employee entitlements

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

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

## Leases

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

## Financial instruments

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

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

## Statement of cash flows

*Cash means* cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which 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.