Report of the

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

For the year ended 30 June 2001

Presented to the House of Representatives pursuant to Section 26 of the Testing Laboratory Registration Act 1972 and Section 44A of the Public Finance Act 1989
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CHAIRPERSON’S REPORT

The Hon Paul Swain, Minister of Commerce
I have the honour to submit the twenty-seventh report of the Testing Laboratory Registration Council of New Zealand.

Introduction

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

The Council is a user-funded, statutory body. It is a crown entity that reports annually to Parliament through the Minister of Commerce. It receives no crown funding for its operations.

The Council's primary functions are:
To promote the development and maintenance of good laboratory practice in testing; and establish and maintain a scheme for registration of testing laboratories. International Accreditation New Zealand (IANZ) undertakes this function.

To promote the development and maintenance of good quality assurance practice in the supply of goods and services; and maintain a scheme for the registration of suppliers. This function is undertaken by Telarc Limited, a wholly owned subsidiary of the Council with a Board of Directors reporting to the Council.

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

The Environmental Choice New Zealand labelling programme was managed by IANZ for the Minister for the Environment up until the end of this financial year.

Operating environment

Domestic regulations and commerce
Greater reliance on industry self-regulation heightens the role of conformity assessment bodies. Independent assurances of reliability in testing, measurement and inspection and of management systems meeting regulatory requirements are now important components of domestic commerce and external trade. The Council's operations are an integral part of New Zealand's technical and conformity infrastructure, providing assurance based on sound technical and management knowledge and free from commercial influence.

Public concern about competency within the New Zealand health sector is heightening the importance of the accreditation function of Council. Existing Council medical testing and radiology service accreditation is providing assurances of personnel and laboratory technical competency and compliance with quality management systems standards in these areas.

The opportunity exists for the Council's accreditation role to expand to include other professional services in the inspection area as well as technical testing applications.

Changes to regulations have placed a greater requirement on businesses to operate procedures for, amongst other things, health and safety, accident prevention, and food safety. Business
managers are developing systems that embrace these procedures and integrate them with those already in place for quality management and environmental management. Changes to the ISO 9000 series of standards published in 2000 will make this integration easier to work. Telarc Limited provides assessment, training and recognition services that incorporate all of these requirements.

The Council's accreditation and certification procedures are in full compliance with international requirements and are subject to regular peer review. Staff participate in international working groups reviewing procedures. They also monitor overseas conformance trends that may impact on New Zealand's regulatory and trade requirements. The Council's activities assist in ensuring that New Zealand products and services meet domestic and overseas regulatory and customer requirements.

World trade
With external trade, as tariffs and non-tariff barriers continue to be reduced, New Zealand's exporters are required to meet technical requirements for market entry. 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 international systems for assessing conformity to standards.

Most of New Zealand's trade is in areas such as butter, meat, wool, and other primary produce that are regulated. Regulators around the world now require such products to be tested in laboratories that are accredited by an internationally recognised accreditation authority. In the non-regulated sector, international markets for products such as steel and aluminium increasingly require testing to be carried out in an accredited laboratory before acceptance by the market.

Many regulators in overseas countries are recognising independent inspection and testing as meeting their own (regulatory) requirements, and accreditation as a means of assuring competence of inspection and tests. Where their national accreditation body recognises IANZ as being equivalent, increasingly regulatory authorities accept test and inspection reports endorsed by IANZ.

International Accreditation New Zealand

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

IANZ accreditation gives assurance to all users of test results and inspection reports that they can have confidence in the reliability of the result, and know that the organisation was competent to undertake the particular test or inspection activity. The market place, regulators, and our international trading partners need such assurance before they will accept the accuracy of test reports and certificates.

IANZ operates to the international standard ISO/IEC Guide 58 Calibration and testing laboratory accreditation systems - General requirements for operation and recognition and ISO/IEC 17010 General requirements for bodies providing accreditation of inspection bodies. Operational procedures are regularly evaluated / audited against these standards by internal auditors, and are independently peer-assessed by overseas counterparts.

Accreditation
Accreditation by IANZ is the assessment and recognition of the technical competence and of the effectiveness of the quality management system of an organisation and its staff. It recognises that they are able to perform to a standard set internationally and expected by their industry. They will
also have undergone a peer-review of their operations. Essentially, IANZ accreditation is independent recognition that an organisation has a commitment to the reliability of the results it releases.

The criteria for accreditation of laboratories are contained in the international standard, NZS/ISO/IEC 17025 General requirements for the competence of testing and calibration laboratories. This standard has also been adapted by IANZ for accrediting radiology services and pharmacies. It replaced the NZ Code of Laboratory Management Practice, which still remains the guiding document for medical testing laboratories. A new standard, ISO/IEC 15189 Medical laboratories – particular requirements for quality and competence, when published, will replace the NZ Code for medical testing laboratories.

For inspection services, the criteria for accreditation are contained in ISO/IEC 17020 General criteria for the operation of various types of bodies performing inspection.

**Accreditation Services**
The number of accredited clients increased during the year by 5% to 714. An 18% increase in accredited facilities was achieved with 1244 at the end of 2000/2001 compared to 1058 the previous year. A significant portion of this increase was due to border control quarantine inspectors being accredited by IANZ for the first time during the year.

A new programme for water testing laboratories was passed to IANZ by Ministry of Health late in the year and is expected to service twenty additional clients. Other technical professional organisations and their institutions or representative bodies have approached IANZ to provide accreditation services, some of which may develop next year.

The services provided, and client numbers at 30 June 2001, are:

- Accreditation of Calibration Laboratories 54
- Accreditation of Testing Laboratories 468
- Accreditation of Radiology Services 46
- Accreditation of Inspection Bodies 60
- Accreditation of Certification Bodies 2
- Registration of OECD, GLP Compliant Laboratories 12
- Designation of Conformity Assessment Bodies for CE Marking 5
- Ministry of Health Food Safety (HACCP) Auditing Bodies 15
- MAF Meat Industry Laboratories 49

**Training**
The New Zealand Quality College is the name under which the Council offers training courses in a wide range of topics in support of its accreditation and certification services. Existing and new courses are continually developed to reflect the needs of the market, and are offered as public and in-house courses.

The College trained 1229 students in 2000/2001 in subjects that included laboratory management, quality and environmental management, occupational health and safety and food safety. Courses for the new ISO 9001:2000 standard were introduced this year.

Courses were delivered to laboratory assessors of the accreditation bodies in China, Taiwan and Malaysia. Training technical expert assessors used by IANZ in ISO/IEC 17025 assessment techniques was completed during the year.

The Council remains the major provider of specialist standards, management systems and accreditation and certification training in New Zealand.
**International Activities and National Recognition**

International Accreditation New Zealand continues to play a vital role in the protection and enhancement of New Zealand’s international trade. Activities are undertaken to ensure test results and certificates from New Zealand are accepted internationally, avoiding the need for expensive re-testing and re-certification. A major part of this activity is work on the harmonisation and mutual recognition of conformity assessment procedures.

During the year IANZ provided input on technical aspects of trade policy to the APEC Committee on Trade and Investment, subcommittee on standards and conformance, and participated in standards and conformance cooperation in the context of the AFTA/CER dialogue. Technical support was also provided for Government to Government negotiations in the area of standards and conformance in the Singapore/New Zealand Closer Economic Partnership (CEP), as well as the development of the Hong Kong/New Zealand CEP. IANZ represented New Zealand at the OECD, Paris Conference on Standards and Conformance and was also involved in CASCO (ISO Conformity Assessment Committee) working groups drafting the new standards ISO/IEC 17025: General Requirements for the Competence of Testing and Calibration Laboratories and ISO/IEC 17011: General Requirements for Bodies Providing Assessment and Accreditation.

International Accreditation New Zealand remains a leading member of International Laboratory Accreditation Cooperation (ILAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC). Staff members serve on various working committees and the IANZ Chief Executive is the present Chair of APLAC. ILAC and APLAC are both concerned with achieving mutual recognition with accreditation bodies so that accredited test reports from one economy will be automatically recognised by the other accreditation bodies. During the year this was achieved by ILAC when all 37 accreditation bodies in 28 economies signed a Mutual Recognition Arrangement. This avoids both duplicate testing and the need for separate bilateral recognition arrangements between individual accreditation bodies.

International Accreditation New Zealand now has multilateral Mutual Recognition Arrangements (MRA) with 41 accreditation bodies in 30 economies. It has also signed what is believed to be the world’s first bilateral MRA in the field of inspection body recognition with the National Association of Testing Authorities (NATA) in Australia.

Other international involvements included participating in follow-up evaluations of two APLAC members - Singapore Accreditation Council and China National Accreditation Committee for Laboratories; and participating in an OECD Joint Visit Team for Good Laboratory Practice (GLP) in Japan. International Accreditation New Zealand was granted continuing membership in the OECD GLP programme following an appraisal by an OECD Joint Visit Team.

Since January 1999, International Accreditation New Zealand has been the designating authority for conformity assessment bodies in New Zealand which test and inspect products to meet European regulatory requirements prior to export, thus removing duplication of testing and inspection when goods arrive in Europe. Since the implementation of the Singapore/New Zealand Closer Economic Partnership in January 2001, International Accreditation New Zealand has also been undertaking this same activity for the Singaporean market.

International and national proficiency testing programmes involving inter-laboratory comparisons are routinely conducted to ensure consistency of laboratory practice and reproducibility of results.
Telarc Limited

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

Telarc continues to be accredited by JAS-ANZ (Joint Accreditation Scheme - Australia and New Zealand) as operating to the international standard ISO/IEC Guide 62 *General requirements for bodies operating assessment and certification/registration of quality systems*. Operational procedures and assessment staff competencies are regularly evaluated by JAS-ANZ.

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

**Certification and Assessment Services**
The services provided by Telarc include:

- Telarc Registered Supplier certification, for compliance with the AS/NZS ISO 9001:2000 standard
- Telarc Q-Base certification, for small to medium enterprises
- Telarc Certified Environmental Management System certification, for compliance with the ISO 14001 standard
- Telarc Health and Safety certification, for compliance with NZS 4801 and other industry standards
- Telarc Food Safety certification for compliance with HACCP and other food safety practices
- NZPASS Paint approval scheme
- Assessments to TQS1, Transit New Zealand quality system requirements
- Assessments to Land Transport Safety Authority requirements for the safe operation of rail sidings
- Independent audits of the ACC Workplace Safety Management Practices and ACC Partnership Programme schemes
- Audits for Ministry of Health for exemptions to the Food Hygiene Regulations 1974
- Third Party Agency assessments and monitoring against MAF Food Assurance Group Regulatory Model standards.

The major new programmes for Telarc this year have been:

- Auditing organisations participating in the ACC Workplace Safety Management Practices and ACC Partnership Programme schemes.
- Introducing the new ISO9001: 2000 standard that came into effect in December 2000. This standard is a significant improvement over the earlier standard issued in 1994, and represents a key opportunity to increase penetration of certified quality management systems in New Zealand.
Investors in People

International Accreditation New Zealand has relinquished its rights to operate the Investors in People licence in New Zealand.

Management and staff of International Accreditation New Zealand have been recognised as continuing to comply with the Investors in People standard. This recognition has been instrumental in improving the performance of the organisation.

Finance

The year saw an increase in revenue from accreditation activities, but a significant decrease in certification revenue. During the year general restructuring of the certification business was undertaken to provide focus on new activities to assist the reduced certification operations.

The Council had a surplus of $277,041 from its operational activities. Following national recognition activities ($473,829), and interest earnings $116,296, the Council recorded a deficit of $80,492. This includes restructuring and one off costs of $179,000.

It was pleasing to see a marked improvement in training activities, following a restructuring of this part of the operation.

A significant part of the Council’s activities is facilitation of New Zealand trade, through activities aimed at reducing requirements for re-testing and re-certification of export products. This work, undertaken in the national interest, incurs a cost of $474,000 per annum. This cost is met entirely by the Council.

International Accreditation New Zealand again saw an increase in revenue through growth in client numbers.

Staff

Telarc Limited increased staff by three during the year bringing the total Council staff to 60 as at 30 June 2001. Two new assessors were employed and two part-time support staff positions were established to service customers and handle public enquiries.

Staff numbers remained the same at International Accreditation New Zealand during the year.

Appreciation

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

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

Conclusion

The Council’s accreditation business activities continue to expand, as the Council determines and responds to new opportunities that arise. International Accreditation New Zealand and Telarc Limited are well recognised as competent professional assessment service providers of
accreditation and certification respectively. Both are expected to continue growing the number of assessment units they service as newer programmes expand and new programmes are introduced to meet market and regulatory requirements.

The Council continues to pay close attention to the continuous improvement of the quality of its services, the efficiency of their delivery and the costs of operating. It is confident that these measures are ensuring the continuing relevance of the organisation and its financial viability.

J H Buckingham
Chairperson

Date: 7 September 2001
TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

DIRECTORY

The Council
Dr J Buckingham, Chairperson
Dr D A G Breton
Mr R Dimmock
Mr P Haythornthwaite
Ms R G Kivell (until 31 December 2000)
Mr G Robertson (from 1 January 2001)
Dr B J Linehan
Mr K J Lysaght
Mr C Martin
Dr G Page

Telarc Limited
Mr G Hunt, Chairperson
Mr K J Lysaght
Dr G Page
Mrs Lisa Cruickshank

Offices
626 Great South Road, Greenlane, Auckland (Head Office)
543 Te Rapa Road, Hamilton
86 - 90 Lambton Quay, Wellington
53 Victoria Street, Christchurch

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

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

Solicitors
Meredith Connell and Company, corner Shortland and O’Connell Streets, Auckland
TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF RESPONSIBILITY
For the year ended 30 June 2001

In terms of Section 42 of the Public Finance Act 1989 we hereby certify that:

1. We have been responsible for the preparation of these financial statements and the judgements used therein: and

2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting: and

3. We are of the opinion that these financial statements fairly reflect the financial position and operations of this Council as at 30 June 2001.

J H Buckingham
Chairperson

W L Richards
Director

Date 7 September 2001
TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2001

REFER TO EXCEL SPREADSHEETS PREPARED BY NIGEL PERFECT FOR FINANCIAL DATA
1. Statement of Accounting Policies

Reporting Entity

The Testing Laboratory Registration Council of New Zealand is a body corporate established by the Testing Laboratory Registration Act 1972.

Telarc Limited is a company registered under the Companies Act 1993.

The Consolidated financial statements consist of the operations of International Accreditation New Zealand, the trading arm of the Council and Telarc Limited which is wholly owned by the Council. The principal activity of Telarc Limited is to provide management systems certification services.

The Council is a Crown entity for the purpose of the Public Finance Act 1989. The financial statements of the Council and group have been prepared in accordance with Section 20, Testing Laboratory Registration Act 1972 and Section 41 of the Public Finance Act 1989, Financial Reporting Act 1993 and generally accepted accounting principles.

Measurement base

The Council follows the accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis.

Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and the financial position have been applied:

(a) Basis of Consolidation

The consolidated financial statements include the Councils trading arm, International Accreditation New Zealand and Telarc Limited, accounted for using the purchase method. All significant inter entity transactions are eliminated on consolidation. In the parent entity financial statements advances to Telarc Limited are stated at cost.

(b) Fixed Assets

The Council has four classes of fixed assets:

Motor Vehicles
Office equipment and furniture
Computer equipment
Leasehold improvements

All fixed assets are recorded at cost. Where a fixed asset is disposed of the surplus or deficit on disposal is credited or expensed to the statement of financial performance.

(c) Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the costs of assets, less their estimated residual value, over their useful lives. The useful lives of the major classes of assets have been estimated as follows:

Motor Vehicles 5 years
Office equipment and furniture 5-10 years
Computer equipment and software 3 - 5 years
Leasehold improvements 6 years (max)

(d) Receivables

Receivables are stated at their estimated realisable value.

(e) Research and Development

All research and development costs are expensed in the period in which they are incurred.
(f) **Income Tax**

The Council's trading operations are exempt from income tax under Section CB (3)(a) of the Income Tax Act 1994. Telarc Limited is not so exempt.

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit and is calculated after allowance for permanent differences.

The company uses the liability method of accounting for deferred taxation and applies this on a comprehensive basis. Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

(g) **Leases**

The Council leases certain premises.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the net surplus after tax in equal instalments over the term of the lease.

The Council has no finance lease liabilities.

(h) **Foreign currencies**

Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of transaction. There are no material foreign monetary assets or liabilities at balance date.

(i) **Financial instruments**

The fair value of cash, bank and bank deposits has been assessed as their carrying value. Interest on financial instruments is recognised on a receivable basis.

(j) **Allocation of overheads**

The total overheads are allocated to activities based on the proportion of staff employed in those activities.

(k) **Recognition of revenue**

Annual registration fee income relating to the continuation of registration in the following year is deferred. Other revenue is recognised when invoiced.

(l) **Employee Entitlements**

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

(m) **National Recognition Activities**

National recognition expenses have this year been separately reported in the statement of Financial Performance. In previous years these costs have been allocated to activities based on the proportion of staff employed in those activities. 1999-00 figures have been restated to reflect this change in presentation.

(n) **Goods and services tax (GST)**

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.

(o) **Statement of cash flows**

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

Operating activities include cash received from all sources of income of Council 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 Council.

(p) Changes in accounting policies

There have been no changes in accounting policies. All policies have been consistent with those applied in the previous year.
# 2. Expenditure Analysis

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<td>Salaries</td>
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<td>Depreciation</td>
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<tr>
<td>Less: Surplus on disposal of assets</td>
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<td>Plus: Deficit on disposal of assets</td>
<td>32,323</td>
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<td>316,698</td>
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<td>23,000</td>
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<td>Rent (operating leases)</td>
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<td>299,298</td>
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<td>Other Operating Costs</td>
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# 3. Cash and Bank

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## 4. Accounts Receivable

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<tr>
<td>Trade and Other Debtors</td>
<td>1,779,679</td>
<td>1,290,421</td>
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<td>Debtor Telarc Limited</td>
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<td>Prepayments and Advances</td>
<td>100,236</td>
<td>100,000</td>
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<tr>
<td>GST Receivable</td>
<td>3,642</td>
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<tr>
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<td>1,883,557</td>
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## 5. Accounts Payable

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<tr>
<td>Sundry Creditors</td>
<td>572,185</td>
<td>405,000</td>
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<tr>
<td>Fees in Advance</td>
<td>716,384</td>
<td>826,000</td>
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<td>GST</td>
<td>13,036</td>
<td>19,500</td>
</tr>
<tr>
<td>Provision for Holiday Pay</td>
<td>218,155</td>
<td>195,000</td>
</tr>
<tr>
<td></td>
<td>1,519,760</td>
<td>1,445,500</td>
</tr>
</tbody>
</table>

## 6. Fixed Assets

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>PARENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000/01 Actual</td>
<td>2000/01 Budget</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>289,709</td>
<td>292,075</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>104,156</td>
<td>147,837</td>
</tr>
<tr>
<td></td>
<td>185,553</td>
<td>144,238</td>
</tr>
<tr>
<td>Office Furniture and Equipment (at cost)</td>
<td>452,451</td>
<td>517,268</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>307,062</td>
<td>358,274</td>
</tr>
<tr>
<td></td>
<td>145,389</td>
<td>158,994</td>
</tr>
<tr>
<td>Leasehold improvements (at cost)</td>
<td>219,354</td>
<td>259,559</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>131,790</td>
<td>184,706</td>
</tr>
<tr>
<td></td>
<td>87,564</td>
<td>74,853</td>
</tr>
<tr>
<td>Computer Equipment(at cost)</td>
<td>906,035</td>
<td>1,115,380</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>475,203</td>
<td>527,170</td>
</tr>
<tr>
<td></td>
<td>430,832</td>
<td>588,210</td>
</tr>
<tr>
<td>Total Fixed Assets</td>
<td>849,338</td>
<td>966,295</td>
</tr>
</tbody>
</table>
7. Taxation/Tax Losses

The tax losses and taxation for Telarc Limited have been calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2000/01</th>
<th>1999/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) profit for year</td>
<td>(38,599)</td>
<td>131,540</td>
</tr>
<tr>
<td>Tax @ 33%</td>
<td>(12,378)</td>
<td>43,408</td>
</tr>
<tr>
<td>Timing differences not recognised</td>
<td>(20,240)</td>
<td>(4,493)</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prior period adjustment</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>Tax loss not recognised</td>
<td>32,978</td>
<td>-</td>
</tr>
<tr>
<td>Tax loss recognised</td>
<td>-</td>
<td>(19,701)</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>19,214</td>
</tr>
<tr>
<td>Comprising:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Tax</td>
<td>(1)</td>
<td>19,214</td>
</tr>
<tr>
<td>Deferred Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>19,214</td>
</tr>
<tr>
<td>A deferred tax asset of $617 has not been recognised. (1999/00 $33,595).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Telarc Limited has submitted an application for a Private Ruling to the Inland Revenue Department for exemption from taxation, which if granted could result in a refund of taxation paid in previous years of $136,700.

Imputation Credit Account

Movements in the imputation credit account have been as follows:

<table>
<thead>
<tr>
<th></th>
<th>2000/01</th>
<th>1999/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>211,654</td>
<td>199,352</td>
</tr>
<tr>
<td>Add: Income tax paid during the year</td>
<td>19,214</td>
<td>12,302</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$230,868</td>
<td>$211,654</td>
<td></td>
</tr>
</tbody>
</table>
8. Financial Instruments
Financial instruments that potentially subject the group to credit risk consist of bank balances and accounts receivable. The Council performs credit evaluations on all customers requiring credit and does not require collateral. The Council minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time. Maximum exposure to credit risk at balance date are:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes</td>
<td>2000/01 Actual</td>
<td>2000/01 Budget</td>
<td>1999/00 Actual</td>
</tr>
<tr>
<td>Bank balances</td>
<td>1,852,195</td>
<td>2,384,700</td>
<td>2,159,123</td>
<td>1,753,617</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,942,538</td>
<td>1,500,101</td>
<td>1,429,050</td>
<td>814,139</td>
</tr>
<tr>
<td>Advance to Telarc Limited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>250,000</td>
</tr>
</tbody>
</table>

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

The Council does not have any significant concentrations of credit risks.

Interest Rate Risk

Assets
Investments in banks mature within one year. The interest rate on these investments is from 2.75% to 5.80% (1999/00: 5.50% to 6.90%)

Fair Values
The carrying value of bank balances, accounts receivable and advance to Telarc Limited is assessed as being the fair value of these financial instruments.

9. Capital Commitments
There are no material capital commitments at balance date. (1999/00 Nil)

Operating Lease Commitments
Lease commitments under non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000/01 Actual</td>
<td>1999/00 Actual</td>
<td>2000/01 Actual</td>
<td>1999/00 Actual</td>
</tr>
<tr>
<td>Not more than one year</td>
<td>267,767</td>
<td>287,894</td>
<td>221,999</td>
<td>221,999</td>
</tr>
<tr>
<td>Later than one year and not later than two years</td>
<td>265,359</td>
<td>242,512</td>
<td>221,999</td>
<td>221,999</td>
</tr>
<tr>
<td>Later than two years and not later than five years</td>
<td>585,928</td>
<td>665,997</td>
<td>564,248</td>
<td>665,997</td>
</tr>
<tr>
<td>Later than five years</td>
<td>-</td>
<td>120,250</td>
<td>-</td>
<td>120,250</td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------</td>
<td>------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,119,054</td>
<td>1,316,653</td>
<td>1,008,246</td>
<td>1,230,245</td>
<td></td>
</tr>
</tbody>
</table>
10. Contingent Liabilities

There are no known contingent liabilities (1999/00 nil)

11. Transactions with Related Parties

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.

During the year the Telarc Limited received $59,277 advances from its parent, the Council.

During the year the total transactions charged by Council to Telarc were $834,427 and transactions charged to Council by Telarc Limited were $11,237 (1999/00 transactions charged by Council $1,358,156, and transactions charged to Council $11,108.)

At year end Telarc Limited owes the Council:

Current Account advances $250,000 (1999/00 $190,723)
Sundry Creditor $58,981 (1999/00 $110,062)

12. Investment in Telarc Limited

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

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

During the year 500,000 shares were purchased from the Council by Telarc Ltd for a consideration of $500,000.

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

Balance date: 30 June

13. Employee 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
$180,000 - 190,000 1
$100,000 – 110,000 1