

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*

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

CONTENTS

	Page
Chairperson's Report.....	3
Directory	10
Statement of Responsibility	11
Report of the Audit Office	12
Statement of Financial Performance	14
Statement of Movement in Equity	15
Statement of Financial Position	16
Statement of Cash Flows	17
Reconciliation of Reported Operating Surplus with Net Cash Flow from Operating Activities	18
Notes to and forming part of the Financial Statements	19

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

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

AUDIT OFFICE
REPORT TO GO
HERE

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**

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2001

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 Council's 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.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

2. Expenditure Analysis

	CONSOLIDATED			PARENT		
	2000/01 Actual	2000/01 Budget	1999/00 Actual	2000/01 Actual	2000/01 Budget	1999/00 Actual
Salaries	3,358,276	3,439,837	3,186,333	1,820,347	1,783,321	1,693,463
Depreciation	286,946	328,000	266,067	168,937	220,000	157,996
Less: Surplus on disposal of assets	2,571	-	3,701	2,571	-	3,677
Plus: Deficit on disposal of assets	32,323	-	4,656	25,298		1,094
	316,698	328,000	267,022	191,664	220,000	155,413
Council/Directors fees	130,000	150,000	110,000	100,000	100,000	100,000
Audit fees	23,000	23,000	22,000	13,000	13,000	12,000
Rent (operating leases)	305,650	299,298	353,743	164,718	169,770	221,999
Other Operating Costs	3,227,697	3,366,205	3,053,950	1,317,757	759,155	839,329
	7,361,321	7,606,340	6,993,048	3,607,486	3,045,246	3,022,204

3. Cash and Bank

Cash in Hand						
Petty Cash	450	350	350	450	350	350
Current Accounts						
Westpac Trust	168,167	58,653	73,790	168,167	58,653	73,790
Westpac Trust Imprest Account	2,000	2,000	2,000	2,000	2,000	2,000
National Bank	94,927	106,697	106,888	-	-	-
National Bank Imprest Account	2,000	2,000	2,000	-	-	-
Funds at call						
Westpac Trust	113,000	255,000	220,000	113,000	255,000	220,000
National Bank	1,651	500,000	504,095	-	-	-
Deposit Accounts						
National Bank	770,000	960,000	750,000	770,000	450,000	300,000
Westpac Trust	700,000	500,000	500,000	700,000	500,000	500,000
	1,852,195	2,384,700	2,159,123	1,753,617	1,266,003	1,096,140

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

4. Accounts Receivable

	CONSOLIDATED			PARENT		
	2000/01 Actual	2000/01 Budget	1999/00 Actual	2000/01 Actual	2000/01 Budget	1999/00 Actual
Trade and Other Debtors	1,779,679	1,290,421	1,317,663	701,654	583,421	598,398
Debtor Telarc Limited	-	-	-	58,981	109,680	110,062
Prepayments and Advances	100,236	100,000	99,487	49,862	50,000	49,269
GST Receivable	3,642	-	11,900	3,642	-	-
	1,883,557	1,390,421	1,429,050	814,139	743,101	757,729

5. Accounts Payable

Sundry Creditors	572,185	405,000	403,556	471,306	273,000	286,854
Fees in Advance	716,384	826,000	904,292	271,245	290,000	280,894
GST	13,036	19,500	8,065	-	13,000	8,065
Provision for Holiday Pay	218,155	195,000	202,294	118,825	100,000	102,544
	1,519,760	1,445,500	1,518,207	861,376	676,000	678,357

6. Fixed Assets

Motor Vehicles	289,709	292,075	289,575	213,418	211,761	209,261
Accumulated Depreciation	104,156	147,837	91,257	90,808	103,845	61,845
	185,553	144,238	198,318	122,610	107,916	147,416
Office Furniture and Equipment (at cost)	452,451	517,268	514,768	305,896	361,812	359,312
Accumulated Depreciation	307,062	358,274	305,522	209,755	253,031	215,831
	145,389	158,994	209,246	96,141	108,781	143,481
Leasehold improvements (at cost)	219,354	259,559	257,059	200,374	202,877	200,377
Accumulated Depreciation	131,790	184,706	158,234	128,968	129,558	113,358
	87,564	74,853	98,825	71,406	73,319	87,019
Computer Equipment(at cost)	906,035	1,115,380	842,880	411,732	624,587	382,087
Accumulated Depreciation	475,203	527,170	334,974	216,723	267,398	142,798
	430,832	588,210	507,906	195,009	357,189	239,289
Total Fixed Assets	849,338	966,295	1,014,295	485,166	647,205	617,205

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

7. Taxation/Tax Losses

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

	2000/01	1999/00
Net (loss) profit for year	(38,599)	131,540
Tax @ 33%	----- (12,378)	----- 43,408
Timing differences not recognised	(20,240)	(4,493)
Permanent differences	-	-
Prior period adjustment	(1)	-
Tax loss not recognised	32,978	-
Tax loss recognised	-	(19,701)
	----- (1)	----- 19,214
	=====	=====
Comprising:		
Current Tax	(1)	19,214
Deferred Tax	----- (1)	----- 19,214
	=====	=====

A deferred tax asset of \$617 has not been recognised. (1999/00 \$33,595).

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:

	2000/01	1999/00
Opening Balance	211,654	199,352
Add: Income tax paid during the year	19,214	12,302
	----- \$230,868	----- \$211,654
	-----	-----

TESTING LABORATORY REGISTRATION COUNCIL

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:-

	Notes	CONSOLIDATED			PARENT		
		2000/01 Actual	2000/01 Budget	1999/00 Actual	2000/01 Actual	2000/01 Budget	1999/00 Actual
Bank balances		1,852,195	2,384,700	2,159,123	1,753,617	1,266,003	1,096,140
Accounts receivable		1,942,538	1,500,101	1,429,050	814,139	743,101	757,729
Advance to Telarc Limited		-	-	-	250,000	75,000	190,723

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:

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

TESTING LABORATORY REGISTRATION COUNCIL

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 – 110000	1