



Report of the

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

For the year ended 30 June 2004

*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

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TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

DIRECTORY

Head Offices

INTERNATIONAL ACCREDITATION NEW ZEALAND
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TELARC LIMITED
Ground Floor, 626 Great South Road, Greenlane, Auckland 1005

Regional Offices

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Auditor

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

Bankers

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

Solicitors

Meredith Connell and Company, corner Shortland and O'Connell Streets, Auckland

Insurer Brokers and Consultants

Hopkins Paton, 57 Market Road, Remuera, Auckland.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**Council Members and Telarc Limited Directors*****The Council***

Dr J Buckingham, Chairperson

Dr D A G Breton

Ms M Dean

Mr R Dimmock

Dr J Hay

Dr B J Linehan

Mr K J Lysaght

Mr C Martin

Mr G Robertson

Telarc Limited

Mr G Hunt, Chairperson

Mrs Lisa Cruickshank

Mr R Dimmock

Mr K J Lysaght

Management

Dr W L Richards, Chief Executive, Testing Laboratory Registration Council and International Accreditation New Zealand

Mr P D U Rose, Chief Executive, Telarc Limited

Mr N J Perfect, Chief Financial Officer, International Accreditation New Zealand

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF PURPOSE

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

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's primary functions are:

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

International Accreditation New Zealand (IANZ) undertakes this function.

To promote the development and maintenance of good quality assurance and environmental management practice in the supply of goods and services; and maintain a scheme for the registration of suppliers.

This function is undertaken by Telarc Limited, a wholly owned subsidiary of the Council with a Board of Directors reporting to the Council.

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

International Accreditation New Zealand (IANZ) undertakes this function.

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

This function, undertaken by International Accreditation New Zealand (IANZ), is the subject of discussion with MED officials regarding the possibility of legislative amendment. IANZ is not actively promoting this programme.

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

IANZ accreditation is relevant for both domestic purposes and New Zealand's international trade. Accurate test results are essential for the health and safety of the population, as well as to give business confidence in the appropriateness of manufacturing output.

New Zealand regulatory agencies rely on IANZ accreditation as the basis for technical competence, and organisations accredited by IANZ provide assurance across many industries. This can include checking the safety of food and water, electrical devices, building materials or road construction; the hygiene requirements of food preparation; the quality of fuels and their effect on the environment; the composition of pharmaceuticals; and the presence of human abnormalities through medical testing and x-rays.

The demand for total reliability in test and inspection results is growing every day. New Zealand now has over eight hundred laboratories, radiology services, and inspection bodies accredited by IANZ. Together they conduct literally millions of tests, examinations, inspections, and audits every year.

Good management systems are also a basic requirement for any trading enterprise, government department, or statutory body. The need for clear procedures covering the range of services and activities offered is fundamental for any organisation. Recognition of good management systems, appropriate to the organisation, continues to be offered through Telarc Limited.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

CHAIRPERSON'S REPORT

The Hon Margaret Wilson, Minister of Commerce

I have the honour to submit the thirtieth report of the Testing Laboratory Registration Council of New Zealand.

Introduction

The Council finished the fiscal year with a deficit of \$95,641 (compared with a surplus of \$52,348 last year). This was due to its decision to increase involvement in public good activities, and to develop additional accreditation and certification functions that will commence generating revenue during future years. The Council also invested significantly in infrastructure to assist in further growth.

The level of interest in our accreditation and certification programmes has increased significantly. Both IANZ and Telarc Limited lifted revenue (by some 15%), with total revenue now \$8,586,761 (\$7,504,700 last year).

International recognition of IANZ accreditation increased to fifty accreditation authorities in thirty-eight economies during the year. Such recognition enables accredited test and inspection reports provided by New Zealand exporters to be accepted by New Zealand's major trading partners, thereby streamlining the passage of goods into foreign markets.

Significant events/key highlights

Accreditation and certification activities both grew consistently throughout the year, with modest growth in the number of organisations registered with IANZ and strong growth in those registered with Telarc Limited. The demand for training to meet both accreditation and certification requirements also increased.

New Zealand regulators are relying increasingly on IANZ accreditation, where an assurance of competence is a necessary regulatory requirement. Regulatory recognition particularly covers sectors relating to health and safety.

IANZ, represented by the CEO and other senior executives, continues to be involved directly in the Asia Pacific Laboratory Accreditation Cooperation (APLAC), and the International Laboratory Accreditation Cooperation (ILAC). Through this representation, the interests of New Zealand exporters are protected in the formulation of international accreditation requirements and practices.

A number of countries are now developing new regulations with technical requirements that are non-tariff barriers to trade. IANZ is working in conjunction with the Ministry of Foreign Affairs and Trade to address these requirements.

Significant changes in the state of affairs

Telarc Limited lifted its performance considerably this year and made a significant contribution to the Council's revenue.

In November 2003, APLAC extended its mutual recognition arrangements to include recognition of inspection body accreditation. IANZ is one of the inaugural signatories to the new expanded Mutual Recognition Arrangement, (MRA).

Likely developments

The Council expects IANZ accreditation activities to continue to grow in the coming year while new programme initiatives are developed further. Both training (NZQC) and certification (Telarc Limited) activities are expected to remain strong.

Council Members

No changes to the structure and personnel on the Council were made during the year. All members participated at meetings and provided valuable input into the affairs of the Council.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

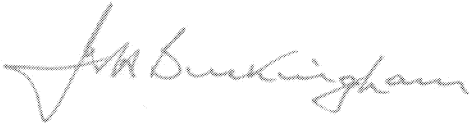
Tributes

The Council is always indebted to the many persons from New Zealand and overseas who make themselves available to serve on the Council's various professional advisory committees and as technical expert assessors. This vital contribution to the Council's accreditation activity is provided mainly by persons who, with the support of their employers, volunteer their time freely to provide the essential peer-review. The Council recognises with gratitude this significant contribution to the effectiveness of IANZ accreditation domestically and internationally.

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

Conclusion

I have pleasure in submitting this Annual Report and the Financial Statements for the year ended 30 June 2004.

A handwritten signature in dark ink, appearing to read 'J H Buckingham', with a stylized flourish at the end.

Dr J H Buckingham
Chairperson

3 September 2004

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

CHIEF EXECUTIVE'S REPORT

Financial

The Council achieved revenue growth this year, with the actual revenue of \$8,586,761 (last year \$7,504,700) considerably up on recent years. This growth came from all sectors of the Council's operations: accreditation, certification, and training.

The Council has made a conscious effort to invest in growing both its accreditation and certification businesses. In accreditation, this has been directed largely at regulators requiring inspection body accreditation, and a promotion programme aimed at raising awareness of IANZ accreditation. It has also invested in a new customer relationship database that will greatly assist in management of the overall accreditation programme.

IANZ also continues to contribute heavily toward public good activities aimed at international recognition of test results and inspection reports from IANZ accredited organisations. This contribution totalled some \$605,022 this year (last year \$562,298). Significant participation in assisting with free trade negotiations is included in this figure.

As a result of this public good contribution, the Council made an overall loss of \$95,641 (last year surplus \$52,348). This was largely offset by a successful year with the certification programme, as well as a positive contribution from accreditation and training. The Council expects that the growth in new activities will lead to a surplus in future years.

All Council activities are user funded. No Crown funding is currently received for any of the Council's operations. However, such funding for assisting the Crown with free trade negotiations is now under discussion.

International Accreditation New Zealand

Operational

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

IANZ continues to operate to the following international standards:

- 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*.
- ISO/IEC Guide 61 *General requirements for assessment and accreditation of certification/registration bodies*.

Operational procedures were evaluated / audited against these standards by internal auditors.

Regulatory

There are New Zealand regulatory agencies that rely on IANZ accreditation as a prerequisite to regulatory approval. These agencies recognise the need for rigour in the assessment of competence and approval of testing organisations and inspection bodies. Increasingly, they are relying on IANZ accreditation as credible recognition of competence.

The agencies involved include:

Ministry of Economic Development with regard to the:

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

Ministry of Foreign Affairs and Trade with technical support in trade negotiations with other governments, including an expanded CEP with Chile and Singapore.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

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.

Ministry of Agriculture and Forestry with regard to requirements for quarantine inspection and biosecurity.

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

Accreditation Services

The services provided and client assessment units as at 30 June were:

| | 2004 | 2003 |
|--|-------------|-------------|
| Accreditation of Calibration Laboratories | 82 | 77 |
| Accreditation of Testing Laboratories | 650 | 576 |
| Accreditation of Medical Testing Laboratories | 388 | 383 |
| Accreditation of Radiology Services | 188 | 182 |
| Accreditation of Inspection Bodies | 113 | 95 |
| Accreditation of Certification Bodies | 5 | 3 |
| Registration of OECD, GLP Compliant Laboratories | 13 | 14 |
| Designation of Conformity Assessment Bodies for CE Marking | 6 | 6 |
| Ministry of Health Food Safety (HACCP) Auditing Bodies | 17 | 18 |
| MAF Meat Industry Laboratories | 19 | 49 |
| Proficiency Testing | 2 | 2 |
| Total | 1483 | 1405 |

The accreditation criteria for laboratories is NZS/ISO/IEC 17025 *General requirements for the competence of testing and calibration laboratories*. This standard is also used in an adapted form by IANZ to accredit radiology services.

For inspection services, the international standard AS/NZS ISO/IEC 17020 *General criteria for the operation of various types of bodies performing inspection* remains the criteria for accreditation. IANZ has published guidance on interpretation of ISO/IEC 17020 in conjunction with the standard.

For medical testing, the accreditation criteria are provided by NZS/ISO 15189 *Medical laboratories – particular requirements for quality and competence*.

The accreditation criteria for certification bodies are to ISO Guide 61 *General Requirements for assessment and accreditation of certification/registration bodies*; and Guide 65 *General requirements for bodies operating product certification systems*.

International Activities and National Recognition

Trade Protection

The bulk of New Zealand's exports require testing in an accredited laboratory to meet regulatory or industry requirements. All wool, dairy and meat products, steel, aluminium, and most timber products are tested or inspected in facilities accredited by International Accreditation New Zealand.

IANZ continues to ensure test results and certificates from New Zealand exporters 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 and the establishment of Mutual Recognition Arrangements (MRA), with counterpart bodies around the world.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

IANZ now has fifty MRA partners in thirty-eight economies (forty-six and thirty-five respectively last year). These arrangements greatly assist the flow of New Zealand goods into those economies.

IANZ also continues to support other Government Departments in negotiating and implementing government-to-government treaties where mutual recognition of conformity assessment is a component of the agreements. A number of economies have introduced new regulations, which are effective non-tariff barriers. IANZ accreditation is recognised in the economies and assistance is being given to address these issues directly.

International Cooperation

International Accreditation New Zealand remains a leading member of International Laboratory Accreditation Cooperation (ILAC) and Asia Pacific Laboratory Accreditation Cooperation (APLAC). Staff members participate at the technical, promotion and policy levels. IANZ is also a bilateral cooperation partner with the European cooperation for Accreditation (EA) for calibration and testing.

In addition, IANZ provides representation to ISO/CASCO and those of its committees that write conformity assessment standards affecting New Zealand.

Telarc Limited

Operational

Telarc Limited is a certifying body providing a range of management systems 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 national regulatory, industry and company codes.

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

Telarc Limited also remained 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 Limited include:

- Telarc Registered Supplier certification, for compliance with the AS/NZS ISO 9001:2000 standard
- Telarc Q-Base quality management system 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
- Designated Audit Agency for Ministry of Health: Health & Disability Sector standards
- 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
- Customer 1st™, for approving an organisation's commitment to customers.

The Customer 1st™ programme introduced in 2002 grew throughout 2003-2004 and now has fifteen companies with twenty-eight sites approved to the programme.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

As expected, auditing to the new health and disability standards contributed appreciably to the revenue growth in 2003-2004. All other programmes performed to budget.

Telarc Limited staff continued to provide their expertise as trainers of management systems courses run by the New Zealand Quality College.

New Zealand Quality College

A full range of training courses was provided by the New Zealand Quality College in support of the Council's accreditation and certification services.

This year 2,572 (2,129 last year) training days were delivered to 1,801 students (last year 1,522). Internal auditor training in all disciplines continued to be in strong demand.

A significant increase in training courses was provided in partnership with accreditation bodies in Hong Kong, China; USA; Thailand; and Malaysia. These were particularly targeted toward familiarisation and auditing to ISO/IEC 17025, ISO 15189 (medical testing) and ISO/IEC 17020 (Inspection Body).

Staff

No new positions were established by either IANZ or Telarc Limited during the year. Total Council staff at 30 June 2004 was fifty-seven full time equivalents.

The Council's workplace health and safety management was again assessed this year against the ACC Workplace Safety Management Practices criteria and was upgraded to Tertiary level.

Conclusion

This year has seen a significant increase in client numbers for both IANZ and Telarc Limited. Accreditation programmes are growing, with regulators taking a much more active role in utilising the services provided by the Council.

The Council has invested significantly in the growth of certification, training, and accreditation activities, and this investment has placed the organisation in a strong position for the future.

Our recognition from overseas accreditation bodies also continues to grow, with some fifty bodies in thirty-eight economies now recognising IANZ accreditation. The signing of the inaugural APLAC Mutual Recognition Arrangement (MRA), for recognition of inspection body accreditation was particularly pleasing. Working alongside MED and MFAT staff in technical issues related to bilateral trade negotiations has also been most encouraging.

During the coming financial year, the Council continues to expect increased demand for accreditation by New Zealand regulators. It will also continue to work closely with other accreditation bodies in assisting regulators in other economies to recognise the benefits of accreditation. This will have a positive impact on trade facilitation to some of New Zealand's key markets.



Dr W L Richards
Chief Executive

3 September 2004

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF GOVERNANCE AND ACCOUNTABILITY

Role of the Council

The Testing Laboratory Registration Act provides for the establishment of a governing Council. The Minister is required to appoint five members of this Council. These five appoint a further four members. The Council's governance responsibilities include:

- Communicating with the Minister and other stakeholders to ensure their views are reflected in the Council's planning
- Delegating responsibility for achievement of specific objectives to the Chief Executive of the Council / IANZ
- Monitoring organisational performance towards achieving objectives
- Accounting to the Minister on plans and progress against them
- Maintaining effective systems of internal control

The Council has established an Audit Committee to oversee external audit activities.

Structure of the Council

The Council has appointed a single employee, the Chief Executive, to manage all Council operations. The Chief Executive has appointed all other employees of the Council. The Board directs the Chief Executive by delegating responsibility and authority for the achievement of objectives through setting policy.

Council committees

The Council has established expert Professional Advisory Committees (PAC) to advise Council and its staff on the management of its accreditation programmes. Such committees provide advice on the technical requirements for accreditation and on whether a particular new client should be accredited.

Committees are established for the following accreditation programmes:

- Certification Bodies
- Chemical, Biological, Dairy Product Testing
- Physical Sciences
- Metrology and Calibration
- Medical Testing
- Radiology Services
- Inspection Bodies

Chairpersons of each PAC are members of the Accreditation Advisory Committee (AAC), chaired by a member of the Council. AAC is an independent body for adjudication of any appeals arising from IANZ accreditations.

Quality assurance

The overall quality management system is based on ISO 9001:2000 and this extends to incorporate ISO/IEC Guide 58: for accreditation services (IANZ); and ISO/IEC Guide 62 for certification services (Telarc).

The health and safety management system is based on the Health and Safety in Employment Act, 1992.

The management system is outlined in the Management Policy Manual and Procedure Manual. Customer Satisfaction Surveys are completed in approximately two yearly intervals, and customer feedback is provided following completion of assessments.

Subsidiaries

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

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

Council membership

The Council consists of:

- Five members appointed by the Minister
- Four members appointed by the Council

The Council is composed of members who have diverse knowledge and skills that are of advantage to the Council in the performance of its functions. Members are appointed for a term not exceeding three years, but may be reappointed. Members are required to act in the best interest of the Council and individual members have no separate governing role outside the boardroom.

Connection with stakeholders

The Council acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain cognisant of the responsible Minister's expectations.

Division of responsibility

There is a clear division between the roles of the Council and management. The Council concentrates on setting policy and strategy, and then monitors progress towards meeting objectives. Management is concerned with implementing policy and strategy. These roles are clearly demarcated and the delegation of responsibility and authority to the Chief Executive is concise and complete.

Accountability

The Council holds meetings at least four times a year to monitor progress towards its strategic objectives and to ensure that the affairs of the Council are being conducted in accordance with the Council's policies.

Conflict of interest

All Council members are aware of their obligations to declare conflicts of interest, and any declared interests are recorded in the minutes of Council meetings.

Internal audit

While many of the Council's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with the Council. Internal controls include policies, systems, and procedures established to provide assurance that specific objectives of the Council will be achieved. The Council and management have acknowledged their responsibility by signing the Statement of Responsibility on page 14.

Legislative compliance

The Council acknowledges its responsibility to ensure the organisation complies with all legislation. The Council has delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND**STATEMENT OF RESPONSIBILITY**

In the financial year ended 30 June 2004, the Council and management of IANZ accept responsibility for the preparation of the financial statements and the judgements used therein.

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

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



Dr J H Buckingham
Chairperson

3 September 2004



Dr W L Richards
Chief Executive Officer

3 September 2004



N J Perfect
Chief Financial Officer

3 September 2004



REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND AND GROUP FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of Testing Laboratory Council of New Zealand and group. The Auditor-General has appointed me, Mr F Caetano, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of Testing Laboratory Council of New Zealand and group on his behalf, for the year ended 30 June 2004.

Unqualified Opinion

In our opinion the financial statements of Testing Laboratory Council of New Zealand and group on pages 17 to 26:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - Testing Laboratory Council of New Zealand and group's financial position as at 30 June 2004; and
 - the results of operations and cash flows for the year ended on that date.

The audit was completed on 3 September 2004, and is the date at which our unqualified opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

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

Responsibilities of the Council and the Auditor

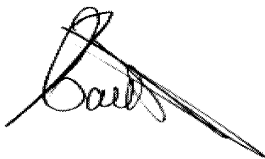
The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of Testing Laboratory Council of New Zealand and group as at 30 June 2004. They must also fairly reflect the results of operations and cash flows for the year ended on that date. The Council's responsibilities arise from the Public Finance Act 1989 and the Testing Laboratory Registration Act 1972.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

Independence

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

Other than the audit, we have no relationship with or interests in Testing Laboratory Council of New Zealand or its subsidiary.

A handwritten signature in black ink, appearing to read 'F Caetano', with a long, sweeping horizontal stroke extending to the right.

F Caetano
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2004

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.

Measurement Base

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

Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

Basis of Consolidation – purchase method

The consolidated financial statements include the parent Council and its subsidiary. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

All significant inter-entity transactions are eliminated on consolidation.

Budget figures

The budget figures are those approved by the Council at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of financial statements.

Revenue

The Council derives revenue through the provision of outputs to the Crown, for services to third parties and income from its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Goods and Services Tax

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

Taxation

The Council is exempt from income tax in accordance with section 21, Testing Laboratory Registration Act 1972.

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

Accounts Receivable

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectible debts.

Investments

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

Fixed assets

Fixed assets are recorded at historical cost.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

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.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements. The policies have been applied on a basis consistent with other years.

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

| | Notes | CONSOLIDATED | | | PARENT | |
|---|-------|------------------|------------------|------------------|------------------|------------------|
| | | 2004 | 2004 | 2003 | 2004 | 2003 |
| | | Actual | Budget | Actual | Actual | Budget |
| | | \$ | \$ | \$ | \$ | \$ |
| Revenue | 2 | 8,510,269 | 8,914,001 | 7,378,416 | 3,908,541 | 4,708,920 |
| Interest income | | 76,492 | 105,000 | 126,284 | 64,238 | 100,000 |
| Dividend Income | | - | - | - | 125,000 | 78,500 |
| Total operating revenue | | 8,586,761 | 9,019,001 | 7,504,700 | 4,097,779 | 4,887,420 |
| Cost of services | 2 | 8,682,402 | 8,759,306 | 7,452,352 | 4,273,178 | 4,751,533 |
| Net operating surplus (deficit) before tax for the period | | (95,641) | 259,695 | 52,348 | (175,399) | 135,887 |
| Net operating surplus (deficit) for the period | 1 | (95,641) | 259,695 | 52,348 | (175,399) | 135,887 |

STATEMENT OF MOVEMENT IN EQUITY

For the year ended 30 June 2004

| | CONSOLIDATED | | | PARENT | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2004 | 2004 | 2003 | 2004 | 2003 |
| | Actual | Budget | Actual | Actual | Budget |
| | \$ | \$ | \$ | \$ | \$ |
| Equity at 1 July | 3,286,453 | 3,286,453 | 3,234,105 | 3,142,410 | 3,055,419 |
| Net operating surplus (deficit) for the period | (95,641) | 259,695 | 52,348 | (175,399) | 135,887 |
| Total recognised revenues and expenses for the period | (95,641) | 259,695 | 52,348 | (175,399) | 135,887 |
| Equity at 30 June | 3,190,812 | 3,546,148 | 3,286,453 | 2,967,011 | 3,142,410 |

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

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

| | Notes | CONSOLIDATED | | | PARENT | |
|--|-------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | 2004 Actual \$ | 2004 Budget \$ | 2003 Actual \$ | 2004 Budget \$ | 2003 Actual \$ |
| EQUITY | | | | | | |
| General funds | | 3,190,812 | 3,546,148 | 3,286,453 | 2,967,011 | 3,278,297 |
| TOTAL EQUITY | | <u>3,190,812</u> | <u>3,546,148</u> | <u>3,286,453</u> | <u>2,967,011</u> | <u>3,278,297</u> |
| Represented by: | | | | | | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and bank | | (12,107) | 42,209 | (8,259) | (4,478) | 21,966 |
| Receivables and prepayments | 3 | 1,907,334 | 1,621,150 | 1,574,031 | 1,186,833 | 824,850 |
| Short-term deposits | 4 | 1,641,859 | 2,215,000 | 2,153,575 | 1,180,000 | 1,885,000 |
| Total current assets | 11 | <u>3,537,086</u> | <u>3,878,359</u> | <u>3,719,347</u> | <u>2,362,355</u> | <u>2,731,816</u> |
| Non current assets | | | | | | |
| Investments (Shares in Telarc Limited) | 8 | - | - | - | 500,000 | 500,000 |
| Fixed assets | 5 | 1,074,235 | 1,104,540 | 916,608 | 864,268 | 783,554 |
| Total non current assets | | <u>1,074,235</u> | <u>1,104,540</u> | <u>916,608</u> | <u>1,364,268</u> | <u>1,283,554</u> |
| Total assets | | <u>4,611,321</u> | <u>4,982,899</u> | <u>4,635,955</u> | <u>3,726,623</u> | <u>4,015,370</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Payables | 6 | 1,199,243 | 1,223,751 | 1,143,150 | 604,846 | 602,073 |
| Employee entitlements | 7 | 221,266 | 213,000 | 206,352 | 154,766 | 135,000 |
| Total current liabilities | | <u>1,420,509</u> | <u>1,436,751</u> | <u>1,349,502</u> | <u>759,612</u> | <u>737,073</u> |
| Total liabilities | | <u>1,420,509</u> | <u>1,436,751</u> | <u>1,349,502</u> | <u>759,612</u> | <u>737,073</u> |
| NET ASSETS | | <u>3,190,812</u> | <u>3,546,148</u> | <u>3,286,453</u> | <u>2,967,011</u> | <u>3,278,297</u> |

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

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

| | CONSOLIDATED | | | PARENT | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2004 | 2004 | 2003 | 2004 | 2004 | 2003 |
| | Actual | Budget | Actual | Actual | Budget | Actual |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash was provided from: | | | | | | |
| Revenues from services provided | 8,112,817 | 8,877,693 | 7,153,672 | 3,741,721 | 4,746,647 | 3,587,281 |
| Interest received | 119,766 | 144,953 | 89,260 | 107,488 | 140,718 | 72,458 |
| | <u>8,232,583</u> | <u>9,022,646</u> | <u>7,242,932</u> | <u>3,849,209</u> | <u>4,887,365</u> | <u>3,659,739</u> |
| Cash was applied to: | | | | | | |
| Payments to employees | 3,777,435 | 3,983,096 | 3,464,752 | 2,179,517 | 2,253,699 | 2,015,836 |
| Payments to suppliers | 4,338,963 | 4,193,153 | 3,814,561 | 1,752,171 | 2,103,003 | 1,604,029 |
| Net Goods and Services Tax | 8,396 | (1,963) | 7,399 | 833 | 4,502 | 812 |
| | <u>8,124,794</u> | <u>8,174,286</u> | <u>7,286,712</u> | <u>3,932,521</u> | <u>4,361,204</u> | <u>3,620,677</u> |
| Net cash flows from operating activities | <u>107,789</u> | <u>848,360</u> | <u>(43,780)</u> | <u>(83,312)</u> | <u>526,161</u> | <u>39,062</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Cash was provided from: | | | | | | |
| Proceeds from sale of fixed assets | - | 23,500 | 57,462 | - | 12,000 | 42,407 |
| Cash was applied to: | | | | | | |
| Purchase of fixed assets | 623,353 | 759,967 | 397,525 | 514,738 | 483,267 | 353,198 |
| Net cash flows from investing activities | <u>(623,353)</u> | <u>(736,467)</u> | <u>(340,063)</u> | <u>(514,738)</u> | <u>(471,267)</u> | <u>(310,791)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Cash was provided from: | | | | | | |
| Proceeds advance repaid by Telarc Ltd | - | - | - | - | - | - |
| Dividends Received from Telarc Limited | - | - | - | - | 78,500 | 40,500 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>78,500</u> | <u>40,500</u> |
| Cash was applied to: | | | | | | |
| Advance to Telarc Limited | - | - | - | - | - | - |
| Net Cash Flows from Financing Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>78,500</u> | <u>40,500</u> |
| Net increase (decrease) in cash held | (515,564) | 111,893 | (383,843) | (598,050) | 133,394 | (231,229) |
| Plus opening cash | 2,145,316 | 2,145,316 | 2,529,159 | 1,773,572 | 1,773,572 | 2,004,801 |
| Closing cash balance | <u>1,629,752</u> | <u>2,257,209</u> | <u>2,145,316</u> | <u>1,175,522</u> | <u>1,906,966</u> | <u>1,773,572</u> |
| Cash and bank | (12,107) | 42,209 | (8,259) | (4,478) | 21,966 | (12,445) |
| Short term investments | 1,641,859 | 2,215,000 | 2,153,575 | 1,180,000 | 1,885,000 | 1,786,017 |
| Closing cash balance | <u>1,629,752</u> | <u>2,257,209</u> | <u>2,145,316</u> | <u>1,175,522</u> | <u>1,906,966</u> | <u>1,773,572</u> |

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

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

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

For the year ended 30 June 2004

| | CONSOLIDATED | | | PARENT | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 Actual \$ | 2004 Budget \$ | 2003 Actual \$ | 2004 Actual \$ | 2004 Budget \$ | 2003 Actual \$ |
| Net Operating Surplus | 154,359 | 259,695 | 52,348 | (50,399) | 57,387 | 46,491 |
| <i>Add (less) non cash item</i> | | | | | | |
| Depreciation | 374,018 | 430,568 | 318,022 | 282,948 | 306,000 | 200,324 |
| Total non-cash items | <u>374,018</u> | <u>430,568</u> | <u>318,022</u> | <u>282,948</u> | <u>306,000</u> | <u>200,324</u> |
| <i>Add/ (less) movement in working capital items :</i> | | | | | | |
| Decrease (increase) in receivables | (614,534) | 18,845 | (383,948) | (402,965) | 84,018 | (193,825) |
| (Decrease) increase in payables | 202,613 | 135,796 | 29,797 | 51,089 | 70,346 | (36,421) |
| (Decrease) increase in employee entitlements | 14,914 | 6,648 | (23,820) | 23,700 | 3,934 | 2,403 |
| (Decrease) increase in other provisions | (23,581) | (3,192) | (19,455) | 12,315 | 4,476 | 35,354 |
| Working capital movements - net | <u>(420,588)</u> | <u>158,097</u> | <u>(397,426)</u> | <u>(315,861)</u> | <u>162,774</u> | <u>(192,489)</u> |
| <i>Add (less) items classified as investing activities</i> | | | | | | |
| Net loss (gain) on disposal of assets | - | - | (16,724) | - | - | (15,264) |
| Net cash flow from operating activities | <u>107,789</u> | <u>848,360</u> | <u>(43,780)</u> | <u>(83,312)</u> | <u>526,161</u> | <u>39,062</u> |

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

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

STATEMENT OF COMMITMENTS

As at 30 June 2004

| | CONSOLIDATED | | PARENT | |
|--|------------------|------------------|------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| Capital commitments approved and contracted | - | 169,000 | - | 169,000 |
| Non-cancellable operating lease commitments, payable: | | | | |
| Not later than one year | 385,513 | 350,694 | 314,248 | 285,376 |
| Later than one year and not later than two years | 339,625 | 359,053 | 297,150 | 314,248 |
| Later than two year and not later than five years | 811,218 | 845,411 | 731,838 | 829,396 |
| Later than five years | 101,430 | 199,592 | - | 199,592 |
| | <u>1,637,786</u> | <u>1,754,750</u> | <u>1,343,236</u> | <u>1,628,612</u> |

Other non-cancellable contracts

There are no material non-cancellable contracts at balance date (2003 Nil).

STATEMENT OF CONTINGENT LIABILITIES

As at 30 June 2004

As at balance date there are no known contingent liabilities (2003 Nil).

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

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Note 1: Operating surplus/(deficit)

| | CONSOLIDATED | | | PARENT | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 Actual \$ | 2004 Budget \$ | 2003 Actual \$ | 2004 Actual \$ | 2004 Budget \$ | 2003 Actual \$ |
| The net surplus (deficit) is after charging for: | | | | | | |
| Fees paid to auditors for external audit | 25,000 | 25,000 | 24,500 | 14,000 | 14,000 | 13,750 |
| Fees paid to auditors for other services | - | - | - | - | - | - |
| Council and Directors Fees | 150,000 | 150,000 | 150,000 | 100,000 | 100,000 | 100,000 |
| Depreciation by type: | | | | | | |
| Motor vehicles | 67,528 | 70,018 | 70,828 | 51,660 | 54,150 | 54,645 |
| Office furniture and equipment | 45,558 | 48,916 | 30,446 | 33,858 | 37,400 | 17,242 |
| Leasehold improvements | 48,461 | 43,038 | 19,678 | 44,393 | 38,970 | 15,610 |
| Computer equipment | 212,471 | 268,596 | 197,070 | 153,037 | 175,480 | 112,827 |
| Total Depreciation | 374,018 | 430,568 | 318,022 | 282,948 | 306,000 | 200,324 |
| Fixed assets written off | | | | | | |
| Deficit (profit) on disposal of fixed assets | - | - | (16,724) | - | - | (15,264) |
| Rental expense on operating leases | 368,470 | 378,000 | 270,912 | 231,826 | 245,000 | 137,266 |
| Bad Debts | - | - | - | - | - | - |

Note 2: Net revenue/(cost) analysis

Accreditation Services

| | | | | | | |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 3,089,317 | 3,711,400 | 2,851,586 | 3,089,317 | 3,711,400 | 2,851,586 |
| Less cost | 2,961,268 | 3,402,309 | 2,484,838 | 2,961,268 | 3,402,309 | 2,484,838 |
| Net revenue | 128,049 | 309,091 | 366,748 | 128,049 | 309,091 | 366,748 |

Certification Services

| | | | | | | |
|------------------------|-----------|-----------|-----------|---|---|---|
| Revenue | 4,521,917 | 4,135,141 | 3,665,661 | - | - | - |
| Less cost | 4,406,856 | 4,000,990 | 3,747,844 | - | - | - |
| Net revenue/ (deficit) | 115,061 | 134,151 | (82,183) | - | - | - |

Training and Other Services

| | | | | | | |
|-------------|---------|-----------|---------|---------|---------|---------|
| Revenue | 896,870 | 1,066,460 | 853,388 | 817,059 | 996,520 | 779,654 |
| Less cost | 707,091 | 734,284 | 649,591 | 704,723 | 727,501 | 647,440 |
| Net revenue | 189,779 | 332,176 | 203,797 | 112,336 | 269,019 | 132,214 |

National recognition services

| | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 2,165 | 1,000 | 7,781 | 2,165 | 1,000 | 7,781 |
| Less cost | 607,187 | 621,723 | 570,079 | 607,187 | 621,723 | 570,079 |
| Net revenue/ (deficit) | (605,022) | (620,723) | (562,298) | (605,022) | (620,723) | (562,298) |

Total services

| | | | | | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total revenue | 8,510,269 | 8,914,001 | 7,378,416 | 3,908,541 | 4,708,920 | 3,639,021 |
| Less total cost | 8,682,402 | 8,759,306 | 7,452,352 | 4,273,178 | 4,751,533 | 3,702,357 |
| Net revenue/ (deficit) | (172,133) | 154,695 | (73,936) | (364,637) | (42,613) | (63,336) |

Note 3: Receivables and prepayments

| | | | | | | |
|--------------------------|-----------|-----------|-----------|-----------|---------|---------|
| Trade debtors | 1,261,836 | 1,349,300 | 1,240,691 | 630,177 | 636,000 | 670,069 |
| Other amounts receivable | 441,079 | 112,000 | 137,213 | 407,685 | 80,000 | 115,352 |
| Prepayments | 204,419 | 159,850 | 196,127 | 148,971 | 108,850 | 123,447 |
| Total | 1,907,334 | 1,621,150 | 1,574,031 | 1,186,833 | 824,850 | 908,868 |

Note 4: Investments

| | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Current | | | | | | |
| Short term deposits | 1,641,859 | 2,215,000 | 2,153,575 | 1,180,000 | 1,885,000 | 1,786,017 |
| Weighted average effective interest rates | | | | | | |
| Short term deposits | 5.92% | 5.38% | 5.50% | 6.02% | 5.50% | 5.78% |

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Note 5: Fixed Assets

| | CONSOLIDATED | | | PARENT | | |
|--|------------------|------------------|----------------|----------------|----------------|----------------|
| | 2004 Actual | 2004 Budget | 2003 Actual | 2004 Actual | 2004 Budget | 2003 Actual |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Motor Vehicles (at cost) | 344,425 | 317,294 | 317,294 | 265,083 | 237,952 | 237,952 |
| Accumulated Depreciation | 173,900 | 151,191 | 106,373 | 126,397 | 115,588 | 74,738 |
| Net book value | 170,525 | 166,103 | 210,921 | 138,686 | 122,364 | 163,214 |
| Office Furniture and Equipment (at cost) | 449,424 | 446,287 | 421,287 | 299,176 | 297,883 | 272,883 |
| Accumulated Depreciation | 321,401 | 324,757 | 275,841 | 186,026 | 189,566 | 152,166 |
| Net book value | 128,023 | 121,530 | 145,446 | 113,150 | 108,317 | 120,717 |
| Leasehold Improvements (at cost) | 385,988 | 461,594 | 221,594 | 367,008 | 342,614 | 202,614 |
| Accumulated Depreciation | 219,606 | 222,517 | 171,146 | 204,581 | 199,159 | 160,189 |
| Net book value | 166,382 | 239,077 | 50,448 | 162,427 | 143,455 | 42,425 |
| Computer Equipment(at cost) | 1,644,257 | 1,660,574 | 1,332,274 | 992,993 | 974,849 | 799,849 |
| Accumulated Depreciation | 1,034,952 | 1,082,744 | 822,481 | 542,988 | 565,431 | 389,951 |
| Net book value | 609,305 | 577,830 | 509,793 | 450,005 | 409,418 | 409,898 |
| Total Fixed Assets | 1,074,235 | 1,104,540 | 916,608 | 864,268 | 783,554 | 736,254 |

Note 6: Payables and accruals

| | | | | | | |
|------------------------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| Trade creditors | 407,339 | 397,255 | 383,355 | 216,559 | 206,017 | 258,462 |
| Other creditors | 71,218 | 54,396 | 40,484 | 23,417 | 29,556 | 26,322 |
| Accrual expenses | 79,075 | 110,100 | 54,119 | 32,031 | 41,500 | 39,910 |
| Revenue in advance | 641,611 | 662,000 | 665,192 | 332,839 | 325,000 | 320,524 |
| Total payables and accruals | 1,199,243 | 1,223,751 | 1,143,150 | 604,846 | 602,073 | 645,218 |

Note 7: Employee entitlements

| | CONSOLIDATED | | | PARENT | | |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 Actual | 2004 Budget | 2003 Actual | 2004 Actual | 2004 Budget | 2003 Actual |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Annual leave | 211,851 | 203,600 | 197,244 | 145,351 | 125,600 | 121,958 |
| Retirement Leave | 9,415 | 9,400 | 9,108 | 9,415 | 9,400 | 9,108 |
| Total | 221,266 | 213,000 | 206,352 | 154,766 | 135,000 | 131,066 |

Note 8: Related party information

The Council has entered into a number of transactions with, government departments, Crown agencies, and state owned enterprises on an arm's length basis and where those parties are only acting in the course of the normal dealings with Council. These transactions are not considered to be related party transactions.

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

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

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

Telarc Limited balance date: 30 June

During the year the total transactions charged by the Council to Telarc Limited were \$664,056 and transactions charged to Council by Telarc Limited were \$94,471 (2003 transactions charged by Council \$649,789 and transactions charged to Council \$51,950). There are no other related party transactions.

At year end Telarc Limited owed the Council:

| | |
|--------------------------|--------------------------|
| Current Account Advances | \$Nil (2003 Nil) |
| Payables | \$97,195 (2003 \$65,964) |

TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Note 9: Employees' Remuneration

During the year the number of employees of the Council and Group, not being members and directors, who received remuneration and other benefits in excess of \$100,000 were:

| Remuneration | Number of Employees | |
|-----------------------|---------------------|------|
| | 2004 | 2003 |
| \$190,000 - \$200,000 | 1 | 1 |
| \$160,000 - \$170,000 | 1 | - |
| \$120,000 - \$130,000 | - | 1 |
| \$100,000 - \$110,000 | - | 1 |

The chief executive's remuneration is in the \$190,000 to \$200,000 band.

Note 10: Council and Directors Fees

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

| | 2004 | 2003 |
|------------------------------------|----------------|----------------|
| Council members | | |
| Dr J Buckingham, Chairperson | 20,000 | 20,000 |
| Dr D A G Breton | 10,000 | 10,000 |
| Ms M R Dean | 10,000 | 10,000 |
| Dr J Hay | 10,000 | 10,000 |
| Mr R Dimmock | 10,000 | 10,000 |
| Dr B J Linehan | 10,000 | 10,000 |
| Mr K J Lysaght | 10,000 | 10,000 |
| Mr C Martin | 10,000 | 10,000 |
| Mr G Robertson | 10,000 | 10,000 |
| Telarc Limited Directors | | |
| Mr G Hunt, Chairperson | 20,000 | 20,000 |
| Mrs L Cruickshank | 10,000 | 10,000 |
| Mr R Dimmock | 10,000 | 10,000 |
| Mr K Lysaght | 10,000 | 10,000 |
| Total Council and Directors | <u>150,000</u> | <u>150,000</u> |

Note 11: Financial Instruments**Credit Risk**

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

IANZ places its investments with institutions that have a high credit rating. It also reduces its exposure to risk by limiting the amount that can be invested in any one institution. IANZ believes that these policies reduce the risk of any loss which could arise from its investment activities. IANZ does not require any collateral or security to support financial instruments.

There is no significant concentration of credit risk.

Fair Value

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

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency Risk

Currency Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

IANZ has no exposure to currency risk.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 2004 (2003 nil). The interest rates on IANZ's investments are shown in Note 4.

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

Note 12: Major Budget Variations

There are no significant budget variations.

Note 13: Post balance date events

There are no significant events occurring between the year end and the signing of the financial statements to result in adjustments to the amounts in the financial statements.