



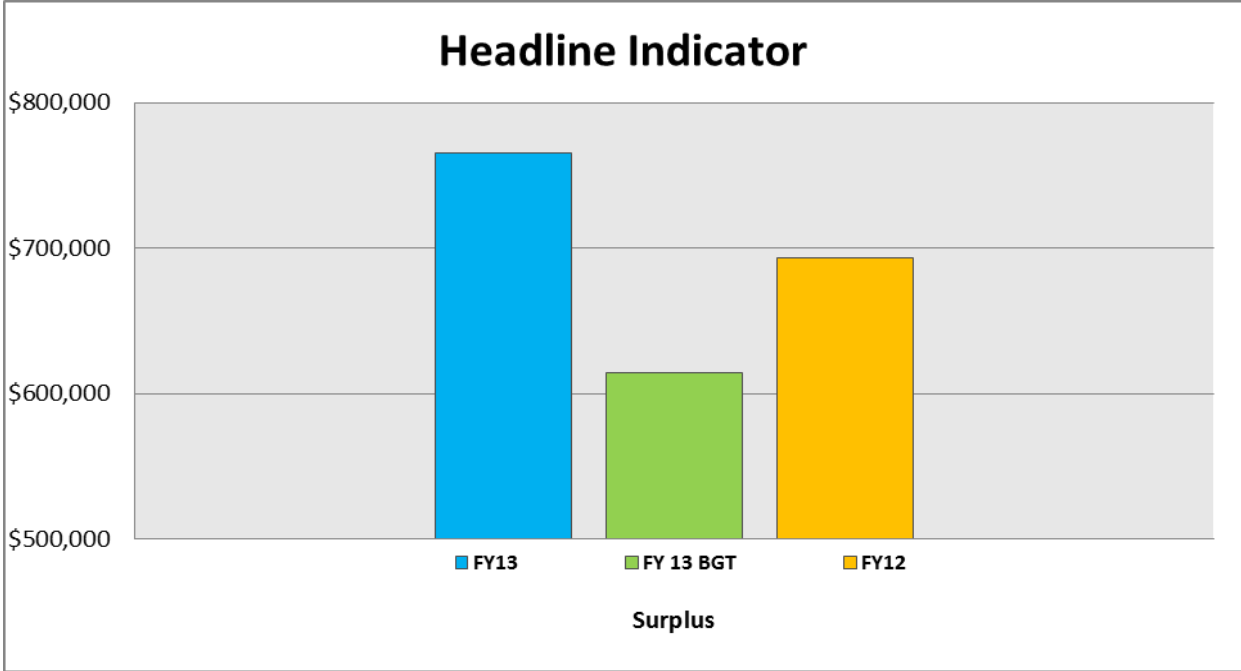
TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

ANNUAL REPORT

For the year ended 30 June 2013

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

HIGHLIGHTS		
	FY13 \$000s	FY12 \$000s
Surplus	765	693
Reserves	4,057	3,156
Overseas Recognition	Accreditation authorities in 66 economies recognising IANZ accreditation as equivalent to their own	
Customer Survey	Ahead of international benchmarks for similar organisations	



Contents

Section	Page
1 Council Overview	4
2 About the Council	7
3 Impacts, Outcomes and Outputs.....	8
4 Statement of Service Performance.....	11
5 Statement of Responsibility	19
6 Audit Report.....	20
7 Statement of Accounting Policies	22
8 Annual Financial Statements	26
9 Notes to the Financial Statements	30
Appendix 1 Council Members and Management.....	40
Appendix 2 Council Function, Overall Objectives, and Operational Standards	41
Appendix 3 Council Structure.....	42
Appendix 4 Accreditation and Certification Explained.....	43
Appendix 5 Glossary of Acronyms	45
Appendix 6 Directory	46

1 Council Overview

The Hon Craig Foss, Minister of Commerce.

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

1.1 Summary

The Council is established to provide independent third-party recognition of competence by accrediting laboratories, inspection bodies and radiology practices, and to provide management system certification.

The Council's surplus of \$765,390 (2012 surplus of \$693,121) to June 2013 included surpluses (before minority interest) from both International Accreditation New Zealand (IANZ) and its subsidiary, 75% Council-owned Telarc SAI Limited (Telarc). Cash reserves on consolidation increased by \$901,345 to \$4,057,552 at year end. IANZ accreditation revenue was up against budget and that of the prior year due largely from new assessments in the radiology programme. The consolidated IANZ operation returned \$453,939 (2012 \$383,510). Telarc's successful product bundling has been the main driver for its net surplus for the year of \$476,692 (up on budget by \$57,442), however, down on the previous year's result (2012 \$603,606) due in the main to the Public Safety Management Systems audits having a two year cycle. The bulk of this work will be audited in the next (2013-2014) financial year.

IANZ accreditations dropped slightly from a target of 850 to 831, the major variance represented by the overall drop in active accreditations in the accredited laboratory programmes. This is due to (i) an increased number of withdrawals through closure and company amalgamations, and (ii) an administrative correction in the IANZ database, that took place early in the financial year. Since then the figures have recovered somewhat to return to the numbers for 2012. The third and final year of assessments for the National Screening Unit was successfully undertaken. The tender process for the next contractual period is expected to get underway early in the new financial year. Although a softer cycle year, the Building Consent Authority (BCA) accreditation successfully completed its phase 3 assessments and commenced with phase 4. IANZ launched its new website in July 2012 and plans to develop the customer interface portal element, in the coming year. IANZ conducted a client satisfaction survey in March 2013 which revealed the organisation is performing very well in meeting the needs of its customers and overall results are ahead of international benchmarks for similar organisations.

International recognition of reports from IANZ-accredited organisations is up by two to 66 countries, at a cost of \$291,786, down on last year by 7% (2012 \$314,759).

Council's training division, the New Zealand Quality College (NZQC) reported a decline in numbers against budget by 15% due to further restraint in the economy on discretionary spend. Consequent net deficit of \$151,474 for the year was adverse to prior year by 2%. However, registrations for courses at year end were well ahead of the numbers at the same time last year signalling a welcome expansion in training budgets.

Telarc's revenue as at 30 June 2012 was \$5,118,964, down 1% on 2012 (\$43,662) due to the net effect of no Public Safety Management Systems audits for the year and increased product bundling for customers. Assessment units were 158 lower than the end of June 2012 due mainly to the receivership of a major client, and other client amalgamations. Telarc achieved a surplus of \$476,692 (2012 \$603,606).

1.2 Functions

The Council aims to facilitate trade through its independent and internationally accepted recognition of competence, thus lifting the operating standards of laboratories, inspection bodies and radiology practices in New Zealand. It also certifies business operations for quality, safety and environmental management system standards. Full details of the Council's statutory outputs are given in Appendix 2.

1.3 Financial Performance

A summary of full financial performance follows:

Consolidated Financial Summary

		Actual 2013 \$'s	Budget 2013 \$'s	Actual 2012 \$'s
IANZ accreditation	Revenue	5,680,262	5,526,090	5,386,416
	Costs ¹	(5,226,323)	(5,252,413)	(5,002,906)
	Net surplus / (deficit)	453,939	273,677	383,510
NZQC	Revenue	471,058	603,659	536,636
	Costs	(622,532)	(635,910)	(685,642)
	Net surplus / (deficit)	(151,474)	(32,251)	(149,006)
Telarc	Revenue ²	5,118,964	4,987,047	5,162,626
	Costs ³	(4,642,272)	(4,567,797)	(4,559,020)
	Net surplus	476,692	419,250	603,606
International recognition	Revenue	186,402	187,200	107,445
	Costs	(291,786)	(278,982)	(314,759)
	Net surplus / (deficit)	(105,384)	(91,782)	(207,314)
Interest	Revenue	91,617	45,501	62,325
Total comprehensive income		765,390	614,395	693,121
Cash reserves ⁴	Consolidated	4,057,552	3,916,184	3,156,207

1.4 Flexibility

IANZ works with regulators to ensure accreditation solutions are suited to needs, providing the necessary rigour and assurance within the constraints of international standards.

1.5 Innovation

Ongoing technological advances constantly offer improved methods of testing and techniques to counter the continual demands of biosecurity challenges, whether for new diseases in New Zealand or new technical overseas market access requirements. IANZ works to provide assurance for clients of the validity of new measurement methods and the ensuing recognition that IANZ accreditation provides. Current challenges include the need for criteria for new medical imaging technology, to ensure radiation safety is maintained.

Ensuring that New Zealand can meet new market access requirements in the meat and dairy sectors is also of prime importance. As new pathogenic organisms are identified, or fears develop over toxic strains of bacteria, IANZ must be able to verify that New Zealand's testing methodology meets the requirements of overseas regulators, to ensure the ability for product placement in international markets.

¹ Includes the offset of gain on sale of PPEs as per note 2 to the financial statements.

² Includes training revenue as per note 2 to the financial statements.

³ Includes training costs and DAA earnout as per note 2 to the financial statements.

⁴ The target, agreed with the Minister responsible, is to maintain reserves of over \$4 million to ensure sufficient capital for new investments, while retaining capital at appropriate levels to maintain viability as a going concern.

1.6 Client focus

For organisations with a broad range of requirements, IANZ offers an integrated accreditation solution to cover all needs efficiently at the lowest possible cost. Such single-assessment combinations allow IANZ to meet client needs with minimum on-site disruption.

IANZ operates to promote an assurance of competence for the users of accreditation services. During this year, IANZ gave notice of revocation of accreditation for the Christchurch City Council Building Consent Authority (revocation came into effect on 8 July 2013). This revocation was on the basis that IANZ could no longer be assured of compliance with the requirement of the Building Consent Regulations (2006). These regulations, (under the Building Act 2004) are intended to give positive assurance to building owners of full compliance with Building Act and Building Code requirements.

1.7 Tributes

The Council extends its deepest sympathies to the family and friends of Telarc CEO Mr Rose who sadly passed away on 29 June 2013. Mr Rose's dedication and commitment to the organisation have been greatly appreciated.

The Council wishes to thank retiring Chair Mr Hill for his valuable contribution to the governance of the Council and his initiatives for management. Mr Hill resigned on 31 August 2013.

The Council acknowledges both local and overseas volunteers, who give their time freely to serve on our professional advisory committees and as technical expert assessors to provide the essential peer review. This significant contribution to the effectiveness of IANZ accreditation domestically and internationally is much appreciated.

The Council also recognises the dedication and intellectual support from its management and staff, who all play a part in ensuring that New Zealand commerce and industry perform to international quality and technical management standards and practices, and that New Zealand's voice is heard in international conformity assessment forums.

We are pleased to submit this Annual Report and the Financial Statements for the year ended 30 June 2013.



Dr John Hay
Temporary Deputy Chair



Susan Paterson
Council Member

2 About the Council

Established under the Testing Laboratory Registration Act 1972 – amended and reprinted in May 2007 – the Council is an Autonomous Crown Entity under the Crown Entities Act 2004, reporting annually to Parliament through the Minister of Commerce. Although a Public Benefit Entity, it receives no Crown funding, and is fully funded from client services.

A signatory to the Asia Pacific Laboratory Accreditation Cooperation (APLAC) Mutual Recognition Arrangement (MRA), the Council (trading as IANZ) is the national authority for accrediting laboratories, inspection bodies and radiology services. Such accreditation formally recognises the technical competence and compliance to world-class standards of these conformity assessment bodies.

NZQC offers short specialist courses covering all aspects of technical competence and good management practice essential for attaining IANZ accreditation, as well as for certification to ISO 9001 and 14001 international standards. In addition, training in auditing skills is provided to IANZ-accredited or other certified organisations.

The Council's certification function is performed by Telarc, a Crown Entity subsidiary in terms of the Crown Entities Act 2004, with its own independent Board of Directors, Chief Executive and staff. Such separation is a requirement of the international accreditation standard ISO/IEC 17011. Telarc certificates are universally accepted through its JAS-ANZ accreditation.

Full details of Council membership and functions are included in Appendix 1 and Appendix 2.

3 Impacts, Outcomes and Outputs

Under-achievement in terms of targets planned is not a reflection of under-performance in the demand-driven accreditation and certification process.

The Statement of Service Performance (section 4) includes references to the output numbers below. Targets stated in each output class are based on expected numbers of accreditations and certifications. While IANZ is able to estimate the likely number of new clients achieving accreditation, numbers may be reduced due to company mergers or closures. Where actual numbers differ from targets, explanatory footnotes follow the table.

Outcome: A safe and healthy society

Intermediate outcomes	Impacts	Targets 2012/2013	Actual 2012/2013	Output number
IANZ accredits laboratories, inspection bodies and radiology practices, to provide assurance of their competence, so users can have confidence in the accuracy of results.	Assuring Accuracy.	Delivering recognised accreditation (IANZ) to 850 laboratories, inspection bodies and other providers, including other scheduled assessments of competence on behalf of regulators, all at internationally competitive prices.	831 ⁵	1

Outcome: Global trade access

Intermediate outcomes	Impacts	Targets 2012/2013	Actual 2012/2013	Output number
IANZ is a signatory (full member) to the International Laboratory Accreditation Cooperation. This means test and inspection reports from New Zealand are able to be accepted by regulators and users in other countries, without the need for duplicate testing or inspection. As a result, New Zealand products are able to be placed directly into overseas markets.	Facilitating trade	Enabling market access for New Zealand products, through acceptance of test reports from IANZ accredited organisations in 62 countries.	66	2

⁵ See Council Overview, page 4. Withdrawals through business closure, company amalgamations and internal database correction, mainly in the Wool Programme

Outcome: World class infrastructure

Intermediate outcomes	Impacts	Output Targets 2012/2013	Actual 2012/2013	Output number
The New Zealand Quality College (NZQC), a wholly-owned division of the Council provides training to both laboratories and the business community to provide accreditation and certification solutions to meet client needs.	Helping organisations achieve world-class recognition	Preparing and delivering two new training programmes for the New Zealand Quality College and offer a revised range of existing training programmes to meet accreditation and certification customer needs, and increase training revenue to \$604k.	Prepared two courses: Introduction to Environmental Management Systems and Social Responsibility, the latter also being delivered in 2013. Revised range of existing courses offered includes the ISO17020 upgrade workshops, and OH&S course. Achieved training revenue of \$471k.	3

Outcome: Globally competitive firms

Intermediate outcomes	Impacts	Targets 2012/2013	Actual 2012/2013	Output number
Telarc SAI provides management systems certification in the quality, environmental, and occupational health and safety areas. These give businesses confidence that their systems and procedures comply with globally recognised system standards.	Certifying compliance	To be New Zealand's leading provider of compliance services, providing internationally recognised management systems certification for 2140 clients, and other compliance recognition for 330 clients.	1,923 management system certifications and 389 other compliance recognition certifications	4
IANZ is proactively looking at new areas where accreditation will deliver recognition and business improvement services that add value to customers.	Business Improvement	To raise the standard of performance of all 850 laboratories, Inspection Bodies and Radiology practices accredited by IANZ, through ensuring continuous improvement priorities of relevant standards are met.	831	5

Outcome: Continued financial viability

Intermediate outcomes	Impacts	Targets 2012/2013	Actual 2012/2013	Output number
Independent sustainability	Enabling IANZ and Telarc to deliver accreditation and certification outputs, with no taxpayer funding	To provide continuous annual surpluses, achieving independent financial sustainability in all business units by June 2013 and to grow cash reserves to exceed 25% of operating costs by 2013. The 2012-2013 target is to achieve a consolidated surplus of \$614k.	Annual surpluses maintained, independent financial sustainability on track for 2013, cash reserves 37% of operating costs and consolidated surplus of \$765k achieved.	6

4 Statement of Service Performance

4.1 Goal 1 – To cost-effectively provide authoritative, independent recognition of laboratories, inspection bodies and radiology practices across all sectors of industry where accreditation is identified as adding value.

Objective	Targets	Actual
1.1	To deliver recognised accreditation (IANZ) to 850 laboratories, inspection bodies and other providers, including other scheduled assessments of competence on behalf of regulators, all at internationally competitive prices.	See table below.
1.2	Implement NZFSA Food Safety Accreditation programme (once legislation and regulations are finalised).	Final legislation anticipated in F2014.
1.3	Commence development of two new accreditation programmes (to further enhance public safety) by 30 June 2013.	<ul style="list-style-type: none"> • NZTA import vehicle inspection – underway. • Tele-radiology – first witnessing complete. • Reviewing potential opportunities for Point of Care Testing (under development). • Diagnostic Testing (under development).
1.4	To achieve a net surplus for IANZ accreditation services of \$274k.	Actioned - Refer to financial summary on page 5.

Accreditation Programme		Active Accreditations		
Objective 1.4	Output number	Actual 2013	SOI Target 2013	Actual 2012
Testing Laboratories (excluding medical)		467	485	473
Metrology and Calibration Laboratories		57	60	59
Medical Testing Laboratories		65	65	64
Radiology Services		57	57	53
Inspection Bodies		63	61	60
Building Consent Authorities		74	74	74
Proficiency Testing Laboratories		2	2	2
OECD GLP Compliant Laboratories		10	12	11
Conformity Assessment Bodies		5	5	5
NSU BSA		8	8	8
NSU NCSP		21	21	21
Reference Material Producers		2	-	2
Total	1+5	831	850	832

4.1.1 Performance Highlights

The Council has carried out accreditation assessments in accordance with its schedules, including a small number of new assessments in both the testing and radiology programmes. IANZ did very well operationally, largely due to the completion of contract assessments for the National Screening Unit (NSU) of the Ministry of Health. There was also an increase in new accreditation clients in both the Radiology and Mechanical Testing programmes. IANZ has worked with NATA in Australia to establish an accredited teleradiology programme, giving greater assurance for interpretation and diagnostic imaging where the radiologist is not New Zealand based. The first witnessing, under this new arrangement, has been completed.

The third assessment round for the BCA programme has been successfully completed with the fourth now well under way. During May, IANZ carried out a Special Assessment of Christchurch City Building Consent Authority, which led to a notice to revoke their accreditation being issued in June (and revocation taking effect from 8 July). This has created considerable media coverage for IANZ, with a number of specific issues also being debated in Parliament.

The second contract signed in June 2010 with the Ministry of Health's NSU to assess cervical and breast cancer screening programmes was successfully completed in June 2013. The tender process for the next contractual period is expected to get underway early in the new financial year.

The new food safety inspection programme initiative, developed in conjunction with MPI remains on hold until the passing of the new Food Act, anticipated in the 2013/2014 year. Development of other regulatory programmes is under way.

Whilst the hourly rate has remained unchanged for the 2012-2013 year, IANZ has indicated to clients that there will be a slight increase in this and other associated administration fees to align with its cost structure and ensuring continuity in delivering accreditation and the benefits that it offers. While operating as a not-for-profit organisation, it must nevertheless generate a small operational surplus to ensure ongoing financial viability.

4.2 Goal 2 – To provide a cost-effective trade facilitation mechanism and access to international markets through acceptance of test reports from IANZ accredited organisations by overseas regulators as well as maintaining high international standards for conformity assessments.

Objective	Targets	Actual
2.1	Maintain full ISO/IEC 17011 compliance, and thus ILAC/APLAC MRA recognition status.	Full compliance with the ISO/IEC 17011 standard (and thus ILAC/APLAC MRA recognition status) has been maintained.
2.2	IANZ accredited organisations recognised by accreditation authorities in 62 countries.	The number of signatories to the International Laboratory Accreditation Cooperation (ILAC) MRA continues to grow, with the accreditation authorities in 67 countries now signatories to this arrangement (including New Zealand). In addition, another five accreditation authorities in the European Union recognise IANZ designation under the auspices of the New Zealand – European Union Government to Government MRA.
2.3	Assist MBIE and MFAT as requested with TBT related trade negotiations.	The use of accreditation by overseas regulatory authorities is also increasing, notably in the United States. IANZ is working with trade officials at MFAT and MBIE to maximise the leverage from this in a number of Free Trade Agreements currently under negotiation.
2.4	To recover from clients, the direct specific costs associated with international recognition activities.	A funding model introduced in July 2011 has realised the first full year of the proportionate value of direct costs associated with international recognition activities.

4.2.1 Performance Highlights

4.2.1.1 International involvement

Exports are essential to the New Zealand economy, particularly agricultural (e.g. meat and dairy) products, as well as manufactured goods, including steel and aluminium. The growing global demand for testing in accredited laboratories has seen IANZ play a key role in facilitating international trade. Affiliation with MRA partners ensures acceptance of New Zealand products in overseas markets without additional testing or inspection. Currently, 81 accreditation bodies in 67 economies (Output 2), including all our major trading partners, are signatories to such arrangements. In addition, another five accreditation authorities in the European Union recognise IANZ designation under the auspices of the New Zealand – European Union Government to Government MRA.

In conjunction with the OECD Principles of Good Laboratory Practice and the OECD Working Group on Good Laboratory Practice, IANZ also operates a GLP Compliance Monitoring Programme to ensure (under the OECD Mutual Acceptance of Data agreement) acceptance in all OECD member states of New Zealand-generated safety testing data on chemicals and veterinary medicines intended for regulatory approval.

4.2.1.2 Trade Negotiations

The use of accreditation by overseas regulatory authorities is also increasing, notably in the United States. IANZ is working with trade officials at MFAT and MBIE to maximise the leverage from this in a number of Free Trade Agreements currently under negotiation.

4.2.1.3 Trans-Tasman MRA

IANZ continues to work cooperatively with its counterpart Australian organisation, NATA, to provide seamless recognition of laboratory results and inspection reports for regulators on both sides of the Tasman. A full annual benchmarking exercise assists in identifying improvement opportunities. Both organisations ensure that accreditation practices provide similar outcomes, including the use of common technical experts where necessary.

4.3 Goal 3 – NZQC: To promote good management practices through the delivery of training courses that support the Council's accreditation and certification services.

Objective	Targets	Actual
3.1	Establish two new courses as follows: Social Responsibility and Introduction to Environmental Management Systems.	Two new courses viz. Social Responsibility (ISO 26000) and Introduction to Environmental Management Systems Standards were established during the year with Social Responsibility being run for the first time in April 2013.
3.2	Maintain NZQA Registration as a private training establishment.	NZQA's registration as a private training establishment has been maintained.
3.3	Complete NZQC trainee days as set out below.	See table below

Training Summary per SOI (NZQC Trainee Days)	Actual 2013	Budget 2013	Actual 2012
Public	648	782	711
In-house	212	232	261
Overseas	555	646	763
Total	1,415	1,660	1,735

4.3.1 Performance Highlights

The continued restraint in the economy is reflected in the 2013 reduction in public trainee-day figures against budget by 17% and in-house by 9%.

International-course trainee days were impacted upon by lower attendance than budgeted from the two courses held in Singapore (three courses held in 2012). Overall, trainee days for all courses were 15% adverse to budget.

Registrations for courses at year end were well ahead of the numbers at the same time last year signalling a welcome expansion in training budgets.

4.4 Goal 4 – Telarc: To be New Zealand's leading provider of assurance services, focusing on certification and compliance with standards.

Objective	Targets	Actual
4.1	Maintain JAS-ANZ accreditation to ISO/IEC 17021 for ISO9001 and ISO14001 certification programmes.	Telarc had its annual JASANZ audit in December 2012 for QA, EMS, Herd Testing and PSMS. Accreditation has been maintained for those programmes with 3 Minor NCRs outstanding which will be reviewed at the next audit in October/November 2013.
4.2	Net growth in commercial customers.	Telarc are down by 158 assessment units since end June 2012
4.3	To increase customer satisfaction levels (those scoring excellent or outstanding) from 76% to over 80%.	A customer survey carried out early October 2012 indicated that (those scoring excellent or outstanding) has increased from 76% to 80% since October 2011.
4.4	Achieve net profit after interest of \$439k (8.8% of revenue).	Full year net profit of \$527k has been realised (10% of revenue).
4.5	To deliver certification audits as set out below	See table below

Certification Programme	Output number	Assessment Units		
		Actual 2013	SOI Target 2013	Actual 2012
Quality management systems		1,473	1,610	1,602
Environmental management systems		450	530	491
Other (regulatory)		231	170	165
Other (non-regulatory)		158	160	153
Total	4	2,312	2,470	2,411

4.4.1 Performance Highlights

4.4.1.1 Quality Management Systems (QMS)

The market for ISO 9001 certifications in New Zealand as measured by the JAS-ANZ Register reduced by 0.4% last year, with Telarc's share 47.2% (at June 2012 48%). The drop on prior year is due mainly to the receivership of a major client and client amalgamations.

4.4.1.2 Environmental Management Systems (EMS) CarbonZero

The market for ISO 14001 certifications in New Zealand as measured by the JAS-ANZ Register remained static last year. Telarc's share dropped slightly from 40.4% to 39.3%. However, assessment units reduced by 8%, primarily due to a large multi-site client going into receivership who had been registered to a number of environmental standards.

4.4.1.3 Other Programmes

Assessment units for other regulatory compliance programmes (ACC WSMP, Transit TQS, Rail Safety, Employer Licensing and NZS 7901) increased from 165 to 231, due to a number of ACC WSMP programme clients returning to Telarc and Public Safety Management Systems assessments for the Gas industry. Other non-regulatory assessments increased slightly during the year, due to growth in OH&S assessments as covered above.

4.5 Goal 5 – Consolidated Performance: To provide continuous annual financial surpluses and grow cash reserves to exceed 25% of operating costs by 2013.

Objective	Targets 2013 \$'s	Actual 2013 \$'s	Actual 2012 \$'s
Consolidated surplus (before deduction of minority share)	614,395	765,390	693,121
Growth / (decline) in cash reserves	1,148,352	901,345	935,523

The Council remains on track to provide annual financial surpluses. To facilitate business continuity, reserves exceeded 25% of operating costs for the 2013 year.

4.6 Promoting Conformity Assessment

4.6.1 Publications

Updates to IANZ criteria in technical and information publications can be viewed at ianz.govt.nz and copies are sent to the Legal Deposit Office at the National Library of New Zealand. IANZ has embarked on a significant promotional campaign, and a number of main stream media and specialist trade publications have published articles on IANZ accreditation.

4.6.2 Websites

The Council maintains three websites:

ianz.govt.nz; telarc.co.nz; nzqc.co.nz

Each details Council activities, including full product and assessment process information, the register of accredited organisations and how to become IANZ-accredited or Telarc-certified. News, articles of interest and contact details are also given.

4.7 Equal Employment Opportunities

4.7.1 Good employer policies and practices

Every effort is made to ensure that all staff are treated equally, regardless of status. Firm guidelines in the recruitment process highlight the need to appoint new staff on ability and merit. Those responsible for recruiting staff are fully briefed accordingly. The Council ensures gender neutrality in its appointment processes.

Good employer practice is promulgated through formal policies covering:

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

Good employment practices are explained further in the Staff Manual and individual employment contracts, which clearly set out the procedure for personal grievances if staff are disadvantaged in their employment,

discriminated against, or sexually or racially harassed in the workplace. Details have been discussed individually with all staff.

Workplaces are designed to accommodate people with disabilities and regular building emergency evacuation drills allow for the management of such persons in emergencies.

Workplace stress is closely monitored throughout the organisation, with additional counselling support services for staff as required. Workplace flexibility is also paramount, including the taking of leave, adjustable hours and autonomy in undertaking assessments.

Over the last 12 months:

- Gender balance has been maintained with women comprising 43% of total staff – currently, 40% of the management team are women. This balance is benchmarked against other agencies.
- All staff continue to be paid on merit and ability, without bias.
- No employee requested working hours outside the norm.
- The disability of one employee (hearing difficulty) was accounted for.

No grievances or cases of discrimination were reported.

The Council's proactive Health and Safety Policy is designed to ensure the ongoing safety of all employees. No serious-harm incidents occurred during the year ended 30 June 2013 (also nil in 2012). A number of health and safety initiatives were also undertaken by staff to cover Council office procedures, as well as hazards at client premises.

The last staff climate survey (expanded into the Business Excellence survey) was completed in February 2011 (with a core engagement of staff outcome of close to 80%). The management team agreed to undertake such surveys every two years, to allow for the effective rollout of action plans generated from a series of proactive workshops held after that survey.

4.7.2 Performance Appraisals

All Council staff underwent annual performance appraisals in July-August 2012, which were repeated this year, to evaluate individual achievement against key performance indicators and to identify opportunities for personal development and training.

4.7.3 Staff Training

Specific training initiatives were developed to meet individual staff development goals.

4.8 Human Resource Statistics

As at 30 June 2013

4.8.1 Gender

	IANZ	Telarc	Total 2013	Total 2012
Male	22	17	39	37
Female	21	8	29	28
Total	43	25	68	65

4.8.2 Ethnicity/Nationality

	IANZ	Telarc	Total 2013
NZ European	29	13	42
European	–	9	9
Māori	1	–	1
Pacific Island	4	–	4
South African	2	2	4
Indian	4	–	4
Other	3	1	4
Total	43	25	68

4.8.3 Age

	IANZ	Telarc	Total 2013
Under 30	3	1	4
30 – 39	7	–	7
40 – 49	12	3	15
50 – 59	16	11	27
60 +	5	10	15
Not stated	–	–	–
Total	43	25	68

5 Statement of Responsibility

For the financial year ended 30 June 2013, the Council and management of IANZ accept responsibility for the preparation of the financial statements, statements of service performance and the judgements used therein.

The Council and management of IANZ also accept responsibility for establishing and maintaining a system of internal controls, designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

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

Dr John Hay
Temporary Deputy Chair
10 October 2013

Susan Paterson
Council Member
10 October 2013

Dr Llewellyn Richards
Chief Executive
10 October 2013

Marc Ferguson
Commercial Manager
10 October 2013

6 Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

**To the readers of
Testing Laboratories Registration Council of New Zealand and group's
financial statements and non-financial performance information
for the year ended 30 June 2013**

The Auditor-General is the auditor of Testing Laboratories Registration Council of New Zealand (the Council) and group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the Council and group on her behalf.

We have audited:

- the financial statements of the Council and group on pages 22 to 39, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Council and group that comprises the statement of service performance on pages 11 to 16 and the report about outcomes on pages 8 to 10.

Opinion

In our opinion:

- the financial statements of the Council and group on pages 22 to 39:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Council and group's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Council and group on pages 8 to 16:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Council and group's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
 - the service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - the actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 10 October 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non-financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non-financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Council and group's financial statements and

Audit Report

non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the appropriateness of the reported non-financial performance information within the Council and group's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non-financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing financial statements and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Council and group's financial position, financial performance and cash flows; and
- fairly reflect the Council and group's service performance and outcomes.

The Council is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Council's responsibilities arise from the Crown Entities Act 2004 and Testing Laboratory Registration act 1972 and amendments.

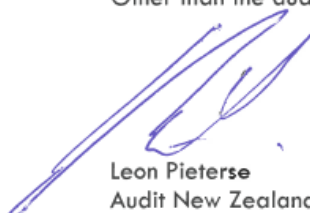
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

7 Statement of Accounting Policies

For the year ended 30 June 2013

7.1 Reporting entity

These are the financial statements of the Testing Laboratory Registration Council of New Zealand, a Crown Entity under the Crown Entities Act 2004. Accordingly, the Council has designated itself a Public Benefit Entity for the purposes of the New Zealand equivalent to international financial reporting standards (NZ IFRS).

Prepared pursuant to the Public Finance Act 1989 and the Crown Entities Act 2004, these financial statements were approved by the Council on 10 October 2013. No one has the power to amend such statements after issue.

7.2 Statement of compliance

The financial statements comply with the generally accepted New Zealand accounting practice NZ GAAP, as outlined in the Crown Entities Act 2004, as well as NZ IFRS and other applicable financial reporting standards.

7.3 Measurement base

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

7.4 Functional and presentation currency

The financial statements are presented in New Zealand dollars, the functional currency of the Testing Laboratory Registration Council of New Zealand.

7.5 Basis of consolidation – purchase method

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

All significant inter-entity transactions are eliminated on consolidation.

The investment in subsidiary is carried at cost in the Council records and the Council confirms this does not exceed the net asset value.

7.6 Budget figures

Budget figures (those approved by the Council at the start of the financial year) have been prepared in accordance with generally accepted accounting practice, consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

7.7 Revenue

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

7.8 Goods and services tax

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated with GST included. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

7.9 Taxation

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

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

7.10 Trade and other receivables

Trade and other receivables are stated at their expected realisable value after providing for impairment, doubtful and uncollectable debts. WIP represents work performed for which clients have not been invoiced and is stated at expected realisable value.

7.11 Investments in subsidiary Telarc

Investment in subsidiary is carried at cost in the Council's records, an amount confirmed by the Council as not exceeding the net asset value.

7.12 Investments: short-term deposits

Short-term deposits are stated at the lower of cost and net realisable value, with any decreases recognised in the statement of comprehensive income. Such deposits are classified as maturing less than 365 days from inception.

7.13 Property, plant and equipment

All are recorded at historical cost less accumulated depreciation and impaired losses.

7.14 Depreciation

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

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

7.15 Intangible assets

Computer software is recorded at historical cost.

Client lists purchased are recorded at historical cost.

Programme and course development costs:

Costs directly associated with the development of accreditation programmes and training courses are recognised as an intangible asset, to the extent that such costs are expected to be recovered. Development costs primarily consist of employee costs and, if directly attributable to the design of programmes and courses, are classified as an intangible asset if the following can all be demonstrated:

- It is technically feasible to complete the course or programme for future use;
- Management intends to complete the course or programme;
- The course or programme is able to be used;
- The generation of probable future economic benefits can be demonstrated;
- Adequate technical, financial and other resources are available to complete development and to use the course or programme; and
- Expenditure attributable during development can be reliably measured.

Any cost failing to meet the above criteria is classified as an expense incurred in the surplus or deficit. Once recognised as an expense, development costs cannot be subsequently classified as an asset.

7.16 Amortisation

Computer software and capitalised course and programme development costs are amortised at rates that will write off the cost on a straight-line basis to the estimated residual value over their useful life. The useful lives and associated amortisation rates used in preparation of these statements are reviewed annually as follows:

Computer software	3-5 years	20%-33% straight line
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Capitalised course and programme development costs 3-5 years 20%-33% straight line

Client lists purchased are amortised over their expected useful lives.

While work is still in progress with regard to certain capitalised course and programme development costs, the useful life of completed projects will be established at project completion.

7.17 Employee entitlements

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

Employees who have completed 20 years of continuous service may be granted once-only, long-service leave of four weeks. Provision has been made for any future liability, calculated on an actuarial basis.

7.18 Leases

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

7.19 Financial instruments

The Council and group are party to financial instruments as part of normal operations, including bank accounts, short-term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position, with all associated revenues and expenses included in the statement of comprehensive income.

Apart from items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

7.20 Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments made by the Council and group as part of day-to-day cash management.

Operating activities include cash received from all Council and group income sources, with records of cash payments made for the supply of goods and services.

Investing activities relate to the acquisition and disposal of non-current assets.

Financing activities relate to the change in equity and debt capital structure of the Council and group.

7.21 Changes in accounting policies

No changes to accounting policies have been made during the financial year.

Standards, amendments and interpretations issued, but not yet effective or early adopted, and relevant to the Council, include the following:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments, with Recognition and Measurement comprising three main phases: Phase 1 Classification and Measurement; Phase 2 Impairment Methodology; and Phase 3 Hedge Accounting. Phase 1 has been completed and published in the new standard, which uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, rather than the myriad of rules in NZ IAS 39. This approach is based on an entity's management of its financial assets and the contractual cash-flow characteristics of those assets. Financial liability requirements remain the same as those of NZ IAS 39, except when an entity elects to designate a financial liability at fair value through the surplus/deficit. The Council has not yet assessed the effect of the new standard, which is required to be adopted for the year ending 30 June 2016.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council will be eligible to apply the reduced disclosure regime (Tier 2 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the Council will transition to the new

standards in preparing its 30 June 2015 financial statements. The Council has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

7.22 Critical accounting estimates and assumptions

In preparing these financial statements, the Council has made estimates and assumptions for the future, which may differ from subsequent actual results. Such estimates are continually evaluated, based on historical experience and reasonable expectations. Estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment – useful lives and residual values:

At each balance date, the Council reviews the useful lives and residual values of its property, plant and equipment. Such assessments require consideration of a number of factors, such as the physical condition and expected period of use of the asset by the Council, as well as expected proceeds from its future sale. An incorrect estimate will impact on the depreciable amount of an asset, impacting in turn on the depreciation expense in the statement of comprehensive income and carrying amount of the asset in the statement of financial position. The Council minimises such risk by:

- physical inspection of assets;
- asset replacement programmes;
- review of secondhand market prices for similar assets; and
- analysis of prior asset sales.

The Council has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in Note 7.

7.23 Equity

Equity is measured as the difference between total assets and total liabilities. Equity comprises general funds only.

8 Annual Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

		CONSOLIDATED			PARENT	
	Notes	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2012 Actual \$
INCOME						
Revenue		11,456,686	11,303,996	11,193,123	6,337,722	6,316,949
Interest income		91,617	45,501	62,325	41,170	29,641
Dividend income		-	-	-	187,500	225,000
Other income	2	24,410	-	19,834	10,527	19,072
Total income		11,572,713	11,349,497	11,275,282	6,576,919	6,506,981
EXPENDITURE						
Personnel costs	3	6,010,234	5,861,631	5,716,039	3,844,691	3,715,602
Depreciation and amortisation expenses	6,7	201,583	260,001	194,007	120,016	168,972
Other operating costs		4,595,506	4,613,469	4,672,115	2,186,461	2,215,851
Total expenditure		10,807,323	10,735,101	10,582,161	6,151,168	6,022,379
TOTAL COMPREHENSIVE INCOME		765,390	614,396	693,121	425,751	281,831
Surplus attributable to:-						
Minority Interest		84,910	109,888	102,823	-	-
Testing Laboratory Registration Council		680,480	504,508	590,298	425,751	281,831
		765,390	614,396	693,121	425,751	281,831

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	CONSOLIDATED			PARENT		
	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
Equity as at 1 July	2,900,787	2,764,240	2,282,666	1,704,607	1,654,316	1,422,776
Total comprehensive income	765,390	614,396	693,121	425,751	339,676	281,831
Total recognised revenues and expenses for the year	765,390	614,396	693,121	425,751	339,676	281,831
Less dividend declared	(62,500)	(54,944)	(75,000)	-	-	-
Total equity as at 30 June	3,603,677	3,323,692	2,900,787	2,130,358	1,993,992	1,704,607
Parent Entity interest	3,304,065	2,956,610	2,623,585	2,130,358	1,993,992	1,704,607
Minority entity interest in Telarc SAI Limited						
Brought forward	277,202	312,138	249,379	-	-	-
Less dividend declared	(62,500)	(54,944)	(75,000)	-	-	-
Share of surplus	84,910	109,888	102,823	-	-	-
Total minority interest at 30 June	299,612	367,082	277,202	-	-	-
Testing Laboratory Registration Council equity at 30 June						
Total equity	3,603,677	3,323,692	2,900,787	2,130,358	1,993,992	1,704,607

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		CONSOLIDATED			PARENT	
	Notes	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2012 Actual \$
Equity						
Opening General Funds						
<u>IANZ Shareholders</u>						
Opening balance		2,623,585	2,452,102	2,033,287	1,704,607	1,422,776
Suplus/(deficit) attributable to IANZ shareholders		680,480	504,508	590,298	425,751	281,831
Closing balance		3,304,065	2,956,610	2,623,585	2,130,358	1,704,607
<u>Minority Share in Telarc SAI Limited</u>						
Opening balance		277,202	312,138	249,379	-	-
Dividend paid		(62,500)	(54,944)	(75,000)	-	-
Minority share of surplus		84,910	109,888	102,823	-	-
Closing Balance		299,612	367,082	277,202	-	-
Total equity		3,603,677	3,323,692	2,900,787	2,130,358	1,704,607
Represented by:						
ASSETS						
Current assets						
Cash on hand and at bank	19	3,670,255	100,000	179,619	1,823,725	71,268
Trade and other receivables	4	1,964,372	1,890,657	1,554,950	1,203,066	1,082,918
Other assets: prepayments		110,789	110,588	158,556	65,847	103,207
Short-term deposits and investments	5,14,19	387,297	3,816,184	2,976,588	127,500	1,145,500
Total current assets		6,132,713	5,917,429	4,869,713	3,220,138	2,402,893
Non current assets						
Investments (shares in Telarc SAI Limited)	10	-	-	-	450,000	450,000
Property, Plant and Equipment	6	279,002	260,272	286,705	218,708	205,813
Intangibles	7	90,868	138,909	155,730	63,286	74,187
Total non current assets		369,870	399,181	442,435	731,994	730,000
Total assets		6,502,583	6,316,610	5,312,148	3,952,132	3,132,893
LIABILITIES						
Current liabilities						
Trade and other payables	8	2,367,596	2,434,581	1,851,709	1,477,679	1,100,965
Dividend payable to SAI Global	10	62,500	54,944	75,000	-	-
Provision for employee entitlements	9	468,810	503,393	484,652	344,095	327,321
Total current liabilities		2,898,906	2,992,918	2,411,361	1,821,774	1,428,286
Total liabilities		2,898,906	2,992,918	2,411,361	1,821,774	1,428,286
NET ASSETS		3,603,677	3,323,692	2,900,787	2,130,358	1,704,607

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

		CONSOLIDATED			PARENT	
Notes	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Revenues from services provided	11,513,420	11,490,000	11,422,244	6,574,299	6,376,660	6,024,352
Interest received	103,017	45,000	50,925	46,540	24,699	24,271
Dividends received	-	-	-	225,000	-	31,125
	<u>11,616,437</u>	<u>11,535,000</u>	<u>11,473,169</u>	<u>6,845,839</u>	<u>6,401,359</u>	<u>6,079,748</u>
Cash was applied to:						
Payments to employees	5,958,413	5,680,222	5,696,314	3,759,935	3,669,533	3,659,177
Payments to suppliers	4,538,309	4,507,666	4,636,520	2,201,817	2,035,104	2,181,322
Net Goods and Services Tax	(5,486)	28,000	(48,030)	7,782	(14,760)	(36,995)
	<u>10,491,236</u>	<u>10,215,888</u>	<u>10,284,804</u>	<u>5,969,534</u>	<u>5,689,877</u>	<u>5,803,504</u>
Net cash flows from operating activities	17	<u>1,125,201</u>	<u>1,319,112</u>	<u>1,188,365</u>	<u>876,305</u>	<u>276,244</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from sale of Property, Plant & Equipment	26,730	-	49,321	15,291	-	33,102
	<u>26,730</u>		<u>49,321</u>	<u>15,291</u>		<u>33,102</u>
Cash was applied to:						
Purchase of Property, Plant & Equipment	129,215	60,000	223,197	110,768	40,000	147,576
Purchase of Intangible assets (computer software)	46,371	48,000	68,591	46,371	30,000	52,669
	<u>175,586</u>	<u>108,000</u>	<u>291,788</u>	<u>157,139</u>	<u>70,000</u>	<u>200,245</u>
Net cash flows from investing activities		<u>(148,856)</u>	<u>(108,000)</u>	<u>(242,467)</u>	<u>(70,000)</u>	<u>(167,143)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Minority dividend	(75,000)	(62,759)	(10,375)	-	-	-
Net cash flows from financing activities		<u>(75,000)</u>	<u>(62,759)</u>	<u>(10,375)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash held	901,345	1,148,353	935,523	734,457	641,482	109,101
Plus opening cash	3,156,207	2,767,831	2,220,684	1,216,768	991,315	1,107,667
Closing cash balance		<u>4,057,552</u>	<u>3,916,184</u>	<u>3,156,207</u>	<u>1,951,225</u>	<u>1,216,768</u>
Cash and bank	3,670,255	100,000	179,619	1,823,725	50,000	71,268
Short-term investments	387,297	3,816,184	2,976,588	127,500	1,582,797	1,145,500
Closing cash balance	19	<u>4,057,552</u>	<u>3,916,184</u>	<u>3,156,207</u>	<u>1,951,225</u>	<u>1,216,768</u>

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

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

9 Notes to the Financial Statements

For the year ended 30 June 2013

	CONSOLIDATED				PARENT	
	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
Note 1: Total comprehensive income						
The net surplus (deficit) is after charging for:						
Fees to Audit New Zealand for audit of financial statement	60,000	60,545	58,216	32,000	32,061	30,828
Council and Directors' Fees	140,625	178,125	144,792	90,625	128,125	94,792
Depreciation of property, plant and equipment						
Motor vehicles	46,532	97,553	57,144	36,445	82,996	47,390
Office furniture and equipment	4,736	5,698	6,017	2,395	3,209	3,564
Leasehold improvements	9,002	7,737	3,996	7,675	6,410	2,669
Computer hardware	49,918	43,784	38,515	36,067	32,872	26,529
Total Depreciation	110,188	154,771	105,672	82,582	125,486	80,152
Amortisation computer software	84,948	105,229	85,079	30,987	43,486	28,887
Amortisation product development	6,447	-	3,256	6,447	-	3,256
Total Amortisation	91,395	105,229	88,335	37,434	43,486	32,143
Total Depreciation and Amortisation	201,583	260,000	194,007	120,016	168,972	112,295
Rental expense on operating leases	415,861	424,712	423,203	298,226	303,452	302,225
Bad debts	52,454	10,000	1,780	3,525	-	(6,733)
Note 2: Net revenue/(cost) analysis						
Accreditation services						
Revenue	5,680,262	5,526,090	5,386,416	5,680,262	5,526,090	5,386,416
Less cost	(5,236,850)	(5,252,413)	(5,021,978)	(5,236,850)	(5,252,413)	(5,021,978)
Net surplus	443,412	273,677	364,438	443,412	273,677	364,438
Certification services						
Revenue	5,028,152	4,947,047	5,136,101	-	-	-
Less cost	(4,611,052)	(4,567,797)	(4,550,873)	-	-	-
Net surplus	417,100	379,250	585,228	-	-	-
Training and other services						
Revenue	561,870	643,659	563,161	471,058	603,659	536,636
Less cost	(667,635)	(635,910)	(694,551)	(622,532)	(635,910)	(685,642)
Net surplus / (deficit)	(105,765)	7,749	(131,390)	(151,474)	(32,251)	(149,006)
International recognition services						
Revenue	186,402	187,200	107,445	186,402	187,200	107,445
Less cost	(291,786)	(278,982)	(314,759)	(291,786)	(278,982)	(314,759)
Net deficit	(105,384)	(91,782)	(207,314)	(105,384)	(91,782)	(207,314)
Other Income						
Interest	91,617	45,501	62,325	41,170	25,200	29,641
Net gain on sale of property, plant, and equipment	10,527	-	19,834	10,527	-	19,072
Earnout - DAA Group	13,883	-	-	-	-	-
Dividend	-	-	-	187,500	164,832	225,000
Total	116,027	45,501	82,159	239,197	190,032	273,713
Total revenue						
Total revenue	11,572,713	11,349,497	11,275,282	6,576,919	6,506,981	6,304,210
Less total cost	(10,807,323)	(10,735,102)	(10,582,161)	(6,151,168)	(6,167,305)	(6,022,379)
Total comprehensive income	765,390	614,395	693,121	425,751	339,676	281,831

Telarc SAI Limited paid the Parent \$529,000 as a contribution towards overheads (2012, \$562,500), which has been off-set against cost of service in the Parent accounts.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 3 : Personnel Costs excluding Council and Directors' fees

	CONSOLIDATED				PARENT	
	2013	2013	2012	2013	2013	2012
	Actual	Budget	Actual	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
Salaries and wages	5,942,571	5,772,886	5,669,213	3,776,709	3,680,869	3,653,530
Defined contribution plan employer contribution	83,506	70,003	68,927	51,208	40,003	46,350
Increase/ (decrease) in employee entitlements	(15,843)	18,741	(22,101)	16,774	(5,270)	(5,647)
Total Personnel Costs	6,010,234	5,861,631	5,716,039	3,844,691	3,715,602	3,694,233

Note 4: Trade and other receivables

	CONSOLIDATED		PARENT	
	2013	2012	2013	2012
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Trade receivables	1,890,351	1,353,001	889,503	669,575
Less: Provision for impairment	(68,846)	(16,392)	(9,717)	(6,192)
Net trade receivables	1,821,505	1,336,609	879,786	663,383
Other receivables				
Work in progress	142,867	218,341	135,780	194,535
Dividends received	-	-	187,500	225,000
Total trade and other receivables	1,964,372	1,554,950	1,203,066	1,082,918

The carrying value of receivables approximates their fair value.

As at 30 June 2013 and 2012 all trade receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	PARENT 2013			PARENT 2012		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$	\$	\$	\$	\$	\$
Not past due	685,913	-	685,913	481,919	-	481,919
Past due 1-30 days	117,579	-	117,579	142,628	-	142,628
Past due 31-60 days	55,913	-	55,913	8,152	(617)	7,535
Past due 61-90 days	16,211	-	16,211	28,054	-	28,054
Past due > 91 days	13,887	(9,717)	4,170	8,822	(5,575)	3,247
Total	889,503	(9,717)	879,786	669,575	(6,192)	663,383

	CONSOLIDATED 2013			CONSOLIDATED 2012		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$	\$	\$	\$	\$	\$
Not past due	1,307,384	-	1,307,384	1,007,568	-	1,007,568
Past due 1-30 days	262,727	-	262,727	231,277	-	231,277
Past due 31-60 days	174,023	(950)	173,073	69,001	(7,445)	61,556
Past due 61-90 days	66,013	(2,264)	63,749	28,054	-	28,054
Past due > 91 days	80,204	(65,632)	14,572	17,101	(8,947)	8,154
Total	1,890,351	(68,846)	1,821,505	1,353,001	(16,392)	1,336,609

The provision for impairment has been calculated based on expected losses for the Council's pool of debtors. Expected losses have been determined based on an analysis of the Council's losses in previous periods and a review of specific debtors.

There has been an increase of \$52,454 (Geon receivership (\$51,672) in the provision for the year to 30 June 2013 and debts of \$52,454 were written off to expense in the year (2012 \$1,780).

Notes to the Financial Statements

For the year ended 30 June 2013

Note 5: Investments

	CONSOLIDATED				PARENT	
	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
Current short-term deposit investments	387,297	3,816,184	2,976,588	127,500	1,582,797	1,145,500
Weighted average effective interest rates on short-term deposit investments	3.40%	3.50%	3.50%	3.30%	3.50%	3.50%

Notes to the Financial Statements**For the year ended 30 June 2013****Note 6: Property, Plant and Equipment****Parent**

Movements for each class of property, plant and equipment are as follows:

Cost	Furniture				Total
	Leasehold Improvements	and Office	Computer Hardware	Motor Vehicles	
	\$	\$	\$	\$	\$
Balance as at 1 July 2011	415,484	298,996	518,356	245,302	1,478,138
Additions	-	3,659	77,543	66,374	147,576
Disposals	-	-	(30,740)	(103,011)	(133,751)
Balance at 30 June 2012	415,484	302,655	565,159	208,665	1,491,963
Balance as at 1 July 2012	415,484	302,655	565,159	208,665	1,491,963
Additions	30,019	10,355	20,024	50,370	110,768
Disposals	-	-	(443,126)	(54,957)	(498,083)
Balance at 30 June 2013	445,503	313,010	142,057	204,078	1,104,648

Accumulated Depreciation

Balance as at 1 July 2011	405,464	288,332	499,861	112,990	1,306,647
Depreciation expense	2,669	3,564	26,529	47,390	80,152
Eliminate on disposal	-	-	(30,740)	(69,909)	(100,649)
Balance at 30 June 2012	408,133	291,896	495,650	90,471	1,286,150
Balance as at 1 July 2012	408,133	291,896	495,650	90,471	1,286,150
Depreciation expense	7,675	2,395	36,067	36,445	82,582
Eliminate on disposal	-	-	(435,073)	(47,719)	(482,792)
Balance at 30 June 2013	415,808	294,291	96,644	79,197	885,940

Carrying Amounts

At 30 June 2012	7,351	10,759	69,509	118,194	205,813
At 30 June 2013	29,695	18,719	45,413	124,881	218,708

Consolidated

Movements for each class of property, plant and equipment are as follows:

Cost	Furniture				Total
	Leasehold Improvements	and Office	Computer Hardware	Motor Vehicles	
	\$	\$	\$	\$	\$
Balance as at 1 July 2011	449,326	448,341	1,006,292	287,530	2,191,489
Additions	-	3,659	102,729	116,809	223,197
Disposals	-	(1,480)	(30,740)	(145,240)	(177,460)
Balance at 30 June 2012	449,326	450,520	1,078,281	259,099	2,237,226
Balance as at 1 July 2012	449,326	450,520	1,078,281	259,099	2,237,226
Additions	30,019	10,355	38,471	50,370	129,215
Disposals	-	-	(924,784)	(54,957)	(979,741)
Balance at 30 June 2013	479,345	460,875	191,968	254,512	1,386,700

Accumulated Depreciation

Balance as at 1 July 2011	434,550	425,670	977,257	135,511	1,972,988
Depreciation expense	3,996	6,017	38,515	57,144	105,672
Eliminate on disposal	-	(1,098)	(30,740)	(96,301)	(128,139)
Balance at 30 June 2012	438,546	430,589	985,032	96,354	1,950,521
Balance as at 1 July 2012	438,546	430,589	985,032	96,354	1,950,521
Depreciation expense	9,002	4,736	49,918	46,532	110,188
Eliminate on disposal	-	-	(905,292)	(47,719)	(953,011)
Balance at 30 June 2013	447,548	435,325	129,658	95,167	1,107,698

Carrying Amounts

At 30 June 2012	10,780	19,931	93,249	162,745	286,705
At 30 June 2013	31,797	25,550	62,310	159,345	279,002

Notes to the Financial Statements

For the year ended 30 June 2013

Note 7: Intangible Assets

Total Cost	CONSOLIDATED				PARENT			
	Product Development	Acquired Computer Software \$	Acquired Client Lists \$	Total \$	Product Development	Acquired Computer Software \$	Acquired Client Lists \$	Total \$
Balance as at 1 July 2011	3,510	1,614,160	369,435	1,987,105	3,510	850,887	-	854,397
Additions	29,515	39,076	-	68,591	29,515	23,154	-	52,669
Disposals	-	(20,701)	-	(20,701)	-	(20,701)	-	(20,701)
Balance at 30 June 2012	33,025	1,632,535	369,435	2,034,995	33,025	853,340	-	886,365
Balance as at 1 July 2012	33,025	1,632,535	369,435	2,034,995	33,025	853,340	-	886,365
Additions	4,739	41,632	-	46,371	4,739	41,632	-	46,371
Disposals	(3,368)	(16,470)	-	(19,838)	(3,368)	(16,470)	-	(19,838)
Balance at 30 June 2013	34,396 ^a	1,657,697 ^b	369,435	2,061,528	34,396 ^a	878,502	-	912,898

Amortisation

Balance as at 1 July 2011	550	1,420,945	369,435	1,790,930	550	779,485	-	780,035
Amortisation expense	3,256	85,079	-	88,335	3,256	28,887	-	32,143
Eliminate on disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2012	3,806	1,506,024	369,435	1,879,265	3,806	808,372	-	812,178
Balance as at 1 July 2012	3,806	1,506,024	369,435	1,879,265	3,806	808,372	-	812,178
Amortisation expense	6,447	84,948	-	91,395	6,447	30,987	-	37,434
Eliminate on disposal	-	-	-	-	-	-	-	-
Balance at 30 June 2013	10,253	1,590,972	369,435	1,970,660	10,253	839,359	-	849,612

Carrying Amounts

At 30 June 2012	29,219	126,511	-	155,730	29,219	44,968	-	74,187
At 30 June 2013	24,143	66,725	-	90,868	24,143	39,143	-	63,286

^a Includes WIP on training and programme development costs - \$12,122

^b Includes WIP on CRM costs - \$15,922

Note 8: Trade and other payables

	CONSOLIDATED			PARENT		
	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
Trade payables	265,769	469,086	257,101	142,606	257,852	159,757
Other payables	129,204	129,534	60,433	72,983	75,556	30,081
Accrued expenses	650,367	534,024	658,803	386,230	323,353	421,606
Revenue in advance	1,322,256	1,301,937	875,372	875,860	850,800	489,521
Total trade and other payables	2,367,596	2,434,581	1,851,709	1,477,679	1,507,561	1,100,965

Trade creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of trade creditors and other payables approximates their fair value.

Trade and other payables increased over 2012 due to GST commitments on higher revenue, and larger volume of advance revenue through the Training College and cyclical timing of registrations and fixed fee programmes.

Note 9: Employee entitlements

	CONSOLIDATED			PARENT		
	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
Annual leave	430,225	433,811	431,713	305,510	271,631	295,466
Long service leave	38,585	69,582	52,939	38,585	50,420	31,855
Retirement leave	-	-	-	-	-	-
Total	468,810	503,393	484,652	344,095	322,051	327,321

The long-term portion is not considered significant.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 10: Related party information

The Testing Laboratory Registration Council is an Autonomous Crown Entity. All related party transactions have been entered into on an arm's-length basis.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the Council is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC) to the Crown and Crown-related entities. Payment, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Council is exempt from paying income tax.

The Council purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from such entities for the year ended 30 June 2013 totalled \$592,996 (2012 \$634,077), including postal services from New Zealand Post and New Zealand Courier, travel from Air New Zealand, and electricity from Mercury Energy.

The Council offers services to entities controlled, significantly influenced, or jointly controlled by the Crown. Such services for the year ended 30 June 2013 totalled \$1,509,783* (2012 \$1,848,538), including the Ministry of Health, \$897,639* (\$2012 \$931,506) of which \$ 719,192 related to Crown Health Financing Agencies/ District Health Boards (2012 \$661,295). The balance went to Public/Non Public Service Departments, other Crown Entities and State Owned Enterprises.

Key Management Personnel

The following transactions were entered into during the year with organisations where Council members and Telarc directors had a related interest:

Member	Organisation	Revenue	Expense
Campbell Kyle	LabPLUS	\$65,335 (2012 \$52,962)	Nil (2012 Nil)
Campbell Kyle	Diagnostic Medical Laboratory	\$11,253 (2012 \$15,127)	Nil (2012 Nil)
Campbell Kyle	DNA Diagnostics	\$2,667 (2012 \$3,762)	Nil (2012 Nil)
Elizabeth Hopkins	Cawthron Institute	\$27,667 (2012 \$28,285)	Nil (2012 Nil)
Elizabeth Hopkins	Callaghan Innovation Research Ltd	\$36,001 (2012 Nil)	\$22,416 (2012 Nil)
John Hay	ESR	Nil (2012 Nil)	Nil (2012 Nil)
Richard Janes	Industrial Research Limited	Nil (2012 \$34,962)	\$32,322 (2012 \$52,938)
Richard Janes	Callaghan Innovation Research Ltd	\$53,376 (2012 Nil)	\$22,416 (2012 Nil)
Susan Paterson	Aotea Pathology	\$16,690 (2012 \$20,631)	\$50 (2012 \$29)
Susan Paterson	Ascot Radiology	\$4,459 (2012 \$11,486)	Nil (2012 Nil)
Paul Connell	Just Water International Limited	\$1,503 (2012 Nil)	\$1,765 (2012 \$1,497)
Paul Connell	Unison Networks Limited	\$4,920 (2012 \$16,263)	Nil (2012 Nil)
Paul Connell	Hamilton City Council	\$7,717 (2012 \$8,433)	Nil (2012 Nil)

Telarc SAI Limited

The Council owns 75% of the share capital of Telarc SAI Limited.

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

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

Telarc SAI Limited balance date: 30 June.

SAI Global Limited

SAI Global Limited owns 25% of the share capital of Telarc SAI Limited.

Dividend declared and payable to SAI Global	\$62,500	(2012 \$75,000)
Audit services provided by SAI Global	\$57,147	(2012 \$72,659)
Audit services provided to SAI Global	\$126,677	(2012 \$141,060)
Balance of liability owing to SAI Global	\$41,443	(2012 Nil)
Balance of liability owing to Telarc SAI Limited	\$3,845	(2012 \$10,355)

Testing Laboratory Registration Council and Telarc SAI Limited

During the year, the total transactions charged by the Testing Laboratory Registration Council of New Zealand to Telarc SAI Limited were \$594,739, \$529,000 being overhead contribution fees with the balance for goods and services. Transactions charged to the Council were \$84,683. (2012 transactions charged by the Council were \$605,391, \$562,500 being overhead contribution fees with the balance for goods and services, and transactions charged to the Council for goods and services were \$122,931). There are no other related party transactions.

At year end Telarc SAI Limited owed the Council:

Current account advances	\$276	(2012 Nil)
Payables	\$64,237	(2012 \$54,200)
Dividends	\$187,500	(2012 \$225,000)

At year end Council owed Telarc SAI Limited:

Current Account Advances	Nil	(2012 \$24,256)
Payables	\$14,094	(2012 \$7,180)

Key management personnel compensation

	CONSOLIDATED		PARENT	
	2013 Actual	2012 Actual	2013 Actual	2012 Actual
	\$	\$	\$	\$
Salaries and other short-term employee benefits	2,925,790	2,760,304	2,119,010	2,065,970
Other long-term benefits	26,880	35,285	26,880	21,718
Termination benefits	-	42,032	-	42,032
Total key management personnel compensation	2,952,670	2,837,621	2,145,890	2,129,720

Key management personnel compensation complies with SSC requirements and not IFRS and CEA.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 11: Employee Remuneration

During the year the number of Council and Group employees (other than members and directors) receiving remuneration and other benefits in excess of \$100,000 were:

	Number of Employees	
	2,013	2012
Remuneration	Actual	Actual
\$270,000 - \$280,000	1	-
\$250,000 - \$260,000	1	-
\$240,000 - \$250,000	-	1
\$180,000 - \$190,000	-	1
\$160,000 - \$170,000	1	-
\$150,000 - \$160,000	1	1
\$140,000 - \$150,000	-	1
\$110,000 - \$120,000	10	5
\$100,000 - \$110,000	5	9

The chief executives' remuneration are in the \$250,000 to \$280,000 band. The increase to the upper band arises from approval given by the Telarc Board to pay out the CE's entitled incentive provision in the current financial year (normally paid in the following financial year), prior to his passing away in June 2013. Remuneration complies with SSC requirements and not IFRS and CEA.

Note 12: Council and Directors Fees

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

	2013	2012
Council members		
Dr R Pratt, Chairman	-	4,167
Mr J Hill, Deputy Chairman	15,625	15,625
Mr H Duff	12,500	12,500
Dr J Hay	12,500	12,500
Ms E Hopkins	12,500	12,500
Dr R S Janes	12,500	12,500
Dr C Kyle	12,500	12,500
Ms S Paterson	12,500	12,500
Total Council Fees	90,625	94,792
Telarc SAI Limited Directors		
Mr P Bone, Chairman	25,000	25,000
Mr P Connell	12,500	12,500
Dr R S Janes	12,500	12,500
Mr A Scotton	-	-
Total Directors Fees	50,000	50,000
Total Council and Directors fees	140,625	144,792

Note 13 Insurance Cover Directors and Employees

The Council has effected Professional Indemnity and Directors & Officers Liability insurance cover for directors and employees.

Notes to the Financial Statements For the year ended 30 June 2013

Note 14: Financial Instruments

Credit Risk

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

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

There is no significant concentration of credit risk.

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

Fair Value

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

Currency Risk

The Council has no exposure to currency risk i.e. the chance that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Interest Rate Risk

The risk factor refers to the chance 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 2013 (2012 nil). The interest rates on Council investments are reflected in Note 5.

The Council does not consider there to be any significant interest exposure on its investments.

Note 15: Major Budget Variations

IANZ exceeded its surplus budget due in the main to new initial assessments in the Radiology Programme and the continued, effective control of overhead expenditure. A softer cycle year for the Building Consent Authority (BCA) accreditation resulted in lower revenue volumes compared with the previous year. The New Zealand Quality College reported a decline in numbers as a consequence of further restraint in the economy on discretionary spend.

Telarc SAI Ltd's net surplus (before interest) exceeded budget by 14% as a result of increased product bundling for customers. Performance was down on last year due to the effect of no Public Safety Management Systems audits being undertaken in the current year. The total number of assessment units were down 158 on prior year due mainly to the receivership of a major client, and other client amalgamations. One off costs and the bad debt provisioning for the one major client impacted on overheads for the year.

Note 16: Post balance date events

The Council's subsidiary, Telarc SAI Limited (Telarc), has acquired the assets of Verification New Zealand Limited (VNZ) effective from the 1st July 2013. VNZ offers audit services against Quality, Environmental and OH&S system standards as well as several food safety system standards. This acquisition is in keeping with the company's growth strategy and it is therefore expected that the transaction will have a positive impact on future financial performance and the Council's return on investment.

The acquisition has been funded through the use of cash reserves and supplemented with borrowings. As required by the Crown Entities Act 2004, Telarc has sought approval for this borrowing from the relevant Ministers.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 17: Reconciliation of total comprehensive income with net cash flow from operating activities

	CONSOLIDATED					
	2013 Actual \$	2013 Budget \$	2012 Actual \$	2013 Actual \$	2013 Budget \$	2012 Actual \$
Total comprehensive income	765,390	614,396	693,121	425,751	339,676	281,831
<i>Add (less) non cash item</i>						
Depreciation	110,188	154,771	105,672	82,582	125,486	80,152
Amortisation computer software	91,395	105,229	88,335	37,434	43,486	32,143
Total non cash items	201,583	260,000	194,007	120,016	168,971	112,295
<i>Add/ (less) movement in working capital items :</i>						
Decrease (increase) in receivables	(336,754)	(243,616)	29,447	(102,414)	(390,079)	(207,749)
(Decrease) increase in payables	74,467	654,816	331,044	40,366	581,579	104,883
(Decrease) increase in employee entitlements	(15,842)	33,516	(22,101)	16,774	11,336	(5,647)
(Decrease) increase in revenue in advance	446,884	-	(17,319)	386,339	-	9,703
Working capital movements - net	168,755	444,716	321,071	341,065	202,835	(98,810)
<i>Add (less) items classified as investing activities</i>						
Net loss (gain) on disposal of assets	(10,527)	-	(19,834)	(10,527)	-	(19,072)
Net cash flow from operating activities	1,125,201	1,319,112	1,188,365	876,305	711,482	276,244

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

Notes to the Financial Statements

For the year ended 30 June 2013

Note 18: Capital management

The Testing Laboratory Registration Council of New Zealand's capital is its equity, which comprises accumulated funds.

The Council is subject to the financial management and accountability of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Council manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure effective achievement of its objectives and purpose, while remaining a going concern.

Note 19: Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2013	2012	2013	2012
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Cash on hand and at bank	3,670,255	179,619	1,823,725	71,268
Cash equivalents - short-term investments	387,297	2,976,588	127,500	1,145,500
	4,057,552	3,156,207	1,951,225	1,216,768

Note 20: Commitments

	CONSOLIDATED		PARENT	
	2013	2012	2013	2012
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Non-cancellable operating lease commitments, payable :				
No later than one year	424,385	407,714	313,076	313,076
Later than one year but no later than two years	343,229	398,628	235,021	313,076
Later than two years but no later than 5 years	7,448	320,573	-	235,021
Total non-cancellable operating lease commitments, payable	775,062	1,126,915	548,097	861,173

The Testing Laboratory Registration Council of New Zealand leases one Auckland office property. The lease expires in March 2015 with an option to renew for a further term of six years.

Telarc SAI Limited leases three office properties.

No restrictions are placed on the Testing Laboratory Registration Council or Telarc SAI Limited by any of their existing agreements.

Capital commitments

	CONSOLIDATED		PARENT	
	2013	2012	2013	2012
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Property, Plant and Equipment	-	30,019	-	30,019
Intangible Assets	52,880	10,178	44,302	1,600
Total capital commitments	52,880	40,197	44,302	31,619

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Other non-cancellable contracts

There are no material non-cancellable contracts at balance date. (2012 Nil).

Note 21 : Contingent Liabilities as at 30 June 2013

As at balance date there are no known contingent liabilities. (2012 Nil).

Appendix 1

Council Members and Management

The Council consists of nine members, with five appointed by the Minister of Commerce, including the Chair. To ensure broad industry coverage and appropriate expertise, the remaining four are Council appointees. At balance date, vacancies existed for two positions, those being for a Chair and a Council Member (Ministerial Appointment). A Council-appointed Director manages operations and is also Chief Executive of the IANZ accreditation division.

Council Members

James Hill (Deputy Chair / Acting Chair)	Company Director, Auckland
Howard Duff	Management Consultant, Wellington
Dr John Hay	Company Director, Wellington
Elizabeth Hopkins	Company Director, Christchurch
Dr Richard Janes	Company Director, Wellington
Dr Campbell Kyle	Clinical Pathologist, Auckland
Susan Paterson	Company Director, Auckland

Telarc SAI Limited Board

David Bone (Chair)	Company Director, Auckland
Paul Connell	Company Director, Auckland
Dr Richard Janes	Company Director, Wellington
Anthony Scotton	Chief Executive, Sydney

International Accreditation New Zealand

Dr Llewellyn Richards	Chief Executive
Barry Ashcroft	General Manager – Accreditation Services
Marc Ferguson	Commercial Manager
Dr Greg Williams	General Manager – NZQC

Telarc SAI Limited

Peter Rose	Chief Executive
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Appendix 2

Council Function, Overall Objectives, and Operational Standards

1 Function

The Council is required to act independently of Government in carrying out its functions and exercising its statutory powers. The specific functions of the Council, as provided in the Act, are:

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

The Council performs functions (a), (b) and (d) operating as IANZ, with its subsidiary Telarc undertaking function (c).

2 Overall objectives

The Council's main objective is to improve the overall quality of operation for accredited organisations.

As a result of the independent assurance of competence provided by IANZ accreditation, regulators and businesses are able to ensure:

- facilitation of international trade;
- facilitation of domestic economic development; and
- management of health, safety and environmental risks.

Telarc certification also provides recognition of compliance with core management system standards.

4 Operational standards

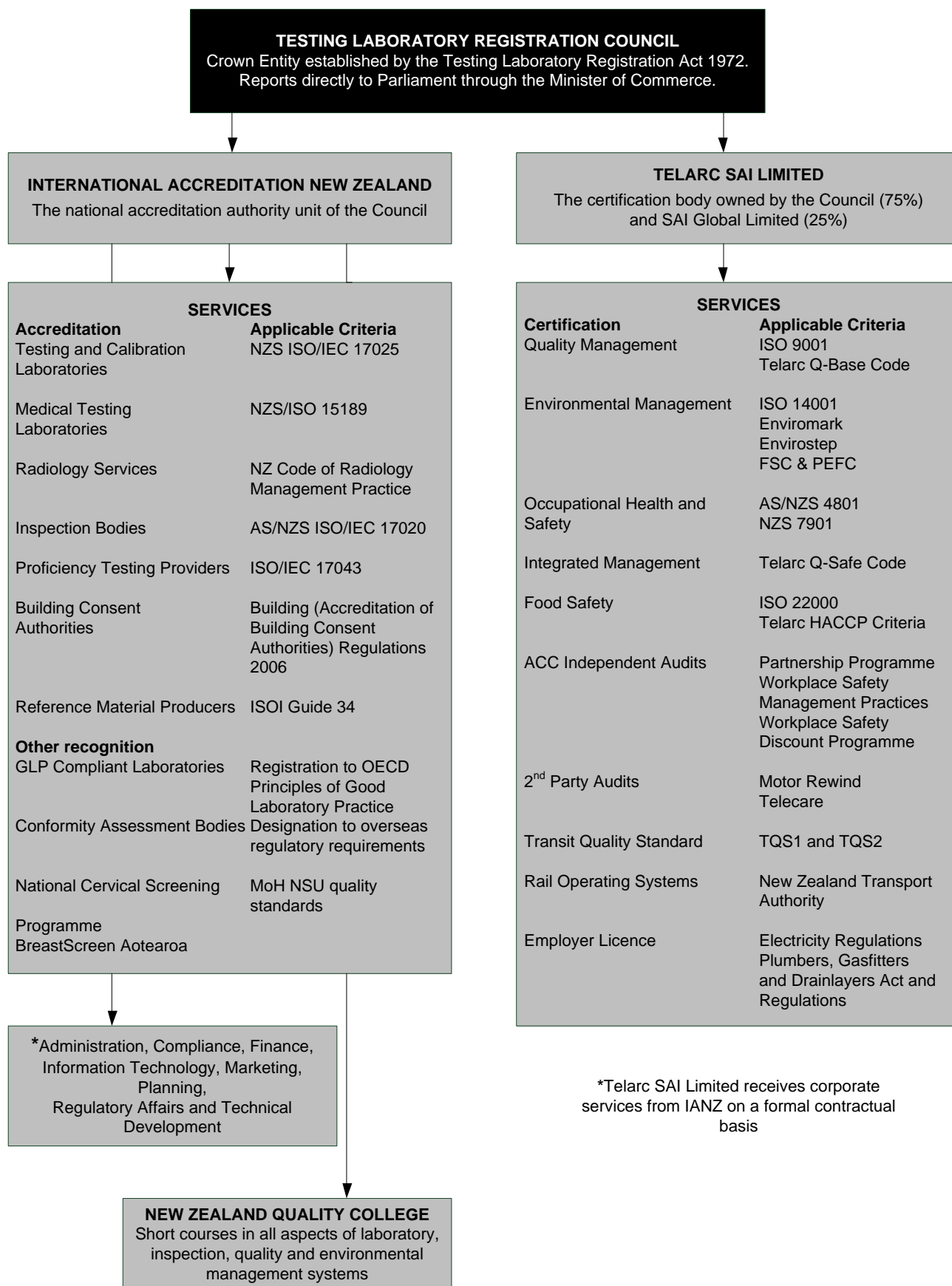
International standards are the cornerstone of the credibility of accreditations and certifications provided by IANZ and Telarc. Each organisation is regularly evaluated against specific standards for their type of operation. To operate as an accreditation authority, IANZ complies with the ISO/IEC 9001 *Conformity Assessment – General Requirements for Accreditation Bodies Accrediting Conformity Assessment Bodies* standard.

To operate as a certification body, Telarc complies with ISO/IEC 17021 *Conformity Assessment – Requirements for Bodies Providing Audit and Certification of Management Systems*.

Annual assessments of Telarc against this standard are undertaken by the Trans-Tasman accreditation authority, JAS-ANZ. These external evaluations are combined with twice-yearly management reviews and internal audits to provide Government, regulators and industry with confidence to adopt the outputs provided by the Council for their purposes.

Appendix 3

Council Structure



Appendix 4

Accreditation and Certification Explained

Accreditation

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

1 Personnel

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

2 Accommodation and environment

Many measurement and test procedures must be carried out under tightly controlled environmental conditions or in sterile or electromagnetically screened accommodation. Accreditation of an organisation is dependent upon the appropriate accommodation and environmental controls within the workplace.

3 Inspection, test and measurement procedures

Accreditation uses only validated inspection and test methods known to produce reliable results. An IANZ-accredited organisation must not only implement rigorous quality control procedures to demonstrate the ongoing validity of its test and inspection methods, but also properly determine its uncertainties of measurement and limits of detection.

4 Test equipment

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

5 Reference standards and materials

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

6 Records and reports

An accredited laboratory or inspection body must maintain complete records of its inspections and tests, and issue reports in formats in line with international standards.

7 Quality management

An accredited laboratory or inspection body must implement a quality management system that is essentially in compliance with the requirements of ISO 9001: 2008.

An Accredited Organisation

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

Full compliance with the criteria results in formal accreditation by IANZ and the subsequent referencing, as appropriate, of Accredited Laboratory, Accredited Radiology Service, Accredited Inspection Body or Accredited Calibration Laboratory.

Accredited organisations are subject to annual reassessments to ensure continued compliance. More frequent reassessments are carried out if necessary.

It should be noted that accreditation does not constitute a blanket endorsement of all activities. Accreditation is granted only for specific types of work in which the organisation has demonstrated its expertise. Such work is defined in the organisation's Scope of Accreditation as published on the IANZ website: ianz.govt.nz/directory. It also forms part of the certificate of accreditation and should be available from the relevant accredited organisations.

Certification

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

The certification of quality and environmental management systems as conforming, respectively, to ISO 9000 and ISO 14001 standards, are the most well-known examples. The quality management systems of more than 1,110,000 businesses in 180 countries are certified to comply with ISO 9001, with a further 267,000 in 158 countries certified with environmental management systems complying with ISO 14001.

The terms certification and registration are used interchangeably in the ISO 9001 and ISO 14001 contexts, depending on the country concerned. Likewise, bodies issuing ISO certificates can be referred to as certification bodies, registration bodies or registrars.

As the publisher of standards, the International Organisation for Standardisation (ISO) does not issue certificates of conformity to any standard. Such certificates are issued by more than 740 certification/registration bodies worldwide, all independent of ISO and of the businesses they certify.

The world association of conformity assessment accreditation bodies, the International Accreditation Forum (IAF), requires members to comply with the international standard ISO/IEC 17021, designed to ensure the competence and independent status of each certification/registration body.

Quality and environmental management system certification assures users and customers of compliance with ISO 9001 or ISO 14001 standards, irrespective of the business and its work. To maintain compliance, standards are monitored by regular surveillance.

Restricted to a particular item produced by a particular business, product certification assures users and regulators of compliance with specified standard(s). Such certification may be limited to compliance with one or more standards, even though the product may be subject to many others.

Appendix 5

Glossary of Acronyms

ACC	Accident Compensation Corporation
APLAC	Asia Pacific Laboratory Accreditation Cooperation
AS	Australian Standard
BCA	Building Consent Authority
CE	European Conformity
EA	European Cooperation for Accreditation
EEO	Equal Employment Opportunities
GLP	Good Laboratory Practice
GST	Goods and Services Tax
HACCP	Hazard Analysis and Critical Control Point
HSNO	Hazardous Substances and New Organisms
IAF	International Accreditation Forum
IANZ	International Accreditation New Zealand
IEC	International Electro-Technical Commission
IFRS	International Financial Reporting Standards
ILAC	International Laboratory Accreditation Cooperation
ISO	International Organisation for Standardisation
JAS-ANZ	Joint Accreditation System of Australia and New Zealand
MBIE	Ministry of Business, Innovation and Employment
MFAT	Ministry of Foreign Affairs and Trade
MoH	Ministry of Health
MoU	Memorandum of Understanding
MPI	Ministry for Primary Industry
MRA	Mutual Recognition Arrangement
NATA	National Association of Testing Authorities
NZFSA	New Zealand Food Safety Authority
NZQC	New Zealand Quality College
NZS	New Zealand Standard
OECD	Organisation for Economic Cooperation and Development
QC	Queen's Counsel
QHNZ	Quality Health New Zealand
TBT	Technical Barriers to Trade
TPP	Trans-Pacific Partnerships
TQH	Telarc Quality Health
TQS	Transit New Zealand Quality Standard
WSMP	Workplace Safety Management Practices
WTO	World Trade Organisation

Appendix 6

Directory

Head Offices

International Accreditation New Zealand

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PO Box 25065, Christchurch 8144, New Zealand

Tel: 03 379 7358, fax: 03 379 7368

Auditor

Audit New Zealand

(On behalf of the Controller and Auditor-General)

155 Queen St, Auckland 1010, New Zealand

Bankers

The National Bank of New Zealand Limited

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Westpac New Zealand Limited

Great South Rd, Penrose, Auckland 1061, New Zealand

ASB Bank Limited

Great South Rd, Penrose, Auckland 1061, New Zealand

Solicitors

Meredith Connell

55 Shortland St, Auckland 1010, New Zealand

Insurance Brokers and Consultants

Hopkins Paton Limited

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