G31

Testing Laboratory Registration Council

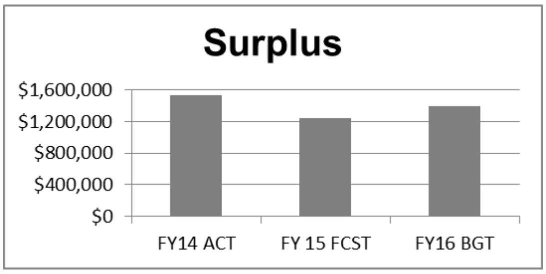
Statement of Performance Expectations

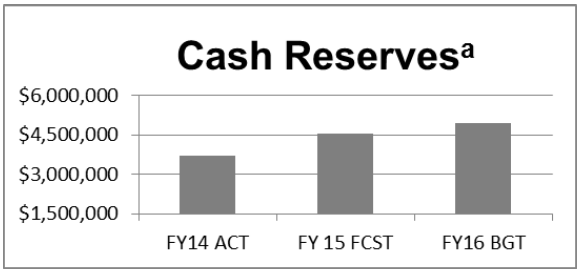
For the year ended 30 June 2016

HIGHLIGHTS

	FY14	FY15	FY16
	FY14 $000s	**FY15 $000s**	**FY16 $000s**
Surplus[1]	1,530	1,246	1,387
Cash Reserves	3,698	4,530	4,941
International Recognition	Accreditation authorities in over 77 economies recognising IANZ accreditation as equivalent to their own.		
Value for Customers	New web portal allowing improved client interaction		

Headline Trend Indicators





[a] Cash reserves consist of cash on hand and short term deposit investments

[1] Prior to minority share

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1. Introduction

The purpose of this statement of performance expectations (SPE) is to:

1. Enable the responsible Minister to participate in setting the annual performance expectations of the Crown entity
2. Enable Parliament to be informed of those expectations, and
3. Provide a base against which actual performance can be assessed

Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented here, and that the variation may be material.

Established under the Testing Laboratory Registration Act 1972, the Council is an Autonomous Crown Entity under the Crown Entities Act 2004, reporting annually to Parliament through the Minister of Commerce and Consumer Affairs. Although a Public Benefit Entity (PBE), it receives no Crown funding, and is fully funded from client services.

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

The Council's certification function is performed by Telarc SAI Limited (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.

The New Zealand Quality College (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.

Both IANZ and Telarc are recognised internationally. IANZ is a full member signatory to the ILAC MRA. Telarc is accredited by JAS-ANZ, itself recognised under the IAFMLRA (International Accreditation Forum Multi-Lateral Recognition Arrangement).

Financial Year 2015-2016 objectives

The key objectives for the Council for the Financial Year 2015-2016 are to:

1. Deliver by 30 June 2016, internationally recognised accreditation (IANZ) to 653 laboratories, inspection bodies and other providers, as well as 158 other scheduled assessments of competence on behalf of regulators, all at internationally competitive prices. By 30 June 2015, there are expected to be a total of 811active accreditations (refer to output 3 on page 6).
2. Continue market access for New Zealand products through acceptance of test reports from IANZ accredited organisations, in more than 77 countries by 30 June 2016. (refer to output 1 on page 6).
3. Through market share, to be New Zealand's leading provider of management systems (quality, environmental, food safety, and health and safety) through formal certification. To maintain a market share of 55% of JAS-ANZ registered certificates in New Zealand by 30 June 2016 (refer to output 3 on page 7).
4. Achieve consolidated revenue by 30 June 2016 of $15.1 million (forecast 30 June 2015, $14.4 million), and a consolidated financial surplus for Council of $1,387k (compared with forecast 30 June 2015 surplus of $1,246k).

The Council is also focussed on achieving a positive return from its 75% owned subsidiary, Telarc, with a surplus target of $935k (including interest and before deduction of 25% minority share) by 30 June 2016 (full details are included in Section 3).

Paul Connell
Chair
April 2015

Susan Paterson
Council Member
April 2015

2. Statement of Forecast Service Performance 2016

Output 1 – Building a more productive and more competitive economy

- Work with MPI and the agricultural sector to ensure dairy testing, meat testing and testing of other animal products meets new Overseas Market Access Requirements (thus facilitating growth in exports).
- Assist infrastructure organisations through providing new accreditations (new Waikato expressway; new Christchurch roading projects). New infrastructure projects will contribute toward a more competitive economy.
- Work with MBIE and MFAT on current FTA negotiations (TPP, RCEP) to reduce technical barriers to trade (again assisting export growth).
- Maintain signatory status to the APLAC and ILAC MRA's to facilitate easier access for New Zealand exports to international markets.
- Deliver Quality Management and related certification to New Zealand businesses, thus providing assurance of their compliance with the international ISO 9001 standard, and increasing their competitive advantage in the market place.
- Monitoring JAS-ANZ accreditation for 9001, 14001 and Health and Safety products.

Goal: Achieve and maintain recognition by other national accreditation authorities in 77 countries

Output 2 – Managing the Government's Finances

(Note: The Council is fully user funded, and receives no vote/grant from the Crown)

- Ensure a sound investment strategy is in place to optimise returns (within Public Finance Act constraints) on all Council Assets.
- Benchmark fees against other professional service providers, and overseas accreditation bodies.
- Invest surplus funds in new accreditation and certification activities:
  - Radiology
  - Breastscreening
  - Point of Care Testing in pharmacies
  - Near Patient Diagnostic Testing
- Telarc to continue investments focussing on public health and safety, environmental sustainability, the quality of goods and services and export growth opportunities.

Goal: Achieve this year, an investment reserve of $ 4.9m and surplus of $1.4 m

Output 3 – Delivering better public services within tight fiscal constraints

- Undertake client surveys to ensure service delivery is well targeted, and to improve the value of both accreditation and certification services.
- Provide a secure web-based portal for clients to provide information and access assessment reports directly on-line.
- Continue to ensure price increases remain below inflation levels.
- Provide accreditation for new innovative testing (e.g. urine testing for bladder cancer; new molecular PCR testing; next generation DNA sequencing).
- Provide inspection body accreditation in new areas of demand (e.g. pre-purchase inspection of houses; P-Lab remediation inspection of houses).
- Provide new accreditation assessments on request (medical testing; new Wellington regional medical testing laboratory; workplace drug testing; new Fiji testing laboratories).
- Telarc will also regularly survey its clients to ensure service delivery is well targeted, and to improve the value of certification services.
- Further investment in IT software is under consideration, but no capital investment has been included In the 2015-2016 financial year.

Goal: Deliver - 811 Accreditations

1030 Certification organisations on the JAS-ANZ register

55% market share of certified management systems in New Zealand

2,020 NZQC training days

Output 4 – Rebuilding Christchurch

- In December 2014, IANZ accredited the Building Consent Authority (BCA) of Christchurch City Council, following an earlier revoking of its accreditation.
- IANZ will continue to assess the Christchurch City Council BCA on an ongoing basis against statutory requirements.

Goal: IANZ will undertake a full reassessment of Christchurch City Council BCA in August 2015

Telarc will provide locally based certification services to support businesses rebuilding Christchurch

The above outputs are funded as part of the operation of the Council. The revenue and expense for the goals listed in output 3 and 4 are detailed on page 8.

Targets

IANZ accreditation recognised by national accreditation authorities in over 77 countries

F2012	F2013	F2014	F2015	F2016
ACT	ACT	ACT	FCST	TARGET
64	67	70	75	77

Consolidated Council Reserves of $4.9 Million

F2012	F2013	F2014	F2015	F2016
ACT	ACT	ACT	FCST	TARGET
$000's 3,156	$000's 4,057	$000's 3,698	$000's 4,530	$000's 4,941

Consolidated Surplus of $1.4 Million

F2012	F2013	F2014	F2015	F2016
ACT	ACT	ACT	FCST	TARGET
$000's 693	$000's 765	$000's 1,530	$000's 1,246	$000's 1,387

Deliver 811 accreditations

F2012	F2013	F2014	F2015	F2016
ACT	ACT	ACT	FCST	TARGET
832	832	824	807[2]	811

Deliver 1,030 Telarc certified organisations on the JAS-ANZ register

F2012	F2013	F2014	F2015	F2016
ACT	ACT	ACT	FCST	TARGET
N/A	N/A	N/A	1,023	1,030

Deliver 2,020 NZQC training days

F2012	F2013	F2014	F2015	F2016
ACT	ACT	ACT	FCST	TARGET
1,725	1,415	2,244	1,720	2,020

[2] Reflects non-renewal of NSU and NCSP contract (21 clients)

3. Financial Statements

3.1 Statement of Forecast Comprehensive Revenue and Expense

For the year ended 30 June	2014 Actual $'s	2015 Forecast $'s	2016 Budget $'s
IANZ Accreditation Services			
Revenue	5,883,384	6,088,812	6,343,476
Less Depreciation and amortisation expense	117,699	116,202	186,599
Other expenses	5,248,004	5,830,562	5,923,321
Net Surplus / (Deficit)	517,681	142,048	233,556
Training and Other Services			
Revenue	638,481	633,208	684,119
Less Expenses	726,394	647,978	659,262
Net Surplus / (Deficit)	(87,913)	(14,770)	24,857
International Recognition Services			
Revenue	192,320	362,800	478,349
Less Expenses	286,929	363,881	360,043
Net Surplus / (Deficit)	(94,609)	(1,081)	118,306
Total IANZ			
Revenue	6,714,185	7,084,820	7,505,944
Less Depreciation and amortisation expense	117,699	116,202	186,599
Other expenses	6,261,327	6,842,421	6,942,626
Net Surplus / (Deficit)	335,159	126,197	376,719
Telarc SAI Limited (Telarc) Certification Services			
Revenue	6,685,192	7,355,488	7,576,904
Less Depreciation and amortisation expense	56,424	59,005	82,318
Finance cost	37,238	31,053	28,466
Other expenses	5,527,045	6,239,998	6,546,686
Net Profit / (loss)	1,064,485	1,025,432	919,434
Consolidated			
Total Revenue	13,399,377	14,440,308	15,082,848
Less Depreciation and amortisation expense	174,123	175,207	268,917
Finance cost	37,238	31,053	28,466
Total other expenses	11,788,372	13,082,419	13,489,312
Net Surplus / (Deficit)	1,399,644	1,151,629	1,296,153
Other Income			
IANZ Interest	54,135	76,630	75,996
Telarc Interest	19,440	15,593	15,335
IANZ - Net gain on sale of property, plant and equipment	3,190	2,519	-
Telarc - Net gain on sale of property, plant and equipment/Earn Out	(602)	-	-
Telarc - Earnout from DAA Group	54,058	-	-
Total Other Income	130,221	94,742	91,331
Total Comprehensive Revenue and Expense for the Year	**1,529,865**	**1,246,371**	**1,387,484**
Less Minority share of Revenue and Expense	284,345	266,590	233,692
Net Comprehensive Revenue and Expense for the Year - Council share	**1,245,520**	**979,781**	**1,153,792**

3.2 Statement of Forecast Changes in Equity

For the year ended 30 June	2014 Actual $'s	2015 Forecast $'s	2016 Budget $'s
Equity at 1 July	3,603,677	4,996,042	6,112,285
Total Comprehensive Income for the Year	1,529,865	1,246,371	1,387,484
Total recognised revenues and Expenses	1,529,865	1,246,371	1,387,484
Less dividend Declared	(137,500)	(130,128)	(116,846)
Total Equity at 30 June	**4,996,042**	**6,112,285**	**7,382,923**
Parent Entity Interest	**4,368,366**	**5,348,147**	**6,501,939**
Minority interest in Telarc SAI Ltd			
Brought Forward	480,831	627,676	764,138
Share of Surplus	284,345	266,590	233,692
Less Dividend Declared	(137,500)	(130,128)	(116,846)
Total Minority interest at 30 June	**627,676**	**764,138**	**880,984**
Testing Laboratory Registration Council Council equity at 30 June			
Total Equity	**4,996,042**	**6,112,285**	**7,382,923**

3.3 Statement of Forecast Financial Position

As at 30 June	2014 Actual $'s	2015 Forecast $'s	2016 Budget $'s
Equity			
Opening General Funds			
IANZ Shareholders			
Opening Balance	3,122,846	4,368,366	5,348,147
Surplus / (Deficit) attributable to IANZ shareholders	1,245,520	979,781	1,153,792
Closing Balance	4,368,366	5,348,147	6,501,939
Minority Share in Telarc SAI Ltd			
Opening Balance	480,831	627,676	764,138
Minority share of Surplus	284,345	266,590	233,692
Dividend paid	(137,500)	(130,128)	(116,846)
Closing Balance	627,676	764,138	880,984
Total Equity	**4,996,042**	**6,112,285**	**7,382,923**
Represented by:			
Current Assets			
Cash on Hand and at Bank	3,057,401	4,402,584	4,813,913
Short term Deposits investments	640,367	127,500	127,500
Trade and other Receivables	2,284,716	2,331,264	2,624,970
Other assets: prepayments	146,831	94,334	111,756
Total Current Assets	6,129,315	6,955,682	7,678,139
Non Current Assets			
Investments			
Property Plant and Equipment	286,028	356,555	355,090
Goodwill	2,500,000	2,500,000	2,500,000
Intangibles	92,552	239,140	214,174
Total Non Current Assets	2,878,580	3,095,695	3,069,264
Total Assets	9,007,895	10,051,377	10,747,403
LIABILITIES			
Current Liabilities			
Fees in advance	1,291,220	1,303,609	1,250,960
Trade and other payables	1,519,397	1,430,584	1,446,068
Dividend payable to SAI Global	137,500	130,128	116,846
Provision for Employee Entitlements	513,736	524,771	550,606
Total Current Liabilities	3,461,853	3,389,092	3,364,480
Non Current Liabilities			
Borrowings	550,000	550,000	-
Total non current Liabilities	550,000	550,000	-
Total Liabilities	4,011,853	3,939,092	3,364,480
Net Assets	**4,996,042**	**6,112,285**	**7,382,923**

3.4 Statement of Forecast Cashflows

For the year ended 30 June	2014 Actual $'s	2015 Forecast $'s	2016 Budget $'s
Cash Flows From Operating Activities			
Cash was provided from:			
Revenues from services provided	13,167,565	14,412,388	14,482,323
Interest Received	73,575	94,742	91,331
	13,241,140	14,507,130	14,573,654
Cash was applied to:			
Payments to Suppliers	5,128,170	6,431,209	5,653,594
Payments to Employees	6,799,043	6,252,004	7,619,314
Net Goods and Services Tax	(21,622)	(29,699)	(33,210)
	11,905,591	12,653,514	13,239,698
Net Cash Flows From Operating Activities	**1,335,549**	**1,853,616**	**1,333,956**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds from sale of Property Plant & Equipment	11,326	-	-
	11,326	-	-
Cash was applied to:			
Cash Applied to Minority Dividend			
Purchase of Property, Plant & Equipment	131,505	168,800	137,500
Purchase of Intangible assets (computer software)	62,654	215,000	105,000
Goodwill acquired through business combination acquisition	2,000,000	500,000	
	2,194,159	883,800	242,500
Net Cash Flows From Investing Activities	**(2,182,833)**	**(883,800)**	**(242,500)**
Cash Flows from Financing Activities			
Minority Dividend	(62,500)	(137,500)	(130,128)
Receipts from Loan	1,000,000	-	-
Repayment of loan	(450,000)	-	(550,000)
Net Cash Flows From Financing Activities	487,500	(137,500)	(680,128)
Net Increase (Decrease) in Cash Held	(359,784)	832,316	411,328
Plus Opening Cash	4,057,552	3,697,768	4,530,084
Closing Cash Balance	**3,697,768**	**4,530,084**	**4,941,412**
Cash and Bank	3,057,401	4,402,584	4,813,912
Short Term Investments	640,367	127,500	127,500
Closing Cash Balance	**3,697,768**	**4,530,084**	**4,941,412**

Appendix 1

Accounting Policies

Testing Laboratory Registration Council

The Testing Laboratory Registration Council of New Zealand is a Crown entity in terms of the Crown Entities Act 2004 and accordingly, the Council has designated itself as a Public Benefit Tier 1 Entity for the purposes of the New Zealand equivalent to international financial reporting standards (NZ IFRS). All financial statements are prepared pursuant to the Public Finance Act 1989 and the Crown Entities Act 2004. Key accounting policies adopted by the Council include:

1 Statement of Compliance

Financial statements are prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with the New Zealand generally accepted accounting practice ("NZ GAAP").

Financial statements comply with the New Zealand equivalent to international financial reporting standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for PBE's.

The financial statements have been prepared in line with PBE FRS-42.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

2 Revenue

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

3 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.

4 Property, Plant and Equipment

Property Plant and Equipment are recorded at historical cost.

5 Depreciation

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

6 Intangible Assets

Computer software is recorded at historical cost.

Client lists purchased are recorded at historical cost. The useful economic life of client lists are amortised over a period of 3 - 5 years on a 20% – 33% straight line.

Programme and Course development costs
Costs that are 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. The development costs primarily consist of employee costs.

Development costs that are directly attributable to the design of programmes and courses are recognised as an intangible asset if all the following can be demonstrated:

- it is technically feasible to complete the course or programme so that it will be available for use;
- management intends to complete the course or programme;
- there is an ability to use the course or programme;
- it can be demonstrated how the course or programme will generate probable future economic benefits;
- adequate technical, financial, and other resources to complete the development and to use the course or programme are available; and
- the expenditure attributable during its development can be reliably measured.

Other development expenses that do not meet these criteria are recognised as an expense as incurred in the surplus or deficit. Development costs previously recognised as an expense cannot be subsequently recognised as an asset.

7 Amortisation

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

Computer software	3-5 years	20%-33% straight line

Client lists purchased are amortised over their expected useful life.
Capitalised course and programme development costs are still work in progress. The useful life of completed projects will be established at project completion.

8 Employee Entitlements

Provision is made in respect of the Council and Group's liability for annual leave and retirement leave. Annual leave and retirement leave has been calculated on an actual entitlement basis at current rates of pay.
Employees who have completed 20 years continuous service may be granted once only four weeks long service leave. Provision has been made for any liability that may arise in the future and has been calculated on an actuarial basis.

9 Changes in Accounting Policies

There have been no changes in existing accounting policies.

10 Key Assumptions used in the Preparation of Financial Forecasts

In preparing the financial forecasts the Council has assumed financial performance is in line with the targets in the statement of forecast service performance.

The Council has assumed there are no significant changes in the regulatory environment in which it generates revenues.

Cost and revenue increases are in line with expected CPI movement.

The prospective financial statements were authorised for issue on 30 April 2015 by the Council. The Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other disclosures. It is not intended to update the prospective financial statements subsequent to presentation.

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