



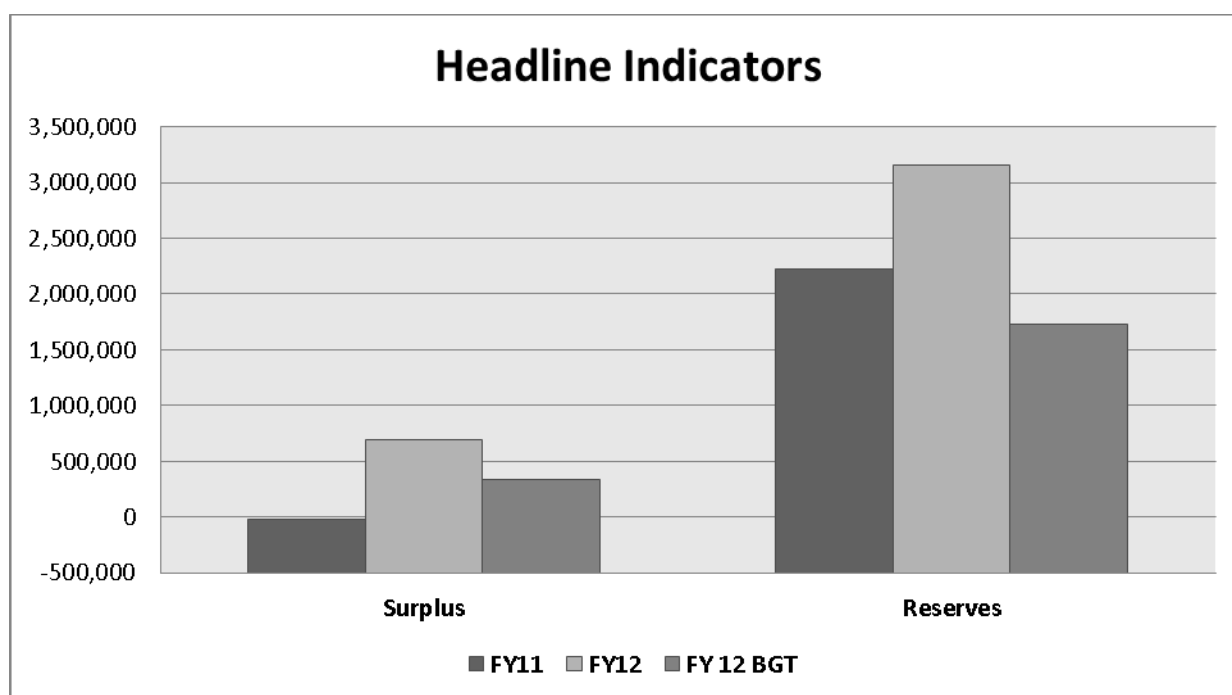
TESTING LABORATORY REGISTRATION COUNCIL OF NEW ZEALAND

ANNUAL REPORT

For the year ended 30 June 2012

*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		
	FY12 \$000s	FY11 \$000s
Surplus	693	(25)
Reserves	3,156	2,221
Overseas Recognition	Accreditation authorities in 64 economies recognising IANZ accreditation as equivalent to their own	
Marketing Plan	New strategic marketing plan implemented	



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1 Council Overview

The Hon John Banks, Associate 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 \$693,121 (2011 loss of \$25,500) to June 2012 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 \$935,523 to \$3,156,207 at year end. While IANZ accreditation revenue was down against budget due to the deferral of several major Christchurch assessments, levels were up \$231,135 year on year as Building Consent Authority (BCA) accreditation successfully completed its first full year of phase 3 assessments. The consolidated IANZ operation returned \$383,510 (2011 \$171,220). Telarc's successful completion of the Public Safety Management Systems programme for the electricity industry contributed significantly to its net surplus for the year of \$603,606 (2011 \$142,364).

IANZ accreditations dropped slightly from a target of 855 to 832, reflecting industry consolidation in the laboratory and radiology sectors – primarily due to company mergers leading to fewer accreditations. The decrease is offset against an increase in the size and complexity of the accredited organisations resulting in a relatively constant workload. The second full year of assessments (nine) for the National Screening Unit (NSU) was successfully completed. IANZ developed its marketing strategic plan during the year, launching a new website in July 2012 and achieving silver status in the 2011 Business Achievement Awards through the Business Excellence Foundation.

International recognition of reports from IANZ-accredited organisations is up by one to 64 countries, at a cost of \$314,759, up on last year by 2% (2011 \$309,004). Absorption of such costs by IANZ over recent years has had a detrimental effect on the Council's longer-term financial security. From 1 July 2011, however, a proportion of the direct costs of representing the interests of IANZ clients internationally was recovered through fees charged for accreditation services (\$107,445).

Council's training division, the New Zealand Quality College (NZQC) reported a decline in numbers against budget by 7.6% on the back of continued economic restraint on discretionary spend. Consequent revenue of \$536,636 and net deficit of \$149,006 for the year was adverse to budget by 7% and 17% respectively. Operational initiatives are well advanced to improve overall performance in 2013.

As expected, Telarc's revenue of \$5,162,626 as at 30 June 2012 was 23% (\$1,562,380), down on 2011 (due to the prior-year sale of Quality Health). ACC also took its Workplace Safety Management Practices (WSMP) programme in-house. Other programmes were up 9.1% (2011) on prior year. Telarc achieved a surplus of \$603,606 (2011 \$142,364), its major operational change being the introduction of an energy safety management scheme from 1 November 2011.

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 2012 \$'s	Budget 2012 \$'s	Actual 2011 \$'s
IANZ accreditation	Revenue	5,386,416	5,677,432	5,155,281
	Costs ¹	5,002,906	5,384,848	4,984,061
	Net surplus / (deficit)	383,510	292,584	171,220
NZQC	Revenue	536,636	580,469	644,412
	Costs	685,642	707,863	722,454
	Net surplus / (deficit)	(149,006)	(127,394)	(78,042)
Telarc	Revenue ²	5,162,626	4,969,777	6,725,006
	Costs ³	4,559,020	4,646,144	6,582,642
	Net surplus	603,606	323,633	142,364
International recognition	Revenue	107,445	120,000	Nil
	Costs	314,759	301,350	309,004
	Net surplus / (deficit)	(207,314)	(181,350)	(309,004)
Interest	Revenue	62,325	32,700	47,962
Total comprehensive income		693,121	340,173	(25,500)
Cash reserves ⁴	Consolidated	3,156,207	1,725,774	2,220,684

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 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.

1.7 Tributes

The Council wishes to thank retiring Chair Dr Robin Pratt for his valuable contribution to the governance of the Council and his new-direction initiatives for management. Dr Pratt resigned on 31 August 2011.

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 2012.



James Hill
Acting Chair
12 October 2012



Susan Paterson
Council Member
12 October 2012

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 memberships and functions are included in Appendix 1.

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: Safer communities

Intermediate outcomes	Impacts	Targets 2011/2012	Actual 2011/2012	Output number
Safe food and drinking water, pharmaceuticals, other consumables and the environment	Assurance of accurate testing of foods, drinking water, plants, drugs and pharmaceuticals, environmental contaminants, etc.	Accreditation of 490 testing laboratories	473 ⁵	1
Safe electronic and electrical products	Assurance of accurate testing of electrical and electronic goods			
Cleaner air, soils and water	Assurance of accurate testing of air quality, gas emissions and water discharges			

Outcome: Better health for all

Intermediate outcomes	Impacts	Targets 2011/2012	Actual 2010/2012	Output number
Accurate diagnostics	Assurance of accurate medical testing	67 IANZ accreditations of medical testing laboratories	64 ⁵	2
Accurate diagnostics	Assurance of accurate medical imaging	60 IANZ accreditations of radiology practices	53 ⁵	3
Accurate diagnostics	Assurance of cervical cancer and breast screening programmes meeting NSU requirements	Assessment of 29 service providers (for the NSU, Ministry of Health)	29	4

⁵ See Council Overview, page 4. Both closures of accredited organisations and the number of commercial organisations exiting low margin specific regulated markets with a corresponding withdrawal of accreditation(s), have been higher than expected.

Outcome: Global trade access

Intermediate outcomes	Impacts	Output Targets 2011/2012	Actual 2011/2012	Output number
Removal of technical barriers to trade	Acceptance of accredited laboratory and inspection reports by regulators in New Zealand and overseas	MRAs with accreditation bodies in 61 countries	64	5
Acceptance of IANZ-accredited test reports by regulators in markets serviced by New Zealand exporters	Assurance of accurate testing of export meat and dairy products; ease of access for wool exports and other exported products	Continuing signatory membership of ILAC MRA	Continued	6
Ease of access for New Zealand manufactured products into the European market	Acceptance of IANZ-accredited test reports by regulators in markets serviced by New Zealand exporters	12 IANZ registrations of laboratories testing for conformity assessment body designation and to OECD GLP Principles	16	7

Outcome: World-class infrastructure

Intermediate outcomes	Impacts	Targets 2011/2012	Actual 2011/2012	Output number
New Zealand manufacturers compliant with international standards of weights and measures	Assurance of accurate calibration of all primary measurement standards	60 IANZ accreditations of calibration laboratories	59 ⁶	8
Effective and efficient building consent process	Competent building consent authorities	73 IANZ accreditations of Building Consent Authorities	74	9
Organisations able to achieve world-class recognition	Sound understanding of accreditation and certification standards and of operating requirements	NZQC training courses delivering 1,834 trainee days	1,735 ⁷	10
Sound engineering systems	Industrial development is safe and reliable	55 IANZ inspection body accreditations	60 ⁸	11

6 See Council Overview, page 4. Both closures of accredited organisations and the number of commercial organisations exiting low margin specific regulated markets with a corresponding withdrawal of accreditation(s), have been higher than expected.

7 Continued economic pressures have resulted in reduced NZQC trainee numbers. Initiatives such as newly developed courses and the availability in July of an in-house training facility have been implemented in the drive to increase performance levels.

8 The increase in the number of inspection bodies is due to accreditation requirements for Welder Qualification assessment bodies.

Outcome: Globally competitive firms

Intermediate outcomes	Impacts	Targets 2011/2012	Actual 2011/2012	Output number
New Zealand organisations operating to best international standards	Effective and efficient processes for managing quality systems	Telarc audits 1,610 quality management systems to ISO 9001 standard and Q-Base Code	1,602 ⁹	12

Outcome: Environmental sustainability

Intermediate outcomes	Impacts	Targets 2011/2012	Actual 2011/2012	Output number
Cleaner air, soils and water	Assurance of accurate testing of air quality and gas emissions	IANZ accreditation of chemical testing laboratories (included in the 490 chemical and biological laboratories above)	Included in output 1	13
Reduced environmental impacts	Effective and efficient processes for managing environmental systems and reducing carbon emissions	Telarc audits 410 environmental management systems to ISO 14001 standard and the Enviromark standard	491 ¹⁰	14

Outcome: Value for money

Intermediate outcomes	Impacts	Targets 2011/2012	Actual 2011/2012	Output number
Benchmarking with NATA	Assurance of standard service delivery	Improve cost efficiency of service	Completed annually	15
Client survey	Maintain client satisfaction levels	Enhance value of service and growth of client base	Completed	16
MRAs	Assurance that exported goods comply with specific requirements	Reduce export transaction costs	Completed	17

⁹ Reduction due to branch closures and relocation of company head offices offshore, as well as continued price sensitivity among competitors.

¹⁰ Significant growth in Forestry Stewardship Council (FSC) audits.

4 Statement of Service Performance

4.1 Goal 1 – IANZ Service Performance: 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 achieve client satisfaction levels in the top 20% of international industrial services providers (through a global standard independent survey) (Output 16).	In terms of client satisfaction from an independent external survey conducted in the previous year, IANZ is in the top 20% of industrial services providers. The next independent external survey will be undertaken in the new financial year, following the introduction of IANZ's marketing strategy. IANZ also continues quarterly surveys of randomly selected clients and feedback is universally positive regarding the professionalism and rigour of IANZ assessments.
1.2	To undertake BCA Stage 3 accreditation from 1 October 2010 to 30 November 2012 (Output 9). Of these, 24 assessments were undertaken prior to 30 June 2011, and a further 39 will be undertaken by 30 June 2012. (Christchurch City deferred until September 2012.)	All BCA Stage 3 assessments are on target or have been completed in accordance with the agreed schedule, including 45 (plus two follow-up) assessments between 1 July 2011 and 30 June 2012. The Christchurch City BCA assessment was deferred until September 2012 at the instruction of the Department of Building and Housing.
1.3	To implement NZFSA Food Safety Accreditation programme (once legislation and regulations are finalised).	Food safety legislation has not yet been finalised, so planning for this programme is on hold.
1.4	To commence development of two new accreditation programmes (to further enhance public safety) by 30 June 2012.	Accreditation programmes have been developed for sleep testing and teleradiology. Programme development is also under way to assist regulators in other areas affecting health and safety.
1.5	To participate fully as a member of the Standards and Conformance Infrastructure and continue as a member of the re-established Standards, Accreditation and Metrology Forum.	Full participation in the Standards, Accreditation and Metrology Forum has continued.
1.6	To benchmark IANZ accreditation costs with NATA to ensure cost efficiency of service (Output 15).	Benchmarking costs and other outputs with NATA continue on an annual basis. IANZ continues to operate as an efficient accreditation service.

Objective	Targets	Actual
1.7	To survey clients to establish where and how IANZ can add value to ensure client satisfaction is above 85% (Output 16).	In an independent external survey conducted last year, 97% of clients have indicated that IANZ is rated, good, very good or excellent. This included their desire to see more promotion of both accreditation and IANZ's international recognition. A marketing campaign to this effect is under way, including promotional articles, online activity and selected advertising. The next independent external survey will be undertaken in the new financial year, following the introduction of IANZ's marketing strategy.
1.8	To deliver internationally recognised accreditation assessments as set out below.	See table below.

Accreditation Programme		Active Accreditations		
Objective 1.8	Output number	Actual 2012	SOI Target 2012	Actual 2011
Testing Laboratories (excluding medical)	1 ¹¹	473	490	483
Metrology and Calibration Laboratories	8	59	60	62
Medical Testing Laboratories	2	64	67	65
Radiology Services	3	53	62	55
Inspection Bodies	11	60	55	65
Building Consent Authorities	9	74 ¹²	73	74
Proficiency Testing Laboratories	1	2	2	2
OECD GLP Compliant Laboratories	7	11	12	11
Conformity Assessment Bodies	7	5	5	5
NSU BSA	4	8	8	8
NSU NCSP	4	21	21	21
Reference Material Producers		2 ¹³		
Total		832	855	851

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. Of the six deferred Christchurch assessments, some are rescheduled during the first quarter of the 2012-2013 year, with assurance of continued compliance with all IANZ accreditation requirements sought from the remainder. New initiatives include an accreditation programme for producers of reference materials – essentially providing calibrated

¹¹ Testing laboratories (473) include all testing apart from calibration and medical laboratories.

¹² During the year, a full assessment of the combined new Auckland City was completed.

¹³ A new programme introduced during the year.

uncertainties for specific reference chemicals. IANZ is also working 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 BCA programme remains on target, with the third assessment round now well under way. The Auckland City initial assessment was successfully completed and accreditation awarded in September 2011.

The second contract signed in June 2010 with the Ministry of Health's NSU to assess cervical and breast cancer screening programmes has resulted in a significant new work stream. This contract is due for completion in June 2013 and discussions have commenced regarding the implementation of a third contract.

A major IANZ initiative has been the development of a new food safety inspection programme, developed in conjunction with the NZFSA (now part of MPI). However, this is on hold as the new Food Act has not yet been passed. Development of other regulatory programmes is under way.

As previously indicated to clients, IANZ has kept its hourly rate unchanged for the 2012-2013 year, but has aligned its cost structure with the benefits of delivering accreditation and accordingly increased the annual administration fee for the first time since July 2004. 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 – IANZ Financial Performance: To achieve independent financial sustainability for IANZ business by June 2012.

Objective	Targets	Actual
2.1	To achieve a net surplus for IANZ Accreditation Services of \$292,584, to review fees for accreditation services annually in line with inflation from 1 July 2011 and to introduce a revised fee model to take account of international activities.	A net surplus of \$383,510 was achieved, through controlling overhead expenditure. A small number of large assessments in Christchurch have been deferred to the 2012-2013 financial year. The consequential reduction in operational revenue has been more than offset by savings in overheads. An inflation adjustment was applied to professional fees and a new funding model taking international activities into consideration was introduced from 1 July 2011.

4.3 Goal 3 – International Trade: 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
3.1	To maintain full ISO/IEC 17011 compliance and thus ILAC/APLAC MRA recognition status (Output 6).	At the 2011 APLAC MRA Council meeting, IANZ's ongoing recognition was confirmed.
3.2	IANZ-accredited organisations to be recognised by accreditation authorities in 61 countries (Output 5).	IANZ-accredited organisations are now recognised by accreditation authorities in 64 countries.

3.3	To reduce transactional costs associated with exports (Output 17).	New Zealand overseas market access is facilitated by acceptance of test and inspection reports, thus avoiding costs of retesting prior to market placement.
3.4	To assist MED and MFAT as requested with TBT-related trade negotiations.	Assistance has been provided, on request, related to TPP discussions and specific market access issues in certain countries (Brazil and India).
3.5	Maintain high international standards for best practice in conformity assessment through participation in relevant ISO committees and liaise with JAS-ANZ, where required, to formulate a New Zealand position (eg on inspection body accreditation issues).	IANZ has continued to participate in the ISO committees developing the 17020 (Inspection Body) and the 15189 (Medical Testing) standards. IANZ also continues to work with JAS-ANZ within the ILAC framework on MRA development for inspection body accreditation.
3.6	To recover directly from clients specific costs associated with international recognition activities.	A funding model was introduced that will see full recovery of direct international costs by the end of the 2012-2013 year.

4.3.1 Performance Highlights

4.3.1.1 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, 77 MRA accreditation bodies in 64 economies (Output 5), including all our major trading partners, participate in such arrangements.

To evaluate accreditation bodies efficiently, Regional Cooperation groups have been set up under an international umbrella. As a signatory for laboratory and inspection body accreditation in the Asia-Pacific region (APLAC), IANZ received confirmation of its continuing status (Output 6) at the APLAC MRA Council meeting in September 2011. As such, New Zealand exports are accepted by the 64 countries in the expanding global trade facilitation network, ILAC MRA. Although IANZ was a bilateral signatory to the European Accreditation (EA) MRA, legislative changes caused its withdrawal on 31 December 2011. However, IANZ is still recognised as the designating authority for laboratories and inspection bodies under the NZ/EU 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.

4.3.1.2 Trade Negotiations

This year, IANZ continued to assist the Ministry of Foreign Affairs and Trade and the Ministry of Economic Development in trade negotiation activities. During 2011-2012, assistance has been provided, on request, related to TPP discussions and specific market access issues in certain countries (Brazil and India).

4.3.1.3 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.

4.4 Goal 4 – NZQC: To promote good management practices through the delivery of training courses to support the Council’s accreditation and certification services.

Objective	Targets	Actual
4.1	To prepare two new training courses for regulatory and non-regulatory activities in 2011-2012, including meeting the new ISO 26000 Social Responsibility standard series.	Four new training courses have been developed: ISO 50001 Energy Management Systems ISO 22000 Food Management Systems Environmental Credentials for Organisations and Products ISO 26000 Social Responsibility
4.2	To establish new courses as follows: Risk and Compliance; Meat Microbiology; Radiation Safety; Problem Solving in the Health Sector; Integrated Solutions for Local Government. Also update other course delivery.	Risk and Compliance – completed Meat Microbiology – completed Radiation Safety – course developed, but NRL approval pending Problem Solving in the Health Sector – client-specific course not developed Integrated Solutions for Local Government – developed Update other course delivery – completed as required
4.3	To maintain NZQA Registration as a private training establishment.	NZQA registration has been maintained.
4.4	To increase client satisfaction index levels from 1.1 to 1.5.	Index remained at 1.1 (1.0 is meeting expectations).
4.5	Complete NZQC trainee days as set out below.	See table below.

Training Summary per SOI (NZQC Trainee Days)	Actual 2012	Budget 2012	Actual 2011
Public	684	844	856
In-house	268	344	473
Overseas	743	646	724
Total	1,695	1,834	2,053

4.4.1 Performance Highlights

In the current economic climate, reduced public trainee-day figures in 2012 represent 81% of budget. Similarly, in-house figures represent 78%.

International-course trainee days are ahead of budget, mainly reflecting work in Singapore, where a third set of courses was run in 2012 (versus two in 2011). Overall, trainee days for all courses reached 92% of budget. The 2013 programme is now being framed to include up to five new course introductions. Cost efficiencies will also be realised through the recently completed in-house training facility.

4.5 Goal 5 – Telarc: To be New Zealand's leading provider of assurance services, focusing on certification and compliance with standards.

Objective	Targets	Actual
5.1	To maintain JAS-ANZ accreditation to ISO/IEC 17021 for ISO 9001 and ISO 14001 certification programmes.	Telarc has maintained its ISO 9001 and ISO 14001 accreditation with one outstanding minor NCR to be cleared at the next JAS-ANZ audit in July 2012. Telarc has achieved accreditation for Safety Management Systems (NZS 7901) and will apply for accreditation for Green House Gases verification in January 2013.
5.2	To record no net loss (gains less losses) of commercial customers.	At end June 2012 Telarc achieved a net gain of 201 Assessment Units versus June 2011.
5.3	To increase customer satisfaction levels from 77% to 80%.	A revised customer survey indicated 76% of respondents felt the overall audit process was excellent or outstanding
5.4	To achieve a net profit of \$323,633 (6.5% of revenue).	The full year net surplus including interest was \$636,290 (12.3% of revenue).
5.5	To deliver certification audits as set out below.	See table below.

Certification Programme	Output number	Assessment Units		
		Actual 2012	SOI Target 2012	Actual 2011
Quality management systems	12	1,602	1,610	1,605
Environmental management systems	14	491	410	371
Health sector management systems		0	0	390
Other (regulatory)		165	560	537 ¹⁴
Other (non-regulatory)		153	140	272 ¹⁵
Total		2,411	2,720	3,175

¹⁴ Includes 432 ACC WSMP Assessment Units, now dealt with in-house.

¹⁵ Includes 143 Retirement Villages Association assessment units pertaining to Quality Health, which was sold to DAA Group Limited in March 2011.

4.5.1 Performance Highlights

4.5.1.1 Quality Management Systems (QMS) (Output 12)

The market for ISO 9001 certifications in New Zealand as measured by the JAS-ANZ Register grew by 3% last year, with Telarc's share 54% (at June 2012 48%).

4.5.1.2 Environmental Management Systems (EMS) CarbonZero (Output 14)

The market for ISO 14001 certifications in New Zealand as measured by the JAS-ANZ Register grew by 12% last year, reflecting a gradual recent increase in uptake. Telarc's share dropped from 41.4% to 40.4% over the past year. However, overall growth in assessment units was 32%, primarily due to the significant increase in Forestry Stewardship Council (FSC) audits. Telarc is also investigating other opportunities in this area.

4.5.1.3 Health Sector Management Systems

This sector formed part of the sale of Quality Health to DAA Group Limited on 31 March 2011.

4.5.1.4 Other Programmes

Assessment units for other regulatory compliance programmes (ACC WSMP, Transit TQS, Rail Safety and Employer Licensing) dropped significantly, due to ACC's 2011 decision to take its WSMP programme audits in-house – a net loss of 432 assessment units at the start of the year. Those aside, total regulatory programme assessment units grew by 57%, due almost totally to Public Safety Management Systems assessments for the electricity industry. After adjustments for the sale of the Retirement Villages Association (RVA) Code of Practice assessments business to DAA Group Limited in March 2011, other non-regulatory assessments increased slightly during the year, due to growth in OH&S assessments as covered above.

4.6 Goal 6 – Consolidated Performance: To provide continuous annual financial surpluses and grow cash reserves to exceed 25% of operating costs by 2014.

Objective	Targets 2012	Actual 2012	Actual 2011
Consolidated surplus (before deduction of minority share)	\$340,173	\$693,121	(\$25,500)
Growth / (decline) in cash reserves	\$324,274	\$935,523	\$115,421

In addition to the improved IANZ performance, Telarc's profit increased markedly, largely due to new assessments in the energy sector (see 4.5.1.4). The Council remains on track to achieve its cash reserve targets.

4.7 Promoting Conformity Assessment

4.7.1 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.

4.7.2 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.

4.8 Equal Employment Opportunities

4.8.1 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.

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 – currently, 40% of the management team are women.
- 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 2012 (also nil in 2011). 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. The next survey is planned for February 2013.

4.8.2 Performance Appraisals

All Council staff underwent annual performance appraisals in July-August 2011, which were repeated this year, to evaluate individual achievement against key performance indicators and to identify opportunities for personal development and training.

4.8.3 Staff Training

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

4.9 Human Resource Statistics

As at 30 June 2012

4.9.1 Gender

	IANZ	Telarc	Total 2012	Total 2011
Male	22	15	37	36
Female	20	8	28	29
Total	42	23	65	65

4.9.2 Ethnicity/Nationality

	IANZ	Telarc	Total 2012
NZ European	29	8	37
European	–	12	12
Māori	1	–	1
Pacific Island	4	–	4
South African	2	2	4
Indian	3	–	3
Other	3	1	4
Total	42	23	65

4.9.3 Age

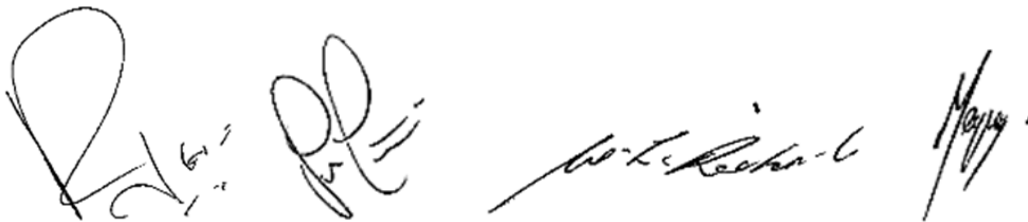
	IANZ	Telarc	Total 2012
Under 30	1	1	2
30 – 39	7	–	7
40 – 49	12	5	17
50 – 59	16	8	24
60 +	6	9	15
Not stated	–	–	–
Total	42	23	65

5 Statement of Responsibility

For the financial year ended 30 June 2012, 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.



J Hill
Acting Chair
12 October 2012

S Paterson
Council Member
12 October 2012

Dr W L Richards
Chief Executive
12 October 2012

M Ferguson
Commercial Manager
12 October 2012

6 Audit Report



Independent Auditor's Report

To the readers of Testing Laboratory Registration Council of New Zealand's financial statements and statement of service performance for the year ended 30 June 2012

The Auditor-General is the auditor of Testing Laboratory 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 statement of service performance of the Council and group on her behalf.

We have audited the financial statements of the Council and group on pages 24 to 41, that comprise the statement of financial position as at 30 June 2012, 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 statement of service performance of the Council and group on pages 12 to 18.

Opinion

In our opinion the financial statements of the Council and group on pages 24 to 41 comply with generally accepted accounting practice in New Zealand; and fairly reflect the Council and group's financial position as at 30 June 2012; and financial performance and cash flows for the year ended on that date; and the statement of service performance of the Council and group on pages 12 to 18 complies with generally accepted accounting practice in New Zealand; and fairly reflects, for each class of outputs for the year ended 30 June 2012, the Council and group's service performance compared with the forecasts in the statement of forecast service performance for the financial year; and 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 12 October 2012. 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 statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. 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 statement of service performance. The procedures selected depend on our

Audit Report

judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Council's financial statements and statement of service performance 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 adequacy of all disclosures in the financial statements and statement of service performance; and the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. 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 a statement of service performance 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 its service performance.

The Council is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

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 statement of service performance 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 New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Council and group.



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 2012

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 12 October 2012. 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 Discontinued activities

A discontinued activity represents a separate major line of business, which has been disposed of or is held for sale. All revenue, expenditure, assets, liabilities and cash flows relating to such an area have been disclosed separately, in accordance with NZ IFRS 5.

7.11 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.

7.12 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.

7.13 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.

7.14 Property, plant and equipment

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

7.15 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

7.16 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.

7.17 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
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.

7.18 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.

7.19 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.

7.20 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.

7.21 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.

7.22 Changes in accounting policies

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

The following revisions to accounting standards adopted by the Council during the financial year have had no presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements. These introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item.
- FRS – 44 New Zealand additional disclosures and amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonising Amendments). These aim to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences in each jurisdiction.

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.

7.23 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.

7.24 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 2012

		CONSOLIDATED				PARENT	
	Notes	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
CONTINUING ACTIVITIES							
INCOME							
Revenue		11,193,123	11,347,678	10,499,415	6,030,497	6,377,901	5,799,693
Interest income		62,325	32,700	47,962	29,641	25,200	23,974
Dividend income		-	-	-	225,000	124,175	31,125
Other income	2	19,834	-	5,252	19,072	-	5,252
Total income		11,275,282	11,380,378	10,552,629	6,304,210	6,527,276	5,860,044
EXPENDITURE							
Personnel costs	4	5,716,039	5,910,462	5,610,719	3,694,233	3,699,610	3,610,227
Depreciation and amortisation expenses	7,8	194,007	273,884	204,560	112,295	165,384	104,804
Other operating costs		4,672,115	4,855,859	4,670,071	2,215,851	2,529,067	2,305,740
Total expenditure		10,582,161	11,040,205	10,485,350	6,022,379	6,394,061	6,020,771
Total comprehensive income from continued activities		693,121	340,173	67,279	281,831	133,215	(160,727)
DISCONTINUED ACTIVITIES							
Telarc Quality Health							
INCOME							
Revenue	2	-	-	2,025,284	-	-	-
Total income		-	-	2,025,284	-	-	-
EXPENDITURE							
Personnel costs	4	-	-	412,585	-	-	-
Depreciation and amortisation expenses	7,8	-	-	18,307	-	-	-
Other operating costs		-	-	1,687,171	-	-	-
Total expenditure		-	-	2,118,063	-	-	-
Total comprehensive income from discontinued activities		-	-	(92,779)	-	-	-
TOTAL COMPREHENSIVE INCOME							
ALL ACTIVITIES							
Total income	2	11,275,282	11,380,378	12,577,913	6,304,210	6,527,276	5,860,044
Total expenditure	2	10,582,161	11,040,205	12,603,413	6,022,379	6,394,061	6,020,771
TOTAL COMPREHENSIVE INCOME		693,121	340,173	(25,500)	281,831	133,215	(160,727)
Surplus attributable to:-							
Minority Interest		102,823	82,783	33,807	-	-	-
Testing Laboratory Registration Council		590,298	257,390	(59,307)	281,831	133,215	(160,727)
		693,121	340,173	(25,500)	281,831	133,215	(160,727)

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 2012

	CONSOLIDATED			PARENT		
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Equity as at 1 July	2,282,666	2,097,666	2,318,541	1,422,776	1,307,294	1,583,503
Total comprehensive income	693,121	340,173	(25,500)	281,831	133,215	(160,727)
Total recognised revenues and expenses for the year	693,121	340,173	(25,500)	281,831	133,215	(160,727)
Less dividend declared	(75,000)	(41,392)	(10,375)	-	-	-
Total equity as at 30 June	2,900,787	2,396,447	2,282,666	1,704,607	1,440,509	1,422,776
Parent Entity interest	2,623,585	2,115,276	2,033,287	1,704,607	1,440,509	1,422,776
Minority entity interest in Telarc SAI Limited						
Brought forward	249,379	239,780	225,947	-	-	-
Less dividend declared	(75,000)	(41,392)	(10,375)	-	-	-
Share of surplus	102,823	82,783	33,807	-	-	-
Total minority interest at 30 June	277,202	281,171	249,379	-	-	-
Testing Laboratory Registration Council equity at 30 June						
Total equity	2,900,787	2,396,447	2,282,666	1,704,607	1,440,509	1,422,776

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		CONSOLIDATED				PARENT	
	Notes	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Equity							
Opening General Funds							
<u>IANZ Shareholders</u>							
Opening balance		2,033,287	1,857,886	2,092,594	1,422,776	1,307,294	1,583,503
Suplus/(deficit) attributable to IANZ shareholders		590,298	257,390	(59,307)	281,831	133,215	(160,727)
Closing balance		2,623,585	2,115,276	2,033,287	1,704,607	1,440,509	1,422,776
<u>Minority Share in Telarc SAI Limited</u>							
Opening balance		249,379	239,780	225,947	-	-	-
Dividend paid		(75,000)	(41,392)	(10,375)	-	-	-
Minority share of surplus		102,823	82,783	33,807	-	-	-
Closing Balance		277,202	281,171	249,379	-	-	-
Total equity		2,900,787	2,396,447	2,282,666	1,704,607	1,440,509	1,422,776
Represented by:							
ASSETS							
Current assets							
Cash on hand and at bank	20	179,619	158,274	294,671	71,268	137,156	132,667
Trade and other receivables	5	1,554,950	3,099,418	1,596,084	1,082,918	1,581,029	866,531
Other assets: prepayments		158,556	144,666	174,726	103,207	60,762	92,218
Short-term deposits and investments	6,15,20	2,976,588	1,567,500	1,926,013	1,145,500	707,500	975,000
Debtor relating to discontinued activities	3	-	-	165,596	-	-	-
Total current assets		4,869,713	4,969,858	4,157,090	2,402,893	2,486,447	2,066,416
Non current assets							
Investments (shares in Telarc SAI Limited)	11	-	-	-	450,000	450,000	450,000
Property, Plant and Equipment	7	286,705	265,717	218,501	205,813	137,816	171,491
Intangibles	8	155,730	168,462	196,175	74,187	62,840	74,362
Total non current assets		442,435	434,179	414,676	730,000	650,656	695,853
Total assets		5,312,148	5,404,037	4,571,766	3,132,893	3,137,103	2,762,269
LIABILITIES							
Current liabilities							
Trade and other payables	9	1,851,709	2,428,067	1,758,972	1,100,965	1,352,759	1,006,525
Dividend payable to SAI Global	11	75,000	41,392	10,375	-	-	-
Provision for employee entitlements	10	484,652	538,131	506,753	327,321	343,835	332,968
Creditor relating to discontinued activities	3	-	-	13,000	-	-	-
Total current liabilities		2,411,361	3,007,590	2,289,100	1,428,286	1,696,594	1,339,493
Total liabilities		2,411,361	3,007,590	2,289,100	1,428,286	1,696,594	1,339,493
NET ASSETS		2,900,787	2,396,447	2,282,666	1,704,607	1,440,509	1,422,776

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

Notes	CONSOLIDATED			PARENT		
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash was provided from:						
Revenues from services provided	11,422,244	10,953,145	12,861,072	6,024,352	6,226,055	5,699,138
Interest received	50,925	32,700	51,279	24,271	25,200	26,241
Dividends received	-	-	-	31,125	-	112,500
	<u>11,473,169</u>	<u>10,985,845</u>	<u>12,912,351</u>	<u>6,079,748</u>	<u>6,251,255</u>	<u>5,837,879</u>
Cash was applied to:						
Payments to employees	5,696,314	4,720,714	5,958,500	3,659,177	3,647,740	3,504,820
Payments to suppliers	4,636,520	5,723,592	6,690,328	2,181,322	2,468,556	2,295,299
Net Goods and Services Tax	(48,030)	67,978	22,627	(36,995)	(45,028)	16,553
	<u>10,284,804</u>	<u>10,512,284</u>	<u>12,671,455</u>	<u>5,803,504</u>	<u>6,071,268</u>	<u>5,816,672</u>
Net cash flows from operating activities	18	1,188,365	473,561	240,896	276,244	179,987
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Proceeds from sale of Property, Plant & Equipment	49,321	75,138	119,119	33,102	55,428	59,197
Proceeds from sale of Intangible assets	-	-	5,114	-	-	-
	<u>49,321</u>	<u>75,138</u>	<u>124,233</u>	<u>33,102</u>	<u>55,428</u>	<u>59,197</u>
Cash was applied to:						
Purchase of Property, Plant & Equipment	223,197	129,225	146,378	147,576	63,500	100,151
Purchase of Intangible assets (computer software)	68,591	81,366	65,830	52,669	50,000	34,915
	<u>291,788</u>	<u>210,591</u>	<u>212,208</u>	<u>200,245</u>	<u>113,500</u>	<u>135,066</u>
Net cash flows from investing activities		(242,467)	(135,453)	(87,975)	(167,143)	(58,072)
CASH FLOWS FROM FINANCING ACTIVITIES						
Minority dividend	(10,375)	(13,834)	(37,500)	-	-	-
Net cash flows from financing activities		(10,375)	(13,834)	(37,500)	-	-
Net increase (decrease) in cash held	935,523	324,274	115,421	109,101	121,915	(54,662)
Plus opening cash	2,220,684	1,401,500	2,105,263	1,107,667	722,741	1,162,329
Closing cash balance		3,156,207	1,725,774	2,220,684	1,216,768	844,656
Cash and bank	179,619	158,274	294,671	71,268	137,156	132,667
Short-term investments	2,976,588	1,567,500	1,926,013	1,145,500	707,500	975,000
Closing cash balance	20	3,156,207	1,725,774	2,220,684	1,216,768	844,656

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 2012

	CONSOLIDATED			PARENT		
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Note 1: Total comprehensive income						
The net surplus (deficit) is after charging for:						
Fees to Audit New Zealand for audit of financial statement	58,216	58,216	55,728	30,828	30,828	29,516
Council and Directors' Fees	144,792	178,125	172,805	94,792	128,125	122,613
Depreciation of property, plant and equipment on continued and discontinued activities						
Motor vehicles	57,144	84,412	70,107	47,390	62,685	55,216
Office furniture and equipment	6,017	6,272	7,240	3,564	3,351	4,050
Leasehold improvements	3,996	5,697	5,348	2,669	4,370	2,669
Computer hardware	38,515	68,183	32,263	26,529	53,157	12,441
Total Depreciation	105,672	164,563	114,958	80,152	123,563	74,376
Amortisation computer software	85,079	109,321	107,359	28,887	41,821	29,878
Amortisation product development	3,256	-	550	3,256	-	550
Total Amortisation	88,335	109,321	107,909	32,143	41,821	30,428
Total Depreciation and Amortisation	194,007	273,884	222,867	112,295	165,384	104,804
Deficit on disposal of fixed assets	-	-	501	-	-	-
Rental expense on operating leases	423,203	439,113	472,086	302,225	314,113	299,740
Bad debts	1,780	10,000	10,079	(6,733)	-	2,309
Note 2: Net revenue/(cost) analysis						
Accreditation services						
Revenue	5,386,416	5,677,432	5,155,281	5,386,416	5,677,432	5,155,281
Less cost	5,021,978	5,384,848	4,989,313	5,021,978	5,384,848	4,989,313
Net surplus	364,438	292,584	165,968	364,438	292,584	165,968
Certification services						
Revenue	5,136,101	4,929,777	6,718,991	-	-	-
Less cost	4,550,873	4,646,144	6,582,642	-	-	-
Net surplus	585,228	283,633	136,349	-	-	-
Training and other services						
Revenue	563,161	620,469	650,427	536,636	580,469	644,412
Less cost	694,551	707,863	722,454	685,642	707,863	722,454
Net surplus / (deficit)	(131,390)	(87,394)	(72,027)	(149,006)	(127,394)	(78,042)
International recognition services						
Revenue	107,445	120,000	-	107,445	120,000	-
Less cost	314,759	301,350	309,004	314,759	301,350	309,004
Net deficit	(207,314)	(181,350)	(309,004)	(207,314)	(181,350)	(309,004)
Other Income						
Interest	62,325	32,700	47,962	29,641	25,200	23,974
Net gain on sale of property, plant, and equipment	19,834	-	5,252	19,072	-	5,252
Dividend	-	-	-	225,000	124,175	31,125
Total	82,159	32,700	53,214	273,713	149,375	60,351
Total revenue						
Total revenue	11,275,282	11,380,378	12,577,913	6,304,210	6,527,276	5,860,044
Less total cost	10,582,161	11,040,205	12,603,413	6,022,379	6,394,061	6,020,771
Total comprehensive income	693,121	340,173	(25,500)	281,831	133,215	(160,727)

Telarc SAI Limited paid the Parent \$562,500 as a contribution towards overheads (2011, \$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 2012

Note 3: Discontinued Activities

The following debtors and creditors pertaining to the sale of Telarc Quality Health to DAA Group Limited on 31 March 2011 were retained in the statement of financial position of Telarc SAI Limited as at 30 June 2012:

A) DAA Group Limited owed Telarc SAI Limited	Nil	(2011 \$165,596)
B) Telarc SAI Limited owed DAA Group Limited	Nil	(2011 \$ 13,000)

As at balance date a contingent asset exists in terms of the amount owing by DAA Group Limited to Telarc SAI Limited. This will be calculated as an earn out formula based on DAA profit. No earn out was due or payable as at balance date. It is not possible to quantify this asset as at 30 June 2012.

Net Cash Flows from Discontinued Activities

Telarc Quality Health

	2012 Actual \$	2011 Actual \$
Operating activities	-	(92,210)
Investing activities	-	(569)
Financing activities	-	-
Total net cash flows from discontinued activities	-	(92,779)

Note 4 : Personnel Costs excluding Council and Directors' fees

	CONSOLIDATED				PARENT	
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Salaries and wages	5,669,213	5,809,525	5,959,000	3,653,530	3,653,673	3,543,473
Defined contribution plan employer contribution	68,927	70,003	70,014	46,350	40,003	42,139
Increase/ (decrease) in employee entitlements	(22,101)	30,934	(5,710)	(5,647)	5,934	24,615
Total Personnel Costs	5,716,039	5,910,462	6,023,304	3,694,233	3,699,610	3,610,227

Personnel costs are inclusive of continuing and discontinued activities.

Notes to the Financial Statements**For the year ended 30 June 2012****Note 5: Trade and other receivables**

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Trade receivables	1,353,001	1,352,279	669,575	682,289
Less: Provision for impairment	(16,392)	(24,958)	(6,192)	(13,853)
Net trade receivables	1,336,609	1,327,321	663,383	668,436
Other receivables				
Work in progress	218,341	268,763	194,535	166,970
Dividends received	-	-	225,000	31,125
Total trade and other receivables	1,554,950	1,596,084	1,082,918	866,531

The carrying value of receivables approximates their fair value.

As at 30 June 2012 and 2011 all trade receivables have been assessed for impairment and appropriate provisions applied as detailed below:

	PARENT			PARENT		
	2012			2011		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$	\$	\$	\$	\$	\$
Not past due	481,919	-	481,919	505,018	-	505,018
Past due 1-30 days	142,628	-	142,628	97,798	-	97,798
Past due 31-60 days	8,152	(617)	7,535	58,775	(3,377)	55,398
Past due 61-90 days	28,054	-	28,054	6,332	-	6,332
Past due > 91 days	8,822	(5,575)	3,247	14,366	(10,476)	3,890
Total	669,575	(6,192)	663,383	682,289	(13,853)	668,436

	CONSOLIDATED			CONSOLIDATED		
	2012			2011		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$	\$	\$	\$	\$	\$
Not past due	1,007,568	-	1,007,568	943,664	-	943,664
Past due 1-30 days	231,277	-	231,277	196,665	-	196,665
Past due 31-60 days	69,001	(7,445)	61,556	159,976	(7,085)	152,891
Past due 61-90 days	28,054	-	28,054	17,152	-	17,152
Past due > 91 days	17,101	(8,947)	8,154	34,822	(17,873)	16,949
Total	1,353,001	(16,392)	1,336,609	1,352,279	(24,958)	1,327,321

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 a decrease of \$8,566 in the provision for the year to 30 June 2012 and debts of \$1,780 were written off to expense in the year (2011 \$10,079).

Note 6: Investments

	CONSOLIDATED			PARENT		
	2012	2012	2011	2012	2012	2011
	Actual	Budget	Actual	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$
Current short-term deposit investments	2,976,588	1,567,500	1,926,013	1,145,500	707,500	975,000
Weighted average effective interest rates on short-term deposit investments	3.50%	3.50%	3.75%	3.50%	3.50%	3.71%

Notes to the Financial Statements**For the year ended 30 June 2012****Note 7: 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 2010	415,484	298,996	500,590	306,989	1,522,059
Additions	-	-	22,112	78,039	100,151
Disposals	-	-	(4,346)	(139,726)	(144,072)
Balance at 30 June 2011	415,484	298,996	518,356	245,302	1,478,138
Balance as at 1 July 2011	415,484	298,996	518,356	245,302	1,478,138
Additions	-	3,659	77,543 ^a	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

Accumulated Depreciation

Balance as at 1 July 2010	402,795	284,282	491,765	138,304	1,317,146
Depreciation expense	2,669	4,050	12,441	55,216	74,376
Eliminate on disposal	-	-	(4,345)	(80,530)	(84,875)
Balance at 30 June 2011	405,464	288,332	499,861	112,990	1,306,647
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

Carrying Amounts

At 30 June 2011	10,020	10,664	18,495	132,312	171,491
At 30 June 2012	7,351	10,759	69,509	118,194	205,813

^a Includes WIP on disaster recovery plan infrastructure costs - \$8,053**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 2010	449,326	453,406	990,490	392,240	2,285,462
Additions	-	570	32,612	113,196	146,378
Disposals	-	(5,634)	(16,811)	(217,906)	(240,351)
Balance at 30 June 2011	449,326	448,342	1,006,291	287,530	2,191,489
Balance as at 1 July 2011	449,326	448,342	1,006,291	287,530	2,191,489
Additions	-	3,659	102,729 ^a	116,809	223,197
Disposals	-	(1,480)	(30,740)	(145,240)	(177,460)
Balance at 30 June 2012	449,326	450,521	1,078,280	259,099	2,237,226

Accumulated Depreciation

Balance as at 1 July 2010	429,202	422,751	957,720	169,588	1,979,261
Depreciation expense	5,348	7,240	32,263	70,107	114,958
Eliminate on disposal	-	(4,320)	(12,727)	(104,185)	(121,232)
Balance at 30 June 2011	434,550	425,671	977,256	135,510	1,972,987
Balance as at 1 July 2011	434,550	425,671	977,256	135,510	1,972,987
Depreciation expense	3,996	6,017	38,515	57,144	105,672
Eliminate on disposal	-	(1,098)	(30,740)	(96,301)	(128,138)
Balance at 30 June 2012	438,546	430,590	985,031	96,353	1,950,521

Carrying Amounts

At 30 June 2011	14,776	22,671	29,035	152,020	218,502
At 30 June 2012	10,780	19,931	93,249	162,746	286,705

^a Includes WIP on disaster recovery plan infrastructure costs - \$8,053

Notes to the Financial Statements

For the year ended 30 June 2012

Note 8: 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 2010	-	1,611,550	369,435	1,980,985	-	819,482	-	819,482
Additions	3,510	62,320	-	65,830	3,510	31,405	-	34,915
Disposals	-	(59,710)	-	(59,710)	-	-	-	-
Balance at 30 June 2011	3,510	1,614,160	369,435	1,987,105	3,510	850,887	-	854,397
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 ^a	39,076 ^{b+c}	-	68,591	29,515 ^a	23,154 ^b	-	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
Amortisation								
Balance as at 1 July 2010	-	1,368,182	369,435	1,737,617	-	749,607	-	749,607
Amortisation expense	550	107,359	-	107,909	550	29,878	-	30,428
Eliminate on disposal	-	(54,596)	-	(54,596)	-	-	-	-
Balance at 30 June 2011	550	1,420,945	369,435	1,790,930	550	779,485	-	780,035
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
Carrying Amounts								
At 30 June 2010	-	243,368	-	243,368	-	69,875	-	69,875
At 30 June 2011	2,960	193,215	-	196,175	2,960	71,402	-	74,362
At 30 June 2012	29,219	126,511	-	155,730	29,219	44,968	-	74,187

^a Includes WIP on training and programme development costs - \$15,490

^b Includes WIP on website development costs - \$16,470

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

Note 9: Trade and other payables

	CONSOLIDATED			PARENT		
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Trade payables	257,101	641,842	285,483	159,757	376,037	126,477
Other payables	60,433	101,636	79,209	30,081	80,067	61,070
Accrued expenses	658,803	673,992	501,589	421,606	321,655	339,160
Revenue in advance	875,372	1,010,596	892,691	489,521	575,000	479,818
Total trade and other payables	1,851,709	2,428,067	1,758,972	1,100,965	1,352,759	1,006,525

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 2011 due to staff incentive provisioning.

Note 10: Employee entitlements

	CONSOLIDATED			PARENT		
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Annual leave	431,713	453,368	426,254	295,466	280,496	271,631
Long service leave	52,939	63,485	59,894	31,855	42,062	40,732
Retirement leave	-	21,277	20,605	-	21,277	20,605
Total	484,652	538,131	506,753	327,321	343,835	332,968

The long-term portion is not considered significant.

Notes to the Financial Statements For the year ended 30 June 2012

Note 11: 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 2012 totalled \$634,077 (2011 \$759,541), 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 2012 totalled \$1,848,538* (2011 \$2,484,699), including the Ministry of Health, \$931,506* (2011 \$1,313,567) of which \$661,295 related to Crown Health Financing Agencies/ District Health Boards (2011 \$953,809). The balance went to Public/Non Public Service Departments, other Crown Entities and State Owned Enterprises.

* The reduction in related party transactions is due to the sale of Telarc Quality Health on 31 March 2011.

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	\$52,962 (2011 \$76,950)*	Nil (2011 Nil)
Campbell Kyle	University of Auckland (Honorary)	Nil (2011 Nil)	Nil (2011 \$1,965)*
Campbell Kyle	Diagnostic Medical Laboratory	\$15,127 (2011 \$15,233)*	Nil (2011 Nil)
Campbell Kyle	DNA Diagnostics	\$3,762 (2011 \$2,349)*	Nil (2011 Nil)
Elizabeth Hopkins	Cawthron Institute	\$28,285 (2011 Nil)	Nil (2011 Nil)
John Hay	ESR	Nil (2011 \$2,330)*	Nil (2011 \$7,216)*
Richard Janes	Industrial Research Limited	\$34,962 (2011 Nil)	\$52,938 (2011 Nil)
Susan Paterson	Aotea Pathology	\$20,631 (2011 \$37,993)	\$29 (2011 Nil)
Susan Paterson	Ascot Radiology	\$11,486 (2011 \$17,640)	Nil (2011 Nil)
Paul Connell	Just Water International Limited	Nil (2011 Nil)	\$1,497 (2011 Nil)
Paul Connell	Unison Networks Limited	\$16,263 (2011 Nil)	Nil (2011 Nil)
Paul Connell	Hamilton City Council	\$8,433 (2011 Nil)	Nil (2011 Nil)

* Prior year revenue and expenses have been restated to exclude GST.

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	\$75,000 (2011 \$10,375)
Audit services provided by SAI Global	\$72,659 (2011 \$9,466)
Audit services provided to SAI Global	\$141,060 (2011 \$146,658)
Balance of liability owing to SAI Global	Nil (2011 \$3,460)
Balance of liability owing to Telarc SAI Limited	\$10,355 (2011 Nil)

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 \$605,391, \$562,500 being overhead contribution fees with the balance for goods and services. Transactions charged to the Council were \$122,931. (2011 transactions charged by the Council were \$575,517, \$562,500 being overhead contribution fees with the balance for goods and services, and transactions charged to the Council for goods and services were \$106,487*). There are no other related party transactions.

* Prior year goods and services have been restated to exclude GST.

At year end Telarc SAI Limited owed the Council:

Current account advances	\$Nil (2011 Nil)
Payables	\$54,200 (2011 \$54,366)
Dividends	\$225,000 (2011 \$31,125)

At year end Council owed Telarc SAI Limited:

Current Account Advances	\$24,256 (2011 Nil)
Payables	\$7,180 (2011 \$12,065)

Key management personnel compensation

	CONSOLIDATED		PARENT	
	2012 Actual \$	2011 Actual \$	2012 Actual \$	2011 Actual \$
Salaries and other short-term employee benefits	2,760,304	2,798,656	2,065,970	2,009,979
Other long-term benefits	35,285	41,950	21,718	29,778
Termination benefits	42,032	20,605	42,032	20,605
Total key management personnel compensation	2,837,621	2,861,211	2,129,720	2,060,362

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

Notes to the Financial Statements

For the year ended 30 June 2012

Note 12: 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	
	2,012	2011
Remuneration	Actual	Actual
\$250,000 - \$260,000	-	1
\$240,000 - \$250,000	1	-
\$180,000 - \$190,000	1	1
\$150,000 - \$160,000	1	1
\$140,000 - \$150,000	1	1
\$130,000 - \$140,000	-	-
\$110,000 - \$120,000	5	1
\$100,000 - \$110,000	9	8

The chief executive's remuneration is in the \$240,000 to \$250,000 band. Remuneration complies with SSC requirements and not IFRS and CEA.

Note 13: Council and Directors Fees

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

	2012	2011
Council members		
Dr R Pratt, Chairman (until 31 Aug 2011)	4,167	25,000
Mr J Hill, Deputy Chairman	15,625	15,625
Mr N Cann (until 14 April 2011)	-	9,856
Ms M R Dean (until 14 April 2011)	-	9,856
Mr H Duff (from 9 May 2011)	12,500	1,859
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 (from 1 Sept 2010)	12,500	10,417
Total Council Fees	94,792	122,613
Telarc SAI Limited Directors		
Mr P Bone, Chairman	25,000	25,000
Mr P Connell (from 27 Sept 2010)	12,500	9,567
Mrs L Cruickshank (until 27 Sept 2010)	-	3,125
Dr R S Janes	12,500	12,500
Mr A Scotton	-	-
Total Directors Fees	50,000	50,192
Total Council and Directors fees	144,792	172,805

Note 14 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 2012

Note 15: 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 2012 (2011 nil).

The interest rates on Council investments are reflected in Note 6.

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

Note 16: Major Budget Variations

IANZ achieved a strong surplus through controlling overhead expenditure. Although several large assessments in Christchurch have been deferred to the 2012-2013 financial year, the consequential reduction in operational revenue has been more than offset by savings in overheads. An inflation adjustment was applied to professional fees and a new funding model incorporating international activities was introduced from 1 July 2011. Continued economic pressures have reduced trainee numbers for the New Zealand Quality College with consequent reductions in revenue and net deficit against budget. However, the profile of courses delivered against plan has ensured the maintenance of gross margin. Initiatives are well advanced to lift performance.

Telarc SAI Limited significantly exceeded its net surplus budget and last year's result. Revenue from Core plus Environmental programmes was 4.2% higher than budget and 9.4% higher than last year. The total number of Assessment Units at the end of June 2012 was 9.1% higher than a year prior, due largely to a strong focus on direct sales over the past three years, in particular the success of the Public Safety Management Systems programme for the Electricity industry. Audits against the Occupational Health & Safety standard AS/NZS 4801 audits also increased substantially over the prior year due to a focus on promoting integrated management systems audits with Telarc's current clients. Overheads were also better than budget. Training Division revenue was adverse against budget, although higher than last year. It is clear that clients have cut back on discretionary spend such as training courses.

Note 17: Post balance date events

As at date of signing these financial statements by the Council and Management, there had been no events subsequent to June 2012 that required adjustment or disclosure in these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2012

Note 18: Reconciliation of total comprehensive income with net cash flow from operating activities

	CONSOLIDATED					
	2012 Actual \$	2012 Budget \$	2011 Actual \$	2012 Actual \$	2012 Budget \$	2011 Actual \$
Total comprehensive income	693,121	340,173	(25,500)	281,831	9,040	(160,727)
<i>Add (less) non cash item</i>						
Depreciation	105,672	164,565	114,958	80,152	123,565	74,376
Amortisation computer software	88,335	109,322	107,909	32,143	41,821	30,428
Total non cash items	194,007	273,887	222,867	112,295	165,386	104,804
<i>Add/ (less) movement in working capital items :</i>						
Decrease (increase) in receivables	29,447	(585,497)	2,081,182	(207,749)	(324,354)	80,245
(Decrease) increase in payables	331,044	403,141	(558,343)	104,883	313,058	(36,382)
(Decrease) increase in employee entitlements	(22,101)	30,934	(5,710)	(5,647)	5,934	24,615
(Decrease) increase in revenue in advance	(17,319)	-	(1,468,849)	9,703	-	13,904
Working capital movements - net	321,071	(151,422)	48,280	(98,810)	(5,362)	82,382
<i>Add (less) items classified as investing activities</i>						
Net loss (gain) on disposal of assets	(19,834)	10,923	(4,751)	(19,072)	10,923	(5,252)
Net cash flow from operating activities	1,188,365	473,561	240,896	276,244	179,987	21,207

Notes to the Financial Statements

For the year ended 30 June 2012

Note 19: 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 20: Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Cash on hand and at bank	179,619	294,671	71,268	132,667
Cash equivalents - short-term investments	2,976,588	1,926,013	1,145,500	975,000
	3,156,207	2,220,684	1,216,768	1,107,667

Note 21: Commitments

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Non-cancellable operating lease commitments, payable :				
No later than one year	407,714	426,323	313,076	313,076
Later than one year but no later than two years	398,628	320,524	313,076	313,076
Later than two years but no later than 5 years	320,573	548,097	235,021	548,097
Total non-cancellable operating lease commitments, payable	1,126,915	1,294,944	861,173	1,174,249

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	
	2012	2011	2012	2011
	Actual	Actual	Actual	Actual
	\$	\$	\$	\$
Property, Plant and Equipment	30,019	-	30,019	-
Intangible Assets	10,178	-	1,600	-
Total capital commitments	40,197	-	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. (2011 Nil).

Note 22 : Contingent Liabilities as at 30 June 2012

As at balance date there are no known contingent liabilities. (2011 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. A Council-appointed Director manages operations and is also Chief Executive of the IANZ accreditation division.

Council Members

Dr Robin Pratt (Chair) (until 31 August 2011)	Company Director, Christchurch
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, Statutory Outputs 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.

3 Statutory outputs

In accordance with the Memorandum of Understanding agreed with the Minister of Commerce, and as detailed in the 2011-2014 Statement of Intent, the Council achieved outputs for the year to 30 June 2012, as follows:

- Accredited testing and calibration laboratories which met the requirements of ISO/IEC 17025;
- Registered laboratories which met the requirements of the Organisation of Economic Cooperation and Development's Principles of Good Laboratory Practice (OECD GLP);
- Accredited medical testing laboratories which met the requirements of ISO 15189;
- Accredited radiology services which met the requirements of the New Zealand Code of Radiological Management Practice;
- Accredited inspection bodies which met the requirements of ISO/IEC 17020;
- Accredited building consent authorities which met the requirements of the Building (Accreditation of Building Consent Authorities) Regulations 2006;
- Assessed health providers as against Ministry of Health NSU requirements (breast screening and colposcopy);
- Registered suppliers which met the requirements of quality management (ISO 9001), environmental management (ISO 14001) systems certification and other Telarc criteria (including the QBase standard);
- Provided training courses in accreditation and certification;
- Maintained full membership (signatory status) of the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC) MRAs for calibration, testing and inspection; and
- Facilitated New Zealand's trade by improving access to overseas markets.

4 Operational standards

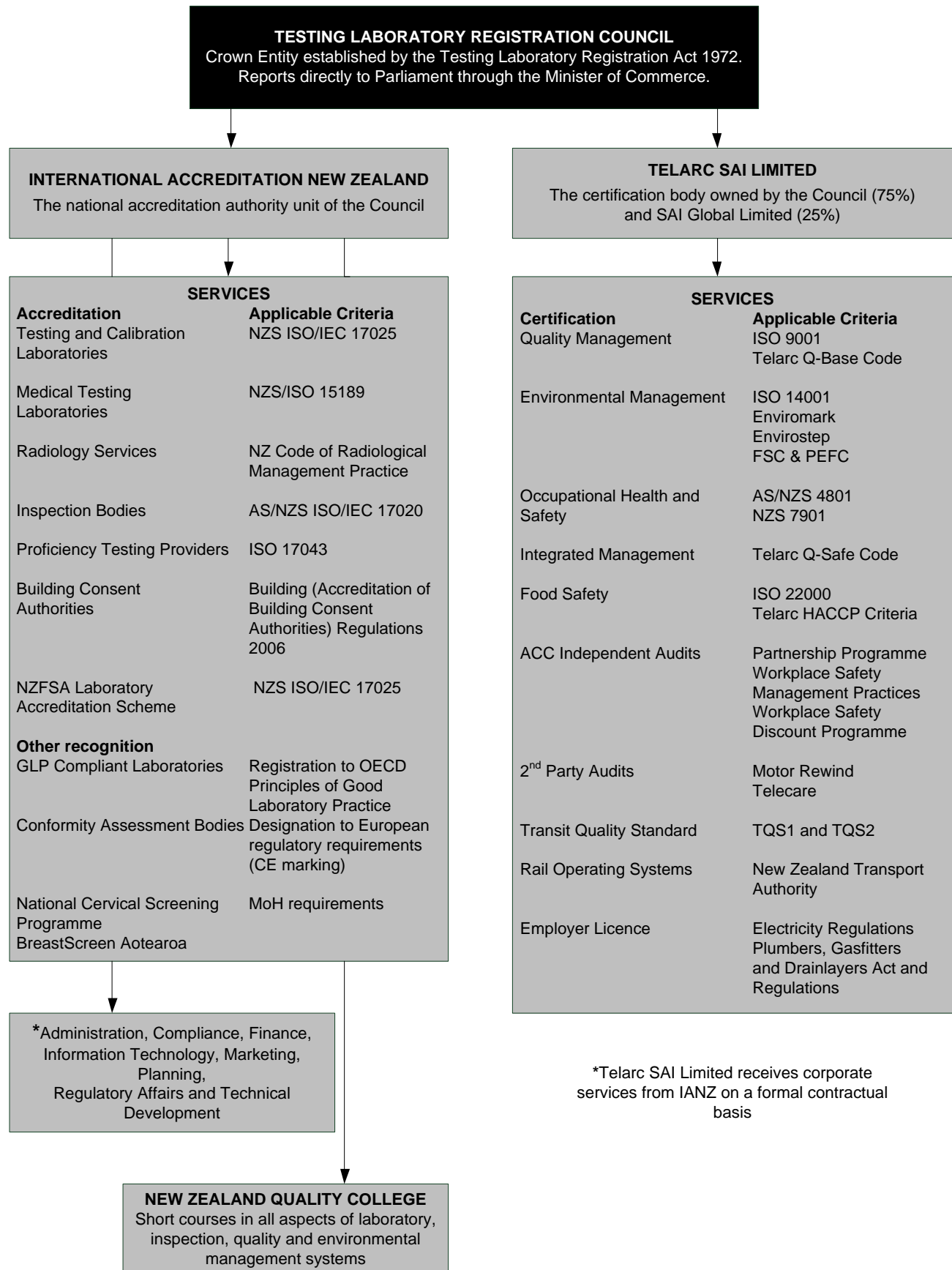
International standards are the cornerstone of the credibility of accreditations and certifications provided by IANZ and Telarc. Each organisation is regularly evaluated against specific standards for their type of operation. To operate as an accreditation authority, IANZ complies with the ISO/IEC 17011 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 9001:2000.

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 900,000 businesses in 170 countries are certified to comply with ISO 9001, with a further 23,000 in 84 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 context, 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
ACHS	Australian Council on Healthcare Standards
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
EQulP 4	Evaluation and Quality Improvement Programme
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
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

Level 1, 626 Great South Rd, Ellerslie, Auckland 1051

Private Bag 28908, Remuera, Auckland 1541, New Zealand

Tel: 09 525 6655, fax: 09 525 2266

Email: info@ianz.govt.nz

ianz.govt.nz

Telarc SAI Limited

Level 3, 626 Great South Rd, Ellerslie, Auckland 1051

Private Bag 28901, Remuera, Auckland 1541, New Zealand

Tel: 09 525 0100, fax: 09 525 1900

Email: info@telarc.co.nz

telarc.co.nz

New Zealand Quality College

Level 3, 626 Great South Rd, Ellerslie, Auckland 1051

Private Bag 28908, Remuera, Auckland 1541, New Zealand

Tel: 09 525 6633, fax: 09 525 2266

Email: info@nzqc.co.nz

nzqc.co.nz

Regional Offices

Telarc SAI Limited

Hamilton 795 Te Rapa Rd, Pukete, Hamilton 3200

PO Box 10072, Te Rapa, Hamilton 3241, New Zealand

Tel: 07 849 996, fax: 07 849 1997

Tauranga Cnr Chadwick & Hynds Rds, Gate Pa, Tauranga 3112

PO Box 9023, Tauranga 3142, New Zealand

Tel: 07 571 2508, fax: 07 571 2415

Christchurch 4 Tussock Lane, 24 Settlers Crescent, Ferrymead 8023

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

Great South Rd, Penrose, Auckland 1061, New Zealand

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

57 Market Rd, Remuera, Auckland 1050, New Zealand

Testing Laboratory Registration Council

626 Great South Rd, Ellerslie, 1051

Private Bag 28908, Remuera

Auckland 1541

New Zealand

Tel: 64 9 525 6655

Fax: 64 9 525 2266

Email: info@ianz.govt.nz

ianz.govt.nz