



# FINANCIAL STATEMENTS

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## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
<b>Revenue</b>			
Revenue	1	7,193,442	7,000,718
Interest Income		201,114	270,532
Other Income	2	577,213	502,368
<b>Total Revenue</b>		<b>7,971,769</b>	<b>7,773,618</b>
<b>Expenditure</b>			
Cost of Sales		829,750	848,724
Operating Expenses		1,767,129	1,703,831
Personnel Expenses		4,520,836	4,181,373
Accommodation Expenses		464,576	337,093
Depreciation and Amortisation Expense		206,897	223,086
<b>Total Expenditure</b>	3	<b>7,789,188</b>	<b>7,294,107</b>
<b>Net Surplus</b>		<b>182,581</b>	<b>479,511</b>

The Statement of Accounting Policies and Notes form an integral part of the financial statements.

**STATEMENT OF CHANGES  
IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	2009 \$	2008 \$
Equity at Start of the Year		3,734,169	3,254,658
Profit for the Period		182,581	479,511
<b>Total Recognised Revenues and Expenses for the Period</b>		<b>182,581</b>	<b>479,511</b>
<b>Balance at 30 June</b>		<b>3,916,750</b>	<b>3,734,169</b>

The Statement of Accounting Policies and Notes form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	Notes	2009 \$	2008 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	4	2,018,808	699,578
Investments		2,640,000	2,995,000
Trade and Other Receivables	6	1,219,721	1,216,867
Project Work in Progress		24,679	25,115
Inventory	5	388,465	346,472
<b>Total Current Assets</b>		<b>6,291,673</b>	<b>5,283,032</b>
<b>Non-current Assets</b>			
Property, Plant and Equipment	7	278,528	355,238
Intangible Assets	8	62,857	87,044
<b>Total Assets</b>		<b>6,633,058</b>	<b>5,725,314</b>
<b>Current Liabilities</b>			
Trade Payables		440,977	315,349
Employee Entitlements	9	263,668	392,812
Other Payables	10	1,981,502	1,262,221
<b>Total Current Liabilities</b>		<b>2,686,147</b>	<b>1,970,382</b>
<b>Non-current Liabilities</b>			
Employee Entitlements	9	30,161	20,763
<b>Total Liabilities</b>		<b>2,716,308</b>	<b>1,991,145</b>
<b>Equity</b>			
Accumulated Funds		3,916,750	3,734,169
<b>Total Equity</b>		<b>3,916,750</b>	<b>3,734,169</b>
<b>Total Equity and Liabilities</b>		<b>6,633,058</b>	<b>5,725,314</b>



**Robyn Baker**  
Director



**Peter Allen**  
Chair

24 August 2009

The Statement of Accounting Policies and Notes form an integral part of the financial statements.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
<b>Cash Flows from Operating Activities</b>			
Cash was Provided from:			
Government Grant		1,452,000	1,387,000
Sales Receipts		1,571,485	2,794,585
Projects		4,525,231	2,822,943
Interest Received		240,993	237,791
Educational Funds Receipts	10	1,820,225	1,984,335
Other Receipts		576,424	500,719
Net GST		(166,834)	18,643
		10,019,524	9,746,016
Cash was Disbursed to:			
Salaries and Related Employee Costs		4,629,634	3,966,494
Operating Expenses		1,923,574	2,043,257
Cost of Sales		844,364	828,550
Educational Funds Expenses	10	1,552,511	1,936,312
		8,950,083	8,774,613
Net Cash Inflow from Operating Activities	11	1,069,441	971,403
<b>Cash Flows from Investing Activities</b>			
Cash was Provided from:			
Sale of Fixed Assets		790	1,649
Cash was Applied to:			
Purchase of Fixed Assets		75,611	118,159
Purchase of Intangible Assets		30,390	39,451
Purchase of Short-Term Deposits		(355,000)	266,414
Net Cash Outflow from Investing Activities		(249,789)	422,375
<b>Total Cash Flow</b>			
Net Increase/(Decrease) in Cash Held		1,319,230	549,028
Opening Balance Cash and Bank		699,578	150,550
<b>Closing Cash and Bank</b>		2,018,808	699,578
Comprising:			
<b>Cash and Cash Equivalents</b>		2,018,808	699,578

The GST (net) component of operating activities reflects the net GST paid and received with 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.

The Statement of Accounting Policies and Notes form an integral part of the financial statements.

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

### STATEMENT OF COMPLIANCE

The New Zealand Council for Educational Research (the Council) is a public-benefit entity established under the New Zealand Council for Educational Research Act 1972. It provides educators, students, parents, policy makers and the public with innovative and independent research, analysis and advice. The Council is a reporting entity for the purposes of the terms of section 32 of the New Zealand Council for Educational Research Act 1972. Its registered office and principal place of business is at 178 Willis Street, Wellington.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for public-benefit entities.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 7 August 2009.

### BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, which is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented in these financial statements for the year ended 30 June 2008.

### FUNCTIONAL CURRENCY

The financial statements are presented in New Zealand dollars. The functional currency of the Council is New Zealand dollars.

### SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

#### a. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### Sales of educational resources

Revenue derived from the sales of educational resources to third parties is recognised when the Council has transferred to the buyer the significant risks and rewards of ownership of the work. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

##### Rendering of services

Revenue from the provision of research work is recognised by reference to the stage of completion.

Stage of completion is measured by reference to the percentage of totals for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

##### Interest revenue

Interest revenue is recognised in the Statement of Financial Performance using the effective interest method.

#### b. GOVERNMENT GRANTS

The Council is a statutory body. Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

#### c. TRADE AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

#### d. INVESTMENTS

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

#### e. INVENTORY

Inventories are valued at the lower of cost or net realisable value.

The write-down from cost to current replacement cost or net realisable value is recognised in the Statement of Financial Performance in the period when the write-down occurs.

#### f. PROPERTY, PLANT AND EQUIPMENT

Plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the item.

The cost of an item of property, plant or equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

When an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

On the subsequent disposal or permanent withdrawal of an item of property, plant or equipment the difference between the disposal proceeds (if any) and the carrying amount is recognised in the Statement of Financial Performance.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis.

The following estimated useful lives are used in the calculation of depreciation:

Furniture and Fittings	10 years	(10%)
Computing and Electronic Equipment	3 years	(33%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

#### g. IMPAIRMENT OF ASSETS

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The total impairment loss is recognised in the Statement of Financial Performance.

#### h. INTANGIBLE ASSETS

##### Product development costs

Product development costs that meet the recognition criteria in NZ IAS 38 are capitalised as incurred. The cost model is applied to all classes of intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Financial Performance when the asset is derecognised.

Amortisation charged on product development costs is recognised on a straight-line basis over a period of years and is taken to the Statement of Financial Performance through the "expenses" line item.

Product development costs are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of the Win with Maths CD-ROM for internal use by the Council are recognised as an intangible asset. Direct costs include the Win with Maths CD-ROM development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

##### Computer software

Computer software is measured at cost less amortisation and impairment losses. It is amortised on a straight-line basis over its useful life of a maximum period of three years, commencing from the time the software is held ready for use. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Product (CD-ROM) development	6 years	(16%)
Computer software	3 years	(33%)

#### i. TRADE AND OTHER PAYABLES

Trade and other payables are recognised when the Council becomes obliged to make future payments resulting from the purchase of goods and services. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

#### j. PROJECT INCOME IN ADVANCE

Project revenue relating to work not completed on contract is classified as projects funds in advance.

#### k. PROVISION FOR EMPLOYEE ENTITLEMENTS

Provision is made in respect of the Council's liability for annual leave, long-service leave, and retirement leave.

They are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The present value of the long-service and retirement leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

#### Short-term

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

#### Long-term

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the organisation in respect of services provided by employees up to reporting date.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

#### l. OPERATING LEASES

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating-lease payments are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term.

#### m. FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Both the functional and presentation currency of the Council is New Zealand dollars.

#### n. GST

The financial statements have been prepared on a GST-exclusive basis, except for trade receivables and trade payables, which are stated with GST included (where applicable). The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are stated GST exclusive.

#### o. INCOME TAXES

Section 29 of the New Zealand Council for Educational Research Act 1972 exempts the Council from income tax.

#### p. STATEMENT OF CASH FLOWS

##### Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise of cash and cash equivalents, as defined above.

#### q. COMPARATIVE AMOUNTS

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

#### r. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have 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 value

At each balance date the Council reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful-life and residual-value estimates of property, plant and equipment requires the Council to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Council, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciation expense recognised in the Statement of Financial Performance and the carrying amount of the asset in the Statement of Financial Position. The Council minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes
- review of second-hand market prices for similar assets
- 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.

#### Retirement and long-service leave

Note 9 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long-service leave liabilities.

#### s. CRITICAL JUDGEMENTS IN APPLYING THE COUNCIL'S ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2009:

##### Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Council.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic

life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The Council has exercised its judgement on the appropriate classification of equipment leases and has determined current lease arrangements are operating leases.

##### Nongovernment grants

The Council must exercise judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 1. REVENUE CONSISTS OF THE FOLLOWING ITEMS:

	2009	2008
	\$	\$
Sales	1,957,611	2,665,439
Government Grant	1,473,830	1,435,030
Project Revenue	3,762,001	2,900,249
Total	<u>7,193,442</u>	<u>7,000,718</u>

### 2. OTHER INCOME

	2009	2008
	\$	\$
Royalties	91,783	80,601
Marking Service	402,594	316,311
Other Income	82,836	105,456
Total	<u>577,213</u>	<u>502,368</u>

### 3. EXPENSES INCLUDES THE FOLLOWING ITEMS:

	2009	2008
	\$	\$
Remuneration of Auditors		
- Audit of the financial statements	26,082	25,700
- Fees paid to auditors for NZ IFRS work	-	6,000
Fees Paid to Deloitte for Work on Transition to NZ IFRS	-	14,098
Board Members' Fees	8,660	12,005
Bad Debts Written Off	-	5,415
Operating Lease Expenses	37,395	36,192
Loss on Sale of Fixed Assets	1,205	532
Donations Paid	30,743	26,385
Foreign Exchange Translation Losses	48,624	-
Rental of Office Premises	278,001	181,018

### 4. CASH AND CASH EQUIVALENTS

	2009	2008
	\$	\$
Cash at Bank	1,638,808	279,578
Cash Equivalents—Short-term Deposits	380,000	420,000
Total Cash and Cash Equivalents	<u>2,018,808</u>	<u>699,578</u>

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

The weighted average effect interest rate for term deposits is 3.96 percent (2008: 8.67 percent).

## 5. INVENTORIES

	2009	2008
	\$	\$
Stock Tests/Publications	372,796	333,631
Stock Tests/Test Scoring	15,669	12,841
<b>Total Inventories</b>	<b>388,465</b>	<b>346,472</b>

The write-down of inventories held for publications amounted to \$7,053 (2008: \$35,179). There have been no reversals of write-downs.

The write-down of overseas test scoring amounted to \$32,327 (2008: \$9,966). There have been no reversals of write-downs.

## 6. TRADE AND OTHER RECEIVABLES

	2009	2008
	\$	\$
Trade Receivables	495,210	110,711
Project Receivables	649,728	1,036,607
Accrued Interest	27,150	67,029
Other Receivables	47,633	2,520
	<b>1,219,721</b>	<b>1,216,867</b>

As at 30 June 2009 and 2008, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2009			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
	\$	\$	\$	\$	\$	\$
Not past due days	1,160,740	-	1,120,613	1,216,867	-	1,216,867
Past due 1-30 days	40,822	-	40,822		-	-
Past due 31-60 days	14,888	-	14,888		-	-
Past due 61-90 days	3,271	-	3,271		-	-
Past due > 91 days	-	-	-		-	-
<b>Total:</b>	<b>1,219,721</b>	<b>-</b>	<b>1,179,594</b>	<b>1,216,867</b>	<b>-</b>	<b>1,216,867</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings	Equipment	Total
Cost	\$	\$	\$
Balance at 1 July 2007	599,689	734,147	1,333,836
Additions	25,173	97,098	122,271
Disposals	-	(48,001)	(48,001)
Balance at 30 June 2008	624,862	783,244	1,408,106
Balance at 1 July 2008	624,862	783,244	1,408,106
Additions	9,828	68,498	78,326
Disposals	-	(30,855)	(30,855)
Balance at 30 June 2009	634,690	820,887	1,455,577
Accumulated Depreciation			
Balance at 1 July 2007	399,929	542,911	942,840
Depreciation Expense	44,723	109,339	154,062
Eliminate on Disposal	-	(44,033)	(44,033)
Balance at 30 June 2008	444,652	608,217	1,052,869
Balance at 1 July 2008	444,652	608,217	1,052,869
Depreciation Expense	48,147	104,174	152,321
Eliminate on Disposal	-	(28,140)	(28,140)
Balance at 30 June 2009	492,799	684,251	1,177,050
Carrying Amounts			
At 1 July 2007	199,760	191,236	390,996
At 30 June and 1 July 2008	180,210	175,027	355,237
At 30 June 2009	141,891	136,636	278,527

## 8. INTANGIBLE ASSETS

	<b>Capitalised Development</b>	<b>Software</b>	<b>Total</b>
	\$	\$	\$
Cost			
Balance at 1 July 2007	116,139	198,880	315,019
Additions	-	49,879	49,879
Disposals	-	(10,428)	(10,428)
Balance at 30 June 2008	116,139	238,331	354,470
Balance at 1 July 2008	116,139	238,331	354,470
Additions	-	30,390	30,390
Balance at 30 June 2009	116,139	268,721	384,860
Accumulated Amortisation			
Balance at 1 July 2007	89,449	108,953	198,402
Amortisation Expense	8,900	60,124	69,024
Balance at 30 June 2008	98,349	169,077	267,426
Balance at 1 July 2008	98,349	169,077	267,426
Amortisation Expense	8,900	45,677	54,577
Balance at 30 June 2009	107,249	214,754	322,003
Carrying Amounts			
At 1 July 2007	26,690	89,927	116,617
At 30 June and 1 July 2008	17,790	69,254	87,044
At 30 June 2009	8,890	53,967	62,857

## 9. EMPLOYEE ENTITLEMENTS

	<b>2009</b>	<b>2008</b>
	\$	\$
Annual Leave	263,668	242,812
Provision for Redundancy	-	150,000
Retirement Leave	30,161	20,763
	<u>293,829</u>	<u>413,575</u>
Disclosed as:		
Employee Entitlements—Current		
Annual Leave	263,668	242,812
Provision for Redundancy	-	150,000
	<u>263,668</u>	<u>392,812</u>
Employee Entitlements—Non-current		
Retirement Leave	30,161	20,763
Total	<u>293,829</u>	<u>413,575</u>

The present value of the long-service and retirement leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

In determining the appropriate discount rate, the Council considered the interest rates on New Zealand government bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation. A weighted average discount rate of 8 percent (2008: 8 percent) and an inflation factor of 2.8 percent were used.

## 10. OTHER PAYABLES

	2009	2008
<b>Current</b>	<b>\$</b>	<b>\$</b>
Accruals	203,738	108,318
Advance Subscriptions	52,645	54,272
Project Income in Advance	959,867	583,953
Grant Income in Advance	129,221	151,050
Educational Funds	619,881	352,167
Other Liabilities	16,150	12,461
	1,981,502	1,262,221
<b>Non-current</b>		
Educational Funds	-	-

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

### Educational funds

The Council administers a number of funds for specific Educational purposes.

#### Teaching and Learning Research Initiative (TLRI)

Monies relating to the TLRI are received from the Ministry of Education in accordance with the "Agreement for the Provision of Programme Co-ordination Services" and are paid out on behalf of the Ministry of Education to projects selected by the TLRI Advisory Board.

#### Beeby fund 1998

The Beeby fund is a joint initiative by the Council and UNESCO and provides funding to researchers to prepare books focused on enhancing practice and students' learning. This fund is administered by the Council.

Funds	Balance	Receipts	Payments	Balance
	30 June 2008			30 June 2009
	\$	\$	\$	\$
Teaching and Learning Research Initiative	317,293	1,800,225	1,539,542	577,976
Beeby funds 1998–	34,874 *	20,000	12,969	41,905
<b>TOTAL</b>	352,167	1,820,225	1,552,511	619,881

These funds are excluded from the Statement of Financial Performance, as the funds are not seen as revenue or expenditure of the Council. However, the balance as at 30 June has been included in the Statement of Financial Position.

All TLRI and Beeby funds are classified as current liabilities.

## 11. CASH FLOW

Reconciliation of Net Cash Flows from Operating Activities to Net Surplus.

	2009	2008
	\$	\$
Net Surplus	182,581	479,511
Add/(Less) Noncash Items		
Depreciation	152,320	154,062
Amortisation	54,577	69,024
Increase/(Decrease) in Noncurrent Employee Entitlements	(140,602)	(54,005)
	66,295	169,081
Add/(Less) Movements in Other Working Capital Items		
(Increase)/Decrease in Trade and Other Receivables	37,273	(203,481)
(Increase)/Decrease in Work in Progress	437	29,259
(Increase)/Decrease in Inventory	(41,993)	42,358
Increase/(Decrease) in Trade Payables	125,628	160,069
Increase/(Decrease) in Employee Entitlements	20,856	190,964
Increase/(Decrease) in Grant Income in Advance	679,154	105,291
	821,355	324,460
Add/(Less) Items Classified as Investing Activities		
(Profit)/Loss on Sale of Fixed Assets	(789)	(1,649)
Net Cash Inflow/(Outflow) from Operating Activities	1,069,441	971,403

## 12. COMMITMENTS FOR EXPENDITURE

Commitments under noncancellable operating leases, to which the Council is subject, are as follows:

	2009	2008
	\$	\$
<b>Noncancellable Operating Lease Payments</b>		
Less than one year	325,993	305,226
One to two years	319,677	287,346
Two years to five years	41,477	284,120
	687,147	876,692

The Council has the following leases:

	EXPIRY DATES
Building Lease	30 June 2011
Canon Fax	28 March 2010
Canon Photocopier—9th Floor	28 July 2011
Canon Photocopier—10th Floor	28 April 2010
PABX System	30 June 2012
Franking Machine	12 March 2012

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### 13. KEY MANAGEMENT PERSONNEL COMPENSATION

	2009	2008
	\$	\$
Salaries and Other Short-term Employee Benefits	205,956	207,302
Post-employment Benefits	20,507	11,642
Total Key Management Personnel Compensation	226,463	218,944

Key management personnel include the Board and Chief Executive.

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### 14. CONTINGENCIES

#### CONTINGENT LIABILITIES

The Council has no contingent liabilities, guarantees or indemnities outstanding as at 30 June 2009 (30 June 2008: Nil).

#### CONTINGENT ASSETS

The Council has no contingent assets.

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### 15. RELATED PARTIES

Some Board members are employees of various tertiary institutions. They conduct research and provide professional advices in educational research-related matters.

In the past financial year, a number of directors have been working with the Council in various research initiatives. The Board members do not hold a position that would influence or control the research initiative with the Council.

#### HELEN MAY

Helen is a Ministry of Education TLRI Advisory Board member. The Council co-ordinates the TLRI fund on behalf of the Ministry of Education. She attends two or three meetings a year. Her travel costs are paid from the contract fees. Approximately \$186.27 was paid out in the financial year 2008-9 (2007-8: \$341.44).

#### LUANNA MEYER

Luanna is a project leader for the Victoria University TLRI-funded project. The projects are selected by an external panel and ratified by the TLRI Advisory Board. Victoria University received \$140,000 in the financial year 2008-9. (2007-8: \$90,000).

#### MARGARET CARR

Margaret is a project leader for Waikato University. Two projects have been awarded by TLRI funding to the university and \$144,000 was paid out to the university for the financial year 2008-9. (2007-8: \$138,995).

#### ROBYN BAKER

Robyn is a Board member of the Australian Council for Educational Research (ACER). A total of AUD\$647,177 was paid to ACER for Tertiary Education Commission Adult Assessment Tool Project for the financial year 2008-9 (2007-8: Nil).

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## 16. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	2009	2008
	\$	\$
Loans and Receivables		
Debtors and Other Receivables	1,219,721	1,216,867
Investments—Term Deposits	2,640,000	2,995,000
Total Loans and Receivables	3,859,721	4,211,867

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## 17. FINANCIAL INSTRUMENTS

The Council is a party to a variety of financial instruments as part of its everyday operations. Financial instruments include accounts payable and receivable cash, and short-term deposits.

### CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Council, therefore causing the Council to incur a loss. In the normal course of business the Council incurs credit risk from debtors and transactions with financial institutions. The Council does not require any collaterals or securities to support financial instruments as investments are with reputable financial institutions, and debtors are on normal trade terms. There is a concentration of credit risk in relation to the Council's receivables due to the reliance on the Ministry of Education for 57 percent of receivables at 30 June 2009 (30 June 2008: 64 percent). However, the Ministry of Education is a high-credit-quality entity.

### FAIR VALUE

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

### CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The Council's exposure to foreign currency risk through overseas sales and purchases is minimal. It is the Council's policy not to hedge these transactions.

The Tertiary Education Commission Adult Assessment Tool project has some exposure to Australian dollar exchange rate risk. The Council's risk management strategy is to purchase Australian dollar upfront to lock the in exchange rate. However, this will not eliminate translation/accounting gains/losses as the exchange rate fluctuates inevitably from period to period.

### INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Council's financial instruments are subject to interest rate risk.

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## 18. SUBSEQUENT EVENTS

There have been no events occurring subsequent to balance date that would result in an adjustment being required to the amounts disclosed in the financial statements.

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## 19. CAPITAL MANAGEMENT

The Council's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

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

# REPORT OF THE AUDITOR-GENERAL

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## TO THE READERS OF NEW ZEALAND COUNCIL FOR EDUCATIONAL RESEARCH'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of the New Zealand Council for Educational Research (the Council). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Council, for the year ended 30 June 2009. The audit covers the financial statements included in the annual report of the Council for the year ended 30 June 2009.

### Unqualified Opinion

In our opinion:

- The financial statements of the Council on pages 30 to 45:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Council's financial position as at 30 June 2009; and
    - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 24 August 2009 and 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 Board and the Auditor, and explain our independence.

### Basis of Opinion

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

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

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

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

### Audit procedures generally include:

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

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

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

#### **Responsibilities of the Board and the Auditor**

The Board is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Council as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Board's responsibilities arise from the New Zealand Council for Educational Research Act 1972.

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

#### **Independence**

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

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

*Karen Young*

**Karen Young**

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

#### **Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of New Zealand Council for Educational Research (the Council) for the year ended 30 June 2009 included on the Council's website. The Council's Chief Executive is responsible for the maintenance and integrity of the Council's website. We have not been engaged to report on the integrity of the Council's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 24 August 2009 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.