

Te Kura ā-Tuhi  
*The Correspondence School*



# ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

## KEY POINTS 2007

- The Maori Learners' Success Framework (MLSF) was adopted to assist Maori learners to realise their full potential.
- Selection as one of 23 new ICT learning clusters qualified the School for government funding of \$111,000 yearly for three years, to be matched by the School, to support the delivery of the e-learning strategy, Future Pathways.
- Funding was allocated to the School for 40 places in the Gateway work experience programme, designed to fit students with skills and experience needed to move into further training or skilled employment.
- After extensive consultation with staff and key external stakeholders, the School's new regional learning delivery and support model was approved by the Board in November for staged implementation, with the aim of improving the engagement and achievement of all the School's students.
- Two Secondary teachers received recognition in their respective academic fields – science and biology teacher Sylvia Ruarus was granted a Royal Society fellowship for 2008 to research genetic variation in the rare North Island saddleback, while senior music teacher Amanda O'Connell was awarded the Niklas Werner Memorial Prize in electroacoustic music composition/research, a prize awarded to a graduate or postgraduate student enrolled in the music department of the University of Waikato.
- The School welcomed the findings of the Education Review Office's 2007 review, which commended the School on a number of good initiatives and practices. ERO also agreed to work with the School to provide evaluation information to complement the School's self-review processes.
- NCEA results for the School's students in 2007 included the achievement by one Scholarship student of outstanding performance in Te Reo Maori.
- The School developed online enrolment options for a wider range of enrolment types including Early Childhood students, full-time Primary and Secondary students and Adults.
- Feedback from parents and students who attended the School's 2007 events showed they appreciated the opportunity to take part in the activities provided, interact with others and learn in a different environment.
- A comprehensive waste audit was conducted and a plan developed for waste minimisation at the School as a contribution to the Govt<sup>3</sup> sustainability goals.

**ANNUAL REPORT OF  
THE CORRESPONDENCE SCHOOL  
TE KURA A-TUHI**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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# 1 CHAIR'S REPORT TE KUPU A TE HEAMANA

I am pleased to present this report on behalf of The Correspondence School Board of Trustees.

The year to December 2007 was significant for the School in a number of ways.

The new funding model agreed with the Ministry of Education came into effect for the 2007 school year. This has enabled the School to consolidate its financial position and contributed to the School posting a surplus for the second consecutive year.

A focus for the Board and for many of our staff during 2007 was the development of a regionalised delivery model aimed at improving student engagement and achievement. There was extensive consultation with staff and key external stakeholders, culminating in the Board's approval in November of a new organisational structure based on a strengthened regional focus and stronger connections with students, their whanau and communities.

The new direction of the School was acknowledged by the Minister of Education in January 2008 when he announced that the current Board would be retained for a further 18 months to enable it to complete the organisational changes agreed in 2007. He also commended the Board on the financial management of the School and noted that the quality of the School's leadership was highlighted in an Education Review Office report during the year.

The regional model is the final stage in the implementation of the School's 2005–2008 business plan, which was focused on three outcomes — improved student education outcomes and achievement levels, ensuring the organisational capability and infrastructure to support this outcome, and a sustainable financial position for the School. With the School's financial sustainability secured, the focus is on building organisational capability and infrastructure so we can ensure our students have the educational opportunity to achieve their potential.

The adoption of this model is an exciting opportunity for us to improve student engagement and achievement. It will enable us to enhance our relationships with groups and agencies that are connected to our students and change how we work within the School. Teachers will work together in regional teams and be supported with high quality resources and collaboration with curriculum, e-learning and assessment specialists.

I wish to acknowledge the significant contribution that has been made over the past four years by Board members Claire Hague, Ian McKinnon and Polly Schaverien, who retired from the Board in April 2008. As Chair of the Board from 2004 to 2006, Ian led the School through a period of considerable change to restore it to a sustainable financial footing and position the School to meet the challenges of delivering quality teaching and learning within the 21st century context. Claire and Polly have been passionate advocates for the School and brought a wealth of knowledge and experience to the Board table. It was a privilege to work with them and I thank them for the very vital role they have played in securing the future of the School and positioning it for this period of change.

We are in an exciting period of considerable change to the way education is delivered. The efforts of all members of the Board, the School's Senior Leadership Team and staff have ensured The Correspondence School is in a strong position and well-placed to respond to the changes and challenges ahead.

Patricia McKelvey  
CNZM MBE  
Chair



# 2

## CHIEF EXECUTIVE'S REPORT TE KUPU A TE KAIHAUTU

I am pleased to present this Chief Executive's report for 2007.

It has been an exciting and challenging year for The Correspondence School as we look to the future and the changes we need to make to ensure we are relevant and responsive to the needs of our diverse students.

The regionalised learning delivery and support model approved by the Board reflects the vision for the School as working in partnership with students, their families/whanau and communities to help students achieve their potential. Greater regionalisation and in-region support will strengthen connections between the School, students and their communities and enhance the engagement and achievement of our students. The model was developed with input from staff across the School and I was impressed by the innovation and dedication shown by many of our staff who contributed to discussion about the model.

The School also made considerable progress on several other key initiatives during the year. The launch of our e-learning strategy marked a major milestone and paved the way for our winning application for cluster status as part of the government's focus on professional development to support e-learning. While it is not the norm for cluster contracts to be awarded to a single school, the School was selected as an 'internal cluster' and will use the funding to boost professional development via internal conferences, attendance at key e-learning conferences, regular pedagogy and skills workshops, curriculum workshops, a support help desk, and many other training opportunities for staff.

Crucial to the success of the School's e-learning strategy is the quality of its information and communication technology infrastructure. A comprehensive review of the existing systems and options for upgrade or replacement was carried out in 2007, resulting in Board approval of a business case for the replacement of the School's student and learning management systems and development of a content management system.

Staff from across the School have been involved in the development of an implementation plan to support the Maori Learners' Success Framework adopted by the School in 2007. A cross-school whanau group called Te Kura a-Tuhi Whanau was established, from which a steering group of representatives from all areas was formed to provide leadership and accountability for the whanau group's workplan. Several initiatives were developed during the year, including 'achievement days' for students in South Auckland and Rotorua, aimed at bringing students together for the opportunity to earn NCEA credits, meet other students and involve their whanau in their learning.

Increasingly, the School's full-time roll includes students who have been alienated or excluded from their previous school, those who have been referred by Group Special Education because they have psychological or psycho-social needs, young parents, and students who have been referred by Child, Youth and Family. Together these students make up 75% of our full-time secondary roll.

Seen in this context, the NCEA achievements of our students are a reflection of their determination and the support provided by their teachers, supervisors and whanau. In 2007 our students achieved similar results to those in 2006, gaining credit in 20,582 standards in 2007. Of the 2,461 students with NQF results, 372 completed NCEA Level 1, while 295 completed NCEA Level 2, and 110 completed Level 3 and 93 students gained other National Certificates. 434 students gained the Level 1 literacy requirement and 729 gained the Level 1 numeracy requirement for NCEA. One student achieved outstanding performance in Te Reo Maori in Scholarship.

The significance of the School's need to accurately report on student achievement was recognised with the appointment of an Assessment Manager. Her work will help to ensure the School is able to monitor student achievement using credible data and to respond where indicated by changing teaching approaches accordingly.

Work continued on developing a personalising learning approach that reflects the unique nature of the School and the diversity of our student body. Staff participated in a number of workshops to discuss aspects of personalising learning, and this will continue to be a focus for us in 2008.

We were very pleased to announce in late 2007 that the School has allocated funding for 40 places in the Gateway work experience programme. This is the first time the School has been involved in Gateway, which will help to ensure that our students leave school with the skills and experience they need to move into further training or skilled employment.

The School once again offered a comprehensive camps and events programme for full-time students and their supervisors. Although initial interest in attending the camps was high, attendance levels were lower than expected. It is hoped that a stronger regional focus and an increased in-region presence will lead to higher attendance levels at future camps and events.

A comprehensive waste audit in 2007 resulted in a number of recommendations on how the School could minimise waste and contribute to the Govt<sup>9</sup> goals for sustainability, which will be trialled in 2008 under the guidance of a cross-school Sustainability Steering Committee.

**Mike Hollings**  
Chief Executive





### 3 GOVERNANCE TE POARI WHAKAHAERE

The Correspondence School is governed by a Board of Trustees, the composition of which is determined by the Minister of Education in terms of section 95 of the Education Act 1989.

The makeup of the current Board was gazetted on 30 September 2004, stating that it was to be constituted by a chairperson and up to six members appointed by the Minister of Education. In April 2006, the Board was reappointed for a further two years.

The current Board's term of office expires in April 2008. Its members are as follows.

Patricia McKelvey	Chair
Russell Ballard	Deputy Chair
Roger Drummond	
Claire Hague	
Ian McKinnon	
Polly Schaverien	
Roger Taylor	

The Board is supported by three committees, which deal with much of the detailed work prior to consideration by the Board:

#### Risk Assurance Committee

Russell Ballard (Chair)  
 Roger Drummond  
 Ian McKinnon  
 Roger Taylor  
 Patricia McKelvey (ex officio)

#### Employer Committee

Claire Hague (Chair)  
 Ian McKinnon  
 Polly Schaverien  
 Patricia McKelvey (ex officio)

#### Communication Committee

Polly Schaverien (Chair)  
 Claire Hague  
 Patricia McKelvey (ex officio)

## **4 OPERATING ENVIRONMENT**

### **TE TIROHANGA WHANUI**

The Correspondence School is New Zealand's largest provider of distance education in the early childhood and compulsory education sectors. In addition, it provides education programmes for adult learners returning to qualifications-based learning.

The School has been in existence since 1922, initially to provide primary level education for 83 students living in remote areas, with expansion in 1929 to cater for secondary students. Since then, the School has grown and developed to meet the changing demands placed on it as its role in the national education system has evolved over time.

#### **STUDENTS AND COMMUNITY**

The circumstances of The Correspondence School's students are many and varied. This diversity is evident in terms of their age and ethnicity, location, educational need and level of support available to each student.

At any one time, around 13,000 students are enrolled at The Correspondence School. While most are of secondary school age, the School's students range from pre-schoolers to senior citizens and live in all regions of New Zealand and overseas.

The School has a sizeable Maori community, with Maori students comprising 27% of full-time primary and 41% of full-time secondary enrolments. The Maori Learners' Success Framework recognises the School's need to engage, develop and support Maori learners to be successful and to do so in ways that support their identity as Maori.

The Correspondence School must provide for the learning needs of all its students and address the expectations of their learning supervisors, families and whanau. While the roll still includes those who are geographically isolated, itinerant or living overseas, the School's students are increasingly those whose needs are not able to be met effectively in a face-to-face school. These students make up 34% of full-time primary and 75% of full-time secondary enrolments. They may have special learning needs, associated with complex social circumstances that other schools are often not able to address. They often lack the active support of their families or whanau, which in turn affects their ability to achieve and increases the complexity of the programmes that are delivered and the student support that is required. Teachers work with full-time students and their supervisors to negotiate a Student Education Plan (SEP) that records the student's agreed aspirational goals. Regular review of a student's SEP measures progress made and provides the opportunity for setting new goals.

The School also has a substantial number of dual-enrolled students from primary and secondary schools, enrolled for curriculum adaptation or extension. These enrolments have seen the School develop solid working partnerships with most of the country's primary and secondary schools. Each of these partnerships is based on a Service Level Agreement (SLA) that formalises each party's responsibilities for the student's education. The work of the School's relationships manager facilitates the delivery of high quality learning to this group of students.

Early Childhood enrolments encompass a diversity of lifestyle and socio-economic background. While continuing to be drawn mainly from rural areas, most of these students go on to attend their local primary school.

ENROLMENT TYPE	STUDENT CUMULATIVE ENROLMENTS FOR 2007*	ENROLMENT CATEGORY
Early Childhood	1377	Full-time
Primary	953	Full-time
	1361	Dual
	96	Fee payer
Secondary	3318	Full-time
	9625	Dual
	522	Fee payer
Adults	4043	
Department of Corrections (Adults)	1628	
<b>TOTAL</b>	<b>22923</b>	

\*These figures represent cumulative enrolments throughout 2007, not a count of students.

## FUNDING AND ENROLMENT

The School is funded by way of an annual grant from the Ministry of Education in accordance with section 81A of the Education Act 1989. Funding is based on student engagement. A letter of resourcing entitlement from the Ministry of Education stipulates the funding to be provided to the School.

The enrolment of students is governed by sections 7 and 7A of the Education Act 1989. The enrolment policy is agreed between the Ministry of Education and the Board of Trustees and is published by Gazette notice. Students who meet the policy criteria may enrol as government-funded students. Other students may enrol as fee-paying students.

## DIFFERENTIATED SERVICE MODEL

The Correspondence School's Differentiated Service Model (DSM) delivers targeted curriculum coverage and learning support to each student. The model addresses the widely diverse educational needs of different students and also caters for the varying levels of support available to them. Additional targeted guidance and help is provided by a team of liaison teachers located in the regions. These teachers also work closely with other agencies to facilitate support for students with high needs.

The annual programme of camps and events provides activities for students to help them develop their practical work, social and relationship-building skills. Parallel programmes for learning supervisors are provided to augment the skills they use when working with their students.

## DEVELOPMENT GOALS

As an organisation, the School continuously monitors its performance with regard to improving the learning outcomes of its students. In adopting the State Services' development goals, adapted to the School's own context, the School records its aspirations for how it will perform. By striving to maintain a consistently high level of performance, the School enhances its ability to anticipate and adapt to the ongoing needs and expectations of its students and community.

## LOCATION

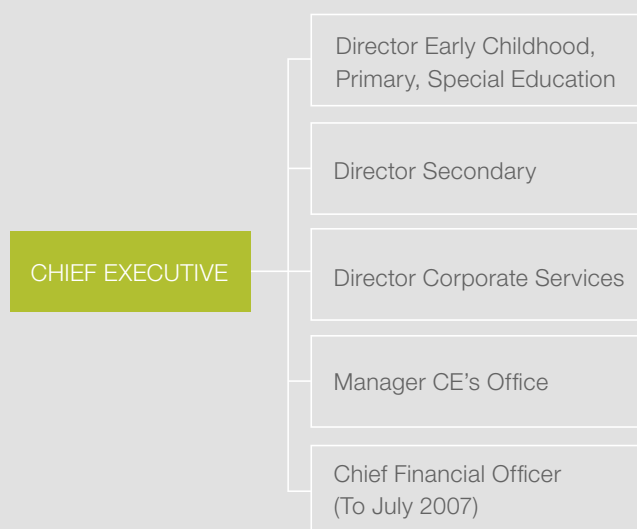
The Correspondence School is based in Wellington, housed on two separate Thorndon sites, with regional liaison teachers located in 13 regions throughout New Zealand. In addition, a complex inventory, distribution and delivery system for student learning materials is managed from the School's warehouse in Petone.

## ORGANISATIONAL STRUCTURE

The Correspondence School is operated as two teaching directorates within one management and corporate support structure. One directorate is for students at secondary level, and the second directorate provides for the teaching needs of early childhood, primary and special needs students.

The corporate support structure includes enrolment services, finance, human resources, information resources group, media services, office of the Chief Executive, and the student resource centre.

Each senior manager has accountability for specific areas of activity, management of resources and leadership of people and projects. The senior leadership team has individual and collective responsibility for achieving the outcomes and key milestones of the Annual Plan, and these are reflected in individual performance agreements.



## 5 STRATEGIC ENVIRONMENT TE TIROHANGA RAUTAKI

The School's strategic environment is shaped by the government's national education strategies and initiatives. In particular, the following significant documents together influence the delivery of education at the School: The Schooling Strategy 2005–10, with its goal of all students achieving their potential; Secondary Futures, whose five themes form the basis of how New Zealand can provide learning so that young people are more successful in the future; the Early Childhood Strategy; the Ministry of Education's Special Education Policy; the New Zealand Disability Strategy; the draft Maori Education Strategy; and Enabling the 21st Century Learner, the government's e-learning action plan.

The Board of Trustees' three-year Business Plan 'Positioning and Outlook 2005–2008', is informed by the national education initiatives, particularly The Schooling Strategy. A central theme of that strategy is the recognition it gives to the inter-relationship among teachers, students and their families. For the School, as a provider of distance education in partnership with the student's supervisor and family/whanau, this relationship is crucial to achieving educational outcomes that will allow our students to reach their potential.

The strategy outlined in the School's business plan 'Positioning and Outlook 2005–2008' is designed to achieve these three key outcomes by 2008:

- 1 Improved student education outcomes and achievement levels as evidenced by improved internal and external reviews
- 2 The organisational capability and infrastructure to enable the efficient, effective and appropriate delivery of high quality distance education, and
- 3 Operating on a sustainable financial basis to enable the delivery of high quality education.

### FOCUS FOR 2007

The focus of the School in 2007 has been to offer our students the best opportunity possible for them to achieve their potential. We aim to secure their engagement as learners and then to build on that to help them improve their educational achievement.

Given the diverse makeup of the School's roll, we have placed personalising learning at the heart of what we do – putting students first, delivering effective teaching, making learning meaningful for our students, and enabling

students to be active participants in their own learning. We recognised that to do this, we would need to work more closely together within the School and to reach out to make greater connections with students' families, whanau, and communities. This understanding led to the development of a regionalised learning delivery and support model aimed at improving student engagement and achievement.

As a means to enabling the School's Maori students to achieve their potential, the School this year adopted its Maori Learners' Success Framework. We acknowledge that to improve the achievement of Maori learners, we must engage, develop and support them to be successful, and to do so in ways that support their identity as Maori.

Work has been carried out to develop a school-wide assessment and evaluation framework that will allow more effective monitoring of the progress and achievement of our students. The information generated will be critical to our facilitating the achievement of our students' potential.

Another strong influence in the School's work this year has been our commitment to the government's action plan for e-learning<sup>1</sup>. e-Learning allows us to exploit opportunities presented by technology to equip our students with the skills they need to succeed in the 21st century. The acquisition of these skills is critical for our students' ability to achieve their potential. Our e-learning strategy Future Pathways has been designed to support staff in developing their capability, and enable evidence-based decisions on the effective use of technology to increase engagement and deliver high quality teaching and learning.

The 2007 Annual Report is presented in the context of this focus on students achieving their potential and its central place in all that we do. All the activities that we have undertaken to improve student achievement, organisational capability and services, to enhance our partnerships with our community, and to maintain prudent financial management are driven by this overall aim of supporting students to achieve their potential. The goals, outcomes and objectives expressed in the three-year business plan support this focus.

<sup>1</sup> Enabling the 21st Century Learner: An e-learning action plan for schools 2006-2010.

# 6

## MAORI STUDENT ACHIEVEMENT NGA PAETAKE O NGA AKONGA MAORI

During 2007 the Board of Trustees adopted the Maori Learners' Success Framework (MLSF), the School's response to the need to improve the achievement and engagement of Maori learners while on its roll. We know that currently Maori students are over represented among those with enrolment periods of less than eight months and under represented among those enrolled for nine months or more. Maori make up 50 percent of the students identified as having low support and high needs under the Differentiated Service Model. In terms of their achievement, Maori students are over represented among students who achieve few NCEA credits and under represented among students who achieve higher numbers of these credits.

While the framework is a tool that has been used school-wide to stimulate discussion, analyse and guide practice at any level in the School, it can also be applied at Directorate and team level to assist staff in understanding how they can best support Maori learners.

Te Kura a-Tuhi Whanau Group (the whanau group) has been established as a forum for staff participation where they can contribute toward the development of goals and outcomes that will drive the implementation of the MLSF. All staff are encouraged to take part in the whanau group by attending its fortnightly hui.

The role of the whanau group is to:

- lead the implementation of the MLSF across the School
- facilitate and promote positive changes in teaching practice
- lead action-research projects (for example, marae-based camps for Maori learners)
- be a conduit for consultation and communication within the School and with other agencies
- provide advice on school-wide issues (such as professional development and consultation with Maori)
- highlight excellent practice and successes in the School
- identify ways the School can be more responsive to Maori learners and
- advocate for Maori learners and their whanau.

The whanau group:

- reports regularly to the School community, Board of Trustees and other key stakeholders
- provides the School with information (such as action research, case studies and advice) that assists it to become more responsive to Maori learners' needs
- contributes to setting a positive climate for change
- promotes the MLSF and the work of the whanau group.

A steering group has refined the work done by the whanau group towards drafting the MLSF 2008 Implementation Plan. The resulting plan for realising the potential of the School's Maori learners will be submitted to the Board for approval in early 2008.

Early MLSF initiatives in engaging hard to reach Maori students have already been trialled in South Auckland and Rotorua. Students were encouraged to come with their whanau to these 'achievement days', where they could meet other students and take the opportunity to earn NCEA credits in English and maths.

## 7 STATEMENT OF SERVICE PERFORMANCE TE TAUAKI WHAKATUTUKITANGA RATONGA

The Ministry of Education's Letter of Resourcing Entitlement 2007 defines the School's resourcing entitlement for the 2007 school year and establishes the processes for the School to access this funding.

The resourcing provided is for early childhood and years 1–13 students eligible under the School's gazetted enrolment policy to receive government funding. The required outputs consist of direct service provision for those students. In terms of the 2007 resourcing Schedule, the services comprise:

- Early childhood education
- Full-time education services to years 1–13 students
- Curriculum services for years 1–13 dual-enrolled students
- Supplementary 0.1/0.2 services for full-time, years 1–13, ORRS-verified students
- On-payment of the supervisors' allowance to eligible supervisors of the School's full-time students.

The School's report against these targets is presented below.

OUTPUTS	PERFORMANCE TARGETS	SERVICE DELIVERED
1 Early childhood education	Deliver early childhood education to pre-school students	Te Whariki programmes delivered to: 1377 early childhood students, of whom 238 (17%) were Maori
2 Years 1–13 full-time education services	Deliver full-time education services to years 1–8 students	Programmes required by the National Education Guidelines, the New Zealand Curriculum Framework and the school curriculum delivered to: 953 full-time primary students, of whom 621 (65%) were access enrolments 322 (31%) were referral enrolments 262 (23%) were Maori 321 (34%) were at risk of not achieving their potential
	Deliver full-time education services to years 9–13 students	Programmes required by the National Education Guidelines, the New Zealand Curriculum Framework and the school curriculum delivered to: 3318 full-time secondary students, of whom 1094 (33%) were access enrolments 2216 (67%) were referral enrolments 1351 (41%) were Maori 2480 (75%) were at risk of not achieving their potential
3 Years 1–13 dual enrolment education services	Deliver dual enrolment curriculum services to years 1–8 students	Programmes required by the National Education Guidelines, the New Zealand Curriculum Framework and the school curriculum delivered to: 1361 years 1–8 students enrolled at other primary schools, of whom 361 (27%) were Maori 16 (1%) were at risk of not achieving their potential 179 (13%) were gifted and talented

OUTPUTS	PERFORMANCE TARGETS	SERVICE DELIVERED																									
		<p>90 (7%) were enrolled at a Health School            34 (2.5%) were enrolled for technology courses            54 (4%) were enrolled to maintain/gain qualifications in Te Reo Maori</p> <hr/> <p>Programmes required by the National Education Guidelines, the New Zealand Curriculum Framework and the school curriculum delivered to:            9625 years 9–13 students enrolled at other secondary schools, of whom            2623 (27%) were Maori            1119 (12%) were at risk of not achieving their potential            152 (1.5%) were gifted            541 (6%) were enrolled at a Health School</p>																									
<p>4 Years 1–13, 0.1/0.2 ORRS supplement</p>	<p>Deliver supplementary 0.1/0.2 services for full-time years 1–13 ORRS verified students</p>	<p>Supplementary services delivered to 76 ORRS-verified students            Breakdown of year levels of students:            Years 1–8 = 31            Years 9–13 = 35            Years 14+ = 10            (Years 14 and 15 accommodate students who remain on the special education roll until the age of 21.)            Access to additional teacher assistance was provided for 44 of these students:</p> <ul style="list-style-type: none"> <li>• 29 with high needs (0.1) and</li> <li>• 15 with very high needs (0.2),</li> </ul> <p>while teacher aide support was provided for 46 students.</p>																									
<p>5 On-payment of the supervisors' allowance to eligible supervisors of the School's full-time students</p>	<p>Make on-payments and reconciliations that are correct, to time, and within agreed criteria.</p> <p>Provide to the Ministry by 1 April each year a forecast of the number of supervisors entitled to receive payment of a home supervisors' allowance and the projected total cost of those payments.</p> <p>Provide a report following each payment on the actual payment, variance and comment on variance.</p>	<p>The School paid the supervisors' allowance to supervisors on behalf of the Ministry.</p> <table border="1" data-bbox="837 1464 1415 1653"> <thead> <tr> <th></th> <th colspan="2">2007</th> <th colspan="2">2006</th> </tr> <tr> <th></th> <th>Payments</th> <th>Costs (\$000)</th> <th>Payments</th> <th>Costs (\$000)</th> </tr> </thead> <tbody> <tr> <td>June</td> <td>1,300</td> <td>477</td> <td>1,202</td> <td>442</td> </tr> <tr> <td>December</td> <td>1,965</td> <td>723</td> <td>1,435</td> <td>534</td> </tr> <tr> <td>Total</td> <td>3,265</td> <td>1,200</td> <td>2,637</td> <td>976</td> </tr> </tbody> </table> <p>In addition, 60 payments (totalling ca \$24k) for 2006 supervision were made in 2007, and 71 payments (totalling ca \$29k) for 2006 supervision were reversed in 2007.</p> <p>Forecast and report provided to the Ministry as part of 2007 budget.</p> <p>Reports provided as required.</p>		2007		2006			Payments	Costs (\$000)	Payments	Costs (\$000)	June	1,300	477	1,202	442	December	1,965	723	1,435	534	Total	3,265	1,200	2,637	976
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## **8** **ACHIEVEMENTS** **NGA MAHI KUA OTI**

### **EDUCATIONAL IMPACT**

The Correspondence School's Annual Plan 2007 outlined what the impacts of its activities would be. The most fundamental of these was:

- Improved student achievement

### **KEY ACTIVITIES**

To improve student achievement in 2007, the School was to carry out the following key activities:

- 1 Deliver personalised learning to all students, using the Differentiated Service Model (DSM).
- 2 Negotiate, agree and review individualised Student Education Plans (SEPs) that include career goals for years 7–13 students, for all full-time students.
- 3 Implement the School's Maori Learners' Success Framework by having a targeted approach for Maori students.
- 4 Implement the School's e-learning strategy in the areas of e-learning evidence-based practice; family, whanau, student connectivity and confidence; and learning resources and materials.
- 5 Review curriculum provision to ensure it remains relevant to students' learning and career needs.
- 6 Evaluate student achievement using evidence-based practice; collect and analyse credible data to monitor student achievement; and adjust the teaching approach as a result of analysis, review and impact on student achievement.
- 7 Put in place Service Level Agreements (SLAs) with all face-to-face schools with dual enrolled students prior to enrolment, allowing the School to actively manage the relationship with those schools.

The School's teaching directorates aligned their 2007 annual plans with the School's target educational impact, with the following results.

### EDUCATIONAL IMPACT: IMPROVED STUDENT ACHIEVEMENT

ACTIVITY	TARGET	OUTCOME	COMMENT
Implement the School's e-learning Strategy in the area of e-learning evidence-based practice.	A six-monthly review of processes indicates they are based on best practice and are aligned with e-learning leaders in the education sector.	95% of learning goals set by Early Childhood teachers met required standard; all Primary teachers met required standard for e-learning in their performance appraisal, with wide use of technology in contacting students; e-learning is embedded in newly developed Secondary resources; results of the e-maturity survey conducted school-wide in December 2007 will be available in the first half of 2008 and will provide a measure of e-learning practice at the School against education sector best practice.	<i>Partly achieved</i>  <i>Work associated with the School's successful ICTPD bid will continue in 2008, advancing e-learning evidence-based practice school-wide.</i>
Implement the School's e-learning Strategy in the area of family, whanau and student connectivity and confidence.	Survey of students to measure participation in e-learning, commensurate with the ICT capability available to them, indicates improvement over current baseline data.	Action on surveying students to measure their level of participation in e-learning has been deferred.	<i>Partly achieved</i>  <i>The School is working with NZCER to develop tools for measuring student and supervisor engagement in 2008.</i>
Implement the School's e-learning Strategy in the area of learning resources and materials.	Three digital learning resource development projects are completed with input from teachers, students, Media Services and third party sources.	By December 2007 three major digital developments (initial units of online Spanish and blended print/online Te Reo resources at Primary level; and an online Visual Arts resource at Secondary level) have been implemented.	<i>Achieved</i>
Review curriculum provision to ensure it remains relevant to students' learning and career needs.	Monthly reports show 5% improvement in student engagement in each six-month period.	The December 2007 report on the engagement of Early Childhood students showed 10% fewer of these students required reminders to return work within the funding period than for the previous six-month period.	<i>Achieved</i>

ACTIVITY	TARGET	OUTCOME	COMMENT
		<p>In December 2007 the engagement rate for Special Education students showed an increase of 6% over the previous six-month period.</p> <p>In December 2007 the engagement rate for Primary students showed an increase of 6.5% over the previous six-month period.</p> <p>In December 2007 the engagement rate of Secondary students decreased by 1% at years 9–10 and by 16% at years 11–13 compared with the previous six-month period.</p>	<p><i>Achieved</i></p> <p><i>Achieved</i></p> <p><i>The figure for students at years 11–13 shows the impact of students preparing for and sitting internal School exams and external assessments at year's end rather than engaging in routine course work.</i></p>
<p>Evaluate student achievement using evidence-based practice.</p> <p>Collect and analyse credible data to monitor student achievement.</p> <p>Adjust the teaching approach as a result of analysis, review and impact on student achievement.</p>	<p>A six-monthly report on student achievement, in accordance with the Cross-School Assessment Schedule and including changes proposed and made to the teaching approach as a result of the analysis, has been provided to the Board.</p>	<p>Reports were provided to the Board in June/July 2007 on levels of student literacy and numeracy achievement among student cohorts at years 1–8 and 9–10 tested in March 2007.</p> <p>The targets set for years 1–8 students in literacy and numeracy were reviewed in June to assess progress, and adjusted as necessary. Coordinated action was taken to respond to the needs of students identified as not making expected progress.</p> <p>Teachers reported on actual progress made by years 1–8 students in literacy and numeracy by December 2007.</p> <p>Full-time years 9–10 students were re-tested at year's end and the results graphed to show progress.</p>	<p><i>Achieved</i></p> <p><i>Achieved</i></p> <p><i>Achieved</i></p> <p><i>Achieved</i></p>

ACTIVITY	TARGET	OUTCOME	COMMENT
		<p>Results from a 21% sample (88 students) at years 1–8 who had completed testing in reading, writing and numeracy in March and December 2007 were graphed to show the following progress:</p> <p>In reading, 51% of the sample was below the curriculum level for their chronological age (CA) and 49% was at or above CA in March; by December, 28% were below CA and 72% were at or above CA.</p> <p>In writing, 49% of the sample was below the curriculum level for their chronological age (CA) and 51% was at or above CA in March; by December, 45% were below CA and 55% were at or above CA.</p> <p>In numeracy, 59% of the sample was below the curriculum level for their chronological age (CA) and 41% was at or above CA in March; by December, 37.5% were below CA and 62.5% were at or above CA.</p> <p>Results from a sample of 50 students at year 9 who had completed testing in number knowledge in March and December 2007 showed 44% had a decreased score and 56% had an increased score.</p> <p>Results from a sample of 37 students at year 9 who had completed testing in reading in March and December 2007 showed 43% had a decreased score and 57% had an increased score.</p>	<p><i>The possible sample was reduced by 136 students who were not able to be tested in both March and December as they were not on the School's roll for a full year.</i></p> <p><i>Following this AsTTle numeracy and literacy trial, processes have been changed for 2008 to improve reliability of evidence.</i></p>

ACTIVITY	TARGET	OUTCOME	COMMENT
Put in place Service Level Agreements (SLAs) with all face-to-face schools with dual-enrolled students prior to enrolment, allowing the School to actively manage the relationship with those schools.	All SLAs in place prior to enrolment.	SLAs are agreed and in place for 100% of the schools with students dual-enrolled with The Correspondence School. Online enrolment system requires an agreed SLA in place before enrolment of students can proceed.	<i>Achieved</i>
	A review of the SLA arrangements with face-to-face schools has been completed.	SLA review completed in October 2007.	<i>Achieved</i>
	No unresolved problems have been identified.	As at December 2007 all issues have been resolved.	<i>Achieved</i>
Deliver personalised learning to all students, using the Differentiated Service Model (DSM).	80% of Early Childhood students have met or exceeded their Student Education Plan (SEP) goals.	Feedback given to families as to assessment made against parents' aspirations for their child's early childhood education.	<i>Early Childhood (ECH) students do not have SEP goals as such. Their parents express their aspirations for their children at their entry to the ECH programme.</i>
	Review of a 5% sample of all full-time students shows that their SEP goals are realistic and will assist in raising achievement levels.	100% of sampled full-time students (comprising all 38 full-time Special Education students; 40 full-time Primary students, making up just over 5% of that roll; and 10 randomly selected full-time Secondary students) have realistic SEP goals that will assist in raising their achievement levels.	<i>Achieved</i>
Negotiate, agree and review individualised Student Education Plans (SEPs) for all students that include career goals for years 7–13 students, for all full-time students.	SEPs have been agreed for all students within eight weeks (ten weeks for Secondary students) of their enrolment.	An average 79% of full-time students have agreed SEPs within eight weeks of their enrolment.	<i>Students without agreed SEP goals are those who have withdrawn from the School before completion of the SEP process, or whom teachers have not been able to contact. Interim generic SEPs are put in place for the latter group.</i>

ACTIVITY	TARGET	OUTCOME	COMMENT
	<p>Learning goals have been set for all Early Childhood students within four weeks of their enrolment.</p> <p>SEPs for all students have been reviewed four-monthly and next steps identified and agreed.</p>	<p>100% of Early Childhood students have had their learning goals set within four weeks of their enrolment.</p> <p>An average 87% of full-time students have had their SEP reviewed four-monthly, with next steps identified and agreed.</p>	<p><i>Achieved</i></p> <p><i>Students whose SEP has not been reviewed in the previous four months are those whose SEP had been in place for less than four months or who withdrew from the School during this period.</i></p>
<p>Implement the School's Maori Learners' Success Framework by having a targeted approach for Maori students.</p>	<p>Survey of 10% sample of Maori students indicates improved satisfaction, over baseline survey, with how teachers engage with students.</p>	<p>Action on surveying students about their engagement with their teachers has been deferred.</p>	<p><i>Partly achieved</i></p> <p><i>The School is working with NZCER to develop tools for measuring student and supervisor engagement in 2008.</i></p>

## **9** **FINANCIAL STATEMENTS** **NGA PURONGO PUTEA**

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# 1

## STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 31 DECEMBER 2007

Enclosed are the financial statements of The Correspondence School for the year ended 31 December 2007. These are prepared in accordance with the requirements set out in section 87 of the Education Act 1989 and in section 155 of the Crown Entities Act 2004.

The School's financial statements for the year ended 31 December 2007 are the first annual financial statements that comply with NZ IFRS.

The Chief Executive Officer and the School's Board of Trustees accept responsibility for the preparation of the annual financial statements and the judgements used in these statements.

The Board and management accept responsibility for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of the school's financial reporting.

In the opinion of the Board and management, the annual financial statements for the financial year fairly reflect the financial position and operations of the School.



Patricia McKelvey  
Chair

16 April 2008



Mike Hollings  
Chief Executive Officer

16 April 2008

## 2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>Income</b>				
Government Funding		34,892	33,525	32,804
Forgiveness of Viability Funding Debt to Government*		0	0	6,718
Ministry of Education Funded Initiatives	<b>3</b>	2,090	1,931	1,567
Tuition Fees		1,070	875	919
Interest		943	375	624
Donations		28	40	35
Miscellaneous		45	130	128
<b>Total Revenue</b>		<b>39,068</b>	<b>36,876</b>	<b>42,795</b>
<b>Expenditure</b>				
Personnel	<b>4</b>	25,318	25,611	23,089
Operating Costs	<b>4</b>	9,081	7,508	8,463
Finance Costs	<b>4</b>	1	0	692
Depreciation & Amortisation	<b>12</b>	2,025	2,532	2,358
Loss on Sale of Assets		1	0	0
Asset write off	<b>13</b>	0	100	1,173
<b>Total Expenditure</b>		<b>36,426</b>	<b>35,751</b>	<b>35,775</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>2,642</b>	<b>1,125</b>	<b>7,020</b>

\* The Government provided additional funding in 2004 and 2006 totalling \$6.718 million to ensure that the School remained financially viable. In September 2006 the Government advised that it would not require this viability funding to be repaid by the School. Consequently, that amount has been credited to the revenue account in the 2006 accounts.

The statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with the Financial Statements.

### 3 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2007

	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>EQUITY</b>		<b>12,983</b>	<b>12,081</b>	<b>10,341</b>
Represented By:				
<b>Current Assets</b>				
Cash & Cash Equivalents	14	10,006	8,364	8,519
Inventory Held for Distribution		1,028	788	919
Prepayments		217	194	275
Accounts Receivable	15	2,022	260	137
<b>Total Current Assets</b>		<b>13,273</b>	<b>9,606</b>	<b>9,850</b>
<b>Deduct Current Liabilities</b>				
Payables and Accruals	16	2,249	720	1,856
Annual Leave	17	1,151	1,277	1,158
GST Payable		(19)	506	162
Revenue in Advance		112	80	85
<b>Total Current Liabilities</b>		<b>3,493</b>	<b>2,583</b>	<b>3,261</b>
<b>Working Capital</b>		<b>9,780</b>	<b>7,023</b>	<b>6,589</b>
<b>Add Non Current Assets</b>				
Fixed Assets & Work in Progress	19, 20	3,206	4,747	2,935
Intangible Assets	21, 22	175	484	990
<b>Total Non Current Assets</b>		<b>3,381</b>	<b>5,231</b>	<b>3,925</b>
<b>Deduct Non-Current Liabilities</b>				
Long Service and Retirement Leave	17	178	173	173
<b>NET ASSETS</b>		<b>12,983</b>	<b>12,081</b>	<b>10,341</b>

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with the Financial Statements.

## 4 STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>Equity at the start of the year</b>				
Money Held in Trust		47	44	44
Asset Revaluation Reserve		10	10	10
Retained Earnings		10,284	10,902	3,267
		10,341	10,956	3,321
<b>Add</b>				
Net surplus for the year		2,642	1,125	7,020
		<b>12,983</b>	<b>12,081</b>	<b>10,341</b>

Equity includes an asset revaluation reserve of \$10,000. This balance is the result of revaluations of art works held by The School. This asset revaluation reserve has not changed during the last two financial years.

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with the Financial Statements.

## 5

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Government Funding	34,814	35,446	33,523
Fees & charges	904	915	971
Miscellaneous	49	131	343
Interest	944	375	543
	36,711	36,867	35,380
Cash was applied to:			
Payments to employees	(23,131)	(23,581)	(21,327)
Payments to suppliers	(10,595)	(10,334)	(9,529)
Net GST paid *	(180)	345	(368)
	(33,906)	(33,570)	(31,224)
<b>Net cash inflow from operating activities (Note 25)</b>	<b>2,805</b>	<b>3,297</b>	<b>4,156</b>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Proceeds from Sale of Assets	14	0	44
	14	0	44
Cash was applied to:			
Purchase of Assets	(1,257)	(3,322)	(745)
Purchase of Intangible Assets	0	0	(25)
Work in Progress	(75)	(131)	(11)
	(1,332)	(3,453)	(781)
<b>Net cash outflow from investing activities</b>	<b>(1,318)</b>	<b>(3,453)</b>	<b>(737)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1,487</b>	<b>(156)</b>	<b>3,419</b>
Add cash and deposits at the beginning of the year	8,519	8,520	5,100
<b>CASH AND DEPOSITS AT THE END OF THE YEAR</b>	<b>10,006</b>	<b>8,364</b>	<b>8,519</b>

\*The net GST paid component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The Net GST paid 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 to the Financial Statements form part of and are to be read in conjunction with the Financial Statements.

## 6 STATEMENT OF COMMITMENTS

AS AT 31 DECEMBER 2007

	2007 ACTUAL \$000	2006 ACTUAL \$000
<b>Property commitments</b>		
No later than one year	359	549
Later than one year and not later than two years	221	96
Later than two years and not later than five years	9	0
Later than five years	0	0
<b>TOTAL</b>	<b>589</b>	<b>645</b>

	2007 ACTUAL \$000	2006 ACTUAL \$000
<b>Equipment commitments</b>		
No later than one year	12	8
Later than one year and not later than two years	4	1
Later than two years and not later than five years	0	0
<b>TOTAL</b>	<b>16</b>	<b>9</b>

	2007 ACTUAL \$000	2006 ACTUAL \$000
<b>Intangible commitments</b>		
No later than one year	0	0
Later than one year and not later than two years	0	0
Later than two years and not later than five years	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with the Financial Statements.

## 7 STATEMENT OF CONTINGENT LIABILITIES AS AT 31 DECEMBER 2007

	2007 ACTUAL \$000	2006 ACTUAL \$000
	0	0
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>0</b>	<b>0</b>

Contingent liabilities for 2007 and for the comparative year are nil.

## STATEMENT OF CONTINGENT ASSETS AS AT 31 DECEMBER 2007

	2007 ACTUAL \$000	2006 ACTUAL \$000
	0	0
<b>TOTAL CONTINGENT ASSETS</b>	<b>0</b>	<b>0</b>

Contingent assets for 2007 and for the comparative year are nil.

The Statement of Accounting Policies and Notes to the Financial Statements form part of and are to be read in conjunction with the Financial Statements.

# 8 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## 1 STATEMENT OF ACCOUNTING POLICIES

### (A) REPORTING ENTITY

The Correspondence School (the School) is a New Zealand domiciled state school within the meaning ascribed to that term by the Education Act 1989.

Section 90 of the Education Act 1989 specifies that Schools governed by the Act are Crown Entities for the purpose of the Public Finance Act 1989. Section 41 of the Public Finance Act requires the School, as a Crown Entity, to prepare annual financial statements in accordance with generally accepted accounting practice as defined by Section 2 of that Act (as if those sections had not been amended by the Crown Entities Act 2004 in accordance with section 198 of the Crown Entities Act 2004).

The reporting entity is that entity known as The Correspondence School, identified by The Correspondence School Charter and governed by The Correspondence School Board of Trustees, and includes all activities carried out in the name of the School.

The primary objective of the School is to provide services to the community for social benefit rather than making a financial return. Accordingly, the School has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of The Correspondence School are for the year ended 31 December 2007. The financial statements were authorised for issue by the Board of Trustees on 16 April 2008.

### (B) BASIS OF PREPARATION

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS, and comparatives for the year ended 31 December 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus/ (deficit) for the year ended 31 December 2006 under NZ IFRS to the balances reported in the 31 December 2006 financial statements are detailed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 January 2006 for the purposes of the transition to NZ IFRS.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of artworks, and certain financial instruments.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of The Correspondence School is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of financial performance.

**Standards and interpretation issued and not yet adopted:** There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that The Correspondence School has not yet applied.

### (C) REVENUE

Revenue is measured at the fair value of the consideration received.

### (D) DONATIONS AND OTHER GRATUITIES

Donations and other gratuities are recognised as revenue at the point when the School formally acknowledges receipt. Revenue is measured at the fair value of consideration received.

### (E) GOVERNMENT FUNDING

The School receives Government grants to supply education services to eligible students. Revenue is recognised as the services that are delivered to students based on either the number of students on the roll for each funding period or specific service delivery. Revenue is measured at the fair value of consideration received.

### (F) INTEREST

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.



#### **(G) TUITION FEES**

Tuition fees are received from students who are ineligible for Government funding for the supply of education services. Revenue is recognised at the point of student enrolment unless the enrolment is for the following year. Revenue is measured at the fair value of consideration received.

#### **(I) INCOME TAX**

The Income Tax Act states that public authorities, including schools, are exempt from income tax. Accordingly, no charge for income tax has been provided for.

#### **(J) LEASES**

All leases held by the School are operating leases.

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Lease payments under an operating lease are recognised as an expense on a straight line basis over the term of the lease.

#### **(K) FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance.

Purchases and sales of investments are recognised on trade-date, the date on which the School commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the School has transferred substantially all the risks and rewards of ownership.

At each balance date the School assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

#### **(L) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, cash in transit, bank accounts and deposits held at call with banks with a maturity of no more than three months from date of acquisition.

#### **(M) LOANS AND OTHER RECEIVABLES**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Loans and receivables issued with a duration of less than 12 months are recognised at their nominal value, unless the effect of discounting is material.

A provision for estimated irrecoverable amounts is recognised when there is objective evidence that the asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. Interest and impairment losses are recognised in the statement of financial performance.

#### **(N) INVENTORIES**

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost (calculated using weighted average method) and current replacement cost. Where inventories are acquired at no cost or for nominal consideration, the cost shall be the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairments.

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.

## (0) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially recorded at cost.

Any equipment or furniture with a cost value less than \$2,000 is treated as expenditure rather than as an item of property, plant and equipment. The value of an individual asset less than \$2,000 which is part of a group of similar assets, is capitalised.

### Additions:

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired for nil or nominal cost it is recognised at fair value as at the date of acquisition.

### Disposals:

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

### Subsequent costs:

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 School and the cost of the item can be measured reliably.

### Revaluation:

Classes of property, plant and equipment that are revalued are revalued at least every five years or whenever the carrying amount differs materially to fair value. Revaluation is based on the fair value of the asset, with changes reported by class of asset.

Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the statement of financial performance for the asset class, the gain is credited to the statement of financial performance. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class any loss is debited to the reserve. Otherwise losses are reported in the statement of financial performance.

Art work is recorded at fair value based on the current market. A valuation is carried out every five years with the current valuation having been completed by Christopher Moore Gallery on 25 November 2005. The valuer is completely independent and not associated with the School in any way. The appropriateness of the valuation is assessed on an annual basis.

All other classes of property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

### Depreciation:

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its estimated useful life. Typically, the estimated useful lives of different classes of property, plant and equipment are as follows:

ICT equipment	3–5 years
Education resources	5 years
Library materials	8 years
Furniture and fittings	10 years
Motor vehicles	5 years
Plant and equipment	10 years

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

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

Capital work in progress and art works are not depreciated.

#### (P) INTANGIBLE ASSETS (SOFTWARE)

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents direct costs incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete asset; intention and ability to sell or use; and development expenditure can be reliably measured.

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

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the statement of financial performance on a straight-line basis over the useful life of the asset.

Intangible assets with indefinite useful lives are not amortised, but are tested at least annually for impairment. Where there is an active market for an intangible asset, the asset is recorded at a revalued amount, being fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are done for each intangible asset, not for a class of asset.

Realised gains and losses arising from disposal of intangible assets are recognised in the statement of financial performance in the period in which the transaction occurs. Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the statement of financial performance, the gain is credited to the statement of financial performance. Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation reserve for the intangible asset a revaluation loss is debited to the reserve. Otherwise, losses are reported in the statement of financial performance.

#### Amortisation:

Intangible assets are amortised on a straight-line basis at rates calculated to allocate the cost or valuation of the asset, less any estimated residual value, over its estimated useful life. Typically, the estimated useful lives of different classes of intangible asset are as follows:

<b>Intangible assets</b> (internally generated – finite life)	3 years
<b>Intangible assets</b> (externally acquired – finite life)	3–5 years

#### (Q) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance. For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of financial performance.

## (R) EMPLOYEE BENEFITS

### Short-term benefits:

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. These are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, and retiring and long service leave entitlements expected to be settled within 12 months. These benefits are recognised in the statement of financial performance when they accrue to employees.

### Long-term benefits:

The liability for long-term employee entitlements such as long service leave and retiring leave is reported as the present value of the estimated future cash outflow. The calculations are based on: likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information; and the present value of the estimated future cash flows.

## (S) SUPERANNUATION SCHEMES

### Defined contribution schemes (such as Kiwisaver):

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance.

### Defined benefit schemes:

The School does not operate any defined benefit superannuation schemes.

## (T) OTHER LIABILITIES AND PROVISIONS

The School recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

## (U) GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## (V) BUDGET FIGURES

The budget figures are those approved by the Board of Trustees at the beginning of the year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the School for the preparation of the financial statements.

## (W) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the School has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or 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:

At each balance date the School 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 school to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the School, 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 depreciable amount of an asset, therefore impacting 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 School minimises the risk of this estimation uncertainty by:

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

**Inventories:**

Estimating obsolescence or otherwise of inventory items.

**(X) CRITICAL JUDGEMENTS IN APPLYING THE SCHOOL'S ACCOUNTING POLICIES**

The School must exercise judgement when recognising grant income to determine if conditions of the letter of resourcing from the Ministry of Education have been satisfied. This judgement will be based on student enrolment and engagement data from the School student management database.

**(Y) CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent assets and contingent liabilities are recorded in the statement of contingent assets and contingent liabilities at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

**2 EXPLANATION OF TRANSITION TO NZ IFRS**

The School's financial statements for the year ended 31 December 2007 are the first annual financial statements that comply with NZ IFRS. The School's transition date is 1 January 2006 and the NZ IFRS balance sheet has been prepared at that date. The School's NZ IFRS adoption date is 1 January 2007.

The financial statements have been prepared in accordance with NZ IFRS 1.

## RECONCILIATION OF EQUITY

The transition from previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) to NZ IFRS has resulted in the following changes in School equity as at 1 January 2006 and 31 December 2006:

### Property, plant and equipment and intangible assets:

Significant computer software previously classified as IT equipment has been reclassified as intangible assets.

### Ministry of Education Viability Funding:

Long-term liabilities have been restated to show the present value of expected future cash flows.

	PREVIOUS NZ GAAP DECEMBER \$000	JANUARY TRANSITION EFFECT \$000	NZ IFRS \$000	PREVIOUS NZ GAAP DECEMBER \$000	DECEMBER TRANSITION EFFECT \$000	NZ IFRS \$000
<b>EQUITY</b>	<b>2,629</b>	<b>692</b>	<b>3,321</b>	<b>10,341</b>	<b>0</b>	<b>10,341</b>
Represented by:						
<b>Current Assets</b>						
Cash and Bank	5,100		5,100	8,519		8,519
Inventory	1,308		1,308	919		919
Prepayments	192		192	275		275
Accounts Receivable	362		362	137		137
<b>Total Current Assets</b>	<b>6,962</b>	<b>0</b>	<b>6,962</b>	<b>9,850</b>	<b>0</b>	<b>9,850</b>
<b>Current Liabilities</b>						
Accounts Payable	3,998		3,998	1,771		1,771
Payroll Accruals	1,288		1,288	1,243		1,243
GST Payable	531		531	162		162
Revenue in Advance	40		40	85		85
MoE Viability Funding	5,018	(692)	4,326	0		0
<b>Total Current Liabilities</b>	<b>10,875</b>	<b>(692)</b>	<b>10,183</b>	<b>3,261</b>	<b>0</b>	<b>3,261</b>
<b>Working Capital</b>	<b>(3,913)</b>	<b>692</b>	<b>(3,221)</b>	<b>6,589</b>	<b>0</b>	<b>6,589</b>
<b>Add Noncurrent Assets</b>						
IT Equipment	3,306	(2,286)	1,020	1,833	(991)	842
Intangible Assets	0	2,286	2,286	0	991	991
Other Noncurrent Assets	3,412		3,412	2,092		2,092
<b>Total Noncurrent Assets</b>	<b>6,718</b>	<b>0</b>	<b>6,718</b>	<b>3,925</b>	<b>0</b>	<b>3,925</b>
<b>Less Noncurrent Liabilities</b>						
Long Service and Retirement Leave	176		176	173		173
<b>NET ASSETS</b>	<b>2,629</b>	<b>692</b>	<b>3,321</b>	<b>10,341</b>	<b>0</b>	<b>10,341</b>

## RECONCILIATION OF NET SURPLUS

The transition from previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) to NZ IFRS has had the following changes in the School's surplus for the year ended 31 December 2006:

### Ministry of Education Viability Funding:

Long-term liabilities have been restated to show present value of expected future cash flows. The discount previously recorded in prior years is now recorded in the statement of financial performance upon repayment of the loan.

	PREVIOUS NZ GAAP \$000	DECEMBER TRANSITION EFFECT \$000	NZ IFRS \$000
<b>Income</b>			
<b>Government Funding</b>	32,804		32,804
Forgiveness of Viability Funding Debt to Government	6,718		6,718
Ministry of Education funded initiatives	1,567		1,567
Tuition Fees	919		919
Interest	624		624
Donations	35		35
Miscellaneous	128		128
<b>Total Revenue</b>	42,795	0	42,795
<b>Expenditure</b>			
Personnel	23,089		23,089
Finance Costs	0	692	692
Operating Costs	8,463		8,463
Depreciation	2,358		2,358
(Gain)/Loss on Sale of Assets	0		0
Asset write off	1,173		1,173
<b>Total Expenditure</b>	35,083	692	35,775
<b>NET SURPLUS/(LOSS) FOR THE YEAR</b>	<b>7,712</b>	<b>(692)</b>	<b>7,020</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>3 MINISTRY OF EDUCATION FUNDED INITIATIVES</b>			
<b>Payments to Supervisors</b>			
Revenue	1,232	954	891
Expense	1,193	910	891
	39	44	0
<b>Secondary Tertiary Alignment Resource (STAR)</b>			
Revenue	0	0	120
Expense	0	0	123
	0	0	(3)
<b>Sport and Recreation New Zealand (SPARC)</b>			
Revenue	14	14	0
Expense	0	0	0
	14	14	0
<b>Assistive Technology</b>			
Revenue	16	15	0
Expense	16	15	0
	0	0	0
<b>Ongoing and Reviewable Resourcing Scheme (ORRS)</b>			
Revenue	501	493	243
Expense	240	493	222
	261	0	21
<b>Special Education</b>			
Revenue	327	455	313
Expense	188	293	214
	139	162	99
<b>Total Ministry of Education Initiatives</b>			
Revenue - Grants	1,589	1,438	1,324
Revenue - Other	501	493	243
<b>Total Revenue</b>	<b>2,090</b>	<b>1,931</b>	<b>1,567</b>
Expense Operating	1,637	1,711	1,450
<b>BALANCE</b>	<b>453</b>	<b>220</b>	<b>117</b>

Revenue received under the various Ministry Initiatives is spent in accordance with the rules set by the Ministry of Education for each initiative.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	NOTES	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>4 COSTS OF SERVICES</b>				
Employee salary costs		22,754	22,868	21,415
Employee related and contractors		2,564	2,743	1,674
<b>Total personnel costs</b>	<b>5</b>	<b>25,318</b>	<b>25,611</b>	<b>23,089</b>
Consumables/school costs	<b>6</b>	1,799	1,243	1,230
Inventory related expenditure	<b>7</b>	1,399	1,358	1,685
Rent		475	478	526
Other accommodation expenses	<b>8</b>	763	791	773
Administration expenses	<b>9</b>	2,986	2,289	2,905
Student expenses	<b>10</b>	1,359	1,084	1,071
Fees to auditors	<b>11</b>	188	150	154
Bad debts		(3)	0	9
Board of Trustees fees	<b>26</b>	115	115	110
<b>Total operating costs</b>		<b>9,081</b>	<b>7,508</b>	<b>8,463</b>
Finance cost		1	0	692
Depreciation	<b>12</b>	2,025	2,532	2,358
(Gain)/Loss on sale of assets		1	0	0
Asset write down	<b>13</b>	0	100	1,173
<b>TOTAL EXPENDITURE</b>		<b>36,426</b>	<b>35,751</b>	<b>35,775</b>
<b>5 PERSONNEL COSTS</b>				
Salaries and wages		23,789	24,027	21,919
Personnel related		1,248	1,175	832
Movement in employee benefits		(2)	119	46
Employer contributions to defined contribution plans		283	290	292
<b>TOTAL PERSONNEL COSTS</b>		<b>25,318</b>	<b>25,611</b>	<b>23,089</b>
<b>6 CONSUMABLES/SCHOOL COSTS</b>				
Communications		1,090	1,060	1,075
Production materials		625	114	107
Textbooks		60	44	28
Copyright expenses		24	25	20
<b>TOTAL CONSUMABLES/SCHOOL COSTS</b>		<b>1,799</b>	<b>1,243</b>	<b>1,230</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>7 INVENTORY RELATED EXPENDITURE</b>			
Sundry	20	10	47
Print	829	978	854
Consumables	185	11	170
Hardware	96	184	97
Video	71	112	80
Audio	142	42	158
Teaching resources	29	21	25
Inventory write off	27	0	254
<b>TOTAL INVENTORY RELATED EXPENDITURE</b>	<b>1,399</b>	<b>1,358</b>	<b>1,685</b>
<b>8 OTHER ACCOMMODATION EXPENSES</b>			
Off site storage	26	27	40
Cleaning	72	181	182
Security	29	25	23
Repairs & maintenance	450	368	351
Utilities	186	190	177
<b>TOTAL OTHER ACCOMMODATION EXPENSES</b>	<b>763</b>	<b>791</b>	<b>773</b>
<b>9 ADMINISTRATION EXPENSES</b>			
Insurance	65	86	82
Professional services	2,145	1,604	2,031
Operational supplies	776	599	792
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>2,986</b>	<b>2,289</b>	<b>2,905</b>
<b>10 STUDENT EXPENSES</b>			
Other Student expenses	155	140	157
Parents Association/payment to supervisors	1,204	944	914
<b>TOTAL STUDENT EXPENSES</b>	<b>1,359</b>	<b>1,084</b>	<b>1,071</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>11 FEES TO AUDITORS</b>			
Audit fees for financial statement audit	90	150	80
Audit fees - NZ IFRS	20	0	0
Internal audit fees (Ernst Young)	78	0	74
<b>TOTAL FEES TO AUDITORS</b>	<b>188</b>	<b>150</b>	<b>154</b>

**12 DEPRECIATION & AMORTISATION**

Depreciation/amortisation was charged on these items:

IT equipment	492	639	400
Intangibles (software)	815	1,055	1,103
Library	0	0	35
Furniture & fittings	161	290	266
Motor vehicles	77	72	58
Plant & equipment	34	31	50
Resources	446	445	446
<b>TOTAL DEPRECIATION &amp; AMORTISATION</b>	<b>2,025</b>	<b>2,532</b>	<b>2,358</b>

**13 WRITE OFF OF ASSETS**

Hive repository	0	0	15
Portland refurbishment	0	0	566
Thorndon refurbishment	0	0	83
Harvestroad software licence	0	0	484
Other	0	100	25
<b>TOTAL WRITE OFF OF ASSETS</b>	<b>0</b>	<b>100</b>	<b>1,173</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>14 CASH AND CASH EQUIVALENTS</b>			
Petty cash	1	1	1
Cheque account 00 a/c	0	0	0
Cheque account 25 a/c	49	0	0
Cheque account 28 a/c	1	0	0
Short term deposit accounts	9,908	8,317	8,473
Multi deposit account	47	46	45
	<b>10,006</b>	<b>8,364</b>	<b>8,519</b>
Cash at bank and in hand	51	1	1
Short term deposits			
Kiwibank	3,400	0	0
National Bank	3,400	0	0
Westpac	3,108	8,317	8,473
Multi deposit account	47	46	45
	<b>10,006</b>	<b>8,364</b>	<b>8,519</b>
<b>15 ACCOUNTS RECEIVABLE</b>			
Receivables	358	260	95
Less: provision for doubtful debts	0	0	(3)
Payroll clearing account	41	0	0
Ministry of Education	1,623	0	45
	<b>2,022</b>	<b>260</b>	<b>137</b>
Student debtors	19	18	4
Trade debtors	193	5	4
Sundry debtors	146	237	87
Less: provision for doubtful debts	0	0	(3)
Payroll clearing account	41	0	0
Ministry of Education	1,623	0	45
	<b>2,022</b>	<b>260</b>	<b>137</b>
Current 1 – 30 days	394	260	133
Past due 31 – 60 days	1	0	1
Past due 61 – 90 days	1,623	0	0
Past due > 91 days	4	0	3
	<b>2,022</b>	<b>260</b>	<b>137</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>16 ACCOUNTS PAYABLE</b>			
Suppliers	840	835	916
Salary related liabilities	679	64	85
Other accruals	694	450	274
Ministry of Education	36	(629)	581
	<b>2,249</b>	<b>720</b>	<b>1,856</b>
Payment to parents	215	85	90
Sundry creditors	624	750	826
Salary accrual	594	0	12
ACC	80	64	68
Staff payables	6	0	5
Other accruals	694	450	274
Ministry of Education	36	(629)	581
	<b>2,249</b>	<b>720</b>	<b>1,856</b>
Current 1 – 30 days	2,228	720	1,767
Past due 31 – 60 days	0	0	33
Past due 61 – 90 days	2	0	19
Past due > 91 days	19	0	37
	<b>2,249</b>	<b>720</b>	<b>1,856</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>17 ANNUAL LEAVE, LONG SERVICE LEAVE AND RETIREMENT LEAVE</b>			
Annual leave	1,151	1,277	1,158
Long Service leave	12	14	14
Retirement leave	166	159	159
	<b>1,329</b>	<b>1,450</b>	<b>1,331</b>
<b>Long Service Leave</b>			
17 Years of Service	0	7	7
18 Years of Service	7	0	0
19 Years of Service	0	2	2
Over 20 Years of Service	5	5	5
	<b>12</b>	<b>14</b>	<b>14</b>
<b>Retirement Leave</b>			
17 Years of Service	17	19	19
18 Years of Service	19	6	6
19 Years of Service	6	8	8
Over 20 Years of Service	124	126	126
	<b>166</b>	<b>159</b>	<b>159</b>
<b>18 MOVEMENT IN EMPLOYEE BENEFIT LIABILITIES</b>			
Annual leave	(7)	119	49
Long Service leave	(2)	0	(5)
Retirement leave	7	0	2
<b>TOTAL EMPLOYEE BENEFIT LIABILITIES</b>	<b>(2)</b>	<b>119</b>	<b>46</b>
Comprising:			
Current	(7)	119	49
Non-current	5	0	(3)
<b>TOTAL EMPLOYEE BENEFIT LIABILITIES</b>	<b>(2)</b>	<b>119</b>	<b>46</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>19 FIXED ASSETS</b>			
<b>Cost</b>			
IT equipment	4,501	12,763	4,052
Education resources	2,197	2,197	2,197
Library materials	763	764	763
Furniture & fittings	2,029	1,689	1,343
Motor vehicles	429	452	332
Art	33	33	33
Plant and equipment	731	819	718
Work in progress	242	0	11
	<b>10,925</b>	<b>18,717</b>	<b>9,449</b>
<b>Accumulated Depreciation</b>			
IT equipment	3,703	9,827	3,210
Education resources	1,537	1,536	1,091
Library materials	763	762	763
Furniture & fittings	883	1,013	722
Motor vehicles	152	148	76
Art	0	0	0
Plant and equipment	681	684	652
Work in progress	0	0	0
	<b>7,719</b>	<b>13,970</b>	<b>6,514</b>
<b>Book Value</b>			
IT equipment	798	2,936	842
Education resources	660	661	1,106
Library materials	0	2	0
Furniture & fittings	1,146	676	621
Motor vehicles	277	304	256
Art	33	33	33
Plant and equipment	50	135	66
Work in progress	242	0	11
	<b>3,206</b>	<b>4,747</b>	<b>2,935</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2007

	COST 31/12/06	ACCUMULATED DEPRECIATION 31/12/06	CARRYING AMOUNT 31/12/06	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS
<b>20 PROPERTY, PLANT &amp; EQUIPMENT</b>					
<b>2007</b>					
IT Equipment	4,052	(3,209)	843	449	(1)
Education Resources	2,197	(1,091)	1,106	0	0
Library Materials	763	(763)	0	0	0
Furniture & Fittings	1,343	(722)	621	700	(14)
Motor Vehicles	332	(76)	256	97	0
Art	35	(2)	33	0	0
Plant and Equipment	718	(652)	66	18	(5)
	<b>9,440</b>	<b>(6,515)</b>	<b>2,925</b>	<b>1,264</b>	<b>(20)</b>
Work in progress					
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>					

	COST 31/12/05	ACCUMULATED DEPRECIATION 31/12/05	CARRYING AMOUNT 31/12/05	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS
<b>2006</b>					
IT Equipment	4,113	(2,595)	1,518	548	(609)
Education Resources	2,197	(646)	1,551	0	0
Library Materials	763	(729)	34	0	0
Furniture & Fittings	2,706	(1,331)	1,375	166	(1,529)
Motor Vehicles	302	(44)	258	55	(26)
Art	37	(2)	35	0	(2)
Plant and Equipment	1,294	(1,137)	157	1	(577)
	<b>11,412</b>	<b>(6,484)</b>	<b>4,928</b>	<b>770</b>	<b>(2,743)</b>
Work in progress					
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>					



CURRENT YEAR DEPRECIATION	DISPOSAL DEPRECIATION IN PERIOD	COST 31/12/07	ACCUMULATED DEPRECIATION 31/12/07	CARRYING AMOUNT 31/12/07
(493)	0	4,500	(3,702)	798
(446)	0	2,197	(1,537)	660
0	0	763	(763)	0
(161)	0	2,029	(883)	1,146
(76)	0	429	(152)	277
0	0	35	(2)	33
(29)	0	731	(681)	50
<b>(1,205)</b>	<b>0</b>	<b>10,684</b>	<b>(7,720)</b>	<b>2,964</b>
				242
				<b>3,206</b>

CURRENT YEAR DEPRECIATION	DISPOSAL DEPRECIATION IN PERIOD	COST 31/12/06	ACCUMULATED DEPRECIATION 31/12/06	CARRYING AMOUNT 31/12/06
(614)	0	4,052	(3,209)	843
(445)	0	2,197	(1,091)	1,106
(34)	0	763	(763)	0
(266)	875	1,343	(722)	621
(58)	26	332	(76)	256
0	0	35	(2)	33
(50)	535	718	(652)	66
<b>(1,467)</b>	<b>1,436</b>	<b>9,440</b>	<b>(6,515)</b>	<b>2,925</b>
				10
				<b>2,935</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	ACQUISITION COST 31/12/06	ACCUMULATED DEPRECIATION 31/12/06	CARRYING AMOUNT 31/12/06	CURRENT YEAR ADDITIONS
<b>21 INTANGIBLE ASSETS</b>				
<b>2007</b>				
Intangibles - Acquired	798	(628)	170	0
Intangibles - Internally generated	5,115	(4,296)	819	0
<b>TOTAL INTANGIBLES</b>	<b>5,913</b>	<b>(4,924)</b>	<b>989</b>	<b>0</b>

	ACQUISITION COST 31/12/05	ACCUMULATED DEPRECIATION 31/12/05	CARRYING AMOUNT 31/12/05	CURRENT YEAR ADDITIONS
<b>2006</b>				
Intangibles - Acquired	811	(492)	319	25
Intangibles - Internally generated	5,599	(3,633)	1,966	0
<b>TOTAL INTANGIBLES</b>	<b>6,410</b>	<b>(4,125)</b>	<b>2,285</b>	<b>25</b>

CURRENT YEAR DISPOSALS	CURRENT YEAR DEPRECIATION	COST 31/12/07	ACCUMULATED DEPRECIATION 31/12/07	CARRYING AMOUNT 31/12/07
0	(137)	798	(765)	33
0	(677)	5,115	(4,973)	142
<b>0</b>	<b>(814)</b>	<b>5,913</b>	<b>(5,738)</b>	<b>175</b>

CURRENT YEAR DISPOSALS	CURRENT YEAR DEPRECIATION	COST 31/12/06	ACCUMULATED DEPRECIATION 31/12/06	CARRYING AMOUNT 31/12/06
(38)	(135)	798	(627)	171
(484)	(663)	5,115	(4,296)	819
<b>(522)</b>	<b>(798)</b>	<b>5,913</b>	<b>(4,923)</b>	<b>990</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>22 INTANGIBLES (SOFTWARE)</b>			
<b>Cost</b>			
Intangibles - Acquired	798	798	798
Intangibles - Internally Generated	5,115	5,115	5,115
	5,913	5,913	5,913
<b>Accumulated Depreciation</b>			
Intangibles - Acquired	764	721	627
Intangibles - Internally Generated	4,974	4,708	4,296
	5,738	5,429	4,923
<b>Book Value</b>			
Intangibles - Acquired	34	77	171
Intangibles - Internally Generated	141	407	819
	175	484	990

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 ACTUAL \$000	2006 ACTUAL \$000
<b>23 MONEY HELD IN TRUST</b>		
<b>Receipts</b>		
Interest	2	2
Other	1	0
	3	2
<b>Payments</b>		
Prizes	0	1
Other	0	0
	0	1
<b>EXCESS OF RECEIPTS OVER PAYMENTS</b>	<b>3</b>	<b>1</b>
<b>Movement Summary</b>		
Balance 1 January	44	52
Transfer of general funds to school account	0	(9)
Plus excess of receipts over payments	3	1
	47	44
<b>Represented by:</b>		
Deposit at Westpac Bank	47	45
Reimbursement due from/(to) school bank account	0	(1)
	47	44

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2007

	RETAINED EARNINGS	MONEY HELD IN TRUST	ASSET REVALUATION	TOTAL EQUITY
<b>24 EQUITY</b>				
<b>OPENING BALANCE</b>	<b>10,287</b>	<b>44</b>	<b>10</b>	<b>10,341</b>
Surplus for the year	2,642	0	0	2,642
Trust account revenue	(3)	3	0	0
Trust account expenditure	0	0	0	0
Transfer of funds to school account	0	0	0	0
Total recognised revenues & expenses	2,639	3	0	2,642
<b>CLOSING BALANCE</b>	<b>12,926</b>	<b>47</b>	<b>10</b>	<b>12,983</b>

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
<b>25 RECONCILIATION OF NET OPERATING SURPLUS WITH OPERATING CASH FLOW</b>			
<b>Net Surplus From Operations</b>	2,642	1,125	7,020
<b>Non Cash Items</b>			
Depreciation	2,025	2,532	2,358
Asset Write-off	0	100	1,173
Inventory Write-off	27	0	0
Long Service Leave and Retirement Leave	5	0	3
Total	4,699	3,757	10,554
<b>Movements in Working Capital</b>			
<b>Decrease/(Increase) In Assets</b>			
Accounts Receivable - Debtors	(221)	8	225
Prepayments	59	81	(83)
Inventory	(136)	131	388
<b>Increase/(Decrease) In Liabilities</b>			
GST Owing	(180)	345	(369)
MOE Viability Funding	0	0	(4,332)
Creditors & Accruals	727	192	154
Revenue in Advance & MoE Payables	(2,142)	(1,217)	(2,381)
Total	(1,893)	(460)	(6,398)
<b>Items classified as investing activities</b>			
Gain/Loss on sale of assets	(1)	0	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,805</b>	<b>3,297</b>	<b>4,156</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 ACTUAL \$000	2007 BUDGET \$000	2006 ACTUAL \$000
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### 26 BOARD OF TRUSTEES REMUNERATION

The total value of the remuneration (other than compensation and other benefits) paid or payable to trustees in their capacity as trustees from the Board during this financial year

<b>TOTAL VALUE</b>	<b>115</b>	<b>115</b>	<b>110</b>
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The following fees were earned by members of the Board during this year.

P McKelvey (chairperson, appointed 10 April 2006)	27	27	20
I McKinnon (resigned as chairperson 9 April 2006)	14	14	18
R Ballard (deputy chairperson)	18	18	16
C Hague	14	14	14
P Schaverien	14	14	14
W Taumaunu (resigned 9 April 2006)	0	0	4
R Taylor	14	14	14
R Drummond (appointed 10 April 2006)	14	14	10
	<b>115</b>	<b>115</b>	<b>110</b>

	2007 ACTUAL	2007 BUDGET
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### 27 KEY MANAGEMENT PERSONNEL

Salaries and other short-term employee benefits	\$686,585	\$512,121
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Key management personnel include the Chief Executive and the four other members of the Senior Leadership Team

Principal's remuneration	2007 SALARY \$000	2007 BENEFITS \$000	ACTUAL SEVERANCE \$000
<b>Year 2007</b>			
Principal A	200 - 210	0	0
<b>Year 2006</b>			
Principal A	140 - 150	0	0
Principal B	60 - 70	2	0

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2007 ACTUAL    2007 BUDGET

### 28 EMPLOYEES OVER \$100,000 REMUNERATION

Excluding Principal's remuneration

Number of employees in \$100,000 - \$110,000	2	1
Number of employees in \$110,000 - \$120,000	2	0
Number of employees in \$120,000 - \$130,000	1	1
Number of employees in \$130,000 - \$140,000	2	1
Number of employees in \$140,000 - \$150,000	1	2
Number of employees in \$160,000 - \$170,000	0	1

<b>TOTAL VALUE OF REMUNERATION</b>	<b>\$979,228</b>	<b>\$822,913</b>
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	2007 ACTUAL \$000	2007 NUMBER OF EMPLOYEES	2006 ACTUAL \$000	2006 NUMBER OF EMPLOYEES
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### 29 EXIT COSTS

Compensation and other benefits upon leaving	134	4	220	9
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### 30 EXPLANATION OF MAJOR VARIANCES

Explanations of major variances from TCS's budgeted figures for 2007 are as follows:

#### STATEMENT OF FINANCIAL PERFORMANCE

- Government Funding exceeded budget for the year due to a higher than expected level of engagement by students. Actual \$34.892 million, Budget \$33.525 million.
- Operating costs exceeded budget due to the conversion of analogue media to digital media; extra costs involved in the planned restructure of the school; and projects regarding the replacement of the school's various student/learning management systems Actual \$9.081 million, Budget \$7.508 million.

#### STATEMENT OF FINANCIAL POSITION

- There was a higher than expected cash balance due to delays in planned asset replacement and the better than expected surplus. Actual \$10.006 million, Budget \$8.364 million.
- Accounts receivable is higher than budget due to the Government Funding owing but not yet received at year end. Actual \$1.981 million, Budget \$0.260 million.
- Non-current assets are lower than budget due to delays in the asset replacement programme, in particular the replacement of key student management and learning management systems. Actual \$3.381 million, Budget \$5.231 million.

#### STATEMENT OF MOVEMENTS IN EQUITY

- The major variation occurred due to the increased surplus for the year.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **31 RELATED PARTY TRANSACTIONS**

#### **CROWN/GOVERNMENT**

The Correspondence School (the School) is a New Zealand domiciled state school within the meaning ascribed to that term by the Education Act 1989. The Government significantly influences the roles of the School as well as being its major source of revenue.

The School may enter into transactions with government departments, Crown entities and state owned enterprises on an arm's length basis. These transactions are not separately disclosed because they are conducted on an arm's length basis and in the normal course of business.

#### **MEMBERS OF BOARD AND KEY MANAGEMENT**

During the year the School purchased services from Eastern Institute of Technology (EIT), a provider of resource materials, of which Board of Trustees member Claire Hague is a council member. These services were supplied on normal commercial terms at a cost of \$830 with balance outstanding at year end of nil. (2006: cost \$1,044; balance outstanding at year end nil).

During the year the School purchased services from Victoria University, a provider of resource materials, of which Board of Trustees members Ian McKinnon and Patricia McKelvey are council members. These services were supplied on normal commercial terms at a cost of \$28,808 with balance outstanding at year end \$6,187. (2006: cost \$6,936; balance outstanding at year end \$1,728).

During the year the School purchased services from Massey University, a provider of resource materials, of which Board of Trustees member Dr Russell Ballard is a council member. These services were supplied on normal commercial terms at a cost of \$1,716 with balance outstanding at year end nil. (2006: cost \$727; balance outstanding at year end nil).

During the year the School purchased services from Wellington City Council of which Board of Trustees member Ian McKinnon is a council member. These services were supplied on normal commercial terms at a cost of \$14,135 with balance outstanding at year end nil. (2006: cost \$9,566; balance outstanding at year end nil).

### **32 EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to the balance sheet date (29 February 2008) changes to the Primary Teachers Collective Agreement were ratified by members of the collective. Changes included 4% increase in base salary for each of the next three years and a one-off payment of \$750 as at 30 November 2007 for all members of the collective. This agreement is effective from 12 December 2007 and is backdated to 30 November 2007. All extra costs incurred by the School are to be reimbursed by the Ministry. The financial impact of this event has not been included in these 2007 financial statements.

There have been no other significant events after the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 33 FINANCIAL INSTRUMENTS RISK

The carrying value of cash and cash equivalents, accounts receivable investments and amounts owing by the School are all considered to be equivalent to fair value. Amounts owing to the School by the Ministry of Education are considered to be risk-free.

#### CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The School holds no financial instruments with any currency risk and, accordingly has no exposure to currency risk. The School has no currency exposure in terms of overseas revenues as all fees are stated as payable in local currency.

#### INTEREST RATE RISK

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates. The primary imperatives underlying the School's cash management policies are to:

- (a) ensure sufficient liquidity to enable operational and capital expenditure commitments to be met, and
- (b) invest in risk-free or near risk-free investments.

However, subject to these constraints the Board seeks to minimise exposure to interest rate risk on investments due to fluctuating interest rates by acquiring investments with a range of short-term maturity dates.

All investments are for less than six months.

#### CREDIT RISK

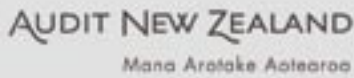
Credit risk is the risk that a third party will default on its obligations to the School, causing the School to incur a loss.

In the normal course of its business, credit risk arises from debtors, deposits with banks and derivative financial assets. Maximum credit risks are disclosed in the statement of financial position. The concentration of credit risk in respect of cash and cash equivalents is mitigated by investing with three high credit rating registered banks (in accordance with section 73 of the Education Act 1989).

The following cash at bank represents a concentration of credit risk:

	2007 ACTUAL \$000	2006 ACTUAL \$000
Westpac Bank Limited	3,202	8,519
ANZ National Bank of New Zealand	3,404	0
Kiwibank	3,400	0
	10,006	8,519

# 9 **AUDIT REPORT**



## **TO THE READERS OF THE CORRESPONDENCE SCHOOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

The Auditor-General is the auditor of The Correspondence School (the School). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the School, on his behalf, for the year ended 31 December 2007.

### **UNQUALIFIED OPINION**

In our opinion the financial statements of the School on pages 22 to 54:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the School's financial position as at 31 December 2007; and
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 16 April 2008 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 of Trustees 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 of Trustees;
- 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 OF TRUSTEES AND THE AUDITOR**

The Board of Trustees is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the School as at 31 December 2007. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Board of Trustees' responsibilities arise from the Education Act 1989.

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

#### **INDEPENDENCE**

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

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



**Clare Helm**

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 The Correspondence School (the School) for the year ended 31 December 2007 included on the School's web site. The School's Board of Trustees is responsible for the maintenance and integrity of the School's web site. We have not been engaged to report on the integrity of the School's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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 16 April 2008 to confirm the information included in the audited financial statements presented on this web site.

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





