

Te Kura ā-Tuhi
The Correspondence School



annualreport
FOR THE YEAR ENDED 31 DECEMBER 2008



KEY POINTS 2008

- The School's regionalised learning delivery and support model was implemented during 2008 and has resulted in a new way of working that has been well received by staff and students, their supervisors, whānau and community organisations.
- During 2008 there were two key areas of growth in the School's roll – young adult students and students in years 7 to 10.
- New advisor positions were established to provide support to young adult students.
- We developed Te Ara Hou, an integrated learning programme for students in years 7 to 10. A flagship programme for the School, Te Ara Hou is a fully individualised programme designed to engage students in learning that is exciting and relevant to their lives.
- A change in policy for students enrolled with alternative education providers saw an increase in the number of these students enrolling with us in the second half of 2008, a trend that is continuing in 2009.
- The Manawatu project, targeting students at risk of exclusion or alienation, has helped keep these students connected with their local schools and communities in the Manawatu area. The result has been significantly improved levels of engagement and achievement for participating students, including significant numbers of Māori learners.
- Valuable feedback from participants at our first regional forum helped inform our annual plan for 2009.
- The School's first regional office was opened in Christchurch in November, providing the opportunity to connect with representatives from key external agencies. The office provides a base for the Southern region Kaiarahi, local liaison teachers and a small number of subject teachers.
- The Education Review Office (ERO) carried out two further evaluative reviews during 2008, which found the School had put in place an active and systemic response to improve its performance in the areas identified in the 2007 review.
- A comprehensive independent review of the Differentiated Service Model (DSM) completed at the end of 2008 found the model resulted in more equitable levels of contact between teachers and students than prior to its implementation in 2006, and that it is making a positive difference for low support students by keeping them engaged in learning.
- The School's financial position continued to improve through 2008 as a result of prudent financial management. The increase in enrolments and engagement led to increased revenue from the Ministry of Education.

I TE TAU 2008

- I whakaritea pūmautia te tauira-a-rohe hei tuku mātauranga, hei tautoko ākongā, a, ko te mutunga mai ko tētahi huarahi ako hou i whakamihia e ngā ākongā, e ā rātou kaiāwhina, e ō rātou whānau, me ngā raupapa hapori.
- I te tau 2008, e rua ngā wahanga o te kura I tino tupu ake, arā, ko ngā taiohi mai I te 16–19 ngā tau, me ngā ākongā mai I ngā tau 7–10.
- I whakatūniga ētahi tūnga hou hei tautoko i ngā taiohi.
- I whakawhanaketia te Ara Hou, arā, tētahi huarahi ako kōmitimiti mo ngā ākongā i ngā tau 7–10. Ko tēnei tētahi tino kaupapa mo te kura. I whakaritengia tēnei kaupapa kia hangai ai ki te hiahia o ia ākongā, a, ka whai pānga hoki ki te ao o te ākongā.
- Na tētahi kaupapa here hou i taea ai ngā ākongā i roto i ngā kaupapa whakarato mātauranga kōwhiringa, te whakauru. Na reira i whakarahi ake ai te tatau o ngā ākongā i te wahanga tuarua o te tau, a, kei te pērā te ahuatanga i tēnei tau.
- Ko te kaupapa Manawatu e whakawhaiti ana ki ngā ākongā kua tata te mōrirorio i te kura. Na tēnei kaupapa I tautokongia ēnei ākongā kia noho hono ki ō rātou kura-a-rohe, ki ō rātou hapori hoki i roto i te rohe o Manawatu. Ko ngā hua i puta mai ko te piki ake o ngā taumata ako i tutuki ai ngā ākongā i uru ki roto, me te kitea i roto i ēnei he tokomaha ngā ākongā Māori.
- I te hui-a-rohe tuatahi he maha ngā kōrero i kohikohia i whaihua ai mo tā mātou Pūrongo-a-Tau mo 2008.
- I tuwheratia te tari-a-rohe tuatahi i Otautahi i te marama o Noema, a, ka whakawhiwhi wāhi hei hono atu ki ngā māngai o ngā pokahu matua. Ko te tari te papa mo te kaiarahi i Te Waipounamu, ngā kaiako takawaenga, me ētahi kaiako marau ruarua nei.
- I oti atu i Te Tari Arotake Mātauranga e rua ake ngā arotakenga i te tau 2008. Ko ngā kitenga whakamutunga kua tutuki pai, a, kua ata whakauru kaupapa hei urupare ki ngā tutohutanga o ngā kitenga a te Purongo o 2007.
- I te mutunga o te tau 2008, i oti pai tētahi aromatawai tū motuhake o te DSM. Ko ngā kitenga, he tōkeke ake ngā whakawhiti kōrero i waenga i ngā kaiako me ngā ākongā i mua i te whakamahia i te tau 2006, a, ka whakapai ake te hiringa o ngā ākongā kāore i tino tautokona i te kainga.
- Na te whakahaere tika o te putea, i pai haere tonu ai te ahuatanga-a-pūtea puta noa I te tau 2008. Na te maha ake o ngā ākongā i whakauru mai, me te hiringa, i piki ake te pūtea puta i te Tāhuhu o te Mātauranga.

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

FOR THE YEAR ENDED 31 DECEMBER 2008

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01 CHAIR'S REPORT

*INCREASED STUDENT PRESENCE,
ENGAGEMENT AND ACHIEVEMENT
WERE OUR MAIN GOALS FOR 2008*

On behalf of The Correspondence School Board of Trustees, I am pleased to present this report on a year that saw significant progress for the School.

Three new members joined the Board in May. Wayne Bainbridge, Carol Moffatt and Nori Parata have brought to the Board extensive experience in education, being current or former school principals with a passion for improving educational outcomes for students.

Increased student presence, engagement and achievement were our main goals for 2008, and the implementation of the School's regionalised learning delivery and support model was a key strategy towards achieving these goals. The Board's role throughout this process was to provide leadership and support to Chief Executive Mike Hollings and his senior leadership team as they managed the successful implementation of this very significant change at the School.

Following its review of the School in May 2007, the Education Review Office (ERO) carried out two further evaluative reviews during 2008, which found the School had put in place an active and systemic response to improve its performance in the areas identified in the 2007 review. ERO found steps to promote strong, supportive leadership and a collaborative culture were evident and that a number of other initiatives underway at the School would contribute to improving our responsiveness to students and supporting them to gain success. We greatly appreciated the opportunity to work with ERO in this way and believe it was highly beneficial for the School.

The School's financial position continued to improve through 2008 as a result of prudent financial management. An increase in enrolments and engagement led to increased revenue from the Ministry, which enabled the School to:

- increase the number of teaching positions to reduce the teacher/student ratio
- initiate the replacement of our student and learning management systems with the infrastructure and systems required to deliver our e-learning strategy and improve the connectivity of the School, our students and supervisors
- implement one-off projects such as redevelopment of the School's public website to offer an improved service to students, their families and schools.

The year ended on a high note with the School prize giving in Wellington, attended by prize winning students and their families from around the country. The prize winners reflected the School's very diverse roll and highlighted for all concerned the vital contribution we are making to our students' education by working alongside parents, supervisors and whānau to help students achieve their potential.

Patricia McKelvey
CNZM MBE





*INTEGRAL TO OUR NEW
REGIONAL STRUCTURE IS THE
FOCUS ON DEVELOPING
COLLABORATIVE RELATIONSHIPS*

TE KUPU A TE KAIHAUTU

02 CHIEF EXECUTIVE'S REPORT

I am happy to present this Chief Executive's report for 2008.

The main focus during 2008 was implementation of a regionalised learning delivery and support model that had been developed in 2007 in consultation with staff and key members of the School's community. The implementation process reflected some of the key principles behind the model – collaboration, connection and responsiveness – as staff from across the School worked together to put the new model in place. There was a great deal of discussion and debate, which has resulted in a new way of working that has been well received by staff and students, their supervisors, whānau and community organisations.

Integral to our new regional structure is the focus on developing collaborative relationships with schools, agencies, and other groups that have face-to-face contact with our students and their whānau/families, with the aim of keeping students connected with their communities and, where possible, the local school, to wrap a meaningful education and pastoral programme around them.

An example of this approach in action is the Manawatu project, which provides schools in the Manawatu area the option of enrolling students who are at risk of exclusion or alienation as a way of keeping students connected with their local schools and communities. This project has resulted in significantly improved levels of engagement and achievement for participating students, including significant numbers of Māori learners.

During 2008 there were two key areas of growth in the School's roll – young adult students and students in years 7 to 10. In response, four Young Adult Advisor positions were established to provide support to these students, and we developed Te Ara Hou, an integrated learning programme for students in years 7 to 10. A flagship programme for the School, Te Ara Hou is a fully individualised programme designed to engage students in learning that is exciting and relevant to their lives.

The first of what we hope will be many regional forums was held in October, in time to enable feedback from participants to be incorporated into our annual plan for 2009. The opening of the first regional office of the School in Christchurch in November was another opportunity to connect with representatives from key external agencies. The office provides a base for the Southern region Kaiarahi and local liaison teachers, as well as a small number of subject teachers. Further regional offices are planned to open in 2009.

A change in policy for students enrolled with alternative education providers saw an increase in the number of these students enrolling with us in the second half of 2008, a trend that is continuing in 2009. As a result, there was a focus on developing relationships with alternative education providers and increasing their understanding of the School and how we can work with them to support their students' learning.

In conclusion, 2008 was a year of considerable change and achievement at the School, and we are very well placed to build on those developments during 2009 and beyond.

Mike Hollings

03 GOVERNANCE

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 Board was appointed by Gazette notice on 30 September 2004, which stated that it was to be constituted by a chairperson and up to six members appointed by the Minister of Education.

The Chair and the Board were reappointed in April 2008. Wayne Bainbridge, Carol Moffat and Nori Parata joined the Board as new members at this point.

The Board's term of office expires in September 2009. Its members are as follows.

Patricia McKelvey	Chair
Russell Ballard	Deputy Chair
Wayne Bainbridge	
Roger Drummond	
Carol Moffatt	
Nori Parata	
Roger Taylor	

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

RISK ASSURANCE COMMITTEE

Russell Ballard (Chair)
 Roger Drummond
 Carol Moffatt
 Roger Taylor
 Patricia McKelvey (ex officio)

EMPLOYERS' COMMITTEE

Roger Drummond (Chair)
 Wayne Bainbridge
 Nori Parata
 Patricia McKelvey (ex officio)

TE TIROHANGA WHĀNUI

04 OPERATING ENVIRONMENT

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.

The School had a cumulative roll of approximately 23,000 in 2008 with around 13,000 students enrolled at any one time. 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 Māori community, with Māori students comprising approximately 30 per cent of full-time primary and approximately 45 per cent of full-time secondary enrolments. The Māori Learners' Success implementation plan recognises the School's need to engage, develop and support Māori learners to be successful and to do so in ways that support their identity as Māori.

The Correspondence School must provide for the learning needs of all its students and address the expectations of their learning supervisors, families and whānau. While the roll still includes those who are geographically isolated, itinerant or living overseas, the School's students are increasingly those for whom a face-to-face school is not currently the best option. This includes students who have been alienated or excluded from a face-to-face 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 made up

68 per cent of our full-time primary and secondary enrolments in 2008.

Our focus is on working with students, their families, whānau and communities to provide effective teaching and personalised learning. Te Ara Hou, an integrated learning programme developed in 2008 for students in years 7 to 10, engages them in learning that is relevant and responsive to their individual needs. Student Education Plans (SEPs) record the agreed aspirational goals of individual full-time students. Each SEP is developed through negotiation between the learning advisor, their student and supervisor. Regular review of a student's SEP measures progress made and provides the opportunity for setting new goals.

Regionally-based event days for students are organised by staff who know their students and their families, and the schools, agencies and community groups that are available to support the students' learning. These events help the School's students develop their practical work, social and relationship-building skills within a local context. Parallel programmes for learning supervisors augment the skills they use when working with their students.

The School has a substantial number of dual-enrolled students from primary and secondary schools, enrolled for curriculum adaptation or extension. Through these enrolments the School has developed 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.

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

The School's Adult roll was increased this year with a large number of young adult students enrolling. Young Adult students are aged 16 or over who have already left the schooling system. Students enrolled under this gateway may remain enrolled up to and including the end of the year in which they turn 19. Young Adult Advisor positions were established in 2008 to support this group.

ENROLMENT TYPE	STUDENT CUMULATIVE *ENROLMENTS FOR 2008	ENROLMENT CATEGORY
Early Childhood	1073	Full-time
Years 1-6	543	Full-time
	675	Dual
	31	Fee payer
Years 7-10	1520	Full-time
	3390	Dual
	226	Fee payer
Years 11-13	2088	Full-time
	6856	Dual
	384	Fee payer
Adults	4791	Including 2371 Young Adult enrolments
Department of Corrections (Adults)	1225	
TOTAL	22802	

*THESE FIGURES REPRESENT THE TOTAL NUMBER OF ENROLMENTS THROUGHOUT 2008, 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.

ORGANISATIONAL STRUCTURE

The Correspondence School is organised into three wahanga (areas) – Learning Delivery, Design and Quality, and Capability Services – each led by a Deputy Chief Executive (DCE) reporting to the Chief Executive.

Learning Delivery is responsible for the School's teaching and learning and for students' in-region pastoral support. The implementation of the School's

new regionalised learning delivery and pastoral support model during 2008 now sees teachers working together in four regional teams supported by collaboration with curriculum, e-learning and assessment leaders. These regional teams are aligned with Ministry of Education regions in order to promote greater collaboration with the Ministry at a regional level.

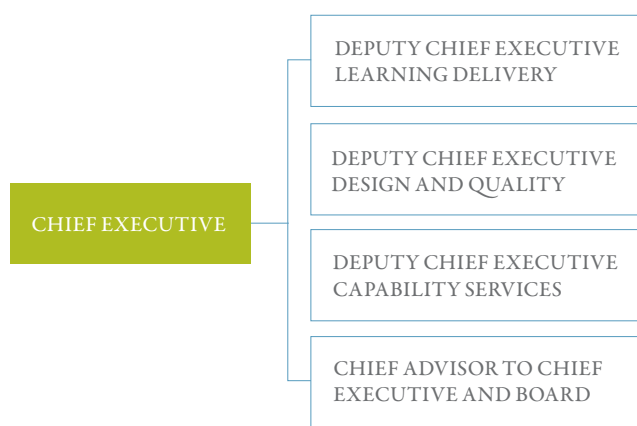
The Design and Quality wahanga supports effective teaching through curriculum leadership and development, and has school-wide responsibility for the assessment of years 1 to 13 students and for leading, developing and coordinating e-learning.

Capability Services provides the School's corporate support structure. Its functions include enrolment services, finance, human resources, information resources, office services and purchasing, and organisational performance, planning and reporting.

The Chief Executive and the Board are supported by the Chief Advisor. Together, the Chief Executive, the three DCEs and the Chief Advisor make up the Senior Leadership Team, with individual and collective responsibility for achieving the outcomes and key milestones of the Annual Plan.

Each senior manager has accountability for specific areas of activity, management of resources and leadership of people and projects.

The School has 443 full-time equivalent staff members.



DIFFERENTIATED SERVICE MODEL

The 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.

A comprehensive independent review of the DSM completed at the end of 2008 found the model resulted in more equitable levels of contact between teachers and students than prior to its implementation in 2006, and that it is making a positive difference for low support students by keeping them engaged in learning.

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 in two separate sites in Thorndon and one in the central city. A complex inventory, distribution and delivery system for student learning materials is managed from the School's warehouse in Petone.

Liaison teachers, although physically located in 13 regions throughout New Zealand, are integral members of the four regional teams. The School's first regional office is in Christchurch, providing a base for the Southern region Kaiarahi, local liaison teachers, and a small number of subject teachers. Further regional offices will open in 2009.

05 **STRATEGIC ENVIRONMENT**

The School's strategic environment is shaped by the government's national education strategies and initiatives, and by changes and innovations in the education sector, the wider public service and New Zealand society.

In particular, the following significant documents together influence the School's delivery of education: 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; Ka Hikitia – the Māori Education Strategy 2008-2012; Enabling the 21st Century Learner, the government's e-learning action plan; and the revised New Zealand Curriculum.

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 between teachers, students and their families. For the School, as a provider of distance education in partnership with the student's supervisor and family/whānau, this relationship is crucial to achieving educational outcomes that will allow our students to achieve their potential.

The strategy outlined in the School's business plan 'Positioning and Outlook 2005-2008' was 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 2008

The overarching outcome for the education sector is to establish a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st century. This sector outcome links directly to the School's vision of all of our students achieving their potential.

Student presence and engagement in education are pre-requisites to student achievement. The Ministry of Education has identified increased student presence, engagement and achievement as key outcomes for the education sector. The focus of our 2008 work programme was developed to align with these outcomes.

Presence for the School's students refers to the state where they are ready and able to learn. Potential students, schools and other referral agents are aware of the ways we can support and facilitate student learning and achievement. Our enrolment processes are timely and responsive to students' needs. Our courses are relevant for our students and reflect the diverse range of their interests, aspirations and needs.

Student engagement refers to the state where our students are actively involved in their learning programmes. For this to occur, students' learning programmes are personalised and delivered in ways that are relevant and meaningful for them as 21st century learners. We enhance student engagement by effectively collaborating with students, their families, other agencies and community groups to maximise the use and value of the potential resources available in students' environments.

Achievement is demonstrated when students are making measurable progress towards their individual goals and attaining national qualifications.

The School has worked to maximise the potential benefits to students of available resources in their environments by creating stronger collaborative relationships with students, schools, families, communities and other agencies. By creating opportunities to work more effectively with these groups, implementation of the regionalised learning and pastoral support model provides the School with the means of improving student presence, engagement and achievement.

Personalising learning drives the development and delivery of learning programmes. The New Zealand curriculum provides a clear framework for what needs to be included in learning programmes to prepare students for the 21st century. Students' interests, needs and aspirations determine the presentation and delivery of learning programmes. The work of implementing a school-wide assessment strategy has provided teachers with reliable and valid information about students' needs and informs the planning, review and monitoring of students' learning programmes.

The School's e-learning strategy, Future Pathways, is fundamental to the effective delivery of personalised learning programmes. e-Learning can provide many ways to connect with our students and engage them in learning. In recognition of this, the School has commenced a three-year programme of focused school-wide professional development on e-learning.

Ka Hikitia, the government strategy for realising Māori learners' potential, recognises the need for an urgent step up in system performance for Māori to ensure more equitable outcomes. The School's Māori Learners' Success Framework has provided a valuable basis for analysing information about Māori students. This year the School has taken the first steps in progressing the Māori Learners' Implementation Plan.

Work has been carried out to plan the implementation of new Learning, Student and Content Management systems over the next two to three years. These key systems have been designed to support effective teaching and learning through the storage, provision and management of information about the School's students, what they are learning and how they are learning.

The 2008 Annual Report is presented in the context of the School's vision that all our students achieve their potential. This vision underpins our focus on contributing to the education sector outcomes of increased student presence, engagement and achievement. The goals, outcomes and objectives expressed in the three-year business plan support this focus.

06 MĀORI STUDENT ACHIEVEMENT

WHAIA TE ITI
KAHURANGI,
KI TE TUOHU
KOE, ME HE
MAUNGA TEITEL.
PURSUE
EXCELLENCE –
SHOULD YOU
BOW, LET IT BE
TO A LOFTY
MOUNTAIN.

The School's Māori Learners' Success Framework (MLSF), adopted in 2007, presented a valuable basis for understanding the context of our Māori students and developing strategies to improve Māori student achievement.

A key focus early in the year was the development of an implementation plan for the MLSF, approved by the Board in May, and establishment of a new role – Senior Advisor Māori Education – to provide leadership for the plan.

Regionalisation of the School's teaching staff and a greater staff presence in the regions provided increased opportunities for the School to work in partnership with Māori groups and iwi to support the achievement of Māori students. Two key partnerships with particular relevance to Māori students were the Manawatu project and the partnership with Tu Toa, also in Manawatu.

The Manawatu project is a partnership with local schools and the Ministry of Education. Its aim is to support the engagement and achievement of students in face-to-face schools in Manawatu who are at risk of becoming alienated from education, and keep them connected with school. Nearly half of the students involved in the project during 2008 were Māori students. Results from evaluation carried out in the latter part of the year show that the majority of students were engaged with their learning and making progress. The majority of parents had become more involved or re-engaged with their children's education.

Most parents also reported a significant positive shift in the behaviour, learning or wellbeing of their children. Other partnerships being explored include Te Runanga nui o Nga kura kaupapa Māori, and the Waipareira Trust.

Tū Toa continues to be an exemplar of Māori student achievement. Interim NCEA results indicate that 2008 was another year of outstanding academic success for our Tū Toa students, who combine a full-time programme of studying with rigorous training and performance programmes. Tū Toa students continue to succeed in netball, golf and tennis at regional and national levels. The success of Tū Toa students demonstrates what can be achieved when students are actively supported by whānau, the School and the community.

In 2008 the School also progressed initiatives to improve student access to te reo Māori. A te reo Māori course for Year 7 students was developed which is now available to students. The School is also working on the development of online te reo Māori courses for older students.

Increasingly, the School is attracting staff who are skilled in te reo Māori and who have a strong understanding of tikanga Māori. Many teachers are incorporating Māori content and contexts into their teaching practice, making it more relevant to Māori students and helping to increase engagement. Staff are also incorporating aspects of tikanga Māori into their daily working lives.

07 STATEMENT OF SERVICE PERFORMANCE

The Ministry of Education's Resourcing Notice 2008 defines the School's resourcing entitlement for the 2008 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 2008 enrolment policy to receive government funding. The required outputs consist of direct service provision for those students.

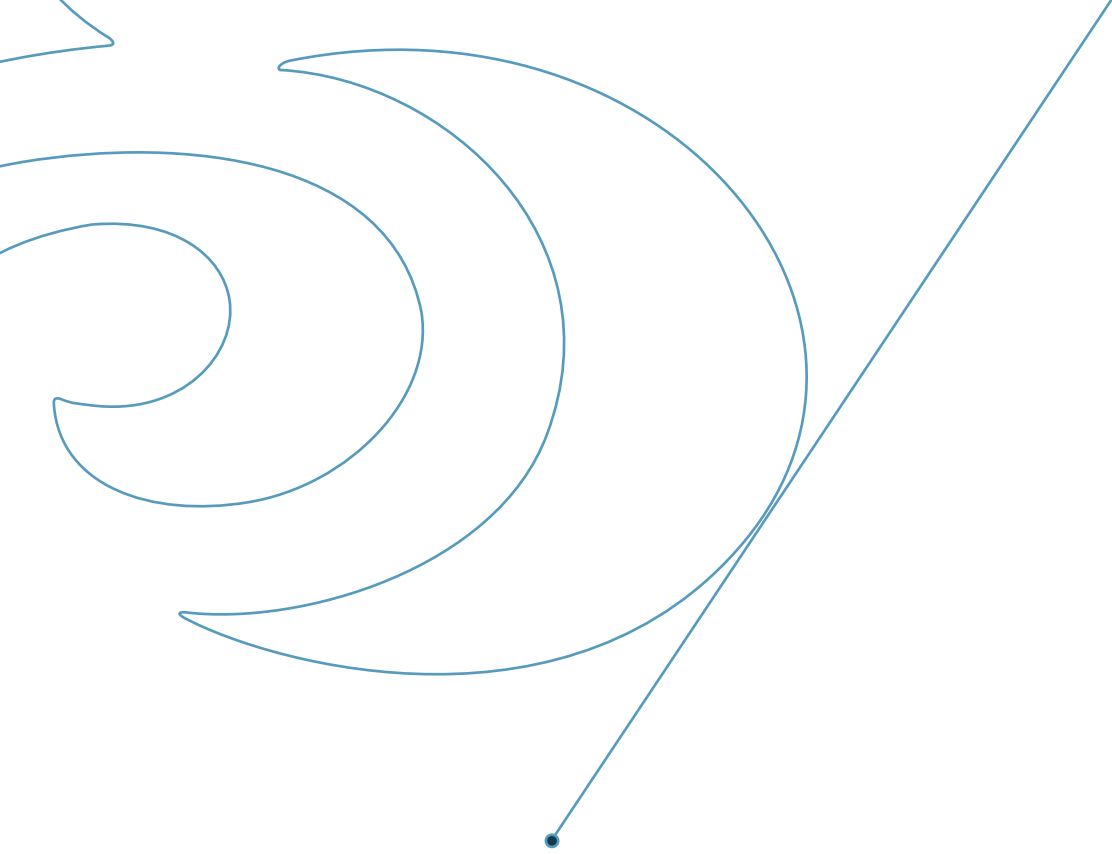
In terms of the 2008 Resourcing Schedule, the services comprise:

- 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 Whāriki programmes delivered to: 1073 early childhood students, of whom 181 (17%) were Māori
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: 889 full-time primary students, of whom 567 (64%) were access enrolments 317 (36%) were referral enrolments 260 (29%) were Māori 317 (36%) 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: 3265 full-time secondary students, of whom 1010 (31%) were access enrolments 2254 (69%) were referral enrolments 1432 (44%) were Māori 2521 (77%) 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: 1167 years 1–8 Students enrolled at other primary schools, of whom 314 (27%) were Māori 52 (4%) were at risk of not achieving their potential 176 (15%) were gifted and talented 56 (5%) were enrolled at a Health School 37 (3%) were enrolled for technology courses 47 (4%) were enrolled to maintain/gain qualifications in te reo Māori
	Deliver dual enrolment curriculum services to years 9–13 students	Programmes required by the National Education Guidelines, the New Zealand Curriculum Framework and the school curriculum delivered to: 9754 years 9–13 students enrolled at other secondary schools, of whom 2791 (29%) were Māori 1231 (13%) were at risk of not achieving their potential 88 (1%) were gifted 493 (5%) were enrolled at a health school

OUTPUTS	PERFORMANCE TARGETS	SERVICE DELIVERED																									
<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</p> <p>Breakdown of year levels of students: Years 1-8 = 30 Years 9-13 = 36 Years 14+ = 10</p> <p>(Years 14 and 15 accommodate students who remain on the special education roll until the age of 21.)</p> <p>Access to additional teacher assistance was provided for 46 of these students: 35 with high needs (0.1) and 11 with very high needs (0.2), while teacher aide support was provided for 49 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="735 958 1294 1173"> <thead> <tr> <th></th> <th colspan="2">2008</th> <th colspan="2">2007</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>1,866</td> <td>685</td> <td>1,300</td> <td>477</td> </tr> <tr> <td>December</td> <td>2,167</td> <td>798</td> <td>1,965</td> <td>723</td> </tr> <tr> <td>Total</td> <td>4,033</td> <td>1483</td> <td>3,265</td> <td>1200</td> </tr> </tbody> </table> <p>In addition, 16 payments (totalling ca \$6,000) for 2007 supervision were made in 2008, and 172 payments (totalling ca \$73,000) for 2007 supervision were reversed in 2008.</p> <p>Forecast and report provided to the Ministry as part of 2008 budget. Reports provided as required.</p>		2008		2007			PAYMENTS	COSTS (\$000)	PAYMENTS	COSTS (\$000)	June	1,866	685	1,300	477	December	2,167	798	1,965	723	Total	4,033	1483	3,265	1200
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NGĀ MAHI KUA OTI

08 ACHIEVEMENTS

EDUCATIONAL IMPACT

In 2008 the School directed its efforts toward achieving the three overarching educational outcomes of improved student presence, engagement and achievement.

The following report measures our performance in achieving defined outcomes, grouped according to student presence, engagement and achievement. The activities and measures contributing to these outcomes are summarised in the following table.

STUDENT PRESENCE

We are pleased to report that 93 percent of full-time students were enrolled within 15 working days. The School is continuing to explore ways of reducing the time taken to enrol students in 2009. A key part of enrolment is ensuring that students are enrolled in appropriate learning programmes. This is an area of improvement for the School, as in 2008 only 59 percent of full-time students had an individualised learning programme within two weeks of confirmation of their enrolment.

STUDENT ENGAGEMENT

The 2008 results from the Student and Family Engagement surveys indicated that the majority of respondents were engaged in their learning programmes and satisfied with the quality of contact from the School. Over a third of full-time students and their families returned surveys and the majority were positive about their experiences of the School. Retention of students in learning is a clear indicator of student engagement. The percentage of Māori and non-Māori students retained for half a year or more increased between 2007 and 2008.

STUDENT ACHIEVEMENT

Unfortunately we are unable to report our NCEA results for 2008 in this report due to the unavailability of the confirmed results at the time this report was printed. The results will be published on the School's website as soon as they are available. We can report on the achievement results of our Years 1–10 students in literacy and numeracy.

While there were significant improvements in literacy and numeracy for many students during the year, these still fell short of the School's performance targets. The rates of improvement for Year 7–10 students in writing and numeracy were particularly disappointing, and there are significant differences evident between the achievement of Māori and non-Māori students across most areas. The achievement results from 2008 will be used to further develop and improve practices across the School.

1. PRESENCE

Students are ready and able to learn. We have enrolled them in appropriate learning programmes designed to enable them to achieve goals that are meaningful and relevant for them.

OBJECTIVES	ACTIVITIES	RESPONSIBILITY
Accessible and efficient enrolment process.	Operate online enrolment.	DCE, Capability Services
Available, relevant courses and programmes for all students.	All courses are reviewed in a three-year cycle. New courses are developed in response to students' needs and interests.	DCE, Design and Quality
Students have timely access to personalised learning programmes.	Teachers develop learning programmes with students and other key people within two weeks of receiving the enrolment.	DCE, Capability Services DCE, Learning Delivery
Students, families and other key referral agents know how TCS can complement and supplement existing schooling provision.	We hold regular regional and national meetings with key stakeholders. We communicate regularly with our students and their families through our school newsletter, website and one-on-one communications. We review the ways we communicate with groups to improve our performance.	CE DCEs Communications Specialist Chief Advisor Learning Advisors
		Chief Advisor Communications Specialist
		Chief Advisor Communications Specialist
Dual-enrolling schools are confident about enrolling their students with TCS.	All dual enrolling schools sign a Service Level Agreement that sets out our mutual responsibilities. This process is supported by a relationship manager and other staff.	DCE, Learning Delivery DCE, Capability Services
Effective management and use of student information and curriculum content to deliver learning programmes.	Implementation of the Student, Content and Learning Management systems.	CE DCEs

MEASURES	OUTCOME	EXPLANATION
1.1 80% of full-time students are enrolled within 15 working days of TCS receiving their enrolment.	Achieved. 93% of full-time students were enrolled within 15 working days during 2008.	
1.2 At least 30% of all courses have been reviewed by the Academic Committee in 2008.	Partly achieved. 20% of courses were reviewed during the year.	Delays recruiting Curriculum Leaders lead to fewer courses than planned being reviewed.
1.3 80% of full-time students have an appropriate individualised learning programme within two weeks of confirmation of their enrolment.	Not achieved. 59% of full-time students had an individualised learning programme within two weeks of confirmation of their enrolment.	Due to team leaders not having the reporting mechanism to monitor this measure until late in 2008, performance was not able to be lifted to meet the target.
1.4 At least two inter-agency regional meetings are held in each region in 2008.	Partly achieved. Not all regions held two meetings during 2008.	Delays recruiting regional Kaiarahi lead to fewer meetings than planned being held.
1.5 At least two supervisor meetings are held in each region in 2008.	Partly achieved. Four meetings were held with supervisors but these were not spread evenly across all four regions. In addition, events were held throughout the country for early childhood supervisors and their students.	Implementation of the new structure and delays recruiting regional Kaiarahi lead to fewer meetings than planned being held.
1.6 At least four school newsletters are published in 2008.	Partly achieved. There were three issues of the school newsletter published in 2008.	The fourth issue of the school newsletter was printed and distributed early in 2009.
1.7 The communication strategy is reviewed and implementation initiatives agreed and underway by August 2008.	Achieved. Review completed September 2008 and implementation of revised strategy underway.	
1.8 At least 70% of dual-enrolling schools surveyed online report satisfactory levels of engagement.	Achieved. 85% of schools surveyed online reported satisfactory levels of engagement.	
1.9 Meet agreed project milestones within the allocated resources.	Achieved. Agreed project milestones were met within budget.	

2. ENGAGEMENT

Through the cooperative effort of individuals and groups working together with us, students are increasingly self-managing and are positively engaged in their learning programmes.

OBJECTIVES	ACTIVITIES	RESPONSIBILITY
Māori full-time students and their families are actively engaged in their learning.	Implement the Māori Learners Implementation Plan. Implement personalising learning policy. Increase opportunities for full-time Māori students to engage with e-learning. Support the supervisors of Māori students. Utilise findings from the review of the Differentiated Service Model.	CE DCEs MLSF Steering Group
Full-time students and their families are actively engaged in their learning.	Implement personalising learning policy. Increase opportunities for full-time students to engage with e-learning. Support the supervisors of students. Utilise findings from the review of the Differentiated Service Model.	CE DCEs

MEASURES	OUTCOME	EXPLANATION
2.1 At least 25% of targeted full-time Māori students/whānau respond to NZCER engagement survey.	Achieved. The survey response rate was 31% for Māori full-time students and 29% for their supervisors.	
2.2 At least 50% of full-time Māori students responding to NZCER engagement survey report satisfactory levels of engagement.	Achieved. More than 50% of full-time Māori students responding to the survey reported satisfactory levels of engagement.	
2.3 At least 50% of whānau of full-time Māori students responding to NZCER engagement survey report satisfactory levels of engagement.	Achieved. More than 50% of whānau of full-time Māori students responding to the survey reported satisfactory levels of engagement.	
2.4 At least a 3% increase over baseline in the number of full-time Māori students retained for half a year or longer, other than those who return to a face-to-face school.	Achieved. There was a 4.8% increase over baseline in the number of full-time Māori students retained for half a year or longer in 2008.	This calculation includes students who enrolled after July but who were still enrolled at the end of the year.
2.5 At least 25% of other targeted full-time students/families respond to NZCER engagement survey.	Achieved. The survey response rate was 36% for other full-time students and 34% for their supervisors.	
2.6 At least 50% of other full-time students responding to NZCER engagement survey report satisfactory levels of engagement.	Achieved. More than 50% of other full-time students responding to the survey reported satisfactory levels of engagement.	
2.7 At least 50% of families of other full-time students responding to NZCER engagement survey report satisfactory levels of engagement.	Achieved. More than 50% of families of other full-time students responding to the survey reported satisfactory levels of engagement.	
2.8 At least a 3% increase over baseline in the number of students retained for half a year or longer, other than those who return to a face-to-face school.	Achieved. There was a 4.6% increase over baseline in the number of other full-time students retained for half a year or longer in 2008.	This calculation includes students who enrolled after July but who were still enrolled at the end of the year.

3. ACHIEVEMENT

Students are making measurable progress towards their individual goals through our delivery of relevant and meaningful learning that prepares them for participation in 21st century society.

OBJECTIVES	ACTIVITIES	RESPONSIBILITY	MEASURES
Full-time Māori and other Years 1-10 students have tangible improvements in their literacy and numeracy over 2008.	Implement the school-wide assessment strategy to gain reliable information about student progress. Implement the activities described in the student engagement section.	DCE, Design and Quality DCE, Learning Delivery	3.1 80% of Māori and other Years 1-6 full-time students have demonstrable improvements in literacy and numeracy.
			3.2 80% of Māori and other Years 7-10 full-time students have demonstrable improvements in literacy and numeracy.
More full-time Māori and other students achieve NCEA level 1, 2 and 3 in 2008 than in 2007.			3.3 5% increase over baseline in the number of Māori and other students achieving NCEA level 1.
			3.4 5% increase over baseline in the number of Māori and other students achieving NCEA level 2.
			3.5 5% increase over baseline in the number of Māori and other students achieving NCEA level 3.
More full-time Māori and other students achieve 16 or more NCEA Level 1 numeracy and literacy credits.			3.6 5% increase over baseline in the number of Māori and other students achieving 16 or more NCEA Level 1 numeracy and literacy credits.
Fewer Years 11-13 Māori and other students leave TCS (as their last school) with no NCEA credits.			3.7 5% decrease against baseline in the number of Māori and other Years 11-13 students leaving with no NCEA credits.
Improved achievement of NCEA credits across all Years 11-13 students.			3.8 5% increase over baseline in the mean number of NCEA credits gained by Years 11-13 students in all enrolment categories.

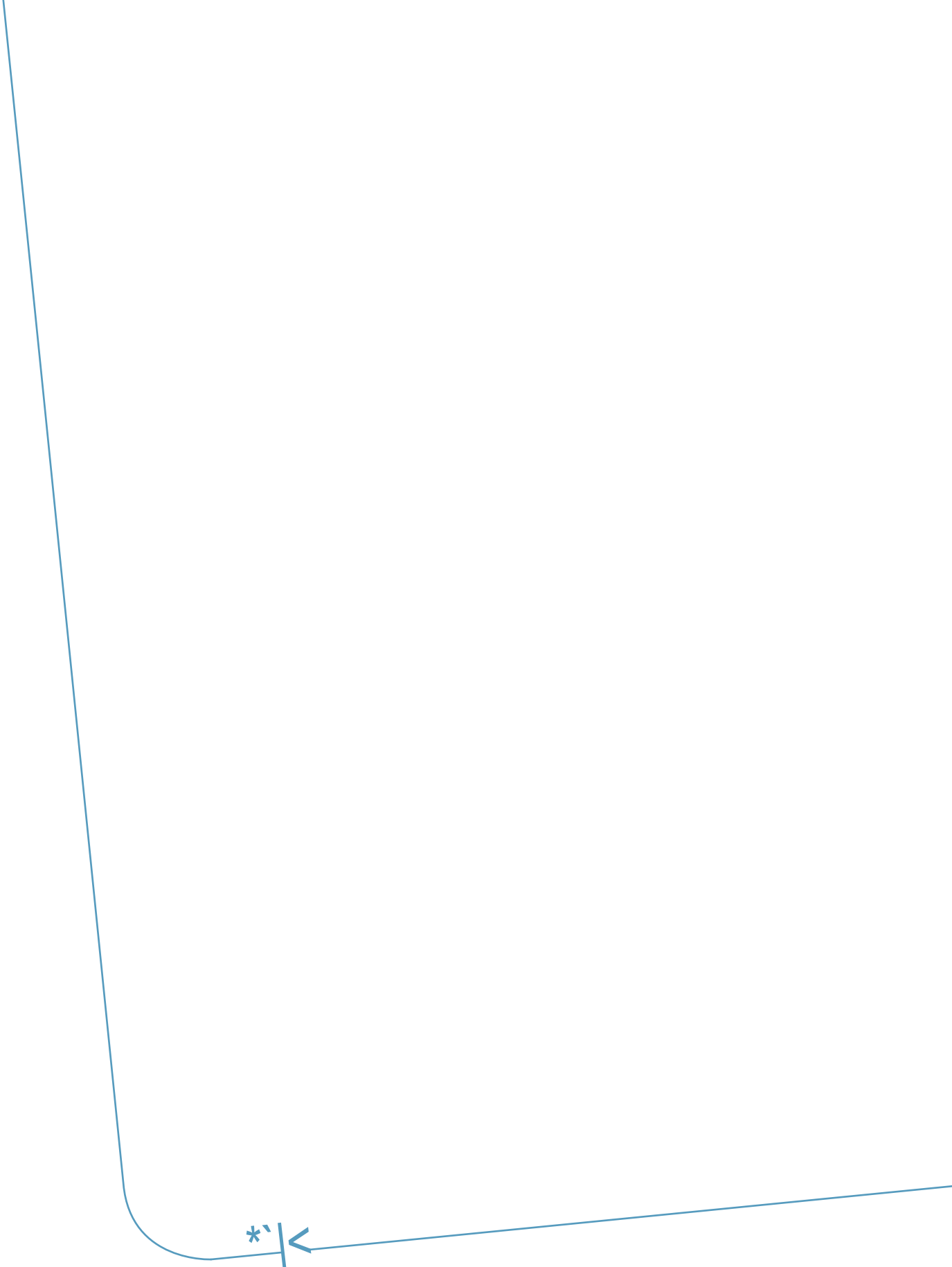
OUTCOME	EXPLANATION
<p>Partially achieved.</p> <p>50% of Māori Years 1–6 students made a demonstrable improvement in reading.</p> <p>67% of other Years 1–6 students made a demonstrable improvement in reading.</p> <p>64% of all Years 1–6 students made a demonstrable improvement in reading.</p> <p>77% of Māori Years 1–6 students made a demonstrable improvement in writing.</p> <p>87% of other Years 1–6 students made a demonstrable improvement in writing.</p> <p>85% of all Years 1–6 students made a demonstrable improvement in writing.</p> <p>62% of Māori Years 1–6 students made a demonstrable improvement in numeracy.</p> <p>78% of other Years 1–6 students made a demonstrable improvement in numeracy.</p> <p>75% of all Years 1–6 students made a demonstrable improvement in numeracy.</p>	<p>Results are for full-time students who completed assessments in March and November.</p> <p>See further explanation provided on page 15.</p>
<p>Not achieved.</p> <p>62% of Māori Years 7–10 students made a demonstrable improvement in reading.</p> <p>77% of other Years 7–10 students made a demonstrable improvement in reading.</p> <p>73% of all Years 7–10 students made a demonstrable improvement in reading.</p> <p>50% of Māori years 7 & 8 students made a demonstrable improvement in writing.</p> <p>42% of other years 7 & 8 students made a demonstrable improvement in writing.</p> <p>44% of all years 7 & 8 students made a demonstrable improvement in writing.</p> <p>27% of Māori Years 7–10 students made a demonstrable improvement in numeracy.</p> <p>28% of other Years 7–10 students made a demonstrable improvement in numeracy.</p> <p>28% of all Years 7–10 students made a demonstrable improvement in numeracy.</p>	<p>Results are for full-time students who completed assessments in March and November.</p> <p>Only years 7 & 8 students were assessed for writing.</p> <p>See further explanation provided on page 15.</p>
<p>Confirmed results not available at the time of going to print.</p>	
<p>Confirmed results not available at the time of going to print.</p>	
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4. FINANCIAL REPORTING

Prudent financial management is required to ensure that the available resources are used effectively and efficiently to support the school-wide outcomes of improved student presence, engagement and achievement.

OBJECTIVES	ACTIVITIES	RESPONSIBILITY
The School operates within its budget and continues to review for efficiencies.	Operate within the annual financial plan.	CE, DCEs Financial Controller
Assets are managed and updated according to the replacement cycle.	Operate within the approved capital plan.	DCE, Capability Services
The School meets the legal requirements with which it must comply in order to promote high quality outcomes for all students.	Comply with all statutory, regulatory and audit requirements and the School's policies and procedures.	CE DCE, Capability Services

MEASURES	OUTCOME	EXPLANATION
4.1 All sections of the School operate within their approved cost budgets.	Achieved. All sections of the School operated within their budgets.	
4.2 The School as a whole achieves its net surplus percentage range based on the agreed number of EFTS.	Achieved. The School achieved its net surplus percentage range.	
4.3 Board-approved capital plan is achieved.	Achieved. The capital plan was achieved.	Any variances to the plan were approved by the Board.
4.4 The School receives an 'unqualified opinion' from Audit New Zealand.	Achieved. The School received an 'unqualified opinion' from Audit NZ.	



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09 FINANCIAL STATEMENTS

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01 STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2008

Enclosed are the financial statements of The Correspondence School for the year ended 31 December 2008. 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 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** CNZM MBE

Chair

27 April 2009

**Mike Hollings**

Chief Executive

27 April 2009

9.2

02 STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Income				
Government Funding		38,069	33,933	34,892
Government Funded Initiatives	2	2,553	1,978	2,090
Tuition Fees		668	900	1,070
Finance Income	3	1,252	700	943
Donations		60	42	28
Miscellaneous		43	117	45
Reimburse Restructure & Transition costs		0	1,030	0
Total Revenue		42,645	38,700	39,068
Expenditure				
Personnel	4	27,806	27,504	25,318
Operating Costs	5	9,896	8,103	9,081
Finance Costs	3	21	0	1
Depreciation & Amortisation	12	1,772	2,130	2,025
Writeoff/Loss on Sale of Assets	13	216	100	1
Total Expenditure		39,711	37,837	36,426
NET SURPLUS FOR THE YEAR		2,934	863	2,642

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.

9.3

03 STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2008

	NOTES	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Retained Earnings		15,860	15,702	12,926
Other Reserves		60	61	57
Total Equity		15,920	15,763	12,983
Current Assets				
Cash & Cash Equivalents	14	5,672	9,560	10,006
Inventory Held for Distribution		1,089	788	1,028
Prepayments		106	194	217
GST Receivable		80	(221)	19
Other Financial Assets	15	7,649	0	0
Accounts Receivable	16	2,359	260	2,022
Total Current Assets		16,956	10,581	13,292
Deduct Current Liabilities				
Creditors & Other Payables	17	2,277	1,349	1,656
Employee Entitlements	19	1,671	2,137	1,671
Revenue in Advance		66	80	112
Provisions	18	606	0	73
Total Current Liabilities		4,620	3,566	3,512
Working Capital		12,336	7,015	9,780
Add Non-current Assets				
Fixed Assets & Work in Progress	22, 23	3,707	3,405	3,146
Intangible Assets & Work in Progress	21, 24	182	5,516	235
Total Non-current Assets		3,889	8,921	3,381
Deduct Non-current Liabilities				
Employee Entitlements	19	173	173	178
Provisions	18	132	0	0
NET ASSETS		15,920	15,763	12,983

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.

9.4

04 STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Equity at the start of the year				
Restricted Reserve		47	51	44
Asset Revaluation Reserve		10	10	10
Retained Earnings		12,926	14,840	10,284
		12,983	14,901	10,338
Add				
Net surplus for the year		2,934	863	2,642
Movement in Restricted Reserve		3	0	3
	26	15,920	15,764	12,983

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 THREE 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.

9.5

05 STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Cash flows from operating activities			
Cash was provided from:			
Government Funding	40,487	37,461	34,814
Fees & charges	633	942	904
Miscellaneous	74	225	49
Interest	1,252	700	944
	42,446	39,328	36,711
Cash was applied to:			
Payments to employees	(25,938)	(24,745)	(23,131)
Payments to suppliers	(11,128)	(10,101)	(10,595)
Net GST paid*	(62)	(286)	(180)
	(37,128)	(35,131)	(33,906)
NET CASH INFLOW FROM OPERATING ACTIVITIES (NOTE 27)	5,318	4,197	2,805
Cash flows from investing activities			
Cash was provided from:			
Receipts from sale of investments	0	0	0
Proceeds from Sale of Assets	25	0	14
	25	0	14
Cash was applied to:			
Purchase of Assets	(1,805)	(7,403)	(1,257)
Purchase of Intangible Assets	0	0	0
Acquisition of Investments	(7,649)	0	0
Work in Progress	(223)	0	(75)
	(9,677)	(7,402)	(1,332)
Net cash outflow from investing activities	(9,652)	(7,402)	(1,318)
NET INCREASE/(DECREASE) IN CASH HELD	(4,334)	(3,205)	1,487
Add cash and deposits at the beginning of the year	10,006	12,765	8,519
CASH AND DEPOSITS AT THE END OF THE YEAR	5,672	9,560	10,006

* 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.

06 STATEMENT OF COMMITMENTS

AS AT 31 DECEMBER 2008

	2008 ACTUAL \$000	2007 ACTUAL \$000
Property commitments:		
Not later than one year	542	359
Later than one year and not later than two years	145	221
Later than two years and not later than five years	36	9
Later than five years	0	0
TOTAL	723	589

	2008 ACTUAL \$000	2007 ACTUAL \$000
Equipment commitments:		
Not later than one year	33	12
Later than one year and not later than two years	31	4
Later than two years and not later than five years	6	0
Later than five years	0	0
TOTAL	70	16

THE SCHOOL LEASES A PROPERTY IN WELLINGTON. THE LEASE EXPIRES 30 JUNE 2010 AND DOES NOT HAVE A RIGHT OF RENEWAL OR AN ESCALATION CLAUSE. THE PROPERTY CAN BE SUBLEASED WITH THE PERMISSION OF THE LANDLORD.

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.

07 STATEMENT OF CONTINGENT LIABILITIES

AS AT 31 DECEMBER 2008

	2008 ACTUAL \$000	2007 ACTUAL \$000
	0	0
TOTAL CONTINGENT LIABILITIES	0	0

CONTINGENT LIABILITIES FOR 2008 AND FOR THE COMPARATIVE YEAR ARE NIL.

STATEMENT OF CONTINGENT ASSETS

AS AT 31 DECEMBER 2008

	2008 ACTUAL \$000	2007 ACTUAL \$000
	0	0
TOTAL CONTINGENT ASSETS	0	0

CONTINGENT ASSETS FOR 2008 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.

08 NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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 (NZIFRS).

The financial statements of the School are for the year ended 31 December 2008. The financial statements were authorised for issue by the Board of Trustees on 15 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.

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 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.

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as 'owner'. The revised standard gives the School the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The School intends to adopt this standard for the year ending 31 December 2009, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

(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 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.

(H) 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.

(I) 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.

(J) 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.

(K) 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.

(L) 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.

(M) INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis, are measured at cost adjusted when applicable for any loss of service potential.

Loss of service potential is recognised in the statement of financial performance in the period when the write down occurs.

(N) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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. 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.

(O) 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.

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:

Intangible assets (internally generated – finite life)	3 years
Intangible assets (externally acquired – finite life)	3-5 years

**(P) IMPAIRMENT OF
NON-FINANCIAL ASSETS**

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.

(Q) CREDITORS AND OTHER PAYABLES

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(R) EMPLOYEE ENTITLEMENTS

Short-term employee entitlements:

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 to, 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 employee entitlements:

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:

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) 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.

Reinstatement provision:

The School has entered into lease agreements for various properties which require the school, at the completion of the lease, to return the building to the same condition when the lease was first signed. The liability for the reinstatement provision is based on reasonable estimates of expenditure required to reinstate the premises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Merit performance provision:

The School reviews salaries and performance of all employees at the end of December. Recommendations are put forward to a Moderation panel for consideration. The liability for the merit provision is based on reasonable estimates of likely payments.

Legal fees:

The School has contracted legal counsel for a specific ongoing employment issue.

Contractual:

The School is currently in dispute with a supplier over a contract of supply of services. Provision has been made by the School to cover any costs or legal fees that may eventuate from the dispute.

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.

(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.

2. GOVERNMENT FUNDED INITIATIVES

	2008 ACTUAL \$000S	2008 BUDGET ACTUAL	2007 ACTUAL \$000
Payments to Supervisors			
Revenue	1,469	944	1,232
Expense	1,416	900	1,193
	53	44	39
ICT PD			
Revenue	89	108	0
Expense	123	205	0
	(34)	(97)	0
Gateway			
Revenue	57	0	0
Expense	67	0	0
	(10)	0	0
Sport and Recreation New Zealand (SPARC)			
Revenue	0	0	14
Expense	3	0	0
	(3)	0	14
Assistive Technology			
Revenue	7	15	16
Expense	7	15	16
	0	0	0
Ongoing and Reviewable Resourcing Scheme (ORRS)			
Revenue	564	507	501
Expense	345	507	240
	219	0	261
Special Education			
Revenue	367	404	327
Expense	248	322	188
	119	82	139

CONT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

CONT.

	2008 ACTUAL \$000	2008 BUDGET ACTUAL	2007 ACTUAL \$000
Total Ministry of Education Initiatives			
Revenue – Grants	1,989	1,471	1,589
Revenue – Other	564	507	501
	2,553	1,978	2,090
Expense Operating	2,209	1,949	1,637
BALANCE	344	29	453

REVENUE RECEIVED UNDER THE VARIOUS MINISTRY INITIATIVES IS SPENT IN ACCORDANCE WITH THE RULES SET BY THE MINISTRY OF EDUCATION FOR EACH INITIATIVE.

3. FINANCE INCOME & FINANCE COSTS

	2008 ACTUAL \$000	2008 BUDGET ACTUAL	2007 ACTUAL \$000
FINANCE INCOME			
Interest income:			
Term deposits	1,218	700	891
Cash at bank and on hand	34	0	52
TOTAL FINANCE INCOME	1,252	700	943

	2008 ACTUAL \$000	2008 BUDGET ACTUAL	2007 ACTUAL \$000
FINANCE COSTS			
Discount unwind on provisions	21	0	0
Interest on late payment	0	0	1
TOTAL FINANCE COSTS	21	0	1

4. PERSONNEL COSTS

	2008 ACTUAL \$000	2008 BUDGET ACTUAL	2007 ACTUAL \$000
Employee salary costs	24,912	24,620	22,754
Employee related and contractors	2,894	2,884	2,564
Total personnel costs	27,806	27,504	25,318
Salaries and wages	26,149	24,849	23,789
Personnel related	1,398	1,503	1,248
Movement in employee benefits	(5)	862	(2)
Employer contributions to defined contribution plans	264	290	283
Total personnel costs	27,806	27,504	25,318

5. OPERATING COSTS

	NOTES	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Consumables/school costs	6	1,552	1,332	1,799
Inventory related expenditure	7	1,788	1,244	1,399
Rent		522	356	475
Other accommodation expenses	8	1,209	877	763
Administration expenses	9	2,781	2,945	2,986
Student expenses	10	1,583	1,105	1,359
Fees to auditors	11	342	130	188
Bad debts		0	0	(3)
Board of Trustees fees	28	119	114	115
TOTAL OPERATING COSTS		9,896	8,103	9,081

6. CONSUMABLES/SCHOOL COSTS

	2008 ACTUAL \$000	2008 BUDGET ACTUAL	2007 ACTUAL \$000
Communications	1,219	1,024	1,090
Production materials	227	231	625
Textbooks	98	47	60
Copyright expenses	8	30	24
TOTAL CONSUMABLES/SCHOOL COSTS	1,552	1,332	1,799

7. INVENTORY RELATED EXPENDITURE

	2008 ACTUAL \$000	2008 BUDGET ACTUAL	2007 ACTUAL \$000
Sundry	16	9	20
Print	1,211	956	829
Consumables	147	13	185
Hardware	82	179	96
Video	88	56	71
Audio	242	18	142
Teaching resources	32	13	29
Inventory write off	(30)	0	27
TOTAL INVENTORY RELATED EXPENDITURE	1,788	1,244	1,399

INVENTORY ITEMS (PRINT) IDENTIFIED AS SLOW MOVING/OBSOLETE WERE \$27,023 (2007 \$56,542). THIS RESULTED IN A \$29,519 WRITEBACK.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

8. OTHER ACCOMMODATION EXPENSES

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Off site storage	57	31	26
Office Relocation	244	0	0
Cleaning	60	166	72
Security	19	25	29
Repairs & maintenance	625	377	450
Utilities	204	278	186
TOTAL OTHER ACCOMMODATION EXPENSES	1,209	877	763

9. ADMINISTRATION EXPENSES

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Insurance	36	40	65
Professional services	1,767	1,710	2,145
Operational supplies	978	1,195	776
TOTAL ADMINISTRATION EXPENSES	2,781	2,945	2,986

10. STUDENT EXPENSES

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Other Student expenses	155	195	155
Parents Association/payment to supervisors	1,428	910	1,204
TOTAL STUDENT EXPENSES	1,583	1,105	1,359

11. FEES TO AUDITORS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Audit fees – financial statements	81	80	90
Audit fees – tax	17	0	0
Audit fees – NZIFRS	0	0	20
Audit fees – internal audit	244	50	78
TOTAL FEES TO AUDITORS	342	130	188

12. DEPRECIATION & AMORTISATION

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Depreciation/amortisation was charged on these items:			
IT equipment	524	678	492
Intangibles (software)	180	512	815
Furniture & fittings	502	345	161
Motor vehicles	93	109	77
Plant & equipment	27	40	34
Education resources	446	446	446
TOTAL DEPRECIATION & AMORTISATION	1,772	2,130	2,025

13. WRITE OFF/LOSS ON SALE OF ASSETS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
IT Equipment – written off	1	0	0
Furniture & Fitting – Loss on Sale	1	0	1
Education Resources – written off	214	100	0
TOTAL WRITE OFF OF ASSETS	216	100	1

14. CASH AND CASH EQUIVALENTS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Petty cash	1	1	1
Cheque account 00 a/c	2,039	0	0
Cheque account 25 a/c	4	0	49
Cheque account 28 a/c	0	0	1
Short-term deposit accounts	158	513	9,908
Term deposits with maturities less than 3 months	3,420	9,000	0
Multi-deposit account	50	46	47
	5,672	9,560	10,006
Cash at bank and in hand	2,202	514	51
Term deposits with maturities less than 3 months			
Kiwibank	1,520	3,000	3,400
National Bank	0	3,000	3,400
Westpac	1,900	3,000	3,108
Multi-deposit account	50	46	47
	5,672	9,560	10,006

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

15. OTHER FINANCIAL ASSETS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Term deposits with maturities of 4–12 months:			
Kiwibank	2,000	0	0
National Bank	3,849	0	0
Westpac	1,800	0	0
	7,649	0	0

16. ACCOUNTS RECEIVABLE

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Receivables	406	260	358
Less: provision for doubtful debts	0	0	0
Payroll clearing account	2	0	41
Ministry of Education	1,951	0	1,623
	2,359	260	2,022
Student debtors	2	18	19
Trade debtors	232	5	193
Sundry debtors	169	237	146
Less: provision for doubtful debts	0	0	0
Payroll clearing account	2	0	41
Salary Advances	3	0	0
Ministry of Education	1,951	0	1,623
	2,359	260	2,022
Not past due	2,348	260	394
Past due 31–60 days	6	0	1,624
Past due 61–90 days		0	0
Past due > 91 days	5	0	4
	2,359	260	2,022

FAIR VALUE

DEBTORS AND OTHER RECEIVABLES ARE NON-INTEREST BEARING AND RECEIPT IS NORMALLY ON 30 DAY TERMS, THEREFORE THE CARRYING VALUE OF DEBTORS AND OTHER RECEIVABLES APPROXIMATES FAIR VALUE.

IMPAIRMENT

TCS DOES NOT PROVIDE FOR ANY IMPAIRMENT ON FUNDING RECEIVABLE FROM THE MOE AS THE FUNDING IS GOVERNMENT GUARANTEED. NO IMPAIRMENT HAS BEEN PROVIDED ON OTHER RECEIVABLES AND DEBTORS AS IT IS CONSIDERED THAT AMOUNTS OWING WILL BE RECEIVED IN FULL.

17. CREDITORS & OTHER PAYABLES

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Suppliers	914	835	840
Salary related liabilities	106	64	86
Other accruals	1,027	450	694
Ministry of Education	230	0	36
	2,277	1,349	1,656
Payment to parents	232	85	215
Sundry creditors	682	750	625
ACC	91	64	80
Staff payables	15	0	6
Other accruals	1,027	450	694
Ministry of Education	230	0	36
	2,277	1,349	1,656
Current 1–30 days	2,201	1,349	1,635
Past due 31–60 days	19	0	0
Past due 61–90 days	1	0	2
Past due > 91 days	56	0	19
	2,277	1,349	1,656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

18. PROVISIONS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Current provisions are represented by:			
Lease make-good	376	0	0
Merit Performance	171	0	73
Legal	49	0	0
Contractual	10	0	0
Total current portion	606	0	73
Non-current provisions are represented by:			
Lease make-good	132	0	0
Total non-current portion	132	0	0
TOTAL PROVISIONS	738	0	73

Movements for each class of provision are as follows:

	LEASE MAKE-GOOD \$000	MERIT PERFORMANCE \$000	LEGAL \$000	CONTRACTUAL \$000
2008				
Balance at 1 January	0	73	0	0
Additional provisions made	487	171	10	49
Amounts used	0	(73)	0	0
Discount unwind (note 3)	21	0	0	0
BALANCE AT 31 DECEMBER 2008	508	171	10	49
2007				
Balance at 1 January	0	0	0	0
Additional provisions made	0	73	0	0
Amounts used	0	0	0	0
Discount unwind (note 3)	0	0	0	0
BALANCE AT 31 DECEMBER 2007	0	73	0	0

LEASE MAKE-GOOD:

THE SCHOOL HAS ENTERED INTO LEASE AGREEMENTS FOR VARIOUS PROPERTIES WHICH REQUIRE THE SCHOOL, AT THE COMPLETION OF THE LEASE, TO RETURN THE BUILDING TO THE SAME CONDITION WHEN THE LEASE WAS FIRST SIGNED. THE LIABILITY FOR THE REINSTATEMENT PROVISION IS BASED ON REASONABLE ESTIMATES OF EXPENDITURE REQUIRED TO REINSTATE THE PREMISES.

LEGAL FEES:

THE SCHOOL HAS CONTRACTED LEGAL COUNSEL FOR A SPECIFIC ONGOING EMPLOYMENT ISSUE.

CONTRACTUAL:

THE SCHOOL IS CURRENTLY IN DISPUTE WITH A SUPPLIER OVER A CONTRACT OF SUPPLY OF SERVICES. PROVISION HAS BEEN MADE BY THE SCHOOL TO COVER ANY COSTS OR LEGAL FEES THAT MAY EVENTUATE FROM THE DISPUTE.

19. EMPLOYEE ENTITLEMENTS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Accrued pay	1,635	2,138	1,151
Redundancy	36	0	520
Long Service leave	0	0	0
Retirement leave	0	0	0
TOTAL CURRENT PORTION	1,671	2,138	1,671
Non-current portion			
Long Service leave	5	14	12
Retirement leave	168	158	166
	173	173	178
	1,844	2,311	1,849
Long Service Leave			
17 Years of Service	0	7	0
18 Years of Service	0	0	7
19 Years of Service	3	2	0
Over 20 Years of Service	2	5	5
	5	14	12
Retirement Leave			
17 Years of Service	11	19	17
18 Years of Service	0	6	19
19 Years of Service	10	8	6
Over 20 Years of Service	147	125	124
	168	158	166

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

20. MOVEMENT IN EMPLOYEE BENEFIT LIABILITIES

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Annual leave	0	862	(7)
Long Service leave	(7)	0	(2)
Retirement leave	2	0	7
TOTAL EMPLOYEE BENEFIT LIABILITIES	(5)	862	(2)
Comprising:			
Current	0	862	(7)
Non-current	(5)	0	5
TOTAL EMPLOYEE BENEFIT LIABILITIES	(5)	862	(2)

THE ACTUAL OPENING BALANCE FOR ANNUAL LEAVE LIABILITY FOR 2008 WAS \$394,000 HIGHER THAN BUDGETED DUE TO LOWER TAKE UP OF ANNUAL LEAVE BY STAFF DURING 2007. THE ANNUAL LEAVE BALANCE FOR 2008 WAS ALSO EXPECTED TO INCREASE DUE TO AN INCREASE IN STAFFING COSTS. HOWEVER LEAVE BALANCES WERE MANAGED DOWN SO THAT LEAVE TAKEN APPROXIMATED LEAVE ACCRUED FOR THE YEAR. THE NTE EFFECT WAS A SIGNIFICANTLY LOWER MOVEMENT IN THE ANNUAL LEAVE LIABILITY THAN BUDGETED.

21. INTANGIBLES (SOFTWARE)

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Cost			
Intangibles – Acquired	819	6,649	798
Intangibles – Internally generated	5,115	5,115	5,115
Work in Progress	146	0	60
	6,080	11,764	5,973
Accumulated amortisation			
Intangibles – Acquired	783	1,133	764
Intangibles – Internally generated	5,115	5,115	4,974
Work in Progress	0	0	0
	5,898	6,248	5,738
Book value			
Intangibles – Acquired	36	5,516	34
Intangibles – Internally generated	0	0	141
Work in Progress	146	0	60
	182	5,516	235

BOOK VALUE FOR INTANGIBLES IS LOWER THAN BUDGET DUE TO DELAYS IN ASSET REPLACEMENT PROGRAM, IN PARTICULAR THE REPLACEMENT OF KEY STUDENT MANAGEMENT AND LEARNING MANAGEMENT SYSTEMS.

22. FIXED ASSETS

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Cost			
IT equipment	4,208	5,361	4,501
Education resources	0	2,197	2,197
Library materials	763	763	763
Furniture & fittings	3,614	2,771	2,029
Motor vehicles	554	681	429
Art	35	33	33
Plant and Equipment	711	929	731
Work in progress	319	0	182
	10,204	12,735	10,865
Accum depreciation			
IT equipment	3,603	4,378	3,703
Education resources	0	1,982	1,537
Library materials	763	763	763
Furniture & fittings	1,203	1,220	883
Motor vehicles	245	261	152
Art	2	0	0
Plant and Equipment	681	726	681
Work in progress	0	0	0
	6,497	9,330	7,719
Carrying amount			
IT equipment	605	983	798
Education resources	0	215	660
Library materials	0	0	0
Furniture & fittings	2,411	1,551	1,146
Motor vehicles	309	420	277
Art	33	33	33
Plant and Equipment	30	203	50
Work in progress	319	0	182
	3,707	3,405	3,146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

23. PROPERTY, PLANT & EQUIPMENT

	COST 31/12/07	ACCUMULATED DEPRECIATION 31/12/07	CARRYING AMOUNT 31/12/07	CURRENT YEAR ADDITIONS
2008				
IT Equipment	4,500	(3,702)	798	331
Education Resources	2,197	(1,537)	660	0
Library Materials	763	(763)	0	0
Furniture & fittings	2,041	(883)	1,158	1,771
Motor Vehicles	429	(152)	277	125
Art	35	(2)	33	0
Plant and Equipment	731	(681)	50	7
	10,696	(7,720)	2,976	2,234
Work in progress				
TOTAL PROPERTY, PLANT & EQUIPMENT				

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

THE CURRENT VALUATION OF ARTWORK HAS BEEN COMPLETED BY CHRISTOPHER MOORE GALLERY ON 25 NOVEMBER 2005. THE VALUER IS COMPLETELY INDEPENDENT AND NOT ASSOCIATED WITH THE SCHOOL IN ANY WAY.

CURRENT YEAR DISPOSALS	CURRENT YEAR DEPRECIATION	DISPOSAL DEPRECIATION IN PERIOD	COST 31/12/08	ACCUMULATED DEPRECIATION 31/12/08	CARRYING AMOUNT 31/12/08
(623)	(524)	(623)	4,208	(3,603)	605
(2,197)	(446)	(1,983)	0	0	0
0	0	0	763	(763)	0
(198)	(502)	(182)	3,614	(1,203)	2,411
0	(93)	0	554	(245)	309
0	0	0	35	(2)	33
(27)	(27)	(27)	711	(681)	30
(3,045)	(1,592)	(2,815)	9,885	(6,497)	3,388
					319
					3,707

CURRENT YEAR DISPOSALS	CURRENT YEAR DEPRECIATION	DISPOSAL DEPRECIATION IN PERIOD	COST 31/12/07	ACCUMULATED DEPRECIATION 31/12/07	CARRYING AMOUNT 31/12/07
(1)	(493)	0	4,500	(3,702)	798
0	(446)	0	2,197	(1,537)	660
0	0	0	763	(763)	0
(14)	(161)	0	2,029	(883)	1,146
0	(76)	0	429	(152)	277
0	0	0	35	(2)	33
(5)	(29)	0	731	(681)	50
(20)	(1,205)	0	10,684	(7,720)	2,964
					182
					3,146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

24. INTANGIBLE ASSETS

	ACQUISITION COST 31/12/07	ACCUMULATED AMORTISATION 31/12/07	CARRYING AMOUNT 31/12/07	CURRENT YEAR ADDITIONS
2008				
Intangibles – Acquired	798	(765)	33	41
Intangibles – Internally generated	5,115	(4,973)	142	0
	5,913	(5,738)	175	41
Work in progress				
TOTAL INTANGIBLES				

	ACQUISITION COST 31/12/06	ACCUMULATED AMORTISATION 31/12/06	CARRYING AMOUNT 31/12/06	CURRENT YEAR ADDITIONS
2007				
Intangibles – Acquired	798	(628)	170	0
Intangibles – Internally generated	5,115	(4,296)	819	0
	5,913	(4,924)	989	0
Work in progress				
TOTAL INTANGIBLES				

CURRENT YEAR DISPOSALS	DISPOSAL AMORTISATION IN PERIOD	CURRENT YEAR AMORTISATION	COST 31/12/08	ACCUMULATED AMORTISATION 31/12/08	CARRYING AMOUNT 31/12/08
(20)	(20)	(38)	819	(783)	36
0	0	(142)	5,115	(5,115)	0
(20)	(20)	(180)	5,934	(5,898)	36
					146
					182

CURRENT YEAR DISPOSALS	DISPOSAL AMORTISATION IN PERIOD	CURRENT YEAR AMORTISATION	COST 31/12/07	ACCUMULATED AMORTISATION 31/12/07	CARRYING AMOUNT 31/12/07
0	0	(137)	798	(765)	33
0	0	(677)	5,115	(4,973)	142
0	0	(814)	5,913	(5,738)	175
					60
					235

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

25. MONEY HELD IN TRUST

	2008 ACTUAL \$000	2007 ACTUAL \$000
Receipts		
Interest	3	2
Other	0	1
	3	3
Payments		
Prizes	0	0
Other	0	0
	0	0
Excess of receipts over payments	3	3
Movement Summary		
Balance 1 January	47	44
Transfer of general funds to school account	0	0
Plus excess of receipts over payments	3	3
	50	47
Represented by:		
Deposit at Westpac Bank	50	47
Reimbursement due from/(to) school bank account	0	0
	50	47

26. EQUITY

	RETAINED EARNINGS	MONEY HELD IN TRUST	ASSET REVALUATION	TOTAL EQUITY
OPENING BALANCE	12,926	47	10	12,983
Surplus for the year	2,934	0	0	2,934
Trust account revenue	0	3	0	3
Trust account expenditure	0	0	0	0
Transfer of funds to school account	0	0	0	0
Total recognised revenues & expenses	2,934	3	0	2,937
CLOSING BALANCE	15,860	50	10	15,920

27. RECONCILIATION OF NET OPERATING SURPLUS WITH OPERATING CASH FLOW

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
Net Surplus (Deficit) From Operations	2,934	863	2,642
Non Cash Items			
Depreciation	1,772	2,130	2,025
Discount unwind on provisions	21		
Asset Write-off	215	0	0
Inventory Write-off	(30)	0	27
Long Service Leave and Retirement Leave	(5)	0	5
Total	4,907	2,993	4,699
Movements in Working Capital			
Decrease/(Increase) In Assets			
Accounts receivable – Debtors	(48)	0	(221)
Prepayments	111	0	59
Inventory	(30)	0	(136)
Increase/(Decrease) In Liabilities			
GST Owing	(62)	(287)	(180)
MOE Viability Funding	0	0	0
Creditors & Accruals	622	863	727
Revenue in Advance & MoE Payables	(181)	628	(2,142)
Total	412	1,204	(1,893)
Items classified as investing activities			
Gain/Loss on sale of assets	(1)	0	(1)
Net cash from operating activities	5,318	4,197	2,805

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

28. 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.

	2008 ACTUAL \$000	2008 BUDGET \$000	2007 ACTUAL \$000
TOTAL VALUE	119	114	115
THE FOLLOWING FEES WERE EARNED BY MEMBERS OF THE BOARD DURING THE YEAR.			
P McKelvey (chairperson, appointed 10 April 2006)	28	28	27
I McKinnon (resigned March 08)	4	5	14
R Ballard (appointed April 06)	18	18	18
C Hague (resigned March 08)	4	4	14
P Schaverien (resigned March 08)	5	4	14
R Taylor (appointed April 06)	15	14	14
R Drummond (appointed April 06)	15	14	14
N Parata (appointed April 08)	10	9	0
W Bainbridge (appointed April 08)	10	9	0
C Moffatt (appointed April 08)	10	9	0
	119	114	115

29. KEY MANAGEMENT PERSONNEL

	2008 ACTUAL \$000	2007 ACTUAL \$000
Salaries and other short-term employee benefits	\$921	\$802

Key management personnel include the Chief Executive, the four other members of the Senior Leadership Team, and the Board.

	2008 SALARY \$000	2008 BENEFITS \$000	ACTUAL SEVERANCE \$000
PRINCIPAL'S REMUNERATION (CEO)			
Year 2008			
Principal	220-230	0	0
Year 2007			
Principal	200-210	0	0

30. EMPLOYEES OVER \$100,000 REMUNERATION

	2008 ACTUAL	2007 ACTUAL
EXCLUDING PRINCIPAL'S REMUNERATION		
Number of employees in \$100,000 – \$110,000	6	2
Number of employees in \$110,000 – \$120,000	2	2
Number of employees in \$120,000 – \$130,000	2	1
Number of employees in \$130,000 – \$140,000	2	2
Number of employees in \$140,000 – \$150,000	0	1
Number of employees in \$160,000 – \$170,000	1	0
TOTAL VALUE OF REMUNERATION (\$000)	1,547	\$979

31. EXIT COSTS

	2008 ACTUAL \$000	2008 NUMBER OF EMPLOYEES	2007 ACTUAL \$000	2007 NUMBER OF EMPLOYEES
Compensation and other benefits upon leaving	443	12	134	4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

32. EXPLANATION OF MAJOR VARIANCES

Explanations for major variances from the School's budgeted figures for 2008 are as follows:

STATEMENT OF FINANCIAL PERFORMANCE

- Government Funding exceeded budget for the year due to a higher than expected number of students and an increase in funding received per student. Total EFT's for 2008 were 7138, Budget 5965 – an increase of 19.67%. Actual \$38.069m, Budget \$33.933m.
- Operating costs exceeded budget due to the increase in student numbers affecting the cost of student resource, further costs involved in relocation of teams within the school, and maintenance projects for the school including painting of school. Actual \$9.896m, Budget \$8.103m.

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 \$13.321m, Budget \$9.559m.
- Accounts receivable is higher than budget due to the Government funding owing but not yet received at year end. Actual \$2.359m, Budget \$0.260m.
- Non-current assets are lower than budget due to delays in asset replacement program, in particular the replacement of key student management and learning management systems. Actual \$3.889m, Budget \$8.921m.

STATEMENT OF MOVEMENTS IN EQUITY

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

33. 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 arms length basis. These transactions are not separately disclosed because they are conducted on an arms 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 \$565 with balance outstanding at year end of nil. (2007: cost \$830; balance outstanding at year end nil).

During the year the School purchased services from Massey University, a provider of education courses and teaching resource material, of which Board of Trustees member Dr Russell Ballard is Chancellor. These services were supplied on normal commercial terms at a cost of \$2,812 with balance outstanding at year end nil. (2007: cost \$2,096; 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 \$13,039 with balance outstanding at year end of \$830. (2007: cost \$14,135; balance outstanding at year end nil).

During the year the School purchased services from CORE Education Limited, a provider of education courses and teaching resource material, of which Board of Trustees member Carol Moffatt is a director. These services were supplied on normal commercial terms at a cost of \$12,274 with a nil outstanding balance at year end. (2007: cost \$9,990; balance outstanding at year end nil.)

During the year the School purchased services from Victoria University, a provider of education courses and teaching resource material, of which Board of Trustees Chair Patricia McKelvey is a council member. These services were supplied on normal commercial terms at a cost of \$18,810 with an outstanding balance at year end of \$6,438. (2007: cost \$30,125; balance outstanding at year end \$6,188).

During the year the School purchased services from Cognition Consulting Limited, a convenor of symposiums, of which Board of Trustees member Carol Moffatt is a director. These services were supplied on normal commercial terms at a cost of \$338 with a nil outstanding balance at year end. (2007: cost nil, balance outstanding at year end nil).

During the year the School purchased services from Kete Pumawa Solutions, a provider of recruitment services, in which the CEO's son is an employee. These services were supplied on normal commercial terms at a cost of \$29,694 with an outstanding balance at year end of \$13,156. (2007: cost nil, balance outstanding at year end nil).

34. EVENTS AFTER THE BALANCE SHEET DATE

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

35. 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 revenue 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:

	2008 ACTUAL \$000	2007 ACTUAL \$000
Westpac Bank Limited	5,952	3,206
ANZ National Bank of New Zealand	3,849	3,400
Kiwibank	3,520	3,400
	13,321	10,006

AUDIT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008



TO THE READERS OF THE CORRESPONDENCE SCHOOL'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

The Auditor-General is the auditor of The Correspondence School (the School). The Auditor-General has appointed me, Phil Kennerley, 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 2008.

UNQUALIFIED OPINION

In our opinion the financial statements of the School on pages 28 to 60:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the School's financial position as at 31 December 2008; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 27 April 2009 and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board 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 2008. 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.



Phil Kennerley
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

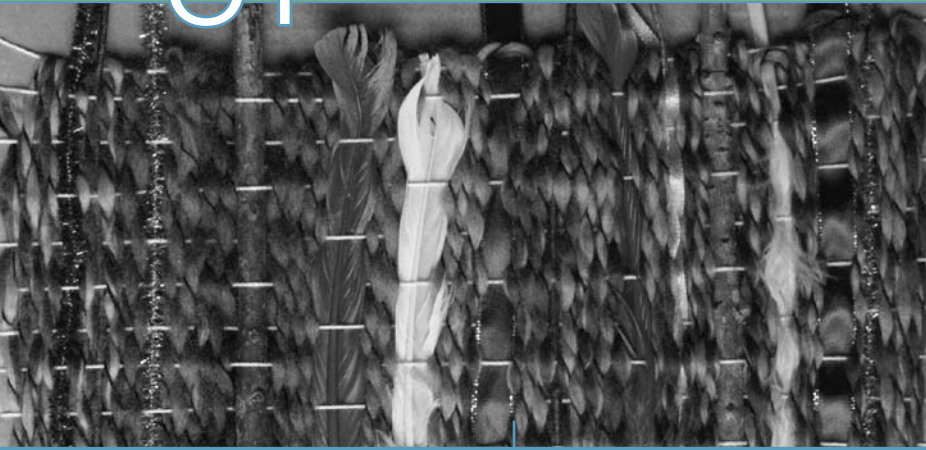
**MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF
THE AUDITED FINANCIAL STATEMENTS**

This audit report relates to the financial statements of The Correspondence School (the School) for the year ended 31 December 2008 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 27 April 2009 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.

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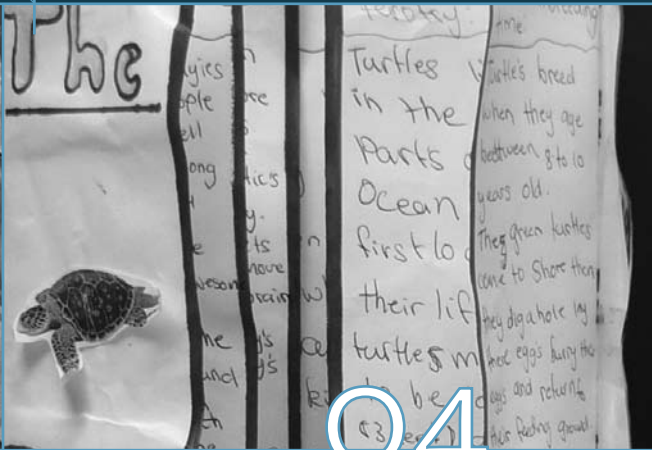
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ANNUAL REPORT



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