

11 FEB 2010

SIX-MONTHLY REPORT TO THE SHAREHOLDING MINISTERS
FROM THE BOARD OF LEARNING MEDIA LIMITED
TE POU TAKI KŌRERO

2009–10

1 July to 31 December 2009

Overview

Learning Media is required “to provide, pursuant to contracts with the Secretary, the basic material and services necessary to support the national educational guidelines” (within the meaning of Section 60 of the Education Act 1989). As a state-owned enterprise, Learning Media is also required to be profitable.

In the first half of the financial year, the company is ahead of forecast revenue and net profit before tax by \$1.8m and \$1.5m respectively.

During this half-year, Learning Media has continued to make a significant contribution to New Zealand education through its publishing and professional development contracts with the Ministry of Education, the Ministry of Health, education providers, and other government agencies. It has worked closely with the Ministry of Education on the development and delivery of the Government’s National Standards for literacy and numeracy, on assessment materials for the National Certificate of Educational Achievement (NCEA), and on ongoing professional development of teachers.

Learning Media’s contract to manage the public health education resources of the Ministry of Health has been extended for a further two years, and the company has developed adult literacy resources for the Tertiary Education Commission.

Learning Media has also completed work on a significant project for major US publisher McGraw-Hill, and on a smaller project to produce resources for Nelson Education Canada.

Financial Performance (\$000s)	Actual (YTD)	Plan (YTD)
Revenue	12,825	10,972
Gross Profit	5,192	3,824
Expenses	3,483	3,670
Net Profit before tax	1,709	155

The financial result for the first half of this financial year is ahead of plan by \$1.85m, with a before-tax profit of \$1.7m against a planned \$0.155m profit. A considerable component of this result is a one-off contribution from international contracts.

Non-financial Performance Measures

In its Statement of Corporate Intent 2009–2012, Learning Media has adopted the following non-financial performance measures, which are listed below together with their achievement to date.

	Year to Date
Customer Satisfaction	The company is currently setting a series of benchmarks for customer satisfaction related to project completion.
Staff Satisfaction	For this measure, the results of the annual JRA Best Workplaces Survey will be used, which takes place in July each year.
Productive Use of Human Capital <i>(revenue per FTE)</i>	As at the end of December, the monthly revenue per FTE (12-month rolling average) was \$22,301 compared to a forecast of \$18,765. This enhanced result is due in part to significant revenue from non-recurring projects.
Contribution to Learning <i>(number of half-days spent by LML staff in schools)</i>	Learning Media staff spent 1,492 half-days in schools during the six months, facilitating teacher professional development and trialling and researching the impact of educational materials.

New Zealand Business

The company has a sound New Zealand business based on: its primary contract with the Ministry of Education; its contract to publish the Ministry of Health's public health education resources; and its contracts with other clients in the health, tertiary education, not-for-profit, and corporate sectors to produce information and curriculum-aligned materials.

Ministry of Education

Learning Media's work for the Ministry of Education continues to be the most important component of the company's business, particularly in the areas of literacy, numeracy, and the professional development of teachers.

Of the seventy-two projects for the Ministry during the period, key projects included:

- The final National Standards for reading, writing, and mathematics, plus support materials for leaders, boards of trustees, and teachers. The standards and their accompanying illustrations were published and distributed to all schools in November, and a set of self-review tools for boards of trustees, leaders, and teachers was published online in December.
- *He Kōpaki Hangarau*, a set of te reo resources based on the hangarau (technology) learning area of *Te Marautanga o Aotearoa*¹ for year 11 students and with links to Level 1 NCEA. The set comprises five student books, one set of teachers' notes, and one DVD.
- Development of the Sounds and Words website, a sub-site of Literacy Online at <http://soundsandwords.tki.org.nz>. This site is designed to support teachers and students learning about phonological awareness and spelling.
- The redeveloped New Zealand Curriculum Guides for Senior Secondary site, at <http://seniorsecondary.tki.org.nz>

¹ The Māori-medium curriculum is the partner document to *The New Zealand Curriculum*.

- The online publication of *Improving Learning for All: Learning from the Literacy Professional Development Project (LPDP)*, a group of research reports targeted at literacy educators. These reports, which summarise research on the key outcomes of the successful Literacy Professional Development Project, are available on Literacy Online at <http://literacyonline.tki.org.nz/Literacy-Online/Community/Literacy-Online-update/LPDP>

Other clients

Learning Media works on an ongoing basis with the Ministry of Health and the National Screening Unit. The company is also a preferred supplier for the Tertiary Education Commission's Building Sector Capability: Workforce Numeracy and Literacy programme.

Learning Media's contract with the Ministry of Health to manage its health education resources has been extended for a further two years, and the company has secured an additional contract to redevelop the Ministry's health education website, at <http://www.healthed.govt.nz>

A new contract has been signed with the Tertiary Education Commission to develop adult literacy resources for learners on the lowest level of TEC's adult literacy learning progressions.

International Business

During the first quarter, work was completed on the final components of Learning Media's contract for part of the McGraw-Hill cross-grade literacy programme. The contract with Nelson Education Canada to produce Guided and Independent Reading Kits was also completed in this period. Learning Media secured another contract with Nelson to produce a Kindergarten Core Literacy resource; this work is under way and will be completed in the third quarter of the financial year.

Learning Media also signed an agreement with its Canadian licensee Chenelière

Éducation for the adaptation and translation of the Dragonflies series into French.

Corporate Matters

Samford (Sandy) Maier Jr was appointed as the new Chair of Learning Media's Board of Directors, with effect from 1 September 2009.

On 25 September 2009, Audit NZ issued an unqualified opinion on the financial statements of the company for the year ending 30 June 2009. Learning Media's Annual Report 2009 was tabled in Parliament on 9 October 2009.

Financial Statements Half Year to 31 Dec 2008

Statement of Financial Performance

for the six months ended 31 December 2008	2008 6 mths \$000s	2007 6 mths \$000s
Operating revenue	10,100	9,680
EBIT (Loss)	4	(1,288)
Interest	0.4	76
Taxation (credit)/expense	-	-
Net surplus/(deficit) after taxation	3	(1,364)

Statement of Financial Position

as at 31 December 2008	2008 \$000s	2007 \$000s
Total Equity	2,484	4,320
Assets		
Bank balances and deposits	1,123	(172)
Debtors and prepayments	1,294	2,937
Income tax receivable	34	535
Stocks and work in progress	1,325	4,311
Total current assets	3,777	7,610
Fixed assets	1,837	2,336
Development costs	-	2,382
Other Term Assets	38	223
Total non-current assets	1,875	4,940
Total assets	5,651	12,550
Liabilities		
Provision for dividend	-	88
Creditors and accruals	1,643	1,513
Provision - staff liabilities	443	575
Loan	-	1,640
Revenue in advance	2,080	3,953
Total current liabilities	4,166	7,770
Deferred tax	(999)	461
Total non-current liabilities	(999)	461
Total Liabilities	3,168	8,231
Net assets	2,484	4,320

Statement of Cash Flows

for the six months ended 31 December 2008	2008 6 mths \$000s	2007 6 mths \$000s
Cash flows from/used in operating activities		
Received from customers	12,806	14,924
Interest received	68	6
Disbursed to suppliers and employees	(11,663)	(14,304)
Interest paid	(0)	(76)
GST refund/(paid)	(430)	(527)
Tax refund/(paid)	501	-
Net cash flows from operating activities	1,282	22
Cash flows from/used in investing activities		
Purchase of fixed assets	(136)	(355)
Net cash flows used in investing activities	(136)	(355)
Cash flows from/used in financing activities		
Distribution to shareholders	-	-
Net movement from loan arrangements	(300)	125
Net cash flows from financing activities	(300)	125
Net increase/(decrease) in cash	846	(208)
Opening bank balances and deposits	277	36
Closing bank balances and deposits	1,123	(172)