

# Statement of Corporate Intent

2011–2014







This statement is prepared in accordance with section 14 of the State-Owned Enterprises Act 1986 (the Act).

## Business description

Learning Media provides world-class support for effective teaching and learning to solve the biggest issues in health and education.

The company's vision is *Learning that makes a difference*.

At the heart of the company is an understanding of teaching and learning and how effective resources enable effective teaching practice. This understanding can be applied to all learning situations.

As a State-Owned Enterprise Learning Media has social and Crown obligations to be a good employer, demonstrate social responsibility, and meet its legislated requirement to support the National Education Guidelines.

Originally the School Publications branch of the Department of Education, Learning Media became a Crown-owned company in 1993 and a State-Owned Enterprise in 2005.

In April 2011, the company made a strategic acquisition of CWA New Media to increase its capabilities and revenue base in the area of digital resources and educational website development.

## Business activities

Learning Media aspires to be a multiple media, multicultural learning products and services company. It derives revenue through its publishing work for the Ministries of Education and Health, domestic educational publishing, professional development, and export products and services.

While publishing and professional development are core services, the company also offers consultancy advice drawing upon its intellectual property, literacy, and curriculum expertise. Learning Media operates nationally and internationally and creates strategic partnerships to access new resources and capability as needed.

Key business activities include:

1. *Supporting the New Zealand government's goals for education*

The company provides services to the Ministry of Education, including professional development and the creation of classroom materials for schools.

2. *Providing educational services to other New Zealand government organisations and corporates*

The company offers consultancy, resource development, and professional development services to the wider education and health sectors.

3. *Exporting products and services to offshore clients*

The company markets its own products and bids for discrete service contracts from corporates and governments.



# Objectives and obligations

Learning Media’s principal objective, as set out in the State-Owned Enterprises Act, is to operate as a successful business, and to be:

- As profitable and efficient as a comparable business not owned by the Crown;
- A good employer; and
- An organisation that exhibits a sense of social responsibility, by having regard to the interests of the community in which it operates, and by endeavouring to accommodate or encourage these when able to do so.

Learning Media has a unique additional objective, as set out in section 331 of the Education Act 1993, establishing its role as a strategic partner to the Ministry of Education and its responsibility “to provide, pursuant to contracts with the Secretary (of Education), the basic materials and services necessary to support the National Education Guidelines.”<sup>1</sup>

As a major publisher of te reo Māori resources and as a State-Owned Enterprise, Learning Media recognises its obligation to operate in a manner consistent with the principles of the Treaty of Waitangi. Learning Media is guided in its effective application of the Treaty principles and the Crown Principles of Partnership by its alignment to key government goals and outcomes for education in New Zealand and by working alongside the Ministry of Education.

# Corporate responsibility

Learning Media’s commitment to corporate responsibility is:

- To be a good employer, committed to maintaining a qualified, motivated, and competent workforce, to treating our people fairly and with respect, and to providing healthy and safe working conditions;
- To deliver to our customers what we have promised and to communicate with them so we better understand their requirements;
- To minimise adverse impacts on the environment from our print and other production operations, by adopting and requiring our suppliers to follow recognised sustainability practices for print and packaging; and
- To contribute actively to and participate in communities that support effective learning.

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<sup>1</sup> (within the meaning of section 60 of the [Education] Act)



# Performance targets and measures

Financial Performance measures	2009/10 actual	2010/11 forecast	2011/12 plan	2012/13 plan	2013/14 plan
Total revenue	24,019	20,311	30,673	32,250	34,000
Revenue per FTE	221	176	204	215	227
Net profit after tax	1,540	332	885	1,000	1,300
<b>Dividend payment **</b>	-	150	530	650	900
<b>Dividend yield</b>	-	1%	4%	5%	7%
<b>Dividend payout</b>	-	-5%	38%	40%	63%
Total Shareholder Return		59%	3%	4%	5%
Return on equity	32%	6%	16%	18%	21%
Return on equity adjusted for IFRS*	32%	6%	16%	18%	21%
Return on capital employed	41%	0%	14%	15%	19%
Operating margin	10%	2%	5%	5%	6%
Gearing ratio	-	-	-	-	-
Interest cover	-	-	-	-	-
Solvency	1.5	1.5	1.5	2.5	2.3

\* Adjusted for IFRS fair value movements and asset revaluations.

\*\* Dividend payments for the next two years are lower than the target level as the company consolidates its position and builds sustainable profits.

*Note:* The 2009/10 year result includes one-off revenues and profits from a large international contract. The 2011/12 and out years include contributions resulting from the acquisition of CWA New Media.

Non-Financial Performance measures	2009/10 actual	2010/11 forecast	2011/12 plan	2012/13 plan	2013/14 plan
<b>Good employer</b>					
Staff satisfaction	71.2%	70%	72%	75%	75%
<b>Support National Educational Guidelines</b>					
Ministry of Education project satisfaction score	87.5%	90%	92%	92%	92%
<b>Contribution to learning communities</b>					
Staff days in schools	1,107	1,500	1,000	1,200	1,200
<b>Environmental sustainability</b>					
Sustainable print & packaging (Govt3 compliance)	95%	95%	95%	95%	95%

## 2011/12 strategies

In 2011/12, the company will focus on four themes that drive key business strategies, performance goals, and associated tactics:

### 1. Reputation

- Targeted sales and marketing activities
- Innovative products and services
- Global perspective on education issues

### 2. Relationships

- Stronger client and prospect relationships
- Broader network of contributors and associates
- Alliances and partnerships

### 3. Capability

- Increased commercial focus
- Nimble response
- New expertise and depth

### 4. Performance

- Improved customer satisfaction
- Competitive bid success
- Quality financial results.

## Capital structure

Learning Media was incorporated in July 1993 with an authorised and paid-up share capital of 1.2 million ordinary shares. The Board of Directors annually reassess the capital structure of the company to ensure that it is appropriate for the needs of the business, retains financial flexibility, and considers shareholder expectations. Based on the nature of the business and current business strategy, the Board considers that a current proprietary ratio within 45 percent to 60 percent is appropriate. The balance sheet is structured around the short-term working capital and does not consider long-term debt to be appropriate at this stage. This will be kept under review.

The company's proprietorship ratio (measured as targets for the next three years) is as follows:

	2011/12	2012/13	2013/14
Proprietorship Ratio	57%	58%	55%
Gearing	0%	0%	0%

The forecast capital structure considers the company's planned capital expenditure, which is as follows:

	2011/12	2012/13	2013/14
Capital Expenditure	\$750k	\$500k	\$500k

## Commercial value of the Crown's investment

The Board's estimate of the current commercial value of the Crown's investment in Learning Media is \$16.5 million. The value represents the midpoint of a valuation range of \$13.5 to \$19.5 million. The range reflects different estimates of the expected operating profits beyond the explicit forecast period of 3 years.

Key points about the manner in which that value was assessed are:

- The value date was 30 June 2011.
- The discounted cash flow methodology was used to calculate a Net Present Value of the company on an after-tax basis.
- An enterprise value of \$19.7 million was estimated and the net debt, including non-capitalised operating leases, of \$3.2 million was deducted to determine the Crown's Commercial or Equity value of \$16.5 million.
- The valuation was based on the nominal future cash flows set out in Learning Media's business plan. The midpoint terminal valuation was based on a return of plus 1.7% above cost of capital beyond 2014. The growth assumption assumed in the terminal value was zero.



- A cost of capital rate of 7.6% was assumed.
- The valuation was prepared internally by the finance team, and was externally reviewed by Ireland, Wallace & Associates Limited prior to approval by the Board.

In assessing the commercial valuation of the company, it is important to note that the company has had a variable track record in the delivery of profits over recent years. The organisation is focused on achieving a sustainable profit based on its domestic business.

The valuation compares with a commercial value as at 30 June 2010 of \$10.5 million. The key reasons for the increase in value are:

- An increase in year 1 to year 3 profitability and net operating cash flows enhanced by the acquisition of CWA New Media offset by an increase in net capital and investment expenditure; and
- A change in the cost of capital assumed from 8.1% to 7.6% due to the decrease in the risk free rate. (Impact is approx \$1.5m).

#### Economic Value Added Analysis (EVA)

The EVA analysis has been undertaken in conjunction with the “Commercial Value of the Crown’s Investment in Learning Media Limited” as set out above. EVA measures an estimate of economic profit relative to the costs of capital invested in the business on a year by year basis. The expected returns on capital invested in the business by the Crown derived from the cash flow projections in the business plans are:

Year end 30 June	Expected return on capital
2012	8.5%
2013	7.6%
2014	9.0%

EVA is expected to be slightly positive indicating that the company is earning close to its cost of capital estimated to be 7.6%. Beyond 2014 the return above cost of capital is assumed to be plus 1.7%.

The operating capital in the business includes reinstating the significant inventory and development asset write-offs in prior years and present value of non-capitalised operating leases.

## Dividend policy

The company expects to pay an annual dividend of approximately 65% of the Net Profit after taxation adjusted for non-cash expenditure. The directors will determine the actual level of dividend each year in light of the circumstances that exist.

The Directors will, where possible, pay an interim dividend in March each year, based on the six months results to 31 December, and a final dividend in September each year based on the results for the second six months of the financial year.

In recommending dividend payments the company will follow the requirements of the Companies Act 1993 and Sections 13 and 15 of the State-Owned Enterprises Act 1986. The actual dividend payments are subject to review by the Directors of Learning Media taking into account:

- working capital requirements;
- the level of deferred income from contracts;
- the capital expenditure programme;
- certainty of major client contract revenues;
- the financial structure of the business; and
- gearing and banking covenants.

## Accounting policies

The company has adopted the accounting policies recognised by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of profit, cash flows, movements in equity, and financial position. Details of the accounting policies and their application are contained in *Appendix 2*.

## Consultation thresholds

*Share Acquisition:* Learning Media will not subscribe for, purchase, or otherwise acquire or dispose of shares and investments in any company or organisation without first consulting the Shareholding Ministers.

*Trading Subsidiaries:* Learning Media does not have any trading subsidiaries. As the pursuit of mergers and acquisitions present a viable strategy for future growth, any acquisitions or disposals will be carried out under the following procedures:

- Evaluation by the Board of Directors after taking into account such advice as they consider appropriate on the risk and return;
- Assessment by the Board of Directors of the contribution to the nature and scope of the activities of Learning Media; and
- Consultation with Shareholding Ministers.

*Capital Expenditure/Disposals:* Learning Media will not undertake any major capital expenditure or disposal of the company's major assets without consulting the Shareholding Ministers. Capital expenditure beyond routine replacement of assets will be authorised by the Board via the annual business plan or through the year based on an individual business case.

*Proposals:* Learning Media will consult the Shareholding Ministers on proposals that are strategically significant to the company's direction, materially increase the company's risk profile, affect this Statement of Corporate Intent, and/or have a public policy dimension.

## Compensation from Shareholding Ministers

In accordance with section 7 of the State-Owned Enterprises Act 1986, Learning Media reserves the right to seek compensation to provide any necessary service where the company is constrained from acting in a normal, business-like manner.

## Reporting to Shareholding Ministers

The following information will be provided to the Shareholding Ministers:

- A Business Plan and Statement of Corporate Intent will be provided prior to the start of each financial year. Any subsequent material revision of the plan by the company will be advised to the Shareholding Ministers;
- An Annual Report will be provided within three months of the end of the financial year reporting on the achievement of the objectives and targets set out in this Statement of Corporate Intent;
- The half-yearly report submitted in accordance with section 16 of the State-Owned Enterprises Act 1986 will include unaudited statements of financial performance, financial position, and cash flows, as well as such details as are necessary to permit an informed assessment of the company's performance during that reporting period;
- Quarterly reports to the Shareholding Ministers will include unaudited statements of financial performance, financial position, and cash flows, as well as such details as are necessary to permit an informed assessment of the company's performance during that quarter; and
- In accordance with section 18 of the State-Owned Enterprises Act 1986, the company will provide other information as requested by the Shareholding Ministers.



# Appendix 1

## Subsidiary and associated companies

The following provisions will apply to any subsidiary or associated company that Learning Media has interests in.

1. Learning Media will ensure at all times that:

- Control of the affairs of every subsidiary of Learning Media is exercised by a majority of the directors appointed by Learning Media;
- A majority of the directors of every subsidiary of Learning Media are persons who are also directors or employees of Learning Media or who have been approved by the Shareholding Ministers for appointment as directors of the subsidiary;
- Without the prior consent of the Shareholding Ministers, neither Learning Media nor any subsidiary of Learning Media shall sell or otherwise dispose of, whether by a single transaction or by any series of transactions and whether by a sale of assets or shares, the whole or any substantial part of the business or undertaking of Learning Media and its subsidiaries (taken as a whole).

2. Should Learning Media or its subsidiaries hold 20 percent or more of the shares in any company or other body corporate (not being a subsidiary of Learning Media), they will not sell or dispose of any shares in that company without first giving written notice to the Shareholding Ministers of the intended disposal.

*Note:* The terms “share”, “Shareholding Ministers”, and “subsidiary” have the same meaning as in section 2 of the State-owned Enterprises Act 1986.

# Appendix 2

## Significant accounting policies

Learning Media’s accounting policies are disclosed annually in the Annual Report, and this includes the notification of any changes from the previous year. The following accounting policies were applied in the year to 30 June 2010 and were disclosed in the Annual Report for that year.

### a) Cash and cash equivalents

Cash and cash equivalents include cash in bank and in hand, and deposits held at call with banks with original maturities of up to three months and are measured at their face value.

### b) Trade and other receivables

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

Impairment of a receivable is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the receivable, probability that the receivable will enter into bankruptcy, and default in payments are considered indicators that the receivable is impaired.

The amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

When the receivable is uncollectable, it is written off against the allowance account for receivables and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

### c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The replacement cost of the economic benefits of inventory held for distribution reflects any obsolescence or any other impairment.

The write-down from cost to current replacement cost is recognised in the statement of comprehensive income in the period when the write-down occurs.

#### d) Property, plant and equipment

Property, plant and equipment asset classes consist of leasehold improvements, computer and electronic equipment, and furniture and fittings.

##### *Additions*

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

Items of property, plant, and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### *Disposals*

Gains and losses on disposals of an item of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

##### *Subsequent costs*

Costs incurred subsequent to initial recognition of property, plant, and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant, and equipment are recognised in the statement of comprehensive income as incurred.

##### *Depreciation*

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Plant and equipment	up to 5 years	20%
Electronic data processing equipment	up to 4 years	25%
Furniture and fittings	up to 10 years	10%
Building refit	up to 9 years	11%

Building refit is depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. Depreciation methods, useful lives, and residual values are reassessed at the reporting date.

#### e) Intangible assets

Intangible assets are comprised of development costs, computer software and website costs. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.



### *Development costs*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved publications. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for publication. Other development expenditure is recognised in the statement of comprehensive income when incurred.

Development costs are reviewed annually and are amortised evenly over a period of sixty months if a future market is evident.

### *Computer software and website costs*

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

Costs that are directly associated with the development of software for internal use by the Company, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised in the statement of comprehensive income when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Website development costs are capitalised to the extent that they will generate future probable economic benefits that can be reliably measured, such as direct revenues from enabling orders to be placed. All other website development costs are recognised as an expense when incurred.

### *Amortised rates*

Intangible assets are amortised on a straight-line basis based on their estimated useful lives as follows:

Computer software	3 years	33%
Website	3 years	33%

Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised.

### **f) Impairment of property, plant and equipment and intangible assets**

Property, plant and equipment and intangible 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 of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Company would, if deprived of the asset, replace its remaining future economic benefits.

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 and the write-down is recognised in the statement of comprehensive income.

### **g) Trade and other payables**

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

## h) Employee entitlements

### *Short-term employee entitlements*

Employee entitlements that the Company expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken at balance date and expected to be settled within 12 months.

The company recognises a liability and an expense for bonuses where it is contractually obliged to pay them.

## i) Superannuation schemes

### *Defined contribution schemes*

Obligations for contributions to superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the statement of comprehensive income as incurred.

The schemes currently operating in this way at the Company are Westpac Retirement Fund, KiwiSaver and the Government Superannuation Fund (GSF).

## j) Borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments. Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowing costs – borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

## k) Revenue

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

### *Goods sold*

Revenue from the sale of goods is recognised net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

### *Publishing contracts*

As soon as the outcome of a publishing contract can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract, plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to labour hours incurred to date compared with total estimated labour hours for the contract. When the outcome of a publishing contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

### *Services*

Revenue and associated expenses from professional development training contracts are recognised in the statement of comprehensive income when services are performed in proportion to the stage of completion of the contract at the reporting date.

The stage of completion is assessed by reference to labour costs, materials and service costs incurred to date compared with total estimated costs for the contract. When the outcome of a services contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

### *Contract work in progress*

Work in progress is stated as the aggregate of contract costs incurred to date, plus recognised profits, less recognised losses and progress billings. Cost includes all expenditure related directly to specific projects



and an allocation of fixed and variable overheads incurred in the Company's contract activities. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented as deferred income within current liabilities.

#### *Royalty income*

Royalty income is recognised on an accrual basis, in accordance with the substance of each relevant agreement, and only when it is probable that the benefits will flow to the Company.

#### *Finance income*

Finance income comprises interest income on cash in bank, foreign currency gains and gains on foreign currency transactions.

#### *Interest income*

Interest income is recognised using the effective interest method.

#### *Rental income*

Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term.

### **l) Operating leases**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

### **m) Intellectual property**

No value is ascribed in the statement of financial position to intellectual property assets. The revenue received from the use of intellectual property assets is recognised when earned, and the costs incurred in the maintenance of intellectual property assets are expensed when incurred.

### **n) Accounting for derivative financial instruments and foreign currency transactions**

The Company uses derivative financial instruments to cover its exposure to foreign exchange risk arising from its operational activities. The Company does not hold or issue these financial instruments for trading purposes. The Company has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the statement of comprehensive income.

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party, without retaining control of all the substantial risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

### **o) Goods and services tax**

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented 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 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.

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

Commitments and contingencies are disclosed exclusive of GST.

#### p) Income tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted, or substantively enacted, by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

#### q) Finance expenses

Finance expenses comprise interest expense on borrowings, foreign currency losses and losses on foreign currency transactions. Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest method.

#### r) Provisions

Provisions are recognised 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.

##### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the Company's obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

#### s) Investments

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired.

##### *Bank deposits*

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

# Learning Media Limited – Directory

## Directors

### Chair

Sandy Maier

### Members

Lindsay Corban  
Taria Tahana  
Kim Wicksteed  
Ben Irving

## Executive Team

### Chief Executive

David Glover

### Chief Operating Officer

Stuart Allan (Acting)

### General Manager Publishing

Kirsty Farquharson

### General Manager Consulting

Pam O'Connell

### Partnership Manager Ministry of Education

Darren Gammie

### Manager Māori Development

Pauline Waiti

### Manager Health Services

James Hodgson

### Manager Global Services and Products

Norman Isaacs

### CWA New Media

Jill Wilson  
David Copeland  
Kath Norton

## Auditor

Audit New Zealand, acting on behalf of the Controller and Auditor-General

## Banker

Westpac Banking Corporation

## Solicitors

Buddle Findlay Barristers and Solicitors, Wellington

DLA Piper Rudnick, USA

## Registered office

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# Learning that makes a difference



**Learning Media**  
Te Pou Taki Kōrero

[learningmedia.co.nz](http://learningmedia.co.nz)