

ETHIO

2007 ANNUAL REPORT





ETITO

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S I N E M E N T I N O C O N T I N E N T



ETITO WAS FORMED IN 1992 AS THE INDUSTRY TRAINING ORGANISATION FOR THE ELECTROTECHNOLOGY INDUSTRY. IN THE YEARS FOLLOWING, THE AMBULANCE, CONTACT CENTRE, FINANCIAL SERVICES, OFFENDER MANAGEMENT, TELECOMMUNICATIONS AND SECURITY INDUSTRIES WERE ADDED TO ETITO'S COVERAGE.

The primary stakeholders of ETITO are the industries it serves. It is predominantly funded by the New Zealand government through the Tertiary Education Commission [TEC]. Other income sources include the sale of goods and services both related to, and independent of, industry training. ETITO is mandated by the Industry Training Act and its Amendment to do the following for the industries in its coverage:

- Provide leadership on matters relating to skill and training needs.
- Set national skill standards and develop national qualifications for its industries.
- Arrange the delivery of training.

In addition, ETITO acts on behalf of its industries to:

- Promote ETITO industries as career choices.
- Provide consulting services through ETITO Consulting Limited.
- Support government programmes such as Modern Apprenticeships and Gateway.



2007 CONTINUED TO BE A YEAR OF CHANGE FOR ETITO.

With government reform in the tertiary education sector, we have had to prepare the organisation to ensure that favourable outcomes for all of our stakeholders are maintained in a new policy and funding environment. From 2008, we will see closer monitoring by the Tertiary Education Commission [TEC], with increased interest in outcomes for trainees [measured in terms of credits and qualifications achieved], and heightened focus on the leadership role of ITOs and the dissemination of industry information to other parts of the tertiary sector.

At a stakeholder summit in May, we outlined how the TEC intended to give effect to these changes. For the most part, I believe that they are now understood and mark the beginning of a new era for ETITO.

Sound progress against plans on all fronts has been made during the year under review. We responded to member organisation requests for closer relationships and we have sharpened our focus on Board / Member communication. We will continue to work in 2008 to ensure that our members are well connected to the activity and plans of ETITO.

The Board has begun a review of the constitution that, in 2008, will be completed with member input. The purpose of this review is a constitution that provides for better two way channels for the exchange of information related to the industry training priorities of ETITO's industries, and the changing needs of ETITO.

During the year, ETITO continued to achieve growth in rates of participation and achievement of employees in the national training systems that we operate across our industries, and in late 2007, we

welcomed the financial services industry into the fold. In November, ETITO successfully completed its five-yearly re-recognition process with the TEC under the Industry Training Act, and has a renewed 'license to operate' for a further five year period in the ambulance, contact centre, electrotechnology, financial services, offender management, security and telecommunications industries. It is also pleasing to note that a significant external audit conducted by the New Zealand Qualification Authority into ETITO's quality assurance systems, was passed with flying colours.

Our Bright Sparks programme is still going strong. This activity is extremely important in encouraging young people to pursue careers in the hi-technology sectors in particular. The Board continues to view it as an integral part of our on-going operation.

Financially, ETITO is in a sound position. One of the most positive changes announced for us in 2007, was that our rate of funding is to be indexed to the Consumer Price Index [CPI] from 2009. This rate had been fixed with little change since 1998. The Board's policy of accumulating a healthy cash reserve to maintain the level of ETITO services in the face of peaks and troughs of demand and the risks of fluctuation in government funding, provides confidence that external influences will not risk the operation of the training systems in our industries. However, the needs and expectations of our industries are increasingly diverse and we do continue to expect funding, while being indexed to CPI, to come under continued pressure.

To this end, successive Boards have, over a number of years, promoted a strategy of generating returns from commercial activities that can be obtained without undue risk to the organisation. During 2007, ETITO Consulting Limited completed its first offshore contract for consulting services. This contract delivered solid returns and has attracted the support of New Zealand Trade and Enterprise who are working actively with us to pursue other similar opportunities.

I wish to thank my fellow Directors for their time and input to ETITO throughout the year. The organisation has its complexities and good governance doesn't happen without commitment and understanding. During the year we saw some changes in personnel around the Board table. Paul Graham resigned in early 2007 and Ray Pilley was elected to his seat. In the November Board elections, we lost the services of Jim Anderson after three years service as Director and audit committee member. I would like to thank both Paul and Jim for adding their knowledge and experience to the organisation. In 2008, we welcome Ian Butturini and Scott Carter to the Board and look forward to their active participation.

I want to acknowledge the time, energy, wisdom and commitment that continues to be contributed by hundreds of industry people to the many facets of ETITO's annual activity. From qualification reviews to industry research, from standards-writing to training systems design,



CHAIRMAN'S REPORT

your insights, experience and passion are hugely important and highly valued.

The success of any organisation is laid firmly at the feet of the people who work in it. I would like to congratulate Marilyn and her team at ETITO and thank them for their dedication to training in our industries. It is my pleasure to report that I receive much positive feedback from stakeholders on the quality of their work and the operation that is ETITO. The organisation is one that the Board continues to be proud of.

Without trained and skilled people, the future of New Zealand businesses would be bleak. We are experiencing a very tight labour market and many of our skilled staff continue to be lured offshore, something that we might expect to continue into the future. We must train and we must retrain. We must nurture core skills and develop new skills. We must be flexible and we must innovate.

ETITO makes a critical contribution to the success of New Zealand companies in the industries it serves. The organisation is committed to supporting the aspirations of these industries for their training systems. My vision, and that of the Board, is for an ever closer and collaborative effort between ETITO and our industries throughout 2008 and beyond. It is a vision that we invite you to share with us.

Brian Nowell
Chairman





“Without trained and skilled people, the future of New Zealand businesses would be bleak. We are experiencing a very tight labour market and many of our skilled staff continue to be lured offshore, something that we might expect to continue into the future. We must train and we must retrain. We must nurture core skills and develop new skills. We must be flexible and we must innovate.”

Brian Nowell





THE YEAR 2007 WAS A MOMENTOUS ONE FOR ETITO IN MANY RESPECTS. WE ENJOYED A SIGNIFICANT INCREASE IN GOVERNMENT FUNDING. WE TRAINED MORE PEOPLE THAN EVER BEFORE. WE BECAME THE INDUSTRY TRAINING ORGANISATION FOR THE FINANCIAL SERVICES INDUSTRY. WE PASSED TWO EXTERNAL AUDITS WITH FLYING COLOURS TO GAIN RE-RECOGNITION FROM THE MINISTER FOR A FURTHER FIVE YEARS. WE INCREASED STAFF NUMBERS AND INVESTED IN SYSTEM DEVELOPMENTS.

But probably most importantly, the year saw us paying particular attention to the aspirations of key stakeholders in our industries, and our ability to reconcile those with the goals of government, as they were revealed through the tertiary education reform process.

While the anticipated growth in apprentice and trainee numbers was not fully realised, record numbers both entered the training system and completed their qualifications. On a trainee heads basis, total registrations in 2007 increased to 12,300 from 11,294 in 2006.

The growth in trainee numbers and prudent financial management is reflected in the ETITO Statement of Financial Performance, which records attraction of 100% of the increased funding and an operating surplus greater than forecast. This surplus will be applied to uncompleted work in the financial services industry due to delays in achieving gazetted coverage for the industry, and to ETITO's cash reserve, a cushion against the impact of changes in funding levels and systems. As government funding contributes 87% of ETITO's revenue, the organisation is easily affected by changes in policy and practice by

the Tertiary Education Commission [TEC]. We are pleased to note however, that the \$1m industry cash contribution paid to ETITO is supplemented by a further \$7m of industry payments made directly to training providers for off-job training and enterprise based training activity. Non Industry Training Organisation [ITO] activities delivered through ETITO Consulting Limited, both at home and abroad, show a pleasing increased contribution to the group in 2007.

Even though new trainee numbers were down on projections in all sectors, ETITO continued to co-ordinate apprenticeships, arrange off-job training and consult to registered training workplaces in a broader variety of arrangements than before, as we responded to companies' needs for services that were relevant to their circumstances. Two new initiatives that have attracted very positive feedback have been the ETITO/WelTec/Te Puni Kokiri collaboration on a pre-apprenticeship programme for Māori youth in the Wellington region, and the sponsorship of apprentices with leadership potential to the Outward Bound programme. Early excellent results in qualification achievement are seen in the electrotechnology and contact centre industries. This, an ever more important focus.

Only a few new qualifications came on line in 2007 as our work centred on review to achieve excellence and maintain the relevance of existing qualifications and programmes. We enlarged the qualifications team and began our careful journey into the world of e-learning. Development of ETITO's first online assessment material began for the new electrical equipment qualification. As we prepared the organisation for audit against the newly instituted NZQA Quality Assurance Standard for ITOs, some practices came to light across our industries that were less consistent with policy than was desired. We turned attention to the quality of our products, services and systems to develop them into more robust and more highly valued activity in assessment practice, in the standard of assessment materials and in internal and external moderation.

Through professional development initiatives for trainers, tutors, assessors and moderators, we aimed to lift the performance of ETITO, and all other players in the industry training system, for the benefit of trainees, companies and the system as a whole. The investment was worthwhile. Not only are the improvements being progressively rolled out to our industries, but we achieved an excellent result in the NZQA audit.

2007's Stakeholder Summit yielded a complex and challenging outcome. While training workplaces were very satisfied with the services they received from ETITO field and customers services staff, key industry stakeholders expressed concern over the quality and frequency of communications from the organisation's leadership, perhaps seeing ETITO resonating more with the requirements of the TEC and the reform process than with industries' training needs. In response, several immediate adjustments were made at Board and



THE EXECUTIVES REPORT

management level including the formalisation of stakeholder engagement plans, the recruitment of a dedicated stakeholder relationship manager, more deliberate facilitation of advisory groups and the broadening of participation in consultation groups. New feedback channels and surveys have been introduced to ensure continuous improvement in communication and relationships with our member associations and key influencers in our industries.

This is a good point at which to acknowledge and thank once again the hundreds of employers, assessors, subject matter experts and training providers across the seven industries ETITO serves, who gave their time and expertise to qualifications development, assessment and moderation systems design, research, pilot programmes and so on that give power to the truth that is industry leadership of training in New Zealand. I mentioned earlier the direct cash contribution to training made by ETITO's training workplaces. The value of industry's in kind contribution far outstrips that and is probably immeasurable.

Steady progress has been made in major systems enhancements during the year. The ETITO website has been overhauled to make access more friendly to users. A new financial management package that better matches ETITO's size and complexity has been installed.

Continuous developments are made to the training management system that is the repository for data on 12,000 trainees in 1,500 companies training to 48 different qualifications. Improvements have also been made to the interface between ETITO and NZQA and TEC systems.

Capability building of the human resource in ETITO continued apace in 2007 with a further increase in staff numbers across all parts of the organisation to deliver on an increased workload. For a second year, we have experienced the impact of New Zealand's tight labour market – lengthy time to recruit, upward pressure on salaries, retention of staff, and the need to utilise temporary and contracted employment arrangements.

I want at this juncture, to formally recognise and acknowledge the goodwill of ETITO staff and Management Team, who throughout the year have covered vacant positions, contributed to different ways of organising and completing work, and generally picked up what might have otherwise fallen through the cracks. They are a committed and high performing team; an asset to industry training.

So too are the ETITO Board of Directors, who, through a big year of challenge, growth, change and innovation, have committed themselves

to developing ETITO in the best interests of training for our industries. We are pleased to have been able to recognise the complex demands on Directors with an increase in their fees, and to have made good returns on our first money-making venture, through ETITO Consulting Limited in Canada.

ETITO's performance during 2007 has yielded very positive results and the organisation is well positioned to face 2008 and beyond.

We are welcoming the sense of certainty the educational reforms have brought – a three year funding cycle, funding rates indexed to CPI and targeted funds for government priorities of literacy and skills leadership.

There are signs of an economic slowdown, so we are making conservative estimates of training demand for the next two years and seeking better completion and dropout rates – concentrating on realising the potential for success of those already in the training system as well as attracting new training companies and their employees. Government's, and our, focus is clearly on qualification achievement for trainees, a focus reinforced by stakeholders at our industry forums.

We will continue to seek efficiencies in how we deliver our services, particularly in the e-learning and e-services space, and through a larger physical presence in the Wellington office, to better serve the growth that has occurred in the central region. We will also continue to make our way through the ambiguities inherent in the tertiary education reforms pertaining to skills leadership, when Institutes of Technology and Polytechnics [ITPs] are also charged with that responsibility in their regions, and overlapping provision, when ITPs are funded at levels higher than ITOs to deliver the same industry training.

ETITO took some significant steps forward in 2007 and, while all of our ambitions were not fully realised in the period, we are in an excellent position to capitalise on the opportunities that this new era of industry training represents.

Marilyn Brady
Chief Executive Officer



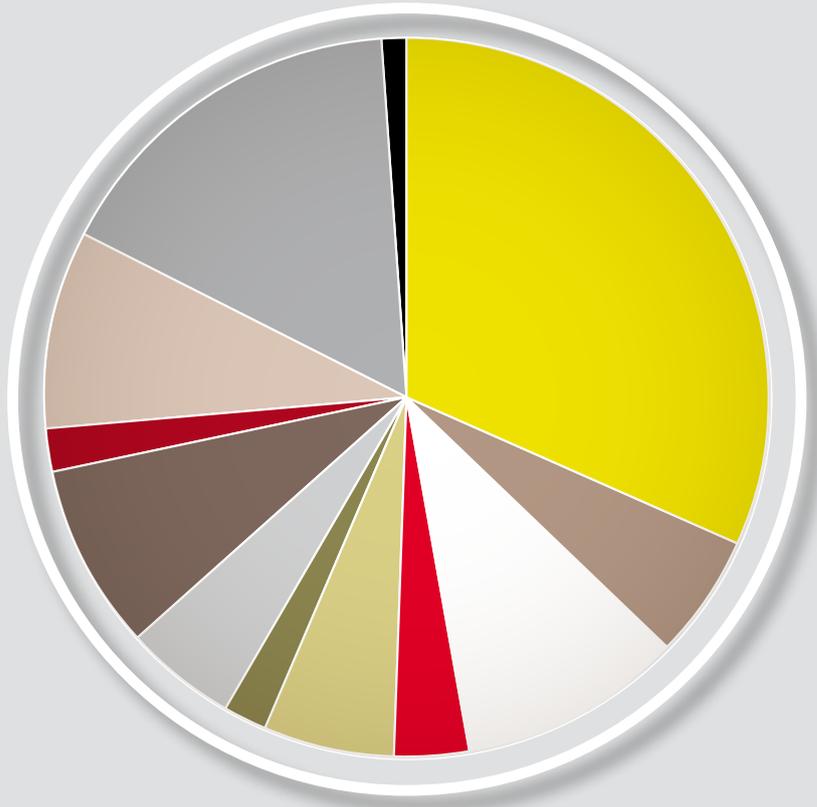


“I would like to acknowledge and thank once again the hundreds of employers, assessors, subject matter experts and training providers across the seven industries ETTO serves, who gave their time and expertise to qualifications development, assessment and moderation systems design, research, pilot programmes and so on that give power to the truth that is industry leadership of training in New Zealand.”

Marilyn Brady

TRAINEES & MODERN APPRENTICES BY REGION

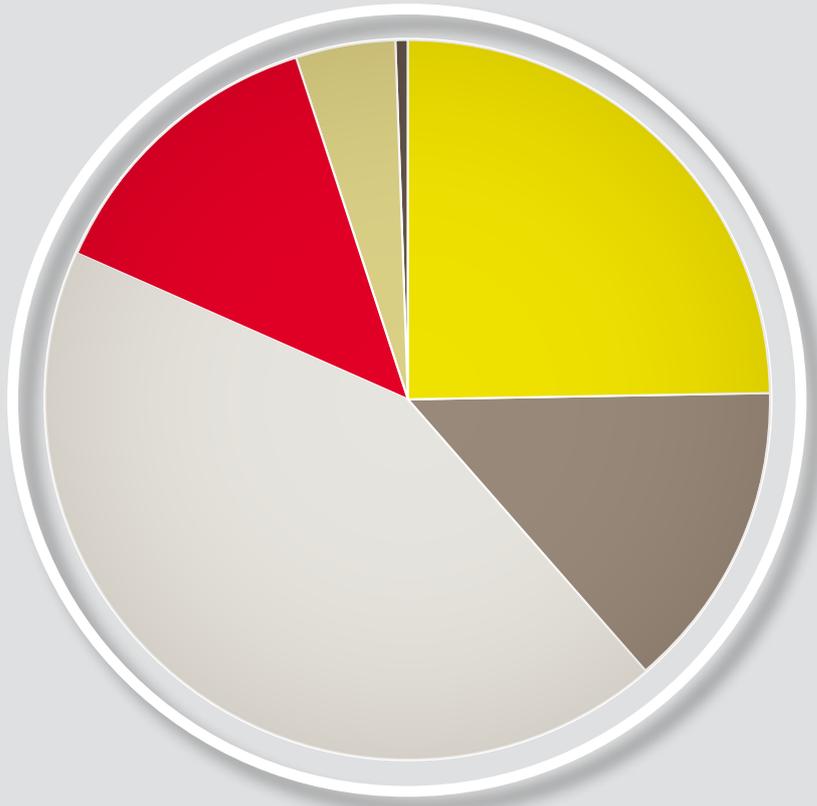
- AUCKLAND
- BAY OF PLENTY
- CANTERBURY
- HAWKE'S BAY
- MANAWATU/WANGANUI
- NELSON/MARLBOROUGH
- NORTHLAND
- SOUTHLAND
- TARANAKI
- WAIKATO
- WELLINGTON
- WEST COAST



ETHNIC GROUP BY INDUSTRY

EUROPEAN/PAKEHA

- AMBULANCE
- CONTACT CENTRE
- ELECTROTECHNOLOGY
- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS

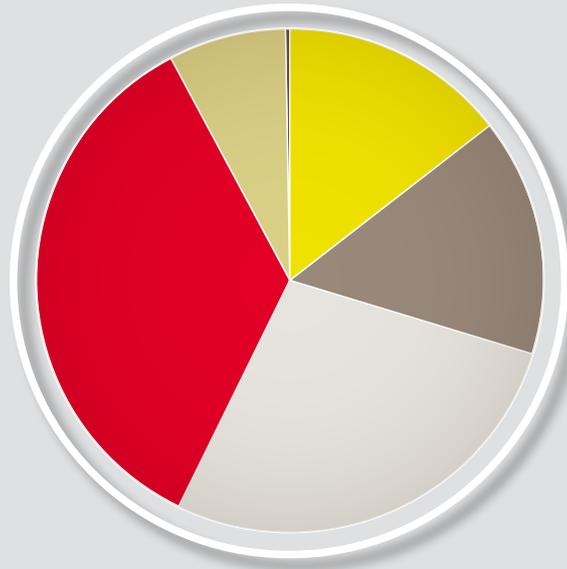


STATISTICS

ETHNIC GROUP BY INDUSTRY

NEW ZEALAND MĀORI

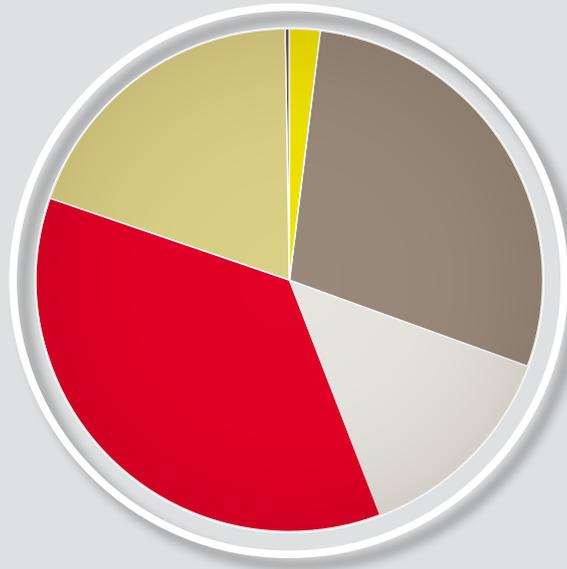
- AMBULANCE
- CONTACT CENTRE
- ELECTROTECHNOLOGY
- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS



ETHNIC GROUP BY INDUSTRY

PACIFIC ISLANDER

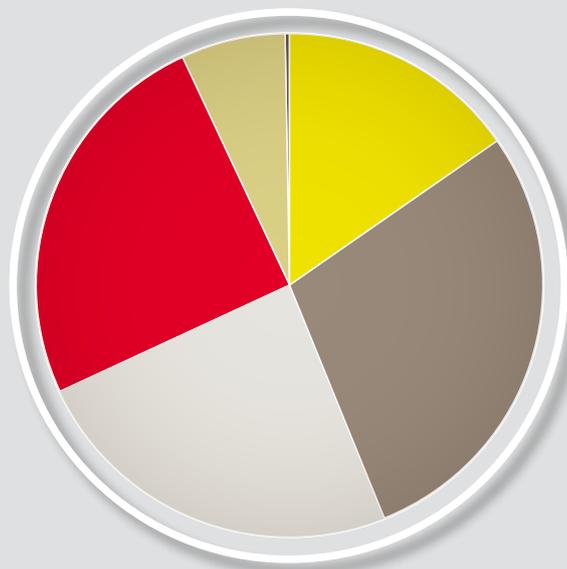
- AMBULANCE
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- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS



ETHNIC GROUP BY INDUSTRY

OTHER

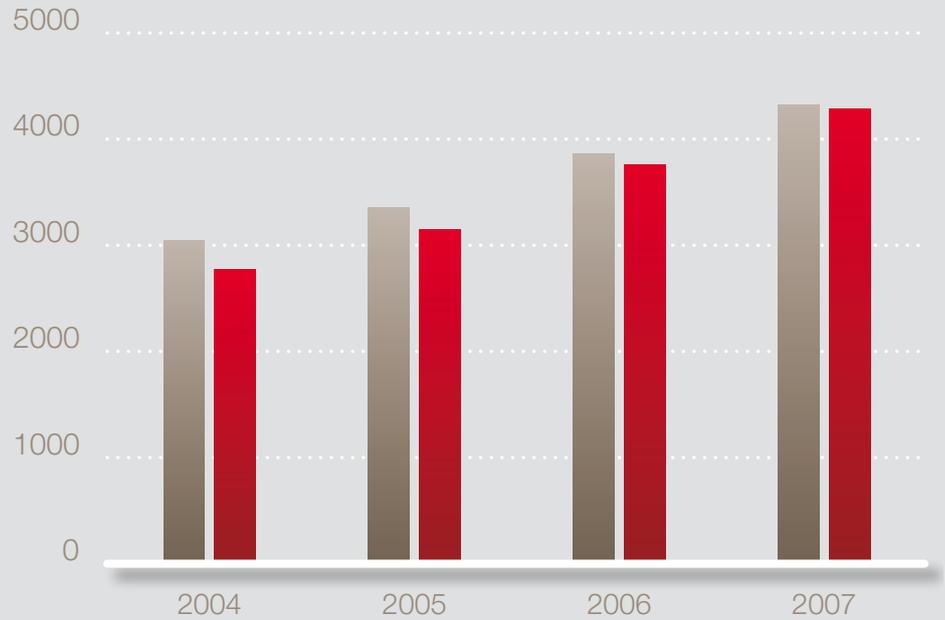
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- CONTACT CENTRE
- ELECTROTECHNOLOGY
- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS



STMS BY YEAR

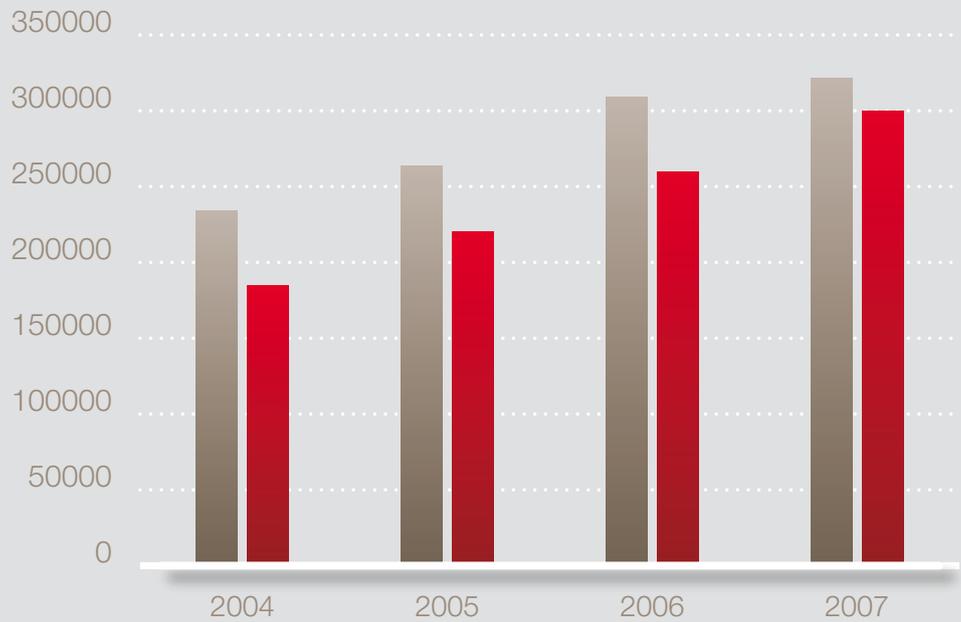
- ACTUAL
- CONTRACTED

An STM is a Standard Training Measure, the unit of funding provided to ETITO from government. It relates to the volume of training arrangements managed by ETITO. The contracted STM volumes, indicated in red, represent those training arrangements funded by the government.



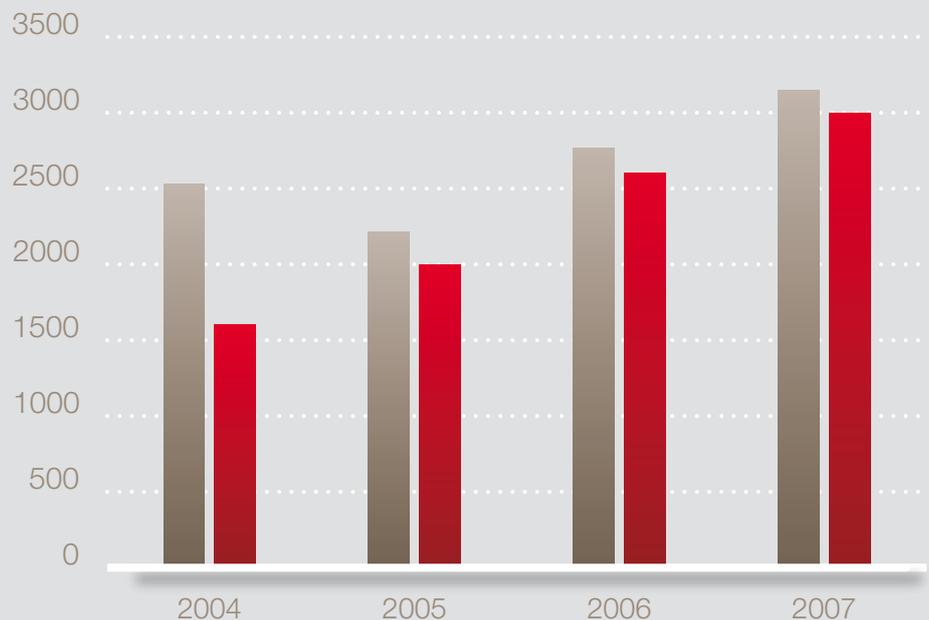
CREDITS REPORTED BY YEAR

- ACTUAL
- CONTRACTED



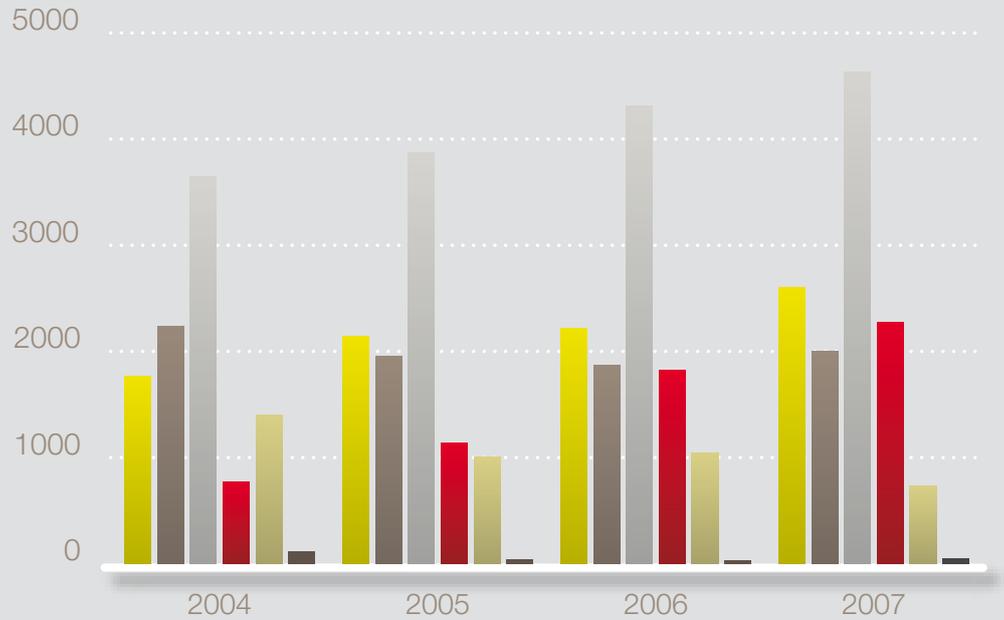
QUALIFICATIONS REPORTED BY YEAR

- ACTUAL
- CONTRACTED



TRAINEES BY INDUSTRY REPORTED BY YEAR

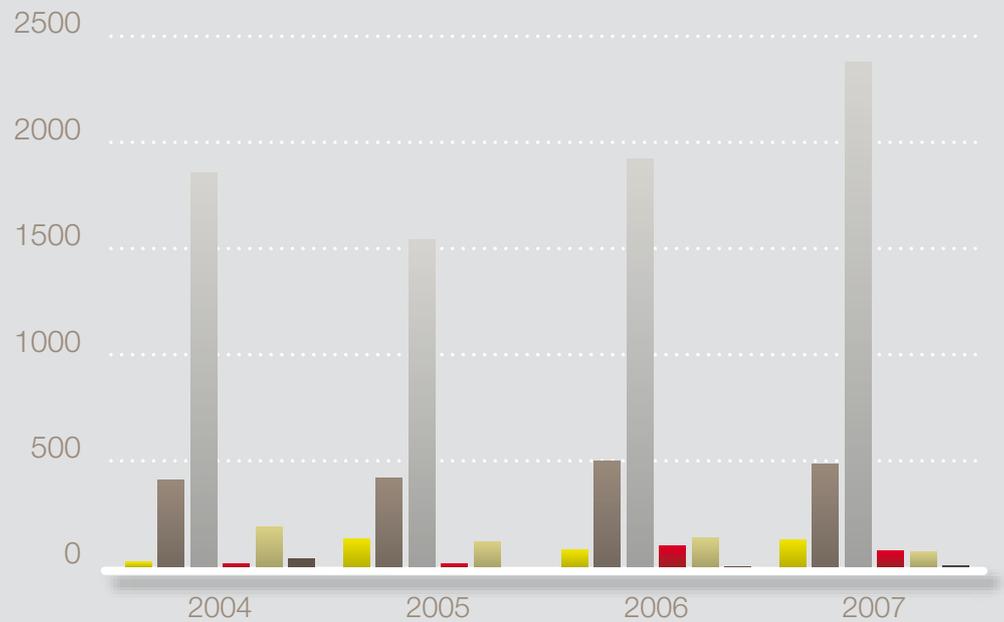
- AMBULANCE
- CONTACT CENTRE
- ELECTROTECHNOLOGY
- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS



QUALIFICATIONS ACHIEVED BY INDUSTRY BY YEAR

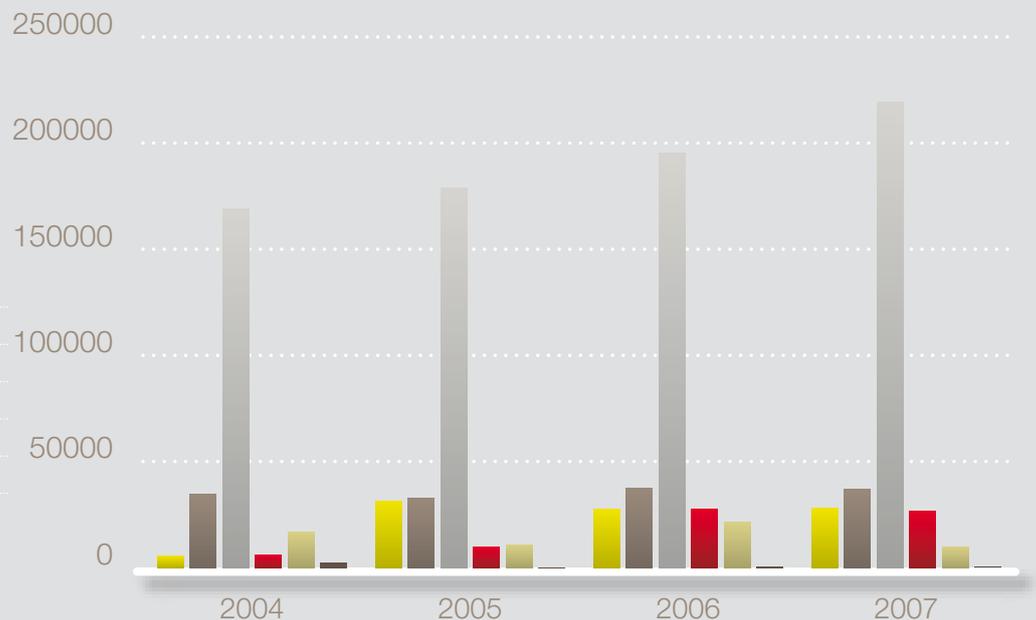
- AMBULANCE
- CONTACT CENTRE
- ELECTROTECHNOLOGY
- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS

Note: Qualification achievement records qualifications achieved at all levels.



CREDITS ACHIEVED BY INDUSTRY REPORTED BY YEAR

- AMBULANCE
- CONTACT CENTRE
- ELECTROTECHNOLOGY
- OFFENDER MANAGEMENT
- SECURITY
- TELECOMMUNICATIONS





IN 2007, ETITO CONTINUED TO ENGAGE WITH AND DELIVER SERVICES TO ST JOHN AND WELLINGTON FREE AMBULANCE, THE TWO REGISTERED TRAINING WORKPLACES [RTW] IN THIS SECTOR.

The National Certificate in Ambulance Patient Care and Safety [Level 4] was reviewed, and as a result, the qualification will now be set at level 5.

On the research front, baseline data identifying the patterns of participation in industry training within the ambulance sector was compiled. This data will be used to inform future qualification development.

Work was also commenced to begin scoping research for the ambulance sector, which will look at the longer term skill needs and will enable a long-term skills strategy to be produced in 2008.

TRAINING ACHIEVEMENTS

126

ambulance trainees completed the National Certificate in Ambulance [Patient Care and Transport] [Level 4] in 2007

31,032

credits were achieved during the year

Over 2000 trainees engaged in national qualifications training at year end



AN AMBULANCE



FOR ETITO AND THE CONTACT CENTRE INDUSTRY, 2007 HIGHLIGHTED THE INCREASING MATURITY OF THE INDUSTRY'S TRAINING SYSTEM. TRAINING PROGRAMMES IN MANY CONTACT CENTRES HAVE BEEN UNDERWAY FOR A NUMBER OF YEARS AND ARE NOW RUNNING VERY EFFECTIVELY. THIS, COMBINED WITH THE SUPPORT OF ETITO'S LEARNING AND ASSESSMENT CONSULTANTS, MEANS THAT TRAINEES ARE NOW QUALIFYING IN SHORTER TIME-FRAMES THAN EVER BEFORE.

Throughout the year we continued to communicate with contact centre stakeholders on a number of levels. Four email newsletters were distributed to employers, assessors and staff engaged in national qualifications training. Two advertorials were also placed in the TUANZ Topics magazine, promoting the benefits of national qualifications training. When this magazine ceased publication, ETITO continued to communicate key messages through advertorials on our website, which were promoted via a banner advertisement on the Telecommunications Users Association of New Zealand [TUANZ] website.

ETITO field staff continued to establish and grow connections across the industry through attendance at industry events, including TUANZ monthly networking events, New Zealand Association for Training and Development [NZATD] meetings, the CRM Awards, Mayors Taskforce Industry Graduations, Bright Star Contact Centre Conference, HR Institute of New Zealand meetings, and client graduations and events. In addition, our newly appointed stakeholder engagement manager attended quarterly Contact Centre Advisory Group meetings.

TRAINING ACHIEVEMENTS

460

contact centre people gained the National Certificate in Contact Centre Operations [Level 3]

24

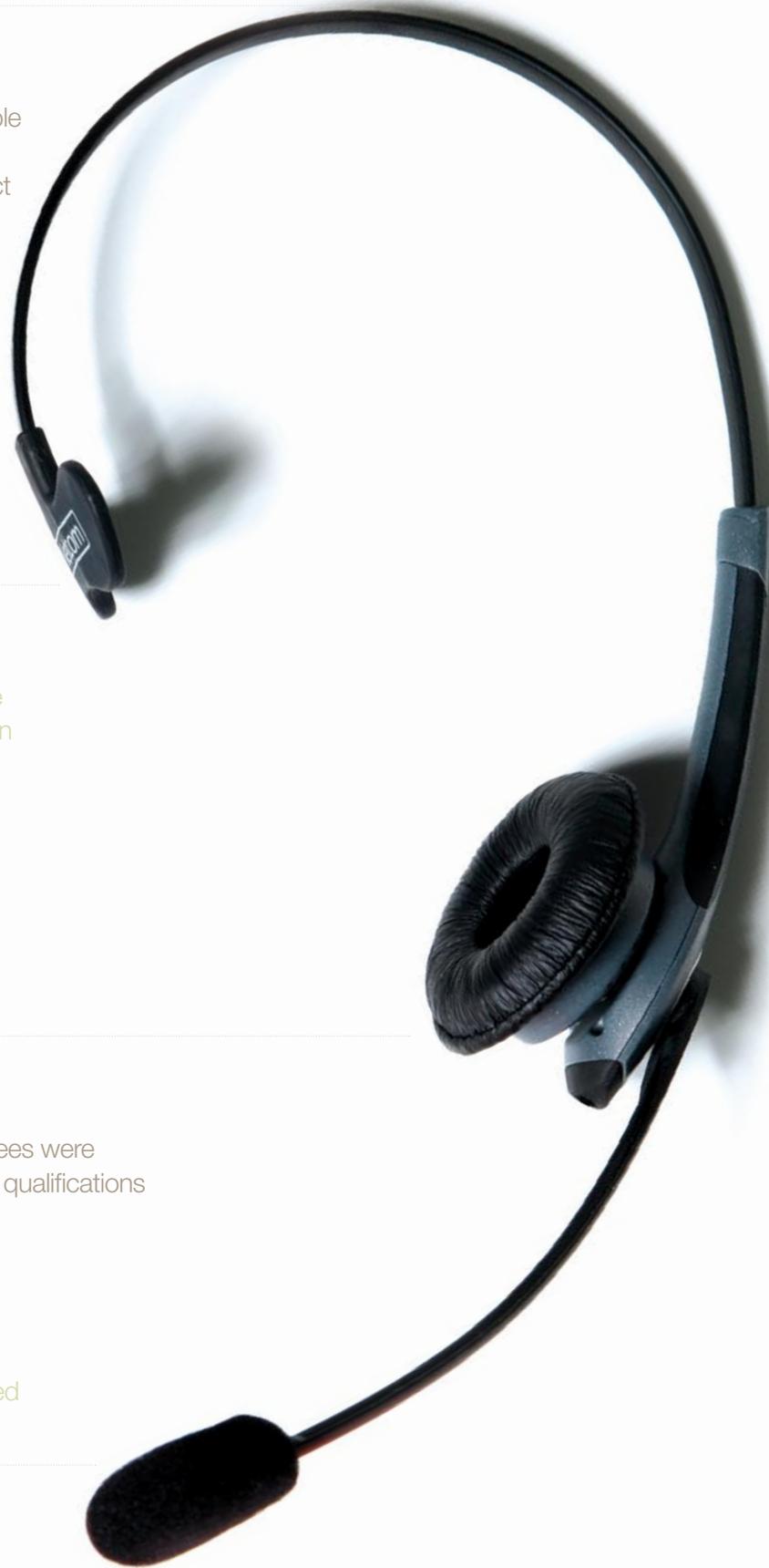
people achieved the National Certificate in Contact Centre Management [Team Leader] [Level 4]

1,092

contact centre trainees were engaged in national qualifications training at year end

36,790

credits were achieved during the year



CONTACT CENTRE

Training programmes in many contact centres have been underway for a number of years and are now running very effectively. This, combined with the support of ETITO's learning and assessment consultants, means that trainees are now qualifying in shorter time-frames than ever before.





ETITO staff attended and hosted a new display stand at the annual TUANZ Conference and Awards, where new marketing collateral promoting national qualifications training for the contact centre industry was displayed. We were thrilled to note the success of many of our clients at these awards.

A new two-day assessor workshop format was introduced as part of our on-going commitment to lifting the standard of workplace assessment. The new workshops have a more interactive format and are centred around adult learning needs. 176 contact centre professionals attended workshops in Auckland, Wellington and Christchurch, gaining the skills necessary to complete unit standard 4098 and become ETITO registered workplace assessors.

ETITO's Research and Development Department carried out a research project for the contact centre industry. While this project continues into 2008, data collected from stakeholders indicated the majority perceived the National Certificate in Contact Centre Operations [Level 3] as an important qualification and an opportunity for promotion.

Consultation with industry also took place through the Contact Centre Advisory Group and independent meetings with stakeholders to identify industry's future training needs and inform ETITO's qualification development. This consultation contributed to the development of a Strategic Training Plan for the contact centre industry which is now available on ETITO's website, www.etito.co.nz.

In late 2007, the review process for the National Certificate in Contact Centre Management [Team Leader] [Level 4] began with notification to industry stakeholders who were invited to share their thoughts about this qualification. This work will continue into 2008.



THE ELECTROTECHNOLOGY INDUSTRY IS MADE UP OF THE ELECTRICAL, APPLIANCE SERVICING, SWITCHGEAR FITTING, MOTOR REWINDING, INDUSTRIAL MEASUREMENT AND CONTROL, ELECTRONIC ENGINEERING, ELECTRONIC MANUFACTURING AND THE ELECTRICAL WHOLESALING SECTORS. TRAINING VOLUME ACROSS THE INDUSTRY GREW THIS YEAR, WITH 3,632 ELECTROTECHNOLOGY APPRENTICES AND TRAINEES ENGAGED IN OUR TRAINING SYSTEM AT THE END OF 2007.

A significant development for the year was the addition of a national qualification for the electrical wholesaling sector – a result of electrical wholesaling companies desiring a qualification pathway that enhances and recognises the skills and knowledge of their employees. The National Certificate in Electrical Equipment [Level 2] was developed and made available to this sector in December 2007.

To ensure ETTO-developed qualifications continue to meet the current and future skill needs of industry, we began the review process of a number of qualifications during the year, including: the National Certificate in Industrial Measurement and Control [Level 4], National Certificate in Electrical Engineering [Motor Rewinding and Repair] [Level 4] and National Certificate in Switchgear Fitting [Level 4]. We were also delighted to announce that after a lengthy gestation period, a new National Diploma in Engineering [Electrotechnology] [Level 6] was registered on the national qualifications framework.

755

individuals gained an electrotechnology qualification in 2007:

Appliance Servicing	17
Electrical	626
Electronic Manufacturing	58
Electronics Technology	17
IMC	23
Motor Rewinding	02
Switchgear Fitting	12

Note: Qualification totals in electrical, electronics technology, IMC and motor rewinding reported above reflect achievement of level 4 [industry recognised] qualifications and not those qualifications at lower levels.

The qualification total for switchgear fitting includes achievement of level 3 and level 4 qualifications in this discipline.





Assessment material was reviewed and updated for a number of electrotechnology sectors, including appliance servicing and electrical engineering. An exciting new move for ETITO was the development of an online learning and assessment tool for the electrical wholesaling qualification. Regional assessor training workshops were also held to train workplace assessors for this new qualification.

All training providers who were active during the year were the focus of external moderation in 2007. Essentially, this was an audit of assessment to ensure that external training providers are teaching and assessing to the national standard. ETITO also reviewed the internal moderation system to ensure all assessment against unit standards is fair, valid and consistent. To support this, a new training manager role was developed to focus on learning, moderation and assessment in this industry.

Consultation with industry also took place through the industry advisory groups and independent meetings with stakeholders to identify industry's future training needs and inform ETITO's qualification development. This consultation contributed to the development of a Strategic Training Plan for the electrotechnology industry which is now available on ETITO's website, www.etito.co.nz.

ETITO continued to communicate with stakeholders and promote apprentice training through a variety of channels, including our website, email flyers, advertorials in ElectroLink magazine and printed newsletters. Additionally, ETITO supplied articles relating to apprenticeship training to the Electrical Workers Registration Board [EWRB] Electron publication, the Electrical Contractors Association of New Zealand [ECANZ] newsletter and regional newspapers.

In 2007, ETITO training managers attended an increasing number of regional career expos. This was a deliberate strategy to promote electrotechnology apprenticeships to a wider audience. Our presence at these events featured an exciting new suite of promotional materials, including a display stand, pull-up banners, interactive displays and an array of marketing collateral promoting each electrotechnology apprenticeship to increasingly discerning young people. This marketing collateral was also distributed to careers advisors in secondary schools.



To complement our expo presence, we also advertised in Jet magazine's annual careers guide and produced marketing collateral encouraging electrotechnology employers to engage in apprenticeship training.

ETITO was out in force at both the ECANZ and ElectroTechnical Association [ETA] conferences. Chief Executive, Marilyn Brady, made presentations at both of these events and ETITO staff hosted a display stand promoting the benefits of apprenticeship training to employers. ETITO also hosted a training provider forum in Wellington in April. The aim of the day was to grow the collaborative relationships shared between ETITO and training providers to foster apprentice achievement.

As part of our commitment to helping emerging young talent become the industry leaders of tomorrow, ETITO supported the professional development of six promising electrical apprentices by sponsoring their place on an Outward Bound programme tailored specifically for Industry Training Organisations and their apprentices. Feedback from both apprentices and employers about this initiative was glowing and we look forward to offering this kind of sponsorship again in the future.

In March, ETITO, together with WelTec and Te Puni Kokiri, launched a joint initiative to accelerate young Māori on the path to becoming qualified electrotechnology tradespeople. Ten young people identified by WelTec and Te Puni Kokiri as being ideal candidates for an electrical apprenticeship, embarked on a programme of full-time training and work experience to achieve the National Certificate in Electrical Engineering [Level 2] and parts of the level 3 qualification. Two successful graduates have gone on to pursue careers in the electrical sector.

TRAINING ACHIEVEMENTS

3,632

electrotechnology apprentices
were in ETITO's training system
at year end

214,650

credits were achieved
during the year

626

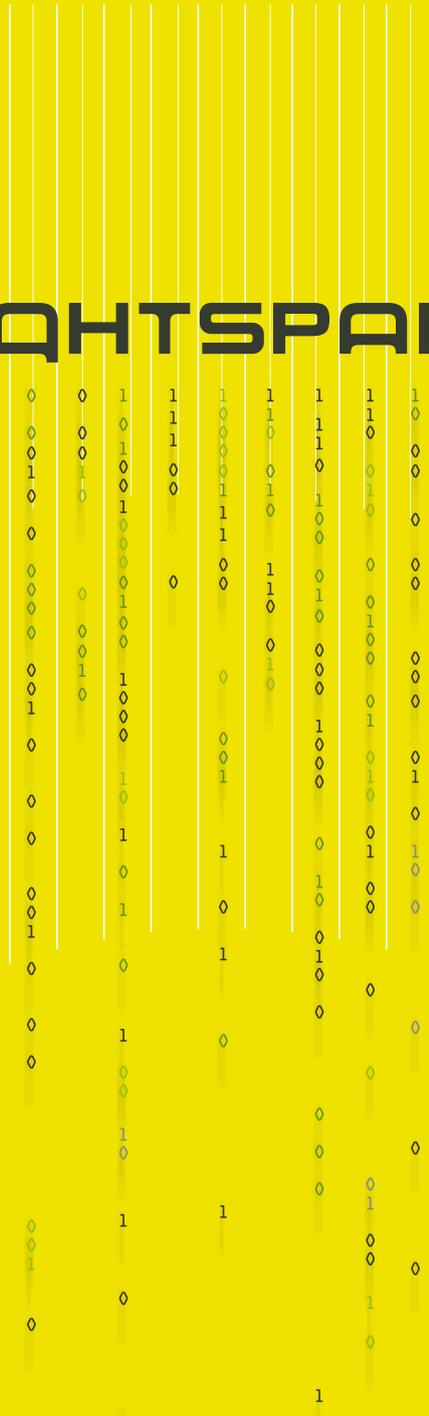
individuals gained the National
Certificate in Electrical
Engineering [Electrician for
Registration] [Level 4], allowing
them to apply for registration as
an electrician with the EWRB.





All training providers who were active during the year were the focus of external moderation in 2007. Essentially, this was an audit of assessment to ensure that external training providers are teaching and assessing to the national standard.

BRIGHTSPARKS



2,600

students in 128 schools participated in one or more aspects of the Bright Sparks programme in 2007

ETITO'S BRIGHT SPARKS PROGRAMME WAS DESIGNED TEN YEARS AGO TO FIND, DEVELOP AND GROW A POOL OF TALENTED YOUNG PEOPLE TO FUEL THE FUTURE GROWTH OF NEW ZEALAND'S TECHNOLOGY SECTOR. TODAY, THE BRIGHT SPARKS PROGRAMME INCLUDES CURRICULUM PROVISION AND TEACHER TRAINING, ONLINE AND DIRECT MENTORING, AND THE HITECH COMPETITION AND EXPOS.

The Bright Sparks website www.brightsparks.org.nz continued to be the primary method of engagement with Bright Sparks in 2007. In fact, the Bright Sparks themselves played a critical role in developing the site, by providing content and functionality suggestions.

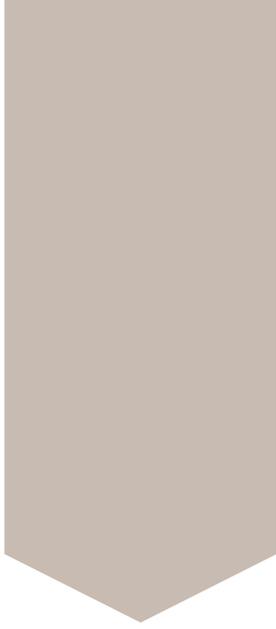
The 2007 Bright Sparks HiTech Competition attracted 108 entries from 11 to 18 year olds around the country – proof that New Zealand is home to some exceptionally talented young people. For the first time ever, the competition culminated in two expos, one held at ETITO's head office in Auckland and the other at Eaton Power Quality Company in Christchurch, a valued sponsor of the Bright Sparks programme. The expos gave an increased number of young inventors the opportunity to connect directly with industry and many were the focus of newspaper and television attention. We were delighted to note that two of these young people plan to embark on electrical apprenticeships in 2008.

ETITO's Research and Development Department conducted research into the Bright Sparks programme during the year. This research involved 107 participants and confirmed that the programme is successfully encouraging young people to engage in tertiary education [either at degree or certificate level] or employment relevant to the technology sector.

BRIGHTSPARKS



IN THE SECOND HALF OF THE YEAR ETITO WAS DELIGHTED TO SECURE THE TERTIARY EDUCATION COMMISSION'S ENDORSEMENT TO ACT AS THE INDUSTRY TRAINING ORGANISATION [ITO] FOR THE FINANCIAL SERVICES INDUSTRY. ETITO IS NOW RECOGNISED BY GOVERNMENT AND THE FINANCIAL SERVICES SECTOR AS THE NATIONAL STANDARDS SETTING BODY FOR THIS INDUSTRY AND WE HAVE BEGUN DEVELOPING QUALIFICATIONS AND THE SUPPORTING TRAINING SYSTEM TO DELIVER THEM.



Throughout the year, ETITO worked closely with the Financial Services Education Steering Group, a collection of representatives from key financial services associations, banks and insurance companies, culminating in the development of the National Certificate in Financial Services [Level 4]. This qualification was submitted to the New Zealand Qualifications Authority [NZQA] in December for evaluation which will lead to registration on the national qualifications framework during 2008.

In September, ETITO formally presented representatives of the financial services industry with an introduction to their new ITO, covering the statutory obligations associated with industry training and an update on qualifications development.

ETITO has also attended industry forums relating to impending legislation covering the provision of financial advice. Our role has been to advise the sector from an industry training perspective on the impacts of regulatory environments involving licensing or registration regimes.

FINANCIAL SERVICES

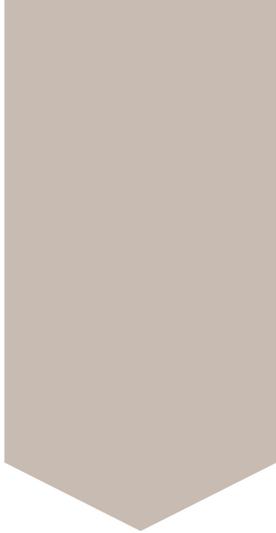


AS ETITO'S FASTEST GROWING TRAINEE BASE, OFFENDER MANAGEMENT ENGAGEMENT IN THE NATIONAL TRAINING SYSTEM INCREASED SIGNIFICANTLY FROM 1,707 AT THE END OF 2006 TO 2,168 AT THE END OF 2007.

In a unique situation for ETITO, the offender management industry is represented by just one client – the Public Prison Service. Throughout the year, ETITO continued to engage with and deliver services to the Public Prison Service, and in October the contract between our organisations was renewed. As part of this new contract, developments in data transfer, research activity and a project to support the visibility of national qualifications training the nation's prisons was agreed.

During the year the National Certificate in Offender Management [Level 5] was reviewed in consultation with the Public Prison Service. Our Research and Development Department also compiled baseline data identifying the patterns of participation within the offender management sector, which will be used to inform future qualification development.





TRAINING ACHIEVEMENTS

77

offender management trainees
completed the National Certificate
in Offender Management [Level 3]
in 2007

26,592

credits were achieved during the year

27%

increase on the 2006 training
volume [as at year end]

2,168

trainees were registered in ETITO's
training system at year end



THE SIGNING OF A MEMORANDUM OF UNDERSTANDING [MOU] BETWEEN ETITO AND THE NEW ZEALAND SECURITY ASSOCIATION [NZSA] WAS ETITO'S MOST SIGNIFICANT ACTIVITY WITHIN THE SECURITY INDUSTRY FOR 2007. THIS DOCUMENT OUTLINES HOW ETITO AND THE NZSA WILL WORK TOGETHER IN THE FUTURE TO RESPOND TO THE INDUSTRY TRAINING NEEDS OF THE SECURITY INDUSTRY, CEMENTING OUR EXISTING RELATIONSHIP AND PUTTING IT ON A MORE FORMAL AND POSITIVE FOOTING.

In 2007, ETITO's Management Team considered submissions from three stakeholder research groups, established to review the outcomes of our 2005 security industry research. The three groups: Consultation and Communication Research Group, Educational Products Research Group, and Quality Assurance Research Group, met during 2006 and provided a number of recommendations that were accepted by ETITO in 2007 and actioned throughout the year.

Our Research and Development Department took these recommendations and engaged in further industry-wide investigation in order to inform the development of a Strategic Training Plan for the security industry. This document identifies the industry's future training needs and will inform ETITO's qualification development. This Strategic Training Plan is now available on ETITO's website, www.etito.co.nz. Additionally, this investigation was used to support the development of a team leader qualification, work which will continue in 2008.

TRAINING ACHIEVEMENTS

41

trainees completed a national qualification for the security staff services sector in 2007

11,940

credits in the security staff services sector were achieved during the year

399

security staff services trainees were registered in ETITO's training system at year end

04

electronic security technicians gained a national qualification in 2007

97

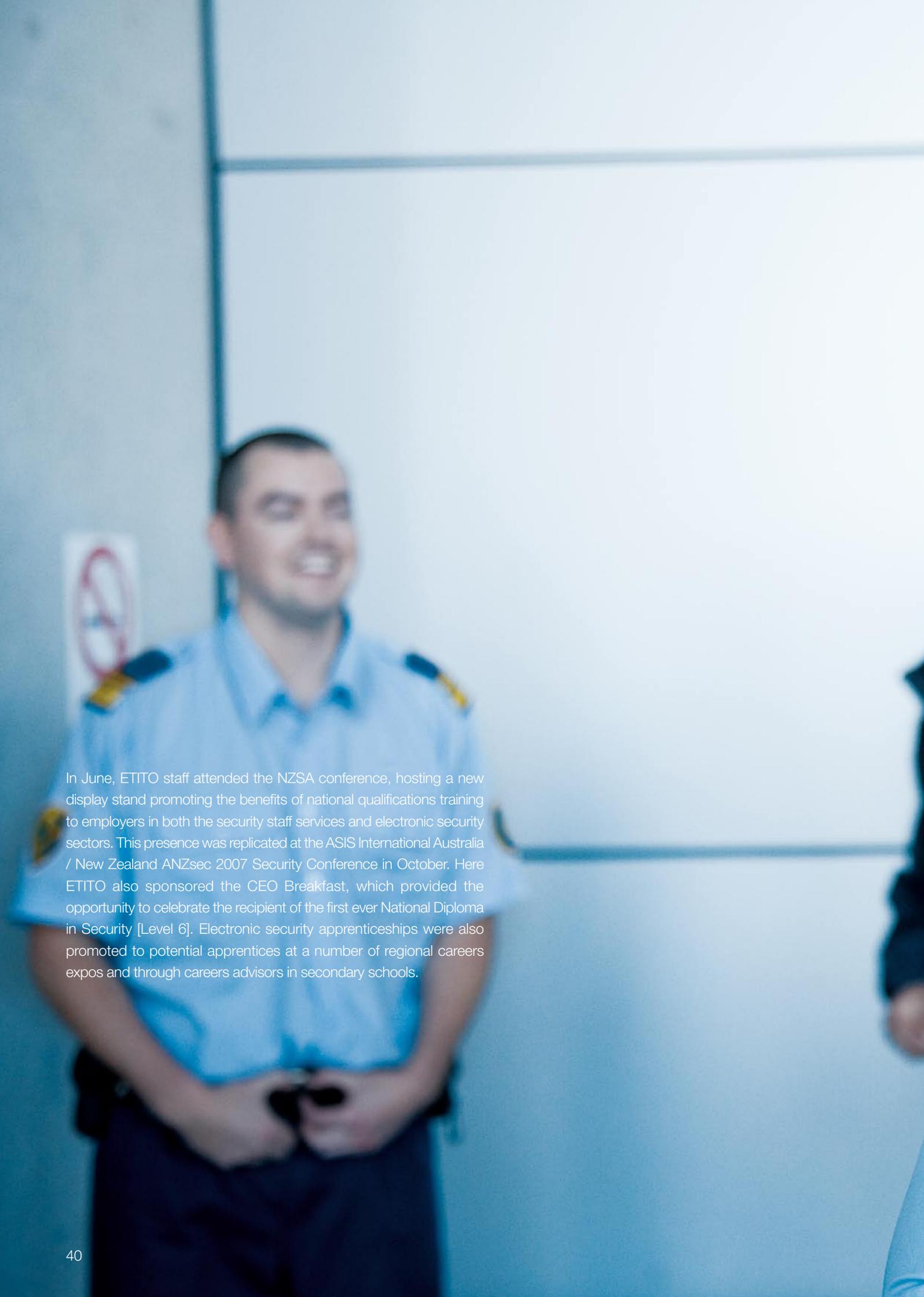
electronic security apprentices were registered in ETITO's training system at year end

2,043

credits in the electronic security sector were achieved during the year

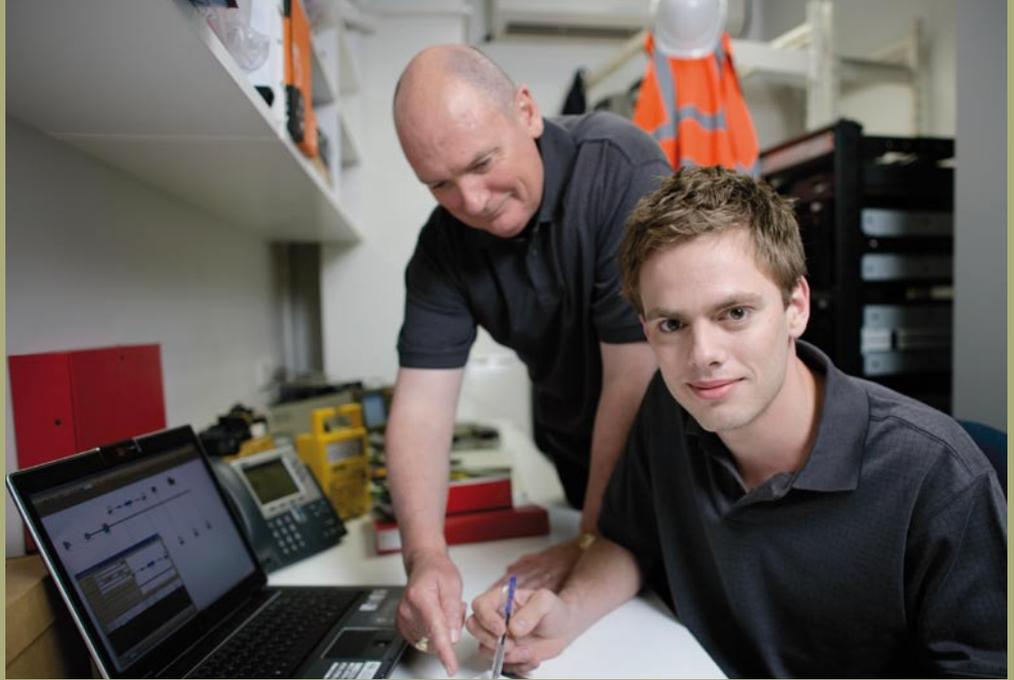


KEY
RESULTS
OVER
THE
YEAR

A man in a light blue uniform with yellow and blue epaulettes is smiling and standing in front of a whiteboard. The background is a plain white wall with a blue grid pattern. The man has his hands clasped in front of him.

In June, ETITO staff attended the NZSA conference, hosting a new display stand promoting the benefits of national qualifications training to employers in both the security staff services and electronic security sectors. This presence was replicated at the ASIS International Australia / New Zealand ANZsec 2007 Security Conference in October. Here ETITO also sponsored the CEO Breakfast, which provided the opportunity to celebrate the recipient of the first ever National Diploma in Security [Level 6]. Electronic security apprenticeships were also promoted to potential apprentices at a number of regional careers expos and through careers advisors in secondary schools.





IN 2007, ETITO BEGAN A DELIBERATE STRATEGY FOCUSED ON LEVERAGING THE SIMILARITIES BETWEEN TELECOMMUNICATIONS TECHNICAL TRAINING AND ELECTRICAL TRAINING TO INCREASE THE PARTICIPATION IN TELECOMMUNICATIONS TECHNICIAN APPRENTICESHIPS.

Armed with new marketing collateral promoting the benefits of training a telecommunications apprentice, ETITO training managers achieved a significant increase in the number of employers engaged in apprentice training. This was complemented by new marketing collateral promoting the benefits of a career in telecommunications to potential apprentices, which was distributed at a number of regional trades-based careers expos and through careers advisors in secondary schools.

ETITO continued to communicate with stakeholders and promote apprentice training through our website and electrotechnology newsletters, which were sent three times a year to all telecommunications apprentices, employers and assessors.

Consultation with industry took place through the industry advisory groups and independent meetings with stakeholders to identify the industry's future training needs and inform ETITO's qualification development. This consultation also informed the development of a Strategic Training Plan for the telecommunications industry, which is now available on ETITO's website, www.etito.co.nz.

At industry's request, the development of a rigging strand for the National Certificate in Telecommunications [Level 3] was initiated and it is anticipated that this will be registered for use in 2008.

TRAINING ACHIEVEMENTS

04

people completed a telecommunications apprenticeship in 2007

The number of telecommunications apprentices in ETITO's training system almost doubled in 2007 to 43 by the year end

26

telecommunications companies were recognising the benefits of training apprentices by year end

485

credits were achieved during the year



TELECOMMUNICATIONS



GOVERNANCE

This year saw the addition of three new members to the ETITO Board. Following the mid-year election, Ray Pilley from Health and Safety at Fisher and Paykel joined the Board and after the year-end election, Ian Butturini, Managing Director of Seven Electrical, and Scott Carter, Managing Director of Matrix Security, were also elected to the Board. ETITO Board Chairman Brian Nowell was re-elected as Chair for another term. Also in 2007, we saw the resignation of Paul Graham and, following the November elections, the departure of Jim Anderson.

After the November 2007 elections,
the Board composition is:

Brian Nowell – Chairman
David Grant – Deputy Chair
Murray Hobson
Ross Beal
David Waters
Ray Pilley
Ian Butturini
Scott Carter



2007 EITTO CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report

To the Members of Electrotechnology Industry Training Organisation Incorporated

We have audited the financial statements on pages 48 to 59. The financial statements provide information about the past financial performance of the Organisation and group and their financial position as at 31 December 2007. This information is stated in accordance with the accounting policies set out on pages 51 to 53.

This report is made solely to the Members of Electrotechnology Industry Training Organisation Incorporated, as a body, in accordance with the rules of the Organisation. Our audit has been undertaken so that we might state to the Members of Electrotechnology Industry Training Organisation Incorporated those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Organisation and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and fairly present the financial position of the Organisation and group as at 31 December 2007 and their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the Organisation and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides taxation advice to the subsidiary.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 48 to 59:

- comply with generally accepted accounting practice in New Zealand; and
- fairly present the financial position of the Organisation and group as at 31 December 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 3 April 2008 and our unqualified opinion is expressed as at that date.

A handwritten signature in blue ink, appearing to read 'Ernst & Young'.

Chartered Accountants
Auckland

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2007	2006	2007	2006	2007	2006
		\$	\$	\$	\$	\$	\$
Revenue							
TEC Training Subsidies		13,368,667	11,583,044	13,368,667	11,583,044	-	-
Moderation Income		117,916	100,016	117,916	100,016	-	-
Industry Contribution		1,031,772	995,364	1,031,772	995,364	-	-
Ventures Income		235,515	358,272	-	148,834	235,515	209,438
Interest Income		292,668	200,339	284,481	200,329	8,187	-
Expense Recoveries from Subsidiary		-	-	30,235	101,090	-	-
Other Income	7	156,250	27,780	156,250	27,780	-	-
Total Revenue		15,202,788	13,264,815	14,989,321	13,156,457	243,702	209,438
Industry Training Expenses							
Training Subsidies		5,503,151	5,348,324	5,503,151	5,348,324	-	-
Training Support Services		3,010,174	2,883,363	3,010,174	2,883,363	-	-
Research & Qualification Development		799,859	479,225	799,859	479,225	-	-
Quality Assurance		476,940	227,763	476,940	227,763	-	-
Stakeholder Relations		948,582	539,805	948,582	539,805	-	-
Total Industry Training Expenses		10,738,706	9,478,480	10,738,706	9,478,480	-	-
Operating Expenses							
Ventures		106,613	478,025	-	365,433	106,613	112,582
Administration Costs		2,987,844	2,649,417	2,987,844	2,649,417	-	-
Governance		102,236	32,440	102,236	32,440	-	-
Parent Expenses		-	-	-	-	30,235	101,090
Total Operating Expenses		3,196,693	3,159,882	3,090,080	3,047,290	136,848	213,672
Total Expenses	8	13,935,399	12,638,362	13,828,786	12,525,770	136,848	213,672
Net Surplus/[Loss] For The Year		\$1,267,389	\$626,453	\$1,160,535	\$630,687	\$106,854	[\$4,234]

**STATEMENT OF MOVEMENTS EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

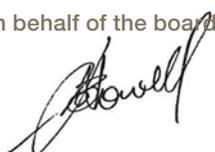
	Note	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2007	2006	2007	2006	2007	2006
		\$	\$	\$	\$	\$	\$
Equity at Start of Year		3,013,734	2,387,281	3,017,968	2,387,281	5,766	-
Net Surplus/[Loss] for the Year		1,267,389	626,453	1,160,535	630,687	106,854	[4,234]
Total Recognised Revenue and Expenses		1,267,389	626,453	1,160,535	630,687	106,854	[4,234]
Ordinary Shares Issued		-	-	-	-	-	10,000
Equity At End Of The Year		\$4,281,123	\$3,013,734	\$4,178,503	\$3,017,968	\$112,620	\$5,766

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2007

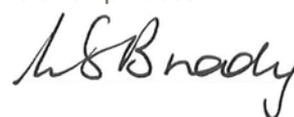
	Note	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2007	2006	2007	2006	2007	2006
		\$	\$	\$	\$	\$	\$
Share Capital		-	-	-	-	10,000	10,000
Retained Earnings		4,281,123	3,013,734	4,178,503	3,017,968	102,620	[4,234]
Accumulated Funds		\$4,281,123	\$3,013,734	\$4,178,503	\$3,017,968	\$112,620	\$5,766
Represented by:							
Current Assets							
Accounts Receivable	6	118,441	232,714	331,724	366,224	-	99,076
Accrued Income	9	2,135,953	1,805,418	2,135,953	1,772,928	-	32,490
Bank – ETITO		3,674,358	1,968,209	3,359,617	1,863,399	314,741	104,810
Bank – Bright Sparks Scholarships		10	28,989	10	28,989	-	-
Bank – Growth Pilot		14,744	137,613	14,744	137,613	-	-
GST Receivable		93	241,046	-	239,899	93	1,147
Prepayments		124,247	42,636	113,178	37,110	11,069	5,526
Inventory	11	34,287	11,793	34,287	11,793	-	-
Total Current Assets		6,102,133	4,468,418	5,989,513	4,457,955	325,903	243,049
Current Liabilities							
Accounts Payable	15	704,064	470,718	704,064	480,718	213,283	222,586
Accrued Expenses – ETITO		1,282,740	1,090,894	1,282,740	1,076,197	-	14,697
Accrued Expenses – Growth Pilot		15,441	173,066	15,441	173,066	-	-
GST Payable		192,385	-	192,385	-	-	-
Income in Advance	14	-	41,250	-	41,250	-	-
Employee Entitlements		254,678	208,482	254,678	208,482	-	-
Scholarship Fund		-	9,000	-	9,000	-	-
Current Portion of Deferred Income	10	27,780	27,780	27,780	27,780	-	-
Total Current Liabilities		2,477,088	2,021,190	2,477,088	2,016,493	213,283	237,283
Net Current Assets		3,625,045	2,447,228	3,512,425	2,441,462	112,620	5,766
Non Current Assets							
Plant and Equipment	3	762,568	700,776	762,568	700,776	-	-
Investment in Subsidiary – Shares in ETITO Consulting Limited	16	-	-	10,000	10,000	-	-
Total Non Current Assets		762,568	700,776	772,568	710,776	-	-
Non Current Liabilities							
Deferred Income	10	106,490	134,270	106,490	134,270	-	-
Net Assets		\$4,281,123	\$3,013,734	\$4,178,503	\$3,017,968	\$112,620	\$5,766

For and on behalf of the board who authorise the issue of these financial statements on 3 April 2008

Chairman



Chief Executive



The notes on pages 51–59 form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2007	2006	2007	2006	2007	2006
		\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities							
Cash was provided from:							
Government Grants		13,404,685	11,634,340	13,384,685	11,634,340	20,000	-
Receipts from Customers		1,397,962	1,390,413	1,162,517	1,310,797	235,445	79,616
Interest Received		223,981	194,104	223,937	194,094	44	10
Cash was applied to:							
Payments to Suppliers and Employees		[13,151,850]	[12,651,077]	[13,106,292]	[12,676,261]	[45,558]	25,184
Net Inflow from Operating Activities	12	1,874,778	567,780	1,664,847	462,970	209,931	104,810
Cash Flows from Investing Activities							
Cash was provided from:							
Sale of Plant and Equipment		622	-	622	-	-	-
Cash was applied to:							
Purchase of Plant and Equipment		[321,099]	[340,542]	[321,099]	[340,542]	-	-
Net Outflow from Investing Activities		[320,477]	[340,542]	[320,477]	[340,542]	-	-
Net Increase in Cash Held		1,554,301	227,238	1,344,370	122,428	209,931	104,810
Add Cash at Start of Year		2,134,811	1,907,573	2,030,001	1,907,573	104,810	-
Balance at End of Year		\$3,689,112	\$2,134,811	\$3,374,371	\$2,030,001	\$314,741	\$104,810

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

1. STATEMENT OF ACCOUNTING POLICIES

The entity reporting is Electrotechnology Industry Training Organisation Incorporated. The accounts have been prepared in accordance with generally accepted accounting practices.

General Accounting Policies

The following general accounting policies have been adopted in the preparation of the financial statements. The measurement basis adopted is that of historical cost. The reporting currency is New Zealand dollars.

Particular Accounting Policies

The following are the particular accounting policies which have a material effect on the measurement of results and financial position:

Consolidated Financial Statements

The consolidated financial statements comprise ETITO Incorporated, its subsidiary, and the subsidiary's interest in joint ventures.

Subsidiaries are those entities that are controlled by ETITO Incorporated.

The group financial statements incorporate the financial statements of ETITO Incorporated and its subsidiaries which have been consolidated using the purchase method. The results of any subsidiaries that become or cease to be part of the group during the year are consolidated from the date that control commenced or until the date that control ceased.

All intercompany transactions, balances and unrealised profits are eliminated on consolidation.

Joint Ventures

Joint ventures are joint arrangements between the group and another party in which there is a contractual agreement to undertake a specific business project in which the venturers share several liability in respect of the costs and liabilities of the project and share in any resulting output. The group's share of the assets, liabilities, revenues and expenses of joint ventures are incorporated into the group financial statements on a line by line basis using the proportionate method.

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

Plant and Equipment

a] Plant and Equipment are stated at cost less accumulated depreciation.

b] Plant and Equipment have been depreciated at the following rates:

Computer Software	40%	SL
Computer Hardware	25%	SL
Furniture & Fittings	25%	SL
Motor Vehicles	25%	SL
Office Equipment	25%	SL
CRM Database	20%	SL
Leasehold Fit Out		Term of Lease

Inventories

All inventories are valued at the lower of cost and net realisable value.

Industry Contribution

Training Management Fees received, included in Industry Contributions, are recognised and taken to income in the period in which they are billed.

TEC Training Subsidies

TEC Training Subsidies are received under a performance contract with the Tertiary Education Commission and outstanding subsidies are accrued and recognised as income in the period to which they relate.

Operating Leases

Operating lease rentals are recognised evenly over the expected period of benefit to the organisation.

Taxation

The reporting entity has been registered as a charitable entity under the Charities Act 2005 and has exemption from Income Tax under Income Tax Legislation.

Goods and Services Tax

The financial statements have been prepared stating all income and expenditure items exclusive of GST.

Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

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

Definitions of the terms used in the Statement of Cash Flows:

Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by ETITO Incorporated and the group as part of their day-to-day cash management.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and other non current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of ETITO Incorporated and the group and those activities relating to the cost of servicing ETITO Incorporated and the group's equity capital.

Foreign Currency

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date.

Monetary items receivable or payable in a foreign currency are translated at balance date at the closing rate.

Exchange differences on foreign currency are recognised in the statement of financial performance.

Interest Income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Differential Reporting

ETITO Incorporated is eligible to apply differential reporting exemptions in accordance with the Institute of Chartered Accountants of New Zealand Framework on the grounds that it is not publicly accountable and it is not large.

The following exemptions in respect of the Statement of Standard Accounting Practices ["SSAP"] have been applied:

- SSAP 23 Financial Reporting for Segments.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with last year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 [CONTINUED]

2. PRINCIPAL ACTIVITY

A multi-industry Industry Training Organisation [ITO], ETITO has gazetted industry coverage for the Electrotechnology [including electrical engineering, electronic engineering, electronic security, motor rewinding and repair, switchgear fitting, appliance servicing, and industrial measurement and control], Telecommunications, Security, Offender Management, Contact Centres, Ambulance and Financial Services [excluding Personal Trust Administration, Family Trust, Education and Funeral Trust as administered by the Public Trust under the Public Trust Act 2001] industries. Recognised as a Tertiary Education Organisation [TEO], ETITO is enabled by statute to: develop skill standards and qualifications, manage national training systems and provide skills leadership to the industry constituencies for whom it has gazetted industry coverage.

ETITO Consulting Limited [ECL], a subsidiary of ETITO Incorporated, was established in 2006 to leverage ETITO's intellectual property and experience in the design and implementation of industry led education and training systems to provide niche consulting services for commercial gain, both in New Zealand and abroad.

3. PLANT AND EQUIPMENT

As at 31 December 2007	ETITO CONSOLIDATED AND ETITO INCORPORATED		
	Cost	Accum Depn	Book Value
	\$	\$	\$
Furniture & Fixtures	162,119	131,696	30,423
Office Equipment	85,824	74,709	11,115
Computer Hardware	653,417	417,900	235,517
Computer Software - CRM Database	239,842	229,881	9,961
- Other	274,531	158,183	116,348
Leasehold Fit out – Head Office	448,256	206,616	241,640
Leasehold Fit out – Wellington	143,978	26,414	117,564
	2,007,967	1,245,399	762,568
As at 31 December 2006	Cost	Accum Depn	Book Value
	\$	\$	\$
Furniture & Fixtures	145,709	115,630	30,079
Office Equipment	79,247	68,311	10,936
Computer Hardware	468,579	348,327	120,252
Computer Software - CRM Database	239,842	213,791	26,051
- Other	173,779	85,329	88,450
Leasehold Fit out – Head Office	448,256	156,810	291,446
Leasehold Fit out – Wellington	143,978	10,416	133,562
	1,699,390	998,614	700,776

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 [CONTINUED]

4. CAPITAL COMMITMENTS & CONTINGENT LIABILITIES

The Organisation has a contingent liability in respect of the Accident Compensation Commission's residual claims levy. The levy will be payable annually from May 1999 for up to fifteen years. The Organisation's future liability is a function of ACC's unfunded liability for past claims and future payments to employees by the Organisation. There are no other contingent liabilities or capital commitments [2006 Nil].

5. OPERATING LEASE COMMITMENTS

Commitments for operating leases are as follows:

	ETITO CONSOLIDATED AND ETITO INCORPORATED	
	2007	2006
	\$	\$
0-1 year	775,527	651,568
1-2 years	653,005	617,333
2-5 years	1,059,885	1,194,455
Over 5 years	-	330,412
	2,488,417	2,793,768

6. ACCOUNTS RECEIVABLE

Accounts Receivable includes a provision of \$16,381 for doubtful debts [2006 \$11,735].

Accounts Receivable for ETITO Incorporated includes \$213,283 [2006 \$232,586] inter-company balance owing from ETITO Consulting Limited.

7. OTHER INCOME

Other Income includes \$27,780 of previously deferred income [2006 \$27,780].

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

8. OPERATING EXPENSES

Operating expenses includes the following costs:

	2007	2006
ETITO CONSOLIDATED AND ETITO INCORPORATED	\$	\$
Audit Fee	24,525	11,770
Bad Debts	7,045	2,350
Change in Provision for Doubtful Debts	4,646	[1,046]
Depreciation - Furniture & Fixtures	16,066	19,088
- Office Equipment	6,398	8,057
- Computer Hardware	81,560	68,306
- Software CRM Database	16,090	20,615
- Software Other	72,853	28,649
- Leasehold Fit-out-Head Office	49,806	49,806
- Leasehold Fit-out-Wellington	15,998	10,416
Total Depreciation	258,771	204,937
Directors' Fees	48,500	20,100
Less reversal of fees not claimed in prior years	[3,000]	[18,500]
Net Director Fees	45,500	1,600
Donations	-	-
Loss/[Gain] on Sale of Assets	[622]	-
ETITO CONSOLIDATED AND ETITO CONSULTING LTD		
Foreign Exchange Losses/[Gains]	[21,670]	8,936

9. ACCRUED INCOME

Accrued Income is government subsidies relating to the reporting period but not yet received from the Tertiary Education Commission.

10. DEFERRED INCOME

The deferred income is a contribution from the Lessor to fit-out the new premises and will be recognised over the term of the lease of the premises.

11. INVENTORY

Inventory consists of finished goods for resale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 [CONTINUED]

12. NET CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of Statement of Financial Performance surplus with net cash flow from operating activities:

	ETITO CONSOLIDATED		ETITO INCORPORATED		ETITO CONSULTING LTD	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Surplus/[Loss] for the Year	1,267,389	626,453	1,160,535	630,687	106,854	[4,234]
Add/[Subtract]: non cash items						
- Depreciation	258,771	204,937	258,771	204,937	-	-
- Deferred Income	[27,780]	[27,780]	[27,780]	[27,780]	-	-
Operating Surplus/[Loss]	1,498,380	803,610	1,391,526	807,844	106,854	[4,234]
Movements in Funds						
Net Decrease/[Increase] in Receivables and Prepayments	[56,920]	[662,805]	[164,694]	[757,152]	127,077	94,347
Net Decrease/[Increase] in Inventory	[22,494]	[7,968]	[22,494]	[7,968]	-	-
Net Increase/[Decrease] in Payables	455,898	430,175	460,595	425,478	[24,000]	4,697
Items classified as investing activities:						
Investment in ETITO Consulting Ltd	-	-	-	[10,000]	-	10,000
Gain on sale of Plant and Equipment	[622]	-	[622]	-	-	-
Plant & Equipment Purchases in Payables	[3,345]	[3,881]	[3,345]	[3,881]	-	-
Plant and Equipment Purchases prior year Payables	3,881	8,649	3,881	8,649	-	-
Net Cash Inflow from Operating Activities	1,874,778	567,780	1,664,847	462,970	209,931	104,810

13. FINANCIAL INSTRUMENTS

In the normal course of business, the organisation incurs credit risk from trade debtors and transactions with financial institutions.

The organisation does not have any significant concentrations of credit risk. It does not require any collateral or security to support financial instruments as it only deposits with, or loans to, banks and other financial institutions with high credit ratings.

The carrying value of cash, receivables, trade creditors and payables is equivalent to their fair value.

The group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. The foreign currency in which the group primarily deals with is the Canadian dollar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 [CONTINUED]

14. INCOME IN ADVANCE

There is no income in advance as at December 2007.

2006 Income in Advance represents sponsorship income received in 2006 for the period to December 2007.

15. ACCOUNTS PAYABLE

2006 Accounts Payable for ETITO Incorporated includes \$10,000 inter-company balance owing to ETITO Consulting Limited. There is no balance payable in 2007.

16. INVESTMENTS IN SUBSIDIARIES

ETITO Consulting Limited was incorporated on 13 June 2006 and is 100% owned by ETITO Incorporated. The results of ETITO Consulting Limited's operations for the year were a profit of \$106,854 [2006 \$4,233 loss] and are included in the consolidated statement of financial performance.

Subsidiary Owned at 31 December 2007:

Name	Principal Activities	Ownership and Voting Interest	
		2007	2006
ETITO Consulting Limited	Consulting Services	100%	100%

The Subsidiary has a balance date of 31 December.

ETITO Consulting Limited is incorporated in New Zealand.

17. JOINT VENTURE

The group has an interest in a joint venture between ETITO Consulting Limited and Fulford Harbour Consulting Limited to perform consulting services in Canada. Each Joint Venturer is responsible for performing and completing the Joint Venture Work allocated to it in the Division of Work, is responsible for all costs associated therewith and is entitled to receive all compensation to be received in respect thereof. Costs specifically attributed to the Joint Venture are shared equally. The group's share of revenues, costs, assets and liabilities relating to the joint venture have been included in the consolidated financial statements.

18. FOREIGN CURRENCY DENOMINATED MONETARY ASSETS AND LIABILITIES

	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
	2007 NZD	2006 NZD	2007 NZD	2006 NZD	2007 NZD	2006 NZD
Current assets and current liabilities not hedged						
Current asset Canadian dollars	18,044	210,584	-	-	18,044	210,584
Current liability Canadian dollars	-	23,288	-	-	-	23,288

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 [CONTINUED]

19. RELATED PARTIES

Transactions

ETITO Incorporated incurred expenditure of \$223,283 [2006 \$215,632] on behalf of its subsidiary ETITO Consulting Limited and charged this expenditure to the subsidiary.

No related party balances have been written-off or forgiven during the year.

DIRECTORY

FOR THE YEAR ENDED 31 DECEMBER 2007

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