



ETITO

2009

ETITO ANNUAL REPORT

CONTENTS

06. THE CHAIRMAN'S REPORT

09. THE CHIEF EXECUTIVE'S REPORT

12. 2009 INDUSTRY HIGHLIGHTS

19. GOVERNANCE

20. STATISTICS

25. 2009 ETTIO CONSOLIDATED FINANCIAL STATEMENTS



WELCOME

Formed in 1992 as the industry training organisation for the electrotechnology industry, ETITO now has coverage for the ambulance, contact centre, electrotechnology, financial services, offender management, telecommunications and security industries.

The primary stakeholders of ETITO are the industries we serve. We are 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 our 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.



A Year of Solid Performance

2009 was yet another year of solid performance for ETITO.

Under the leadership of new Chief Executive Mike Henderson, the organisation continued to punch above its weight – managing training arrangements for a throughput of 14,256 individuals across seven industries; delivering on its commitment to continual improvement in stakeholder responsiveness; and evidencing significant capability and passion for our leadership role.

Tackling the Recession as a Multi-Sector ITO

We were challenged with the uncertainties of a depressed economy, particularly in the electrical industry where the number of new apprentices was down by 37% on 2008. Had ETITO only had coverage for this industry, our ability to earn our Government grant would have been compromised. However, with increases in trainee numbers in our other industries, the benefits of ETITO's multi-industry coverage came to the fore. In fact, so significant were some of the increases that we needed to manage access to the training system for some firms in order to reduce our exposure to unfunded training arrangements and allow the organisation to focus on improving quality and qualification completions.

Alongside this, ETITO committed to a programme of work that focused on trainees who remain in ETITO's training system for longer than anticipated. The aim of this activity, which continues into 2010, is to ensure that trainees complete the programme, and/or to work with employers to determine whether national qualifications training is no longer appropriate.

Getting the Investment Right

In 2009 the organisation increased the proportion of total funding that is paid out for training arrangements. I am pleased to report that in 2009, 68% of our TEC grant was expended on the purchase of training courses on behalf of firms, direct cash subsidies to firms, or investment in frontline staff that provided service to those firms. The remainder of our expenditure was used to perform and support all of our other statutory obligations, which include developing national standards and qualifications, building and operating our quality assurance systems, communications and industry engagement, and providing skills leadership. Our investment decisions have supported the outcomes that we were seeking, including a record 357,854 credits registered on the National Qualifications Framework, a 14% increase on the year prior.

Once again, the Board is comfortable with the surplus of \$501,563 that was generated. It contributes to ensuring the financial viability and responsiveness of ETITO in the face of the uncertainties that are expected to continue to characterise our environment.

Innovating with Confidence

Complementing our management of the now mature training systems for the ambulance, contact centre, electrotechnology, offender management, security and telecommunications industries was ETITO's new activity in the financial services arena. Throughout the year, ETITO worked with the industry and various Government agencies to embed the national qualifications framework within the regulatory system for financial advisers. Our work has produced important innovations and new ways of working that will inevitably be of value to our other industries.

As we took on these challenges, we made a commitment that our innovation in this new industry would not impact the delivery of services to our other constituencies. It is with pleasure that I report that we have delivered on this undertaking, and industry satisfaction with ETITO has climbed for the third successive year that we have measured it.

Uncertainty as Opportunity

Looking forward to 2010, demand for training places is at an all time high in a number of our industries. We expect to see a resurgence of demand in the electrical and telecommunications industries, and a number of industries under ETITO's coverage are facing potentially significant strategic and/or regulatory reform. In the face of this increased demand for ETITO services, our ability to access increases in funding from Government has dramatically reduced.

We also face policy uncertainty. At the end of 2010, the Tertiary Education Commission's three year investment plan with ETITO will come to an end, and with the new Tertiary Education Strategy only recently announced, we are not yet clear about the mechanisms and measures which will drive forward Crown investment in ETITO.

In light of these challenges, we have been re-examining the organisation to determine how we should position ourselves for the future. In the face of the volatility that characterises our operating environment, we have decided that our ability to unlock greatest value for our industries lies in our commitment to differentiating ourselves from other ITOs. This will be done by negotiating funding and other arrangements with the Crown on the merits of our own reputation and performance. Our work in the financial services industry is providing an excellent platform from which to pursue this strategy for the benefit of all our stakeholders.

Governance

Over this past year we have increased the level of governance in response to increased activity, and now have board meetings on a monthly basis instead of bi-monthly.

Partnerships for Success

In closing, I wish to acknowledge the contribution of the ETITO team, and all those committed individuals from across our industries who gave freely of their time to work with us in building and operating world-class training systems. As we look to the year ahead, we remain firmly committed to delivering on the mission of the organisation, that of working in partnership with our industries to improve the productive skills of Kiwis.

Brian Nowell



It gives me great pleasure to report positive outcomes for ETITO in 2009, my first year as Chief Executive.

This past year has been one of change, one of challenge and one of achievement for ETITO. We've engaged more people than ever before, with 4,112 new trainees joining ETITO's training system and 14,256 people overall taking part in ETITO managed training arrangements.

Not only was engagement high, so too were the results. Throughout the year we awarded 3,286 national certificates and registered a record 357,854 credits, a 14% increase on 2008. This greater training activity was supported by an increased investment of \$454k in service provided and/or subsidy paid to those engaged in industry training, representing 68% of our TEC grant.

During 2009, we saw a shift in the tertiary education landscape, including policy changes affecting funding provided by the Tertiary Education Commission. These included a reversal of the decision to index ITO funding to the consumer price index, the halving of ITO strategic leadership funding and cuts to literacy funding. Additionally, as the economic recession made its mark, the new Government responded by requiring improved return for its investment, reflected in an increasing focus on the quality of training outcomes.

The tertiary sector has been under the spotlight, in particular universities and polytechnics. We are aware, however, that the Government will be focusing on Industry Training Organisations in 2010 and in particular introducing measures that will demand improved completion rates and quality provision. Future STM funding

and other funding options will be aligned to performance. Despite our pleasing credit achievement and qualification completion performance at an aggregate level, we and our industries will experience greater pressure to deliver outcomes from training at a sector level. We will continue to look at what this means in terms of the mix of training subsidies and training support services offered by ETITO.

The annual ETITO stakeholder satisfaction survey was conducted in the final quarter of 2009 and indicated positive performance with an overall improvement in customer satisfaction of 8% compared to 2008 results. Importantly, what we have gleaned from the survey is the need to continue to improve our communication with our stakeholders and customers, increase the promotion of industry training, enhance the speed of development of resources and continue to provide skills leadership.

Annual Industry Statements were introduced in 2009 as a response to stakeholder requests for more transparent and accessible information about ETITO activity and workplans. These capture one year of activity for each of our industries, incorporate emerging priorities and reflect shifts in the environment. These Annual Industry Statements can be found on our website and will shape the organisation's activity for the upcoming year, ensuring an agile response to industry needs.

The number of new apprenticeships in the electrotechnology industry was down 37.4% on the preceding year, a drop that was directly attributable to weakened economic confidence. To make certain that the recessionary influences caused minimal disruption to those already engaged in a training arrangement, ETITO training managers worked with industry partners and employers to ensure that existing apprentices were re-located where their jobs were at risk.

With growth in the construction industry projected for late 2010, we are anticipating gradual growth in the number of new apprentices.

However, despite the recessionary impacts, we have seen unprecedented growth across a number of our industries. The continuing growth in the population of prisoners and the consequent impact on prison officer staffing levels has meant that ETITO's work with the Department of Corrections to ensure appropriate levels of training and assessment has become more critical than ever.

The anticipated consequence of legislative reform in the security industry in 2010 has meant that ETITO has experienced a significant increase in 2009 trainee numbers. In preparation for further increased demand driven by the Rugby World Cup 2011, we have entered an agreement with Waikato Institute of Technology to ensure greater capacity for training arrangements.

We have also been working with the telecommunications industry to better understand the skill needs of the industry and how best to manage the up-skilling of an existing workforce in light of the highly-publicised broadband rollout.

There is demand for additional ambulance officers across New Zealand and with the move from a Level 4 qualification to a Level 5 National Diploma in Ambulance Practice during 2008, ETITO has recorded an increase in qualification completion during 2009.

The increasing sophistication of services provided by contact centres continues to create demand for training and the need for up-skilling.

The introduction of the Financial Advisers Act has had a major impact on the work undertaken at ETITO. Throughout the year, we worked closely with key Government departments and, in late 2009, established a project team tasked to design and implement an assessment system for financial advisers that supports authorisation under the Financial Advisers Act.

Regardless of the current environment, ETITO's vision of working in partnership with our industries to improve the productive skills of Kiwis remains. To ensure a readiness for the future, we have undertaken environmental scanning, refined our strategy and determined where investment is needed in order to enhance the level of service provided to our industry partners, as shown by the increased investment in resourcing the customer facing service delivery end of our business.

With Government signalling that future funding will be performance based, we are exploring ways to more closely work with industry to make certain that training programmes are delivering top-notch results. The capped funding environment also means that we may need to consider rationing access to training places.

It is in this context that we must continue to consider the mix of services offered by ETITO, and we must continue the careful and deliberate act of aligning our activity and matching our expenditure with the diversity of industry needs and expectations of us.

Already, the work that we are undertaking in the financial services arena has earned us a strong reputation across a number of Government agencies. This will inevitably be of benefit to our other industries into the future.

It is my view that, in these challenging times, we continue to engage with our industry partners and work innovatively and collaboratively to meet the training needs of our industries – delivering productivity gains and skills improvement in the workplace.

In closing, I would like to take this opportunity to thank all my staff for their superb support and positive contribution to a business focused on supporting our stakeholders and customers.

Mike Henderson

AMBULANCE

Throughout 2009, ETITO worked in association with the registered training workplaces in this industry, St John ambulance services, Wellington Free Ambulance and the Taranaki and Wairarapa District Health Boards, to support the delivery of national qualifications training.

Over the course of the year, 25 people gained the National Certificate in Ambulance Patient Care and Safety [Level 4] and 96 individuals achieved the National Certificate in Ambulance Patient Care and Safety [Level 5]. During 2009, over 2,400 ambulance professionals were registered in ETITO's training system.

CONTACT CENTRE

In 2009, ETITO supported the 1,840 contact centre professionals involved in national qualifications training.

As a result, 385 people achieved the National Certificate in Contact Centre Operations [Level 3], 87 people gained the National Certificate in Contact Centre Management [Team Leader] [Level 4] and two individuals completed the National Diploma in Contact Centre Management [Level 5].

During 2009, we worked collaboratively with the financial services industry, the Securities Commission as regulator, the Ministry of Economic Development and the Tertiary Education Commission to align ETITO-developed national qualifications with the evolving regulatory regime for financial advisers.

This resulted in the National Certificate in Financial Services [Financial Advice] [Level 5] being recognised by the Code Committee for Financial Advisers as the proposed minimum competence requirement for authorisation under the Financial Advisers Act.

As directed by the Code Committee for Financial Advisers, ETITO undertook a review of the two investment specialist unit standards contained in the qualification and developed two new residential property lending unit standards for inclusion in the qualification. ETITO designed a website and self-evaluation tool for advisers seeking competency and throughout the year acted as an adviser to the Code Committee on aspects pertaining to competency-based training and assessment.

In 2009, the number of security professionals engaged in national qualifications training continued to build.

Throughout the year, there were 2,711 security officers engaged in ETITO's training system and by the year's end 240 individuals had achieved the National Certificate in Security [Level 2], 181 people had gained the National Certificate in Security [Level 3/4] and five individuals completed the National Certificate in Electronic Security [Level 3].

For yet another year, we worked closely with the Public Prisons Service to foster engagement in the National Training System for the offender management industry.

As a result, 2,853 Prison Services staff from across the country took part in national qualifications training. 248 prison officers achieved the National Certificate in Offender Management [Level 3] and 94 staff achieved the National Certificate in Offender Management [Level 4].

ELECTROTECHNOLOGY

This year 4,267 apprentices were training towards an ETITO-developed electrotechnology national qualification.

These individuals came from the electrical, appliance servicing, switchgear fitting, motor rewinding, industrial measurement and control, electronic engineering, electronic manufacturing and electrical wholesaling sectors. Over the course of the year, 597 people completed their apprenticeship, and 548 of these individuals were in the electrical sector.

TELECOMMUNICATIONS

2009 was a year of change for the telecommunications industry.

Significant contracts were awarded to new organisations and, given that some of these organisations have little or no culture of training to the national standard, just 180 individuals were engaged in national qualifications training in 2009. ETITO has begun working with these companies to foster an interest in delivering a consistent level of national training.

ETITO IN SCHOOLS

Throughout 2009, the promotion of ETITO's suite of school-to-work transition activities continued, and significant changes were made to the Bright Sparks competition.

This renowned, well established electronics and software competition was revitalised by a new innovative, interactive and entirely online approach which attracted significantly increased engagement. Over the three weeks between when the new look Bright Sparks Awards website went live and the winners were announced, over 4,000 unique visitors were attracted to the site, 1,300 votes were made and television and press coverage was significant.

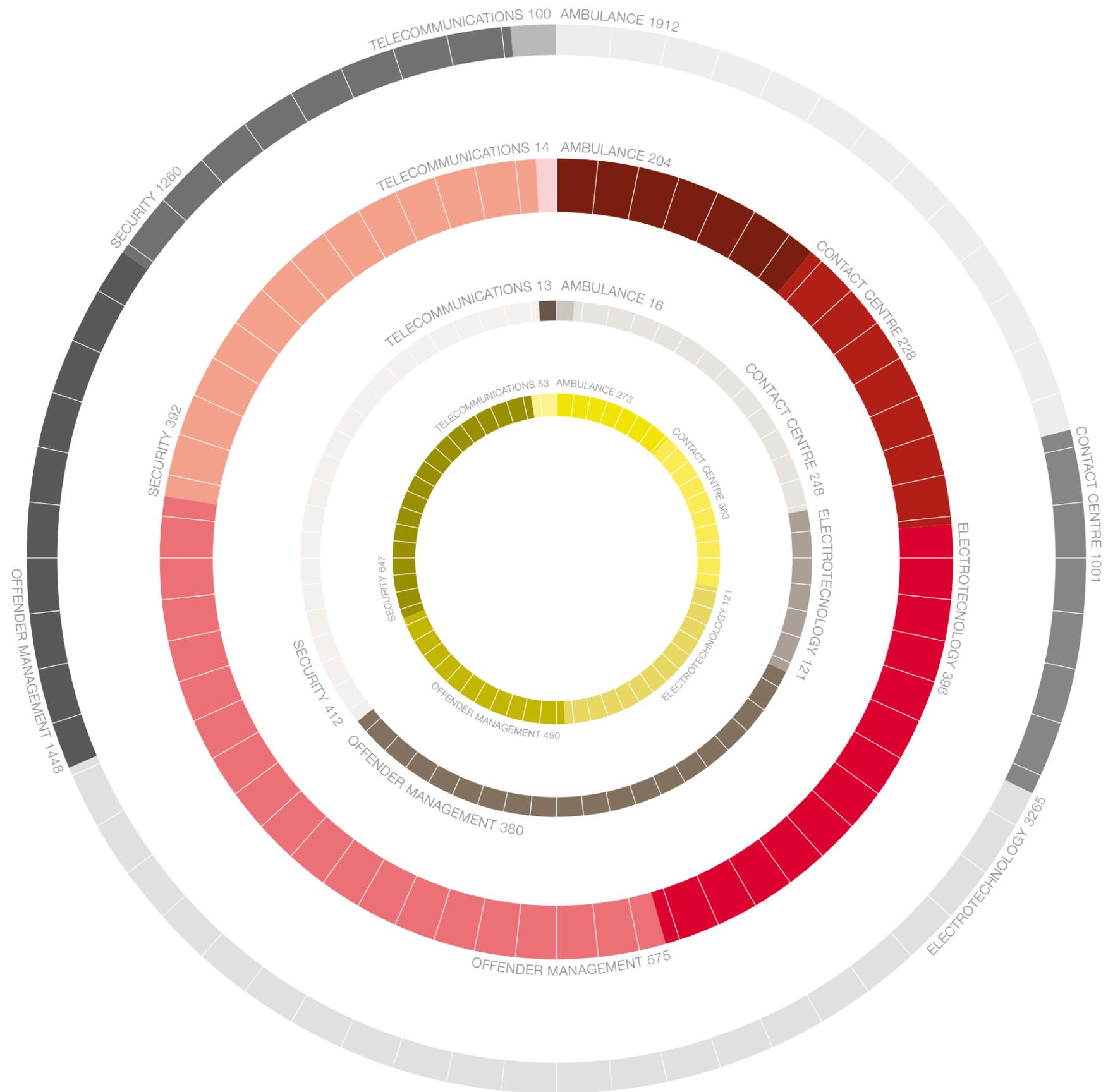
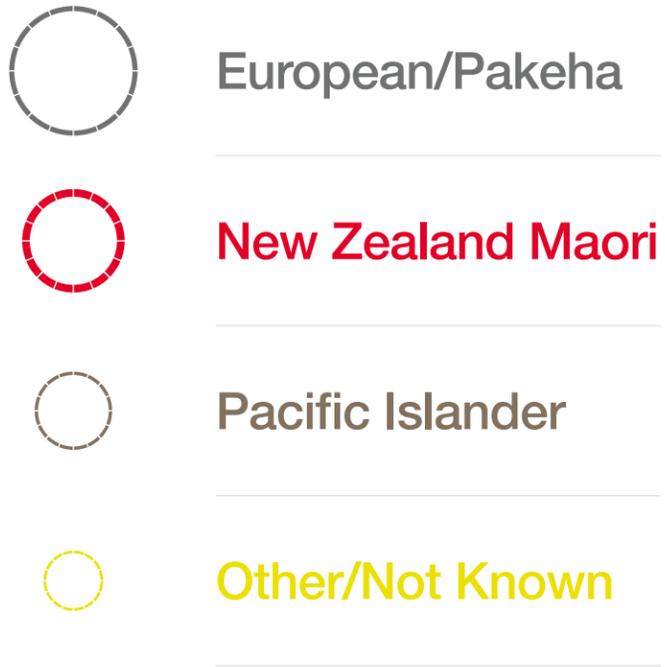
2009 BOARD OF GOVERNANCE



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

2009 STATISTICS

Ethnic Group by Industry



STMs* by Year



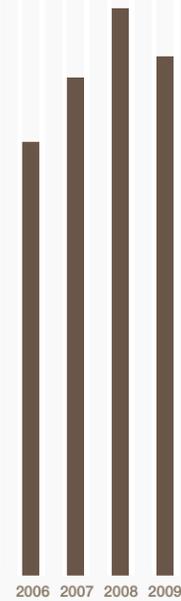
- 4,915 Actual in 2009
- 4,529 Contracted in 2009

Actual Credits Reported by Year



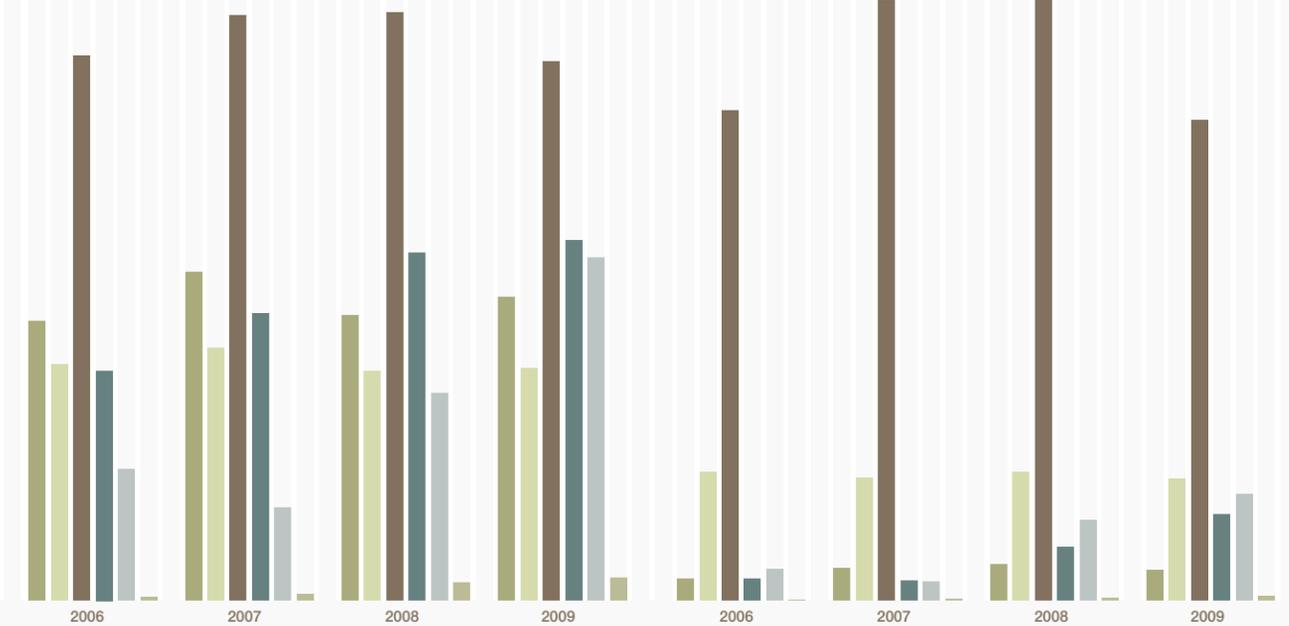
- 357,854 in 2009

Actual Qualifications Reported by Year



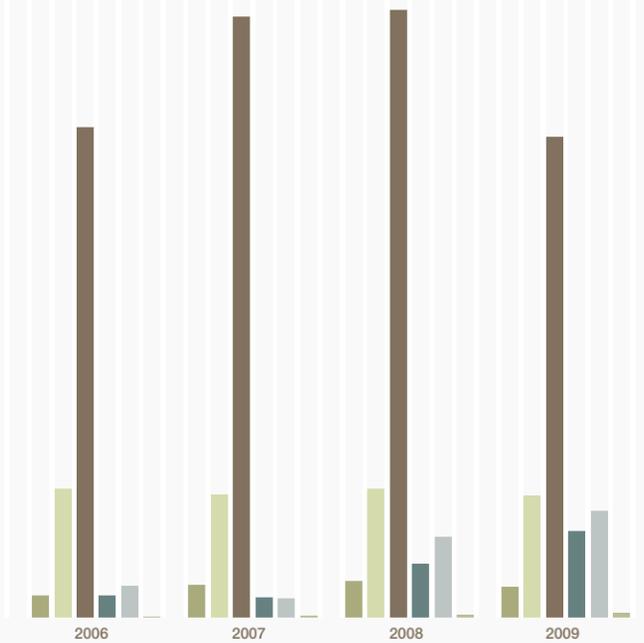
- 3,286 in 2009

Trainees by Industry



- Ambulance 2,405
- Contact Centre 1,840
- Electrotechnology 4,267
- Offender Management 2,853
- Security 2,711
- Telecommunications 180

Qualifications Achieved* by Industry

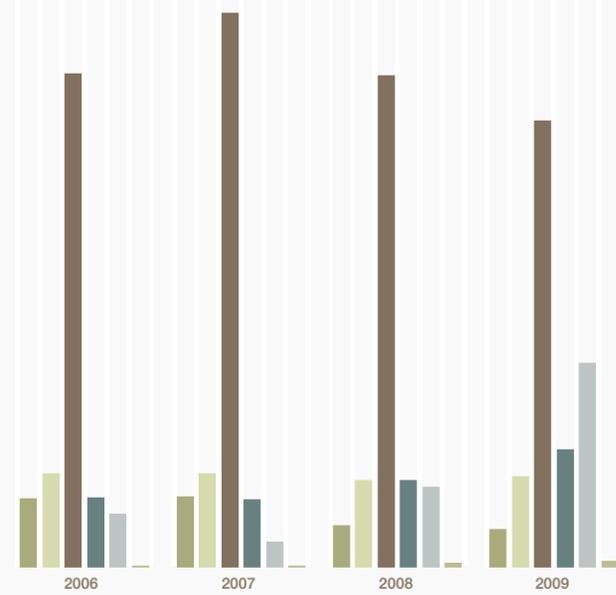


- Ambulance 121
- Contact Centre 482
- Electrotechnology 1,901
- Offender Management 342
- Security 421
- Telecommunications 19

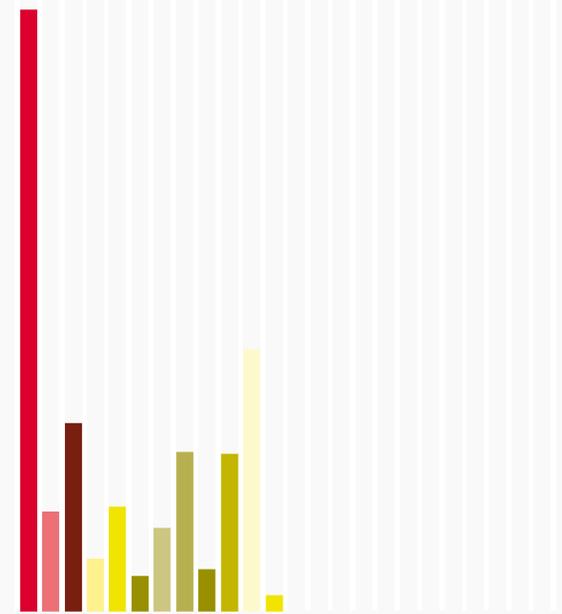
*An STM is a Standard Training Measure, the unit of funding provided to ETITO from Government. It relates to the volume of training arrangements managed by ETITO. The contracted STM volumes, indicated in grey, represent those training arrangements funded by the Government.

*Records qualifications achieved at all levels.

Actual Credits Reported by Year



Trainees & Modern Apprentices by Region



- Ambulance 14,874
- Contact Centre 35,885
- Electrotechnology 176,966
- Offender Management 46,669
- Security 81,078
- Telecommunications 2,382

- Auckland 4,760
- Bay of Plenty 788
- Canterbury 1,487
- Hawkes Bay 416
- Manawatu/Whanganui 826
- Nelson/Marlborough 280
- Northland 657
- Southland 1,262
- Taranaki 334
- Waikato 1,242
- Wellington 2,078
- West Coast 126

Auditor's Report

To the Members of Electro-technology Industry Training Organisation Incorporated

We have audited the financial statements on pages 5 to 14. The financial statements provide information about the past financial performance of the Organisation and group and their financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 8 to 9.

This report is made solely to the Members of Electrotechnology Industry Training Organisation Incorporated, as a body, in accordance with the rules of the Organization. Our audit has been undertaken so that we might state to the Members of Electro-technology 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 Organization 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 2009 and of 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 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.

Other than in our capacity as auditor we have no relationship with, or interest in, the Organisation.

Unqualified Opinion

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

In our opinion:

- the financial statements on pages 5 to 14:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly present the financial position of the Organisation and group as at 31 December 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 31 March 2010 and our unqualified opinion is expressed as at that date.



Auckland

Statement of Financial Performance

FOR THE YEAR ENDED 31 DECEMBER 2009

		ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2009	2008	2009	2008	2009	2008
	Note	\$	\$	\$	\$	\$	\$
Revenue							
TEC Training Subsidies		14,627,074	14,028,889	14,627,074	14,028,889	-	-
Moderation Income		177,156	132,966	177,156	132,966	-	-
Industry Contribution		978,618	1,013,577	978,618	1,013,577	-	-
Ventures Income		491,337	255,538	-	20,072	491,337	235,466
Expense Recoveries from Subsidiary		-	-	167,536	110,163	-	-
Other Income	7	453,675	368,697	453,675	368,697	-	-
Total Revenue	9	16,727,860	15,799,667	16,404,059	15,674,364	491,337	235,466
Industry Training Expenses							
Training Subsidies		6,659,717	6,518,345	6,659,717	6,518,345	-	-
Training Support Services		3,242,729	2,930,097	3,242,729	2,930,097	-	-
Research & Qualification Development		999,030	920,286	999,030	920,286	-	-
Quality Assurance		523,610	412,148	523,610	412,148	-	-
Stakeholder Relations		1,089,317	1,247,176	1,089,317	1,247,176	-	-
Total Industry Training Expenses		12,514,403	12,028,052	12,514,403	12,028,052	-	-
Operating Expenses							
Ventures		330,875	198,227	-	-	330,875	198,227
Administration Costs	8	3,224,266	3,086,787	3,224,266	3,086,787	-	-
Governance	8	130,162	163,032	130,162	163,032	-	-
Parent Expenses		-	-	-	-	167,536	110,163
Total Operating Expenses		3,685,303	3,448,046	3,354,428	3,249,819	498,411	308,390
Total Expenses	10	16,199,706	15,476,098	15,868,831	15,277,871	498,411	308,390
Net Operating Surplus/[Loss] for the Year		528,154	323,569	535,228	396,493	[7,074]	[72,924]
Interest Income		348,139	541,490	320,623	510,318	27,516	31,172
Depreciation Expense		374,730	302,087	374,730	302,087	-	-
Net Surplus/[Loss] for the Year		\$501,563	\$562,972	481,121	\$604,724	\$20,442	\$(41,752)

Statement of Movements Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Equity at Start of Year	4,844,095	4,281,123	4,783,227	4,178,503	70,868	112,620
Net Surplus/[Loss] for the Year	501,563	562,972	481,121	604,724	20,442	[41,752]
Total Recognised Revenue and Expenses	501,563	562,972	481,121	604,724	20,442	[41,752]
Equity at End of Year	\$5,345,658	\$4,844,095	\$5,264,348	\$4,783,227	\$91,310	\$70,868

Statement of Financial Position

AS AT 31 DECEMBER 2009

	Note	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	\$	\$
Share Capital		-	-	-	-	10,000	10,000
Retained Earnings		5,345,658	4,844,095	5,264,348	4,783,227	81,310	60,868
Accumulated Funds		\$5,345,658	\$4,844,095	\$5,264,348	\$4,783,227	\$91,310	\$70,868
Represented by:							
Current Assets							
Accounts Receivable	6	122,116	156,321	646,384	594,125	9,132	19,211
Accrued Income	11	661,168	674,943	634,446	651,508	26,722	23,435
Bank – ETITO		6,618,612	5,764,268	6,032,622	5,287,690	585,990	476,578
Bank – Growth Pilot		-	113	-	113	-	-
GST Receivable		145	-	-	-	145	-
Prepayments		86,995	102,204	76,482	91,008	10,513	11,196
Inventory	13	10,093	21,709	10,093	21,709	-	-
Total Current Assets		7,499,129	6,719,558	7,400,027	6,646,153	632,502	530,420
Current Liabilities							
Accounts Payable		604,880	825,229	604,880	825,229	533,400	457,015
Accrued Expenses – ETITO		1,622,177	1,511,657	1,614,385	1,511,557	7,792	100
Income in Advance		144,842	-	144,842	-	-	-
GST Payable		155,620	81,736	155,620	79,299	-	2,437
Employee Entitlements		293,543	191,412	293,543	191,412	-	-
Current Portion of Deferred Income	12	27,780	27,780	27,780	27,780	-	-
Total Current Liabilities		2,848,842	2,637,814	2,841,050	2,635,277	541,192	459,552
Net Current Assets		4,650,287	4,081,744	4,558,977	4,010,876	91,310	70,868
Non Current Assets							
Plant and Equipment	3	746,301	841,061	746,301	841,061	-	-
Investment in Subsidiary – Shares in ETITO Consulting Limited	16	-	-	10,000	10,000	-	-
Total Non Current Assets		746,301	841,061	756,301	851,061	-	-
Non Current Liabilities							
Deferred Income	12	50,930	78,710	50,930	78,710	-	-
Net Assets		\$5,345,658	\$4,844,095	\$5,264,348	\$4,783,227	\$91,310	\$70,868

For and on behalf of the Board who authorise the issue of these financial statements on 31st March 2010

Chairman



Chief Executive



The notes on pages 06–12 form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
		2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities							
Cash was provided from:							
Government Grants		15,737,000	16,271,739	15,710,636	16,248,304	26,364	23,435
Receipts from Customers		1,089,601	1,161,185	1,021,914	1,026,279	67,687	134,906
Interest Received		473,055	417,563	448,502	380,686	24,553	36,877
Cash was applied to:							
Payments to Suppliers and Employees		[16,144,489]	[15,439,892]	[16,135,297]	[15,406,511]	[9,192]	[33,381]
Net Inflow from Operating Activities	14	1,155,167	2,410,595	1,045,755	2,248,758	109,412	161,837
Cash Flows from Investing Activities							
Cash was provided from:							
Sale of Plant and Equipment		3,602	1,978	3,602	1,978	-	-
Cash was applied to:							
Purchase of Plant and Equipment		[304,538]	[337,304]	[304,538]	[337,304]	-	-
Net Outflow from Investing Activities		[300,936]	[335,326]	[300,936]	[335,326]	-	-
Net Increase in Cash Held		854,231	2,075,269	744,819	1,913,432	109,412	161,837
Add Cash at Start of Year		5,764,381	3,689,112	5,287,803	3,374,371	476,578	314,741
Balance at End of Year		\$6,618,612	\$5,764,381	\$6,032,622	\$5,287,803	\$585,990	\$476,578

The notes on pages 06–12 form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF ACCOUNTING POLICIES

The entity reporting is Electrotechnology Industry Training Organisation Incorporated. The accounts have been prepared in accordance with New Zealand Generally Accepted Accounting Practice.

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.

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
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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 [continued]

STATEMENT OF ACCOUNTING POLICIES [continued]

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.

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 New Zealand Institute of Chartered Accountants 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 2009 [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

ETITO CONSOLIDATED AND ETITO INCORPORATED

As at 31 December 2009	Cost	Accum Depn	Book Value
	\$	\$	\$
Furniture & Fixtures	155,873	119,932	35,941
Office Equipment	71,974	44,722	27,252
Computer Hardware	561,786	296,039	265,747
Computer Software – CRM Database	-	-	-
Computer Software – Other	444,896	289,290	155,606
Leasehold Fit-out – Head Office	501,644	315,513	186,131
Leasehold Fit-out – Wellington	143,978	68,354	75,624
	1,880,151	1,133,850	746,301

As at 31 December 2008	Cost	Accum Depn	Book Value
	\$	\$	\$
Furniture & Fixtures	160,569	134,146	26,423
Office Equipment	46,125	22,518	23,607
Computer Hardware	460,181	183,371	276,810
Computer Software – CRM Database	239,842	238,544	1,298
Computer Software – Other	478,317	265,581	212,736
Leasehold Fit-out – Head Office	455,676	257,056	198,620
Leasehold Fit-out – Wellington	143,978	42,411	101,567
	1,984,688	1,143,627	841,061

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 [2008 Nil].

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 [continued]

5. OPERATING LEASE COMMITMENTS

Commitments for operating leases are as follows:

	ETITO CONSOLIDATED AND ETITO INCORPORATED	
	2009	2008
	\$	\$
0-1 year	776,501	772,623
1-2 years	642,799	548,439
2-5 years	432,865	681,651
	1,852,165	2,002,713

6. ACCOUNTS RECEIVABLE

Accounts Receivable includes a provision of \$43,170 for doubtful debts [2008 \$21,694].

Accounts Receivable for ETITO Incorporated includes \$533,400 [2008 \$457,015] inter-company balance owing from ETITO Consulting Limited.

7. OTHER INCOME

Other Income includes \$27,780 of previously deferred income [2008 \$27,780].

8. GOVERNANCE EXPENSES

The 2008 Accounts reported Governance expenditure of \$301,265 which included expenditure that should have been classified as Administration Costs.

The effect of this is as follows:

	Reported	Restated
	2008	2008
	\$	\$
Administration Costs	2,948,554	3,086,787
Governance	301,265	163,032

9. REVENUE

	2009	2008
	\$	\$
Operating Revenue	16,727,860	15,799,667
Interest Income	348,139	541,490
Total Revenue	17,075,999	16,341,157

ETITO INCORPORATED

	\$	\$
Operating Revenue	16,404,059	15,674,364
Interest Income	320,623	510,318
Total Revenue	16,724,682	16,184,682

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 [continued]

10. OPERATING EXPENSES

Operating Expenses includes the following costs:

	2009	2008
ETITO CONSOLIDATED AND ETITO INCORPORATED	\$	\$
Audit Fee - Financial Statements	30,000	25,950
- Other Services	-	47,750
Bad Debts	11,439	13,725
Change in Provision for Doubtful Debts	21,476	5,313
Depreciation - Furniture & Fixtures	14,388	13,951
- Office Equipment	10,696	6,801
- Computer Hardware	123,640	98,836
- Software CRM Database	1,297	8,663
- Software Other	141,279	107,399
- Leasehold Fit-out – Head Office	57,486	50,439
- Leasehold Fit-out – Wellington	25,944	15,998
Total Depreciation	374,730	302,087
Directors' Fees	82,000	70,000
Donations	3,000	2,000
Lease and Rental Costs	981,545	752,806
Loss/[Gain] on Sale of Assets	966	6,491
ETITO CONSOLIDATED AND ETITO CONSULTING LTD		
Foreign Exchange Losses/[Gains]	[624]	[3,017]

11. ACCRUED INCOME

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

12. 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.

13. INVENTORY

Inventory consists of finished assessment guides for resale.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 [continued]

14. NET CASH FLOW FROM OPERATING ACTIVITIES

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

	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
	2009	2008	2009	2008	2009	2008
Surplus/[Loss] for the Year	\$ 501,563	\$ 562,972	\$ 481,121	\$ 604,724	\$ 20,442	\$ [41,752]
Add/[Subtract] Non-cash Items						
- Depreciation	374,730	302,087	374,730	302,087	-	-
- Deferred Income	[27,780]	[27,780]	[27,780]	[27,780]	-	-
Operating Surplus/[Loss]	848,513	837,279	828,071	879,031	20,442	[41,752]

Movements in Funds:

Net Decrease/[Increase] in Receivables and Prepayments	[13,341]	1,201,534	[20,671]	1,244,214	7,330	[42,680]
Net Decrease/[Increase] in Inventory	11,616	12,578	11,616	12,578	-	-
Net Increase/[Decrease] in Payables	142,570	404,458	60,930	158,189	81,640	246,269
Net Increase/[Decrease] in Income in Advance	144,842	-	144,842	-	-	-
Items Classified as Investing Activities:						
Gain on Sale of Plant and Equipment	966	[1,978]	966	[1,978]	-	-
Plant and Equipment Purchases in Payables	[26,620]	[46,621]	[26,620]	[46,621]	-	-
Plant and Equipment Purchases Prior Year Payables	46,621	3,345	46,621	3,345	-	-
Net Inflow From Operating Activities	1,155,167	2,410,595	1,045,755	2,248,758	109,412	161,837

15. 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 currency in which the group primarily deals with is the Canadian dollar.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 [continued]

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 gain of \$20,442 [2008 \$41,752 loss] and are included in the consolidated statement of financial performance.

Subsidiary Owned at 31 December 2009:

Name	Principal Activities	Ownership and Voting Interest	
		2009	2008
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. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES

	ETITO CONSOLIDATED		PARENT ETITO INCORPORATED		SUBSIDIARY ETITO CONSULTING LTD	
	2009	2008	2009	2008	2009	2008
Current Assets and Current Liabilities not Hedged	\$	\$	\$	\$	\$	\$
Current Asset Canadian Dollars	1,311	15,554	-	-	1,311	15,554
Current Asset Euro Dollars	23,760	-	-	-	23,760	-
Current Liability Canadian Dollars	-	1,481	-	-	-	1,481

18. RELATED PARTIES

TRANSACTIONS

ETITO Incorporated incurred expenditure of \$501,386 [2008 \$334,809] on behalf of its subsidiary ETITO Consulting Limited. This comprised \$167,536 [2008 \$110,163] of recharges of ETITO staff costs and \$333,850 [2008 \$224,646] of external costs paid on behalf of the subsidiary.

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

Directory

FOR THE YEAR ENDED 31 DECEMBER 2009

Trading Name

ETITO

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Fax. [09] 525 2591

Board Members

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

Chief Executive

Mike Henderson

Auditors

Ernst & Young
Chartered Accountants
Auckland

Bankers

ASB Bank Ltd
North Harbour Business Banking
Takapuna

