

RETAIL ITO



Annual Report

ISSUE 2007

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Chairman's Report

A Year of Major Change

2007 proved to be a year in which something of a sea change took place in the Retail ITO. Chris Malpass, our long serving CEO, who had worked hard over 7 years to build up the organisation, moved on to other endeavours in March. Chris was replaced in July by John Meeuwsen, formerly CEO of Sfrito Ltd and currently Chairman of the Industry Training Federation. John has had a long and varied range of experience centred on "change management" in recent years and before that in labour market related organisations. John was involved with the Board in developing a new strategic focus for the Retail ITO during 2006.

Until 2006 the main emphasis in the operations of the organisation had been in enabling industry employees to gain recognition of the skills and knowledge they already possessed, in the form of formally recognised NZQA qualifications. "Accelerated Assessment" was the main process applied and much of the work was done by a team of contracted accredited assessors.

This approach, while valid in the formative years of the ITO, meant there was little investment in

facilitating on job training through the development of training resources for employers or staff expertise to provide support and advice.

Key research findings

Research on the level of tertiary educational provision aimed at the needs of the retail and wholesale industry undertaken during the latter part of 2007 showed that there was comparatively little formal education and training being provided to the industry. With the formal education system not providing much relevant training or vocational education to the industry, and with the industry itself not receiving much direct assistance in the training process from its ITO, it was time to shift emphasis in the ITO's efforts. In considering this change of emphasis, it is also noteworthy that research during 2007 showed that the level of qualification attainment by people employed in the industry is significantly lower than that for the NZ labour force as a whole. This is particularly true for employees over 25 years

of age and for managers in the industry.

Productivity of the industry becoming the focus

During 2006 therefore, our mission statement was changed from one which enabled employees to "enjoy the benefits of qualifications that recognise professionalism" to one which states that the....."Retail ITO exists to facilitate the best possible, quality assured, training and education systems in order to improve productivity in the retail and wholesale industry."

It will be clear that this is a very significant shift in focus. A more successful industry is in the best interests of all involved. Better training and education to raise skill and knowledge levels among industry employees plus recognition of competence among staff remain the most important means to that end for the ITO. However, the overall success of the industry is the

"Retail ITO exists to facilitate the best possible, quality assured, training and education systems in order to improve productivity in the retail and wholesale industry."

ultimate objective. Productivity improvement in the industry is therefore now the central driver for the ITO.

A large workforce with many young people passing through

The new strategy which flows from this shift in focus recognises the fact that the workforce in retail, wholesale and distribution is the largest in the NZ labour force at over 380,000 people (i.e. almost 20% of the NZ Labour Force). A disproportionately large number of young people are employed in the industry, full time after leaving school and/or part time in the senior years of their secondary school and during tertiary studies.

An Australian study* in 2006 found that 85% of all workers had had a job in retail by the time they turned 26 years of age. We believe NZ is likely to have had a very similar level of engagement by young people. The industry is therefore considered a “nursery” industry in which many young people learn something about customer service, personal presentation, the value of and accounting for money and time management. The quality of their experience in the industry is likely to have a major impact on whether young

people will make it their “career of choice”.

(* “Shopfloor to Boardroom”, The Australian Centre for Retail Studies, Monash University, 2007.)

Supervisors and management are key to success

Because of the very large numbers of people involved “at the coal face” in the industry, the Retail ITO has decided to maximise the effectiveness of its efforts by giving primacy to the skill development needs of the 30,000+ supervisors, managers and owners of enterprises in the industry. In particular, we will seek to help these key people to

- improve the ways in which they conduct on job training with the large numbers of people who enter the industry
- work with them to improve their own skills in managing and developing people

The training resources and ITO services aimed at front line and specialist staff are being developed and provided with a view to actively involving all levels of management in the training process. Retail ITO field staff will become “Training

Advisers” to managers in stores with a significant hands on role in following up on training arrangements entered into.

The Retail ITO staff will encourage store managers and supervisors to actively engage in the assessment process, initially as evidence gatherers and verifiers, with final sign off by a Retail ITO assessor. To increase the development of in house expertise, and rather than continuing to contract large numbers of assessors, the Retail ITO has employed a number of full time assessors and trained all of its Training Advisers in the assessment process. In due course, however, we plan to encourage supervisors and managers to further their own capability by undertaking training in assessment so they can themselves “sign off” training when the relevant standards have been met.

We are developing a short “adult education” award programme which will complement assessment training to add significantly to the skill set of supervisors, managers and owners. Ideally, some of those who undertake the award programme will go on to complete a National Certificate in Adult Education.

Chairman's Report

Once the assessment capability is achieved in store, or a group of stores, the Retail ITO will ensure standards are adhered to through the moderation process.

Higher level qualifications aimed at more senior staff will often involve a combination of on job and off job training and education, with the off job elements being provided through distance learning techniques and / or by using tertiary education providers. We will collaborate with tertiary providers to develop "blended" education and training programmes to better meet the needs of those undertaking higher level programmes.

Financial Performance

The Board approved a significant operating budget deficit for the 2007 year to accommodate the changes we expected to make. Additional investments in specialist staff, internal staff training and the development of training resources in the latter half of the year saw that figure exceeded to reach a final deficit of almost \$1.1m.

Unfortunately, the 2007 deficit included the need to write off the \$160k development cost of

a planned bespoke computer software system. Development over 18 months was making quite inadequate progress and was deemed unlikely to reach an acceptable level of utility in any reasonable timeframe. To ensure the needed appropriate IT system is put in place a decision on collaborating with other ITOs to develop a "Customer Relationship Management" IT system was made. This is described in the CEO's report – see the SITA story overleaf.

The level of investment against income carried out in 2007 should not need to be repeated. Late in 2007 we achieved a significant increase (25%) in the amount of funding the Tertiary Education Commission is willing to make available to the ITO provided we can achieve an increased number of trainees and Modern Apprenticeships. The funding level will also be increased further in 2009 and 2010 and we plan to seek an even greater TEC funding commitment if there are increases in the Industry Training Fund as expected in the 2008 government budget.

Provided we maintain growth in the number of training agreements we effect in each year, therefore, we should be able to gain a better return on fixed costs and achieve greater efficiencies in the use of increasingly well trained staff as we go forward.

Change to more simple financial arrangements with employers

Another major change in our operations has seen a shift in the financial arrangements with our employer customers. Rather than enter into complicated fees and subsidy payment arrangements, we are entering into an "upfront fee" only regime. Employers entering into training agreements will pay an enrolment fee per trainee plus payments for training resources and workbooks on an as needs basis. Assessment and advisory services will normally be without subsequent cost. Some assistance will still be available, particularly for Modern Apprentices, to offset costs for off job training when this is required for a particular programme or when employers perform tasks

Rather than enter into complicated fees and subsidy payment arrangements, we are entering into an "upfront fee" only regime.

which would otherwise involve
Retail ITO staff / costs.

This new approach will significantly simplify administrative arrangements, and therefore costs, for all involved. It will also reduce the net cost of facilitating training to the Retail ITO and thereby enable us to provide more training resources and advisory / follow up services as described above.

A surplus has been budgeted for 2008 but our success in achieving that surplus will be more dependent on payments from employers in the absence of financial assistance than has been the case in the past.

In conclusion I would like to thank my fellow Directors for their valuable advice and significant contribution to setting the new direction of the organisation. I would also like to thank the CEO, past and present, and the staff for their dedication and efforts to undertake significant changes with such a high degree of success.

A handwritten signature in white ink, appearing to read 'Philip Shewell', is positioned above the printed name and title.

Philip Shewell
Chairman

Chief Executive Officer's Report



Since July there has been a considerable amount of change in the size and shape of the organisation. Staffing has increased significantly to accommodate the “need to expand our capability and capacity to handle [a much larger number of] trainees” which was foreshadowed in the 2006 Annual Report. A lot of functions such as assessment, moderation, qualification development and training resource development, which had largely been contracted out, have been brought “in house”.

The enlarged organisation has been restructured into 4 working teams with 3 teams now very clear about their accountability relative to the customer service provided by the Operations team. The Operations team was increased from 6 to 12 during 2007 with new staff in Auckland, Bay of Plenty, Christchurch and Dunedin. Operations team staff have been re-designated “Training Advisors” and are progressively being trained to enhance their advisory and assessor capabilities.

Another team provides the Quality Assurance policy, assessors and moderation services needed to support training in the field. There is also the Corporate Services team to provide administrative,

financial and advisory services.

Qualifications and Development

We remain a “facilitative” organisation, not involved in the delivery of training, but we are now very focused on delivering user friendly tools to management in the retail industry. We have put in place a 7 person unit which devotes its time to developing “fit for purpose” qualifications and training resources needed by employers to effectively facilitate on job training. We are working to make the training resources increasingly sophisticated and available in multi media, interactive formats, to meet the varying teaching / learning needs of trainers and trainees.

We have put in place a 7 person unit which devotes its time to developing “fit for purpose” qualifications and training resources

During 2007 we were successful with NZQA in:

- Re-registering the National Certificates in Retail Levels 2 and 4
- Registering the National Certificate in Retail (Level 3) with optional strand in

“Garden Retail”

- Re-registering the National Certificate in Distribution Levels 2 and 4
- Submitting 8 Loss Prevention unit standards
- Registering two new domains – “Garden Retail” and “Wholesale”
- Registering 8 “Garden Retail” unit standards
- Rolling over 15 adopted unit standards in “Organisation” and “Sales Management”.
- Submitting 8 “Jewellery” unit standards

In addition, the Tertiary Education Commission (TEC) approved 3 new “Limited Credit Programmes” – Retail Operations, Retail Leadership and Adult Education

Training Resources

After a start made in 2006, the first edition of the National Certificate in Retail (Level 2) training resource was launched nationally in the middle of 2007. The National Certificate in Retail (Level 3) resource was launched

soon after.

These resources were subsequently assessed as requiring rework to align them with the shift to the strategy which aims to involve supervisors, managers and owners more in the training process. A start was made to carry out this rework towards the end of 2007 and the second edition of the Level 2 resource was completed in March 2008. The second edition of the Level 3 resource should be completed by the middle of 2008.

In addition a new Customer Service Award was conceived and approved by the TEC during 2007. This Award constitutes 25 credits which concentrate on the customer service elements of the Level 2 National Certificate and, we hope, it will be of particular value in assisting employers in the training of new and part time / casual staff. A resource pack was commenced late in 2007 and is close to completion as at April 2008.

RMA

The Retail Modern Apprenticeship underwent a revamp to embed units covering “transferable skills”. Transferable skills are those skills that are generic in nature

and useful in life-long learning. Apprentices were leaving the transferable unit standards until the end of their programme of training. This had a detrimental effect on the rest of their programme.

All Retail ITO training advisors are now MA Coordinators. This gives nationwide coverage. We still have 6 external contracted coordinators around NZ.

Hallensteins RMA Launch

A Modern Apprenticeship Programme is being piloted in 46 Hallensteins stores around NZ. It follows the same MA menu but Hallensteins use their own training materials.

Research into the Wholesale and Distribution “Industry”

In October 2007 Martin Craig of Splash Communications was contracted to carry out a scoping project into Wholesale and Distribution. The brief was to systematically scope the best way forward for the Retail ITO to most effectively help meet the skill development needs of the Wholesale and Distribution

industry.

This project was completed early in 2008. The most significant finding was that many of the companies engaged in wholesale and distribution consider themselves to be part of the industry to which they provide services. Thus those providing services to the agriculture or manufacturing industries consider themselves to be part of those industries. There are also a small number of large freight forwarding firms which provide “third party” distribution services and a large number of small firms who provide very specialist distribution services for narrow product ranges.

Nevertheless, there are some thousands of workers employed in wholesale and distribution for the larger retailers. Since a range of skill sets and occupations are generic to all of the firms engaged in these endeavours, we will need



Chief Executive Officer's Report

to do more research to develop an appropriate action plan to meet skill development needs. A decision on when this will occur is pending at time of writing but it is already clear that the way forward will require collaboration between the Retail ITO and Tranzqual, the ITO for the transport and logistics industry.

Gateway/Schools programme

A pilot programme was started in January 2007 around the Gateway programme in Schools. The purpose of this pilot was to gauge demand from schools and the resources required. The pilot was closed off in December 2007 and then evaluated. The report showed the pilot programme had been well received by the 300+ schools which took part. The result of the pilot has demonstrated a need for such programmes although it is costly for Retail ITO to offer.

The central aim is to collaborate in any way that promotes skill development in the service industries as a whole.

We have now developed a more streamlined programme for 2008.

The "Service Industries Training Alliance" (SITA)

Shortly after my arrival at Retail ITO, the CEOs of the Hospitality Standards Institute, the Aviation, Tourism and Travel ITO, the Sports, Fitness and Recreation ITO and the Hairdressing ITO agreed to form an alliance.

The central aim of SITA is to collaborate in any way that promotes skill development in the service industries as a whole. SITA was formally launched by the then Minister for Tertiary Education, the Hon. Michael Cullen at a ceremony in the Beehive in October.

Services SITA intends to

collaborate on include the alignment of relevant qualifications and the training resources that accompany them; research; working with schools and tertiary education providers; sharing operational resources, especially in outlying areas and sharing support functions and systems.

"ITOMIC"

The first example of active collaboration in support systems by SITA involves the joint development of a "Customer Relationship Management" database system. The system will be based on the new Microsoft generic CRM software and customised for ITOs in such a way that we hope it will be of interest to many ITOs in due course. Development costs will be markedly reduced for individual ITOs while there are likely to be gains for the development company from scale and future support requirements.

Operational Performance data

During 2007 the organisation



more than fulfilled its TEC contractual requirements in terms of numbers of trainees.

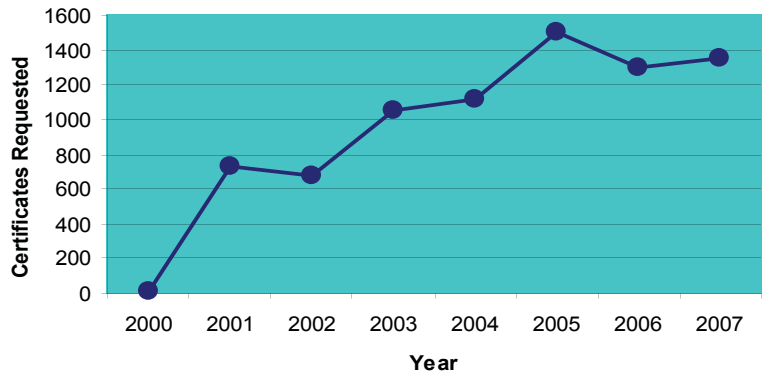
The following graphical information demonstrates our performance during 2007.

I would like to thank the staff and the chairman for their support and dedication throughout the year.

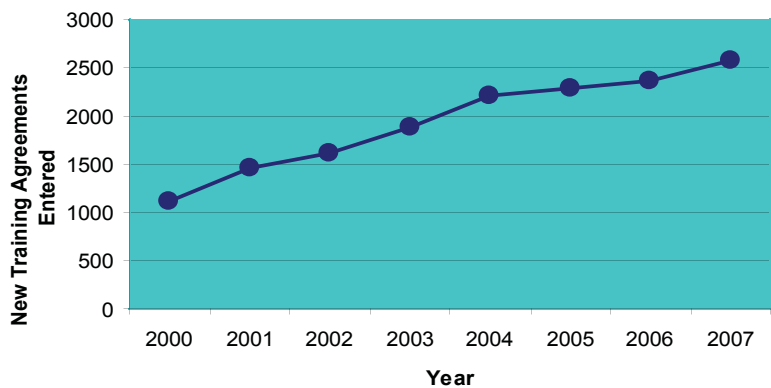


John Meeuwsen
Chief Executive Officer

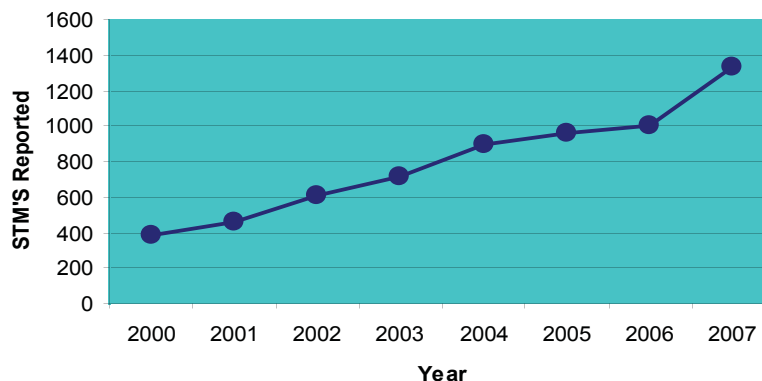
NATIONAL QUALIFICATIONS COMPLETED



TRAINING AGREEMENTS



STANDARD MEASURES OF TRAINING ACHIEVED



Board of Director Profiles

Philip Shewell MBA FNZIM MIOD (Chairman)

Philip is a professional company director following 30 years of retail management experience in NZ, Australia and the UK. His last executive appointment was Managing Director of Kirkcaldie & Stains Ltd in Wellington. He is also currently Chair of Fronde Systems Group Ltd and a non-executive director of Kirkcaldie & Stains and of Save the Children New Zealand.

John Albertson

John is currently Chief Executive of the New Zealand Retailers Association.

John has been CEO of the NZRA for over eleven years, coming from the role of Marketing Director of New Zealand's largest specialty footwear chain, R. Hannah and Co. Prior to this John held a number of marketing and market research positions with leading New Zealand companies.

John is also on the boards of Standards New Zealand (deputy chairman) and GS1 New Zealand Inc.

Trevor Douthett

Trevor is Chief Executive of LV Martin & Son Limited. He is a Finance graduate from Victoria University (BCA) and has become a career retailer with a strong interest in training and the work of Retail ITO. A number of LV Martin's staff members have taken the opportunity to "get qualified". Trevor continues the strong tradition of Customer Service and offering personal involvement to "Put it Right". He brings us much needed representation for the electrical appliance sector.

Melissa Hodd

Melissa is the Executive Manager of Foodstuffs (NZ) Ltd, which acts as the Federation headquarters for the Foodstuffs Group of companies.

Her current industry appointments include membership of the Boards of GS1 New Zealand Inc, the Packaging Council of New Zealand, Retail ITO, Retail Meat New Zealand Inc, Retail Meat ITO, and Grocery Retailers' Association (NARGON). Melissa also represents Foodstuffs on the New Zealand Grocery Industry Council.

Trish McLean

Trish McLean is the founding Director of Retailworld Resourcing. Retailworld is Australasia's fastest growing provider of recruitment services to the retail channel and is currently expanding into the UK market. She is heavily engaged in the industry and is involved in judging events, mentoring candidates and clients and providing advice on retail and recruitment trends.

Trish is a strong advocate for retail as a career of choice and has developed the Retail Positioning Programme to promote the industry to the community. The Retail ITO along with The Warehouse, Borders and McDonald's are key sponsors of the programme.

Mary Marshall

Mary is currently the Employment Relations Manager for the Warehouse Ltd. She has over 10 years experience in the Retail Industry. As a dedicated supporter of training, Mary has been involved with Retail ITO since its inception.

Mary is also the International President of POWERtalk International, a worldwide training organisation.

In 2001 Mary was a joint winner of the EEO Trust Work, Life and Family "Walk the Talk" award and was formerly a Ministerial Appointee to the National Advisory Council on the Employment of Women.

Aston Moss BA MPhil(Hons) DipBusAdmin

Aston is Human Resource Manager – Strategic Planning for Progressive Enterprises Limited (Foodtown, Woolworths, Countdown and Woolworths @ Gull).

Aston brings over 15 years experience from within the retail sector including roles in retail operations, support functions such as category management and business development as well as comprehensive experience gained from a broad range of HR roles. Aston brings both depth and breadth of knowledge and skills critical to successful retailing gained locally as well as internationally.

John Suckling

John is the Owner/Operator of Suckling Shoe Store, Christchurch. He is a second generation retailer, taking over

the family business in 1977 after a career as an economist with the Department of Trade and Industry, The Institute of Economic Research and the Social Welfare Department in Wellington. As a well respected 'thinker', he has a high profile in the industry in Christchurch and has served on the board of the New Zealand Retailers Association and the board (and now Advisory Committee) of the NZRetail magazine. He has encouraged several of his staff to 'get qualified' and has a hands-on experience of who we are and what we do. He gives Retail ITO South Island representation as well as a SME focus.

Maxine Gay

Maxine is Retail Sector secretary of the National Distribution Union. She has extensive experience in the trade union movement since joining the staff of the Clerical Workers Union in 1983. Prior to her current position, Maxine was secretary of the Clothing, Laundry and Allied Workers Union and was General Secretary and then President of the New Zealand Trade Union Federation. Over the years Maxine has undertaken other Governance and Advisory roles including membership on the Manawatu Regional Employment

and Access Committee, the Mid-Central Regional Health Authority Establishment Board and the Advisory Board for the Mental Health Commission. Maxine is the employee representative on the Apparel and Textile ITO. She has been appointed employee representative on the Retail ITO Board.

Statement of Financial Performance

Income	Note	2007	2006
		\$	\$
Tertiary Education Commission Funding		3,565,511	2,929,334
Industry Contribution		503,618	922,331
Subscriptions		38,550	43,400
NZQA Moderation Credit Payment		45,902	40,455
Interest Income		205,860	261,738
Miscellaneous		9,724	30,181
Total Income		<u>4,369,165</u>	<u>4,227,439</u>
 Expenditure			
Payments to Industry for Training and Assessment		652,577	997,186
Industry Training Costs		968,500	79,864
Development & Maintenance of Unit Standards & Qualifications		11,073	6,122
Product Development		54,904	57,018
Project Expenses		251,448	69,858
Loss on Disposal of Fixed Asset	1	160,814	-
Financial Statements Audit Fees		14,120	12,029
Salaries		1,810,444	1,139,522
Directors Fees		27,500	20,115
Depreciation		50,262	47,623
Occupancy Costs		96,724	71,805
Other Expenditure	2	1,368,776	753,248
Total Expenditure		<u>5,467,142</u>	<u>3,254,390</u>
 Net (Deficit) / Surplus For The Year		<u>(1,097,977)</u>	<u>973,049</u>

Statement of Financial Position


Current Assets	Note	2007 \$	2006 \$
Petty Cash		200	200
Bank Account		144,224	74,871
Call Account		38,074	19,440
Term Deposits		1,295,349	2,223,408
Marketable Securities		743,479	722,919
Accounts Receivable & Accrued Income	3	497,668	674,384
Goods and Services Tax		-	31,992
Total Current Assets		<u>2,718,994</u>	<u>3,747,214</u>
 Less Current Liabilities			
Accounts Payable & Accruals	4	848,777	835,288
Goods And Service Tax		54,835	-
Total Current Liabilities		<u>903,612</u>	<u>835,288</u>
Net Current Assets		<u>1,815,382</u>	<u>2,911,926</u>
 Non Current Assets			
Property, Plant & Equipment	5	231,576	233,009
Total Non Current Assets		<u>231,576</u>	<u>233,009</u>
Net Assets		<u>2,046,958</u>	<u>3,144,935</u>

Represented by:

Members' Funds

Balance Brought Forward	3,144,935	2,171,886
Net (Deficit) / Surplus For The Year	(1,097,977)	973,049
	<u>2,046,958</u>	<u>3,144,935</u>

For and behalf of the Board:



Chairman

4/4/08
Date

Statement of Cashflows

Cash Flows From Operating Activities

	2007	2006
	\$	\$
Cash was provided from:		
Receipts from Tertiary Education Commission	3,519,511	2,815,210
Receipts from Customers	842,887	1,107,302
Interest Received	226,459	240,849
Net GST Received	104,873	16,910
	<u>4,693,730</u>	<u>4,180,271</u>
Cash was applied to:		
Subsidy Payments to Industry	593,828	1,056,644
Accelerated Assessment Expense	968,500	632,978
Payments to Suppliers & Employees	3,887,646	2,131,742
	<u>5,449,974</u>	<u>3,821,364</u>
Net Cash Flows from Operating Activities:	<u>(756,244)</u>	<u>358,907</u>

Cash Flows From Investing Activities

Cash was provided from:		
Redemption of investments	165,000	359,203
	<u>165,000</u>	<u>359,203</u>
Cash was applied to:		
Purchase of marketable securities	200,000	185,508
Loss on disposal of fixed assets	(136,024)	-
Purchase of fixed assets	184,852	181,553
	<u>248,828</u>	<u>367,061</u>
Net Cash Flows from Investing Activities:	<u>(83,828)</u>	<u>(7,858)</u>

Cash Flows From Financing Activities

Net Cash Flows from Financing Activities:	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash Held	(840,072)	351,049
Cash at the Beginning of Year	2,317,719	1,966,670
Cash at the End of the Year	<u>1,477,647</u>	<u>2,317,719</u>

Statement of Cashflows

Summary of Cash Held	2007	2006
	\$	\$
Bank Account	144,224	74,871
Call Account	38,074	19,440
Term deposit	1,295,349	2,223,408
	<u>1,477,647</u>	<u>2,317,719</u>
Reconciliation of (Deficit) / Surplus with Net Cash Flows from Operating Activities		
Reported (Deficit) / Surplus For The Year	(1,097,977)	973,049
Add Non Cash Item:		
Depreciation	50,262	47,623
	<u>(1,047,715)</u>	<u>1,020,672</u>
Movements In Working Capital		
Increase (Decrease) in:		
Accounts Receivable	234,223	59,904
GST Payable	101,267	26,385
Prepayments	(17,668)	(1,250)
Accrued Interest	6,159	(26,786)
Accounts Payable	(46,093)	(52,780)
TEC Debtor	(46,000)	(114,124)
Accelerated Assessment Programme costs accrued	-	(553,114)
	<u>231,888</u>	<u>(661,765)</u>
Net Cash Flows from Operating Activities:	<u>(815,827)</u>	<u>358,907</u>

Notes to the Financial Statements

1 Loss of Disposal of Fixed Asset

A contract to develop a new, bespoke IT system for the Retail ITO, which commenced in 2005, foundered during 2007. As at August 2006 only 43% of the system which managed the student records had been developed after some 18 months elapsed time. It became clear that the contractor was not able to source the skills and knowledge needed to fulfil the contract in the foreseeable future. The Board agreed that the project be abandoned and the investment written off.

2 Overheads

	2007	2006
	\$	\$
Accounting Fees	19,720	13,488
Other Audit Fees & Charges	1,662	6,338
Bad Debts	0	29,781
Bank Fees	550	445
Board Meetings Including travel	13,103	13,501
Computer Expenses	63,246	25,063
Conferences	70,812	27,749
Consultancy fees	8,305	0
Equipment Maintenance & Hire	25,976	6,414
Infogeni	14,088	4,950
Insurance & ACC Levies	15,188	4,734
Leadership Project	894	25,305
Legal Expenses	6,834	5,971
Marketing	255,737	122,326
Research	30,975	11,333
Moderation Costs	150,422	119,408
Printing and Stationery	43,540	34,495
Professional Fees	15,000	13,650
Staff Training	55,818	32,490
Staff Recruitment & Resourcing	414,365	162,931
Sundry Expenses	34,566	13,034
Telephone/ Fax/ Postage	49,674	37,343
Travel - General	78,301	42,499
Total Expenditure	<u>1,368,776</u>	<u>753,248</u>

3 Accounts Receivable

	2007	2006
	\$	\$
Receivable from Tertiary Education Commission	375,422	329,422
Trade Debtors	53,323	267,767
Sundry Accrued Income	46,196	72,135
Prepayments	22,727	5,060
	<u>497,668</u>	<u>674,384</u>

Notes to the Financial Statements

4 Accounts Payable & Accruals

	2007	2006
	\$	\$
Trade Creditors	274,598	296,931
Subsidy Payment Earned but not yet Paid	204,139	292,817
Modern Apprentice Training Fund	221,803	168,632
Sundry Accrued Costs	148,237	76,908
	<u>848,777</u>	<u>835,288</u>

5 Property, Plant & Equipment

	Cost	Accumulated Depreciation	2007 Book Value
	\$	\$	\$
Office Furniture	40,529	5,854	34,675
Office Equipment	19,660	11,159	8,501
Audio Visual Equipment	8,477	738	7,739
Computer Software	130,688	41,950	88,738
Computer Hardware	145,823	78,455	67,368
Office Fit-out	35,344	10,789	24,555
	<u>380,521</u>	<u>148,945</u>	<u>231,576</u>

	Cost	Accumulated Depreciation	2006 Book Value
	\$	\$	\$
Office Furniture	34,265	12,552	21,713
Office Equipment	27,547	21,102	6,444
Computer Software	199,624	70,467	129,156
Computer Hardware	153,648	97,498	56,150
Office Fit-out	28,366	8,820	19,546
	<u>443,450</u>	<u>210,439</u>	<u>233,009</u>

6 Lease Commitments

	2007	2006
	\$	\$
Commitments under non cancellable leases:		
Current	82,680	33,266
Non current	127,921	-
Total lease commitments	<u>210,601</u>	<u>33,266</u>

Notes to the Financial Statements

7 Capital Commitments

A new CRM database project (ITOMIC) in conjunction with other service based ITO's was started in 2007. At year end there is a capital commitment of \$227,600 for ITOMIC and related IT purchases. There are no other capital commitments. (2006: \$125,000)

8 Contingent Liabilities

Payments of subsidy that will be made to employers who entered into Training Agreements with Retail ITO upon future achievement of training outcomes represent a contingent liability to the organisation. At balance date, the total contingent liability for subsidy payments amounts to \$345,392 (2006:\$505,048).

There are no other contingent liabilities at year end. (2006: nil)

9 Related Party Disclosures

The Organisation leases premises from the New Zealand Retailers Association Inc at market rates. The Chief Executive of the New Zealand Retailers Association Inc is a director of the Retail Industry Training Organisation.

Trish McLean also a Director of Retail ITO, is Director of Retailworld Resourcing Ltd. Retailworld Resourcing Ltd assisted Retail ITO with recruitment during the year.

The following Retail ITO Directors worked for companies which entered into training agreements with Retail ITO during the year:

Aston Moss, General Manager of Human Resources, Progressive Enterprises Ltd;
Melissa Hodd, Executive Manager of Foodstuffs (NZ) Ltd;
Trevor Douthett, Chief Executive of LV Martin & Son Ltd.

Statement of Accounting Policies

Reporting Entity

Retail Training New Zealand Inc is an incorporated society. These financial statements have been prepared in accordance with the Incorporated Societies Act 1908 and New Zealand Generally Accepted Accounting Practice.

Principal Activities

Retail Training New Zealand Inc is the industry training organisation for the retail and wholesale (distribution) industries. The organisation is a registered charity by virtue of its educational purposes.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the organisation, except for marketable securities which are carried at market value.

Differential Reporting

The organisation is a qualifying entity for differential reporting by virtue of the fact that it has no public accountability and is not large as defined in the framework for differential reporting. All differential reporting exemptions are applied except for FRS-10 Statement of Cashflows.

Specific Accounting Policies

Accounts Receivable & Accrued Income are carried at their estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

Property, Plant & Equipment is carried at cost less accumulated depreciation.

The development of a Microsoft Customer Relationship Management database began in 2007. Expenditure includes capitalised cost of external party consultancy and programming. The project is not complete as at balance date. Depreciation will commence once acceptance testing is complete and costs are finalised. Depreciation has been calculated on a diminishing value basis to reduce these assets to their estimated residual value over the following periods:

Office Equipment	5 years
Office Furniture	10 years
Computer Software	3 Years
Computers	3 Years

Leases: The organisation leases office space. The arrangements are treated as operating leases with the costs being recognised in the determination of the operating surplus in equal instalments over the lease term.

Marketable Securities are carried at market value. Funds are invested in over the counter (OTC) fixed interest investment grade securities, as rated by Standard and Poor's.

The Organisation's income is exempt from income tax because it has charitable status pursuant to sections CW 34 and 35 of the Income Tax Act 2004.

The financial statements are prepared on a GST exclusive basis, except for accounts receivable and payable, which are carried inclusive of GST where invoiced.

Changes In Accounting Policies

There have been no changes in accounting policies. All policies have been applied consistently with those used in previous years.

Audit Report

To the Readers of the financial statements of Retail Training New Zealand Inc.

We have audited the financial statements on pages 12 to 19. The financial statements provide information about the past financial performance of Retail Training New Zealand Inc. ('Retail ITO') and its financial position as at 31 December 2007. This information is stated in accordance with the accounting policies set out on page 19.

Board of Directors Responsibilities

The Board of Directors are responsible for the preparation of financial statements which fairly reflect the financial position of Retail ITO as at 31 December 2007 and the results of its operations and cash flows for the year ended on that date.

Auditors' 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 Retail ITO's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants. 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 interests in Retail ITO.

Unqualified Audit Opinion

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

In our opinion:

- proper accounting records have been kept by Retail ITO far as appears from our examination on those records; and
- the financial statements on pages 12 to 19:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the financial position of Retail ITO as at 31 December 2007 and the result of its operations and cash flows for the year ended on that date.

Our audit was completed on 4 April 2008 and our unqualified opinion is expressed as at that date.



BDO Spicers Wellington
Chartered Accountants
Wellington