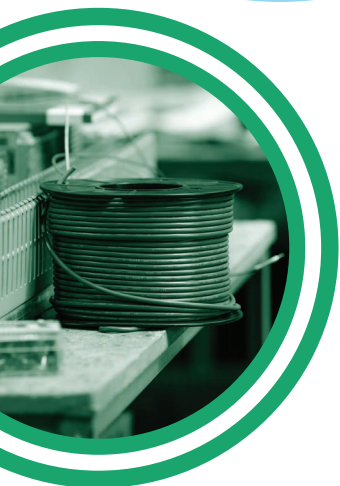


the
electrical
training
company



Annual Report 2018



Etco is 100% owned by Master Electricians, the industry association for New Zealand electrical contractors. We operate as a not for profit charity with our surpluses channelled back into developing industry training..

Our constitutional purpose is to promote and assist the training skills, experience and general advancement of apprentices, trainees, students and others in all aspects of electrical, electronics and process control.

Our mission: Develop and Educate People to be the best in our industry

Our vision: To be Recognised Leaders of Excellence in our industry

The core values we are committed to embedding in everything we do are for us to be Energised, Caring, and Grounded (ECG).

Since our establishment in 1991, our commitment to producing the best has helped thousands of Etco apprentices and students achieve outstanding results in industry competitions, national examinations and across our industry. We are proud of our staff, Board and our Hosts for their commitment and the generous application of their expertise, which leads to exceptional results for our business, our apprentices and our students.



/ETCO (The Electrical Training Company)



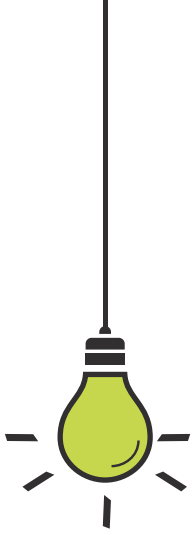
/The Electrical Training Company



/etco.nz

0800 275 3826

www.etco.co.nz



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Chairman's report

Steve Hallett, Chairman of the Board

2018 has been another positive year for Etco with some tough decisions being made to ensure that we are fit for purpose, adapting to the changing needs of our trainees and stakeholders, and that we will still be around for the next 28 years.

Early in the year the Board approved the SLT's proposal for the restructure. This was implemented and now gives us a strong base to progress the organisation forward. It allows the regions to have more autonomy and control over how they do things while retaining the Etco consistency nationwide. We look forward to seeing more positive results in the future.

The Board was fortunate to visit our newly opened training centre in Hamilton and hold one of our Board meetings there. The classrooms and workshops are vastly different to the way they used to be, with lots of automation, plenty of natural light and space and overall a great learning environment.

As funding allows, we plan to eventually update our training centres throughout the country with this type of technology.

Late in 2017 the Board approved the funding for the new Student Apprentice Management System (SAMS). During the year the new SAMS system was built and trialled, and it was officially launched in September. From a Board perspective the implementation and feedback has been mostly positive with a few minor changes required to complete. This was a high-risk undertaking for the Board to approve but we are satisfied that the SLT, contractors and project managers delivered a fit-for-purpose system that will assist the organisation for many years. Thank you to all who were involved in this project.

Another significant work programme for the Board was developing our strategic plan, finalised at our planning session in November. We have set five strategic priorities for the organisation. These are: People and Capabilities; Finance and Risk; Customers, Learning and Support, and Stakeholder Relationships. At future Board meetings, we will now review how Etco is performing across these objectives and make business decisions only if they align with these strategies.

Late in the year the Board was notified of the Government's intention to review vocational training in 2019. The Board will fully investigate our options and put together a submission that will ensure the best possible outcome for Etco, our valuable staff and 650-plus apprentices. With any proposed disruption comes opportunities and it is the Board's responsibility to ensure that Etco prospers and continues to be the electrical industry trainer of choice.

Finally, I would like to again thank my fellow directors Bruce Dalton, Stuart Burgess, Wendie Harvey, David Le Mouton and Dean Addie. Our members have 31 years' combined experience on the Etco board and bring a strong understanding and consistency to the work that we do. Four are current electricians and two are independent. As Board members of a not-for-profit organisation, they do this because they all see the big picture for Etco and recognise the value in providing high quality training and the importance of giving back to the industry.



Chief executive's review

Jeremy Sole, Chief Executive Officer

We had a rather tumultuous year in 2018 but we have a much stronger, more resilient and adaptable organisation for having been through it.

We planned for the year to have two significant challenges: the development and introduction of our new bespoke Student and Apprentice Management System (SAMS); and the biggest organisational restructure the business has seen in its 27 years. Unfortunately, a third dimension came to play because we had ongoing and significant problems with the learning materials supplied, and changes to the mandated assessment regime also loaded significant cost and resources pressure on the business.

On the positive side of the ledger, we completed the purchase of our Mt Wellington training centre premises at \$4.9M; we opened our new state-of-the-art training centre in Hamilton complete with KNX automated classrooms and learning technology.

By the end of the year we had achieved a record number of apprentices employed, and increased our market share in an economic environment where it would traditionally be expected to decrease. We also have a record number of non-Etco students attending our night classes and block courses – to the point we now have almost 45% of the country's electrical apprentices studying with us. These things, along with the learning resource quality issues, put significant additional pressure on our teaching staff and, unfortunately, we lost several good tutors as a result. We have plans in place to ensure this doesn't happen again in 2019.

Financially, the year was looking good until November where we faced a perfect storm of circumstances

that significantly eroded our ability to achieve our profitability targets for the year. However, we did deliver an operating surplus but just not at the level we had anticipated or wanted.

I want to thank our amazing staff for their skill and their dedication and, frankly, for their sheer tenacity and commitment over what was an extremely difficult year.

I would also like to thank the Etco Directors for their confidence in where we are going and how we have been tracking, and thank them for their faith and seeing it all through during what were clearly difficult times for them as well.

Some of the most important people in our business are not in the business. They are our hosts, without whom our business model would not be possible, and without whom there would be a lot less apprentices graduating on time and with performance outcomes higher than the rest of the industry.

Of course, our business purpose is to train apprentices and guide them through their learning journey on and off the job. We had a record intake of excellent apprentices this year and we are looking forward to working with them and their colleagues, in various stages of their apprenticeships, during the next year.

We are confident 2019 and subsequent years will continue to be good, strong years for Etco.



Health & Safety

Brian Cleur, H&S Manager

Etco continues to recruit higher numbers of new apprentices and this has translated into a larger group of first-year electrical apprentices. These apprentices have unfortunately featured in our accident statistics in 2018, which resulted in some brainstorming about how to reduce the number of accidents involving first-year apprentices.

Inexperience was found to be a common factor, so Etco has implemented additional hazard identification training at our Elite induction training. This training will encourage apprentices to spend time assessing potential hazards before starting work tasks, so they can understand how to prevent injuring themselves. The apprentices are also being encouraged to proactively engage with their electrical supervisors if they are unfamiliar with a work activity so the supervisor can provide appropriate instruction and guidance.

Accidents involving hand injuries featured across all apprentices in 2018 and many injuries could have been prevented or minimised if gloves had been worn. As a result, Etco has implemented a new glove policy, that makes glove use compulsory for a selected range of common work activities. There will be ongoing promotion of this policy with Etco apprentices and host companies, because Etco wants the wearing of gloves to become second nature while undertaking the selected range of work activities. Injury free hands mean that our apprentices are not off work due to injury, and they can continue to progress with their apprenticeship training and be available to work for our host companies.

There has been a significant focus on Etco Coordinators undertaking H&S Site Observations when they visit apprentices on work sites. This has been particularly driven by Etco CEO Jeremy Sole. When conducting H&S Site Observations the Coordinators observe both the apprentices' work activities and general conditions on sites. This allows the Coordinators to provide constructive feedback to apprentices on their safety behaviours and to address

any identified site-related issues with the host company supervisor. The observations help provide Etco with confidence that our apprentices' safety behaviours are appropriate and that they are working in healthy and safe environments.

Etco has positively leveraged from our involvement in the ANZETA Group Training Alliance during the year. This included the use of an electrical safety video that was developed in conjunction with our ANZETA partner organisations. The video promoted safe isolation and lock out/tag out procedures and it was shown to all Etco apprentices at their performance reviews in mid-2018, along with instruction and coaching provided by Etco Coordinators. This is only the second time we have used a video that specifically promotes good health and safety practices to electrical apprentices. The feedback on the video from our Coordinators and apprentice employees was very positive.

We have also been actively involved in establishing an online incident data portal that allows ANZETA organisations to benchmark their health and safety performance against each other.

The portal provides the ability to identify common trends and implement strategies to reduce accidents and injuries involving electrical apprentices.

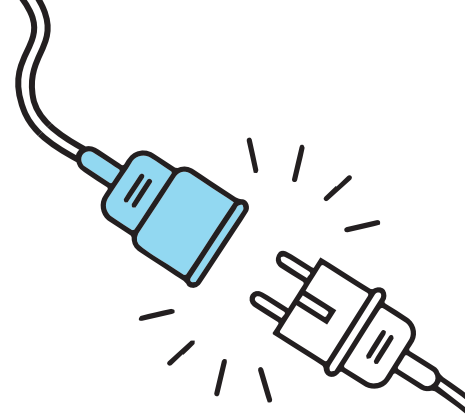
I would like to thank our CEO and the Etco Board for their support towards H&S initiatives in 2018 and their ongoing commitment towards opportunities for continued improvement. Thanks also to our H&S Committee members and all employees who have helped to promote health and safety within the business during the year.

We look forward to reviewing our H&S vision and strategies during 2019 and toward a stronger strategic and holistic focus.



Operations

Luke Boustridge, General Manager - Operations



Operations

2018 was a year of significant change for Etco. Our digital strategy has meant we have put significant time and resources into our IT infrastructure and digital learning resources. We completed a major project to replace our Student Management System (Job Ready) which was delivered to us in September. The new Student and Apprentice Management System (SAMS), is built on the Microsoft Dynamics 365 platforms and has delivered some great efficiencies in how we go about our business.

With the deployment of SAMS, we have also rolled out four new Etco portals. These are for our apprentices, hosts, students and employers. With these portals, learners can keep track of their own progress with instant access to their assessment results, course attendance and upcoming courses. Hosts and employers also have access to the same information for their apprentices.

The transition from Job Ready to SAMS has been quite an intricate process and there has been an adjustment period for all staff to learn the new system which is now bedding in nicely.

The development of our LMS site (moodle) has also progressed smoothly and was successfully released to our apprentices and students in February 2019. This starts with the Year One delivery and assessments, with Year Two and Year Three being developed in 2019.

Recruitment

We have continued to develop our recruitment processes and procedures throughout 2018, and successfully recruited and employed 248 new apprentices. This is the most apprentices Etco has

ever employed in a year. We have also received a record number of applications which is partly due to the ability of applicants to apply online via our website, and partly due to the work we are doing across the country with secondary schools.

ELITE

Our ELITE Induction Programme has been working well during the year. We employed two new staff who split their role between delivering the ELITE Programme and developing relationships with schools and school students. Both new tutors, David Sanft and Roderick Walter, are former Etco apprentices.

Property

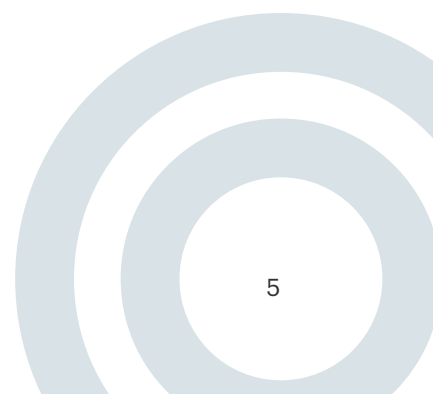
This year we purchased our Mt Wellington training centre, which we had been previously leasing. This has allowed us to consider and plan for expansion of the training centre to accommodate the growth in apprentice and student numbers.

Training facilities

Significant growth in demand for our services saw two new training centres opened in Hamilton and Christchurch in 2018.

As part of our strategic goal to improve the learning environments for our students, the venues were created to cater for emerging technologies.

The workshops were also upgraded with our latest designed panels, which besides looking more modern also provides students with a much-improved learning experience.





Training and apprenticeships

Gary Whittaker, General Manager Learning

In 2018, Etco experienced substantial growth in student numbers. A record number of students and employers selected Etco as their preferred provider for both the February and July intakes. This is a result of the passion our people have to see young people succeed.

Training

Along the way there were challenges, with the teaching resources provided to us causing some discontent among both students and tutors.

To overcome this challenge we put together a team to write our own resources and develop an online learning platform designed to supplement the classroom teaching and provide students with a learning experience that is interactive and engaging.

The Development Team was formed in 2018 and tasked with researching and trialling new innovations in the learning technology space. During 2018 they investigated and tested augmented reality, virtual reality and online learning, and took the first steps into the development of these technologies.

The Development Team have created an online learning management system (LMS) and uploaded our own learning materials and quizzes in addition to the existing learning resources. They have also re-created

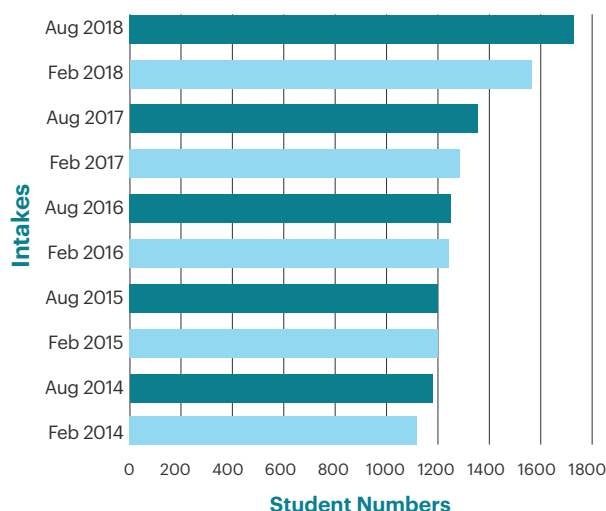
the existing paper-based assessments as online, self-marking assessments. This reduces the marking load our tutors face while also providing instant feedback to students. The first phase was finished at the end of 2018, and from then on all year 1 students have had access to the platform. Year 2 and year 3 development will be finished by the end of 2019.

New Regional Structure

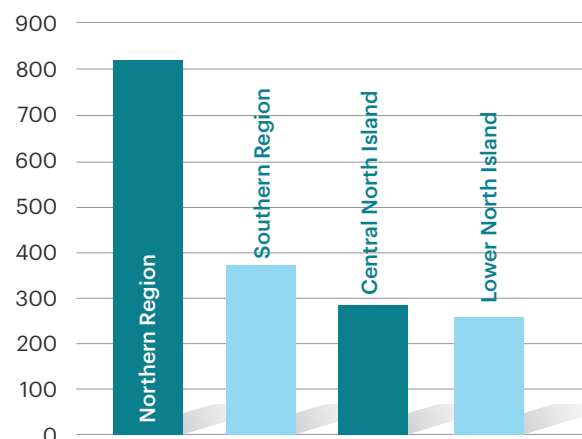
Our new regional operating model was introduced in 2018 and brings together local operations, training and apprenticeship under one umbrella reporting to a local Regional Manager.

The changes were made to enable day-to-day operational decision-making to be delegated closer to the operational front line, and to make the organisation more responsive. In turn, this makes working at Etco more rewarding for everyone, and provides better outcomes for our apprentices, hosts, students and their employers.

Total trainees per intake Feb 2014 May 2017



Geographic mix of students across the four main centres



This initiative supports the company's Vision and Mission statements in the areas of promoting excellence and being the best.

"Regional teams are starting to take shape, empowering staff to make decisions that affect their region. There is constant communication and collaboration between the four Regional Managers and the Executive team.

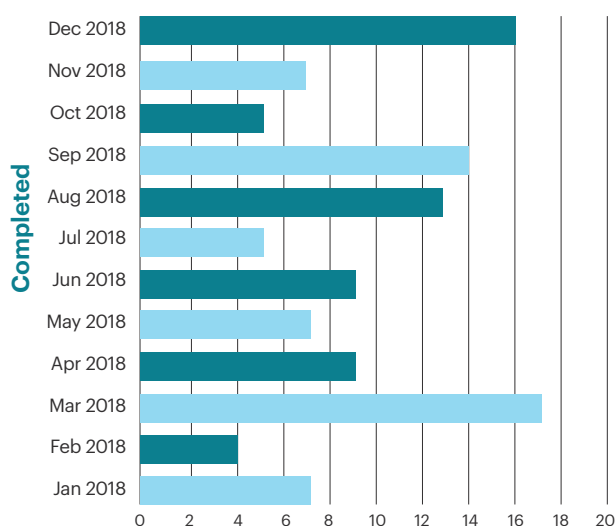
"The Regional Structure also reinforces the communication lines and transparency across the country, creating an excellent 'finger-on-the-pulse' organisation which provides a more proactive – rather than reactive – model."

- Earle Bingham, Regional Manager Northern.

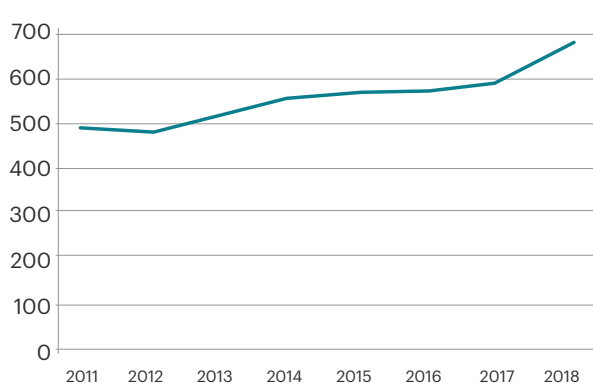
Apprenticeships

We continued to show steady growth during 2018, starting the year with 590 apprentices and ending it with 666, an increase of 13%. During the year we employed 231 new apprentices.

Completions graph of 2018

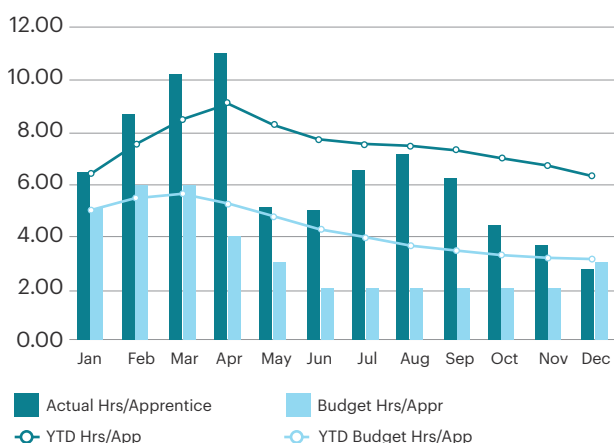


Growth in etco apprentice numbers 2011 - 2018



A big thank you to all our host companies for their support, the effort and hours they put into the training and growth of our apprentices. We value your support and look forward to many more years as a partner with Etco in creating a learning experience for the younger generation which ensures they are successful in their chosen career.

Downtime



New staff

Brian Norton – Coordinator New Plymouth
 Janine Africa – Administrator Auckland
 Tanya Nunn – Administrator Rotorua
 Dean Orchard – Coordinator Hamilton
 Russell Rhode – Coordinator Invercargill
 Neil Croft – Placement Coordinator
 Raymond Tancred – Learning Support Manager

Milestones

John Whitaker – 15 years
 Harry McCulloch – 10 years
 Mark van der Voorn – 10 years
 Matthew Munroe – 5 years



Financials

Janice Smith, Chief Financial Officer.

We are proud of where we have come from and we want to make sure that our employees at all levels know our history and the unique connection we have to the Electrotechnology industry paying due respect to those that paved the way.

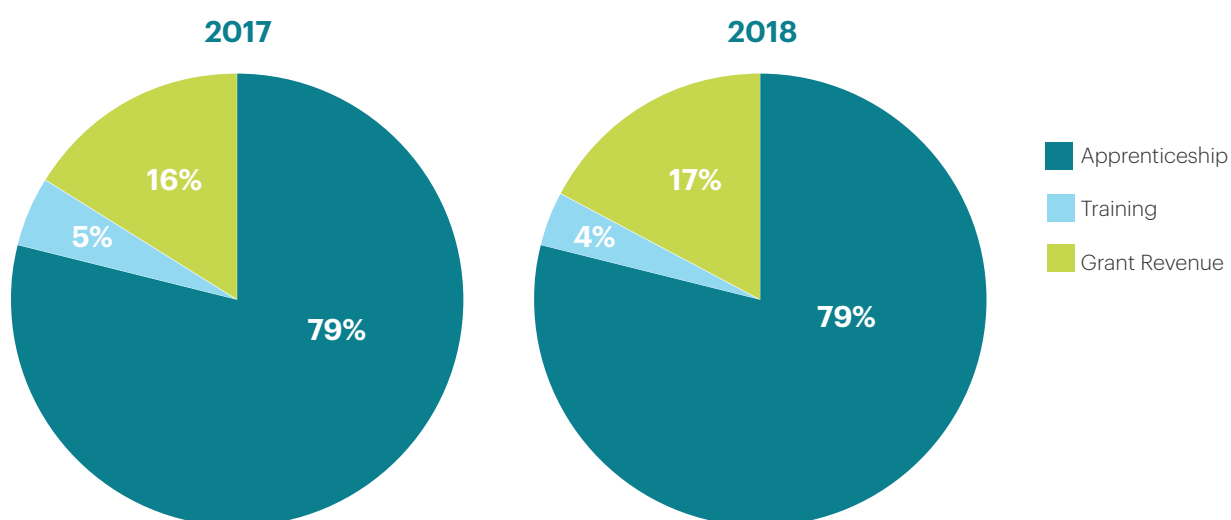
We're working to improve what we do and how we do it, to ensure the long-term sustainability of the industry we serve, our business and to deliver value to our shareholder.

Our profits are retained to fund our long-term sustainable growth initiatives in creating value for our shareholder.

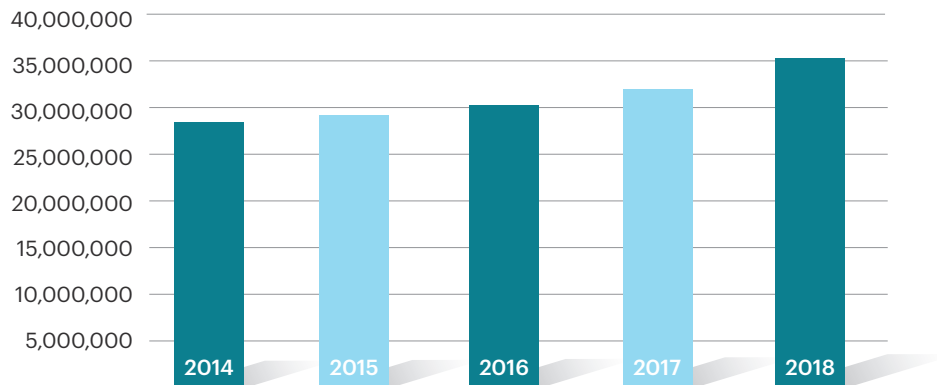
The best annual report is an annual showcase of excellence in the NZ Charity Reporting Awards. Etco not only made it into the final round of judging but has also been the winner on behalf of BDO and Chartered Accountants Australia and New Zealand and has been awarded the Tier 1 Winner for 2019.

Financial highlights

Sales by Activity



Total Revenue



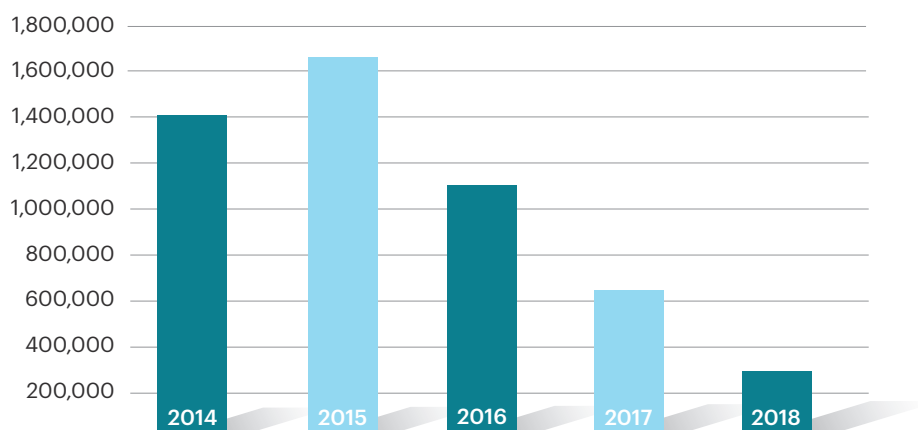
Total Revenue



487 apprentices
48 fulltime staff

took up our offer for free Medical insurance cover

Surplus Contribution



Surplus contribution

What makes us proud

Our people – staff, apprentices and hosts – do remarkable things every single day. We're especially proud of all proud of the great successes achieved when we test our skills and knowledge against our peers – in New Zealand and internationally.

Here are some of the things that made us proud to be part of the Etco family in the past year . . .



ITENZ Awards

Etco stole the show at the annual Independent Tertiary Education New Zealand (ITENZ) awards in August.

National Learning Support Manager David Barnes (left) was named ITENZ Tutor of the Year and won the ITENZ overall Supreme Award.

And only a month after completing his Etco apprenticeship, Hamilton's Joshua Phillips was named the ITENZ Domestic Student of the Year.

Joshua had been delighted to be a finalist but admitted he was surprised to win the award, organised by the Quality Commission to recognise excellence across the independent tertiary sector.

During his apprenticeship, Joshua was named Etco Apprentice of the Year for 2017 and was also among 12 high-achieving apprentices selected for a Future Leaders programme.



Apprentice of the Year 2018

Lachlan Fenwick was named Etco Apprentice of the Year for 2018.

Lachlan started his apprenticeship with Etco in September 2015 after spending a year at university studying psychology. He bravely decided that this was not for him and started looking for an alternative career. Lachlan mentioned his interest in the electrical industry to TEL, an electrical contractor in New Plymouth, who advised him to contact Etco.

It was clear from the recruitment process that Lachlan was smart and a quick learner. During the first year he attained more 100% marks for night class assessments than had previously been seen in his region. He was also showing great on-the-job aptitude, with constant good feedback from tradesmen highlighting his great work ethic and an intuition to ask questions and simply learn how.

In 2017 Lachlan won the Senior Electrical Domestic award at the annual Engineering Taranaki Apprenticeship Awards. And although he is a reserved person, he gave an amazing acceptance speech, winning a \$200 "smoko" shout for himself and his work colleagues at TEL.

Lachlan achieved a consistent overall excellent grading for each individual category of the 2018 Etco Apprentice of the Year award.



Master Electricians Challenge

This annual event encourages success, promotes excellence, quality and innovation, and recognises the achievement of New Zealand electrical apprentices.

The competition comprises two divisions – Domestic/Commercial and Industrial. Apprentices enter the competition at a regional level with the chance to progress to the national finals.

Entrants undertake four challenging two-hour modules that emulate real-life scenarios. They are given clear instructions on the task, then left to get on with it.

Etco has a proud record in the Challenge. Last year at the national finals in Queenstown, Etco apprentice Daniel Tait, who had recently completed his apprenticeship and joined his host company Dalton Electrical in Auckland, won the Industrial category. Lindsay Froggatt, who is training through Etco and had only recently completed the first year of his apprenticeship with Alexandra-based Aotea Electrical, won the Domestic/Commercial category.

Master Electrician Challenge winners go on to compete for a place in the New Zealand WorldSkills team.



WorldSkills, Abu Dhabi 2017

In October 2017, two Etco apprentices were selected to represent New Zealand in the international WorldSkills competition, the world's largest trades skills competition.

Logan Saunders, hosted by Daltons Electrical competed in the Industrial section and Chabb Chia, hosted by Team Cabling, competed in the Commercial section. Both Logan and Chabb became eligible for the WorldSkills team by winning the Master Electricians Challenge in 2016.

After a year of training and four intense days of competition against the best apprentices from 70 countries, the pair can be proud of the effort they had put in. Chabb was awarded a medallion of excellence, which ranked him amongst the top competitors in his competition.



Seventy-six years a sparky!

Another event that made us all equally proud and sad was the retirement of Etco Palmerston North night class tutor Charles Bullas.

When Charles, now 90, began his seven-year electrical apprenticeship in Lancashire, UK, in 1941, at the age of 14, he was expected to work on ladders over working machinery.

He moved into teaching, emigrating to New Zealand in 1962 where he has taught generations of electricians – working part time for Etco in semi-retirement since 2005 as year four tutor for the night classes in Palmerston North.

Etco Future Leaders programme

This intensive two-week programme is designed to upskill Etco's highest achieving apprentices in three key areas – on-the-job skills, personal management skills and business acumen. The aim is to provide top apprentices with extra skills and confidence to help them achieve their goals and become the future leaders of the industry.

The programme includes Dale Carnegie Skills for Success training, Business Acumen delivered by the Employers and Manufacturers' Association, leadership training delivered by the New Zealand Army, and KNX home and building automation training (KNX is an open standard for commercial and domestic building automation. It allows many areas of a building to be managed remotely including lighting, blinds, shutters, HVAC, security systems, energy management, audio video, white goods, displays and remote controls).



Caring for our people...

Angela Neely, Chief People Officer

We created a new Chief People Officer role in 2018, charged with the responsibility of enhancing our pastoral care activities and to assist in recruiting new staff in our growth environment. Angela Neely joined us in February and has tirelessly worked on a number of initiatives.

The Etco Southern Cross healthcare scheme is now up and running with all staff and apprentices being invited to join at the company's cost. In the 12 months to December 2018, Southern Cross paid out \$285,189 on 890 claims by our employees. That included \$46,091 to 13 people undergoing teeth extractions. Six people had surgery costing over \$12,000, 101 people claimed for prescription costs and 280 for GP visits.

One of Angela's tasks was to review our employee assistance programme and we have now introduced the 'Switched-On' programme which is a down-to-earth support system for apprentices to discuss personal and budgeting issues, and anything else that is on their mind. This is provided by an external agency who report that most of the interactions with Etco apprentices have been driven by relationship problems and communication with hosts and family related. The programme is working well, and the feedback has been very positive.

An essential part of the pastoral care equation is the quality of our apprentice recruitment and selection processes and this is undergoing a review as well. During the year we launched a pilot for our proposed new 'grit and grunt' tests which indicate mental resilience and cognitive skills. Another way of looking at these tests, in electrical speak, is that we are assessing an apprentice's innate 'voltage and amperage'. These tests, along with the existing verbal, cognitive and abstract reasoning assessments, are going to make a significant contribution to Etco's performance and will ensure, as best we can, that we only select apprentices who are going to thrive with Etco - we are not doing anyone favours if we employ apprentices who are less likely to thrive under our demanding model.

Further developing our pastoral care capability is a high priority for us in 2019 and we look forward to launching the new selection testing regime across the entire business.

Our restructure has been successful and we continue to support the new regional team model as the Regional Managers bed in and their teams start to self-actualise. This has been an important change for us because it has enabled regional teams to deploy their local resources in ways that are best suited to the local needs. We are already seeing multi-tasking and barriers between roles and role specific interests starting to dissolve and more local ownership starting to evolve.

We look forward to accelerating our leadership development activities in 2019 and to further bedding in all the changes that have been implemented this year.





Financial statements

for the year ended 31 December 2018

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Auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF THE ELECTRICAL TRAINING COMPANY LIMITED

Opinion

We have audited the financial statements of The Electrical Training Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Board's Responsibilities for the Financial Statements

The Board is responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with PBE Standards, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Members of the Board, as a body. Our audit work has been undertaken so that we might state those matters which 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 Board Members and the Board, as a body, for our audit work, for this report or for the opinion we have formed.

**BDO Auckland
Auckland
New Zealand
17 April 2019**

Company directory

Nature of Business:	Training of Electrotechnology Apprentices
Registered Office:	24A Allright Place Mt Wellington Auckland 1060
Date of Incorporation:	1991
Issued Capital:	2000 Ordinary Shares
Directors:	Steve Hallett – Chairman Stuart Burgess Wendie Harvey Bruce Dalton Dean Addie David Le Mouton
Company Number:	494469
Shares:	2000
Charities Commission Number:	CC36469
Shareholder:	The Electrical Contractors Association NZ
Auditor:	BDO Auckland
Solicitors:	Buddle Findlay
Bankers:	Auckland Savings Bank (ASB)

Statement of comprehensive revenue and expense

for the year ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue from non-exchange transactions			
Grant revenue	5	6,079,765	5,198,462
		<u>6,079,765</u>	<u>5,198,462</u>
Revenue from exchange transactions			
Apprenticeship	6	27,631,823	25,062,806
Training	7	1,541,920	1,608,868
Other income		102,095	164,289
		<u>29,275,838</u>	<u>26,835,963</u>
Total revenue		35,355,603	32,034,425
Expenses			
Apprenticeship employment	8	22,096,897	20,266,868
Staff employment	9	5,506,989	5,052,197
Employment related expenses	10	2,610,233	2,067,675
Course delivery	11	1,143,925	890,846
Infrastructure overheads	12	2,557,682	2,385,979
Promotion	13	249,361	258,602
Depreciation	15	520,617	244,791
Finance costs	14	382,268	225,307
Total expenses		35,067,972	31,392,265
Total surplus for the year		287,631	642,160
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense		287,631	642,160

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

Statement of changes in net assets/equity

for the year ended 31 December 2018

	Share Capital	Retained Surplus	TOTAL
	\$	\$	\$
Opening balance 1 January 2017	2, 000	6,860,283	6,862,283
Surplus/total comprehensive revenue and expense	-	642,160	642,160
Closing equity 31 December 2017	2, 000	7,502,443	7,504,443
Opening balance 1 January 2018	2,000	7,502,443	7,504,443
Surplus/total comprehensive revenue and expenses for the year	-	287,631	287,631
Surplus/total comprehensive revenue and expense		7,790,074	7,792,074


The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

Statement of financial position

for the year ended 31 December 2018

	Note	2018 \$	2017 \$
Current Assets			
Cash	20	2,927,758	4,685,452
Short term investments		-	1,193,371
Receivables from exchange transactions		1,546,463	1,846,023
Prepayments		187,327	637,063
Inventories		44,503	41,466
		4,706,051	8,403,375
Non-current assets			
Property, plant and equipment	15	8,253,955	2,234,380
		8,253,955	2,234,380
Total Assets		12,960,006	10,637,755
Current liabilities			
Trade and other payables	16	782,152	500,825
Employee entitlement	17	1,590,827	1,775,125
Accruals	18	80,732	148,314
GST payable		751,426	709,048
		3,205,137	3,133,312
Long Term liabilities			
Borrowings	21	1,962,795	-
Total liabilities		5,167,932	3,133,312
Total net assets		7,792,074	7,504,443
Equity			
Share capital		2,000	2,000
Retained surplus		7,790,074	7,502,443
Total equity		7,792,074	7,504,443

Signed for and on behalf of the Board of Directors who authorised these financial statements for issue on 2019:

Director:  Date: _____ Chief Executive:  Date: _____

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

Statement of cash flows

for the year ended 31 December 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
<u>Receipts</u>			
Receipts from non-exchange transactions		6,079,765	5,198,462
Receipts from exchange transactions		29,486,841	26,379,207
		35,566,606	31,577,669
<u>Payments</u>			
Payments to employees		(30,398,417)	(27,386,740)
Payments to suppliers		(3,611,010)	(3,760,734)
		(34,009,427)	(31,147,474)
Net cash flows from operating activities	19	1,557,179	430,195
Cash flows from investing activities			
<u>Receipts</u>			
Interest received		54,344	102,252
Disposal of Assets		45,112	62,035
		99,456	164,287
<u>Payments</u>			
Purchase of Property, Plant & Equipment		(6,570,495)	(474,945)
Net Maturity/(Purchase)of Short-term investments		1,193,371	(143,371)
		(5,377,124)	(618,316)
Net cash flows to investing activities		(5,277,668)	(454,029)
Cash flows from financing activities			
<u>Receipts</u>			
Borrowings		1,962,795	-
Net cash flows from financing activities	21	1,962,795	-
Net (decrease)/ increase in cash and cash equivalents		(1,757,694)	(23,834)
Cash and cash equivalents - opening balance		4,685,452	4,709,286
Cash and cash equivalents - closing balance	20	2,927,758	4,685,452

The above statement is to be read in conjunction with the accompanying notes and the Audit Report.

Notes to the financial statements

for the year ended 31 December 2018

1. REPORTING ENTITY

The reporting entity is The Electrical Training Company Limited ("the Company"). The company is domiciled in New Zealand and is a charitable organisation registered in New Zealand under the Companies Act 1993 and the Charities Act 2005.

These financial statements and the accompanying notes summarises the financial results of activities carried out by the company. The company was established to provide employment and training for the electrical industry in New Zealand.

These financial statements have been approved and were authorised for issue by the Board of Directors on the date stipulated in the statement of financial position.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the company is a not-for-profit public benefit entity

2. STATEMENT OF COMPLIANCE

The financial statements comply with NZ GAAP, Public Benefit Entity Standards ("PBE Standards") and the requirements of the Charities Act 2005.

3. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year.

4. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

4.1 Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

4.2 Functional and presentation currency

The financial statements are presented in New Zealand dollars, which is the company's functional currency. All financial information presented in New Zealand dollars have been rounded to the nearest dollar.

4.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The company receives revenue as a result of both exchange and non-exchange transactions.

Exchange transactions are transactions in which the company receives assets, such as cash, and directly gives approximately equal value to another entity in exchange for those assets.

Non-exchange transactions are transactions in which the company receives assets, such as cash, but does not directly give approximately equal value to another entity in exchange for those assets. Revenue from non-exchange transactions is usually recognised when it becomes receivable/is received. However, where a non-exchange transaction has an associated condition, which is a requirement to expend the received assets in a specified manner or return unexpended funds, a liability is initially recognised and revenue is recognised (and the liability extinguished) as the requirements associated with the revenue are met.

The following specific recognition criteria must be met before revenue is recognised.

Notes to the financial statements

for the year ended 31 December 2018

4. SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue from non-exchange transactions

Grant revenue

Grant revenue is recognised when the conditions attached to the grant has been complied with. Where there are unfulfilled conditions it is recognised as a liability and released to revenue as the conditions are fulfilled.

Revenue from exchange transactions

Apprenticeship and training

Apprenticeship is measured at the fair value of the consideration received or receivable and represent amounts received for services provided in the normal course of business, net of discount and sale related taxes. Training revenue is recognised across the life of the course.

4.4 Income tax

Due to its charitable status, the company is exempt from income tax.

4.5 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is assigned on the basis of weighted average cost. Net realisable value is the estimate selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale, exchange or distribution.

4.7 Goods and services tax (GST)

All amounts in these financial statements are shown exclusive of GST except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

4.8 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

The straight line and diminishing value basis is used to depreciate asset over its useful life, except for land. Land is not depreciated. Depreciation is charged at rates calculated to allocate the cost of the asset less any estimated residual value over its remaining useful life:

Leasehold Improvement	14.3% - 25% SL
Machinery and Equipment	12% - 50% DV
Office Equipment & Furniture	8% - 50% DV
Motor Vehicles	25% DV
Reference Material	22% DV
Building	2% SL
Assets under Construction	0%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

Notes to the financial statements

for the year ended 31 December 2018

4. SUMMARY OF ACCOUNTING POLICIES (continued)

Impairment

If the recoverable amount of an item of property, plant and equipment is less than the carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the income statement. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the income statement.

The carrying amount of an item of property, plant and equipment that has been previously written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

4.9 Leases

Payments on operating lease agreements, net of incentives provided by lessor, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

4.10 Employee benefits

Liabilities for annual leave and long service leave are accrued and recognised in the Statement of Financial Position. The liability for annual leave is measured at the amount expected to be paid when the leave liability is settled. The liability for long service leave is recognised when the leave is due and measured at the rates paid or payable.

Contributions to defined KiwiSaver and Southern Cross Group Medical Scheme Plans are recognised as an expense when employees have rendered service entitling them to contributions.

Short-term employee benefits

Short-term employee benefit liabilities are recognised when the Company has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

4.11 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The company classifies its investments in the following categories: financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. At balance date all of the company's financial assets are classified as loans and receivables.

The company has recognised a loss of \$136,952 in respect of bad trade receivables during the year ended 31 December 2018. The company does not hold any collateral in respect of the balances above.

Notes to the financial statements

for the year ended 31 December 2018

4. SUMMARY OF ACCOUNTING POLICIES (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets.

The company's loans and receivables comprise cash and cash equivalents and receivables from exchange transactions.

Loans and receivables also include short term investments in the form of term deposits held for longer than 3 months.

Loans and receivables are recognised when the company becomes a party to the contractual provisions of the instrument. Loans and receivables are initially recognised at fair value plus transaction costs and are thereafter carried at amortised cost using the effective interest method.

The company assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Receivables from exchange transactions

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

Receivables are assessed at each reporting date to determine whether there is objective evidence of impairment. A receivable is impaired if there has been an event, or events, subsequent to the initial recognition of the asset that has impacted the asset's future cash flows. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

Individually significant receivables are individually assessed for impairment; debts which are known to be uncollectible are written off and impaired receivables are written down to their impaired amount, with the amount of impairment recognised being the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the original effective interest rate.

Following the impairment assessment of individually significant receivables, those individually significant receivables that are not impaired, and all other receivables, are collectively assessed for impairment by grouping together receivables with similar risk characteristics. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Impairment is recognised in surplus or deficit.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in surplus or deficit.

Subsequent recoveries of amounts written off are recognised in surplus or deficit.

Notes to the financial statements

for the year ended 31 December 2018

Trade and other payables

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

4.12 Standards, amendments and interpretations issued that are not yet effective and have not been adopted early

At the date of authorisation of the financial statements of the Company for the year ended 31 December 2018, the following PBE Standards were in issue but not yet effective:

Standard		Effective date
PBE IPSAS 39	<i>Employee Benefits</i>	1 January 2019
PBE IFRS 9	<i>Financial Instruments</i>	1 January 2021
PBE FRS 48	<i>Service Performance reporting</i>	1 January 2021

All PBE Standards will be adopted at their effective date

4.13 Significant judgements and estimates

In preparing the financial statements, the Board of Directors required to make judgments, estimates and assumptions based on historical experiences and other factors that are considered to be relevant that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. The uncertainty from these assumptions and estimates could result in outcomes that may result in a material adjustment to the carrying amount of the asset or liability.

The company based its assumptions and estimates on information available when the financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur. Judgement and estimation that has significant risk of resulting in a material adjustment in the year relates to the assessment of useful life of the property, plant and equipment.

Notes to the financial statements

for the year ended 31 December 2018

	2018	2017
	\$	\$
5. GRANT REVENUE		
National Certificate funding	3,746,800	3,010,074
Registered Training Workplace funding	2,092,342	2,039,570
Modern Apprenticeship	240,623	148,818
Total	6,079,765	5,198,462

6. APPRENTICESHIP		
Chargeable hours	24,870,293	23,020,398
Allowances	386,386	341,723
Overtime	1,756,861	1,646,729
Induction Fees	618,283	53,956
Total	27,631,823	25,062,806

7. TRAINING		
National certificate student fees	103,449	174,879
Competency course fees	41,038	179,964
Other course fees	1,397,433	1,254,025
Total	1,541,920	1,608,868

8. APPRENTICESHIP EMPLOYMENT		
Holiday pay	1,693,344	1,615,802
Sick pay	359,538	398,412
Medical Scheme	161,966	-
Statutory holidays	860,176	939,026
Block course	473,753	305,831
Chargeable hours	17,709,454	16,361,455
ACC related wages	65,087	-
Downtime	671,942	444,298
ETCO time	71,527	68,174
Achievement bonus	30,110	133,870
Total	22,096,897	20,266,868

Notes to the financial statements

for the year ended 31 December 2018

	2018	2017
	\$	\$
9. STAFF EMPLOYMENT		
Administration	1,727,569	1,736,338
Regional Training Managers	465,722	442,307
Full-time Tutors	890,322	716,810
Holiday Pay	755	44,253
Long Service Leave	32,854	-
National Managers	252,066	217,432
Night Class Tutors	888,007	747,330
Medical Scheme	55,198	-
Coordination	1,194,496	1,147,727
Total	5,506,989	5,052,197
10. EMPLOYMENT RELATED EXPENSES		
ACC	340,787	277,702
Kiwisaver Employer Contribution	743,183	691,505
Accommodation and Meals	236,956	175,678
Safety Equipment	103,031	107,077
Third Party Labour	161,885	197,264
Tool Expenditure	345,274	254,988
Other	679,117	363,461
Total	2,610,233	2,067,675
11. COURSE DELIVERY		
Contract Tutors	303,620	184,259
Course Materials	150,722	108,997
Electrical Workers Registration Board Course Fees	154,251	125,008
The Open Polytechnic of NZ License Fee	56,900	103,000
New Zealand Qualifications Authority (NZQA) Fees	116,165	102,207
NZQA Fees	-	5,369
Delivery Material	362,267	262,006
Total	1,143,925	890,846

Notes to the financial statements

for the year ended 31 December 2018

	2018	2017
	\$	\$
12. INFRASTRUCTURE OVERHEADS		
Cleaning	106,121	89,870
Computer Costs/Support	289,642	287,244
Conference	57,733	48,541
Lease Costs	264,832	240,181
Rent and Rates	771,317	855,838
Office Expenses	347,478	313,544
Travel	230,852	193,441
Vehicles	187,093	168,231
Other infrastructures	302,614	189,089
Total	2,557,682	2,385,979
13. PROMOTION		
Advertising	15,506	3,263
Apprentice of Year Award	25,615	23,234
Marketing	208,240	232,105
Total	249,361	258,602
14. FINANCE COSTS		
Fees paid to auditors – statutory audit and NZQA	25,850	25,500
Insurance	74,241	74,939
Legal Costs	54,366	-
Bank Fees	31,413	25,884
Bad Debts	136,952	88,484
Interest Paid	47,751	-
Others	11,695	10,500
Total	382,268	225,307

Notes to the financial statements

for the year ended 31 December 2018

15. PROPERTY PLANT AND EQUIPMENT

	Land	Building	Asset under construction	Leasehold improvement	Machinery and equipment	Office equipment and furniture	Reference material	Total
2018								
Cost	2,319,651	4,041,599	112,856	1,182,675	417,195	2,850,293	197,615	11,121,884
Accumulated dep	-	(111,412)	-	(1,028,004)	(238,199)	(1,480,288)	(10,026)	(2,867,929)
Net book value	2,319,651	3,930,187	112,856	154,671	178,996	1,370,005	187,589	8,253,955
2017								
Cost	650,000	750,000	2,416	1,074,157	331,008	2,390,609	1,010	5,199,200
Accumulated dep	-	-	-	(999,429)	(223,862)	(1,740,537)	(992)	(2,964,820)
Net book value	650,000	750,000	2,416	74,728	107,146	650,072	18	2,234,380

Reconciliation of the carrying amount at the beginning and end of the period.

	Land	Building	Asset under construction	Leasehold improvement	Machinery and equipment	Office equipment and furniture	Reference material	Total
2018								
Opening balance	650,000	750,000	2,416	1,074,157	331,008	2,390,609	1,010	5,199,200
Additions	1,669,651	3,291,599	110,440	108,518	125,330	1,068,027	196,923	6,570,488
Disposals	-	-	-	-	(3,662)	(26,634)	-	(30,296)
Depreciation	-	(111,412)	-	(28,575)	(49,818)	(321,460)	(9,352)	(520,617)
Accumulated depreciation	-	-	-	(999,429)	(223,862)	(1,740,537)	(992)	(2,964,820)
Closing balance	2,319,651	3,930,187	112,856	154,671	178,996	1,370,005	187,589	8,253,955
2017								
Opening balance	650,000	750,000	216,922	13,872	35,783	360,235	22	2,026,834
Additions	-	-	2,416	13,668	44,700	306,299	-	367,083
Disposals	-	-	-	53,995	8,626	11,462	-	74,083
Depreciation	-	-	-	(4,570)	(20,318)	(219,899)	(4)	(244,791)
Accumulated depreciation	-	-	(216,922)	(2,237)	38,355	191,975	-	11,171
Closing balance	650,000	750,000	2,416	74,728	107,146	650,072	18	2,234,380

Notes to the financial statements

for the year ended 31 December 2018

	2018	2017
	\$	\$
16. TRADE AND OTHER PAYABLES		
Trade payables	474,954	358,926
Income in advance	307,198	141,899
Total	782,152	500,825
17. EMPLOYEE ENTITLEMENT		
Holiday pay	1,200,206	1,070,977
Accrued wages	390,621	704,148
Total	1,590,827	1,775,125
18. ACCRUALS		
Audit Fees	19,850	20,468
ACC levy	(36,449)	(50,318)
Sundry accruals	97,331	178,164
Total	80,732	148,314
19. NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the reporting period	287,631	642,158
Non-cash items:		
Depreciation	520,617	244,791
Bad debts	136,952	-
	657,569	244,791
Add/deduct items classified as investing or financing activities:		
Interest received	(54,344)	(102,252)
	(54,344)	(102,252)
Movements in working capital:		
Decrease in receivables	147,799	(146,488)
Increase in inventory	(3,037)	23,036
Decrease in prepayment	449,736	(569,805)
Decrease in payables	(135,852)	238,581
Increase in income in advance	165,299	31,058
Increase in GST payable	42,378	69,116
	666,323	(354,502)
Net cash flows from operating activities	1,557,179	430,195

Notes to the financial statements

for the year ended 31 December 2018

	2018	2017
	\$	\$
20. CASH AND CASH EQUIVALENTS		
Cash in hand and on banks	2,877,758	3,463,492
Short term deposit	50,000	1,221,960
Total	2,927,758	4,685,452

Cash at bank earns interest at floating rates on daily deposit balances.

Shor term deposits are made for periods of 3 months or less and earn interest of between 3.45% to 3.65%.

	2018	2017
	\$	\$
21. BORROWINGS		
Borrowings	1,962,795	-
Total	1,962,795	-

The company has its banking facilities with ASB Limited and has a borrowing facility for the purchase of premises at 24A Allright Place Mount Wellington Auckland through a 15 Year Commercial Term loan of interest only payments, floating Base Rate plus a margin of 1.30%pa secured with a new registered first and exclusive mortgage over 24A Allright Place, Mount Wellington.

Covenants require that Annual Financial Statements prepared in accordance with generally accepted New Zealand Accounting Standards be supplied to ASB within 270 days of balance date and as the building forms the security a current Building Warrant of Fitness be provided to ASB.

	2018	2017
	\$	\$
22. RELATED PARTY TRANSACTIONS		
Senior Executive Officers	6 x FTE's 749,704	3 x FTE's 451,410
Total	749,704	451,410

Notes to the financial statements

for the year ended 31 December 2018

23. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of financial instruments presented in the Statement of Financial Position relate to the following categories of assets and liabilities:

	2018	2017
	\$	\$
Financial assets - <i>Loans and receivables</i>		
Cash and cash equivalents	2,927,758	4,685,452
Short term investments	-	1,193,371
Receivables from exchange transactions	1,546,463	1,846,023
	<u>4,474,221</u>	<u>7,724,846</u>
Financial liabilities - <i>At amortised cost</i>		
Borrowings	1,962,795	-
Trade and other payables	474,954	500,825
	<u>2,437,749</u>	<u>500,825</u>

The carrying amount of financial assets and financial liabilities are considered to be equivalent to their fair value due to its short-term nature.

The fair value of borrowings in 2018 is \$1,390,260.

24. FINANCIAL INSTRUMENT RISK

The company is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 23. The main types of risks are credit risk and liquidity risk.

There were no material changes in the company's risk exposure and risk management objectives and policies during the reporting period.

Credit risk analysis

With respect to cash and cash equivalents there is a concentration of credit risk as the Company is trading with only one bank.

Credit risk is the risk that a counterparty fails to discharge an obligation to the company. The company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as follows:

	2018	2017
	\$	\$
Cash and cash equivalents	2,927,758	4,685,452
Short term investments	-	1,193,371
Receivables from exchange transactions	1,546,463	1,846,023
	<u>4,474,221</u>	<u>7,724,846</u>

No receivables from exchange transactions are considered to be past due or impaired. The Board of Directors has assessed that all of the above financial assets are not impaired or past due for each of the reporting dates under review and are of good credit quality. The credit risks for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the financial statements

for the year ended 31 December 2018

FINANCIAL INSTRUMENT RISK (CONTINUED)

Liquidity risk analysis

Liquidity risk is the risk that the company might not be able to meet its obligations associated with financial liabilities. The company manages its liquidity need by monitoring payments for financial liabilities and maintaining sufficient cash against its undrawn borrowing facility.

The table below details the undiscounted contractual cash flows (principal and interest) of the Company's financial liabilities:

Financial Liabilities	Contractual cash flows			Carrying amount \$'000
	0 – 1	2-5	Over 5 years	
	Year \$'000	Months \$'000	Months \$'000	
2018				
Borrowings	91,663	366,650	2,879,420	1,962,795
Trade and other payables	474,954	-	-	474,954
	<u>566,617</u>	<u>366,650</u>	<u>2,879,420</u>	<u>2,437,749</u>
2017				
Trade and other payables	500,825	-	-	500,825
	<u>500,825</u>	<u>-</u>	<u>-</u>	<u>500,825</u>

25. CAPITAL MANAGEMENT

In determining its capital management policy, the main objective of the Board is to ensure that the Company has sufficient funds to continue its main purpose of providing employment and training for the electrical industry in New Zealand.

This is achieved through evaluating the performance of its investments to ensure adequate returns are generated to fund the Company's day-to-day activities as well as to maintain a strong capital base and minimise its risk exposure. Capital for the Company consists mainly of its share capital and retained surplus.

26. CAPITAL COMMITMENT

There are no capital commitments at balance date. (2017:\$4.5 million for the purchase of Mt Wellington property).

27. LEASES

As at the reporting date, the Board of Directors has entered into the following operating lease commitments:

	2018	2017
	\$	\$
No later than one year	706,877	305,119
Later than one year and no later than five years	1,810,469	1,538,752
Later than five years	1,899,671	726,768
Total	4,417,017	2,570,639

Notes to the financial statements

for the year ended 31 December 2018

The company leases property and motor vehicles and equipment in the normal course of its operations. Lease terms ranges from 1 – 5 years and can be renewed at the Company's option.

28. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2017: \$Nil).

29. EVENTS AFTER THE REPORTING DATE

The Board of Directors and management is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the company.



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