

# annual report 2010



developing talent in clothing & textiles

Our strategy is visionary;  
to develop innovative leaders who  
are able to create and maximise  
opportunity – and a talented,  
self-motivated workforce,  
committed to quality production  
and a high level of customer service.

## vision

A skilled and productive  
New Zealand Clothing,  
Textile and Footwear Sector

## mission

Developing talent in clothing and textiles

## values

People First  
Dynamic Leadership  
Productive Partnerships  
Responsible Stewardship  
Commitment to Innovation



developing talent in clothing & textiles



# chairman's report

To the Annual General Meeting, April 2011



Dear Stakeholders

On behalf of our Directors, I take pleasure in presenting to you our Annual Report, including Audited Financial Statements and a Review of 2010.

One of our goals was the establishment of the Strategic Advisory Groups. It was pleasing to receive the invaluable input, commitment and experience of many industry leaders and senior managers from the companies we work with. Their insights into the future training needs within our community of industries, will allow us the opportunity to provide them and their employees with the relevant qualifications and skills needed, to face the ongoing challenges of an extremely competitive environment.

Another significant step in fulfilling our obligations to industry to develop a more productive workforce was the continuing work with the Embedded Literacy Project. Here again I urge our industry to make use of the opportunity to improve their employees' numeracy and literacy in the workplace since it is also well established to have significant productivity benefits.

It is also pleasing to see an increase in the number of companies and trainees participating in Competitive Manufacturing Training. In fact the Competitive Manufacturing programme has contributed to the largest intake of trainees this year. Companies involved in this training report that, the pay-back is both fast and worthwhile, with trainees experiencing greater work satisfaction from being better able to contribute to improvements within their industries.

For the ATITO, the last year has again been an important period in building relationships with other sector organizations that also seek to achieve a skilled and productive workforce for the New Zealand Clothing, Textile, Laundry & Drycleaning sectors.

One of our significant events this year was the signing of the Second Strategic Partnership Agreement, which confirmed a closer cooperation between ATITO and The Textile Care Federation. It is imperative for the various related organisations within the textile industry to work closely together, in order to strengthen the industry as a whole.

The development of Industry Training Plans for our major sectors is well under way. We had excellent participation of industry leaders for our first four Strategic Advisory Groups covering the Textiles, Apparel, Knitting, Laundry and Dry Cleaning industry sectors.

The 4th of September earthquake and following aftershocks have made the working environment for our Christchurch staff very challenging, that they have produced such

good results speaks volumes about their commitment to our ongoing success.

The current government is looking for better returns from their investments; this also applies to all Industry Training Organisations. Therefore our focus will continue to be on supporting companies and trainees to achieve the credits that they are contracted for. In the year 2010 we achieved the best results ever but we are concentrating our efforts on continuing improvements.

Another area the Government is expecting ITOs to lift their performance is in the level of company financial contribution to training. Currently this is at 22% with the ATITO, but the government want to see this increase to 30%. This means for every \$2 the government invests in industry training through an ITO, it expects \$1 to be contributed by industry.

The board of TEC is now working close with chair persons of the "Industry Training Organisations" to achieve the results in credit achievements, company contribution and training completions.

This year we completed two important steps in order to make the board more knowledgeable. All board members completed Board Training with the Institute of Directors, followed by a Board Evaluation by the Institute. This was to highlight any strengths and weaknesses within our group, allowing us to take steps to improve the governance of the ATITO.

The Board is smaller than in the past and is focussing on building the governance capability of members, whilst still maintaining their extensive industry experience. Strategic industry input into the ATITO now comes through the Strategic Advisory Groups and we are fortunate to have a large amount of input from Industry leaders to make these changes possible.

The following board changes took place during the year Paul Watson National Distribution Union confirmed as the Employee Representative on the Board. Malcolm Corbett and Gerry Voskamp re-elected to the board and confirmed for the next three years as Vice Chair and Chair.

Pursuant to the Rules of the ATITO Incorporated Society the following board members retire at the next annual meeting on the 14th of April 2011: Harold Trigg and Philip Howe. Being eligible, Philip offers himself for re-election Harold has decided to resign from the Board.

I like to thank Harold for his many contributions. We are sorry to see Harold go he has been a tireless contributor to our Board, sacrificing a lot of time and effort to participate. The other current members are Gaylis Penner and Glenda Delaney.



The tighter fiscal control will make this year a challenging one, but staff and board are totally committed to get the required results.

The board would also like to congratulate John Williams, Production Manager, Cavalier Spinners Ltd for being awarded the ATITO scholarship 2011.

I wish to thank my fellow Board Members for their contributions of time and knowledge used for the good governance of this organisation.

I would like to thank our Industry members for their continuing support and assure them that their contributions will be used for the continuing development of talent in Clothing and Textiles.

Gerry Voskamp

# chief executive's report

To the Annual General Meeting, April 2011



The end of a decade

The past year was one of the most accomplished in the ATITO's history. I ended my report last year with the comment that 2009 was a 'year of preparation', and it is therefore very satisfying to report on the outcomes of that preparation.

The new environment

In response to the pressures of a tight financial environment, the government has been working to increase the return it receives from its investment in Industry Training. The Tertiary Education Commission (TEC), the government agency that funds Industry Training has strengthened its focus on an incentive based system that:

- ensures industry training responds to employer demand for skills
- improves quality assurance and account ability of ITOs
- creates stronger links between funding on current performance

This has had a significant financial effect on the ATITO as we realigned our operational policy and practice in step with the goals of our main funding agency. Over the past two years the ATITO has moved from a relatively simple model of working with companies, to a more engaging model of working with companies to facilitate their training.

The previous model was a 'quick fix' solution and led to many Trainees not completing their qualification, for which the ATITO has been required to refund some funding back to the TEC. The new managed engagement model involves the ATITO field staff working with firms to coordinate a training solution that can demonstrate direct benefits in the immediate to medium term, and will ensure that all trainees have the necessary resources to complete their qualifications.

Strategic Advisory Groups

One of the most rewarding developments last year was the establishment of our four Strategic Advisory Groups, following six months of preparation and development work. The groups cover the key sectors of: Apparel Manufacturing, Textiles Manufacturing, Knitted Product Manufacturing and Laundry and Drycleaning. Having effective quality links with industry is paramount to a successful Industry Training Organisation, and the Strategic Advisory Groups allow us that opportunity. I invite you to read their stories over the following pages. The overwhelming response from these groups has been the recommendation for relevant qualifications.

Lifting performance of trainees

In 2010 we achieved a 50% lift in Trainee credit achievement and this was the largest amount of credit reported for any year the ATITO has operated. It's important to note that this achievement only occurred through the combined efforts of trainees, employers, workplace assessors, training providers and ATITO

staff working together. Our strategy is to continue to lift trainee achievement levels through the increased support we provide trainees and employers. This support includes; access to more training providers, development of new training resources for trainees, a more structured approach to visiting and supporting trainees by Training Advisors.

The ATITO ended the year with approximately 400 less registered trainees, as we worked with employers and trainees to maintain a database that only included active trainees. We terminated the training agreement of any trainee who had not achieved any credit over the past 12 months. In some cases, trainees had been assigned new positions within companies and we were able to enrol them onto new programmes under new training agreements.

Increased services to employers

The ATITO increased the number of Training Providers it contracts to support training. In 2010 we contracted four training providers to deliver Competitive Manufacturing training to six companies, located across New Zealand. These professional trainers deliver customised training in lean manufacturing on the job, working around the needs of each company. The ATITO now has access to a range of professional training providers to cover training in, technical, management and competitive manufacturing.

Growth through further partnerships

A further milestone for the ATITO in 2010 was the signing of a Strategic Partnership Agreement between the ATITO and the Textile Care Federation of New Zealand Inc. (TCF). This agreement established a shared membership of both organisations and, like the similar Strategic Partnership Agreement the ATITO has with Textiles NZ, recognises financial membership of TCF members as being members of the ATITO. The ATITO now has formal representation with its major industry associations and strongly believes this will assist to strengthen the productivity of the sectors it serves.

Competitive Manufacturing

After two years of planning promotion and preparation, the ATITO signed on 240 Trainees across six companies into the National Certificate in Competitive Manufacturing. The companies involved have benefited from the training through: increased efficiency; reduced waste; more effective team/staff communication and participation. Competitive Manufacturing focuses staff on their role as both 'customer' and 'supplier' in the workplace and encourages them to get involved and take 'ownership' for their work area of responsibility.

Literacy Strategy

The ATITO received funding from TEC for a further Embedded Literacy and Numeracy programme in May 2010 for the National Certificate in Competitive Manufacturing. All trainees who started this programme in 2010 took part in a brief literacy skills assessment. The assessment has helped the ATITO

to develop new learning resources, design training courses for workplace trainers and improve the assessments we produce for industry. Specific resources have been developed around vocabulary acquisition and numeracy and these resources have been trialled by providers and their feedback will inform appropriate resources to develop in the future. Trainees whose literacy levels fall below those required for the training have been given information and guidance on appropriate literacy support.

Review of qualifications

The ATITO participated in the New Zealand Qualifications Authority (NZQA) targeted review of national qualifications. Two changes that have taken place and are of particular interest to our industry sectors are:

- The New Zealand Qualifications Framework has been strengthened as a unified resource of all approved quality assured qualifications
- Steps have been taken to reduce the proliferation of qualifications.

We identified some apparel and textile national qualifications that industry has not used for some time and with the guidance form the soon to be published Industry Training Plans we intend to rationalise our qualifications so they continue to remain relevant and flexible for employers.

2011 Scholarship

It is with further pleasure that we announce the recipient of the 2011 ATITO Talented Future Scholarships has been awarded to John Williams Production Manager at Cavalier Spinners Ltd, Napier. John will use his scholarship to complete the Foundations of General Management course at Macquarie University Sydney Australia. This opportunity will assist John to develop the skills and knowledge to become an effective general manager. The ATITO is pleased to be able to support John, his employer Cavalier Bremworth Ltd, and industry generally in this exciting opportunity to develop the talent of a young manager.

Throughout 2010 the ATITO concentrated its efforts on strengthening our links with industry and employers, and improving our support for trainees. By all accounts a very challenging but satisfying year and I want to gratefully acknowledge the support we have received from companies, training providers, associations and individuals who have contributed to our success. Similarly, I extend my thanks to the Board members and staff of the ATITO for your commitment over the past twelve months to ensure the ATITO maintains its relevance for industry and continues to add value to employers.

Mike Gorinski

# strategic advisory groups

## Laundry & Drycleaning

The work of the laundry & drycleaning sector impacts on most of our lives nearly every day. 4,000 workers employed with 300 businesses means the sector is a significant employer. Over half of these workers are classified as labourers. With 46% of the sector's workforce having no secondary school qualification (similar to other apparel and textile sectors), workplace qualifications will often be the first qualification achieved by an employee.

The Laundry & Drycleaning Strategic Advisory Group is tasked with the development of an Industry Training Plan for the sector. With a wealth of talent and experience from around New Zealand, the SAG members combine a practical approach to their work with a strategic perspective.

According to James Borthwick of Apparelmaster in Christchurch, industry

training programmes must both develop current staff and encourage new people to join the industry.

"Being able to gain long term benefits from the experience of staff that have been in the industry long term and using this to train new staff and improve the operation is a key outcome for us," said James.

Ricky Brackfield of Rotorua Drycleaners has found the insight to training processes gained from his involvement in the SAG has benefited his own business.

"For me, the value of working through this process is that it has given us an insight to how the training process works and the valuable asset that training is for the sector as a whole," said Ricky.

### Laundry & Drycleaning SAG members

Tony Colenso, Chief Executive Officer, ALSCO NZ Ltd  
Glenda Delaney, Business Support Manager, ALSCO NZ Ltd  
Gordon Craig, La Nuova Apparelmaster, Taranaki  
Mark Williams, Manager, Hamilton Operations Spotless Services NZ Ltd  
Leeanne Manninen, Taylors Drycleaners, Karori  
Ricky Brackfield, Rotorua Drycleaners  
Bevan Richie, Apparelmaster, Wellington  
James Borthwick, Apparelmaster, Christchurch



La Nuova Apparelmaster, Inglewood, Taranaki.

## Knitted Product

The near-term loss of a large proportion of their existing workforce through retirement is one of the big risks facing the knitted sector. Ross Goodin, Managing Director at Lothlorian Knitwear sees his company's situation as typical of the sector.

"Our company has a mature group of knitters who will all be with us for up to five years, but beyond that in the six to ten year period we will lose a significant amount of our skill and experience. With our workforce being the norm or slightly younger than most of the other knitting companies we face a need to refresh and up skill those who will 'take the baton' when the baby boomers retire. With the amount that must be taught we need to start today!"

With this urgency in mind the Knitted Product Strategic Advisory Group has provided invaluable input to the development of their sector's draft industry training plan.

"For us, the key recommendation of the training plan is working with ATITO and key industry stakeholders to develop

the knitted sector's future. Part of this process is assisting employees to understand their role in the bigger picture.

With the amount that must be taught we need to start today!

training courses and career pathways that enable employees to see a clear path in personal development," said Colin Vose, Operations manager of Snowy Peak Ltd. Attracting, retaining and motivating employees will be key to

According to John Hughes, Managing Director at Manawatu Knitting Mills, "Training must empower the trainee to understand the relationship between the customer and production and how they fit into this process."

### Knitted Product SAG members

John Hughes, Managing Director, Manawatu Knitting Mills  
Colin Vose, Operations Manager, Snowy Peak Ltd  
Hugh Douglas, Managing Director, Weft Knitting Ltd  
Jonathan Bird, IT & Process Manager, Designer Textiles International  
Ross Goodin, Managing Director, Lothlorian Knitwear Ltd  
John Stevens, Managing Director, Shalimar Knitwear

## Textiles Manufacturing

Many Strategic Advisory Group members have identified that simply bringing industry participants together in the groups has brought benefits. Phillip Howe, Production Manager at Summit Wool Spinners is one who makes this point.

"The main value of the SAG was to get the industry together, by doing this we found that we were all in the same boat with regards to the future of our industry," said Phillip.

In sharing their views the members of the Textiles Manufacturing SAG identified some key issues for their future. These include the need to ensure that innovation and marketing result in natural fibres being perceived in global markets as sustainable and high quality. To support these goals, the draft industry training plan is focused on forward thinking and flexibility.

"For us, the key recommendation from the draft ITP is that the ATITO develop career pathways and training systems that are flexible, offer multiple entry and

re-entry points and qualifications options, recognition and transferability of skills, including those gained internationally, and appropriate delivery modes," said John Williams, Production Manager at Cavalier Bremworth, Napier.

With projected skill shortages in the future, forward thinking is essential to ensuring that textiles manufacturing businesses have the people that they need. In common with other sectors covered by the ATITO, Elizabeth Tennet, CEO of Textiles New

Zealand, identified an ageing workforce as a challenge.

According to Elizabeth, "We need to train and up-skill young people for the future of the industry. And that future relies upon the textiles sector spearheading innovation, design, branding and marketing to sell to the world natural, authentic, home-grown, environmentally-friendly, sustainable, beautiful quality textiles, clothing, carpets and life-style products sourced from New Zealand's natural fibres and the natural environment."

### Textiles Manufacturing SAG members

Neil Mackie, General Manager, Woolyarns Ltd  
Craig Woolford, General Manager Manufacturing, Cavalier Bremworth Ltd  
John Williams, Production Manager, Cavalier Bremworth, Napier  
Phillip Howe, Production Manager, Summit Wool Spinners Ltd  
Glynn Jones, Plant Manager, Godfrey Hirst Carpets  
Bruce Blair, General Manager, Canterbury Spinners Ltd  
Errol Wood, Education Manager, AgResearch Ltd  
Elizabeth Tennet, Chief Executive Officer, Textiles New Zealand

# Apparel Manufacturing

With approximately 7,000 people employed in 745 businesses, the apparel manufacturing sector has the greatest number of employees of the sectors covered by the ATITO.

The challenges facing the apparel manufacturing sector include developing a greater focus on strategy for the long term. According to Harold Trigg, Managing Director at SOMA President, this is exactly what the Apparel Manufacturing Strategic Advisory Group has achieved.

"The SAG process has made both our company and the apparel sector take a longer strategic view of the niche markets we serve rather than just think short term, operational, season-to-season survival. It has been an exercise in identifying what will be needed to survive and prosper as on-shore apparel producers over the next ten years in terms of future market, opportunities, staff replacement and up-skilling with an ageing workforce and new cooperative working relationships to achieve all these things," said Harold.

Harold is concerned about the impact of an aging workforce on skills availability and the need to lift productivity.

"For us, the key goal in the draft Industry Training Plan is that the sector attracts and retains the right staff with the right skills at the right time," said Harold.

Sharee Harper, General Manager at Swazi Apparel believes that the collaboration among the members of the Apparel Manufacturing SAG shows that there is a better future if the sector works together.



Adventure Outfitters, Dunedin.

"The value for our business and the sector would be the sharing of information with like minded people and having a better understanding of what we need to do as a company to help the whole textile industry," said Sharee. "We need to ensure that we communicate to the wider industry that there is a future if we work together."

Ruth Mullenger, General Manager at Adventure Outfitters sees the potential for success to breed success.

"One of the key recommendations in the draft ITP is that industry success stories, role models and "tall poppies" are ac-

knowledged and promoted by the ATITO to create a more positive and diverse profile for the sector."

"Equally important," says Ruth, "is the recommendation that we see skills-based rewards linked to productivity and continual improvements are evaluated in consultation with stakeholders, including unions."

## Apparel Manufacturing SAG members

- David Lilburne, Chief Executive, Yakka Apparel Solutions
- Elizabeth Tennet, Chief Executive, Textiles New Zealand
- Sharee Harper, General Manager, Swazi Apparel Ltd
- Gail Kerwin, Production and Quality Manager, Pumpkin Patch
- Ruth Mullenger, General Manager, Adventure Outfitters
- Harold Trigg, Managing Director, SOMA President
- Elizabeth McKewn, General Manager, Otago Apparel Ltd



# scholarships

## Daniel Fox



From air-blasting garments in Germany to computerised linen sorting in the USA, ATITO Scholarship winner Daniel Fox packed a lot into a six-week round the globe trip.

Daniel works at La Nuova Apparelmaster in Inglewood, Taranaki. He was selected for the ATITO scholarship to enable him to study lean management practices in laundry.

Daniel's first stop was Germany, where he visited the Voss laundry in Wuppertal-Ronsdorf. At this high-tech facility, every item is chipped and barcoded.

"They claim never to have misplaced a personal item from a rest home which has a customer base of 300 people. Very impressive," said Daniel.

Voss' computer system links all their machinery and tells staff in real-time whether they are achieving their performance bonus.

German laundry technology continued to impress Daniel when he visited equipment manufacturer Kannegiesser.

"They had a prototype flat work sorter on display. A robotic arm would grab the product, measure, check colour and place it on a conveyor. Then as it reached the right place, a blast of air would send it to the correct bin."

Daniel then travelled to Turnkey Engineering in Charlottesville, Virginia, USA. Turnkey are experts in lean practices. Daniel had the opportunity to learn from the masters, visit their clients and work with them on a lean practice project.

The project was at Mission Laundry in Phoenix, Arizona. Mission operate 52 facilities and 800 vehicles in five states. Working on value-stream mapping, Daniel and the Turnkey team worked with Mission management to identify the many dozens of actions and decisions that made up each process. They then planned efficiencies by removing unnecessary stages and looking for better ways to perform tasks.

Daniel said he learned from the process that, "Lean is not about working faster, it's about eliminating the things that slow you down."

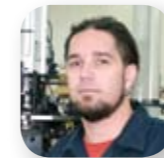
A visit to Handcraft in Richmond, Virginia was a graphic illustration of the levels of efficiency that could be achieved.

"Everything seemed so effortless. In the middle of the working day, it looked like everyone had gone to lunch. But they were just super-organised and putting through huge volumes," said Daniel. "They sorted the items into bags with LCD screens telling them what they had in each bag, if they were hitting their targets, how much had been sorted that day, plus previous records. It was by far the most advanced screen I had seen."

On his return to La Nuova, Daniel has applied his lessons to practice. He has implemented the lean principle of 5S, resulting in a 15% improvement in the linen team and a 4% productivity improvement in the washroom team.

"If this all sounded like I was on some round the world fairy tale adventure its not all its cracked up to be living out of a suitcase, sixteen flights in under six weeks, six different time zones. Don't get me wrong by the end of it I couldn't wait to get home, but I would still do it again in a heartbeat," said Daniel, summing up his experience.

## Kurt Priestly



A trip to Italy on an ATITO scholarship in late 2010 was a valuable education and a huge cultural experience for knitting technician Kurt Priestly.

Kurt is a machine technician at Lothlorian Knitwear in Pukekohe. He was selected for the scholarship to enable him to undergo training at the Sangiacomo plant in northern Italy. It was an opportunity that enabled him to gain a much deeper understanding of the sock knitting machines used at Lothlorian and to learn about machine programming.

With a background in engineering, Kurt has worked at Lothlorian for six years. Lothlorian has 30 staff and is well known

for its knitwear, particularly garments utilising a possum-merino fibre blend.

Lothlorian Director Ross Goodin heard from ATITO's Tim Pearson that the scholarship was available and recommended Kurt. With six people in the Lothlorian knitting room, the opportunity to lift skills was a valuable one.

Kurt learned about every aspect of the machines while in Italy, learning how to take the machines apart as well as observing their manufacture and maintenance. But the greatest learning for Kurt was the exposure to programming and design. By the end of his visit he was designing socks.

Receiving training in a foreign country had its challenges. It was Kurt's first

opportunity to travel further than Australia and the first time he had visited a non-English-speaking country.

"There was limited English from my tutor and no English spoken anywhere else, but we got by with lots of hand gestures," said Kurt. "It was pretty frustrating trying to ask questions, but we managed. The Italians are certainly very passionate people."

Kurt is applying his knowledge at Lothlorian as a sock machine technician handling maintenance and programming. His new-found design skills ensure that there is a back-up of that talent for the small company. Just as importantly, his training has added to the pool of talent available in the New Zealand knitted product sector.

# case studies

## AlSCO

Employee engagement is an issue that has challenged managers for decades. It is well known that people who are more engaged are more productive and more likely to be retained. Both outcomes benefit the company, both in terms of financial results and in its reputation.

When AlSCO NZ considered its involvement in the Competitive Manufacturing qualifications programme, it was aware it could gain improvements in efficiency, waste minimisation and communication. These have been achieved, but it is striking that a greater level of engagement is the dominant theme that has emerged.

Tony Colenso, CEO of AlSCO NZ said, "Our expectations were that it would focus all staff and ultimately improve our internal and external customer care and service."

With the benefit of ATITO financial assistance, QCD Systems were engaged to provide training in February 2010, using the Try-Z methodology.

Mike Kent, Service Manager, says that the outcome has been that, "We have come away from a blame culture to one

of a fact finding culture. We now actively seek to solve problems through good questioning of the process."

Effective communication was the foundation for the planned changes. A three-tiered system of meetings known as Green Room meetings were introduced. Each team would gather for ten minutes at the start of each day for a review of the previous day's performance and a quick outlook on the day ahead. A balanced scorecard system addressed quality, cost, delivery, safety and morale facets of the organisation. A

Our expectations were that it would focus staff and ultimately improve our internal and external customer care and service.

second-tier of ten-minute meetings between team leaders and managers decided on the actions required to make the day run smoothly. Once a week the managers met to review the past week and month and plan the month ahead.

According to George Rowe, Site Manager in Christchurch, "The Try Z methodology with the accompanying Green meeting process is a great way of em-

powering people whilst maintaining sufficient control. The system leads people to work on the really important things and not just what pushes their buttons."

Aaron McConnochie, Production Manager brought perspective from another industry.

"I am a cheese maker by trade, and learnt in that process that the process must flow to ensure great cheese is sold to the customers. When I first joined AlSCO Christchurch I saw congestion and flow was difficult and slow. CM has given the team many of the

insights and tools to use to make flow easier, so I am not the only one with the knowledge. Now all team members have a good feeling of what can be achieved if the process flows. It is great to see how many team members have taken improvement seriously and have made work easier and safer. We have been fortunate to also be in a position to make some serious process changes and know we have dedicated team supervisors to ensure flow occurs."

The measured results of the programme to date have been impressive. Participating sites have seen a 69% reduction in missed deliveries to customers, a 50% reduction of inventory in some stations and a 150% improvement of productivity of some mini-teams.

The initial training was centred on the Christchurch site and engaged 80 staff members, with 23 being Limited Credit Programme trainees. All results were achieved despite the distractions of the Canterbury 2010 earthquake and subsequent aftershocks. The team is passionate and many were looking forward to completing their CM qualifications this year.



AlSCO's Christchurch team at the TRY-Z experiential learning seminar.

## Swazi

The ATITO works to develop the talent of people because it has the potential to transform the performance of businesses. People who shine can have a significant impact on the performance of their company. When everyone in an company is given the tools to shine, the company's results will tell the story.

That is what happened during 2010 when apparel manufacturer Swazi in Levin went through a transformation. A whole-of-company training programme visibly transformed the workplace and had a very real impact on the bottom line.

Sharee Harper, General Manager at Swazi, could see issues that she wanted to address in the business, was aware of Lean Thinking principles, but struggled to see how to make changes without significant outside assistance. Fortunately ATITO's Training Development Advisor Ted Pearson introduced Swazi senior management to the opportunities provided by the Competitive Manufacturing qualifications. These provided a training framework that matched the objectives of Swazi. Furthermore, ATITO was able to provide financial support to engage the services of a professional trainer.

The focus of the programme was on people identifying and solving workplace problems that were hampering productivity. Swazi had a track record of continuous improvement, always seeking to improve products on the basis of feedback from users. But Sharee could see that there was an opportunity to gain deeper improvements.

"I could see the value in Competitive Manufacturing, but I wanted more than anything to get all the team on the same

The results speak for themselves. Productivity increased by over 100%.

page. I also wanted to give something back to all the staff, something that they could use forever. I wanted the team to use their brilliant minds that I knew they had, instead of always coming to me for solutions," said Sharee.

All 45 employees at Swazi joined the Competitive Manufacturing training. With the assistance of coach Greg



The team at Swazi, Levin.

Radich, the company developed a system of monthly mini-projects. These brought a sense of urgency to improvement. As new tools and methods were learned from the unit standards, they were applied to improving the business as fast as possible.

Sarah Chambers and Tracey Millard of the sewing team explained how they saw it work.

"Even after sixteen years here, CM did us all a lot of good. The tools of CM gave us so many good things and we can now see how the production flows. As we started doing projects, it was great to see the team come up with ideas for projects to tackle our next problem."

The results speak for themselves. Productivity increased by over 100% for customised product processing and 50% for cotton rewinding. There was a 50% reduction of rubbish to landfill, resulting in a 50% saving on waste disposal. Pro-

cess improvements typically halved the number of steps per process.

Flick Short and Jared Wright of the sales team saw big improvements from learning more about other parts of the business and gaining a shared understanding.

"For us it was the outlining of clear processes. We always thought everyone else knew what was going on, but that was not the case, we took too much for granted. With projects we join other teams to improve their process, we all learnt heaps about the whole business."

Naturally there are costs associated with running such a comprehensive training programme across the business. These were off-set to some degree by ATITO financial support to engage a professional coach. But with a return on investment expected to exceed 10:1, the financial justification for the programme is easy to find.



Davey and Maggie Hughes, owners of Swazi NZ.

## Board



**Gerry Voskamp**  
(Chairman)



**Malcolm Corbett**  
(Deputy Chairman)

Non-woven Sector Representative



**Glenda Delaney**

Laundry Sector Representative



**Phillip Howe**

Yarn Sector Representative



**Gaylis Penter**

Apparel Sector Representative



**Harold Trigg**

Apparel Sector Representative



**Paul Watson**

Employee Representative

## Management



**Mike Gorinski**

Chief Executive



**Brigid Quinn**

Quality Assurance Manager and Training Advisor



**Joanna Fox**

Literacy Coordinator



**Eleanor Lock**

Finance and Training Administrator



**Tim Pearson**

Training Development Advisor



**Bruce Tollemache**

Training Advisor



**Robert Larsen**

Training Advisor



**Lesley Thomsom**

Sector Review Coordinator

It is with real sadness that we farewell and mourn the loss of an ATITO staff member, Lesley Thomsom, who died as a result of the February earthquake.

Lesley worked for the ATITO as our sector review coordinator and has worked with many people across agencies, particularly the framework registration team at NZQA. Lesley will be remembered by us all at the ATITO as a trusted friend who loved and lived life to its fullest. An exceptional and totally dedicated mother and grandmother, whose family always came first and meant absolutely everything to her.

### Registered Office

Level 1  
295A Durham Street  
Christchurch

### Accountants

Hastie Chartered Accountants Ltd  
Christchurch

### Auditor

Ashton Wheelans & Hegan  
Christchurch

### Object

To develop and implement standards and programmes for training in the NZ Apparel, Textile, Laundry & Dry Cleaning and Footwear Manufacturing sectors.

### Business Location

Level 1  
295A Durham Street  
Christchurch

## Accountants Report to Members



Unit 10/333  
Harewood Road  
Christchurch  
P.O. Box 20519  
Christchurch 8543  
New Zealand

### Accountants Report to Members of Apparel & Textile Industry Training Organisation

It is with pleasure that I present the financial statements for the year ended 31<sup>st</sup> December 2010.

The financial year has been, for the most part, a satisfactory one for the ATITO. The ITO has recorded a modest surplus for the 2010 year and is currently in a sound financial position.

The Tertiary Education Commission (TEC) has also recently undertaken a review of the ATITO. One of the areas reviewed was the claim by the ATITO for funding based on enrolled and active trainees for the year ended 31 December 2009. The TEC review identified a number of trainees who were either inactive and/or no longer employed in the industry. As a consequence the ATITO had been over funded for the 2009 year by \$121,004 (plus GST). The prior period comparative information in the financial statements has been amended (see note 4). The management of the ATITO reviewed its trainee management policy and practices late in 2009 including the way in which it monitors trainee progress, to better ensure that funded trainees comply with TEC guidelines. It is anticipated that this should prevent a similar repayment liability arising in the future.

The major significant points of the financial statements are as follows –

1. TEC Industry Training Funds Income increased from \$807,238 to \$850,666 (5.4%).
2. TEC Embedded Literacy funding increased \$156,600 to \$306,650 (104%).
3. Direct costs of providing the services of the ITO increased from \$214,662 to \$313,837 (46.2%).
4. Operating expenses increased from \$890,864 to \$984,549 with the major increase being in wages and contractors which increased from \$503,563 to \$597,697. However this increase was in accordance with budget and the income of the ITO.
5. The Board paid scholarships totaling \$12,440.
6. The ITO continues to be in a strong financial position with net assets of \$284,668 and cash reserves of \$488,036.

In my opinion the ITO is soundly managed from a financial perspective and I envisage an ongoing satisfactory financial position. However due to the change in TEC funding criteria and the active monitoring of funding operational policies, the Board will need to ensure that the ATITO complies with TEC requirements. Failure to do so could jeopardize future TEC funding, which could lead to significant financial difficulties for the ITO. I am confident that the Board will manage this process to ensure the continued strong financial position of the ITO.

**C. A. Hastie**  
**15 March 2011**

Director: C A Hastie B.Sc., B.Com., C.A.

Phone 03 366 9436  
Fax 03 366 9435  
Email [hastie\\_accountants@clear.net.nz](mailto:hastie_accountants@clear.net.nz)

## Auditors Report



### INDEPENDENT AUDITOR'S REPORT

To the members of Apparel & Textile Industry Training Organisation Incorporated

#### Report on the Financial Statements

We have audited the financial statements of Apparel & Textile Industry Training Organisation Incorporated on pages 15 to 19, which comprise of Statement of Financial Position as at 31 December 2010 and the Statement of Financial Performance and Statement of Movements in Equity for the year then ended, and a Statement of Accounting Policies and other explanatory information.

#### Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand 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 caused by fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Apparel & Textile Industry Training Organisation Incorporated.

#### Opinion

In our opinion, the financial statements on pages 15 to 19 present fairly, in all material respects, the financial position of Apparel & Textile Industry Training Organisation Incorporated as at 31 December 2010 and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

*Ashton Wheelans & Hegan*  
**ASHTON WHEELANS & HEGAN**  
 28 March 2011  
 CHRISTCHURCH

## Service Account

For the year ended 31st December 2010

Last Year		Note	
\$			
<b>Operating Income</b>			
807,238	TEC Contract	4	850,666
80,000	TEC Sector Leadership Funding		100,000
	Sector Leadership ITF –		
12,500	Funding	19,000	
9,000	Less Paid Out	9,000	
3,500			10,000
5,835	Moderation Income		8,131
0	Sale of Resource Material		70
548	Industry Membership		1,778
27,456	Corrections – Gateway		16,232
	Embedded Literacy Project –		
150,000	Income	306,650	
100,000	Less Income in Advance	0	
50,000			306,650
<b>974,577</b>	<b>Total Operating Income</b>		<b>1,293,527</b>
<b>Less Cost of Services</b>			
Resource Development			
23,548	– Assessment Material		8,472
12,125	– Assessor Training		0
(8,461)	– NZQA Fees		(8,429)
11,063	– NZQA Hook On/Credit Fees		11,864
3,308	Moderation		0
	Off-Job Training –		
271,832	Cost	268,364	
132,178	Less Recovered	102,421	
139,654	Net Cost Off-Job Training		165,943
10,064	Industry Support		15,611
19,059	Promotion & Marketing		36,441
1,307	Sector Review		64,771
0	Industry Workshop		10,196
2,995	Skill Strategy Project		8,968
<b>214,662</b>	<b>Total Cost of Services</b>		<b>313,837</b>
<b>\$759,915</b>	<b>Gross Profit</b>		<b>\$979,690</b>

The notes to the financial statements on pages 18–19 form part of and should be read in conjunction with this statement.

## Statement of Financial Performance

For the year ended 31st December 2010

Last Year		Note
\$		
<b>759,915</b>	<b>Gross Profit From Service Account</b>	<b>979,690</b>
<b>Sundry Income</b>		
26,228	Interest Received	25,003
<b>26,228</b>	<b>Total Sundry Income</b>	<b>25,003</b>
786,143		1,004,693
<b>Administration Expenses</b>		
3,000	Accounting Fee	3,100
3,500	Audit Fees	3,200
401	Bank Charges	349
10,491	Bad Debts	0
79,260	Board Meetings & Travel	91,328
350	Legal Expenses	1,005
13,501	Recruitment Costs	0
816	Repairs & Maintenance	0
15,000	Scholarships	12,440
1,457	Staff Training	4,948
12,606	Subscriptions/Conference	7,871
93,853	Travel and Accommodation	107,606
503,563	Wages and Contractors	597,697
<b>Office Expenses</b>		
5,374	– Premises Outgoings	10,556
6,017	– General Expenses	5,177
13,350	– Computer Running Costs	22,942
1,559	– Office Administration Support	1,492
48,501	– Postage Printing & Stationery	22,994
13,034	– Communications	13,412
<b>825,633</b>	<b>Total Administration Expenses</b>	<b>906,117</b>
<b>Other Expenses</b>		
2,021	Accident Compensation Levies	2,430
3,949	Insurance	3,544
23,747	Rent	25,121
21,092	Auckland Office	29,478
14,423	Depreciation	17,860
65,232	Total Other Expenses	78,433
<b>890,865</b>	<b>Total Expenses</b>	<b>984,550</b>
<b>(\$104,722)</b>	<b>Net Surplus (Deficit)</b>	<b>\$20,143</b>

The notes to the financial statements on pages 18–19 form part of and should be read in conjunction with this statement.

## Appropriation Account

For the year ended 31st December 2010

Last Year		Note
\$		
(104,722)	Net Surplus (Deficit) from Statement of Financial Performance	20,143
<b>(\$104,722)</b>	<b>Net Surplus (Deficit) to Equity</b>	<b>\$20,143</b>

## Statement of Financial Position

For the year ended 31st December 2010

Last Year		Note
\$		
<b>Equity</b>		
369,246	Balance From Previous Years	264,525
(104,722)	Net Surplus (Deficit) from Appropriation Account	20,143
<b>\$264,524</b>	<b>Total Equity</b>	<b>\$284,668</b>
<b>Current Assets</b>		
<b>Represented by the following Net Assets</b>		
107	Petty Cash	44
24,222	Bank of New Zealand – 00 Account	16,879
105,041	Bank of New Zealand – 25 Account	63,697
332,437	Bank of New Zealand – Term Deposit	3
16,216	Bank of New Zealand – Scholarship Account	3,835
9,847	Sundry Debtors	28,002
18,511	Goods & Services Tax	4
1,546	Prepaid Expenses	3,097
13,423	Accrued Interest	6,004
<b>521,350</b>	<b>Total Current Assets</b>	<b>545,662</b>
<b>Non Current Assets</b>		
41,170	Fixed Assets	2
<b>41,170</b>	<b>Total Non Current Assets</b>	<b>32,753</b>
<b>562,520</b>	<b>Total Assets</b>	<b>578,415</b>
<b>Less Current Liabilities</b>		
185,496	Sundry Creditors	4
112,500	TEC Income In Advance	0
297,996	Total Current Liabilities	293,747
<b>297,996</b>	<b>Total Liabilities</b>	<b>293,747</b>
<b>\$264,524</b>	<b>Net Assets</b>	<b>\$284,668</b>

The notes to the financial statements on pages 18–19 form part of and should be read in conjunction with this statement.


  
 Chairman 30 March 2011
 
  
 CEO 30 March 2011

## Statement of Movements In Equity

For the year ended 31st December 2010

Last Year		
\$		
369,246	Equity at 1st January 2010	264,525
(104,722)	Net Profit for Period	20,143
(34,982)	Net Increases in Reserves For Period	0
<b>\$229,542</b>	<b>Equity at 31st December 2010</b>	<b>\$284,668</b>

The notes to the financial statements on pages 18–19 form part of and should be read in conjunction with this statement.

## Notes to the Financial Statements

For the year ended 31st December 2010

### 1. Statement of Accounting Policies

#### Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by this entity. Accrual accounting is used to match expenses and revenues except for membership income, which is recognised on a cash receipt basis. Reliance is placed on the fact that this entity is a going concern.

The ITO is registered under the Incorporated Societies Act 1908, The Industry Training Act 1992 and the Education Act 1989.

#### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Accounts receivable are stated at their estimated realisable value.

Fixed assets are stated at cost less aggregate depreciation as follows:-

- Technology Assets – depreciated over 3 years from purchase
- Other Assets – depreciated over 5 years from purchase

The Statement of Financial Performance has been prepared so that all components are stated net of Goods and Services Tax. All items in the Statement of Financial Position are stated net of Goods and Services Tax, with the exception of receivables and payables, which include Goods and Services Tax.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of net surplus in equal instalments over the lease term.

The ITO qualifies for differential reporting as it is not publicly accountable and is not large as defined in the Framework For Differential Reporting. The ITO has taken advantage of all available differential reporting exemptions.

The ITO has been granted charitable status by the Inland Revenue Department with regard to its core activities as an Industry Training Organisation (ITO). Any additional income is subject to taxation. During the current year no activities outside its core activities were undertaken and it has no taxation liability.

#### Changes in Accounting Policies

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

### 2. Fixed Assets

	Cost	Accumulated Depreciation	Closing Book Value
<i>Year Ended 31st December 2010</i>			
Technology Assets	79,432	62,947	16,485
Other Assets	46,155	29,887	16,268
	<b>\$125,587</b>	<b>92,834</b>	<b>32,753</b>
<i>Year Ended 31st December 2009</i>			
Technology Assets	79,028	55,805	23,223
Other Assets	44,123	26,176	17,947
	<b>\$123,151</b>	<b>81,981</b>	<b>41,170</b>

### 3. Investments

Investments are recorded at the lower cost or net realisable value.

Bank of New Zealand Term Deposit #004:-

Principal – \$153,625  
Term – 180 Days  
Maturity – 3 March 2011  
Interest Rate – 4.00% p.a.

Bank of New Zealand Term Deposit #006:-

Principal – \$100,000  
Term – 270 Days  
Maturity – 20 March 2011  
Interest Rate – 5.10% p.a.

Bank of New Zealand Term Deposit #008:-

Principal – \$150,000  
Term – 270 Days  
Maturity – 31 July 2011  
Interest Rate – 5.20% p.a.

### 4. Prior Period Adjustment

A prior period adjustment has been made to the comparative information for the year ended 31 December 2009 to reflect over funding resulting from an audit by TEC. The adjustment requiring to be refunded totals \$121,004 plus GST. The adjustment required has affected the following comparative information –

Service Account – TEC Contract Income \$807,238 (was \$928,242)  
– Gross Profit \$759,915 (was \$880,919)

Statement of Financial Performance  
– Net Surplus (Deficit) \$(104,722) (was \$16,283)

Statement of Financial Position  
– Total Funds Invested \$264,524 (was \$385,529)  
– Goods & Services Tax \$18,511 (was \$361)  
– Sundry Creditors \$185,496 (was \$46,341)

## Notes to the Financial Statements

For the year ended 31st December 2010

### 5. Contingent Liabilities

There are no contingent liabilities at balance date (2009: \$nil).

### 6. Commitments

The ITO has the following building sub-leases:-

(i) From the Extractive Industries Training Organisation Inc. Summary details of the lease are as follows:-

Commencement – 1 September 2007  
Term – 4 years from commencement  
Rights of Renewal – 3 x 3 years  
Final Expiry – 31 August 2020  
Current Liability – \$16,716 (plus GST)  
Non Current Liability – \$nil (plus GST)

(ii) From the Plastics and Materials Processing Industry Training Organisation Incorporated. Summary details of the lease are as follows:-

Commencement – 6 July 2009  
Term – 6 years from commencement  
Rights of Renewal – 1 x 3 years  
Final Expiry – 5 July 2018  
Current Liability – \$16,043 (plus GST)  
Non Current Liability – \$56,150 (plus GST)

### 7. Post Balance Date Events

There are no significant post balance date events at balance date (2009: \$nil)

### 8. Related Party Transactions

As part of its operations the ITO interacts with companies related to the Board (being industry representatives). These transactions are made on normal commercial terms at arms length. In 2010 the ITO and the Textile Care Foundation of NZ Incorporated signed a Strategic Partnership Agreement to share the memberships of both organisations. Individuals, companies and businesses that become financial members of the Textile Care Foundation of NZ Incorporated automatically become financial members of the ITO.

### 9. Industry Cash Contributions

Industry cash contribution by employers and trainees not included in the ITO's financial statements amounted to expenditure of \$150,964 (excluding GST) for the year.



Philip Howe, Production Manager (right) consults with team members at Summit Wool Spinners



developing talent in clothing & textiles

[www.atito.org.nz](http://www.atito.org.nz)