



▶ **ANNUAL REPORT 2007**





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JOHN McENTEER

Kia ora, rau rangatira ma o te motu.

Tena koutou, tena koutou, tena koutou katoa.

Kia orana, oute faiafeiloaii, ma faiatolofa atu, talofa, talofa lava.

As New Zealand moves towards a new sustainable energy future, ESITO and the industry have a critical role to play. New technologies and systems requiring different skills will be employed to meet the government's target of 90 percent generation from renewable sources by 2025. Alongside this, other factors such as distributed generation and energy efficiency at home and work, will place new demands on our industry.

The two landmark reports, *New Zealand Energy Strategy to 2050 – Powering Our Future*, and the *New Zealand Energy and Efficiency and Conservation Strategy*, were examined in detail in my 2006 report, although they were not published in final form until late 2007. Together with the *Tertiary Education Strategy 2007-2011*, they challenge both ESITO and the industry to ensure there are no skills or knowledge barriers to achievement of a sustainable energy future for the country.

We anticipated these movements in the macro - energy environment, instituting significant internal restructuring in 2006 under the leadership of our then new Chief Executive Officer Chelydra Percy. We also redefined our key business drivers in response to energy policy changes in generation and consumption, and industry consultation. With a new robust management team in place, 2007 was characterised by a step change in our level of planning, implementation of new initiatives, product and service delivery, and communications.

The level of funding certainty provided by the Tertiary Education Commission's move to a three-year investment plan for the sector also provided a useful mechanism to examine our longer-term strategy to 2012. Our focus throughout the strategic development process – and indeed throughout the year in review – has been on repositioning the business to better deliver on our customers' needs.

“As New Zealand moves towards a new sustainable energy future, ESITO and the industry have a critical role to play. New technologies and systems requiring different skills will be employed to meet the government’s target of 90 percent generation from renewable sources by 2025.”

Preparing for a sustainable energy future

ESITO is committed to ensuring the electricity supply industry can attract and retain the right people to sustain its needs.

To better understand the needs of the industry, ESITO commissions independent labour market research each year. Research in 2007 by the University of Otago again highlighted a skilled labour shortage, with 83 percent of industry respondents identifying a shortfall, particularly in lines distribution technicians and electrical fitters.

The study, due to be published early in 2008, found that a quarter of those working in technical trade roles did not have any trade qualifications or recognised certifications in any area. It confirms work in previous years by the University of Waikato that the industry faces a skills gap in traditional areas.

ESITO implemented a range of initiatives in 2007 to enhance training and support, and communicate with trainees more effectively. In 2008, new initiatives are planned to further enhance training, and to attract school leavers and mature recruits into the industry. These are detailed in the Chief Executive Officer’s report.

The move to a secure and low emissions energy strategy will inevitably lead to an upsurge in demand for technical and trades expertise in renewable energy, bringing an additional dimension to industry training requirements. In anticipation, we have begun research focused on renewable and sustainable energy generation, including wind, solar, micro-hydro and biomass, to identify trade and technician training needs specific to these forms of generation. Safe working practices will be a key component. At a more general level, ESITO recognises that safe outcomes must underpin industry training standards.

The project will address both commercial renewable energy and residential renewable energy. Initially, we will consult with Industry currently utilising alternative methods of generation to identify a set of core competencies for the entire process from design and installation to maintenance and repair. Our priority is to ensure that there are sufficient people to meet industry demand who are trained to work safely with new and emerging technologies.

Industry collaboration

Meeting our customers’ needs now and determining priorities for ESITO’s future direction are highly dependent on effective, two-way communication with all our stakeholders.

In 2007, we commissioned Performax International to conduct an independent external communications audit and we are acting on their findings. Directors also enjoyed the opportunity to survey first-hand a selection of companies in the industry. We found this to be a very valuable exercise, providing a useful avenue for industry input into our decision-making. I would like to take this opportunity to thank all those who participated.

As the operating environment becomes more complex, it is essential that the industry is well-resourced with relevant, timely, accessible education and training provision to meet skills needs, both in the professions and the trades. To this end, I would like to see establishment of a collaborative, inter-sectoral group, facilitated by ESITO, to identify and address industry needs at all levels.



Financial

Industry training demand tends to be cyclical. It spiked in 2006 and was met by the release of \$1 million over and above the level of funding budgeted. Following that year of extraordinarily high demand, industry did not meet its specified training targets in 2007. This has resulted in a budget surplus of \$1.13 million.

Training cycles are nothing new and having funds in reserve is important as it enables us to respond to upswings in training demand when they occur. The Board, however, is considering options for supporting industry further in 2008.

Like other Industry Training Organisations, ESITO is predominately funded out of the Tertiary Education Commission's Industry Training Fund, based on Standard Training Measures (STMs). These are defined as the amount of training required for a trainee to achieve 120 registered credits (or their equivalent) in an approved training programme.

Performance against the target is measured and paid quarterly. In 2007, we fell slightly short of our target of 1544 STMs, achieving 1374, but because of the way in which TEC allocates funds, we received payment for only 1360 of these. Targets were exceeded in 2006 (1436 target, 1854 achieved) and in 2005 (1385 target, 1725 achieved).

Government spending on tertiary education amounts to approximately \$3.3 billion a year. Of this, spending on industry training and apprenticeships is about \$189 million, and of that, ESITO received \$5.6 million in 2007. Total revenue was \$6.357M.

Given the industry's vital role in driving economic growth and underpinning social wellbeing, combined with the reliance government has placed on it to achieve its promise of secure, sustainable energy supply largely from renewable sources, this is not a large budget for ESITO to discharge its responsibilities. It means that as an organisation we must continuously seek performance gains internally by working more efficiently and effectively, whilst exploring alternative avenues of external funding to help us to deliver the highest quality products and services to our customers.

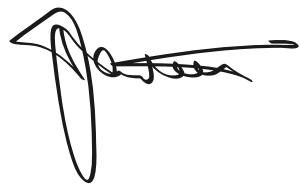
Governance

I would like to acknowledge the contribution of Paul Graham who has resigned as a Board Director. Paul joined the Board in 2002. An organiser with the Engineering, Printing and Manufacturing Union, Paul was committed to promoting the benefits of training to workers. On behalf of the Board, I would like to thank him for his input and support. The Board is currently in the process of confirming an appointment to replace him.

I am pleased to welcome Garth Dibley to the Board. Garth, a mechanical engineer, brings broad experience in the operation and management of generation assets, and the selling of electricity on the wholesale market. His expertise will be of great benefit to ESITO and the industry. We look forward to his contribution.

I would like to thank all ESITO Directors for their contribution during the year. They bring to the Board a diversity of expertise and views that is extremely valuable to ESITO and the industry.

On behalf of the Board, I would also like to extend warm thanks to our Chief Executive Officer Chelydra Percy and the senior management team. Together they have championed the change strategy, initiated in 2006, achieving significant milestones on our journey to be truly customer-focused. In addition, under Chelydra's leadership, we now have a robust longer-term strategy which will serve ESITO and the industry well as we face the challenges ahead. I look forward to working with Board members and the ESITO team in 2008.



JOHN McENTEER

Chairman



Chief Executive Officer's Review



CHELYDRA PERCY

It is my pleasure to present this annual review. You may recall that in my 2006 review, I outlined the structural changes within the organisation in response to broad consultation with industry and changes taking place in the policy environment. I also highlighted the six strategic drivers identified as key to taking ESITO into the future as an integral partner to the electricity supply industry.

To recap, these were:

- great products and services
- being customer-driven
- communicating effectively
- seeking to innovate
- ensuring quality outcomes
- and meeting our commitments.

During 2007, we made significant progress towards our goals of realigning the organisation more closely with industry, and improving our responsiveness to stakeholder needs and expectations. It was a challenging and extremely rewarding year in which we have focused on embedding the culture of the organisation with the strategic drivers identified in 2006, while striving for excellence in all facets of our business.

Alongside this, reforms in the tertiary education sector, particularly the move from a one-year funding model to three-year Investment Plans, has been the catalyst for us to examine and refine our longer-term strategy. I will outline the outcomes of that process in more detail later in this review, but first I would like to highlight some of the key achievements in each of the six areas we identified in 2006 as critical to our success.

Providing great products and services

We reviewed and updated a total of 15 qualifications in 2007 with the help of industry steering groups. The most comprehensive of these was a review of the Electrical Pathway to incorporate additional competencies identified by industry. The review resulted in a new qualification which leads to electrical registration with the addition of optional strands in electrical fitting and technician skills. The review also led to the revision of the Electrical Supply Level 2, making it a robust core skills qualification that can now be achieved utilising distance or off-the-job learning options.

We also reviewed and restructured the Line Mechanic qualification to specifically address the needs of both the distribution and transmission sectors. These qualifications now reflect the distinct registration requirements of each sector. The review of the Operators qualification identified a



need for a generic qualification suitable for both hydro and network employees and the qualification has been developed to reflect this.

Being customer driven

In 2007, we began development of a Diploma in High Voltage Line Construction and Maintenance at industry's request. This qualification will address the needs of professionals employed within the sector. Transpower's request to map its service specifications to existing unit standards resulted in the drafting of new transmission and sub-station maintainer qualifications and the revision of three other related qualifications.

We also delivered on a request from the electricity retail sector for a qualification to address their needs in the areas of switching, new connections and retail metering. We consulted nationally with the main retailers and from this developed three new unit standards. The new standards were combined with existing customer-service unit standards, resulting in a comprehensive qualification for the retail sector.

Communicating effectively

In 2007, we commissioned an independent external communications audit to determine our strengths and the opportunities for improvement in the method and manner in which we communicate with you. We also undertook a qualitative Customer Satisfaction Survey. Both of these projects were extremely valuable in helping us to define what is important to our customers and in informing our five-year business strategy and I would like to take this opportunity to thank all those who contributed to these activities.

The audit highlighted the need to review training co-ordination for more effective communication with industry trainees. In 2008, we will review our current trainee co-ordination model, with a view to providing better mentoring and support to trainees to improve outcomes.

The audit also noted a need to define ESITO's role explicitly so that stakeholders are clear about the services we provide.

As an initial response, we developed a comprehensive trainee induction programme which brings together an ESITO customer service manager, the trainee and their supervisor to ensure all parties to a Training Agreement understand their roles and responsibilities. We have also developed a newsletter for trainees to provide them with appropriate and relevant information. The first edition of this will be published in 2008.

Based on your feedback, a major review of the website has been undertaken and our new website will be up and running by mid-2008.

The audit and survey also highlighted the need for us to continue to work closely with employers to develop strategies to attract school leavers and mature trainees. As a result, we began development of a Gateway Programme for introduction into schools in 2008. The programme will give secondary school children the opportunity to gain some unit standards and exposure to the industry in the workplace. I am optimistic that the benefits of this programme will be two-fold: it will enable prospective employees to make more informed career decisions; and help employers determine the suitability of individuals for careers in the industry.

Seeking to be innovative

To address provision issues in areas lacking tertiary training facilities, ESITO has developed an e-learning solution—e-TARs (electronic Training and Assessment Resources). These will be accessible online or via a CD-Rom from March and use interactive media techniques to assist learning. With e-TARs, trainees will be able to complete the core level 2 qualification with minimal interruption to the employer, providing a cost-effective option for Industry. We will evaluate the success of this pilot project before making further investment in e-TARs for other qualifications.

To assist Industry to better appreciate the literacy needs of trade trainees, ESITO developed the first in a series of *Literacy Profiles*. This was developed specifically to address the literacy and information technology needs of line mechanics. In 2008, we plan to develop further profiles to assist trade trainees from other industry sectors.

Ensuring quality outcomes

The Assessment and Moderation Action Plan (AMAP) was reviewed with a focus on being more robust with stronger compliance processes within assessment and moderation. The AMAP will help ensure that ESITO products and services delivered by providers meet quality standards and are consistently delivered throughout the country.

As a result of a major initiative to improve quality, trainee manuals are being reproduced with a focus on literacy support, currency and validity of content, and to support different learning styles. In conjunction with the new *Trainee Induction Manual*, they will better support trainees as they undertake their chosen training pathway.

Meeting our commitments

At the beginning of 2007, we promised to showcase the Electricity Supply Industry, review qualifications and facilitate training provision between employers and training providers.

In 2007, we developed a long-term strategy to transform the ESITO Annual Connection into a series of events that showcase the Industry and celebrate achievement across all sectors of the industry. The first phase of this strategy resulted in the addition of a Cable Jointer Competition to the Annual Connection with positive support from industry.

In 2008, we will look at expanding the event further to enable participation by other sectors of the industry.

As mentioned earlier, we completed reviews of 15 qualifications during 2007.

I am pleased to report that the new Training Plan process which came out of a review of the training subsidy scheme received wide industry support. This enabled ESITO to commit to funding an agreed number of credits and qualifications to employers who participated in the process. I appreciate there is still some room for improvement in the process and we are working to streamline it.

The development of an interactive industry training calendar

to assist in the management of training provision in 2008 is nearly complete and will be available from April.

Another important milestone was the release of the National Diploma in Engineering (Electrotechnology) Level 6 (NDE) which replaces the New Zealand Certificate in Engineering. It is my hope that industry will make full use of this qualification.

Looking ahead

The Tertiary Education Commission's (TEC) change from a one-year funding model for tertiary sector funding to a three-year Investment Plan provided a mechanism to review and refine our long-term strategy for the next three to five years. We looked at where we wanted to be by 2012 and the processes we will need to go through to achieve our vision.

The process was rigorous and exciting, resulting in a strategy for ESITO for 2008 -2012. This strategy was the foundation of our Investment Plan submitted to the Tertiary Education Commission, through which we have secured provisional funding from TEC for the period 2008 to 2010. More than that, it has provided a comprehensive blueprint of what we need to do to realise our goals.

We retained our current vision which is: "To be the lead Industry Training Organisation to enhance working productivity, quality and safety through effective training, development and promotion of the industry."

We developed three goals for 2012 which are:

- ESI Sustainability – ESITO is recognised as playing a key role in assisting the ESI to attract and retain enough of the right people to sustain the needs of the ESI;
- Quality – ESITO is delivering competency unit standards that are endorsed on an industry-wide basis; and
- Capability – ESITO enables capable people motivated for learning and growth.



Our strategy map links each goal to stakeholders – the Tertiary Education Commission, the Electrical Supply Industry, Asset Owners, Employers and Trainees – and outlines the steps we need to take to achieve these goals. It also commits ESITO to continuous improvement as an organisation.

It will call for some quite significant shifts for us in the next three to five years, particularly in terms of sharpening our focus and delivery for trainees. In the past, we have been very focused on employers and Tertiary Education Commission. While it is extremely important we continue to nurture these relationships, we can support them even better by putting additional emphasis on trainee outcomes and demonstrating the positive impact of this on employers' businesses.

By doing this, we will assist employers' goals to improve productivity, and health and safety improvements.

Ensuring the sustainability of our industry requires a shift from the existing focus on understanding current industry needs to promotion of a whole-of-industry perspective through greater collaboration at national and regional levels to identify and plan for skills' gaps. We will continue to play a key role in assisting industry to attract and retain enough of the right people to sustain industry requirements.

Asset owners and employers expect us to be responsive to their needs and need to have assurance that industry qualifications have integrity. We plan to take our commitment to quality qualifications even further so that we can demonstrate that industry training has value and a demonstrable impact on their business performance.

The speed of technology change in the 21st century will be faster than ever before. The industry will need capable people motivated for learning and growth with portable skill sets. Job and career relevance, and timely and accessible training, are the basic requirements for trainees. Our focus in 2008 and beyond will expand so that interaction with trainees is facilitated at key milestones tailored to their learning, cultural and social needs.

I am confident that the strategy and the 2008 Business Plan which provides our direction for the year ahead are robust and place us on a firm footing for the future.

I would like to acknowledge the dedication and hard work of all staff at ESITO, and in particular my senior management team in the development of our Investment Plan and longer-term strategy, in bedding down the structural and culture changes initiated in 2006, and in ensuring we met our commitments to you. I would also like to acknowledge the support of industry which we greatly appreciate.

Finally, I would like to thank ESITO Chair John McEnteer and the Board of Directors for their continued support. As we move into 2008, I am looking forward to continuing to work on your behalf to deliver on our goals of Sustainability, Quality and Capability.

CHELYDRA PERCY

Chief Executive Officer

Board Of Directors



JOHN McENTEER MSocSC (Chairman)

John McEnteer is a business consultant based in Wellington. Of Ngati Maru descent, John is Chairman of Pakirarahi Trust No 2, Maori Land Trust. He is also a director of the Sports Fitness & Recreation Industry Training Organisation and a member of Institute of Directors. John was a founding member of the ESITO Advisory Group and the first Board of ESITO. He has been Chairman of ESITO since 1999.

Email: mcenteer@actrix.gen.nz



BOB TAYLOR BE (Hons), REA, NZCE

Bob Taylor is the Managing Director of Connetics Limited. During his 30 years in the industry he has held a range of positions from trade apprentice through technical engineering, project management, business and general management. He has worked both in New Zealand and England. Bob has been involved in the development of industry training since its formation and was an ESITO director from 1998 - 2001. He is committed to ensuring ESITO provides quality training outcomes and pathways, encouraging new entrants and supports career development within the industry.

Email: taylorb@connetics.co.nz





FRANCES HAGUE Dip Mgmt Sys, Dip Adv HR Mgmt, Org Develop

Frances Hague is a Director of consulting firm Capability Consulting based in Auckland. Frances specialises in change management and organisational development. She is involved with a range of clients in the health and infrastructure industries including Siemens Energy Services, Downer Engineering, Metrowater, AbiGroup, WEL Networks and the Waitemata and Counties Manukau District Health Boards. Frances' experience helps ESITO to identify the implications of technological change on upskilling opportunities for people in the industry.

Email: fhague@ihug.co.nz



TIM DENSEM PhD, MIPENZ

Tim Densem is the General Manager of Hydro Thermal Generation at Mighty River Power. Tim's role is to ensure the hydro and co-generation plants are delivering value to stakeholders. This includes the community groups who have an interest in the lakes and rivers. To meet their expectations, the skilled resources need to do complex tasks over a long period of time. The training and development of people is key to this through all the organisations in the value chain. Tim joined Mighty River Power in 2002 following senior managerial roles in New Zealand and Australia with responsibility for gas and electricity lines businesses and the skilled staff through merger and market de-regulation. Tim and Mighty River Power have an active apprentice training scheme and the sustainable training of all skills is a key for the industry.

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GAVAN JACKSON BE (Civil), C.Eng., MICE., FIPENZ, FNZIM

Gavan Jackson is Managing Director of Electrix Limited. He has held a number of senior roles in the contracting industry with companies including Wilkins Davies, Taylor Woodrow (UK), Downer, Power Design Build and Powermark. He is currently a Director of McConnell Dowell Corporation Ltd, McConnell Dowell Constructors (NZ) Ltd, Electrix Limited and Electrix Pty Ltd (Aust). He is a past President of the New Zealand Institute of Management, Auckland Division and a Member of the Institute of Directors. Gavan has a strong management commitment to help people in the industry develop their careers and improve their skills.

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BOB SIMPSON BE (Hons), ME (Elect), MIPENZ, CPEng, MIEE, C

Bob Simpson has been responsible for grid asset management at Transpower since 2004. This role is responsible for managing maintenance and implementing project works. Bob is a professional electrical engineer with over 30 years of electricity industry experience with extensive asset and general management experience. From 1998 to 2004 Bob provided technical and managerial consulting services to the electricity industry in both New Zealand and overseas. Prior to joining Transpower in 1989 Bob worked in a number of senior roles within NZED and Electricorp. From 1989 to 1998 he managed the transition of Transpower into a separate entity, developed Transpower's Asset Management Plan, implemented Transpower's maintenance management system, reported on Transpower's performance, managed technical reviews of Transpower and benchmarked Transpower's performance with other international transmission companies. Bob is also a member of Electricity Engineers Association Executive and Electricity Commission Transmission Advisory Group. Bob is committed to ensuring that there are sufficient competent resources available to satisfy existing and future electricity industry needs.

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GREG SKELTON MBA (Tech Mgt), BE (Hons), NZCE (Prod), MIPENZ

Greg Skelton is the President of the Electricity Engineers' Association and the Chief Executive of Alpine Energy Ltd. He began his career with a product design cadetship before completing his engineering degree, after which he has held a range of engineering positions in the electricity supply industry throughout the South Island. Greg has been active in the Electricity Engineers' Association for some years, joining their Board in 2001 and being elected as President in 2005. Greg believes that the industry needs to increase awareness of engineering and other careers that it offers as exciting, high-tech and sustainable; cultivate local education providers; and create partnerships and opportunities with industry employers and the community to employ and give career paths to new entrants. ESITO has a key role in making this happen.

Email: greg.skelton@alpineenergy.co.nz



STEVE MUTTON NZCE (Electrical)

Steve Mutton is the Divisional Manager Service Delivery of Vector Limited. He is responsible for operating, maintaining, customer services and call centre for the Vector electricity distribution network that services 670,000 customers in the greater Auckland and Wellington regions. With more than 20 years experience in the energy sector with MOE, DesignPower, and Vector, he has a wealth of knowledge and expertise in contractor performance management, network operations, customer services, project management, design, construction and maintenance of electricity networks. Steve's strong operational and relationship management background, along with his passion to provide a skilled workforce and safe working environment, will assist in identifying areas where further skill development is required and developing strategies for effecting change.

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GARTH DIBLEY MBA, BE (Mech), NZCE

Garth Dibley is the Director of Markets and Production for Meridian Energy where he is responsible for the operation and maintenance of Meridian Energy's generating assets and the selling of electricity through the wholesale market. Garth has been involved with managing Meridian Energy's generation assets since the Company's creation in 1999. Previously Garth was the Engineering Manager for ECNZ's Northern Generation Hydro group and the Northern Thermal group. Garth believes that skilled and dedicated people enable the industry to meet stakeholder and business expectations. Attracting, developing and retaining the very best people remains central to the success of the industry.

Email: garth.dibley@meridianenergy.co.nz



▶ Vision & Mission Statement

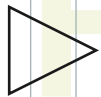
Mission Statement

Vision Statement

To be the lead Industry Training Organisation to enhance working productivity, quality and safety through effective training, development and promotion of the industry.

Mission Statement

ESITO will through industry leadership and innovation facilitate training and assessment that support individuals and organisations to achieve their skill development needs.



Financial Statements

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Auditor's Report

Deloitte.

AUDIT REPORT TO THE MEMBERS OF ELECTRICITY SUPPLY INDUSTRY TRAINING ORGANISATION INCORPORATED

We have audited the financial statements on pages 17 to 44. The financial statements provide information about the past financial performance of the Electricity Supply Training Organisation Incorporated and its financial position as at 31 December 2007. This information is stated in accordance with the accounting policies set out on pages 20 to 24.

This report is made solely to the members of the Electricity Supply Industry Training Organisation, as a body, in accordance with the Rules of the Electricity Supply Training Organisation. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence.

Board of Directors Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of the Electricity Supply Industry Training Organisation Incorporated as at 31 December 2007 and the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Electricity Supply Industry Training Organisation Incorporated's circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditor we have no relationship with or interests in the Electricity Supply Industry Training Organisation.

Unqualified Opinion

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

In our opinion the financial statements on pages 17 to 44, fairly reflect the financial position of the Electricity Supply Training Organisation Incorporated as at 31 December 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 27 February 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants
HAMILTON, NEW ZEALAND

This audit report relates to the financial statements of the Electricity Supply Training Organisation Incorporated for the year ended 31 December 2007 included on the Electricity Supply Training Organisation's website. The Electricity Supply Training Organisation Incorporated's Board of Directors is responsible for the maintenance and integrity of the Electricity Supply Training Organisation Incorporated's website. We have not been engaged to report on the integrity of the Electricity Supply Training Organisation Incorporated's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 February 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

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For the year ended 31 December 2007

	Note	Dec 07 \$ NZD	Dec 06 \$ NZD
Total Operating Revenue	2	6,356,988	6,687,719
Expenses			
Operating	3	2,881,196	4,574,460
Administration	4	2,345,842	2,415,019
Net Surplus (Deficit)		1,129,950	(301,760)

Statement of Changes in Equity

For the year ended 31 December 2007

	Retained Earnings \$ NZD
Balance as at 31 December 2005	4,021,542
Net (deficit)	(301,760)
Balance as at 31 December 2006	3,719,782
Net surplus	1,129,950
Balance as at 31 December 2007	4,849,732

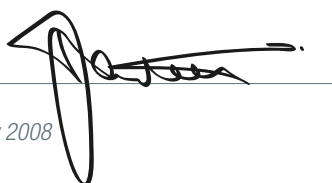
Notes to the financial statements form part of and are to be read in conjunction with these statements.

Balance Sheet

As at 31 December 2007

	Note	Dec 07 \$ NZD	Dec 06 \$ NZD
Retained Earnings		4,849,732	3,719,782
Current Assets			
Cash & cash equivalents	5	120,108	101,145
Trade & other receivables	7	865,503	1,185,612
Other assets - prepayments		23,242	18,832
Other financial assets	6	3,878,224	3,390,494
		4,887,077	4,696,083
Non Current Assets			
Other financial assets	6	1,078,966	319,002
Property, plant & equipment	9	262,030	254,769
Intangibles	8	111,814	153,163
		1,452,810	726,934
Total Assets		6,339,887	5,423,017
Current Liabilities			
Trade & other payables	10	970,277	1,223,045
Provisions	12	184,967	157,693
Other liabilities	11	300,624	308,581
Borrowings	13	8,685	7,762
		1,464,553	1,697,081
Non Current Liabilities			
Borrowings	13	25,602	6,154
		25,602	6,154
Total Liabilities		1,490,155	1,703,235
Net Assets		4,849,732	3,719,782

Chairman
26 February 2008



Director
26 February 2008



Notes to the financial statements form part of and are to be read in conjunction with these statements.

Cash Flow Statement

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For the year ended 31 December 2007

	Note	Dec 07 \$ NZD	Dec 06 \$ NZD
Net Cash Flow from Operating Activities			
Cash was provided from:			
Receipts from grants		5,832,585	5,680,252
Receipts from subscriptions		192,096	88,013
Receipts from moderation income		18,237	20,503
Interest received		318,737	232,527
GST received (net)		207,625	36,963
Receipts from other income		76,305	76,177
		6,645,585	6,134,435
Cash was applied to:			
Payments to suppliers		2,413,802	2,318,823
Payments to employees		1,622,240	1,419,027
Training subsidy payments		1,229,670	1,850,690
Interest paid		1,691	2,811
		5,267,403	5,591,351
Net Cash Flow from Operating Activities	15	1,378,182	543,084
Net Cash Flow from Investing Activities			
Cash was applied to:			
Purchase of property, plant & equipment		87,635	258,276
Purchase of intangible assets		45,000	17,259
Purchase of other financial assets		1,218,007	427,000
		1,350,642	702,535
Net Cash Flow from Investing Activities		(1,350,642)	(702,535)
Net Cash Flow from Financing Activities			
Cash was applied to:			
Finance lease repayments		8,577	9,460
Net Cash Flow from Financing Activities		(8,577)	(9,460)
Net movement in cash		18,963	(168,911)
Opening cash balance		101,145	270,056
Closing Cash Balance	5	120,108	101,145

Notes to the financial statements form part of and are to be read in conjunction with these statements.

Notes to the Financial Statements

For the year ended 31 December 2007

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Statement of accounting policies

Statement of Compliance

Electricity Supply Industry Training Organisation Incorporated, is registered under the Incorporated Societies Act 1908, in New Zealand. The Organisation is a reporting entity for the purposes of the Financial Reporting Act 1993, and its financial statements comply with that Act.

Electricity Supply Industry Training Organisation Incorporated (ESITO), has been defined as a Public Benefit Entity. Its primary purpose is to provide training services to the Electricity Supply Industry. The organisation receives funding from both the Ministry of Education and the Electricity Supply Industry, both of these entities are the ultimate owners of ESITO.

Compliance with NZ IFRS ensures that the financial statements comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26 February 2008.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The entity changed its accounting policies on 1 January 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards', with 1 January 2006 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the organisation's financial position, financial performance and cash flows is discussed in note 21.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006, and in the preparation of the opening NZ IFRS balance sheet at 1 January 2006.

Critical Judgments and Accounting Estimates

In the process of applying the accounting policies, management have made no judgments that have had a significant effect on the amounts recognised in the financial statements. There are no key assumptions concerning the future and other key sources of estimation uncertainty as at 31 December 2007, that would have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities.

Significant Accounting Policies

Revenue Recognition

- Rendering of Services

The organisation derives revenue through the provision of contracted outputs to the Tertiary Education Commission for training in the Electricity Supply Industry. Other sources of revenue are derived through membership and user charges. Revenue is recognised in the accounting period in which the services are rendered.

- Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Property Plant and Equipment

Plant and equipment, motor vehicles, leasehold improvements and equipment under finance leases are stated at cost less

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

All items of property, plant and equipment are assessed for impairment at each reporting date.

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation has been charged using rates allowed by the Income Tax Act 1994 with the exception of leasehold improvements & assets leased through finance leases. These rates are considered appropriate. The following rates have been used:

Leasehold improvements	11.4% - 20%	Diminishing value
Plant & Equipment	11% - 60%	Diminishing value
Equipment under Finance Lease	25%	Straight line over period of lease
Motor Vehicles	30%	Diminishing value

The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

Intangible Assets

Computer Software and Licenses are finite life intangibles and are stated at cost less accumulated amortisation and impairment, and are amortised on a diminishing value basis over their useful lives as follows:

Computer Software	40% - 60%	Diminishing Value
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The estimated useful lives, residual values and amortisation method is reviewed at the end of each annual reporting period.

Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Income Tax

The Electricity Supply Industry Organisation Incorporated has been approved for legal charitable status and has obtained from the Inland Revenue Department an exemption for income tax.

Goods and Services Tax

The financial statements were prepared on a GST exclusive basis, except for receivables and payables which are stated inclusive of GST.

Cash flows are included in the cash flow statement on a net basis. The GST component arising from investing and financing activities which is recoverable or payable to the IRD is classified as an operating cash flow.

Cash & Cash equivalents

Cash & cash equivalents comprise cash on hand, cash in banks and short-term term deposits. Cash excludes bank bills that are not used as part of the organisation's day-to-day cash management.

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

At balance date ESITO had financial assets classified as 'Loans and Receivables'.

Loans and receivables are trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Effective interest method - is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as FVTPL. (Fair value through profit and loss)

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence includes but is not limited to:

- default in interest or principal payments of the counter party,
- it is probable that the counter party will enter into bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible it is written off against the allowance account, changes in the allowance account are recognised in the income statement. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of Financial Assets

The organisation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

If the organisation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the organisation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the organisation retains substantially all the risks and rewards of ownership in a transferred financial asset, the organisation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL, or 'other financial liabilities'. At balance date the only financial liabilities ESITO had were 'other financial liabilities'.

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Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate, is that rate which exactly discounts estimated future cash payments through the expected life of the financial liability.

Derecognition of Financial Liabilities

The organisation derecognises financial liabilities when and only when the obligation is discharged, cancelled or expired.

Impairment

The carrying amounts of the organisation's assets are reviewed at each balance date to determine whether there are any indications of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement. Estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would if deprived on the asset, replace its remaining future economic benefits or service potential. The value in use for cash generating assets is the present value of expected future cash flows.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the organisation in respect of services provided by employees up to reporting date.

Payables

Trade payables and other accounts payable are recognised when the organisation becomes obliged to make future payments resulting from the purchase of goods and services.

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

Standards, Amendments and Interpretations issued but not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IAS-1 'Presentation of Financial Statements - Revised Standard'	1 January 2009	31 December 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-8 'Operating Segments'	1 January 2009	30 June 2010
NZ IFRIC-10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
NZ IFRIC -11 'NZ IFRS-2 – Group and Treasury Share Transactions'	1 March 2007	30 June 2008
NZ IFRIC-12 'Service Concession Arrangements'	1 January 2008	30 June 2009
NZ IFRIC-13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
NZ IFRIC-14 'IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
NZ IAS-23 'Borrowing Costs' – revised standard	1 January 2009	30 June 2010

Notes to the Financial Statements

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For the year ended 31 December 2007

2 Total Operating Revenue

	Dec 07 \$ NZD	Dec 06 \$ NZD
TEC ITF funding	3,929,188	4,237,361
TEC embedded foundation learning	183,846	44,496
e-Learning income	48,882	–
Subscriptions	186,825	163,291
User pays charges	92,290	553,847
Interest	370,692	268,791
Modern apprenticeship income	1,451,120	1,319,526
Moderation income	16,054	23,341
Line mechanic sponsorship	47,758	40,000
Awards evening tickets & sponsorships	30,333	37,066
	6,356,988	6,687,719

3 Operating Expenses

	Dec 07 \$ NZD	Dec 06 \$ NZD
Growth & leadership	283,649	138,357
Training arrangements	133,853	105,673
Embedded foundation learning costs	183,846	44,496
e-Learning costs	48,882	–
Industry training fund - subsidies	664,853	2,797,149
Customer service	1,090,150	1,069,123
Scholarships	93,724	94,115
Internal business systems	325,059	268,120
Moderation & assessment	57,180	57,427
	2,881,196	4,574,460

Notes to the Financial Statements

For the year ended 31 December 2007

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Administration Expenses

	Dec 07 \$ NZD	Dec 06 \$ NZD
Accounting fees	20,747	26,092
Amortisation	86,062	133,882
Audit fees	20,394	27,206
Consultancy fees	42,295	15,319
Depreciation	106,704	110,973
Directors expenses	54,838	31,988
Directors fees	85,000	107,507
Interest on finance leases	1,691	2,386
Legal expenses	6,703	3,897
Loss on disposal of intangible assets	241	6,609
Loss on disposal of property plant & equipment	(215)	3,140
Office rent	106,999	104,769
Office equipment - lease payments	2,837	2,928
Salaries	1,539,861	1,465,471
Staff recruitment	90,667	51,211
Other expenses	181,018	321,641
	2,345,842	2,415,019

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Cash & Cash Equivalents

	Dec 07 \$ NZD	Dec 06 \$ NZD
National Bank call account	96,478	50,445
National Bank on-line call account	21,204	49,713
National Bank cheque account	2,226	787
Petty cash	200	200
	120,108	101,145

Notes to the Financial Statements

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For the year ended 31 December 2007

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Other Financial Assets

	Dec 07 \$ NZD	Dec 06 \$ NZD
Loans & Receivables		
National Bank term deposit	1,691,865	1,269,520
Kiwibank term deposit	2,186,359	2,120,974
Total Other Current Financial Assets	3,878,224	3,390,494
National Bank term deposit	823,460	319,002
Kiwibank term deposit	255,506	–
Total Other Non Current Financial Assets	1,078,966	319,002

The organisation holds term deposits returning a variable rate of interest. The weighted average interest rate on these securities is 8.57% per annum (2006: 7.33% per annum). These term deposits have maturity dates ranging between 3 - 24 months from the balance sheet date.

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Trade & Other Receivables

	Dec 07 \$ NZD	Dec 06 \$ NZD
Trade receivables	234,977	282,101
Recharges	84,679	26,580
Accrued income	545,847	760,277
GST receivable	–	116,654
Total Other Financial Assets	865,503	1,185,612
Future Value of Receivables	865,503	1,185,612

Collection on all trade and other receivables is considered current, therefore the future value remains the same as the cost, no impairment or amortisation is required.

Total trade receivables are made up of membership invoices and training costs on charged to members. The average credit period on recharge of training costs is 30 days from the date of the training. No interest is charged on late payment. The Board will approve any new application for membership. All training costs that are recharged, are to customers that have signed a memorandum of understanding. The balance above titled recharges is for training costs that have been provided for in liabilities, and are able to be re-claimed from customers, but no set charge per customer has been able to be calculated at year end.

Accrued Income includes interest income from maturing term deposits, and income due from TEC for quarter 4 of the financial year, due to be deposited in January 2008.

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

Included in the trade receivables balance are debtors with a carrying amount of \$31,014 (2006: \$22,265) which are past due at reporting date for which the organisation has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The organisation does not hold collateral over these balances. The average age of these receivables is 30 days, (2006:31 days).

Ageing of past due but not impaired	Dec 07 \$ NZD	Dec 06 \$ NZD
1 - 30 days	3,625	15,627
31 - 60 days	27,389	6,104
61 - 270 days	—	534
	31,014	22,265

ESITO do not provide for doubtful debts on trade receivables. In determining recoverability the organisation considers any change in the credit quality of the trade receivable from the date the credit was granted. The concentration of credit risk is limited due to the customer base being large, and unrelated. Accordingly the directors believe that there is no credit provision required.

Derecognition - apart from normal terms of trade, where a trade receivable has settled all outstanding balances, there have been no other derecognition transactions in the year, (2006:nil).

Notes to the Financial Statements

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For the year ended 31 December 2007

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Intangible Assets

	Software \$ NZD
Gross Carrying Amount	
Cost as at 1 January 2006	415,070
Additions	17,257
Disposals	(60,622)
Balance as at 31 December 2006	371,705
Additions	45,002
Disposals	(4,040)
Balance as at 31 December 2007	412,667
Accumulated Amortisation & Impairment	
Opening Value as at 1 January 2006	137,074
Disposals	(52,414)
Depreciation	133,882
Balance as at 31 December 2006	218,542
Disposals	(3,751)
Depreciation	86,062
Closing Value as at 31 December 2007	300,853
NBV as at 31 December 2006	153,163
NBV as at 31 December 2007	111,814

Notes to the Financial Statements

For the year ended 31 December 2007

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Property, Plant & Equipment

	Leasehold Improvements	Plant & Equipment	Equipment Under Finance Lease	Motor Vehicle	Total
	\$ NZD	\$ NZD	\$ NZD	\$ NZD	\$ NZD
Gross Carrying Amount					
Cost as at 1 January 2006	32,627	418,812	21,883	–	473,322
Additions	–	64,457	–	126,608	191,065
Disposals	–	(3,320)	–	–	(3,320)
Balance as at 31 December 2006	32,627	479,949	21,883	126,608	661,067
Additions	5,825	83,068	30,878	–	119,771
Disposals	–	(54,263)	–	–	(54,263)
Balance as at 31 December 2007	38,452	508,754	52,761	126,608	726,575
Accumulated Amortisation & Impairment					
Opening Value as at 1 January 2006	5,730	279,091	10,504	–	295,325
Disposals	–	–	–	–	–
Depreciation	4,381	75,219	5,462	25,911	110,973
Balance as at 31 December 2006	10,111	354,310	15,966	25,911	406,298
Disposals	–	(52,190)	3,733	–	(48,457)
Depreciation	5,222	68,283	2,990	30,209	106,704
Closing Value as at 31 December 2007	15,333	370,403	22,689	56,120	464,545
NBV as at 31 December 2006	22,516	125,639	5,917	100,697	254,769
NBV as at 31 December 2007	23,119	138,351	30,072	70,488	262,030

Notes to the Financial Statements

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For the year ended 31 December 2007

10 Trade & Other Payables

	Dec 07 \$ NZD	Dec 06 \$ NZD
Trade payables	334,055	1,010,009
Directors fees	28,750	21,250
Training accruals	268,537	–
Other accruals	317,805	191,786
GST due to IRD	21,130	–
	970,277	1,223,045

The average credit period on trade payables is 30 days. No interest is charged on trade payables. The organisation has financial risk management policies in place to ensure that all payables are paid on time.

The fair value of trade and other payables is approximately equal to their carrying amount.

11 Other Current Liabilities

	Dec 07 \$ NZD	Dec 06 \$ NZD
Income received in advance	118,324	308,581
Memberships invoiced in advance	182,300	–
	300,624	308,581

12 Provisions

	Dec 07 \$ NZD	Dec 06 \$ NZD
Employee entitlements	184,967	157,693
	184,967	157,693

Notes to the Financial Statements

For the year ended 31 December 2007

13 Borrowings

Finance Leases

Finance leases relate to 2 Konica Photocopiers, essentially because the risks and rewards of ownership have been transferred to ESITO. The lease term for all photocopiers is over 4 years.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2007 \$ NZD	2006 \$ NZD	2007 \$ NZD	2006 \$ NZD
0 - 1 years	11,412	9,922	8,685	7,762
1 - 5 years	33,557	8,154	25,602	6,154
	44,969	18,076	34,287	13,916
Less future finance charges	10,682	4,160	—	—
Present Value of Minimum Lease Payments	34,287	13,916	34,287	13,916
Included in the Financial Statements as:				
Current borrowings	8,685	7,762		
Non-current borrowings	25,602	6,154		
	34,287	13,916		

Derecognition - Two leases due to expire in 2008 were cancelled and have been superseded by the Konica leases as above. The total value of these leases payable as at 31 December 2006 was \$12,308.

The fair value of the finance lease liabilities is approximately equal to their carrying value.

Operating Leases

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Operating Leases relate to the lease of office space, and other minor operating costs.

The lease of office space was renewed in 2007, for a further 4 years to January 2012. The next rent review will be held in February 2010.

	2007 \$ NZD	2006 \$ NZD
0 - 1 years	194,411	217,081
1 - 5 years	278,399	16,229
Minimum Lease Payments	472,810	233,310

Notes to the Financial Statements

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For the year ended 31 December 2007

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Notes to the Cash Flow Statement

	Dec 07 \$ NZD	Dec 06 \$ NZD
Reconciliation of the Net Surplus (Deficit) for the Period to the Net Cash Flow from / (used in) Operating Activities		
Net Surplus (Deficit)	1,129,950	(301,760)
Non Cash Items		
Depreciation	106,704	110,973
Amortisation	86,062	133,882
Loss on disposal of property, plant & equipment	(215)	3,140
Loss on disposal of intangibles	241	6,609
Items transferred to investing activities	(26,807)	(64,778)
	165,985	189,826
Changes in Net Assets & Liabilities		
Decrease / (increase) in trade & other receivables	320,109	(185,571)
Increase / (decrease) in trade & other payables	(252,768)	550,915
Decrease / (increase) in other assets	(4,411)	(7,802)
Increase / (decrease) in other liabilities	(7,957)	230,412
Increase / (decrease) in provisions	27,274	67,064
	82,247	655,018
Net Cash Flow from (used in) Operating Activities	1,378,182	543,084

The inflows and outflows in relation to other financial assets have been netted off in the cash flow statement under investing activities. All significant activities are related to maturing term deposits and re-investment in similar term deposits, so separate classification has not been deemed necessary.

Notes to the Financial Statements

For the year ended 31 December 2007

16 Related Party Transactions - Expenditure

Expenditure for the 12 Months to December 2007

ESITO paid \$2,000 in scholarships for employees of the following company:

Company	ESITO Director	Total Expense	Amount Outstanding at	
		\$ NZD	31 Dec 2007	\$ NZD
Electrix Limited	Gavan Jackson	2,000		–

ESITO paid \$9,755 (GST inclusive) in conference and membership fees to the following organisation:

Company	ESITO Director	Total Expense	Amount Outstanding at	
		\$ NZD	31 Dec 2007	\$ NZD
EEA	Greg Skelton	9,755		–

Training subsidies and other business related transactions were paid to the following companies of which ESITO directors were employees (or in positions of control & significant influence) during the period.

Company	ESITO Director	Total Expense	Amount Outstanding at	
		\$ NZD	31 Dec 2007	\$ NZD
Connetics Limited	Bob Taylor	12,528		–
Electrix Limited	Gavan Jackson	18,815		–

No related party debts were written off or forgiven during the period.

Expenditure for the 12 Months to December 2006

ESITO paid \$4,566 (GST inclusive) in consultancy fees for the recruitment process of the new Sales & Marketing manager to the following company:

Company	ESITO Director	Total Expense	Amount Outstanding at	
		\$ NZD	31 Dec 2006	\$ NZD
Capability Consultants	Frances Hague	4,566		–

Notes to the Financial Statements

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For the year ended 31 December 2007

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(cont'd)

ESITO paid \$6,428 (GST inclusive) in conference and membership fees to the following organisation:

Company	ESITO Director	Total Expense	Amount Outstanding at	
		\$ NZD	31 Dec 2006	\$ NZD
EEA	Greg Skelton	6,428		–

Training subsidies and other business related transactions were paid to the following companies of which ESITO directors were employees during the period.

Company	ESITO Director	Total Expense	Amount Outstanding at	
		\$ NZD	31 Dec 2006	\$ NZD
Connetics Limited	Bob Taylor	71,453		22,045
Contact Energy Limited	Helen Roberts	41,239		–
Electrix Limited	Gavan Jackson	189,976		72,745
Mighty River Power	Tim Densem	38,444		20,125
Transpower	Bob Simpson	3,688		264
Vector Ltd	David Tompkins	2,771		325
Utilitech (Subsidiary of Vector)	David Tompkins	37,085		609

All the above transactions were charged on normal trading terms and conditions and no related party debts were written off or forgiven during the period.

Related Party Transactions - Income

Income for the 12 Months to December 2007

ESITO received \$12,513 (GST inclusive) from the following companies for membership subscriptions, ESITO line mechanic competition sponsorship and ESITO excellence awards tickets and sponsorship of the event:

All the following transactions were paid on normal trading terms and conditions and no related party income was written off or forgiven during the period.

Company	ESITO Director	Total Income	Amount Outstanding at	
		\$ NZD	31 Dec 2007	\$ NZD
Connetics Limited	Bob Taylor	4,163		3,038
Electricity Engineers Association	Greg Skelton	225		225
Electrix Limited	Gavan Jackson	8,125		6,750

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

Income for the 12 Months to December 2006

ESITO received \$60,638 (GST inclusive) from the following companies for membership subscriptions, ESITO excellence awards tickets and sponsorship of the event:

Company	ESITO Director	Total Income	Amount Outstanding at	
		\$ NZD	31 Dec 2006	\$ NZD
Connetics Limited	Bob Taylor	4,038		3,038
Contact Energy	Helen Roberts	6,750		6,750
Electricity Engineers Association	Greg Skelton	225		225
Electrix Limited	Gavan Jackson	8,125		6,750
Mighty River Power	Tim Densen	8,875		6,947
Transpower	Bob Simpson	7,750		5,625
Vector Ltd	David Tompkins	24,625		3,038
Utilitech (Subsidiary of Vector)	David Tompkins	250		—

No related party income was written off or forgiven during the period.

Key Management and Personnel Compensation

The compensation of the Directors and Executives, being the key management personnel of the entity, is set out below:

	2007	2006
	\$ NZD	\$ NZD
Short-term employee benefits	610,709	699,445
Termination benefits	15,622	84,025
	626,331	783,470

Notes to the Financial Statements

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For the year ended 31 December 2007

17 Financial Instruments

	2007 \$ NZD	2006 \$ NZD
Financial Assets		
Loans & receivables		
- Cash & cash equivalents	120,108	101,145
- Trade & other receivables	865,503	1,185,612
- Other financial assets	4,957,190	3,709,496
	5,942,801	4,996,253
Financial Liabilities		
Other financial liabilities at amortised cost		
- Trade & other payables	970,277	1,223,045
- Borrowings	34,287	13,916
	1,004,564	1,236,961

ESITO's governance function monitors and manages the financial risks relating to the operations of the organisation, through internal risk reviews, which analyse exposures by degree and magnitude of risks. These risks include market risk (fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

ESITO seeks to minimise the effects of these risks by compliance with risk policies, exposure limits are reviewed monthly by the senior management team. The organisation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The audit and risk committee meets 6 times a year, to monitor risks and policies implemented to mitigate risk exposures.

Market risk - the organisations activities expose it primarily to the financial risks of changes in interest rates. The organisation monitors the Official Cash Rate and uses this to measure its return against current interest rates. At balance date there were no significant concentrations of market risk affecting the organisation.

Credit risk - Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the organisation. ESITO only transacts with entities that are rated the equivalent of investment grade and above. The information is supplied by independent rating agencies where available, and if not available the organisation uses other publicly available information and its own trading records to rate its major customers. Credit exposure is controlled by counter party limits that are reviewed and approved by the Board of Directors when applicable. Exposure to interest rate and credit risk arises in the normal course of ESITO's business. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

The credit risk on liquid funds and other financial assets is limited because the counter parties are banks with high credit ratings assigned by international credit- rating agencies.

Approximately 90% of total income is derived from the contract with the Tertiary Education Commission (TEC). ESITO is currently recognised by TEC as the Industry Training Organisation for Electricity Supply. For the 2008 year, the contract has been established with the TEC. Funding received within this contract is for one fiscal year. The contract to provide services does not guarantee any further contracts with the TEC.

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

The table below shows the credit limit and balance of 2 major counter parties at the balance sheet date using the standard & poors credit rating system.

Counter Party	Location	Rating	Credit Limit	Carrying Amount 2007 \$ NZD	Carrying Amount 2006 \$ NZD
National Bank Of New Zealand	New Zealand	AA	Not more than 85% of the total \$ invested	2,415,000	1,497,000
Kiwi Bank Limited	New Zealand	AA-	not more than 85% of the total \$ invested	2,380,000	2,080,000

Liquidity risk - ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the organisations short, medium and long term funding and liquidity management requirements. The organisation manages liquidity risk by maintaining adequate reserves, and banking facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities.

Liquidity & Interest Risk Tables

The following table details the organisations remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the organisation can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate	Less Than 1 Month \$ NZD	1 - 3 Months \$ NZD	3 Months - 1 Year \$ NZD	1 - 5 Years \$ NZD	Total \$ NZD
2007						
Finance lease liability	15.45%	951	1,902	8,559	33,557	44,969
		951	1,902	8,559	33,557	44,969
2006						
Finance lease liability	14.20%	828	1,653	7,441	8,154	18,076
		828	1,653	7,441	8,154	18,076

Notes to the Financial Statements

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For the year ended 31 December 2007

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(cont'd)

The table below details the organisations expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group anticipates that the cash flow will occur in a different period.

	Weighted Average Effective Interest Rate	Less Than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	Total
		\$ NZD	\$ NZD	\$ NZD	\$ NZD	\$ NZD
2007						
Fixed interest instrument	8.57%	1,667,989	901,699	1,393,346	1,203,119	5,166,153
		1,667,989	901,699	1,393,346	1,203,119	5,166,153
2006						
Fixed interest instrument	7.33%	1,016,373	694,416	1,744,861	343,620	3,799,270
		1,016,373	694,416	1,744,861	343,620	3,799,270

The organisation expects to meet its obligations through operating cash flow and proceeds of maturing financial assets. The ESITO policy currently states that financing facilities other than operating trade & other payables are not to be used to fund the operations of the entity.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements is considered fair value.

Notes to the Financial Statements

For the year ended 31 December 2007

18 Segmental Reporting

ESITO operates primarily as the facilitator of training for employees of member companies within the electricity supply industry of New Zealand. The organisation's revenues are derived mainly through government funding and contributions from the industry.

19 Industry Cash Contribution

Industry cash contribution (for the period January 2007 to December 2007) by employers and trainees not included in ESITO's accounts amounted to expenditure of not less than \$7,292,775 (2006: \$6,283,847).

20 Subsequent Events

There have been no subsequent events since balance date.

21 Impacts of the adoption of New Zealand Equivalents to International Financial Reporting Standards

The organisation changed its accounting policies on 1 January 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 'First time Adoption of New Zealand Equivalents to International Financial Reporting Standards' with 1 January 2006 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the organisation and its balance sheet, income statement and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Financial Statements

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For the year ended 31 December 2007

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(cont'd)

Effect of NZ IFRS on the balance sheet as at 1 January 2006.

	Note	Superseded Policies \$ NZD	Effect of Transition to NZ IFRS \$ NZD	NZ IFRS \$ NZD
Balance Sheet				
As at 31 December 2005				
Retained Earnings		4,026,572	(5,030)	4,021,542
Current Assets				
Cash & cash equivalents		3,420,056	(3,150,000)	270,056
Trade & other receivables	a	997,991	2,050	1,000,041
Accrued income		–	–	–
Other assets - prepayments		11,030	–	11,030
Other financial assets		–	–	–
Recharges		–	–	–
		4,429,077	(3,147,950)	1,281,127
Non Current Assets				
Other financial assets		–	3,150,000	3,150,000
Property plant & equipment	a	443,761	(266,613)	177,148
Intangible assets	a	–	277,996	277,996
		443,761	3,161,383	3,605,144
Total Assets		4,872,838	13,433	4,886,271
Current Liabilities				
Trade & other payables		762,759	(90,629)	672,130
Provisions		–	90,629	90,629
Other liabilities		78,169	–	78,169
Borrowings	a	3,730	6,154	9,884
		844,658	6,154	850,812
Non Current Liabilities				
Borrowings	a	1,608	12,309	13,917
		1,608	12,309	13,917
Total Liabilities		846,266	18,463	864,729
Net Assets		4,026,572	(5,030)	4,021,542

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

Effect of NZ IFRS on the income statement for the financial year ended 31 December 2006.

	Note	Superseded Policies \$ NZD	Effect of Transition to NZ IFRS \$ NZD	NZ IFRS \$ NZD
Total Operating Revenue		6,687,719	–	6,687,719
Expenses				
Operating		4,574,460	–	4,574,460
Administration	a	2,415,028	(9)	2,415,019
Net (Deficit)		(301,769)	9	(301,760)

Effect of NZ IFRS on the balance sheet as at 31 December 2006.

	Note	Superseded Policies \$ NZD	Effect of Transition to NZ IFRS \$ NZD	NZ IFRS \$ NZD
Retained Earnings		3,724,803	(5,021)	3,719,782
Current Assets				
Bank	b	3,378,145	(3,277,000)	101,145
Accounts receivable		1,316,741	(131,129)	1,185,612
Accrued income		–	–	–
Other assets - prepayments		18,832	–	18,832
Other financial assets	b	–	3,390,494	3,390,494
		4,713,718	(17,635)	4,696,083
Non Current Assets				
Other financial assets		300,000	19,002	319,002
Property plant & equipment	a	402,012	(147,243)	254,769
Intangible assets	a	–	153,163	153,163
		702,012	24,922	726,934
Total Assets		5,415,730	7,287	5,423,017

(table cont'd) ▷

Notes to the Financial Statements

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For the year ended 31 December 2007

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(cont'd)

	Note	Superseded Policies \$ NZD	Effect of Transition to NZ IFRS \$ NZD	NZ IFRS \$ NZD
Current Liabilities				
Trade & other payables		1,223,045	–	1,223,045
Provisions		157,693	–	157,693
Other liabilities		308,581	–	308,581
Borrowings	a	1,608	6,154	7,762
		1,690,927	6,154	1,697,081
Non Current Liabilities				
Borrowings	a	–	6,154	6,154
		–	6,154	6,154
Total Liabilities		1,690,927	12,308	1,703,235
Net Assets		3,724,803	(5,021)	3,719,782

Effect of NZ IFRS on the cash flow statement for the financial year ended 31 December 2006.

	Note	Superseded Policies \$ NZD	Effect of Transition to NZ IFRS \$ NZD	NZ IFRS \$ NZD
Net Cash Flow from Operating Activities				
Cash was provided from:				
Receipts from grants		5,680,252	–	5,680,252
Receipts from subscriptions		88,013	–	88,013
Receipts from moderation income		20,503	–	20,503
Interest received		232,527	–	232,527
GST received (net)	a	–	36,963	36,963
Receipts from other income		76,177	–	76,177
		6,097,472	36,963	6,134,435

(table cont'd) ▷

Notes to the Financial Statements

For the year ended 31 December 2007

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(cont'd)

	Note	Superseded Policies \$ NZD	Effect of Transition to NZ IFRS \$ NZD	NZ IFRS \$ NZD
Net Cash Flow from Operating Activities				
Cash was applied to:				
Payments to suppliers	a	2,326,030	(7,207)	2,318,823
Payments to employees		1,419,027	–	1,419,027
Training subsidy payments		1,850,690	–	1,850,690
Interest paid	a	651	2,160	2,811
GST paid (net)	a	(36,279)	36,279	–
		5,560,119	31,232	5,591,351
Net Cash Flow from Operating Activities		537,353	5,731	543,084
Net Cash Flow from Investing Activities				
Cash was applied to:				
Purchase of property & equipment	a	275,534	(17,258)	258,276
Purchase of intangible assets	a	–	17,258	17,258
Purchase of other financial assets		–	427,000	427,000
Net Cash Flow from Investing Activities		(275,534)	(427,000)	(702,535)
Net Cash Flow from Financing Activities				
Cash was applied to:				
Finance lease repayments	a	3,730	5,730	9,460
Net Cash Flow from Financing Activities	a	(3,730)	(5,730)	(9,460)
Net movement in cash	b	258,089	(427,000)	(168,911)
Opening cash balance	b	3,420,056	(3,150,000)	270,056
Closing Cash Balance	b	3,678,145	(3,577,000)	101,145

a. The organisation was required to reclassify software and other computer programmes as intangible assets under NZ IFRS. The organisation was also required to re-classify 2 lease agreements as finance leases. Leases have been amortised using a straight line method.

b. Term deposits held in registered banks are now required to be classified as 'other financial assets' as they do not meet the definition of cash & cash equivalents.



▶ Organisation Directory

Nature of Business

Industry Training Organisation

Registered Under

The Incorporated Societies Act 1908

Incorporation Number

WN 701126

IRD Number

66-425-207

Accountants

KPMG
PO Box 929
Hamilton

Auditors

Deloitte
PO Box 17
Hamilton

Bankers

The National Bank
PO Box 926
Hamilton

Solicitors

Hazelton Law
PO Box 5639
Wellington



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