



2008



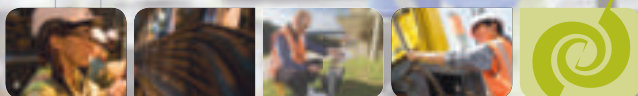
▶ ANNUAL REPORT 2008





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JOHN McENTEER

Kia ora, rau rangatira ma o te motu.

Tena koutou, tena koutou, tena koutou katoa.

Kia orana, fakaalofa lahi atu, talofa lava.

As New Zealand moves to revitalise the economy under a new government, our industry will be called on increasingly to support major infrastructure developments in the coming years. Yet all our research and our direct contact with industry points to an ongoing shortage of skills and training.

Given these gaps, it is of concern that for the second year training numbers declined in 2008. Of further concern, is that many trainees complete only a fraction of ESITO's industry-recognised unit standards and do not go on to complete a full industry qualification.

Giving priority to short-term training to meet immediate industry needs is not expedient in the medium to longer term. We need a more highly trained, flexible workforce which can be deployed quickly and easily to meet the demands of the new government's policies. ESITO is committed to supporting

this goal. However, to achieve this will be dependent on the industry focusing more strongly on "public good" outcomes, which ultimately will be of greater national economic and social benefit.

Lifting trainees' completion rates is also highly dependent on a strong, three-way partnership between ESITO, employers and the trainees themselves. As we move to align training more closely with the new government's priorities, new incentives may be needed to support trainees through to completion of their qualifications.

We also need to build closer relationships with our trainees so that they are encouraged and supported to complete their training. With this in mind, in 2008 ESITO developed a long-term trainee strategy and introduced a number of new initiatives which target trainees. These are designed not only

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to attract the right recruits to the industry, but also to improve retention and completion rates. These are detailed in the Chief Executive Officer's review.

ESITO is committed to working with all our stakeholders to ensure our industry has a workforce which has the knowledge, skills and experience that enables it to rise to the challenges of the future.

I would like to take this opportunity to thank all those in industry who have contributed to, and supported, our work.

Preparing for a sustainable energy future

With the launch of the "New Zealand Energy Strategy" and the "New Zealand Energy Efficiency and Conservation Strategy" in 2007, the previous government committed New Zealand to a target of 90 percent generation from renewable sources by 2025. Taking into account the new government's priorities, this will still have an enormous impact on the skills and knowledge requirements of our industry and the training we deliver.

ESITO along with other industry training organisations formed a consortium in 2008 to undertake a three-year programme of work to address the needs, gaps and priorities in industry

training in light of those strategies. Key stakeholders in the consortium include nominated industry bodies, the Industry Training Federation, the Sustainable Energy Association of New Zealand and the Council of Trade Unions.

I am pleased to report that the Tertiary Education Commission (TEC) approved funding for the project in 2008 from its Sector Leadership Fund. I am confident that the approach we have taken will ensure that we have the skills and knowledge to build a sustainable energy future for New Zealand.

Financial

Industry demand for training spiked in 2006 but fell off in 2007 and again in 2008. This is a concern, given the industry skills shortage. However, despite this shortfall, we saw a 14 percent increase in trainee achievements in the fourth quarter of 2008 compared with the first quarter of the year.

Like other industry training organisations, ESITO is predominately funded from 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. Our funding is also based on training projections identified in our three-year Investment Plan which was prepared in 2007 in the aftermath of a year of record demand.

In 2008, we were contracted by TEC to achieve 1544 STMs, receiving \$5.6 million in funding. A further \$514,996 in revenue was awarded for research and other industry projects from the Sector Leadership Fund and other sources. We achieved 956 STMs against the contract target and we have set aside funds to repay TEC for this underperformance against the target should this be necessary.

The shortfall in STMs achieved was in part a reflection of the cyclical nature of industry training demand. We are confident we will achieve higher STMs in 2009, given we are starting from a higher STM level in the upcoming first quarter, and as new trainee initiatives begin to take effect.



Additional project funding, together with administrative efficiency gains and prudent investments, our reserves boosted by almost five percent, which can be seen in our Financial Statements. This enabled the Board to approve a number of new industry initiatives in 2008. These included: the Supervisory Programme for employees with management potential; appointment of a coordinator for the highly successful National Diploma in Engineering (Electrotechnology); and participation in the Inzone Careers Bus, targeted at lifting recruitment of secondary school students into the industry.

The Board will continue to look for new opportunities in 2009 to invest back into industry while initiatives begun in 2008 will continue.

Governance

I am pleased to welcome Dr Linda Sissons, Chief Executive Officer of Wellington Institute of Technology, to the ESITO Board. Her considerable experience in tertiary education will be of great value as we move forward with our long-term trainee strategy. Linda is a member of the Boards of the Institute of Technology and Polytechnics of New Zealand, WorldSkills New Zealand, and the Board of Governors of the Commonwealth of Learning. She has been a member of a number of government commissions.

I would like to thank all ESITO's Directors for their contribution during the year. They bring a diversity of knowledge and experience to the Board, which is extremely valuable to our work and to the industry.

On behalf of the Board, I would like to acknowledge the contribution of the former Chief Executive Officer Chelydra Percy and the senior management team. In particular, I wish to acknowledge the contribution of John McWilliam who was Acting CEO from August until the end of the year. John managed the team in a thoroughly professional way, and we continued to make great progress in advancing our strategy and delivering on our commitments to employers, trainees and TEC.

Finally, I would like to acknowledge the contribution of Tim Densem who resigned as a Board Director in August in order to take up the appointment of ESITO Chief Executive Officer. I am confident under his leadership, we will continue in the coming year to build on the gains we made in 2008.

I am looking forward to working with Board members and the ESITO team in 2009 to further advance our 2012 goals of ESI Sustainability, Quality and Capability.



JOHN McENTEER

Chairman



Chief Executive Officer's Review



TIM DENSEM

It is my pleasure to present this annual review as the new Chief Executive Officer of ESITO. 2008 was a busy and rewarding year with our five-year strategy and business plan providing a robust blueprint for working closely with industry, and lifting our responsiveness to stakeholder needs and expectations.

The year saw significant progress towards achieving our three key goals for 2012. These are:

- ESI Sustainability – ESITO is recognised as playing a key role in assisting the Electricity Supply Industry to attract and retain enough of the right people to sustain the industry.
- 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.

This review highlights a number of initiatives we undertook in 2008 to advance the 2012 goals to meet the needs of the Electricity Supply Industry (ESI) and support the Tertiary Education Strategy and Priorities.

ESI Sustainability

In the past, ESITO has been very focused on employers and the Tertiary Education Commission (TEC) and it is important to continue to nurture these relationships. However in 2008, we sharpened our focus and delivery for trainees. By doing this, we believe we will help employers to attract and retain trainees, and lift trainees' success rates. Ultimately, this will impact positively on productivity, health and safety, morale in the workplace and hence ESI sustainability.

In the year under review, we strengthened our programme of activities to attract school leavers into the industry. A major new recruitment initiative was the Board's decision to invest reserves in the Inzone Careers Bus for the 2009 school year. The Inzone Bus is an innovative way of taking information about careers and industries to students in their schools via a high-tech, multimedia bus. I would like to take this opportunity to thank all the individuals and companies that took part.

Also launched in 2008 was ESITO's Gateway Programme. Gateway, funded by the Tertiary Education Commission, provides hands-on workplace learning for senior school students. We believe the programme will help to raise the profile of the industry, while providing employers with an opportunity to assess the suitability of students for employment. There is much that could be done here but resources are limited.



We began a three-year, pilot programme to assess the trainee success rate of under-represented groups within industry in collaboration with other industry training organisations (ITOs), industry, iwi and training providers. The Strategic Responsiveness Project, funded by the Tertiary Education Commission's Sector Leadership Fund, aims to identify and remedy barriers to learning relevant to under-represented groups in industry, in particular Maori, Pasifika peoples, migrants and women.

Alongside this, we completed research into the needs of skilled migrants employed in the ESI and their employers. We will be working with industry and migrant groups in 2009 to support implementation of the study's recommendations.

Quality

Ensuring all industry qualifications comply with NCEA requirements and are relevant to our industry is a core part of our business. In 2008, we reviewed and updated qualifications covering cable jointers, line mechanics distribution and transmission, network and hydro operators, mechanical fitters and technicians. A highlight was the development and release of three new qualifications for retail operators, mechanical engineers and high voltage cable jointers. This represents a huge effort by industry through the steering groups and I want to thank everyone for their effort and commitment to this task.

A series of new tools developed to support the learning needs of trainees was well-received. Training and Assessment Resources (TARs) were introduced to help trainees prepare for assessments. In addition, online e-learning resources (e-TARs) for the National Certificate in Electrical Supply (NCES) Level 2 were designed to complement our hardcopy TARs. Also now online is a training calendar, giving trainees and employers easy access to training dates and course information for a variety of qualifications.

Alongside development of the Adult Literacy and Numeracy Assessment (ALaNA) programme to assess the literacy, language and numeracy learning support needs of trainees, ESITO embarked on a two-year, TEC-funded project to build the capability of industry trainers in this area. We will continue to work with training providers, industry trainers and assessors to mentor and support their professional development.

Another technology innovation saw the start of a trial by ESITO to examine whether mobile phone technology can be used by ESITO and our members to replace the current Work Activity Profiles (WAP) system. Trainees and employers have raised concerns about the time the current WAP system takes and data integrity. With the assistance of funding from TEC, we will embark upon a two-year project to test and trial the full potential of m-technology to enhance and support distance learning.

ESITO is dedicated to best practice in assessment and moderation. In the year under review, we developed new trainee manuals, and new assessor and moderator manuals to support "on-the-job" assessment of unit standards, and quality outcomes for trainees.

Other major achievements in 2008 included the launch in October of the ESITO Supervisory Training Programme following a successful six-month pilot, and development of a new project management recruitment toolkit. Both initiatives were in direct response to key recommendations from industry.

Capability

It is encouraging to see the high level of interest in the National Diploma in Engineering (Electrotechnology). This is much needed. The diploma provides a well-defined career pathway from trade training to a university degree. We now have about 80 trainees doing advanced trade training at diploma level. The success of this qualification prompted the Board in 2008 to allocate reserve funds to appoint a dedicated coordinator.

As part of our long-term strategy to better support the learning needs of trainees, we introduced a new trainee induction process to provide trainees with the information and resources they require as they begin their career in the industry. This was very well-received.

Despite evidence suggesting that on-going support matching a trainee's individual learning, cultural and social needs greatly assists training and completion, less than half of our trainees are coordinated directly by ESITO. In 2009, we plan to examine whether all ESITO trainees would benefit from mentoring, guidance and support as part of a coordination programme.



An independent customer satisfaction survey undertaken in 2008 showed satisfaction levels of 75 and 72 percent respectively by trainees and employers. The survey identified a number of opportunities for improvement, particularly relating to a trainee's training experience. A survey will be conducted in the first half of 2009 to determine progress.

Annual Connection

The Annual Connection continues to grow and in 2008 attracted a large number of participants. The event brought together people from all levels of responsibility, trade disciplines and sectors within the electricity supply industry, providing a great opportunity for networking.

The Industry Forum provided a valuable opportunity to share information. It tackled two of the big issues many companies are grappling with – how to get the best out of trainees and retain them; and the skills needed to meet the growing sustainable energy market. In 2009, we will continue to build on the success of the Annual Connection.

Looking ahead

The electricity supply industry is a vital part of New Zealand's infrastructure. Economic and social wellbeing are dependent on its good health. Growing electricity demand, distributed generation and energy efficiency at work and at home are impacting on the industry. Added to this, the industry is expected to spend more than \$5 billion in new and upgraded assets over the next decade. Achieving New Zealand's goal of a high level of generation from renewable energy sources by 2025 is also a key driver of our industry, calling for new knowledge and skills.

Despite present economic uncertainty, we believe this is the time to continue to invest strongly in training and development to secure New Zealand's energy future. Underinvestment in training in the 1990s contributed to the current industry skills shortage. We cannot afford to go down that path again.

Ensuring enough people enter the industry to meet future skills needs is the single most important issue we face.

To attract trainees, and lift completion and success rates calls for a strong, three-way partnership between employers, trainees and ESITO. In 2009, a priority for ESITO will be to build on the gains we have made in 2008 in implementing our long-term trainee strategy.

We believe our strong focus on trainee outcomes is one of the best ways we can support and sustain our industry. Crucial to success in this area is an effective and efficient IT system and in 2009 we will begin a major upgrade of ESITO's system to better service the needs of employers and trainees.

I am confident that ESITO has dedicated and skilled staff to serve industry employers and trainees well. As an integral partner to the electrical supply industry, we are committed to continuing to improve services and products to our customers.

I would like to acknowledge the support and feedback we have received from industry for many of our projects during the year, as well as extend a warm thank you to the Chair John McEnteer and the Board of Directors. I am looking forward to working with all of you in 2009 as we find solutions for our challenges.

TIM DENSEM

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.



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.





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.



LINDA SISSONS PhD, CNZM

Linda is the CEO of Wellington Institute of Technology as well as being on the Boards of ITPNZ and WorldSkills NZ. Linda also represents the Government on the Board of Governors of the Commonwealth of Learning and has been a member of a number of government commissions.



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.



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

Bob Simpson is the Chief Engineer at Transpower. He is a professional electrical engineer with over 30 years of electricity industry experience with extensive asset and general management experience. Bob is also a member of the Electricity Engineers' Association Executive and Electricity Commission Transmission Advisory Group. He is committed to ensuring that there are sufficient competent resources available to satisfy existing and future electricity industry needs.



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.



STEVE MUTTON NZCE (Electrical)

Steven Mutton is the Manager, Network Solutions at Vector Limited. With 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.



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.

Vision & Mission Statement

Mission Statement

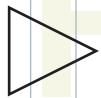
Vision Statement

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

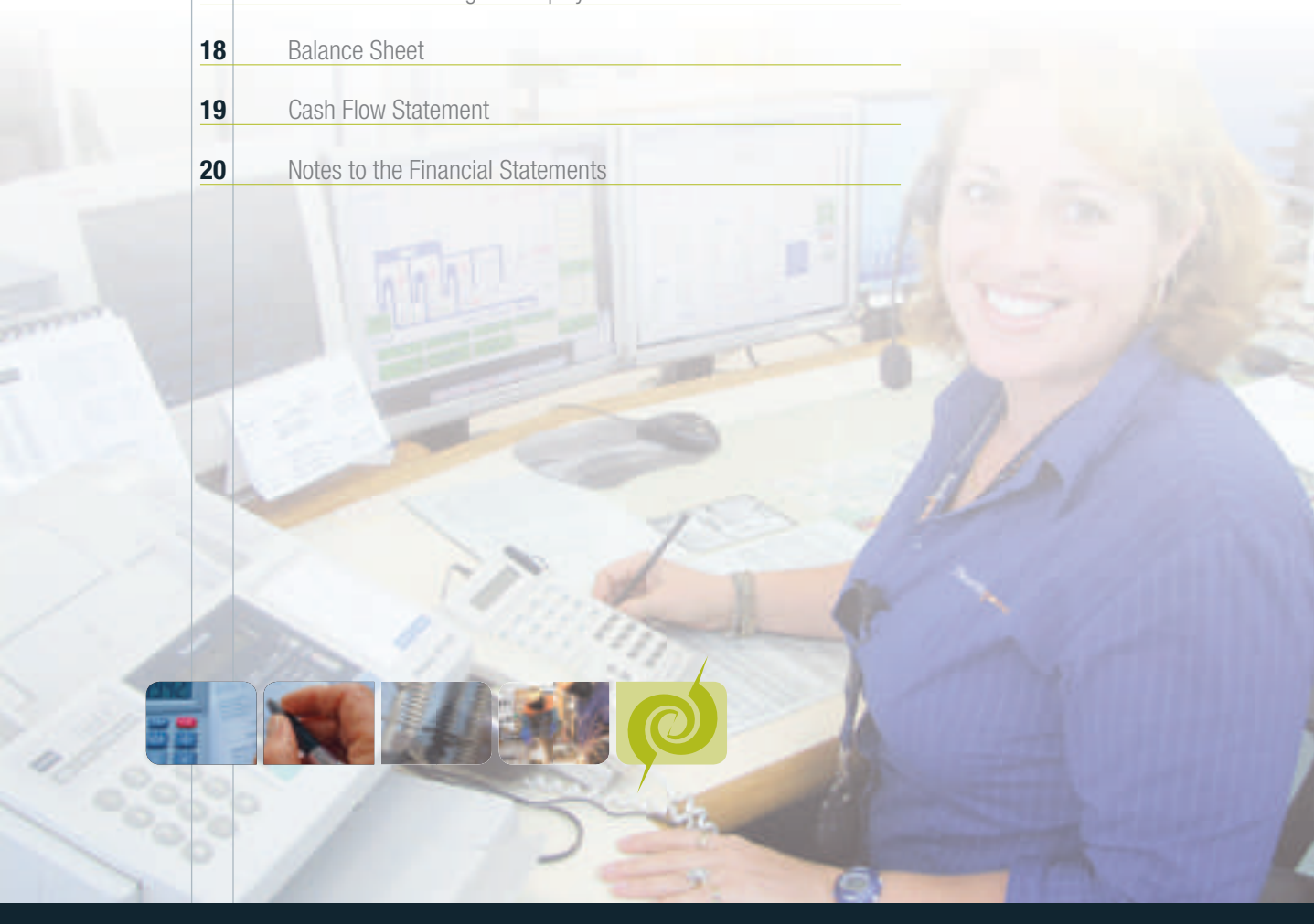
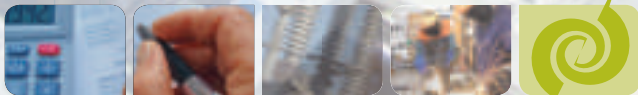
ESITO will through industry leadership and innovation facilitate training and assessment that support individuals and organisations to achieve their skill development needs.





Financial Statements

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

We have audited the financial statements on pages 17 to 40. The financial statements provide information about the past financial performance of the organisation and its financial position as at 31 December 2008. This information is stated in accordance with the accounting policies set out on pages 20 to 24.

Board of Directors Responsibilities

The board of directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of the organisation as at 31 December 2008 and of the results of operations for the period ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

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

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the organisations circumstances, consistently applied and adequately disclosed.

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

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records, and
- the financial statements on pages 17 to 40:
 - comply with generally accepted accounting practice;
 - comply with New Zealand equivalents to International Financial Reporting Standards; and
 - give a true and fair view of the financial position of the company as at 31 December 2008 and the results of its operations for the period ended on that date.

Our audit was completed on 24 February 2009 and our unqualified opinion is expressed as at that date.

STAPLES RODWAY
Hamilton

Income Statement

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For the year ended 31 December 2008

	Note	Dec 08 \$ NZD	Dec 07 \$ NZD
Total Operating Revenue	2	5,733,615	6,356,988
Expenses			
Operating	3	2,937,592	2,881,196
Administration	4	2,572,075	2,345,842
Net Surplus		223,948	1,129,950

Statement of Changes in Equity

For the year ended 31 December 2008

	Retained Earnings \$ NZD
Balance as at 31 December 2006	3,719,782
Net surplus	1,129,950
Balance as at 31 December 2007	4,849,732
Net surplus	223,948
Balance as at 31 December 2008	5,073,680

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

Balance Sheet

As at 31 December 2008

	Note	Dec 08 \$ NZD	Dec 07 \$ NZD
Retained Earnings		5,073,680	4,849,732
Current Assets			
Cash & cash equivalents	5	268,281	120,108
Trade & other receivables	7	441,943	865,503
Other assets - prepayments		26,553	23,242
Other financial assets	6	6,126,511	3,878,224
		6,863,288	4,887,077
Non Current Assets			
Other financial assets	6	936,514	1,078,966
Property, plant & equipment	9	222,145	262,030
Intangibles	8	84,243	111,814
		1,242,902	1,452,810
Total Assets		8,106,190	6,339,887
Current Liabilities			
Trade & other payables	10	739,804	970,277
Provisions	12	219,048	184,967
Other liabilities	11	2,048,056	300,624
Borrowings	13	8,685	8,685
		3,015,593	1,464,553
Non Current Liabilities			
Borrowings	13	16,917	25,602
		16,917	25,602
Total Liabilities		3,032,510	1,490,155
Net Assets		5,073,680	4,849,732

Chairman
24 February 2009



Director
24 February 2009



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 2008

	Note	Dec 08 \$ NZD	Dec 07 \$ NZD
Net Cash Flow from Operating Activities	15		
Cash was provided from:			
Receipts from grants		6,841,502	5,832,585
Receipts from subscriptions		294,968	192,096
Receipts from moderation income		14,527	18,237
Interest received		545,334	318,737
GST received (net)		46,846	207,625
Receipts from other income		192,630	76,305
		7,935,807	6,645,585
Cash was applied to:			
Payments to suppliers		3,096,717	2,413,802
Payments to employees		1,943,525	1,622,240
Training subsidy payments		512,112	1,229,670
Interest paid		2,625	1,691
		5,554,979	5,267,403
Net Cash Flow from Operating Activities		2,380,828	1,378,182
Net Cash Flow from Investing Activities			
Cash was applied to:			
Purchase of property, plant & equipment		83,535	87,635
Purchase of intangible assets		34,600	45,000
Purchase of other financial assets		2,105,835	1,218,007
		2,223,970	1,350,642
Net Cash Flow from Investing Activities		(2,223,970)	(1,350,642)
Net Cash Flow from Financing Activities			
Cash was applied to:			
Finance lease repayments		8,685	8,577
Net Cash Flow from Financing Activities		(8,685)	(8,577)
Net movement in cash		148,173	18,963
Opening cash balance		120,108	101,145
Closing Cash Balance		268,281	120,108

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

Notes to the Financial Statements

As at 31 December 2008

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Statement of accounting policies

Statement of Compliance

Electricity Supply Industry Training Organisation Incorporated, is domiciled in New Zealand, and registered under the Incorporated Societies Act 1908. The financial statements have been prepared according to generally accepted accounting practice.

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 24 February 2009.

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 accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 2008, that would have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities.

Significant Accounting Policies

Revenue Recognition

- Government Grants

The organisation derives revenue through the provision of contracted outputs to the Tertiary Education Commission (TEC) for training in the Electricity Supply Industry. TEC grants are recognised when there is reasonable assurance that they will be received and that the organisation will comply with the conditions associated with the grant.

Where the conditions of a grant have not been fulfilled, the grant is recognised as deferred income. See further details in note 11.

- Rendering of Services

Revenue is 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 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.

Notes to the Financial Statements

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For the year ended 31 December 2008

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(cont'd)

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.

Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose

Notes to the Financial Statements

As at 31 December 2008

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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'.

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

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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

As at 31 December 2008

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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	31 December 2009
NZ IFRIC-10 'Interim Financial Reporting and Impairment'	1 July 2008	31 December 2009
NZ IAS-23 'Borrowing Costs' – revised standard	1 January 2009	31 December 2009

Notes to the Financial Statements

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For the year ended 31 December 2008

2 Total Operating Revenue

	Dec 08 \$ NZD	Dec 07 \$ NZD
Government Grants		
TEC ITF funding	2,772,768	3,929,188
TEC embedded foundation learning	198,324	183,846
TEC embedded literacy and numeracy	216,855	–
e-Learning income	–	48,882
Modern apprenticeship income	1,522,418	1,451,120
Sector Leadership	99,817	–
Other Revenue		
Moderation income	14,629	16,054
Line mechanic sponsorship	53,175	47,758
Subscriptions	171,900	186,825
User pays charges	–	92,290
Interest income on bank deposits	545,334	370,692
Awards evening tickets & sponsorships	31,528	30,333
Other income	106,867	–
	5,733,615	6,356,988

3 Operating Expenses

	Dec 08 \$ NZD	Dec 07 \$ NZD
Growth & leadership	339,517	283,649
Training arrangements	152,741	133,853
Embedded foundation learning costs	134,029	183,846
Embedded foundation literacy and numeracy costs	110,647	–
e-Learning costs	929	48,882
Training rebate	492,912	664,853
Customer service	1,020,233	1,090,150
Scholarships	93,869	93,724
Internal business systems	310,683	325,059
Moderation & assessment	72,604	57,180
Supervisory Pilot Training	108,000	–
Sector Leadership Expense	101,428	–
	2,937,592	2,881,196

Notes to the Financial Statements

As at 31 December 2008

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Administration Expenses

	Dec 08 \$ NZD	Dec 07 \$ NZD
Accounting fees	16,037	20,747
Amortisation	61,716	86,062
Audit fees	13,526	20,394
Consultancy fees	56,759	42,295
Depreciation	121,764	106,704
Directors expenses	39,771	54,838
Directors fees	99,750	85,000
Interest on finance leases	2,625	1,691
Legal expenses	0	6,703
Loss on disposal of intangible assets	455	241
Loss on disposal of property plant & equipment	1,657	(215)
Office rent	110,230	106,999
Office equipment - lease payments	3,175	2,837
Salaries	1,805,580	1,539,861
Staff recruitment	44,715	90,667
Other expenses	194,315	181,018
	2,572,075	2,345,842

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Cash & Cash Equivalents

	Dec 08 \$ NZD	Dec 07 \$ NZD
National Bank cheque account	–	2,226
National Bank call account	58,612	96,478
National Bank on-line call account	191,198	21,204
National Bank credit card account	18,271	–
Petty cash	200	200
	268,281	120,108

Notes to the Financial Statements

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For the year ended 31 December 2008

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Other Financial Assets

	Dec 08 \$ NZD	Dec 07 \$ NZD
Loans & Receivables		
National Bank term deposit	2,927,270	1,691,865
Kiwibank term deposit	1,986,583	2,186,359
Bank of New Zealand Term Deposit	1,212,658	–
Total Other Current Financial Assets	6,126,511	3,878,224
National Bank term deposit	677,308	823,460
Kiwibank term deposit	259,206	255,506
Total Other Non Current Financial Assets	936,514	1,078,966

The organisation holds term deposits returning a variable rate of interest. The weighted average interest rate on these securities is 8.23% per annum (2007: 8.57% per annum). These term deposits have maturity dates ranging between 1 - 18 months from the balance sheet date.

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Trade & Other Receivables

	Dec 08 \$ NZD	Dec 07 \$ NZD
Trade receivables	127,457	234,977
Recharges	41,560	84,679
Accrued income	272,896	545,847
GST receivable	–	–
Total Other Financial Assets	441,943	865,503
Future Value of Receivables	441,943	865,503

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 February 2009.

Notes to the Financial Statements

As at 31 December 2008

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(cont'd)

Included in the trade receivables balance are debtors with a carrying amount of \$112,910 (2007: \$31,104) 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, (2007:30 days).

Ageing of past due but not impaired	Dec 08 \$ NZD	Dec 07 \$ NZD
1 - 30 days	102,441	3,625
31 - 60 days	8,406	27,389
61 - 270 days	2,063	—
112,910	112,910	31,014

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, (2007:nil).

Notes to the Financial Statements

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For the year ended 31 December 2008

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Intangible Assets

	Software \$ NZD
Gross Carrying Amount	
Cost as at 1 January 2007	371,705
Additions	45,002
Disposals	(4,040)
Balance as at 31 December 2007	412,667
Additions	34,600
Disposals	(16,946)
Balance as at 31 December 2008	430,321
Accumulated Amortisation & Impairment	
Opening Value as at 1 January 2007	218,542
Disposals	(3,751)
Depreciation	86,062
Balance as at 31 December 2007	300,853
Disposals	(16,491)
Depreciation	61,716
Closing Value as at 31 December 2008	346,078
NBV as at 31 December 2007	111,814
NBV as at 31 December 2008	84,243

Notes to the Financial Statements

As at 31 December 2008

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Property, Plant & Equipment

	Leasehold Improvements	Plant & Equipment	Equipment Under Finance Lease	Motor Vehicles	Total
	\$ NZD	\$ NZD	\$ NZD	\$ NZD	\$ NZD
Gross Carrying Amount					
Cost as at 1 January 2007	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
Additions	–	55,626	–	27,911	83,537
Disposals	–	(27,401)	–	–	(27,401)
Balance as at 31 December 2008	38,452	536,979	52,761	154,519	782,711
Accumulated Amortisation & Impairment					
Opening Value as at 1 January 2007	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
Balance as at 31 December 2007	15,333	370,403	22,689	56,120	464,545
Disposals	–	(25,743)	–	–	(25,743)
Depreciation	5,393	79,838	7,735	28,798	121,764
Closing Value as at 31 December 2008	20,726	424,498	30,424	84,918	560,566
NBV as at 31 December 2007	23,119	138,351	30,072	70,488	262,030
NBV as at 31 December 2008	17,726	112,481	22,337	69,601	222,145

Notes to the Financial Statements

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For the year ended 31 December 2008

10 Trade & Other Payables

	Dec 08 \$ NZD	Dec 07 \$ NZD
Trade payables	291,226	334,055
Directors fees	16,500	28,750
Training accruals	249,786	268,537
Other accruals	114,316	317,805
GST due to IRD	67,976	21,130
	739,804	970,277

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 08 \$ NZD	Dec 07 \$ NZD
National Bank cheque account	3,685	–
TEC income received in advance	216,855	118,324
TEC income forgone	1,659,736	–
Memberships invoiced in advance	167,780	182,300
	2,048,056	300,624

TEC income forgone of \$1,659,736 (2007: \$Nil) represents the government grant income received, for which certain conditions attached have not been fulfilled. Under the terms of the TEC contract, the organisation may be required to refund this grant.

Notes to the Financial Statements

As at 31 December 2008

12 Provisions

	Dec 08 \$ NZD	Dec 07 \$ NZD
Employee Entitlements		
Balance at the beginning of the year	184,967	157,693
Additional Provision		
Amount Utilised	303,100	266,000
Unused amounts reversed during the year	(269,019)	(238,726)
Balance at the end of the year	219,048	184,967

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.

Finance leases are secured over the assets to which they relate.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2008 \$ NZD	2007 \$ NZD	2008 \$ NZD	2007 \$ NZD
0 - 1 years	11,412	11,412	8,685	8,685
1 - 5 years	22,145	33,557	16,917	25,602
	33,557	44,969	25,602	34,287
Less future finance charges	7,955	10,682	–	–
Present Value of Minimum Lease Payments	25,602	34,287	25,602	34,287
Included in the Financial Statements as:				
Current borrowings	8,685	8,685		
Non-current borrowings	16,917	25,602		
	25,602	34,287		

Derecognition - There have been no leases derecognised in the reported financial period.

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

Notes to the Financial Statements

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For the year ended 31 December 2008

14 Operating Leases

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.

	2008 \$ NZD	2007 \$ NZD
0 - 1 years	204,479	194,411
1 - 5 years	160,796	278,399
Minimum Lease Payments	365,275	472,810

15 Notes to the Cash Flow Statement

	Dec 08 \$ NZD	Dec 07 \$ NZD
Reconciliation of the Net Surplus (Deficit) for the Period to the Net Cash Flow from / (used in) Operating Activities		
Net Surplus (Deficit)	223,948	1,129,950
Non Cash Items		
Depreciation	121,764	106,704
Amortisation	61,716	86,062
Loss on disposal of property, plant & equipment	1,657	(215)
Loss on disposal of intangibles	455	241
Items transferred to investing activities	0	(26,807)
	185,592	165,985
Changes in Net Assets & Liabilities		
Decrease / (increase) in trade & other receivables	423,560	320,109
Increase / (decrease) in trade & other payables	(230,474)	(252,768)
Decrease / (increase) in other assets	(3,311)	(4,411)
Increase / (decrease) in other liabilities	1,747,432	(7,957)
Increase / (decrease) in provisions	34,081	27,274
	1,971,288	82,247
Net Cash Flow from (used in) Operating Activities	2,380,828	1,378,182

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

As at 31 December 2008

16 Related Party Transactions - Expenditure

Expenditure for the 12 Months to December 2008

ESITO paid \$5,876 (GST inclusive) in conference and membership fees to the following organisation:

Company	ESITO Director	Total Expense \$ NZD	Amount Outstanding at Balance Date	\$ NZD
EEA	Greg Skelton	5,876		–

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 \$ NZD	Amount Outstanding at Balance Date	\$ NZD
Connetics Limited	Bob Taylor	21,887		–
Electrix Limited	Gavan Jackson	19,349		–

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

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 \$ NZD	Amount Outstanding at Balance Date	\$ 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 \$ NZD	Amount Outstanding at Balance Date	\$ NZD
EEA	Greg Skelton	9,755		–

Notes to the Financial Statements

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For the year ended 31 December 2008

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(cont'd)

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	Balance Date	\$ 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.

Related Party Transactions - Income

Income for the 12 Months to December 2008

ESITO received \$41,637 (GST inclusive) from the following companies for membership subscriptions, Supervisory pilot training income, ESITO line mechanic competition sponsorship and ESITO excellence awards tickets and sponsorship of the event:

Company	ESITO Director	Total Income	Amount Outstanding at	
		\$ NZD	Balance Date	\$ NZD
Connetics Limited	Bob Taylor	34,662		–
Electricity Engineers Association	Greg Skelton	225		–
Electrix Limited	Gavan Jackson	6,750		5,625

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.

Notes to the Financial Statements

As at 31 December 2008

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(cont'd)

Income for the 12 Months to December 2006

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:

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

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.

Key Management and Personnel Compensation

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

	2008	2007
	\$ NZD	\$ NZD
Short-term employee benefits	608,144	610,709
Termination benefits	–	15,622
	608,144	626,331

Notes to the Financial Statements

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For the year ended 31 December 2008

17 Financial Instruments

	2008 \$ NZD	2007 \$ NZD
Financial Assets		
Loans & receivables		
- Cash & cash equivalents	268,281	120,108
- Trade & other receivables	441,943	865,503
- Other financial assets	7,063,025	4,957,190
	7,773,249	5,942,801
Financial Liabilities		
Other financial liabilities at amortised cost		
- Trade & other payables	739,804	970,277
- Borrowings	25,602	34,287
	765,406	1,004,564

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 84% 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 2009 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

As at 31 December 2008

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The table below shows the credit limit and balance of 3 major counter parties at the balance sheet date using the standard & poors credit rating system.

Counter Party	Location	Rating	Credit Limit	Carrying Amount 2008 \$ NZD	Carrying Amount 2007 \$ NZD
National Bank Of New Zealand Ltd	New Zealand	AA	Not more than 85% of the total \$ invested	3,400,000	2,415,000
Kiwi Bank Ltd	New Zealand	AA-	not more than 85% of the total \$ invested	2,115,000	2,380,000
Bank of New Zealand	New Zealand	AA	not more than 85% of the total \$ invested	1,200,000	–

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
2008						
Finance lease liability	15.45%	951	1,902	8,559	22,145	33,557
		951	1,902	8,559	22,145	33,557
2007						
Finance lease liability	15.45%	951	1,902	8,559	33,557	44,969
		951	1,902	8,559	33,557	44,969

Notes to the Financial Statements

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For the year ended 31 December 2008

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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
2008						
Fixed interest instrument	8.23%	1,421,938	1,196,153	3,644,308	1,022,921	7,285,320
		1,421,938	1,196,153	3,644,308	1,022,921	7,285,320
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

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.

As at 31 December 2008

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 2008 to December 2008) by employers and trainees not included in ESITO's accounts amounted to expenditure of not less than \$6,576,010 (2007: \$7,292,775).

20 Subsequent Events

There have been no subsequent events since balance date.

21 Capital Commitments

ESITO have nil capital commitments for the period reported or the comparative year.



▶ Organisation Directory

Nature of Business

Industry Training Organisation

Registered Under

The Charities Act 2005
The Incorporated Societies Act 1908

Incorporation Number

WN 701126

IRD Number

66-425-207

Accountants

KPMG
PO Box 929
Hamilton

Auditors

Staples Rodway
PO Box 9159
Hamilton

Bankers

The National Bank
PO Box 926
Hamilton

Solicitors

Hazelton Law
PO Box 5639
Wellington



Electricity Supply Industry Training Organisation

ESITO

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