



ANNUAL REPORT
2009



West Wind wind farm, Wellington, Image courtesy of Meridian Energy.



Who we are

we are

ESITO is the industry training organisation for the electricity supply industry. It's our job to:

- set national standards and qualifications for the electricity supply industry.
- make arrangements for the delivery of training that meets the industry's skill needs.
- provide leadership on skills and learning issues.

Our performance is guided by three strategic goals.

1. ESI sustainability

Assisting the electricity supply industry to attract and retain enough of the right people. For more information, see page 6 of the Chief Executive Officer's review.

2. Quality

Delivering qualifications and resources endorsed on an industry-wide basis. For more information, see page 7 of the Chief Executive Officer's review.

3. Capability

Enabling capable people motivated for learning and growth. For more information, see page 8 of the Chief Executive Officer's review.



Our scorecard at a glance

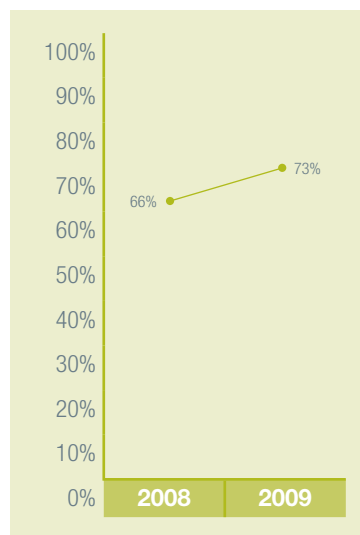
Key statistics

	2008 As at 31 December	2009 As at 31 December
Number of trainees	1,907	2,038
Number of modern apprentices	414	365
Credits achieved	70,101	79,077
Qualifications achieved	915	1,034
Completion rate	21%	25%

Qualification completions by sector

Sector	2005	2006	2007	2008	2009
Administration support	11	10	8	8	6
Electrical	196	397	392	430	385
Lines distribution	434	635	289	297	377
Lines transmission	29	12	10	1	1
Management	20	75	83	69	51
Mechanical	13	7	2	10	27
Operator	59	21	22	40	19
Telecommunications	37	18	35	51	167
Retail/contact centre	0	0	1	7	0
National Diploma in Engineering / Power technician	0	0	0	2	1
Total	799	1,175	842	915	1,034

Customer satisfaction



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Message from the Chairman



JOHN McENTEER

Kia ora, rau rangatira ma o te motu. Tena koutou, tena koutou, tena koutou katoa. Kia orana, fakaalofa lahi atu, talofa lava.

While we knew 2009 would be challenging we never anticipated the level of uncertainty, restructures and redundancies that occurred in the electricity supply industry throughout the year. But despite this climate, most of our member companies continued to keep up training levels and we achieved a modest 10 per cent increase in trainee numbers. There was, however, a drop in the number of modern apprentices.

Supporting the industry

To help our member companies continue to support their employees' training needs during these changing times, the Board released \$1 million from our cash reserve for a special funding package. As a result of this package, 193 new trainees entered training with us.

The Board also committed money from our cash reserve to fund a Productivity Pilot. This pilot is identifying the results

electricity supply companies could achieve by training staff in lean manufacturing tools and processes which, amongst other things, identify and eliminate waste – effectively enabling companies to do more with less resources. The Board made this financial investment because we believe this type of training will have a direct effect on our member companies' bottom lines, ultimately generating greater economic benefits within the sector and for New Zealand. It was also very timely given the opportunity an economic downturn offers companies to do things better.

Meeting Government priorities

Improving our trainees' literacy, language and numeracy skills continued to be a priority for us in 2009. As a result of this on-going commitment more than 550 trainees have now been assessed and just over one third of these trainees have received some form of support with literacy, language and/or numeracy.

Case studies completed this year for the three-year Responsiveness Project identified the actions companies can take to help Maori, Pacific people, migrants and women succeed in their training and stay working in the industry. We also continued to progress our m-Learning pilot, which is exploring the effectiveness of using mobile phone technology to deliver our training resources and the potential this delivery solution has to support literacy needs and increase qualification completions.

These projects and the work we've done over the past two years to align our qualifications with changing industry needs, providing clear pathways between lower and higher level qualifications, demonstrate that ESITO is well on its way to achieving many of the priorities set out in the Ministry of Education's latest tertiary education strategy. We must, however, do more to increase our industry's qualification completion rate. This will therefore be a key priority for us in 2010.

Meeting the Government's priorities for tertiary education is essential to providing a robust training system for the electricity supply industry, because the Tertiary Education Commission (TEC) will use these priorities to guide decisions about what programmes receive funding. However, we know we can no longer rely solely on government funding for the many research projects we carry out – research which enables us to be more responsive to industry needs. Looking for other funding options is of growing importance and will be a much greater focus in 2010.

More detail about our performance in 2009 and 2010 priorities is set out in the Chief Executive Officer's review on pages 6-9 of this report.

Financial performance

Despite the Board's optimism that we would achieve higher Standard Training Measures (STMs) in 2009, we did not meet our contracted STM target – achieving 1118 STMs against the targeted 1548. This means we had funds available for training but there was insufficient industry demand to use

them – a disappointing position to be in, especially given the disquiet that the industry may face a shortage of skilled workers as the economy improves.

Not meeting our STM target also means we had to set aside \$1.2 million to repay TEC in 2010. This has contributed to the \$321,263 deficit our accounts show for 2009. Other contributing factors include using more than \$463,000 from our cash reserve to fund three new initiatives – the special funding package, Productivity Pilot and data management system replacement. We also continued to fund the National Diploma in Engineering and Supervisory Programme started last year.

As reported in previous years, the STM target was based on training projections prepared in 2007 following a year of record demand. For 2010 a more realistic target of 1380 STMs has been negotiated with TEC.

Governance and Board changes

In line with the Board's commitment to the highest governance standards, it was agreed that ESITO's rules would be amended to include the appointment of a new Board member to represent employees. At the time of writing, this process was still being worked through.

In March 2009 Greg Skelton resigned from the Board to take up the position of Chief Executive Officer at Wellington Electricity Lines Limited. Greg made a strong contribution to the Board and his positive approach was appreciated by all.

Gavan Jackson was re-elected to the Board as a representative of the contracting sector and Nanette Russell was elected as a representative of the utilisation sector.

Nanette has been involved in the electricity industry for more than 15 years and brings to the Board considerable experience in governance, management, and supply and logistics.



Competitors in action at the 2009 line mechanic and cable jointer competitions.

Looking ahead

This difficult year demonstrated the importance of having a cash reserve from prior years' surpluses. The cash reserve we committed to the industry enabled us to help our member companies continue to invest in training for their employees. We were also able to undertake initiatives that would have otherwise been delayed. Importantly, work was able to begin on replacing our data management system, which is severely constraining our ability to meet our trainees and their employers' information needs.

An issue of concern to the Board is the drop in the number of modern apprentices that occurred during 2009. This suggests a focus on training to meet short term needs rather than training individuals for the longer term. And while it meant our overall trainee numbers increased in 2009, a reduction of young people entering the industry is not good for the industry's future.

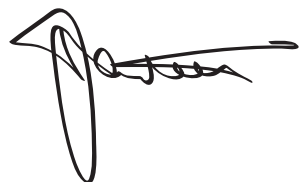
The Board is also concerned about the low number of women participating in training in the industry. While the high number of women working in the industry's retail sector means approximately one in three of the industry's employees are women, the number of women trainees is low compared to other industries. More can and should be done to attract women to the industry's trade careers and we will need to work with our member companies to find ways to do this.

In terms of our key priorities for 2010, we have focused our resources on helping more trainees complete their qualifications and completing the replacement of our data

management system. Some of our cash reserve will be used to fund these and other initiatives we plan to undertake to improve our qualifications, and by the end of the 2010 financial year, we expect our accounts will show a modest deficit. The Board and senior management team are confident this continued investment in new initiatives is necessary to ensure we have the resources our member companies will need when the industry moves to higher levels of training.

It remains for me to thank my colleagues on the Board and the senior management team for their expertise, hard work and commitment. I am confident that together we will continue to help our member companies and their trainees achieve their skill development needs to support improved productivity in New Zealand's electricity sector.

Ngā mihi nui ki a koutou katoa



JOHN McENTEER

Chairman



Chief Executive Officer's review



TIM DENSEM

With a capable team, engaged Board of Directors, strong relationships with industry and our contracted providers, a number of new qualifications and the financial ability to invest in the industry, I was confident ESITO was well positioned for 2009. I am pleased to report that we mostly delivered the milestones we set out to achieve.

Following is a discussion of our performance in 2009 as it relates to our three strategic goals.

ESI sustainability

Planning ahead

ESI sustainability is about ensuring there are enough of the right people in the industry to cope with future activities. ESITO's role in this is to monitor the industry's skill requirements (technical and professional), identify gaps and ensure we have the resources needed to meet the industry's immediate and long-term skill development needs.

To help us do this, we consulted on and prepared our first Strategic Training Plan, releasing a draft document in November 2009. Once finalised in 2010, the plan will be used to identify critical areas of need for which funding will be sought.

Thanks to all those in the industry who engaged so positively with us during the consultation and feedback process. Your

knowledge was integral to ensuring the right priorities are set for the future.

Attracting people to the industry

ESITO also implements a range of activities to help attract people to the industry, including school leavers.

In 2009 a total of 61 students completed the Taster Courses we ran in Auckland, Hamilton, Kawerau, Palmerston North and Christchurch. While our Taster Courses give secondary school students a broad introduction to the industry, Gateway provides them with the opportunity to explore in more depth a particular career pathway and company. This year, nine students participated in Gateway.

These programmes give companies a pool of talented students who are enthusiastic to enter the industry, but understandably it was difficult for them to get jobs in 2009.

Scholarships

Each year we set aside \$60,000 to help people working in the industry undertake further training to increase their skill level. In 2009 there was high demand for Upskill Scholarships and 26 were awarded – 80 per cent of which were for study toward diplomas, particularly technician and engineering. This is a good match with industry needs.

An additional \$60,000 is made available for people not currently working in the industry who want to enrol in a pre-trade course, the National Diploma in Engineering or a

2009 Excellence Awards winners and sponsors



Telecommunications Trainee of the Year



Advanced Trainee of the Year



Generation Trainee of the Year



Networks Trainee of the Year

Bachelor of Engineering. Sixteen people were awarded a Pre-employment Scholarship in 2009 and their calibre is encouraging for the future of the industry.

Reducing barriers

In 2008 we began a project to identify what hinders and helps Maori, Pacific people, women and migrant trainees to participate and learn in our industry. The research phase of this project was completed in 2009. In 2010 case studies completed as part of the research will be made available to the industry. We will also recommend best practice activities employers can implement to retain trainees from these equity groups and help them succeed in their training.

Meeting our Tertiary Education Commission (TEC) targets

When planning for the 2009 year, we were optimistic about the industry's commitment to training and its ability to continue to invest in it despite the economic downturn. To assist with this, the Board released \$1 million in April for a special funding package. However, the industry was not as immune to what transpired around us as we had anticipated. And although we achieved a 10 per cent increase in trainees during 2009, this was not enough to meet our contracted target of 1548 Standard Training Measures (STMs). This means we will have to repay TEC \$1.2 million in 2010 for funding received but not used by the industry.

Quality

Qualification development and reviews

It's our business to develop training standards and qualifications for the electricity supply industry. Ensuring they are relevant to industry needs and endorsed by our member companies is an absolute priority for us and underpins our vision to be a lead industry training organisation. An activity that contributes to this outcome is the development of new qualifications and on-going review of existing qualifications.

In 2009 we started working with industry on the development of a faults qualification and a qualification for high voltage construction and maintenance. We also embarked on a project with the Electrotechnology Industry Training Organisation, and Sustainable Electricity Association of New Zealand, to develop standards and qualifications for sustainable energy in the domestic and commercial environment. This is an important project for our industry

given the integration of skills emerging technologies such as metering and photovoltaics will require across trade sectors.

With the help of industry steering groups we met our target of reviewing 13 qualifications in 2009. As a result of the review process six qualifications have been discontinued because there is no longer demand for them – Condition Assessment, Electrical Fitter Hydro, Front Line Manager, Line Mechanic Transmission, Line Patrol and Overhead Cable Installer. Significant changes were made to the Field Switcher and Substation Maintainer qualifications.

An on-going commitment to literacy and numeracy

Low literacy and numeracy skills mean many New Zealanders are not performing at their best in their jobs. To address this concern, ESITO has been delivering literacy, language and numeracy initiatives since 2006. Our work in this area in 2009 included:

- running professional development programmes for industry trainers, assessors and private training providers.
- redeveloping our training resources to reflect best practice for meeting literacy and numeracy needs.
- screening the literacy and numeracy needs of all new line mechanic and cable jointer trainees who entered the industry during the year.
- providing targeted literacy and numeracy programmes for 15 companies.

Our data shows that around 90 per cent of the trainees who received targeted support reached an acceptable level of literacy and/or numeracy.

Innovative delivery solutions

Video, sound and text files were completed for the m-Learning pilot. The participants for the pilot, which commences in 2010, were also recruited during 2009.

This pilot will explore the effectiveness of using mobile phone technology to deliver our training resources. Importantly, we believe the ability this technology will give trainees to access resources and services whenever they want, even when working remotely, will make it easier for them to complete their unit standard and workplace assessment requirements. We also expect the auditory and visual nature of this delivery solution will support the literacy needs of some trainees.

Capability

Helping more trainees complete their qualifications

As the Chairman noted in his message, the Government's focus on qualification completion rates and the impact this could have on future funding, means we must do more to improve our rate. But this is not simply a funding issue – there are direct impacts on the industry too. For example, high numbers of workers without full qualifications may make it difficult to achieve the skilled and flexible workforce needed to cope with future activities. A low completion rate also means many trainees are not reaching their full capability, ultimately reducing the value our member companies get for their training dollars.

Signifying the seriousness of our commitment to increasing our industry's qualification completion rate, we recruited an additional trainee coordinator in 2009. We also announced plans to run a trainee coordination pilot project in the Southern region of the South Island in 2010.

Investing in technology to improve customer satisfaction

As we increase our focus on completion rates, we must also strive to enhance customer satisfaction. Critical to improving customer satisfaction is our ability to ensure our trainees and their employers can access up to date and accurate data on their progress toward unit standards and qualifications. To achieve this, we began work in 2009 on replacing our data management system. We expect to complete the replacement in 2010.

Encouraging safety and excellence

To support the industry's focus on the safety and performance of its people, ESITO runs the Annual Connection. A highlight of this event is the Excellence Awards, which celebrates our most outstanding trainees. Congratulations to all of the 2009 finalists and winners, particularly Simon Wilson from Connetics who was selected as the Overall ESITO Trainee of the Year.

I would also like to commend the line mechanic crews and cable jointers who participated in the two trade competitions. The results show the standards have been getting better

every year and 2009 was no exception. Congratulations to the winners – Northpower Hawkes Bay (Line Mechanic Competition) and Barry Coleman from Linework and Stones (Cable Joints Competition).

Looking ahead

We are clear about our key priorities for advancing our strategic goals in 2010 – increasing our industry's qualification completion rate and completing the replacement of our data management system. Other priorities for 2010 are shown in the sidebar. We cannot, however, achieve them on our own. I therefore want to thank our member companies and industry stakeholders for the contribution they make to our business.

I expect 2010 will continue to challenge us, but we are determined to be the best we can be for the member companies we serve.



TIM DENSEM

Chief Executive Officer

2010 priorities

To advance our three strategic goals in 2010, our priorities are to:

- increase the number of trainees completing their qualifications
- complete the replacement of our data management system
- meet our STM target and identify other funding options
- earn the support of our member companies and trainees by continuing to focus on customer satisfaction.

2009 Excellence Awards winners and sponsors



Training in Action



Contribution to Industry Training



Overall ESITO Trainee of the Year



2009 Cable Jointer Competition



Winner and prize sponsor

2009 Line Mechanic Competition



The winning team



Director profiles



JOHN McENTEER (Chairman), MSocSc (Hons)

John McEnteer is a business consultant based in Wellington. He was a founding member of the ESITO Advisory Group, one of the first ESITO Board members and has been Chairman since 1999. Of Ngati Maru descent, John is also Chairman of Pakirarahi Trust and a member of the Institute of Directors.



BOB TAYLOR BE (Hons), NZCE, REA

Bob Taylor is the Managing Director of Connetics Limited. He is also First Vice President of the Electricity Engineers' Association and a member of the Institute of Directors. During his 30 years in the electricity industry, Bob has held a range of positions and worked in both New Zealand and England. He has been involved in the development of industry training since its formation and was an ESITO director from 1998-2001. He was re-elected to the Board in 2003 as a representative of the contracting sector.



FRANCES HAGUE Dip Mgmt Sys, Graduate Dip HR Mgmt and Org Development

Frances Hague is Director of Capability Consulting, an Auckland based consultancy which specialises in change management and organisational development. With clients like Downer EDI Engineering, Transpower and Chorus, Frances has an extensive working knowledge of the infrastructure industry and the impact technological change has on people and skills. She is a member of the Institute of Directors and an authorised consultant for the New Zealand Business Excellence Foundation.



LINDA SISSONS PhD, CNZM

Linda Sissons is the Chief Executive Officer of Wellington Institute of Technology. She represents the Government on the Board of Governors of the Commonwealth of Learning and is on the Board of WorldSkills NZ. She chairs the Metropolitan Group, a combination of six large urban technology institutes in New Zealand, and also chairs the tertiary committee of the Wellington Regional Labour Market Strategy group.



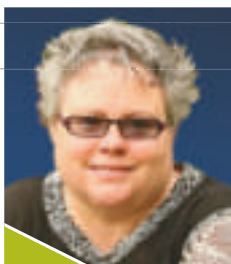
GAVAN JACKSON BE (Civil), C.Eng., MICE., FIPENZ, FNZIM

Gavan Jackson is the Managing Director of Electrix Limited. He is a member of the Institute of Directors and holds directorships with Electrix Pty Limited (Australia) and McConnell Dowell Corporation Limited. He is also a trustee of the Power Engineering Excellence Trust. Gavan has a strong commitment to enabling people in the industry to develop their careers and improve their skills. He was elected to the Board as a representative of the contracting sector.



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

Bob Simpson is an electrical engineer with over 35 years' industry experience, which includes providing technical and managerial consulting services to the electricity industry in New Zealand and overseas. Currently, he is Chief Engineer of the National Grid at Transpower. He is also President of the Electricity Engineers' Association, a trustee of the Power Engineering Excellence Trust and a director of Columbia Group and Simpson & Associates. Elected to the Board as a representative of the networks sector, Bob is committed to ensuring there are sufficient resources available to satisfy the industry's existing and future needs.



NANETTE RUSSELL BSc

Nanette (Nan) Russell is an owner and Executive Director of OHUG Power Equipment Limited. She also holds a directorship with Integrys Limited and is a member of the Institute of Directors. In addition to her considerable industry knowledge, Nan brings governance, management, and supply and logistics experience to the Board. She was elected to the Board as a representative of the utilisation sector.



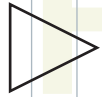
STEVE MUTTON NZCE (Electrical)

Steve Mutton is the Manager of Network Solutions at Vector Limited. In addition to his commercial, operational and management experience in the energy sector, Steve's background includes identifying areas where further skill development is needed. Steve believes education and training is the key to opening up a world of opportunities and choice for electricity supply industry employees. He was elected to the Board as a representative of the networks sector and is passionate about ensuring ESITO's training programmes support high standards in the industry.



GARTH DIBLEY MBA, BE (Mech), NZCE

Garth Dibley is General Manager of External Relations at Meridian Energy. Prior to this he held various positions at the Electricity Corporation of New Zealand, including Technical Manager of the Northern Generation Hydro Group and Engineering Manager of the Huntly Thermal Group. He is a trustee of the Power Engineering Excellence Trust. Garth sees his role on the Board as an opportunity to further support the development of skilled and dedicated people, which he believes are central to the industry's success. He was elected to the Board as a representative of the generation sector.



Financial statements

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AUDITOR'S REPORT TO THE MEMBERS OF ELECTRICITY SUPPLY INDUSTRY TRAINING ORGANISATION INCORPORATED

We have audited the financial statements on pages 14 to 36. The financial statements provide information about the past financial performance of the organisation and its financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 17 to 21.

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 2009 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 14 to 36:
 - 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 2009 and the results of its operations for the period ended on that date.

Our audit was completed on 23 February 2010 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'Staples Rodway'.

STAPLES RODWAY
Hamilton

Statement of comprehensive income

For the year ended 31 December 2009

	Note	December 2009 \$ NZD	December 2008 \$ NZD
Income			
Grant income	2	5,226,540	4,810,182
Interest income	2	423,345	545,334
Other income	2	274,995	378,099
		5,924,880	5,733,615
Expenses			
Depreciation and amortisation expense	4	175,183	183,479
Employee benefits expense	4	1,967,329	1,805,580
Finance costs	4	2,406	2,625
Other administration expense	4	621,902	580,390
Other operating expense	3	3,479,323	2,937,592
		6,246,143	5,509,667
Profit / (loss) for the year		(321,263)	223,948
Other comprehensive income		–	–
Total comprehensive income for the year		(321,263)	223,948

Statement of changes in equity

For the year ended 31 December 2009

	Retained earnings
Balance as at 1 January 2008	4,849,732
Total comprehensive income for the year	223,948
Balance as at 31 December 2008	5,073,680
Total comprehensive income for the year	(321,263)
Balance as at 31 December 2009	4,752,417

The accompanying notes form part of and are to be read in conjunction with these financial statements.

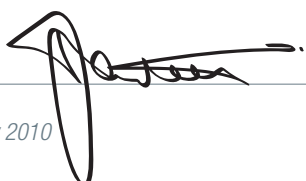
Statement of financial position

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As at 31 December 2009

	Note	December 2009 \$ NZD	December 2008 \$ NZD
Retained earnings		4,752,417	5,073,680
Current assets			
Cash and cash equivalents	5	364,080	268,281
Trade and other receivables	7	480,967	441,943
Other assets – prepayments		15,522	26,553
Other financial assets	6	4,770,891	6,126,511
		5,631,460	6,863,288
Non current assets			
Other financial assets	6	1,811,772	936,514
Property, plant and equipment	9	209,520	222,145
Intangibles	8	96,275	84,243
		2,117,567	1,242,902
Total assets		7,749,027	8,106,190
Current liabilities			
Trade and other payables	10	1,131,972	739,804
Employee benefits	12	228,877	219,048
Other liabilities	11	1,619,115	2,048,056
Finance leases	13	8,685	8,685
		2,988,649	3,015,593
Non current liabilities			
Finance leases	13	7,961	16,917
		7,961	16,917
Total liabilities		2,996,610	3,032,510
Net assets		4,752,417	5,073,680

Chairman
23 February 2010



Director
23 February 2010



The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 31 December 2009

	Note	December 2009 \$ NZD	December 2008 \$ NZD
Cash flow from operating activities			
Receipts from grants		4,700,623	6,841,501
Receipts from subscriptions		163,626	294,968
Receipts from moderation income		19,422	14,527
Interest received		423,345	545,334
GST received (net)		17,390	46,846
Receipts from other income		86,180	192,630
Payments to suppliers		(2,838,143)	(3,096,717)
Payments to employees		(2,240,337)	(1,943,525)
Training subsidy payments		(524,129)	(512,112)
Interest paid		(2,406)	(2,625)
Net cash (used in) / generated by operating activities	15	(194,429)	2,380,828
Cash flow from investing activities			
Purchase of property, plant and equipment		(143,411)	(83,535)
Proceeds from disposal of property, plant and equipment		31,921	
Purchase of intangible assets		(69,687)	(34,600)
Proceeds on sale of other financial assets		480,361	
Purchase of other financial assets			(2,105,835)
Net cash (used in) / generated by operating activities		299,184	(2,223,970)
Cash flow from financing activities			
Cash was applied to:			
Finance lease repayments		(8,956)	(8,685)
Net cash (used in) / generated by operating activities		(8,956)	(8,685)
Net movement in cash		95,799	148,173
Opening cash balance		268,281	120,108
Closing cash and cash equivalents	5	364,080	268,281

The accompanying notes form part of and are to be read in conjunction with these financial statements.

1 Statement of accounting policies

Reporting entity

Electricity Supply Industry Training Organisation Incorporated (ESITO), is domiciled and incorporated in New Zealand, and registered under the Incorporated Societies Act 1908.

For financial reporting purposes ESITO is designated a public benefit entity. Its primary purpose is to develop standards and qualifications, make arrangements for the delivery of training and provide leadership on skills and learning issues for the electricity supply industry. ESITO receives funding from both the Tertiary Education Commission (TEC) and the electricity supply industry.

The financial statements were authorised for issue by the directors on 23 February 2010. Once issued the directors do not have the power to amend these statements.

Basis of preparation

- Statement of compliance

These financial statements have been prepared in accordance with the Incorporated Societies Act 1908, the Financial Reporting Act 1993 and all applicable financial reporting standards and generally accepted accounting practice in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards as appropriate for a public benefit entity.

- Basis of measurement

The financial statements have been prepared on the basis of historical cost except for assets and liabilities as outlined in the policies below.

The accounting policy regarding TEC funding has been altered to more accurately reflect the nature of the transactions ESITO has with TEC. In the 2008 financial year, funding for the embedded literacy project was accounted for on the basis of funding received as compared with the revised policy to account for revenue on a percentage of completion basis. The revised policy provides more reliable and relevant information. All other accounting policies set out below have been applied consistently to all periods presented in these financial statements.

- Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which ESITO operates ("the functional currency").

The financial statements are presented in New Zealand dollars, which is the ESITO's functional and presentation currency. All amounts are rounded to the nearest whole dollar.

- 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 2009, that would have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities.

Significant accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of ESITO's activities. Revenue is shown exclusive of Goods and Services tax, returns, rebates and discounts.

Notes to the financial statements

For the year ended 31 December 2009

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Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the organisation and when specific criteria have been met for each of the organisation's activities as listed below.

- TEC funding

ESITO derives revenue through the provision of contracted outputs to the Tertiary Education Commission (TEC) for training in the electricity supply industry. Sales of services are recognised in the accounting period in which the services are rendered.

For TEC Sector Leadership grants and Literacy and Numeracy grants, revenue is recognised on a percentage of completion based on the agreed scope upon which funding has been awarded. When the contract outcome cannot be estimated reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

Where the conditions of a grant have not been fulfilled, the grant is recognised as deferred income (see further details in note 11). Where the conditions of a grant have been fulfilled but not yet received in whole or part, the difference is recognised as income due.

- Membership 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 using the effective interest rate method.

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.

- Depreciation

Depreciation is provided on property, plant and equipment. Depreciation has been charged to allocate the cost of the asset to its residual value over its estimated useful life. The following depreciation rates have been used and are considered appropriate:

Leasehold improvements	11.4-20%	Diminishing value
Plant and 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 is a finite life intangible and these 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	48-60%	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

- Finance leases

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

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the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between the 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 leases

Operating lease payments, net of any incentives received from the lessor, 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 (IRD) an exemption for income tax.

Goods and services tax (GST)

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 from or payable to the IRD, is classified as an operating cash flow.

Cash and cash equivalents

Cash and 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 terms require delivery of the investment within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus any 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

Loans and receivables are trade receivables, loans, and other receivables with 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.

The effective interest method is a method for calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and 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).

For the year ended 31 December 2009

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- 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. This should be to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

- Derecognition of financial assets

ESITO 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 or 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 'fair value through profit and loss' (FVTPL) or as '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 plus transaction costs. They are subsequently measured at amortised cost using the effective interest method. 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

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

Impairment of non financial assets

The carrying amounts of ESITO's assets are reviewed at each balance date to determine whether there are any indications of impairment. If any such indication exists, the asset's 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 statement of comprehensive income. The 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.

The 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 asset's ability to generate net cash inflows and where the entity would if deprived of 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.

Notes to the financial statements

For the year ended 31 December 2009

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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 ESITO becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade payables are usually paid within 30 days, they are carried at face value.

Standards, amendments and interpretations issued but not yet effective

At the date of authorisation of the financial statements, 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 statements, but will change the disclosures presently made in relation to the financial statements.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IAS 24 - Related Party Disclosures	1 January 2011	31 December 2011

Initial application of the following standards and interpretations is not expected to have any material impact to the financial statements.

Standard / interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-9 - Financial Instruments	1 January 2013	31 December 2013
NZ IFRIC-14 Prepayments of a Minimum Funding Requirement – Amendments	1 November 2011	31 December 2011

Notes to the financial statements

For the year ended 31 December 2009

2 Income

	December 2009 \$ NZD	December 2008 \$ NZD
TEC income		
TEC ITF funding	3,270,901	2,772,768
TEC embedded foundation learning	–	198,324
TEC embedded literacy and numeracy	225,391	216,855
Modern apprenticeship income	1,462,523	1,522,418
Sector leadership	267,725	99,817
Interest income on bank deposits		
Interest income on bank deposits	423,345	545,334
Other income		
Moderation income	22,185	14,629
Line mechanic sponsorship	54,074	53,175
Subscriptions	167,380	171,900
Awards evening tickets and sponsorships	31,000	31,528
Other income	356	106,867
	5,924,880	5,733,615

3 Operating expenses

	December 2009 \$ NZD	December 2008 \$ NZD
Growth and leadership	866,371	339,517
Training arrangements	145,031	152,741
Embedded foundation learning costs	–	134,029
Embedded foundation literacy and numeracy costs	290,916	110,647
e-Learning costs	–	929
Training rebate	430,000	492,912
Customer service	990,172	1,020,233
Scholarships	95,691	93,869
Internal business systems	296,722	310,683
Moderation and assessment	96,527	72,604
Supervisory pilot training	–	108,000
Sector leadership expense	267,893	101,428
	3,479,323	2,937,592

Notes to the financial statements

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For the year ended 31 December 2009

4 Administration expenses

	Note	December 2009 \$ NZD	December 2008 \$ NZD
Depreciation and amortisation			
Depreciation	9	117,608	121,764
Amortisation	8	57,575	61,716
Employee benefits			
Employee benefits		1,967,329	1,805,580
Finance costs			
Interest on finance leases		2,406	2,625
Other administration expenses			
Accounting fees		18,813	16,037
Audit fees		11,014	13,526
Consultancy fees		59,971	56,759
Directors expenses		29,720	39,771
Directors fees		97,500	99,750
Loss on disposal of intangible assets		82	455
Loss on disposal of property, plant and equipment		6,507	1,657
Office rent		120,290	110,230
Office equipment – lease payments		2,800	3,175
Staff recruitment		61,476	44,715
Other expenses		213,729	194,315
		2,766,820	2,572,075

5 Cash and cash equivalents

	December 2009 \$ NZD	December 2008 \$ NZD
ANZ National Bank cheque account	7,842	–
ANZ National Bank call account	351,920	58,612
ANZ National Bank on line call account	–	191,198
ANZ National Bank credit card account	4,118	18,271
Petty cash	200	200
	364,080	268,281

Notes to the financial statements

For the year ended 31 December 2009

6 Other financial assets

Loans and receivables	December 2009 \$ NZD	December 2008 \$ NZD
ANZ National Bank term deposit	3,874,060	2,927,270
Kiwibank term deposit	391,752	1,986,583
Bank of New Zealand term deposit	505,079	1,212,658
Total other current financial assets	4,770,891	6,126,511
ANZ National Bank term deposit	922,838	677,308
Kiwibank term deposit		259,206
Bank of New Zealand term deposit	888,934	–
Total other non current financial assets	1,811,772	936,514

ESITO holds term deposits returning a variable rate of interest. The weighted average interest rate on these securities is 5.52% per annum (2008: 8.23% per annum). These term deposits have maturity dates ranging between 2-21 months from the balance sheet date.

Accrued interest to 31 December 2009 is included in the carrying values above.

7 Trade and other receivables

	December 2009 \$ NZD	December 2008 \$ NZD
Trade receivables	79,439	127,487
Recharges	23,377	41,560
Accrued income	378,151	272,896
	480,967	441,943
Future value of receivables	480,967	441,943

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 re-charge 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 income due from TEC for the financial year, due to be received in 2010.

Notes to the financial statements

For the year ended 31 December 2009

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Included in the trade receivables balance are debtors with a carrying amount of \$78,595 (2008: \$112,910) which are past due at reporting date for which ESITO 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 38 days (2008:30 days).

Ageing of past due but not impaired	December 2009 \$ NZD	December 2008 \$ NZD
1-30 days	70,819	102,441
31-60 days	375	8,406
61-270 days	7,401	2,063
	78,595	112,910

ESITO does 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 (2008:nil).

Notes to the financial statements

For the year ended 31 December 2009

8 Intangible assets

	Note	Software \$ NZD
Gross carrying amount		
Cost as at 1 January 2008		412,667
Additions		34,600
Disposals		(16,946)
Balance as at 31 December 2008		430,321
Additions		69,687
Disposals		(2,800)
Balance as at 31 December 2009		497,208
Accumulated amortisation and impairment		
Opening Value as at 1 January 2008		300,853
Disposals		(16,491)
Amortisation expense	4	61,716
Balance as at 31 December 2008		346,078
Disposals		(2,719)
Amortisation expense	4	57,575
Balance as at 31 December 2009		400,933
NBV as at 31 December 2008		84,243
NBV as at 31 December 2009		96,275

Notes to the financial statements

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For the year ended 31 December 2009

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Property, plant and equipment

	Leasehold improvements \$ NZD	Plant and equipment \$ NZD	Equipment under finance lease \$ NZD	Motor vehicles \$ NZD	Total \$ NZD
Gross carrying amount					
Cost as at 1 January 2008	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 1 January 2009	38,452	536,979	52,761	154,519	782,711
Additions	–	143,411	–	–	143,411
Disposals	–	(14,134)	–	(101,286)	(115,420)
Balance as at 31 December 2009	38,452	666,256	52,761	53,233	810,702
Accumulated depreciation and impairment					
Opening value as at 1 January 2008	15,333	370,403	22,689	56,120	464,545
Disposals	–	(25,743)	–	–	(25,743)
Depreciation (Note 4)	5,393	79,838	7,735	28,798	121,764
Balance as at 1 January 2009	20,726	424,498	30,424	84,918	560,566
Disposals	–	(10,904)	–	(66,088)	(76,992)
Depreciation (Note 4)	5,351	91,262	7,714	13,281	117,608
Balance as at 31 December 2009	26,077	504,856	38,138	32,111	601,182
As at 31 December 2008	17,726	112,481	22,337	69,601	222,145
As at 31 December 2009	12,375	161,400	14,623	21,122	209,520

ESITO's obligations under finance leases are secured by the lessors' title to the leased assets.

All other assets are not pledged as security.

Notes to the financial statements

For the year ended 31 December 2009

10 Trade and other payables

	Note	December 2009 \$ NZD	December 2008 \$ NZD
Trade payables	17	162,467	291,226
Directors fees		31,500	16,500
Training rebate accruals		155,657	249,786
Other accruals		696,982	114,316
GST due to IRD		85,366	67,976
		1,131,972	739,804

The average credit period on trade payables is 30 days. No interest is charged on trade payables. ESITO 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

	December 2009 \$ NZD	December 2008 \$ NZD
ANZ National Bank cheque account	–	3,685
TEC income received in advance	208,319	216,855
TEC income forgone	1,244,846	1,659,736
Memberships invoiced in advance	165,950	167,780
	1,619,115	2,048,056

TEC income forgone of \$1,244,846 (2008: \$1,659,736) represents the government grant income received, for which certain conditions attached have not been fulfilled. Under the terms of the TEC contract, ESITO may be required to refund this grant.

TEC income received in advance represents TEC sector leadership and literacy and numeracy grants where revenue is recognised on a percentage of completion based on the agreed scope upon which funding has been awarded.

Notes to the financial statements

For the year ended 31 December 2009

12 Employee benefits

	December 2009 \$ NZD	December 2008 \$ NZD
Employee benefits	228,877	219,048

Employee benefits represents annual leave and bonus accruals.

13 Finance leases

Finance leases relate to two 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	
	2009 \$ NZD	2008 \$ NZD	2009 \$ NZD	2008 \$ NZD
0-1 years	11,362	11,412	8,685	8,685
1-5 years	10,415	22,145	7,961	16,917
	21,777	33,557	16,646	25,602
Less future finance charges	5,131	7,955	–	–
Present value of minimum lease payments	16,646	25,602	16,646	25,602
Included in the financial statements as:				
Current borrowings	8,685	8,685		
Non-current borrowings	7,961	16,917		
	16,646	25,602		

Derecognition – there have been no leases derecognised in the reported financial period.

The present value of the future minimum lease payments is equal to the fair value of the finance lease liabilities which is approximately equal to their carrying value.

Notes to the financial statements

For the year ended 31 December 2009

14 Operating leases

Operating leases relate to the lease of office space, vehicles 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.

In May 2009 four Mazda vehicles were leased for a period of 3 years.

	2009 \$ NZD	2008 \$ NZD
0-1 years	230,963	204,479
1-5 years	256,250	160,796
Minimum lease payments	487,213	365,275

15 Notes to the cash flow statement

Reconciliation of the net surplus (deficit) for the period to the net cash flow (used in) / generated by operating activities.

	December 2009 \$ NZD	December 2008 \$ NZD
Profit / (loss) for the year	(321,263)	223,948
Non cash items		
Depreciation	117,608	121,764
Amortisation	57,575	61,716
Loss on disposal of property, plant and equipment	6,507	1,657
Loss on disposal of intangibles	82	455
	181,772	185,592
Changes in net assets and liabilities		
Decrease / (increase) in trade and other receivables	(39,024)	423,560
Increase / (decrease) in trade and other payables	392,168	(230,473)
Decrease / (increase) in other assets	11,030	(3,311)
Increase / (decrease) in other liabilities	(428,941)	1,747,432
Increase / (decrease) in employee entitlements	9,829	34,081
	(54,938)	1,971,288
Net cash (used in) / generated by operating activities	(194,429)	2,380,828

Notes to the financial statements

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For the year ended 31 December 2009

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.

16 Related party transactions

The only related party transactions entered into by ESITO are with entities who employ or have as a director one of ESITO's directors. As a consequence, these ESITO directors are deemed to be in positions of control and significant influence.

All related party transactions are made on normal trading terms and conditions and no related party income or expense was written off or forgiven during 2008 and 2009. Any outstanding balances as at balance date are expected to be paid in the normal course of business.

Directors of ESITO, and the related entity or entities for which they are deemed to be in positions of control or significance, are tabled below. Only those directors where a transaction has occurred are identified below.

ESITO director	Term in office as ESITO director	Related party
Garth Dibley	Since October 2007	Meridian
Gavan Jackson	Since August 2004	Electrix
Steve Mutton	Since April 2007	Vector
Bob Simpson	Since April 2008	Transpower and Electricity Engineers' Association
Greg Skelton	March 2006 to March 2009	Electricity Engineers' Association
Bob Taylor	Since August 2003	Connetics

ESITO expenditure

Expenditure for the 12 months to December 2008

Related party	\$ NZD	Purpose	Amount outstanding at balance date \$ NZD
Connetics	19,455	Training subsidies and other business related transactions	—
Electricity Engineers' Association	5,223	Conference and membership fees	—
Electrix	17,199	Training subsidies and other business related transactions	—

Notes to the financial statements

For the year ended 31 December 2009

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Expenditure for the 12 months to December 2009

Related party	\$ NZD	Purpose	Amount outstanding at balance date \$ NZD
Connetics	42,358	Training subsidies	–
Electrix	15,734	Scholarships and training subsidies	–
Meridian	2,720	Training subsidies	–
Transpower	1,635	Training subsidies	–

ESITO income

Income for the 12 months to December 2008

Related party	\$ NZD	Purpose	Amount outstanding at balance date \$ NZD
Connetics	30,811	Membership subscriptions, Supervisory Pilot Training, ESITO Line Mechanic Competition sponsorship, and ESITO Excellence Awards tickets and sponsorship	–
Electricity Engineers' Association	200	Membership subscriptions	–
Electrix	6,000	Membership subscriptions	5,000

Notes to the financial statements

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For the year ended 31 December 2009

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(cont'd)

Income for the 12 months to December 2009

Related party	\$ NZD	Purpose	Amount outstanding at balance date \$ NZD
Connetics	3,700	Membership subscriptions and award evening tickets/sponsorship	–
Electrix	7,111	Membership subscriptions and award evening tickets/sponsorship	6,000
Meridian	6,000	Membership subscriptions	6,000
Transpower	5,111	Membership subscriptions and award evening tickets	–
Vector	2,700	Membership subscriptions	–

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Key management and personnel compensation

The compensation of the executives, being the key management personnel of the entity, is set out below.

	December 2009 \$ NZD	December 2008 \$ NZD
Short-term employee benefits	637,819	608,144
Termination benefits	–	–
	637,819	608,144

Notes to the financial statements

For the year ended 31 December 2009

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Financial instruments

	December 2009 \$ NZD	December 2008 \$ NZD
Financial assets		
Loans and receivables		
- Cash and cash equivalents	364,080	268,281
- Trade and other receivables	480,967	441,943
- Other financial assets	6,582,663	7,063,025
	7,427,710	7,773,249
Financial liabilities		
Other financial liabilities at amortised cost		
- Trade and other payables	193,967	739,804
- Borrowings	16,645	25,602
	210,612	765,406

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. ESITO does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The audit and risk committee meets six times a year, to monitor risks and policies implemented to mitigate risk exposures.

Market risk

ESITO's activities expose it primarily to the financial risks of changes in interest rates. ESITO 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 ESITO.

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 statement of financial position.

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.

Interest rate sensitivity analysis

For cash and term deposits the analysis is prepared assuming the exposures outstanding as at 31 December were outstanding for the whole year. A 1 percent movement in interest rates (higher or lower) is used when reporting interest rate risk.

If interest rates had been 1 percent higher or lower and all other variables were held constant, the organisation's profit for the year ended 31 December 2009 would increase/decrease by \$75,554 (2008: increase/decrease by \$127,231).

Notes to the financial statements

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For the year ended 31 December 2009

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Approximately 84 percent of total income is derived from ESITO's contract with the Tertiary Education Commission (TEC). ESITO is currently recognised by TEC as the Industry Training Organisation for electricity supply. For the 2010 year, a contract has been established with the TEC and funding will be received for one fiscal year. The 2010 contract does not guarantee any further contracts with the TEC.

The table below shows the credit limit and balance of three major counter parties at the balance date using the Standard & Poors credit rating system.

Counter party	Location	Rating	Credit limit	Carrying amount December 2009 \$ NZD	Carrying amount December 2008 \$ NZD
ANZ National Bank	New Zealand	AA	Not more than 85% of the total \$ invested	5,160,978	3,869,174
Kiwibank	New Zealand	AA-	Not more than 85% of the total \$ invested	391,752	2,245,789
Bank of New Zealand	New Zealand	AA	Not more than 85% of the total \$ invested	1,394,013	1,212,658
				6,946,743	7,327,621

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 organisation's short, medium and long term funding and liquidity management requirements. The organisation manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities.

Liquidity and interest risk tables

The following table details the organisation's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which ESITO can be required to pay. The table includes interest plus principal cash flows and is GST inclusive.

	Weighted average effective interest rate	Less than 1 month \$ NZD	1-3 months \$ NZD	3-12 months \$ NZD	1-5 years \$ NZD	Total \$ NZD
2009						
Finance lease liability	15.45%	951	1,902	8,559	10,461	21,873
Trade payables	0.00%	162,467	–	–	–	162,467
		163,418	1,902	8,559	10,461	184,340
2008						
Finance lease liability	15.45%	951	1,902	8,559	22,145	33,557
Trade payables	0.00%	291,226	–	–	–	291,226
		292,177	1,902	8,559	22,145	324,783

Notes to the financial statements

For the year ended 31 December 2009

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(cont'd)

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

	Weighted average effective interest rate	Less than 1 month \$ NZD	1-3 months \$ NZD	3-12 months \$ NZD	1-5 years \$ NZD	Total \$ NZD
2009						
Fixed interest instrument	5.52%	0	1,707,677	3,063,214	1,811,772	6,582,663
		–	1,707,677	3,063,214	1,811,772	6,582,663
2008						
Fixed interest instrument	8.23%	1,416,661	1,180,944	3,528,905	936,514	7,063,024
		1,416,661	1,180,944	3,528,905	936,514	7,063,024

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 and 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.

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Industry cash contribution

Industry cash contribution (for the period January 2009 to December 2009) by employers and trainees not included in ESITO's accounts amounted to expenditure of not less than \$5,579,919 (2008: \$6,576,010).

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Subsequent events

There have been no subsequent events since balance date.

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Capital commitments

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

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Contingencies

As at 31 December 2009 ESITO had no contingent liabilities or assets (2008: Nil).

Glossary

ESI

Electricity Supply Industry.

ITO

Industry Training Organisation.

Completion rate

Measured as the number of training programmes actually completed against the number expected to complete. ESITO training programmes can include more than one qualification.

Credit

A value assigned to a unit standard or qualification which represents the amount of time required to complete the specified outcomes. One credit normally equates to approximately 10 hours of learning and assessment. On average, ESITO qualifications have a value of 90 credits.

Modern apprentice

A trainee between 16 and 21 years of age who is working towards a national certificate at levels 3 and 4. In some cases older people changing their career may also qualify.

STM

Standard Training Measure – the measure TEC applies to all ITOs for funding the number of people in training and credits they're enrolled in for a year. Trainee numbers therefore directly affect the amount of funding we receive.

TEC

Tertiary Education Commission – the crown entity responsible for managing the Government's annual funding for tertiary education, which includes all forms of post-secondary school education and training.

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

Bankers

ANZ National Bank
PO Box 926
Hamilton

Auditors

Staples Rodway
PO Box 9159
Hamilton



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