



Maximising human potential



ANNUAL
REPORT
2023

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Supporting industry through strong training foundations



Ian Butturini,
Chair

“I feel the decision to pursue diversified revenue and additional industry coverage was the single most important choice Skills Group made to get us to the position we’re at today.”

This year will be my last in the role of Skills Group board chair as I have resigned my position. A new appointment to the role of Board Chair will be made after Skills’ next Annual General Meeting in June 2024.

When I joined Skills’ board 16 years ago, it was running publicly funded electrical apprenticeships as the ETITO, and was facing a liquidity crunch. We were obliged to approach our members with the news that we didn’t have funding to take on any more apprentices. It was at this point that Skills Group and the

Board decided we needed to create a financially sustainable organisation that could weather the ups and downs of various industries. This meant creating a diversified revenue stream through providing consulting services to the private sector.

Starting with Skills International, the consulting branch of Skills Group began earning us substantial returns, which continued to sustain the organisation. I feel the decision to pursue diversified revenue and additional industry coverage was the most important decision Skills Group made to get us to the position we’re at today. It was this vision of creating a sustainable organisation which guided Skills Group through the disruption of the Reform of Vocational Education (RoVE) as it transitioned into a Private Training Enterprise (PTE).

For me to now observe Skills’ evolution, and see us with a Foundation that has the ability to support Skills’ and Members’ charitable initiatives, to me that’s a legacy I’m proud to be part of.

In 2023, Skills completed the first year of a three-year transformation strategy which aims to see it thriving in the new educational landscape. While we’ve had a satisfactory result in terms of progress, it has been a tough 12 months.

In April 2023 we completed the purchase of ETCO, a PTE which provides training courses for electrical apprentices and also employs them via a group scheme. ETCO’s substantial scale meant its integration with Skills required us to implement a wide-

ranging change programme which wrapped up pre-existing loose threads from RoVE and earlier acquisitions, leaving us with stronger systems and a clearer operational focus.

We also navigated the Tertiary Education Commission audits across two of our brands, ETCO and ICE.

Throughout our integration journey over 2023, we have worked hard to articulate the purpose and mission of the Skills Foundation to Members. The Foundation’s core function remains unchanged – to support and advance Skills’ charitable purposes of improving education and the development of the industries that Skills serves.

To continue to deliver a high-quality training product for learners and apprentices that align with industry needs, we need Members’ support, and we hope this is a vision all parties can agree on.

In the coming year, we are excited to continue launching our Specialist Trades School concept. This holds significant potential for Skills Group’s future direction, and I will personally follow with great interest the next steps that Skills takes to help build the skills and resilience of the vocational workforce.

I would like to wish Skills the very best for the coming period. I have every confidence in the strategy developed and the people involved to continue to build a strong, resilient and vibrant organisation that will create stronger industries, leading to a stronger New Zealand.



Rosanne Graham,
CEO

“By creating repeatable, scalable and compliant processes, we will deliver greater customer satisfaction, improved margin and a better EBITDA result for the business in the long term.”

With the RoVE changes in October 2022 and the acquisition of ETCO in April 2023, Skills embarked on the first of a three-year transformation process. The first year was one of integration as we began the process of embedding our new operating model and organisational structure; launched an entirely new bundle of IT systems; refreshed our executive leadership team and merged four PTEs into two.

We emerge from 2023 having shifted from a siloed single-business-unit focus to an integrated matrix management model with fit-for-purpose shared services. Refining this model continues in 2024.

Skills’ purpose is to be a global leader in maximising human potential. I have articulated Skills Group’s five key areas of focus driving our operational strategy in 2024 as:

- Customer centricity
- People and performance
- Stakeholder engagement
- Operational excellence
- Sustainable growth

2023 was a challenging year for Skills and 2024/25 are not expected to be any easier as we navigate an economy in recession and an organisation that is in year two of a transformation process.

While individual parts of the business performed well, there were significant transformation costs and some of these costs will continue into 2024/5. These costs are an essential part of establishing a strong foundation for the business and will ultimately play a key part in right-sizing the business for the future.

Our priority for 2024 is operational excellence. By creating repeatable, scalable and compliant processes, we will deliver greater customer satisfaction, improved margin and a better EBITDA result for the business in the long term.

In 2023 we supported 15,500 learners across the wider organisation. Our course completions remain high across the business, however we still have some work to do in the workplace space as we develop a new mode of delivery in the post-RoVE environment. We also supported a large number of scholars from the Pacific through our successful partnership with the Ministry of Foreign Affairs.

We developed a ten-year property strategy which equips us with premises supporting our vision for the future. We currently have builds underway in Dunedin and Christchurch for delivery of plumbing and electrical training through our Specialist Trades School in 2024.

We have also created a strategy for international markets with a clear product offering for 2024.

I would like to thank our outgoing board chair, Ian Butturini, for his outstanding contribution to Skills Group over 16 years.

We are a people business, focused on people, and as such I would also like to recognise the contribution of our Skills Group staff. They have truly supported us through this period of change.

Together, we are expanding the organisation’s capacity to maximise human potential.


























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OUR INDUSTRIES

Within Skills Group, we operate across numerous different industries – both in NZ and around the globe – building solutions that are designed to meet industry, employer and trainee needs both now and into the future.

- | | | | | | |
|---|---|--|---|--|--|
| 
Aged Care | 
Agile Practice | 
Artificial Intelligence | 
Barbering | 
Business Analysis | 
Contact Centres |
| 
Culinary Arts | 
Defence Force | 
Drainlaying | 
EAP & Wellbeing Support | 
Electrical | 
Electro Technology |
| 
Foundation Studies | 
Gasfitting | 
Government | 
Hairdressing | 
Healthcare | 
Hospitality |
| 
Intelligence | 
Leadership | 
Nail Technology | 
Negotiation | 
Occupational Health and Safety | 
Offender Management |
| 
Outplacement Service | 
Plumbing | 
Pre-Police | 
Project Management | 
Real Estate | 
Roofing |
| 
Security | 
Sales Training | 
Workplace Literacy | | | |



PRIVATE TRAINING ESTABLISHMENTS (PTES)

In 2023 our PTE brands continued their evolution towards maximising human potential through lifelong learning in a challenging trading environment. Despite economic headwinds, data suggests Skills Group's brands have performed well relative to their immediate competitors.

The integration of ETCO with Skills Group's other PTE brands – ICE, E-tec, Ignite and Premier – has dominated the PTE world this year. The systems, processes, personnel and premises ETCO has brought into the Group have prompted widespread change, making 2023 the first of what we have envisioned as a three-year transformation.

Change projects have included streamlining systems processes between ICE, E-tec and ETCO so that these organisations are operationally set up for success. The Two EDUMIS project saw our brands shift from four EDUMIS identifiers to two, operationally grouping ICE and E-tec; and Premier and Ignite.

We have also worked to engage our people culturally as we make sure each organisation's team is aligned with Skills Group's direction as a whole.

Financially navigating the end of the Government's Targeted Training and Apprenticeship Fund (fees-free training) with affected learners has proved challenging for ICE and ETCO, but we have now emerged with more robust processes around establishing direct debits.

In a November survey carried out by Perceptive on ETCO learners, Skills Group has learned that the rising cost of living is creating financial stress for many. We have observed

that the reinstatement of training fees on top of this is driving some learners to abandon their study due to cost pressure. We are deeply concerned about this in the context of New Zealand's ongoing skills shortages in the trades.

We believe our specialist trades are likely to prove resilient as other industries are increasingly disrupted by Artificial Intelligence, and are committed to investing in their future with new premises, better experiences for learners and up-to-the-minute course materials.

The Tertiary Education Commission has continued to back us by supporting research projects like ICE's mixed-reality initiative, which leverages the Microsoft HoloLens platform for experiential learning.

Our specialist trades brands are also working on improving traditional delivery channels by rolling out tutor development workshops to 80 ETCO tutors and apprentice mentors across the country; and by developing an in-house Continuous Professional Development programme series aimed at enhancing teaching skills, which in 2023 served 20 ETCO tutors.

Going forward, we expect that technology will continue to become an enabler in delivery across all our PTEs. Ignite is one of a very small number of providers offering all modes of delivery (work-based

learning, online, apprenticeships and face-to-face learning), allowing us to evolve its role by developing and introducing a range of apprenticeship degrees – a first for New Zealand.

Less than three months after its acquisition by Skills Group, the ETCO team began preparation to launch the New Zealand Certificate in Electrical Trade (Level 4) – General Electrical [4204]. This new qualification will be provided during 2024, offering learners improved content and greater flexibility.

As a recession begins to bite in 2024, we see our PTE brands poised to support people, workplaces, industries, schools and communities with needed skills for the economy of the future. We are confident that when the market rebounds, we will be ready to place well-prepared learners into valuable, productive jobs.

“In 2023, ICE created 21 new HoloLens guides for Plumbing, Gasfitting and Drainlaying Level 4 apprentices, with nearly 90% of learners reporting a positive experience.



KEY STATISTICS AND COVERAGE

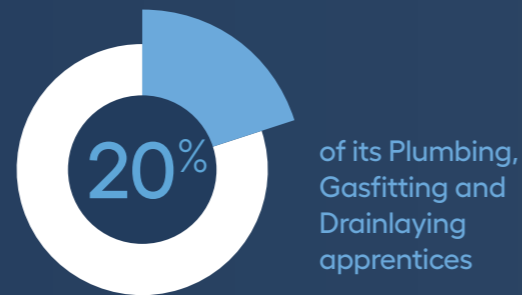
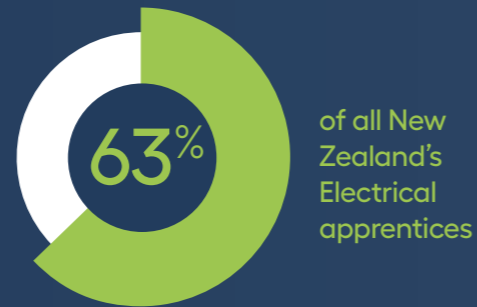


15,592 learners

Across **33** industries and professions

Aged Care, Agile Practice, Artificial Intelligence, Barbering, Business Analysis, Contact Centres, Culinary Arts, Defence Force, Drainlaying, EAP & Wellbeing Support, Electrical, Electro Technology, Foundation Studies, Gasfitting, Government, Hairdressing, Healthcare, Hospitality, Leadership, Nail Technology, Negotiation, Intelligence, Occupational Health and Safety, Offender Management, Outplacement Service, Plumbing, Pre-Police, Project Management, Real Estate, Roofing, Security, Sales Training, Workplace Literacy.

Including:



20

We operate: sites across the motu, from Auckland to Invercargill



\$142m annual revenue



457 FTE staff

	ETCO	E-tec	ICE	Ignite	Premier
South Auckland		●		●	●
Auckland Central	●				
Hamilton	●				
Rotorua	●				
Tauranga	●				
Lower Hutt	●			●	
Wellington	●				●
Otaki			●		
Nelson	●				
Christchurch	●		●		
Dunedin	●		●		



ACQUISITION OF

etco

On 1 April 2023, Skills Group completed its acquisition of The Electrical Training Organisation, ETCO.

Who is ETCO?

ETCO is a Category 1 PTE which was established by Master Electricians (ME) in 1991.

At the time of acquisition, it employed 180 full-time staff who operated from seven regional offices and seven training centres.

ETCO's Group Apprenticeship Scheme employed around 900 apprentices and placed them with host businesses to learn on the job. Following the implementation of RoVE in 2022, ETCO also began organising training and pastoral care for approximately 3,000 independent (not ETCO-employed) apprentices. Additionally, it delivers short electrical courses and pre-trade Foundation courses.

Skills Group's acquisition of ETCO marked the beginning of a 12-24 month integration period. We have approached the integration period with the intention of sharing the best of what each organisation brings in terms of best practice.

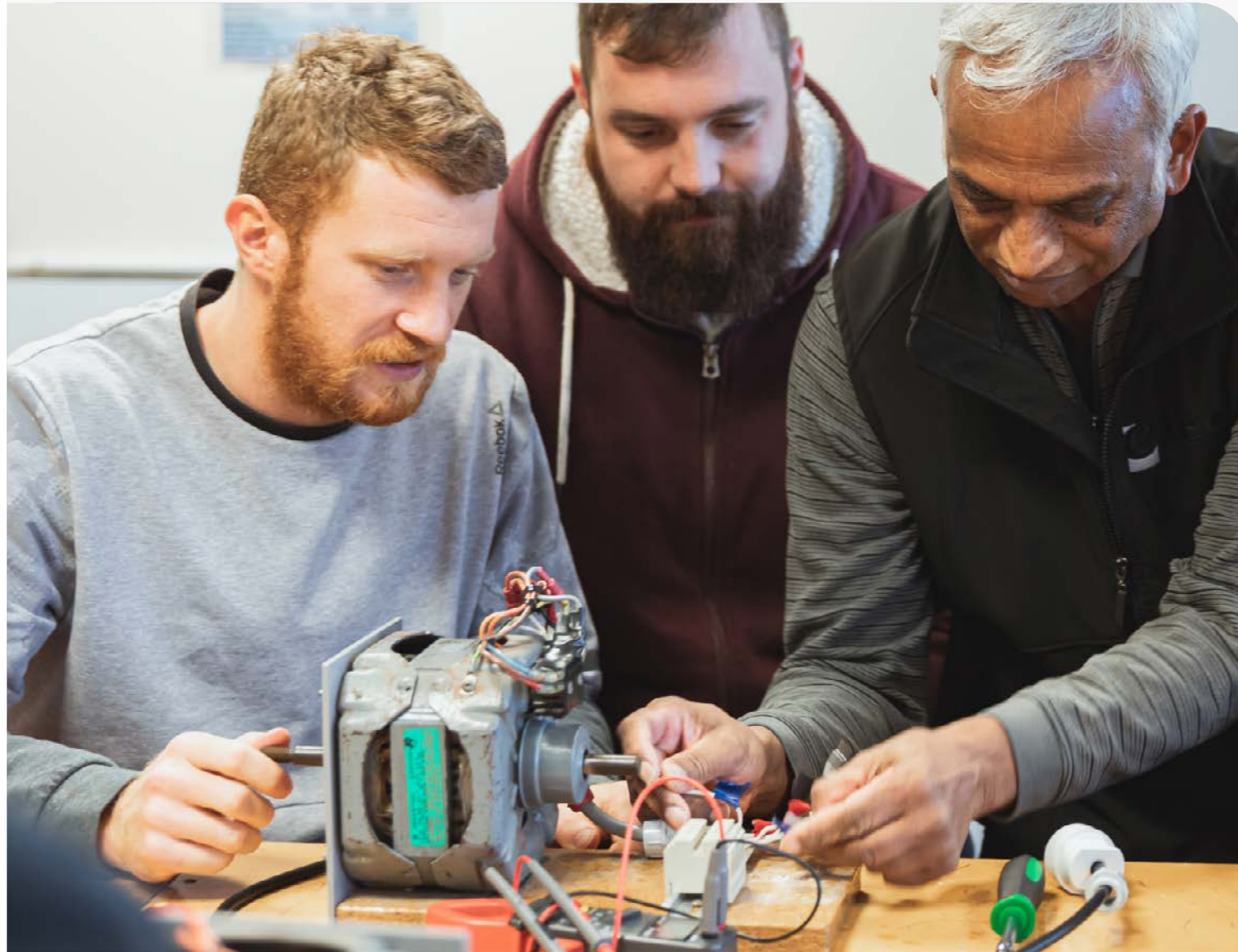
Specialist Trades School

The decision to acquire ETCO was driven by a vision first proposed around 2019 to unite Skills's E-tec and ICE brands with ETCO to provide a Specialist Trades School. The Trades School is being offered in partnership with ME, which has a 30% stake in this initiative. An Advisory Board was appointed to oversee its establishment, and news will be shared as plans take shape over 2024 and beyond.

Skills' experience in student wellbeing, care and support complements ETCO's strong track record in electrical training and apprentice employment. We believe ETCO's acquisition provides a sustainable future for electrical trades training and apprenticeships that is industry-focused and meets the needs of industry.



e-tec

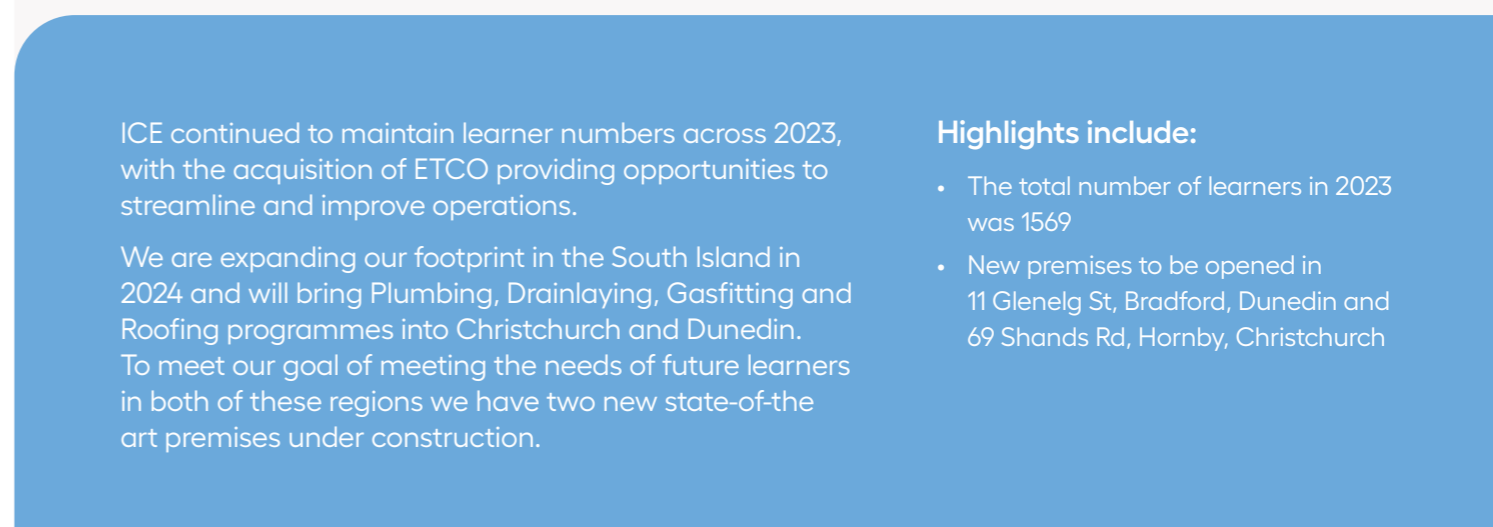


E-tec offers advanced-level short courses aimed at New Zealand's electrotechnology and telecommunications industry. In 2023, it continued its strong performance, serving in excess of 3000 learners.

Highlights include:

- Strengthened partnership with the New Zealand Defence Force, offering Navy and Army recruits training alongside ETCO
- Renovated its East Tamaki premises to provide a new kitchen and enhanced learning facilities
- Two EDUMIS project sees E-tec and ICE now reporting to the Ministry of Education under the same identifier

ice



ICE continued to maintain learner numbers across 2023, with the acquisition of ETCO providing opportunities to streamline and improve operations.

We are expanding our footprint in the South Island in 2024 and will bring Plumbing, Drainlaying, Gasfitting and Roofing programmes into Christchurch and Dunedin. To meet our goal of meeting the needs of future learners in both of these regions we have two new state-of-the-art premises under construction.

Highlights include:

- The total number of learners in 2023 was 1569
- New premises to be opened in 11 Glenelg St, Bradford, Dunedin and 69 Shands Rd, Hornby, Christchurch

ignite



Ignite is a Category 1 Private Training Establishment (PTE) with Highly Confident ratings in both Educational Performance and Self Assessment. Following the acquisition by the Skills Group, Ignite is now embarking on a significant journey of transformation to become New Zealand's most diverse education provider in the private tertiary sector as it strives to position itself to maximise its relevance, contribution, and performance. We are focused on the development of 10 pillars of educational excellence covering vocational and higher education qualifications from levels 2-7.

These are:

- Business and Communication
- Culinary Arts
- Primary Industries
- Hospitality
- Hair and Beauty
- Digital and Information Technologies
- ILN, ESOL, Workplace Literacy
- Education
- Health
- Real Estate

A range of significant product development initiatives are underway including business, health, hairdressing, IT and Primary Industries programmes.

With a diverse portfolio of programmes across all modes of delivery, there are variations in ethnic participation rates by programme at Ignite. However, the overall Pasifika participation

for online and face to face learning is strong for Ignite at 44.2%. The overall representation from Māori improved to 12.4% in 2023, but for Hospitality and Personal Services, and Cookery, Māori participation is very strong at 37.5% and 33.3% respectively.

Ignite's Teaching and Learning Strategy is designed to maximise student success through:

- Learner support mechanisms.
- Specific strategies and resources to support increased participation and success of Maori, Pasifika and Youth.
- Staff professional development.
- High quality and relevant programme design, and research.

Our five key objectives are:

1. Supporting learners to successfully complete programmes of study for pathways to higher education, employment and/or career progression.
2. Maximising the participation and success of Māori, Pasifika, and those under 25 with parity of achievement when compared to other learners.
3. Supporting teaching staff as specialist trainers and educators with a focus on pedagogy, digital and cultural confidence, and skills to support learner success.
4. Developing and maintaining high quality teaching environments to engage and support learner training and development.
5. A commitment to innovative programme and assessment design.
6. Developing and supporting staff and students as researchers to build and maintain a vibrant research culture.

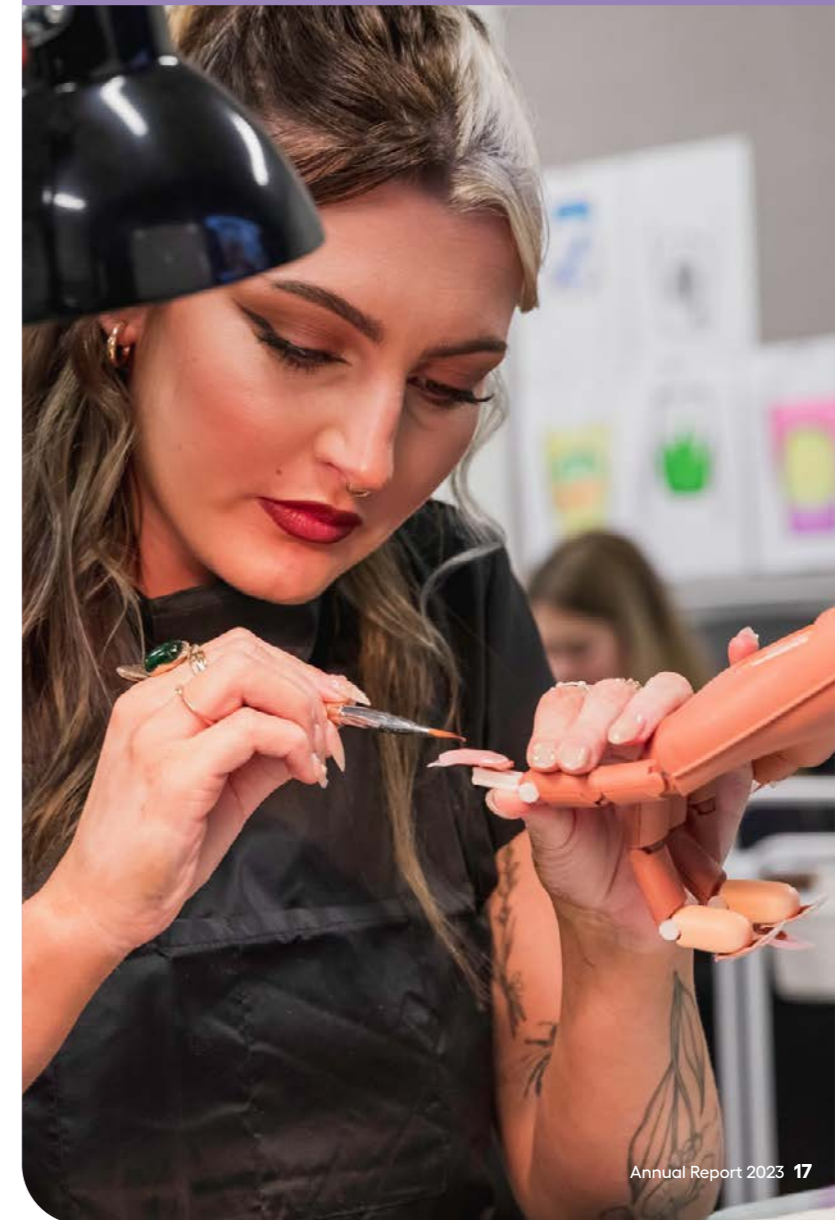
2023 saw strong educational achievement for Ignite learners with course completions of 89% and qualifications completions of 79% for online and face to face provision, and a credit achievement rate for work based learning of 60.3%.

premier

Premier's journey of evolution continues as it settles into new purpose-built premises co-located with Ignite at 5a Ryan Place, Manukau.

Highlights:

- Celebrated the opening of the Ryan Place premises by commissioning and installing two art murals by New Zealand artist Xoë Hall (Kāi tahu)



CORPORATE TRAINING HIGHLIGHTS



CORPORATE TRAINING HIGHLIGHTS

During 2023, Skills Group's informal training brands underwent a streamlining process to focus and refine our offering, particularly in international markets. Our Delivery and International Markets team worked with the Product, Innovation and Quality team to examine and reposition the programmes offered in each market, remove duplications and refresh the content.

We are now working towards driving each of our markets to \$10 million and beyond. Skills brands are present in Australia, Singapore and the United States – we see these international markets as having exciting growth potential beyond our centre of operations in New Zealand.

Following on from our programme consolidation, we are adjusting our website to allow greater flow between the three informal training brands (IMNZ, David Forman and SoftEd). Customers will be able to access each from one website. We are eventually looking to make all our corporate training programmes available for all markets, and have already begun testing this concept in Australia with promising results.

USA

Led by the SoftEd brand, Skills' USA market continued to grow in 2023, with significant new clients including the New York State Forum. New Zealand Trade and Enterprise (NZTE) supported us in terms of accelerating that growth by deepening local connections and considering further opportunities. We have come to consider the USA as an innovation hub for product development – as an example, the American team as integral in moving SoftEd to take a leading position around AI skills-based training.

Australia

As SoftEd's first international market, Australia is a territory where this brand has a long-standing history and loyal customer base. It's here that we have begun introducing relevant skills-based programmes from other Skills informal training brands. By example, we ran the

IMNZ programme 'Leadership Essentials' with an Australian customer in 2023.

Singapore

Our 2023 strategy for Singapore was about maintaining existing momentum, but in 2024 we are looking to introduce an ambitious new corporate offering to this territory – Skills Dx.

New Development

In 2023, we established Skills Dx: a new diagnostic tool that's data-driven and best-of-breed. This project was a key development for Skills, and will support organisations large and small with targeted plans to help grow their people.

Skills Dx mobilises our in-house expertise with Learning Design and Vocational Consulting into a flexible, scalable proposition that will suit a wide range of businesses.

It works by serving participants a range of easy-to-access online assessments with insights into their behavioural preferences, strengths and development areas. Skills Dx then provides a simple report detailing results from the assessment plus guides for development. Our global team of consultants follow up to discuss how Skills' portfolio of training courses can assist.

It will be launched into the market in 2024.



TRANSFORMATION

In 2023, Skills Group completed a series of change projects which began the first of a planned three-year transformation process.

New operating model

Six months following our acquisition of ETCO (see pages 12 – 13), we implemented a new operating model across all Skills Group's business units and brands. This was intended to align the activities of Skills and ETCO, allowing our shared services teams to support our goal of operational excellence by streamlining operations and creating customer-centric, efficient processes.

We are also better-placed to create scalable operational practices to position ourselves for planned growth.

The key changes included:

PTEs

- Our former Private Training Enterprise business unit was divided into two units: Specialist Trades; and Vocational Training and Higher Education. Two new directors were appointed to lead these (see 'Executive Leadership' below).
- Specialist Trades includes ETCO's Group Employment Scheme; ETCO; ICE and E-tec. See pages 8 – 17 for more information.
- Vocational Training and Higher Education encompasses Ignite, Premier, Pike Ake, Māori and Pasifika team and B2B delivery for Ignite.

Corporate Services

Led by our Chief Financial Officer Scott Bitchener, the Corporate Services team has now absorbed administration, customer operations, registry functions and property management. This has centralised Skills' capability for processing and reporting across the ITR and SDR systems.

Product, Innovation and Quality

Product teams from the PTE brands, including ETCO, have had their reporting lines centralised under the PIQ team, led by Director of Product, Innovation and Quality Gwyn Thomas. See pages 24 – 25 for more information.

People and Capability

People and Culture has now become People and Capability (P&C). Director People, Marketing and Stakeholder Management Jane Kennelly remains responsible for P&C and is now also across Marketing.

Executive leadership

Ben Stevens: Ben was appointed to the role of Director of Specialist Trades in February 2024. A chartered accountant with an international background in operations, auditing and risk, Ben also has experience in the world of software start-ups.

Mark Worsop: Mark joined Skills as Director of Vocational Training and Higher Education in January 2024. His career in tertiary education spans 20 years and includes CEO roles at multiple PTEs.

Two EDUMIS

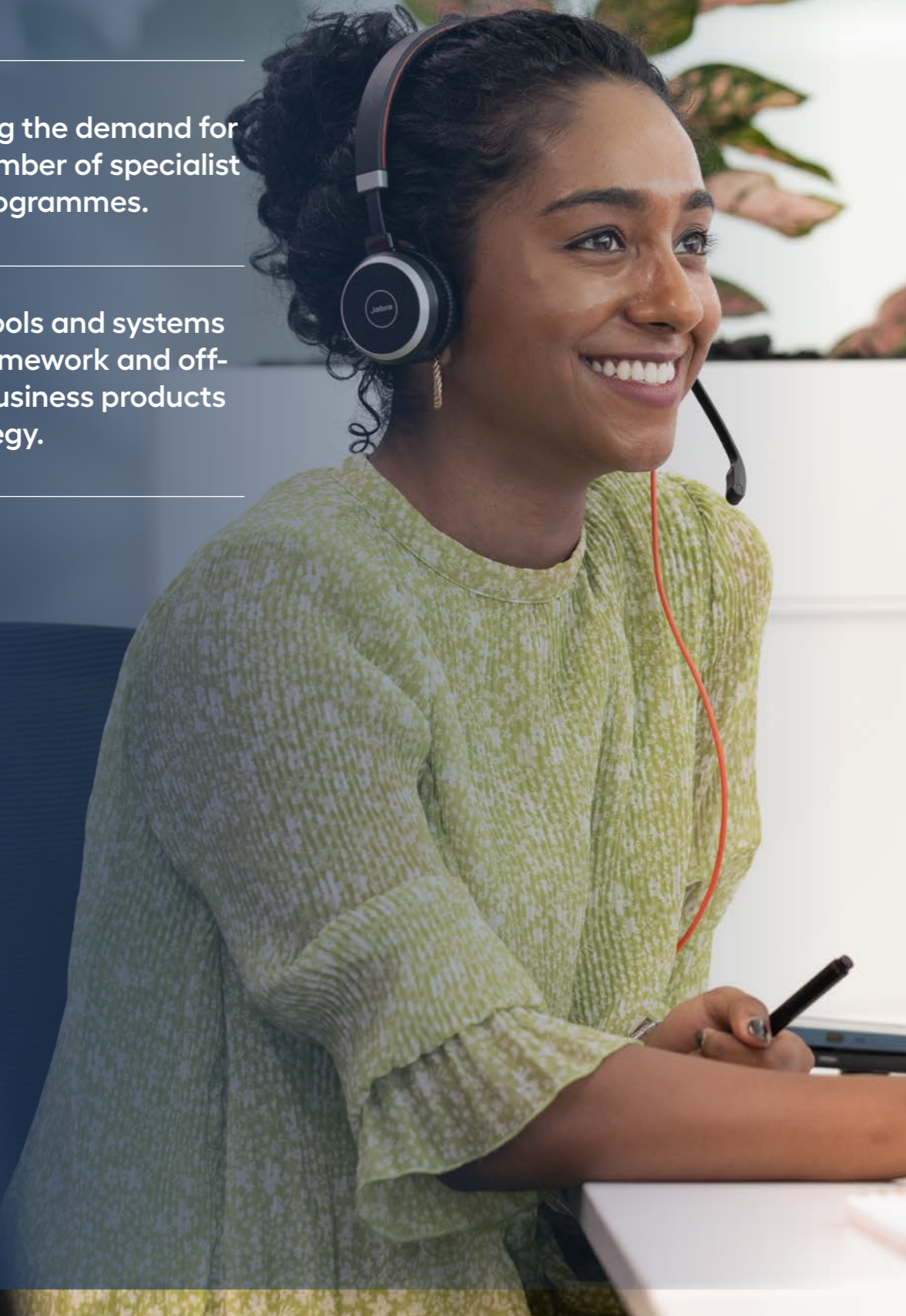
In September 2023 we began the process of amalgamating Skills' four PTEs, each with their own NZQA and TEC EDUMIS identifier, from four EDUMIS numbers into two. We undertook this to simplify our systems and processes; simplify reporting; reduce complexity for compliance; and offer us greater flexibility for use of funding.

The change was conducted at a back-office level and did not affect learners or employers.

PRODUCT DEVELOPMENT

We're meeting the demand for a growing number of specialist AI training programmes.

Leveraging tools and systems across on-framework and off-framework business products is a key strategy.



The Product, Innovation and Quality (PIQ) team spent 2023 rationalising and consolidating Skills Group's offering across the Corporate Training brands' courses. As the majority of these brands were recently-acquired, their course offerings were created in isolation from one another, resulting in duplication and a lack of internal structure.

Following our review, IMNZ, David Forman and SoftEd's course offerings are now simplified, with clear career and training pathways leading through multiple brands. Our intention is to cater to learners as they develop both hard and soft skills over the course of lifelong learning, providing them with the flexibility they need to adapt to the dynamic jobs market of tomorrow. To that end we have launched new AI training programmes specially targeted at existing channels and volumes of users such as AI for business analysts and AI for project managers.

The end of 2023 also saw the PIQ team begin managing all PTE programmes as part of a strategy to leverage both on-framework (PTE) and off-framework (corporate training) part of our business products. This also allowed us to begin implementing the rigour, tools and systems developed in the off-framework side through to PTEs programmes.

To support this and roll-out of our new product offerings, we have also implemented a new PIQ team structure which streamlines our efforts, maximises collaboration and empowers each individual to shine.

Looking further ahead, we are beginning to explore the concept of work-based degrees. Work-based degrees are a new concept for New Zealand, but in the United Kingdom and Germany, they are a proven success. Members of the Executive and PIQ team carried out research in 2024 with the backing of our Workforce Development Council, Waihanganga Ara Rau; the Tertiary Education Commission and New Zealand Qualifications Authority.

We anticipate delivering work-based degrees as a key Skills product in the medium term. This extended timeframe will be necessary to meet the academic rigor required of education at this level.

We also continued to host the New Zealand branch of the Global Apprenticeship Network, which champions work-based learning around the world, and connects our consultancy and training to international best practices.

The **Manaaki** Short Term Scholarships and **Tertiary** Scholarships Selections teams (contracted to ENZ/ MFAT) have continued to have highly a successful year delivering programmes that provide Skills some of their highest margin returns whilst delivering on complex government contracts. They have also grown a key contract by over 300% in revenue. The outcomes of this work has individuals returning to their home countries with increased skills, connections and confidence to make significant changes in their communities and countries futures.

The Learning Design and Vocational Consulting teams have both had a strong result for the 2023 year working with clients providing innovative learning solutions and strategically important advice to both private and public sectors. They have both started to support Skills internally and will accelerate that for 2024 as we leverage their world class services.

FOUNDATION

2023 was a year in which the Trustees assessed the overall portfolio of assets – and examined what was the best mix of investments required to provide a healthy sustainable return for the Foundation, as well as meeting Skills’ charitable purpose.

The Trustees made the decision to expand our property portfolio because the rate of return was higher than what we could achieve in the sharemarket and it had the added strategic benefit of supporting the growth and sustainability of Skills.

During the year we have continued to invest in the Dunedin property site and I am pleased to announce that this site is going live in July of this year. This development represents a significant investment, which provides a high-quality campus for our electrical and plumbing students.

We have also purchased a piece of land adjacent to our existing electrical training site in Hamilton to expand our electrical delivery

and add Plumbing to the area. We are currently working through design feasibility on this site.

During the year we provided \$1,325k in grants. The amount paid was at a level that was not sustainable to maintain the same level of assets within the Foundation. Nevertheless, the 2023 and 2024 grant allocations were made on the basis of agreed allocations with Members (dependent on appropriate grant applications). 2025 will see us moving to a more sustainable approach, based on funds available for grant distribution in any given year that maintains the asset base.

Michael Chamberlain,
Foundation Chair

FINANCIAL OVERVIEW – LOOKING FORWARD

In the short to medium term, Skills Group focused in 2023 on consolidating our systems and processes to adjust to the ramifications of the changes we have implemented.

In 2023 the Group made a \$2M deficit, \$4M down on the \$2M surplus in 2022. The underlying returns were positive for both our PTEs, ICE and Ignite. The MFAT programme delivered good returns as it bounced back from Covid to full operation in 2023.

The \$4M reduction on prior year was driven by the investment in transforming and consolidating the business. These activities included amalgamating four PTEs into two, starting to embed seven new IT systems, and the start of changes to the group operating model.

Our Statement of Comprehensive Revenue and Expense looks very different to 2022 due to the ETCO acquisition and the addition of the Group Scheme as a new operating model. This change is driven by the change in nature of the business

now that we have moved away from being an ITO that arranges training to a PTE that delivers training. This now means our key cost areas for running the business relate to staff with tutors and people in the field and our training premises.

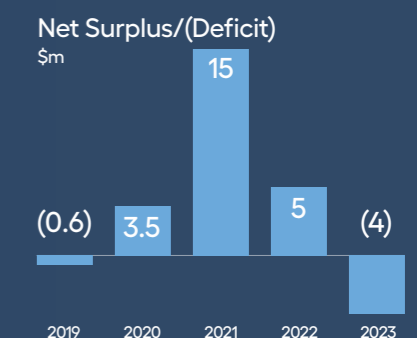
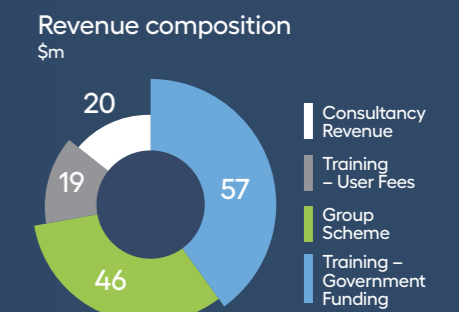
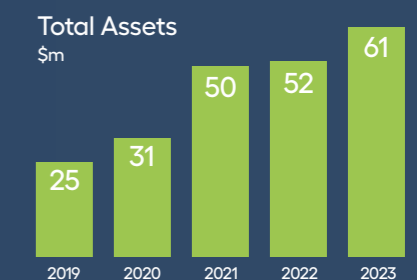
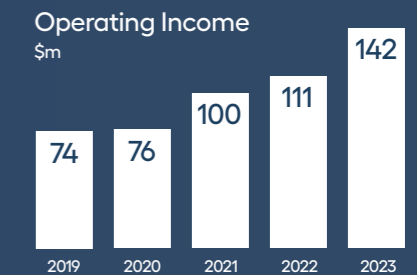
Our balance sheet remains strong at a Group level with some changes in 2023 with the acquisition of ETCO and the purchase and development of property within the Foundation. It remains strong with the underlying base that has been built up over the years.

Our balance sheet now also contains a significant increase in liabilities to offset the assets with the acquisition of ETCO and the group scheme whereby we carry employee liability with taking on over 900 employee apprentices.

Looking Forward

In 2024 we will see this journey continue as we invest in our infrastructure in year two of our transformation journey. We will also be investing heavily in premises over the next few years and in 2024 will have new campuses open in Nelson, Christchurch and Dunedin. We will likely return to break even in 2024 and move to surplus again in 2025.

Scott Bitchener,
Chief Financial Officer





FINANCIALS

Financial Statements

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Statement of Service Performance

For the Year Ended 31 December 2023

Reporting Entities

The financial statements represent the consolidation of the Skills Organisation Incorporated (“Skills”) and its controlled entities (collectively the “Group”).

The Group continues to offer a range of solutions to customers (locally and internationally), providing specialist technical training, leadership, management, sales and agile courses, developing learning technology and support solutions to stakeholders and customers in vocational education, providing capability in management services, outplacement services and the wellness sector, agile consulting services and niche consulting services. In addition to this in 2023, we have added capability with the provision of electrical apprentices and delivery of apprenticeships in the electrical sector.

The Group has made a number of judgements in preparing its service performance information. The judgements to determine the grouping of measures was around the business offering and the logic that the different entities offerings have measurements that are unique to their type of delivery that make sense for those areas.

The measurement basis, basis of preparation and other significant accounting policies (including judgements and estimates) disclosed in the notes to the consolidated financial statements have been consistently applied in preparing the Group’s service performance information where appropriate. Note we have included the material entities of the Group within the Statement of Service Performance, including The Skills Organisation Incorporated, Ignite Colleges Limited, Industry Connection for Excellence Limited, Skills Group Employment Limited, and Skills Group Limited.

Why we exist

The Skills Organisation Incorporated (Group) is a charitable Group with its primary purpose to focus on advancing vocational education and training to raise skill levels in New Zealand. The primary beneficiaries of the Group’s activities are the individuals who receive the education services provided by the Group and the employers that benefit from the improvement in their employees’ skills from the wider activities of the organisation. The members of the group benefit indirectly through the lift in their members who receive educational services and through Grants from The Skills Group Foundation in relation to these charitable activities.

About the Skills Group

The Skills Group, established in 1992 as an Incorporated Society, is one of the largest training organisations in New Zealand with over 30 years of experience. As a registered charity, its profits are reinvested back into the development of the industries it serves. Skills’ vision is to be a global leader in maximising human potential.

2023 marked Skills Group’s first full year of operation following the Reform of Vocational Education (RoVE). As part of this reform, Skills transitioned from being an Industry Training Organisation (ITO) to holding two registered private training establishments. This transition enabled Skills to concentrate on delivering high-quality vocational education and training through its subsidiaries.

The Group generates revenue by delivering training through two Primary Training Establishments (PTEs) that are NZQA registered and provide funded training programmes from the Tertiary Education Commission that also include user fees:

- Industry Connection for Excellence Limited (ICE), which includes brands The Electrical Training Company Limited (ETCO) and E-tec. ICE offers training in plumbing, gasfitting, drainlaying, roofing, and electrical.
- Ignite Colleges Limited, which includes brands Ignite Colleges and Premier Institute of Education. Ignite offers training in various sectors including healthcare, business, hospitality, and more.

The Group also generates revenue through:

- Skills Group Limited on a user pays basis through a corporate training and consulting business that helps companies and organisations upskill through tailored training and an international business that offers training and consulting services globally and attracts international students to New Zealand; and
- Skills Group Employment Limited that generates revenue by outsourcing employees to electrical firms for their work-based study to give greater flexibility to the employee through access to a varied experience.

The Skills Organisation Incorporated is the parent entity and is governed by a Board of Directors and comprises 17 Member organisations representing various industries.

The Skills Group Foundation, a controlled entity within the Group exists to service the charitable distributions in line with Skills’ charitable purposes whilst maintaining a capital base for the Group to invest over the long term. The entity is a charitable trust and is governed by three Trustees.

Our Vision, Mission, and Values

Vision: A global leader in maximising human potential

Mission: To build talent and prepare a skilled and future-fit workforce that drives personal, organisational, and industry success.

Values (Vital Signs):

- Collaboration
- Joy
- Bold
- Manaakitanga

Skills’ mission and values are at the core of all our activities and decisions. We advance our mission by working with individuals and companies to identify skills gaps, provide tailored training solutions, and connect learners with meaningful work opportunities.

Our values shape how we pursue this mission. Collaboration drives our partnerships with industry and our shared services model. We aim to create Joy through the success of our learners. Being Bold pushes us to innovate in our offerings. And Manaakitanga means respecting and caring for our learners, staff, communities and all those we work with.

Statement of Service Performance

For the Year Ended 31 December 2023

How We Performed in 2023

ICE (ETCO, ICE, E-tec)

ICE acquired The Electrical Training Company Limited on 31 March 2023, a registered private training establishment. The entity also included a group employment scheme, on 30 November 2023 ICE sold the Group Employment Scheme to a newly created entity Skills Group Employment Limited. This was done to segregate the separate business activities between the entities. Further to this on the 1 December 2023, The Electrical Training Company Limited merged into Industry Connection for Excellence Limited as a single operating Private Training Establishment entity.

In this business we look to exceed delivery in key performance metrics to highlight outputs for a future fit workforce that leads to industry success. There are key measures that were developed by the Tertiary Education Commission known as educational performance indicators that give a good view on these outputs where a target is put in place. They are course completion and qualification completion rate. TEC did not set a target for Qualification Completion for the year 2023 so our target is to be better than the prior year.

The external evaluation rating shows the quality of organisation in a metric developed by New Zealand Qualifications Authority (NZQA). This rating has a scale from 1 to 4, where 1 means a rating highly confident organisation. This is our target and as yet ICE has not had a review with its first scheduled in 2024.

A summary of these ratings is noted below.

Measure	2023	Target	2022
Course completion rate	77%	70%	N/A
Qualification completion rate	67%	53%	N/A
EER	N/A	1	N/A

The results for 2023 have been above target in a transitional year. We would like far greater levels of output in 2024 going forward.

Ignite (Ignite, Premier)

Ignite Colleges Limited merged with Premier Institute of Education Limited on 1 October 2023 from one private training establishment.

In this business we look to exceed delivery in key performance metrics to highlight outputs for a future fit workforce that leads to industry success. There are key measures that were developed by the Tertiary Education Commission known as educational performance indicators that give a good view on these outputs where a target is put in place. They are course completion and qualification completion rate. TEC did not set a target for Qualification Completion for the year 2023 so our target is to be better than the prior year.

The external evaluation rating shows the quality of organisation in a metric developed by New Zealand Qualifications Authority (NZQA). This rating has a scale from 1 to 4, where 1 means a rating highly confident organisation. This is our target and as yet ICE has not had a review with its first scheduled in 2024.

A summary of these ratings is noted below.

Measure	2023	Target	2022
Course completion rate	89%	70%	85%
Qualification completion rate	79%	78%	78%
EER	1	1	1

The results for 2023 were highly successful with 89% of students completing their course and 79% achieving a qualification. We have not had an EER review in the year and have maintained our category 1 rating.

Skills Group

There are commercial aspects to the Group that have an element of focus on generating financial surplus to support the charitable purposes of the group as well as driving educational outcomes to support maximising human potential. The focus in 2023 has been on growing the business and therefore the target to reflect this was a shift from prior year to be the increase of revenue on the prior year.

Measure	2023	Target
Consultancy revenue to be greater than prior year	42%	>0%

This highlights that we have had a significant growth in business in 2023.

The measures in 2022 were to show growth on a dollar basis. This was previously noted under three types of income that has been consolidated to reflect the total operating unit going forward as above.

Measure	2022 \$'000
Other Training – income increase on prior year	3,723
Consultancy – income increase on prior year	1,792
Wellbeing – income increase on prior year	315

The Skills Group Foundation

Key measures for performance are the spend of distributions in line with budget. Additional items have been added this year to highlight the sustainability of what proportion of Grants are covered via earnings. The target for this is to achieve distributions at less than 100% of the average total revenue returns (this is calculated as the actual income for the year plus 1/3 of the Net Change in Fair Value on Financial Assets at FVOCRE for the last 3 years). This highlights whether the grants are self-funding within the year compared to the investment returns made. Another additional item measured this year is measuring the increase on net assets for the year against prior year to highlight a stable capital base.

Measure	2023	Target	2022
Distribution of Grants	\$1,325,000	\$1,300,000	\$1,200,000
Grants distributed as a % of average revenue returns	129%	<100%	N/A
Total net assets	4%	<0%	N/A

In the 2023 year the amounts distributed were greater than the average of the return over the past 3 years and has supported reducing the reduction in the pool of grant funding for the future to ensure it is within the means of capital base of the foundation. The 2023 year itself had good performance, with revenues of \$2.5m, and an increase in net assets on the prior yet (2023: \$25.2m, 2022: \$24.3m).

Summary Consolidated Statement of Comprehensive Revenue and Expense
For the Year Ended 31 December 2023

	2023 \$'000	2022 \$'000
Revenue		
Revenue from Exchange Transactions		
Training – Government Funding	56,775	14,973
Group Scheme	45,506	-
Training – User Fees	19,181	16,387
Consultancy Revenue	20,317	14,338
Total Revenue	141,779	45,698
Expenses		
Group Scheme Employment	39,035	-
Staff Employment	54,297	22,013
Training Delivery	13,097	6,879
Property	8,262	2,409
Technology	5,291	1,474
Depreciation & Amortisation	4,709	2,115
Consultancy Expenses	10,064	1,664
Other Expenses	11,146	9,578
Total Expenses	145,901	46,132
Deficit for the period from continuing operations	(4,122)	(434)
Surplus for the period from discontinued operations	-	5,335
Surplus / (Deficit) for the Year	(4,122)	4,901
Other Comprehensive Revenue and Expense		
Net Change in Fair Value on Financial Assets	1,873	(2,904)
Total Other Comprehensive Revenue and Expense	1,873	(2,904)
Total Comprehensive Revenue and Expense for the Year	(2,249)	1,997

Summary Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2023

	2023 \$'000	2022 \$'000
Opening Equity	39,217	37,223
Surplus for the Year	(4,122)	4,901
Other Comprehensive Revenue and Expense	1,873	(2,904)
Total Comprehensive Revenue and Expense for the Year	36,968	39,220
Foreign subsidiary translation	(68)	(3)
Closing Equity	36,900	39,217
Represented By:		
Retained Earnings	32,395	36,517
Available For Sale Reserve	4,592	2,719
Foreign Currency Translation Reserve	(87)	(19)
Closing Equity	36,900	39,217

Summary Consolidated Statement of Financial Position

As at 31 December 2023

	2023 \$'000	2022 \$'000
ASSETS		
Current Assets		
Cash and Cash Equivalents	7,093	6,029
Term Deposits	-	1,000
Receivables	9,822	5,693
Investments at Fair Value	7,721	-
Total Current Assets	24,636	12,722
Non Current Assets	35,985	38,877
Total Assets	60,621	51,599
LIABILITIES		
Current Liabilities		
Payables	9,360	5,950
Revenue in Advance	6,806	3,758
Employee Entitlements	7,338	2,674
Loans and Borrowings	31	-
Total Current Liabilities	23,535	12,382
Non Current Liabilities	186	-
Total Liabilities	23,721	12,382
Net Assets	36,900	39,217
Equity		
Retained Earnings	32,395	36,517
Available for Sale Reserve	4,592	2,719
Foreign Currency Translation Reserve	(87)	(19)
Total Equity	36,900	39,217

For and on behalf of the Board who authorise the issue of these summary financial statements on 7 June 2024.



Ian Butturini,
Chair



Rosanne Graham,
CEO

Summary Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

	2023 \$'000	2022 \$'000
Net Inflow From Operating Activities	3,397	8,071
Net Outflow From Investing Activities	(2,550)	(14,248)
Net Inflow From Financing Activities	217	-
Net Increase/(Decrease) In Cash Held	1,064	(6,177)
Cash & Cash Equivalents at beginning of the Year	6,029	12,206
Cash & Cash Equivalents at end of the Year	7,093	6,029

Notes to the Summary Consolidated Financial Statements

For the Year Ended 31 December 2023

Corporate Information

The summary consolidated financial statements of The Skills Organisation Incorporated (Skills) and its subsidiaries (collectively the Group) were authorised for issue by the Board on 7 June 2024.

Measurement Basis

The functional currency is New Zealand dollars and the summary consolidated financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated. The summary consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets measured at fair value.

The Group has prepared the full consolidated financial statements on the basis that it will continue to operate as a going concern.

In confirming that the going concern assumption remains appropriate the Directors have considered the impact of the Education (Vocational Education and Training Reform) Amendment Bill ("RoVE") and the transition of operations to other entities.

Acquisitions in the current year will result in new revenue streams in place of those transitioned to others under RoVE.

Further, the Group has sufficient financial reserves and forecasts for the ensuing year confirm that there is sufficient cash to meet liabilities as they fall due.

Basis of Preparation

The summary financial report has been prepared in accordance with PBE FRS 43 – Summary Financial Statements and have been extracted from the audited full consolidated financial statements and statement of service performance ("full financial report"). The full financial report has been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Charities Act 2005. The full financial report complies with PBE Accounting Standards. The full financial report includes an explicit and unreserved statement of compliance with PBE Accounting Standards. Presentation of certain prior year comparatives have been restated to conform to current year presentation.

Basis of Consolidation

Controlled entities are entities ultimately controlled by the Parent (Skills). Control exists when Skills has the power direct the relevant activities of any entity, Skills is exposed to variable benefits from its involvement with these entities and Skills has the ability to affect the nature or amount of those benefits through its power over these entities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial position, performance and cash flows of controlled entities are included in the summary consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Dividends and other distributions from controlled entities are eliminated upon consolidation of the entities.

The full financial report were authorised for issue by the Board on 7 June 2024. The full financial report has been audited and an unqualified opinion has been issued.

This summary financial report cannot be expected to provide as complete an understanding as provided by the full consolidated financial statements. The full financial report is available on request from The Skills Organisation Incorporated.

Acquisition

The Electrical Training Company Limited

On 31 March 2023, Industry Connection for Excellence Limited (ICE) purchased 100% of the shares of The Electrical Training Company Limited (ETCO). ICE acquired ETCO for the purpose of developing and enhancing vocational education, training and learning for electrical and other key trades.

Assets acquired

The fair values of the acquired assets of ETCO as of the date of acquisition was:

	Fair value at acquisition date \$'000
Assets	
Cash and cash equivalents	9,705
Trade Receivables	6,626
Fixed Assets	4,536
Operating Assets	1,999
Total identifiable net assets at fair value	22,866
Intangible Assets – Customer Relationships	81
Purchase consideration transferred	22,947

ETCO was acquired on 31 March 2023 and contributed revenue of \$71.8 million and a net surplus of \$4.7 million to the Group's financial results.

Purchase Consideration

The purchase consideration of \$22,947,000 was funded by the concurrent sale of buildings owned by ETCO on 31 March 2023 to Electrical Contractors Association of New Zealand Inc (Master Electricians) for \$10,900,000 and a cash payment of \$12,047,000. In addition as part of the transaction Master Electricians acquired 30% shareholding in ICE and these shares were converted to partner shares on completion.

Events After Balance Date

There have been no events or transactions subsequent to balance date that have been deemed to potentially have a material impact on these financial statements.

Independent Auditor's Report on the Summary Consolidated Financial Report To the Members of The Skills Organisation Incorporated

Opinion

The summary consolidated financial report ('summary consolidated financial report') of The Skills Organisation Incorporated (the 'Entity') and its subsidiaries (the 'Group') comprises the summary consolidated financial statements on pages 34 to 39 and the summary consolidated statement of service performance on pages 30 to 33. The complete set of summary consolidated financial statements comprises the summary consolidated statement of financial position as at 31 December 2023, and the summary consolidated statement of comprehensive revenue and expense, summary consolidated statement of changes in equity and summary consolidated cash flow statement for the year then ended, and related notes. The summary consolidated financial report is derived from the audited consolidated financial statements of the Group for the year ended 31 December 2023

In our opinion, the accompanying summary consolidated financial report, on pages 30 to 39, is consistent, in all material respects, with the audited consolidated financial report, in accordance with PBE FRS 43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary consolidated financial report

The summary consolidated financial report do not contain all the disclosures required by Public Benefit Entity Standards. Reading the summary consolidated financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial report and the auditor's report.

The audited consolidated financial report and our report thereon

We expressed an unmodified audit opinion on the audited consolidated in our report dated 07 June 2024.

Directors responsibilities for the summary consolidated financial report

The Directors are responsible on behalf of the Group for the preparation of the summary consolidated financial report in accordance with PBE FRS 43: *Summary Financial Statements*.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the summary consolidated financial report is consistent, in all material respects, with the audited consolidated financial report based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) ('ISA (NZ)') 810 (Revised): *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor, our firm carries out other assignments for the entity in the area of ancillary services. We have no other relationship with or interests in the Entity or any of its subsidiaries. These services have not impaired our independence as auditor of the Entity and Group.

Restriction on use

This report is made solely to the Members, as a body, in accordance with the Trust Deed. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Auckland, New Zealand
07 June 2024

This audit report relates to the summary consolidated financial report of The Skills Organisation Incorporated (the 'Entity') and its subsidiaries (the 'Group') for the year ended 31 December 2023 included on the entity's website. The Directors are responsible for the maintenance and integrity of the Entity's website. We have not been engaged to report on the integrity of the Entity's website. We accept no responsibility for any changes that may have occurred to the summary consolidated financial report since they were initially presented on the website. The audit report refers only to the summary consolidated financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the summary consolidated financial report. If readers of this report are concerned with the inherent risks arising from electronic data communication, they should refer to the published hard copy of the summary consolidated financial report and related audit report dated 07 June 2024 to confirm the information included in the summary consolidated financial report presented on this website.



OUR BOARD

Guiding peoples' careers that are as unique as they are



Ian Butturini,
Chair

Ian possesses a real passion for industry training. His career has seen him not only start a successful company but also train more than 100 apprentices over 25 years. As a Chartered Director with the IOD, Ian has the proven nous and experience to continue to support the Skills Group Board in its ongoing growth and performance across all industry sectors.



Kevin Best,
Independent Director

Kevin was a Partner at PricewaterhouseCoopers for a substantial part of his executive career where he held a number of leadership roles. He has worked with a broad range of industries both in New Zealand and globally, and has extensive commercial and financial experience. He is a professional director with a number of Governance roles and is the Chair of two private companies.

Kevin is a keen boatie and part of the leadership group of the Outboard Boating Club of Auckland which, as well as supporting safe boating, has a strong community and environmental focus.



Cassandra Crowley,
Independent Advisor &
Director

A Barrister & Solicitor and Chartered Accountant, Cassandra's corporate and governance career has seen her work across a number of sectors including tourism, financial services, agriculture, retail, government, IT, horticulture, education, membership organisations, private equity, iwi and international trade. Cassandra chairs the Skills Group Audit & Risk Committee.



Bridget O'Shannessey,
Human Resources
Consultant & Mediator,
Bhuman Ltd

Bridget is a highly experienced Human Resource practitioner both nationally and internationally. She's worked with many leaders, leadership teams, company boards and remuneration committees in both the public and private sectors spanning a diverse range of industries, including manufacturing, finance and technology.



Tim Gibson,
Managing Director,
Tūhana Consulting Limited

Tim has over twenty years' experience as a CEO and Senior Executive in New Zealand, the UK and Japan. He has particular strengths in exporting and international business, organisation design and performance, strategy development and implementation and stakeholder and government relations.

Tim's career spans roles in the New Zealand Dairy Industry, in New Zealand, Asia and Europe. He was also the inaugural CEO of NZ Trade and Enterprise.

Tim is currently the Chair of Port Otago Limited, and an independent director of Silver Fern Farms Co-operative Limited, Silver Fern Farms Limited and Livestock Improvement Corporation Limited (LIC).



Rod De Spong,
Chief Operating Officer,
Douglas Pharmaceuticals Ltd

Rod is the Chief Operating Officer of Douglas Pharmaceuticals Limited. Starting out as a plumber and gasfitter, Rod retrained after gaining his Craftsman Licenses. He has gone on to hold a number of varied roles including VP for Corporate Development for Raffles Holdings Ltd and Finance Director for both ARC and Ernst & Young. Rod is a member of the Finance and Audit Committee, a member of both the SIL and Shift Boards and a past Deputy Chair of the Skills Organisation.



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