

Annual Report 2015

the **skills**.organisation



Contents

04	The Chair's report
06	CEO's report
08	Skills International
10	Shift
12	Vodafone
14	Māori and Pasifika
18	Women in Trades
22	Industry overview
24	Financials

The stories within these pages describe an organisation that is leading industry training to be more than it ever was.

The 2015 results are some of the most impressive we have seen to date. This year saw us increase our domestic representation and enter new international markets.

We are an organisation poised to act decisively in the best interests of the partners we represent. We are an advocate, a leader, and an adviser.

We are The Skills Organisation.

Our strongest results to date

Brian Nowell
Chair, The Skills Organisation



The Skills Organisation enjoyed a phenomenal year in 2015. Across key areas of the business we achieved our strongest results to date and built on solid foundations laid out in previous years. Forging firm partnerships with industry associations, trainees, training providers, commercial customers, and other industry training organisations has been, and remains, the basis for our long-term success and sustainability.

Our success in closely working together with the Tertiary Education Commission (TEC) continued throughout 2015, with a positive alignment of our goals. We continued to be a crucial contributor to addressing New Zealand's skills shortages in construction-related trades. These shortages are a priority for TEC and represent a buoyant market for our trainees and training providers.

Diversity in our industries remained a key goal for us. The past year saw us forging closer ties with Iwi and entering into planning stages of significant long-term partnerships. Integral to our engagement strategy was a critical examination of our pastoral care delivery. This involved seeking better ways of creating equitable training opportunities together with our Maori and Pasifika partners.

A cornerstone of our diversity strategy was creating greater opportunities for women to enter our industries and to

complete their training. Through development of pastoral care and a greater focus in this area, our female trainees enjoyed roughly equivalent completion rates as their male counterparts. We will continue to build on diversity engagements, and are excited at the opportunities ahead.

With the success of our core business and the high degree of skill developed in-house, we made excellent progress in pursuing customers at home and abroad who had a desire to develop their training ambitions. The commercial returns generated from these activities are aimed at being able to support the growth of initiatives in the vocational education areas, as well as assisting training activities with our more traditional industry partners.

I also take the opportunity to thank the Board, CEO, and all staff, for their outstanding contribution to the success of the organisation during 2015.

As we look to the future, we remain cognisant of the crucial role ITOs play in equipping New Zealand for success. We continue to be proactive in redefining our role as an industry advocate, and creating positive pathways for New Zealand's talent to develop skills for growing the industries.

Brian Nowell
Chair
The Skills Organisation

The Skills Organisation is unashamedly focused on growth

Garry Fissenden
Chief Executive, The Skills Organisation



The Skills Organisation celebrated a milestone year in 2015. Through growth in our Trades and Government sectors we became the largest ITO by government funding. Our partnership with our funder, TEC, enabled us to achieve our goal of being the go-to ITO for innovative strategic funding solutions. The result of this was being awarded three separate strategic joint venture funding applications throughout the year.

Through our work with our industries, our providers, and our partners, we also lifted quality to new heights by working with everyone and trying new assessment tools and techniques. This has been made possible by a strong financial result which has given us the freedom to invest in new systems, processes, and people. I am particularly pleased that we have done this concurrently with making heavy investment in our industries, either by improving resources or directly assisting our industries by lifting their capabilities.

The Skills Organisation is unashamedly focused on growth. Growth allows us the freedom to invest where it is needed, either internally or externally. Skills International is our non-government funding growth arm, and it continued its growth trajectory this year with a \$600,000 contribution to net revenues. This year, in line with our growth strategy, we started up Shift to focus on

delivering innovative learning and assessment solutions via technology. After a relatively short period, Shift has already started bringing new solutions to our clients, our industries, and to The Skills Organisation itself.

We are now effectively a group of entities centred around The Skills Organisation. Skills International's aim is to grow non-TEC income while Shift is focused on how we can grow income in the area of new learning and assessment technology. This allows The Skills Organisation to focus on servicing its industries and firms in the best way possible.

Our vision for 2016 and beyond is to continue to grow and to have a strong financial base that allows us the freedom of finding new ways to operate, new ways to support our industries, and new ways to support our learners. We want to create a new way for how ITOs operate. This will entail us looking at new

ways to work with our funders, new ways for us to work with our industries, and using new technology to enhance how we look after our trainees.

We have had a great 2015 and with our industries, providers, funders, and staff, are looking to build on this further yet again in 2016 and beyond.

A handwritten signature in dark ink, appearing to read 'Garry Fissenden', written over a light background.

Garry Fissenden
Chief Executive
The Skills Organisation

Growing skills worldwide



An action-packed year saw Skills International explore new territory and strengthen the global reach of The Skills Organisation.

Throughout 2015, Skills International continued to position itself as a leading global provider of quality education systems. This was reflected in high levels of customer satisfaction and a steady stream of repeat business.

Its success has been recognised both home and abroad, for example through its inclusion in New Zealand Trade and Enterprise's Focus 700 (F700) list – a selection of New Zealand companies with whom the agency works closely in international markets.

Raising standards in Saudi Arabia

One of Skills International's standout achievements in 2015 was its work with the Institute of Finance in Saudi Arabia. The main outcome from this relationship saw Skills International develop a set of skills-based national standards and exam banks (examination platforms based on multi-choice

questions) for three financial service sectors: insurance, SME financing, and corporate banking, with work also having commenced on compliance.

As a result of this work, the Institute of Finance has acknowledged Skills International as a strategic partner and indicated a desire for a continued long-term relationship.

High-quality pastoral care

Closer to home, the Ministry of Foreign Affairs and Trade (MFAT) continues to be a key partner. Skills International provides pastoral care services in New Zealand for more than 200 short-term scholars from the Pacific, and MFAT has yet again expressed its satisfaction with the high levels of service provided for these scholars.

Taking New Zealand qualifications abroad

Elsewhere in the Pacific, Skills International continued to make a range of New Zealand

qualifications available in the Cook Islands, including plumbing and electrical courses, assessor training, First Line Management, and First Aid.

The public sector is another key focus, and by partnering with the Cook Island State Services Commission, Skills International will develop new programmes in this area in 2016.

Skills International is exploring new markets with its first steps into Fiji, the UAE, and the Asian Development Bank. Having developed some promising leads, these initiatives will create a strong pipeline for 2016 and beyond.



SHIFT

Shifting the future





Promising start boosts the learning innovation capability of The Skills Organisation.

The Skills Organisation created the Innovation Centre in 2015 with the goal of launching a new generation of learning and assessment tools and learning management systems. In less than 12 months, this wholly-owned subsidiary has proven there is a strong demand for innovative learning solutions in the market.

Having rebranded to 'Shift' in 2016, the business has established its own identity and clearly stated its value proposition to clients as a learning and innovation partner. Strong performance since its launch has ensured that Shift is on track to meet the revenue targets set in 2015, and break even within its first year of operation.

The span of projects delivered so far demonstrate the breadth of skills Shift has and the range of tangible benefits it can deliver for clients. Most notably, these include online resources and assessment

for Regulatory Compliance qualifications, behavioural changes programmes for the Civil Aviation Authority, and learning management systems for Barfoot & Thompson and other partners in the Property, Agricultural, and Government sectors.

With a solid pipeline of new business, Shift is set on doubling staff numbers to grow both technical and instructional design capability. Shift is a rapidly growing and key element of the revenue diversification and growth strategy of The Skills Organisation.



Breaking new ground

The partnership between
The Skills Organisation
and Vodafone was a major
highlight in 2015.

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A successful project with Vodafone marks a new way training organisations can work with training providers.

The partnership between The Skills Organisation and Vodafone was a major highlight in 2015. The two organisations collaborated on a Direct Funding Scheme, meaning that Vodafone was able to access training funds directly from a government agency.

The Skills Organisation and Vodafone have spent several years building a positive relationship with each other. This relationship provided a strong platform to collaborate on how we could better work together with the government to offer nationally recognised qualifications to Vodafone staff.

Having only launched in June, this collaboration has already seen impressive results. There are more than 300 trainees currently enrolled in a programme, in addition to over 120 completed qualifications. Vodafone is offering a total of eight qualifications, including National Certificates in adult education, project management,

contact centre, and retail sales.

It was the first relationship of its kind seen in New Zealand, and a perfect example of how we work as a neutral broker between government, industry, and business. This new type of funding also allows us to further expand the type of income we receive for our services, which in turn helps to build our long-term financial sustainability.

The Skills Organisation is now working hard to apply its lessons from this successful collaboration to other relationships. If the work with Vodafone is anything to go by, we will only strengthen our ability to equip firms across New Zealand with the skills for success.





Māori & Pasifika

Creating equal opportunities
for our trainees and industries.

The Skills Organisation is committed to creating and supporting training and career pathways for Māori and Pasifika. We have increased our involvement within Māori and Pasifika communities through a number of activities in 2015.

A key part of this commitment is our continuing partnership with Māori and Pasifika Trades Training (MPTT). This partnership focusses on supporting Māori and Pasifika trainees to enter our industries, and promoting high achievement in training. We also continue to work together to create pathways for women to enter into and complete training.

Another step we have taken is forming the Youth Guarantee Programme. Through working alongside the Waikato Tainui Careers Centre, we're helping Māori and Pasifika school students transition into workplace training. This is supported with training resources and pastoral care.

With 2015 seeing us create stronger relationships with Māori and Pasifika, The Skills Organisation has a solid base on which to continue its advocacy for these communities.



Māori & Pasifika



Bo Waitere on site with Craig Black, Electrical Manager at Caldwell Levesque



“The Skills Organisation gives my apprenticeship a lot of structure, and makes it easier to focus on finishing it”

Case study: Bo Waitere

The opportunity to gain practical, hands-on skills was one of the main reasons that first inspired Bo Waitere to start an electrical apprenticeship with Caldwell Levesque.

Two years into his apprenticeship, however, Bo is realising he is gaining and learning so much more than just that.

“Working as an apprentice has taught me many valuable skills, such as time management, attention to detail, and problem solving,” Bo explains.

He adds that The Skills Organisation is a key partner that has helped him with his career journey.

“They are probably the most important people I work with,” says Bo.

“Whether it’s recording all the skills I learn or setting out the different things I have to achieve, The Skills Organisation

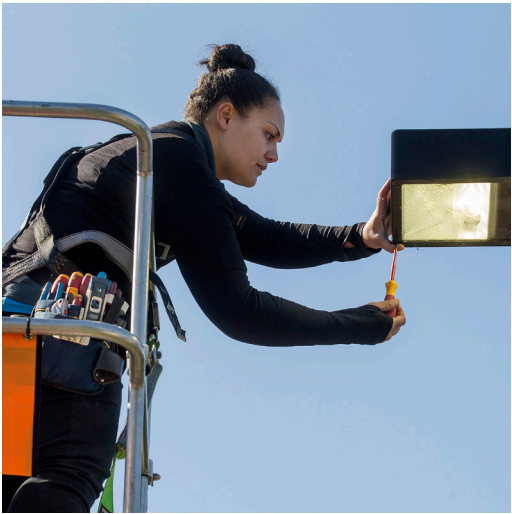
gives my apprenticeship a lot of structure, and makes it easier to focus on finishing it.”

He also adds that the people from The Skills Organisation are “really helpful” and “easy to work with”.

“Bo is a great role model for our Māori and Pasifika trainees and a good example of the engagement The Skills Organisation has with this community,” says John Stephens, Bo’s account manager at The Skills Organisation.

“He is a polite trainee whose confidence grows as he gains experience. I have seen him develop from a shy young boy to a positive young man, and he produces results once he understands the procedures.”

With his apprenticeship giving him a strong start in the industry, Bo’s long-term goal is to develop a career in electrical contracting.



Women in trades

As New Zealand's industries continue to face skills shortages, creating training pathways for women benefits employers and trainees alike.

Supporting women to enter our trades industries is a key objective of The Skills Organisation. This is backed by the government as one of the ways to ensure our businesses have the talent they need to grow New Zealand's infrastructure.

One of the ways we support our female trainees is through pastoral care. This involves having discussions with trainees about the challenges they are facing in the workplace, and then using this information to work with employers to create better training environments for women. This could result in visiting workplaces to discuss issues, or working with training providers to help integrate women into their training culture.

We also work with girls at high school to encourage them to enter into trades. One of our ambassadors, Vittoria Colonna, regularly visits high schools to discuss the electrical industry with young women.

She also attends career fairs and accepts speaking engagements promoting women in trades on behalf of The Skills Organisation. Vittoria is a qualified electrician and Operations Manager at Saints Electrical.

In 2016 and beyond, we will continue to build our support networks for women to enter our industries and complete qualifications.



Women in trades



Lisa-Marie Ireland



“The trade world seems to be looked at as ‘a man’s world’, but I believe women offer valuable qualities.”

Case study:
Lisa-Marie Ireland

Balancing an electrical apprenticeship with life as a volunteer firefighter isn’t easy, but Lisa-Marie Ireland has done so incredibly well – and has proved herself to be a great role model for women in trades.

After returning from her OE, Lisa began a trial with electrical company Cotter & Stevens, who were so impressed with her they signed her up into an apprenticeship. Speaking from her experience, Lisa says there is definitely a place for women in the trades.

“The trade world seems to be looked at as ‘a man’s world’, but I believe women offer valuable qualities such as attention to detail, whereas men might be more physical,” she says.

“It all evens out. I often get told it’s good to have a woman on site – after all, we seem to be a lot tidier than the boys!”

She also acknowledges the role The Skills Organisation plays in helping both men and women with their apprenticeships.

“The advisers have been helpful throughout my apprenticeship with any questions I have with my studies; they are always happy to help wherever possible,” Lisa says.

“I enjoy my apprenticeship as we earn money while learning a trade. University students seem to pay a lot of money and not earn any while they learn. I love learning new things and have become a lot more practical in all areas.”



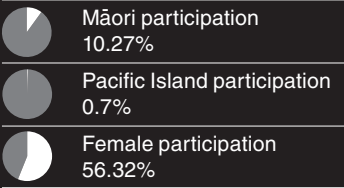
An industry overview

These numbers are based on firms, trainees, apprentices and learners who engaged in national qualifications training arrangements with The Skills Organisation during 2015.

Employer participation rates data sourced from Infometrics 2015.

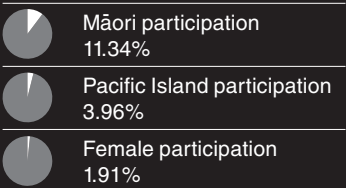
Ambulance

Trainee volumes	767
Employer volumes	6
Credit completions	28,756
Qualification completions	252



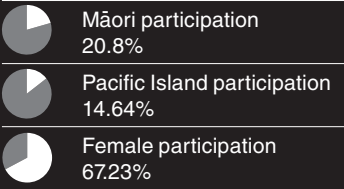
Electrotechnology

Trainee volumes	4,807
Employer volumes	1,693
Credit completions	183,238
Qualification completions	2,049



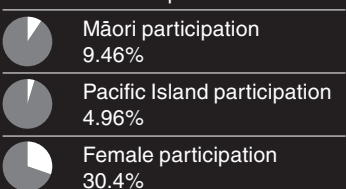
Contact Centre

Trainee volumes	1,311
Employer volumes	128
Credit completions	37,989
Qualification completions	680



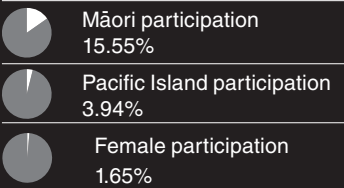
Local Government

Trainee volumes	679
Employer volumes	51
Credit completions	33,071
Qualification completions	185



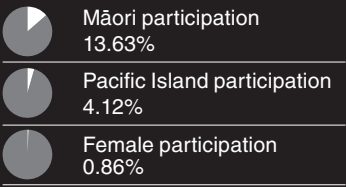
Cranes, Elevating Platforms, Rigging, Rope Access and Scaffolding

Trainee volumes	1,848
Employer volumes	301
Credit completions	19,237
Qualification completions	170



Plumbing, Gasfitting and Drainlaying

Trainee volumes	2,199
Employer volumes	893
Credit completions	88,983
Qualification completions	434



Public Sector

Trainee volumes	4,696
Employer volumes	159
Credit completions	192,792
Qualification completions	2,019



Māori participation
27.81%



Pacific Island participation
7.69%



Female participation
38.29%

Security

Trainee volumes	1,610
Employer volumes	76
Credit completions	15,985
Qualification completions	238



Māori participation
19.37%



Pacific Island participation
19.94%



Female participation
18.21%

Real Estate

Trainee volumes	2,177
Employer volumes	549
Credit completions	44,455
Qualification completions	880



Māori participation
6.79%



Pacific Island participation
1.75%



Female participation
56.89%

Total

Trainee volumes	22,603
Employer volumes	4,104
Credit completions	727,073
Qualification completions	7,649



Māori participation
16.72%



Pacific Island participation
7.60%



Female participation
24.13%

Roofing

Trainee volumes	618
Employer volumes	270
Credit completions	21,337
Qualification completions	82



Māori participation
21.6%



Pacific Island participation
5.56%



Female participation
0.49%

Independent Auditor's Report

To the Members of The Skills Organisation Incorporated

The summary financial statements of The Skills Organisation Incorporated and its subsidiary on pages 25 to 27, which comprise the summary statement of financial position as at 31 December 2015, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of The Skills Organisation Incorporated and the group for the year ended 31 December 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 28 April 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of The Skills Organisation Incorporated and the group.

This report is made solely to the incorporated society's, as a body, in accordance with The Skills Organisation Incorporated constitution. Our engagement has been undertaken so that we might state to the society's members those matters we are required to state to them in our 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 incorporated society and the incorporated society's members as a body, for our work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The directors are responsible for the preparation of summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

Auditor's Responsibilities

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA(NZ)) 810, "Engagements to Report on Summary Financial Statements."

Other than in our capacity as auditor we have no relationship with, or interest in, The Skills Organisation Incorporated or its subsidiary.

Partners and employees of our firm may deal with the incorporated society on normal terms within the ordinary course of trading activities of the business of the incorporated society.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of The Skills Organisation Incorporated and the group for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with FRS-43



28 April 2016
Auckland

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	\$	\$
Revenue		
Government Grants	29,494,948	25,058,209
Industry Contribution	7,612,552	5,336,177
Other Income	5,451,119	3,421,904
Interest Income	446,571	353,022
Total Revenue	43,005,190	34,169,312
Industry Training Expenses		
Training Subsidies & Support	27,930,644	21,738,270
Qualification Development & Quality Assurance	2,644,443	2,406,630
Research & Stakeholder Relations	2,115,395	1,872,577
Total Industry Training Expenses	32,690,482	26,017,477
Other Expenses	7,510,762	6,300,306
Total Expenses	40,201,244	32,317,783
Profit For The Year	2,803,946	1,851,529
Other Comprehensive Income		
Net Fair Value Gains On Available For Sale Financial Assets	26,376	5,945
Total Other Comprehensive Income	26,376	5,945
Total Comprehensive Income for the Year	2,830,322	1,857,474

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	\$	\$
Opening Equity	6,247,220	4,389,746
Profit for the Year	2,803,946	1,851,529
Other Comprehensive Income	26,376	5,945
Total Comprehensive Income for the Year	2,830,322	1,857,474
Closing Equity	9,077,542	6,247,220
Represented By:		
Retained Earnings	9,045,221	6,241,275
Available For Sale Reserve	32,321	5,945
Closing Equity	9,077,542	6,247,220

The Skills Organisation Incorporated
Summary Consolidated Financial Statements

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

ASSETS	2015	2014
Current Assets	\$	\$
Cash & Cash Equivalents	5,269,463	5,577,747
Term Deposits	6,352,000	2,852,000
Receivables	2,070,888	2,179,605
Inventory	-	4,071
Total Current Assets	13,692,351	10,613,423
Non Current Assets	3,725,277	3,020,936
Total Assets	17,417,628	13,634,359
LIABILITIES		
Current Liabilities		
Payables	6,113,975	5,522,858
Income In Advance	831,446	788,595
Employee Entitlements	880,760	505,640
Deferred Income	56,142	56,142
Total Current Liabilities	7,882,323	6,873,235
Non Current Liabilities		
Deferred Income	457,763	513,904
Total Liabilities	8,340,086	7,387,139
Net Assets	9,077,542	6,247,220
Equity		
Retained Earnings	9,045,221	6,241,275
Available for Sale Reserve	32,321	5,945
Total Equity	9,077,542	6,247,220

For and on behalf of the Board who authorise the issue of these summary financial statements on 28 April 2016



Chairman



Chief Executive

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014
	\$	\$
Net Inflow from Operating Activities	5,082,951	2,060,363
Net (Outflow) from Investing Activities	(5,391,235)	(3,952,261)
Net (Decrease) /Increase in Cash Held	(308,284)	(1,891,898)
Cash & Cash Equivalents at Beginning of the Year	5,577,747	7,469,645
Cash & Cash Equivalents at End of the Year	5,269,463	5,577,747

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2015****CORPORATE INFORMATION**

The summary financial statements of The Skills Organisation Incorporated (Skills) and its subsidiary (collectively "the group") were authorised for issue by the Board on 28 April 2016

BASIS OF PREPARATION

The summary financial statements have been prepared in accordance with FRS 43 – Summary Financial Statements and have been extracted from the audited full financial statements. The full financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. The full financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards, as appropriate for not for profit entities.

The full financial statements were authorised for issue by the Board on 28 April 2016. The financial statements have been audited and an unqualified opinion has been issued.

These summary financial statements cannot be expected to provide as complete an understanding as provided by the full Financial Statements. Full financial statements are available on request from The Skills Organisation.

RESTRICTION ON USE OF CASH

The contract governing the business combination with the Plumbing, Gasfitting, Drainlaying and Roofing Industry Training Organisation (PGDRITO), dated 1 October 2012, included a provision for Skills to receive a distribution of any net surplus which arose following the liquidation of PGDRITO

The surplus received comprised cash of \$1,075,000 and trade receivables of \$226,634. Funds received are held in trust by Skills solely for the benefit of the Plumbing, Gasfitting, Drainlaying and Roofing industries and are included in Cash and Cash Equivalents in the Statement of Financial Position. Trade receivables are fully reserved and consequently their carrying value in the Statement of Financial Position is nil. The corresponding liability for the funds received is included in Trade and Other Payables in the Statement of Financial Position. Of the original funds received, \$688,904 remained at 31 December 2015 (2014: \$941,891).

The contract governing the business combination with the Opportunity Training Organisation (OTTO), dated 1 December 2012, included a provision for Skills to receive a distribution of any net surplus which arose following the liquidation of OTTO.

The surplus received comprised cash of \$188,570 including accrued interest. Funds received are held in trust by Skills solely for the benefit of the Cranes and Scaffolding industries and are included in Cash and Cash Equivalents in the Statement of Financial Position. The corresponding liability for the funds received is included in Trade and Other Payables in the Statement of Financial Position. Of the original funds received, \$nil remained at 31 December 2015 (2014: \$41,627).

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The External Reporting Board (XRB) has issued a new suite of accounting standards to be applied by not-for-profit public benefit entities (PBE) for periods beginning on or after 1 April 2015. These PBE standards are based on International Not-For-Profit Accounting Standards which are in turn based on International Financial Reporting Standards (IFRS). This means that The Skills Organisation Incorporated will need to apply the new PBE standards in preparing its 31 December 2016 financial statements. The Skills Organisation Incorporated is currently assessing the implications of this new accounting standards framework.

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INTERNATIONAL