



**TE
MAHI
AKO**

2022 Annual Report

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TE MAHI AKO

Chair's report



Steve Ruru
Kaiwhakahaere Poari
Chairperson

Kia ora koutou,

Ko te Amorangi ki mua, ko te hapai o ki muri. Te tuturutanga mahi pono o te Māori mana motuhake. Kia hora te marino, kia papa pounamu te moana, kia tere te kārohirohi. Whāia te iti kahurangi ki te tūohu koe me he maunga teitei.

Ka tuku atu I te reo whakamoemiti me whakawhetai ki to tātau Matua-nui-i-te-Rangi. Me huri tātau ki tana Tama a Ihu Karaiti. He honore, he kororia ki a rātou, he maungarongo ki te whenua, he whakairo pai ki ngā tangata katoa. Ko te Auta te kupu tuatahi, ko te Atua te kupu whakamutunga.

Ki ngā whetu rangitia kua mene ki te pō, ngā mate o te tau, haere, haere, haere atu rā. Ka nui te aroha ki ngā mate o tēnā, o tēnā o tātau. Me mihia, me tangihia mō rātou te hunga mate, haere, haere, haere atu rā. Ko rātou te hunga mate ki a rātou, tātau te hunga ora ki a tātau.

E tika ana me mihi ki tō tātau Kingi a Kingi Tuheitia Potatau Te Wherowhero te tuawhītu. Te pou herenga waka, te pou herenga iwi, te pou here I ngā tangata katoa. Ki te Kāhui ariki nui tonu, paimāire!

Ko tēnei te taumata, ko tēnei te tima hou mō tātau ko, "Te Mahi Ako" kai mua I a tātau nāiane! Kia mau ki te whakaaro nui o te kōrero nei, "Ka kaha ake mā te tū ngātahi"

No reira rau rangatira mā, e mihi kau ana ki a koutou, ki a tātau hoki. Tēnā koutou, tēnā koutou, tēnā tātau katoa.

An historic year for our organisation, 2022 marked a new dawn for us with the launch of Te Mahi Ako, Skills Active Aotearoa's new private training establishment (PTE). Our transition from an industry training organisation (ITO) came about as an active response to government reform and has brought about much change. However, our whakapapa back to the constitutional objectives of Skills Active still remain – to meet the learning and training needs of the sport, exercise, community recreation, outdoor recreation, ski and entertainment and events sectors and Māori participating in those sectors.

Our achievements in these early stages, resulted from strong collaboration and partnership with Skills Active. Our collective accomplishments are compiled and highlighted in the Skills Active Group's annual report for 2022, which can be viewed on their website under 'Governance'.

There is still a lot of work ahead of us, but I would first like to look back and reflect on our journey and acknowledge the hard mahi of so many that made it possible to get to where we are today.

Our journey so far

At Skills Active, we were dedicated to developing New Zealand qualifications and collaborating with organisations to align their workplace-based learning with national standards and the national qualification framework. As an ITO, we proudly supported over 5,000 employees and volunteers annually, engaging with 1,700 active workplaces.

One of the key strengths of Skills Active has been our provision of access to over 50 industry training programmes. On average, employers enrolled 2-3 learners into our programmes per year. While some programmes have experienced substantial learner enrolments, ranging from 600 to 1000 learners each year, most programmes have seen enrolment numbers of 20-50 learners annually. Our unique strength lies in our ability to provide accessible work-based learning programmes to these small and dispersed groups and sectors.

Feedback from industry favoured transitioning the training functions of our sectors to a dedicated PTE. Skills Active

opted to transform to a PTE leading work-based learning in the te ahumahi ā-rēhia sectors.

By the end of January 2022, we had already made significant progress in the establishment of Te Mahi Ako. We had an acting Chief Executive in place and co-chairs confirmed. The founding documents, including the charter and constitution, were drafted and approved. The establishment board came together in February and this milestone was quickly followed by the Tertiary Education Commission's approval of Skills Active's transition plan. Our PTE application was approved by NZQA in July and in October, we celebrated the official start of Te Mahi Ako.

Opportunities and challenges

The reform has created opportunities – we can transform how we deliver work-based learning to our sectors and their ākongā.

As a tertiary education provider empowered by industry and iwi, our goal is to weave together work, learning, and skills to contribute to an integrated and balanced system where everybody receives the right kind of work-based learning in the right format at the right time.

In this future, Māori, Pacific, disabled people, and other underserved groups within te ahumahi ā-rēhia will have the holistic support they need to reach their aspirations.

The unsung heroes who play a key role in these sectors will gain more vocational opportunities, grow their skills, knowledge, and a passion for learning, realising their potential and empowering them to contribute more to their whānau, communities, sectors, and the economy as a whole.

All employers, organisations, iwi, and their ākongā will be uplifted by a stronger, broader, and more integrated foundation for their work-based learning while still having access to an empathetic, responsive provider that is willing to get stuck in, side-by-side with industry.

To get there, we will be stretching ourselves and the vocational education and training system, figuring out how we can do better for these sectors. Positive change will flow through to all communities and individuals who access the sectors and benefit from their mahi.

But we need only look at the year's completion rates, which were either at or below half across all our learning groups, to see there is still a lot more to be done.

Setting up a pastoral care team and a new learner support system are just two of the measures we have already implemented to help improve outcomes for our learners. The commitment of Te Mahi Ako is to deliver a meaningful shift to learning outcomes and identify and reduce the barriers that prevent equitable outcomes for Māori, Pacific, disabled and other underserved learners.

We also know that our sectors face ongoing challenges

in the aftermath of Covid-19. Lingering immigration and non-domestic learning restrictions, changes to the Unified Funding System and the exclusion of working holiday visa-holders from tuition subsidies for work-based learning are among the factors putting pressure on our sectors, which are struggling to obtain enough staff and give them proper access to work-based learning. We will certainly be advocating for change in these spaces so as to not see our sectors disadvantaged.

Looking ahead

Our organisation is built upon a 30-year-strong foundation for work-based learning in te ahumahi ā-rēhia, but we are at a new beginning. We will continue to build on these successes and come together with our industry, iwi, and education sector partners to remove barriers and enhance and expand high-quality learning opportunities for everyone in our sectors.

We are excited that our passionate team will continue working with our learners, supporting and empowering our sectors to achieve learner and workforce success. 'Mahi' means work or practice, and 'ako' is learning, so a short translation of our new name is 'the work of learning'. But ako is also a uniquely Māori concept – a special learning relationship in which all parties gain knowledge.

Te Mahi Ako reflects the very special type of active, work-based learning that we are all about. It embodies us and our sectors and our mission to weave together work, learning, and skills to support learner and workforce success.

As we embark on this new chapter, we are guided by the principles of te ao Māori and embrace the transformative potential it holds for our learners, employers, and communities. Our commitment to the continued success of our stakeholders and the growth of the te ahumahi ā-rēhia sectors remains unwavering.

We envision a future where our work not only upholds the highest standards of learning but also fosters a sense of whanaungatanga, manaakitanga and kaitiakitanga within our learners and the wider community. This transformation is an opportunity to weave together the threads of knowledge, culture, and innovation, empowering individuals to thrive in their chosen fields and contribute meaningfully to Aotearoa's social and economic fabric.

Thank you for your continued support and partnership. We eagerly anticipate the unfolding of this exciting journey and look forward to sharing further updates as we navigate the path toward a dynamic future.

Nāku nā,

Steve Ruru
Kaiwhakahaere Poari
Board Chairperson – Te Mahi Ako

Directors' disclosure

Te Mahi Ako board member	Interest	Meetings attended
Sam Napia	Director Skills Active Aotearoa Director Qualworx Limited Director Freedom Exel Limited Whanau Development Manager, Hauraki Māori Trust Board CEO, Te-Rūnanga-Ā-Iwi-Ō-Ngāpuhi Director, Co-Chair, Skills Active Te Mahi Ako (ended August 2022)	1 Strategic planning meeting 2/6 Audit and Risk Committee meetings 5/7 Te Mahi Ako Board meetings
Kirsty Knowles	Director, Skills Active Aotearoa Director/Shareholder, Community Leisure Management Board member, Community Leisure Charitable Trust Board member, Recreation Aotearoa General Manager of Operations, Community Leisure Management Director, Skills Active Te Mahi Ako [from June 2022]	1 Strategic planning meeting, 2/7 Te Mahi Ako Board meetings

Stephen Ruru

Co-Chair, Skills Active Te Mahi Ako
 Council member and Chair of Audit & Risk Committee, Te Wānanga o Aotearoa
 Board Advisor, Skills Active Aotearoa
 CEO, Taranaki Regional Council
 Vice-President, Taituara – Local Government Professionals Aotearoa
 Member of the Pacific TA Steering Group, Local Government NZ
 Member of the Office of the Auditor General, Local Government Advisory Group

2/6 Audit and Risk Committee meetings
 7/7 Te Mahi Ako Board meetings

Robyn Cockburn

Director, Skills Active Te Mahi Ako
 Teaching Fellow, Te Herenga Waka University of Wellington
 Director, Sport New Zealand

7/7 Te Mahi Ako Board meetings



BDO Wellington Audit Limited

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SKILLS ACTIVE TE MAHI AKO LIMITED

Opinion

We have audited the financial statements of Skills Active Te Mahi Ako Limited ("company"), which comprise the financial statements and the service performance information. The complete set of financial statements comprise the statement of financial position as at 31st December 2022 the statement of comprehensive revenue and expense, statement of changes in net assets/equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements presents fairly, in all material respects:

- the financial position of the Company as at 31st December 2022 and (of) its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended 31st December 2022 in accordance with the entity's service performance criteria,

in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs and New Zealand Auditing Standard (NZ AS) 1 *The Audit of Service*

Performance Information (NZ). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Directors' Responsibilities for the Financial Statements

Those charged with governance are responsible on behalf of the company for:

- (a) the preparation and fair presentation of the financial statements and service performance information in accordance with Public Benefit Entity Standards RDR issued by the New Zealand Accounting Standards Board;
- (b) service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards RDR; and
- (c) such internal control as those charged with governance determine is necessary to enable the preparation of the financial statements and service performance information that are free from material misstatement, whether due to fraud or error.



BDO Wellington Audit Limited

In preparing the financial statements those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, and the service performance information are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and NZ AS 1 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate or collectively, they could reasonably be expected to influence the decisions of users taken on the basis of this general purpose financial report.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-14/>

Who we Report to

This report is made solely to the company's directors as a body. Our audit work has been undertaken so that we might state those matters which 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 company and the company's directors as a body, for our audit work, for this report or for the opinions we have formed.

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED
Wellington
New Zealand
31 May 2023

SKILLS ACTIVE TE MAHI AKO LIMITED

Statement of Service Performance FOR THE YEAR ENDED 31 DECEMBER 2022

Who are we and why do we exist?

Our vision

Everyone in our sectors is empowered with the skills to thrive.

We are working towards a future where every person and organisation in te ahumahi ā-rēhia has the opportunity to unlock their potential and gain the skills and knowledge they need to realise the ambitions they have for themselves, their whānau, their customers and communities.

Our purpose

Weaving together work, learning and skills to support learner and workforce success.

Our goal is to provide work-based learning to grow confident, capable, connected people and organisations across our sectors. We will deliver vocational education that upholds the mana of Te Tiriti o Waitangi, fuels a passion for lifelong learning, and supports ākonga and workforce success through flexible and tailored provision – where, when and how they need it.

Ambition

Be the preferred partner and provider of high-quality work-based learning.

We will be the preferred provider of quality, personalised work-based learning to ākonga and organisations across the motu, increasing skills and employability for those working in or aspiring to our sectors. We will deliver access and equity for those who have previously been underserved or hard to reach. With decades of experience and powerful partnerships throughout industry, iwi and education, we will work kanoahi-ki-te-kanoahi to ensure ākonga and clients get the skills, knowledge and support they need to flourish.

What are our strategic focus areas?

The key outcomes for the Group are centred around their learner outcomes, therefore the measures that demonstrate our progress in helping our learners to achieve are considered to be the following:

- Maintain and grow the number of enrolments in our programmes in order to grow the skill and knowledge base in te ahumahi ā-rēhia
- To provide accessible education and contribute to equitable outcomes for previously underserved or hard to reach learners
- Ensuring that our learners are successful in completing their courses of study.

Key judgements

The operations of Te Mahi Ako as a PTE commenced on 1 October 2022, including the transfer of enrolled learners from Skills Active Aotearoa. It is considered more useful to measure the performance

over the full 2022 year in relation to the learners enrolled in the year both by Skills Active Aotearoa and by Te Mahi Ako, which can be more meaningfully compared to the annual targets and to the prior years performance. This also follows the funding received from TEC for the 2022 financial year, as the annual allocation was divided up between Skills Active Aotearoa and Te Mahi Ako according to the number of months in the year each entity was delivering learner services.

In addition to the number of learners enrolled, standard training measures (STMs) before offsets are useful because these reflect the active enrolment of our learners during the period and enable comparability of our programmes with varying duration. At the beginning of each year we set agreed STM targets with the TEC, therefore our achievement can be compared with this target.

Given that the operations of Te Mahi Ako only commenced on 1 October 2022, the service performance reporting for 2022 is considered to be an interim step. For this reason the measures that the company has chosen to report on, although targeting our key outcomes, is relatively narrow, and as stated combine a blend of the outcomes achieved by both Skills Active Aotearoa and Te Mahi Ako. Development of a 2023 business plan was undertaken during 2022 and was approved by the Board in early 2023. The business plan sets out some KPIs for Te Mahi Ako. It is intended that for 2023 and beyond, the group will expand the measures it chooses to report on with reference to these KPIs.

How did we perform?

The following measures reflect the performance during the 12 months to 31 December 2022, combining performance for both Skills Active Aotearoa and Te Mahi Ako.

Measure	Group Actual 2022 (12 months)	Target 2022	SAA Actual 2021 (12 months)
Participation (out of total learners enrolled)¹			
- Māori learners	16%	16%	16%
- Pasifica learners	5%	5%	5%
- Disabled learners ²	3%	/	/
Number of STMs			
- Total STMs	1,483	1,502	1,632
Number of completions			
- Total credit completion EPI	52%	75%	68%
- Māori learner completion EPI	51%	75%	65%
- Pasifica learner completion EPI	40%	75%	62%
- Disabled learner completion EPI ²	46%	/	/
Number of credits reported			
- Total credits reported	92,335	135,180	132,720
- Māori credits reported	13,349	21,629	19,623
- Pasifica credits reported	3,709	6,759	6,219

Notes:

1. Participation is the number of learners who identify under each category, divided by the number of learners with a minimum of one funded month.
2. For definition of this category, refer to the Office for Disability Issues. Targets were not set for this category for the 2022 year and data was not accurately recorded during the 2021 year.

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What do these metrics tell us?

To help to understand the results presented in the table, the following explanations are provided to help make sense of the numbers.

1. Impact of COVID and apprenticeship boost funding

In 2021 and 2022, Skills Active had a substantial enrolment STM, and in particular in the Apprenticeship funding stream, partly due to the Government support for Apprenticeships through the Boost funding. However, it was a challenging period for learners to make progress as a result of Covid restrictions, and restricted travel and movement throughout the country impacting the ability to have assessment opportunities. In addition, flow on disruptions and restrictions to business operations across the sectors meant there were fewer work-based assessment opportunities for some of our learner groups. This is reflected in the lower STM, credit reporting and credit achievement rate across the learner groups. The transfer of learners to Te Mahi Ako has occurred in the latter stages of the apprenticeship support scheme which ended on 31 December 2022 and it remains to be seen what the full impact will be of the apprenticeship scheme ceasing.

2. Change in data management processes

We are accountable for capturing learners' enrolment status accurately throughout the year. Our end-of-year data quality review processes ensured we could pick up any data inaccuracies and inconsistencies retrospectively. As part of the end-of-year data quality checks, Skills Active routinely reviewed the 'active' funded duration of trainees and apprentices in the calendar year, impacting the STM accrued. This was managing the learners enrolment status from "active" to "on-hold" (equivalent to pausing the funding for enrolments) for periods of inactivity. This process ensured that Skills Active accurately reflected funded months of learning for the learner cohorts.

The learner data management process was updated for the 2022 year and implemented with the transition to Te Mahi Ako in October 2022. This process involves a more robust data capture for learner progress throughout their learning journey, and reflecting periods of inactivity in the reporting system as it occurs rather than retrospectively once a year, for reporting purposes. The process provides us with more accurate 'live' learner data which is reported monthly to the Industry Training Register.

The transition to the new data quality processes had an expected impact on the reported credit completion rate for 2022, and in particular, the learners that were withdrawn or placed on hold as part of the transition process, and in the following months post-transition.

Preparation for reporting on customer satisfaction in the future

In October 2022, in the weeks following the commencement of operations of Te Mahi Ako, a survey was conducted to canvas satisfaction levels of learners, workplaces and assessors associated with Te Mahi Ako. The purpose of running this so soon after the commencement of operations was to serve as a baseline with which to compare future performance and for the setting of targets. It is planned that in the 2023 reporting year that the results will be presented in the statement of service performance alongside targets set and the baseline results.

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SKILLS ACTIVE TE MAHI AKO LIMITED

Statement of Comprehensive Revenue and Expenses FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$ (3 months)
Revenue		
Revenue from Non-Exchange Transactions		
Industry Training Fund (ITF)	4	1,844,220
Workplace fees and registration fees		99,735
Total Revenue from Non-exchange Transactions		1,943,955
Total revenue		1,943,955
Less Cost of Sales	5	142,908
Gross Surplus		1,801,047
Expenses		
Employee benefits expense	6	766,103
Other operating costs	7	659,208
Client servicing and training resources	8	34,778
Total expenses		1,460,089
Surplus before financing revenue		340,958
Interest revenue		157
Surplus for the year		341,115
Total Comprehensive Revenue		341,115

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SKILLS ACTIVE TE MAHI AKO LIMITED

Statement of Changes in Equity FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022
		\$
		(3 months)
Equity at the beginning of the year		-
Contributed Capital		
Share capital issues during the year		1,000,000
Equity at the beginning of the year		-
Surplus for the year		341,115
Total Comprehensive Revenue for the year		341,115
Equity at the end of the year	9	1,341,115

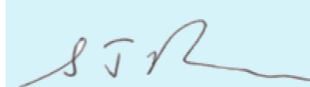
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SKILLS ACTIVE TE MAHI AKO LIMITED

Statement of Financial Position As at 31 December 2022

	Note	2022
		\$
Current Assets		
Cash and cash equivalents	10	1,830,498
Receivables - Exchange	11	365,054
Receivables - Non-Exchange	11	763,643
		2,959,195
Non-Current Assets		
Property, plant and equipment	14	52,627
		52,627
Total Assets		3,011,822
Current Liabilities		
Trade payables		440,150
Employee benefits payable		456,507
Goods & services tax payable		194,782
Revenue in advance		579,268
		1,670,707
Net Assets		1,341,115
Equity		
Share capital		1,000,000
Retained earnings	9	341,115
TOTAL EQUITY		1,341,115

For and on behalf of the Board



Steve Ruru
Chairman
31 May 2023



Robyn Cockburn
Director
31 May 2023

SKILLS ACTIVE TE MAHI AKO LIMITED

Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$ (3 months)
Cash Flows from Operating Activities		
Receipts from TEC funding		1,727,483
Receipts from charges for goods and services		12,043
Payments to suppliers and employees		(752,867)
Proceeds from Interest received		157
		986,816
Cash Flows from Investing Activities		
Payment for property, plant and equipment		(56,318)
		(56,318)
Cash Flows from Financing Activities		
Proceeds from issue of shares		1,000,000
Movement in investments		(100,000)
Total Cash Flows from Financing Activities		900,000
Net Cash Flows		1,830,498
Cash Balances		
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		1,830,498
Net change in cash for period		1,830,498

1. Reporting Entity

These financial statements comprise the financial statements of Skills Active Te Mahi Ako Limited (“Te Mahi Ako”) for the period beginning 1 January 2022 and ending on 31 December 2022. Te Mahi Ako is a Company incorporated in New Zealand, registered under the Companies Act 1993. The Company is a private training establishment supporting te ahumahi ā-rēhia, the Sport, Exercise, Recreation and Performing Arts sectors of New Zealand. The registered office of the Company is 14 Sages Lane, Te Aro, Wellington. The financial statements of the Company are for the year ended 31 December 2022. The financial statements were authorised for issue by the Directors on 31 May 2023.

2. Statement of compliance and basis of presentation

The Company is a reporting entity for the purposes of the Companies Act 1993, the Financial Reporting Act 1993 and the Charities Act 2005.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with the Public Benefit Entity Standards Reduced Disclosure Regime (“PBE Standards RDR”) as appropriate for Tier 2 not-for-profit public benefit entities, and disclosure concessions have been applied. The company qualifies as a Tier 2 reporting entity as for its first reporting period, they are not publicly accountable and not large (operating expenditure has been between \$2 million and \$30 million in the current year for Te Mahi Ako).

The financial statements are presented in New Zealand Dollars (NZD). All financial information presented has been rounded to the nearest dollar.

The financial statements are prepared on the historical cost basis.

The Directors have approved these financial statements on a going concern basis. The Directors have concluded the going concern basis is appropriate, as Te Mahi Ako has obtained funding from the Tertiary Education Commission (TEC) for quarter 4 of the 2022 calendar year when it commenced operations and confirmed funding for the 2023 calendar year.

3. Significant accounting policies

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

a) Revenue

Revenue is identified as either exchange or non-exchange. A transaction is classified as an exchange transaction if it has all of the following three components otherwise it is classified as non-exchange:

- There are two parties that have agreed to enter into the transaction
- There is a direct exchange of economic benefits or service potential between the parties
- The exchange is of approximately equal value.

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i. Revenue from non-exchange transactions

i. ITF and Apprenticeship Funding

Te Mahi Ako received funding from the Tertiary Education Commission (TEC) based on Standard Training Measures (STMs) in 2022 as part of a transitional regime when it picked up the industry training organisation functions from Skills Active Aotearoa. From 2023, TEC's new Unified Funding System (UFS) will be used as the basis for providing funding. Revenue is recognised when received in accordance with contracted delivery and when conditions of the agreement are met. Any potential repayment of funding is an end of year clawback adjustment due to over-funding by TEC and is recognised as a liability in the Balance Sheet. This revenue is considered non-exchange on the basis that TEC does not receive a direct benefit from the funding. During 2022, for the third year, funding was provided by TEC to support learners who undertake qualifying apprenticeships as a direct response to the impacts of Covid-19 and the need for people to retrain. TEC advanced funding based on an assumed take-up of apprenticeships within our industries. As of 1 October 2022 Te Mahi Ako assumed the obligations related to the apprentices who were enrolled by Skills Active Aotearoa plus apprentices who enrolled directly with Te Mahi Ako after transition. Apprenticeships offered by Skills Active and Te Mahi Ako have a duration of 2 years and the funds received from TEC are treated as Revenue in Advance and recognised as revenue on a straight line basis over the expected course duration. In instances where the trainee withdraws, Te Mahi Ako may be required to return the proportion of unearned revenue to TEC. This scheme is in place until December 2022, but obligations for apprentices enrolled at that date and whose course duration is still ongoing remains.

ii. Workplace and registration fees

Workplace and registration fees are recognised in the year which the related programme commences. This revenue is considered non-exchange on the basis that the fees are significantly subsidised by TEC, so the transaction is not of approximately equal value.

iii. Other TEC Funding

Other TEC funding is recognised in the year that the funding conditions are fulfilled. This revenue is considered non-exchange on the basis that TEC does not receive a direct benefit from the funding.

ii. Revenue from exchange transactions

i. Interest Revenue

Interest revenue is recognised as it accrues, using the effective interest method.

b) Property, plant and equipment

Property, plant and equipment are recognised at cost, less depreciation. All assets are depreciated using the straight-line or diminishing value methods and with the following useful life parameters:

Asset	Expected Useful Life	Residual Value
Motor Vehicles	3 – 5 years	20%

Subsequent costs are added to the carrying amount of an item of property, plant and equipment, when

Financial statements

that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income when incurred. The residual value of assets is reassessed annually.

c) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original receivable terms. Subsequent recoveries of amounts previously written off are credited against other income.

d) Employee benefits

The Company's net obligation in respect of annual leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using current pay rates and actual leave accrued. The Company has no obligation in respect to defined contribution pension plans, long service leave, or share-based payment transactions.

e) Income tax

The Company is registered with the Charities Commission under the Charities Act 2005, and is therefore exempt from tax under section CW 42.

f) Goods and services tax

All items are stated exclusive of GST except for trade receivables and trade creditors that are stated inclusive of GST.

g) Cash and cash equivalents

These include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

h) Short term deposits

Short term deposits are Bank held term deposits with maturities of 3 months or greater from inception. Short term deposits are recognised at the face value of the deposit plus any accrued interest.

i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

k) Financial instruments

Financial instruments are recognised in the Balance Sheet when the Company becomes party to a financial contract. They include cash balances, deposits, bank overdraft, receivables, and payables. The business invests funds only with entities with satisfactory credit ratings. Exposure to any one financial institution is restricted in accordance with the business' policy.

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. At initial recognition, an entity may measure short-term receivables and payables at the original invoice amount if the effect of discounting is immaterial.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(b) Classification and subsequent measurement

Financial assets

On initial recognition, all of the Company's financial assets are classified and measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a management model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.

Financial liabilities

All of the Company's financial liabilities are classified and measured at amortised cost.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus or deficit.

(c) Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

l) Controlled entities

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

m) Changes in accounting policy

The accounting policies adopted are consistent with those of Skills Active Aotearoa Limited, the parent company.

Financial statements

PBE IPSAS 41 Financial Instruments is effective from 1 January 2022 and was adopted on that date. PBE IPSAS 41 has not had a material impact on the Company's measurement and recognition of financial instruments.

4. Tertiary Education Commission Revenue

With effect from 1 October 2022, Te Mahi Ako received funding from TEC which was a prorata amount of the funding that was allocated by TEC to Skills Active Aotearoa for the 2022 calendar year, recognising the transfer of functions from Skills Active Aotearoa to Te Mahi Ako on that date.

	2022 \$ (3 months)
Industry Training Fund (ITF)	
ITF Funding – Core	890,828
Apprenticeship funding	609,282
ITF Funding – Targeted Training and Apprentices Fund	264,991
TEC Equity funding	59,119
Other TEC funding	20,000
Net TEC Revenue	1,844,220

5. Cost of Sales

	2022 \$ (3 months)
Assessment fee	16,159
NZQA credit reporting	57,085
NZQA managing consistency	9,000
Resource printing	16,447
SAMs	1,700
TTAF costs	42,517
Total Cost of Sales	142,908

Financial statements

6. Employee Benefit Expense

	2022 \$ (3 months)
Wages and salaries	745,019
Employee Entitlements	745,019
Training	2,110
Other costs	18,974
	766,103

7. Other Operating Costs

	2022 \$ (3 months)
Depreciation and amortisation	3,691
Rental expenses	1,194
Audit fees	15,000
Directors' fees	7,500
IT expenses	1,665
Travel expenses	8,120
Phone and internet expenses	890
Shared services charges	606,810
Subscriptions and membership expenses	5,329
Staff expenses	3,004
Other	6,005
	659,208

Financial statements

8. Client Servicing and Training Resources

	2022
	\$
	(3 months)
Client Servicing	34,778
	<u>34,778</u>

9. Equity and Reserves

The Company has a policy of maintaining equity reserves between a minimum of \$1.4 million and a maximum of \$4 million based on the current Strategic and Operational Risk Analysis. Equity reserves as at 31 December 2022 were \$1.3 million. The Company was in a start up phase during 2022 and it expects to be within the policy range in the next financial year.

Equity reserves will be retained to allow for such items as future capital expenditure, economic downturn and failure to meet TEC contract requirements.

At 31 December 2022, share capital comprised 1,000,000 ordinary shares (2021: 100 uncalled and unpaid) all of which were called and fully paid at the balance date. Skills Active Aotearoa is the sole holder of the ordinary shares and therefore has sole voting rights.

	2022
	\$
Equity	
Total Issued and Paid Up Capital	
Total issued and paid up capital	1,000,000
Retained Earnings	
Balance at beginning of year	-
Net surplus/(Deficit) after financing income	341,115
Retained Earnings at end of year	<u>341,115</u>
Total Equity	<u>1,341,115</u>

Financial statements

10. Cash and Cash Equivalents

	2022
	\$
Westpac	1,830,498
	<u>1,830,498</u>

11. Receivables

	Exchange	Non-exchange	2022
			\$
Accrued Revenue – Exchange	18,780		18,780
Accrued Revenue – Non-Exchange		677,225	677,225
Trade Receivables – Exchange	346,274		346,274
Trade Receivables – Non-Exchange		86,418	86,418
	<u>365,054</u>	<u>763,643</u>	<u>1,128,697</u>

12. Provision for TEC Payback

The TEC letter dated 11 April 2023 confirms the wash up position for quarter 4 of the 2022 funding. For the core industry training funding, there is a claw-back required of \$76,707 plus GST, as a result of under delivery of 16 STMs compared to the target of 376 STMs. There is also a claw-back for Targeted Training and Apprenticeship funding as advised by the TEC on 25 May 2023 of \$139,416 plus GST, which has resulted from an overestimation of the number of apprentices enrolled partially offset by higher average course costs for enrolled apprentices. These amounts have been fully accrued for in the financial statements.

13. Related Parties

The Company has related party relationships with a Director of the parent company, Skills Active. The transactions between the Director and the organisation in which they hold an interest are:

Directors	Organisation	Paid to Skills Active	Paid by Skills Active
		\$	\$
2022			
Kirsty Knowles	Community Leisure Management Limited	20,975	-

Kirsty Knowles is the General Manager of Operations at Community Leisure Management Ltd (CLM) who own and operate community facilities such as swimming pools. Te Mahi Ako learner fees will be invoiced to CLM, either directly, or to entities owned by CLM that operate the pools.

Financial statements

14. Property, Plant and Equipment

Cost	Motor Vehicles	Total
Opening	-	-
Additions	56,318	56,318
Disposals	-	-
Closing	56,318	56,318
Accumulated Depreciation		
Opening	-	-
Depreciation	3,691	3,691
Disposals depreciation write-back	-	-
Closing	3,691	3,691
Net Book Value 2022	52,627	52,627

15. Remuneration paid to employees

Te Mahi Ako commenced activities from 1 October 2022 and was not an employer prior to that date. No employees were remunerated in excess of \$100,000 during the 2022 financial year. The key management personnel were paid collectively \$169,978 during the period.

16. Directors remuneration paid	Te Mahi Ako Board Fees	Skills Active Board Advisory Fees	Total
	\$	\$	\$
2022			
Steve Ruru	13,013	15,000	28,013
Robyn Cockburn	13,012	-	13,012
	26,025	15,000	41,025

Steve Ruru was appointed as an advisor to the board of Skills Active Aotearoa Limited for which he was remunerated \$15,000 in addition to the fees he received as a director of Skills Active Te Mahi Ako Limited.

Financial statements

17. Financial Assets and Liabilities

All financial assets are classified at amortised cost for financial measurement purposes.

These are:

Financial Assets at amortised costs	2022
	\$
Cash and cash equivalents	1,830,498
Receivables	1,128,697
	2,959,195

Financial liabilities are reported at amortised cost and comprise trade payables of \$440,150 (2021: Nil). There are no financial liabilities at fair value through profit and loss.

18. Commitments and Contingencies

There are no commitments or contingent liabilities as at 31 December 2022 (2021: Nil).

19. Subsequent Events

There are no events subsequent to balance date that require disclosure in these financial statements.

20. Going Concern

These financial statements have been prepared based on management's and the Board's assessment that Te Mahi Ako is a going concern. Te Mahi Ako successfully applied for status as a private training establishment (PTE) by NZQA, and TEC approved funding of Te Mahi Ako as a PTE. It is therefore expected that Te Mahi Ako will continue to operate as a going concern for the foreseeable future.

Skills Active learners were transitioned over to Te Mahi Ako on 1 October 2022, and TEC allocated the funding for quarter 4 of the 2022 calendar year to Te Mahi Ako. TEC have confirmed funding of Te Mahi Ako for the 2023 calendar year. Learner success rates have been maintained at similar rates attained by Skills Active.

Te Mahi Ako Board (Current directors)

Steve Ruru
Robyn Cockburn
Brandi Hudson (appointed in 2023)
Stephanie Hadley (appointed in 2023)

Registered Office

14 Sages Lane
Te Aro
Wellington 6011

Solicitor

Dentons Kensington Swan

Bankers

Westpac

Auditors

BDO New Zealand

Contact

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