

The logo for Service IQ, featuring the text 'Service IQ' in a bold, sans-serif font. The 'IQ' is larger and more prominent. To the right of the text is a black vertical rectangle with a white diagonal line, resembling a stylized 'Q' or a flag.

Service IQ

Whakangungu Ahumahi Ratonga

HELPING OUR CUSTOMERS SUCCEED
BY GROWING THEIR TALENT

He moana pukepuke e ekengia e te waka
A choppy sea can be navigated

Pūrongo Ā-Tau
Annual Report
2021

Rarangi upoko

Contents

Mema o te poari Board members	1
Pūrongo o te Kaihautū Chair's report	2
Tiro Whānui o te Tāhuhu Rangapū Chief Executive's overview	4
Kia tika te tīmatanga Apprenticeships boost retail careers	6
Ko ngā kiritaki ngata Customer satisfaction grows	8
Haerenga umanga Journey from school to career	9
Tangata mahi, tangata ora Chef, apprentice, parent and teacher: Learning and earning on-job makes the difference	10
Kia ako, kia ea School students get NCEA credits for hospo competitions	11
Hinonga Kōkiri Service sectors set up for success	12
He rangapū Queenstown dream come true	14
Ngā tauanga Statistics	18
Ngā ahumoni Financials	20

Mema o te poari

Board members

Bruce Robertson

BOARD CHAIR

Bruce has been a director of ServiceIQ since 2013. He is one of New Zealand's most experienced advocates who began interacting with Cabinet Ministers while in his early 20s. At that time, he was the Federated Farmers advocate for the arable and transport sectors. In 1995, he joined Hospitality New Zealand, leading a revival of the organisation, resulting in its growth from 700 members covering mostly bars, to 3,200 members representing the breadth of the hospitality industry from cafés to luxury lodges. Bruce left his role as Chief Executive of Hospitality New Zealand after 20 successful years and now undertakes several governance and advisory roles across hospitality, gaming, tourism and industry training. He sits on the Te Pūkenga Work Based Learning Limited Board.



Des Flynn

RETAIL & RETAIL SUPPLY CHAIN

Des is a lifetime career retailer with over 50 years of retail experience covering large and medium multi-store businesses, franchise businesses, and business consultancy. He has had many senior executive and leadership roles, including Chief Executive, General Manager, and Business Director, at Progressive Enterprises, Woolworths, Life Pharmacy Group, and The Warehouse Group. In his current role, he works with The Warehouse Group as Head of External Stakeholder Engagement and Public Policy, and is involved in mentoring senior managers. Des is a Retail New Zealand and Ringa Hora board member, Chair of the Industry Advisory Board for the Massey University Business School, and actively involved with government agencies giving the retail perspective on impact of proposed legislative changes. He is a Council member for Ringa Hora, the Services Workforce Development Council.



Jill Hatchwell

AVIATION, TOURISM, TRAVEL AND MUSEUMS

Jill is a chartered member of the Institute of Directors with over 30 years' experience in financial and corporate management. She is a formation director of NZX-listed Aorere Resources Limited and a director of TSX and NZX-listed Chatham Rock Phosphate Limited. Jill has extensive aviation industry experience having been on the board of Vincent Aviation Limited, formerly one of New Zealand's largest privately owned international airlines. She is a director of aviation consultancy company Air Ops NZ Limited, the Civil Aviation Authority (CAA), and SMW Group Ltd. Jill is a member of the ServiceIQ Audit & Risk Committee and a Council member for Ringa Hora, the Services Workforce Development Council.



Maryann Geddes

HOSPITALITY

Maryann has held senior HR management positions with Skyline Enterprises based in Queenstown, where she was, until recently, Group Manager Risk and Compliance, responsible for the management of business risk and compliance within the Skyline group of companies. Over the past 25 years Maryann has held a number of director roles within industry organisations and has had a close involvement in tourism and hospitality issues, both at national and international level. She has a Ministerial appointment to the Council of Te Pūkenga and sits on its Work Based Learning Limited Board. She is a Director of Ara Christchurch, Otago Polytechnic Dunedin and SIT Invercargill.



Maxine Gay

EMPLOYEE INTERESTS

Maxine is General Manager of the child charity Pillars. She was a Director on the Retail Institute Board, and most recently the Sector Secretary – Retail with FIRST UNION, where she worked from 2007. FIRST UNION is a trade union representing more than 27,000 workers in the Finance, Industrial, Retail, Stores, and Transport sectors. She is a Council member for Ringa Hora, the Services Workforce Development Council.



Trevor Douthett

RETAIL & RETAIL SUPPLY CHAIN

After nearly 35 years at LV Martin & Son, including 10 years as CEO, Trevor led the acquisition of the Baby City chain in 2012, where he was Managing Director. Trevor is a Finance graduate (BCA) from Victoria University and has become a career retailer with a strong interest in training. He is a member of the ServiceIQ Audit & Risk Committee.



John Selby

INDEPENDENT DIRECTOR

John has had an extensive career in PricewaterhouseCoopers where, for 25 years, he was a partner working in the New Zealand, Australian and Asian markets, providing advisory, audit and risk management services to a wide range of organisations and private company Boards, including Shell New Zealand, Sky Television, L&M Group, Downer EDI, and Tenix. John is chairman of MDH Property, Booster Investment Management, Booster Assurance; a director of VicLink and chairs the ServiceIQ Audit & Risk Committee.



Fergus Brown

HOSPITALITY

Fergus has been Chief Executive of Holiday Parks Association of New Zealand (HPNZ) since 2003 and is based in Wellington. Prior to his current role, and running his own accommodation business, Fergus worked for Tourism New Zealand. During his time there, he headed its Asian operation, based in Singapore and Hong Kong. Fergus is also Deputy Co-Chair of the board of Tourism Industry Aotearoa (TIA), representing Holiday Parks, Motels and Other Accommodation, and has experience working with government.



Andrew Olsen

AVIATION, TOURISM, TRAVEL AND MUSEUMS

Andrew joined the ServiceIQ Board in May 2017. He brings extensive leadership and governance experience from his career as an executive in the international travel industry. Andrew is Chief Executive of Rural Contractors NZ and most recently Chief Executive of the Travel Agents Association of New Zealand (TAANZ) where he led the qualification training initiative for over 3000 agents and staff. He was formerly the New Zealand Director for Carlson Wagonlit Travel, and has also held senior positions with American Express and Gulliver's Travel Group, and represented New Zealand interests as a Director of the World Travel Agents Association Alliance (WTAAA). He is a member of the New Zealand Institute of Directors.



Pūrongo o te Kaihautū

Chair's report



2021 was the final full calendar year in which ServiceIQ operated as an industry training organisation. By the time you read this, the organisation's Board, executive and staff will be entering the final stages of implementing the plan to 'lift and shift' on 1 July into Te Pūkenga's Work Based Learning Limited subsidiary as part of the Government's generational shift Reform of Vocational Education. Even though this will be the last ServiceIQ Chair's Report, 'déjà vu' is a phrase that resonates...

In my 2019 report, I noted that it was written amid what was the most challenging environment our service sectors had experienced, with the consequences of the COVID-19 pandemic taking a tremendous toll on employers and their people.

Last year, in my 2020 report, I said: "12 months later, with some ups and downs, the world is slowly getting to grips with COVID-19 and the virus that causes it. However, many of our sectors are still faced with major challenges to recovery." It's fair to say that, by simply changing 12 months to 24, that statement applies to 2021 as well.

Even so, there is a great deal to celebrate, and I shall talk about a few of the achievements shortly. First though, as is fitting with the organisation moving on 1 July 2022 to its next phase of life, here is a quick industry training organisation (ITO) potted history, much of which I can personally attest.

Aotearoa New Zealand has a long record of workplace training and up-skilling. The modern, and internationally admired, era began in 1992 when ITOs were established.

The new system was a success, reversing the 1980s' apprentice and workplace trainee decline as the new approach became operational around 1995. That year, there were fewer than 20,000 Kiwis in workplace training. By 2008, there were seven times that number – almost 140,000 in training, with many more employers involved.

In the early 2010s, the system was reviewed and adjusted to improve equity, efficiency, and performance, and make it easier for even more employers to engage. One of the outcomes of the review was the amalgamation of many ITOs to an eventual 11.

The three ITOs covering most of the country's service sectors were Hospitality Standards Institute (HSI), Retail Institute, and Aviation Tourism and Travel Training Organisation (ATTTO). On 1 January 2013, these merged to become ServiceIQ. I was on the HSI Board so joined the ServiceIQ one and was closely involved with the challenging – but successful – process of making three into one, and the sum of the parts greater.

ServiceIQ immediately became one of the biggest and most significant ITOs, representing one of the most important slices of the New Zealand economy. At the time, about 457,000 people were employed fulltime by just under 100,000 businesses in the sectors represented. By 2019 (pre-COVID) there were just over 730,000 filled jobs among 124,000 employers.

Today, not quite 10 years on from ServiceIQ's formation, more transformation is ahead with the aforementioned 'lift and shift' (Andrew talks more of this in his Chief Executive's Overview). Despite the pressure this significant government reform has placed, for over two years, on the organisation and its people, ServiceIQ has been hugely successful in continuing to meet current employer and trainee needs. Moreover, it has also maintained high quality and standards at every step, all while planning for – and implementing – that change. Dealing with the challenges of COVID-19 was taken in stride as just more bumps in the road. This has been outstanding.

Everyone at ServiceIQ heard the call and responded without hesitation, contributing time, energy, and ideas that ensured a seamless transfer, in October, of the standards setting and many quality functions to Ringa Hora (the Services Workforce Development Council). ServiceIQ continues to support and assist our former colleagues there as they work to build their new organisation.

I can say the same for the planning and process (which continues) for moving into the Te Pūkenga network. This is a significant piece of work, involving every aspect of the organisation. The entire Board has only praise for all the ServiceIQ staff involved in the process and recognises all the others in the organisation who have, of necessity, worked to backup and assist their colleagues, ensuring that this 'business as unusual' year has appeared to customers as 'business as usual'. This is an impressive feat and continues to make me proud of my long association with ServiceIQ.

It is also one of the reasons I have agreed to continue this association by joining fellow ServiceIQ Board member Maryann Geddes on the Te Pūkenga Work Based Learning Limited Board.

Success in the Reform of Vocational Education, of which ServiceIQ's transition is a part, will depend on all the newly formed organisations (Workforce Development Councils, Te Pūkenga, Regional Skills Leadership Groups, etc) thinking and acting on the basis that they are there to service industry. Success will also depend on the 'old' organisations (Tertiary Education Commission, NZQA, Ministry of Education et al) doing the same.

I intend to do what I can to ensure this success, and I know that the executive and staff of ServiceIQ are with me on this. I know because, in the decades I have been involved in workplace training and vocational education, I have seen exceptional commitment to, and loyalty and passion for, on-job training that leads to qualifications.

There are real and valued business and personal connections with the employers who understand and work towards upskilling their people. And there is authentic delight for all involved as each trainee takes a step closer towards their goals, gaining skills and credentials along the way and building a better future for themselves, their employer, sector, and New Zealand Inc. I do not overstate this. To paraphrase Charles Darwin, in his final book about the actions of earthworms moving large objects into the soil: every tiny action, by each individual, over time leads to great things.

I genuinely admire and appreciate all that the people at ServiceIQ do and achieve. Without each of them, the organisation itself is nothing more than a name. I, and the rest of the Board, thank you for all that you do and contribute. We know that the last few years have not been easy for many reasons. We know, too, that 2022 may be much the same – but we also know that you at ServiceIQ have what it takes to succeed and do well for yourselves, and your employers and their trainees. Thank you.

I note, too, that my colleagues on the Board are just as committed and passionate as everyone else involved with ServiceIQ and I thank them for that. While they spend far fewer of their working weeks on ServiceIQ business than its staff do, I have seen that they contribute above and beyond what their Chair – who's no pushover – expects. Thank you, Board.

In this, my final report as ServiceIQ's Chair, I would like to acknowledge Chief Executive Andrew McSweeney. It has been a pleasure working with him. It makes a Chair's (and Board's) job a lot easier when a Chief Executive brings fresh ideas to the table, backed with data and analysis. It's even easier again when they have a committed focus on people and improving individuals' lives – for customers and staff. Thank you, Andrew, and to your executive and leadership teams and their people too. As you keep reminding us: you're only as good as the people in your organisation. However, they're only as good as you lead them to be.

I'm looking forward to remaining closely involved with ServiceIQ and its impressive team as we work together to build on everything that has been achieved since 1 January 2013 and, indeed, the decades before that.



Bruce Robertson
Kaihautū o Te Poari
Board Chair

Tiro Whānui o te Tāhuhu Rangapū

Chief Executive's overview



Like our Chair, this is my final ServiceIQ Chief Executive's Overview. ServiceIQ will wind-up in the 2022 year as a result of the government's RoVE changes.

It seems an age now from when the RoVE reforms were first announced three years ago. There is still much to be done before we may see the benefits of this unprecedented structural change as the new RoVE entities get themselves established, develop effective working relationships, engage more with industry, and most importantly deliver some demonstrably better outcomes, than the old system being left behind.

For our customers in the services sectors this should mean more employers engaging in vocational education, their employees building more capability and skill resulting in a more productive and valued workforce, much higher participation and achievement rates by all learners – particularly Māori and those under-served by the current system, a demonstrable return on investment – the spend on vocational learning at circa \$1.1 billion p.a. is huge, and a more flexible dynamic and customer focused system that future service sector employers will embrace.

With regard to RoVE during 2021, we have continued keeping our customers fully informed and their interests to the forefront, while also keeping our staff engaged, informed and motivated to keep delivering excellent service. 2021 continued to be a very challenging year for our customers, with aviation, travel, tourism, and hospitality bearing the economic pain and brunt of COVID. Retail was one of the service sectors that was, overall, able to weather the choppy COVID waters better than most others. Unfortunately though, there were many employers who were forced to downsize or close.

Even so, as you will read later in this Report, our efforts to bring the Retail Apprenticeship to life were rewarded with a strong uptake and – equally pleasingly – excellent progress was made with other Apprenticeship offerings.

We recognise the importance of the employer support provided by the Government's Apprenticeship Boost Programme and Targeted Training and Apprenticeship Fund for our apprentices in retail, hospitality and

aviation. These sectors may continue to struggle with the on-going challenges the pandemic presents, but they continue to understand and support workplace training and the value it delivers now and for the future, particularly as we see COVID recede many workforce demands will be evident given talent shortages in many of our sectors.

Our strong support of schools was also a feature of 2021. Teachers and students faced many challenges too. With many Auckland school students at home during the extended lock down period, our team once more rose to the challenge with solutions that helped ensure learning, achievement and interest in service sector careers was maintained or enhanced.

Customer satisfaction is something that ServiceIQ has at its core, and the 2021 data on this is provided for you later in this Report. The results are excellent and are testament to the professionalism and commitment of the entire ServiceIQ team. Increases across all the key metrics, from already high levels, was a great outcome. As it is for our service sectors it is our people and the quality relationships that matter most and lead to the best outcomes.

We continued to measure our internal staff engagement too, as we do each year. Despite the challenging times, staff engagement has been very good and, in 2021, continued to climb. The overall engagement score was 77%, with large increases among important measures of diversity and inclusion; environment and sustainability; learning and development; and an almost doubling on all measures to do with staff understanding and development in te reo Māori and te ao Māori.

Together, our continued focus on customer service and high customer satisfaction, our high staff engagement, leveraging our revenue opportunities to the fullest, and good cost management have led to a very solid financial result. The 2021 operating surplus as reported was \$1.6 million.

In 2021, we again met – and often exceeded – the high standards of compliance, whether internally or for employers, trainees, and schools. Our Quality Assurance (QA) team achieved all this while being split in two, and re-built, as the establishment of Ringa Hora (Services Workforce Development Council, WDC) in October, saw a number of QA staff transfer.

With staff having transferred, the QA functions that remained with us required a number of people to be recruited, with our required QA continuing in parallel. I'm very pleased at how this was handled by all involved, with none of the extra work and pressure impacting on internal or external customers.

In mentioning WDCs, it has been clear from discussions with employers and industry associations that there are, rightly, high expectations of them. While ServiceIQ is no longer responsible for the skills leadership work that WDCs are now charged with, we remain committed to doing what's best for the sectors and customers we serve, and we are maintaining and building relationships with Ringa Hora and providing ongoing support where needed. As part of that – if I may skip ahead to 2022 for a moment – we have gifted the taonga that was created from our major Hinonga Kōkiri project, which was featured as underway in the 2020 Annual Report.

That work was completed in 2021 and, on 28 February 2022, formally handed over to Ringa Hora, helping establish a sound footing for its inaugural Workforce Development Plan. In addition, our Board agreed, with industry and Ringa Hora, to transfer \$3.0 million of ServiceIQ cash assets to a fund that will be used expressly for industry workforce development projects, continuing the long and valued history of ServiceIQ in this vital area.

Another of the RoVE developments is, of course, the transition of ServiceIQ and other ITOs into Te Pūkenga. During the year, we negotiated the terms of our transfer into its Work Based Learning Ltd subsidiary. These have been agreed and, on 1 July 2022, ServiceIQ will 'lift and shift' in its entirety as a going concern. This will ensure the least disruption for our staff and very little, if any, change at all for our employer customers and their trainees, and schools and their students. For our customers Te Pūkenga should be able to offer world class on-job, on-campus, and on-line learning, integrated as necessary to deliver a world class learning experience. Change will occur as Te Pūkenga finalise in 2022, and implement their operating model from 2023 onwards, however we expect change will lead to improvements and hopefully see the achievement of some of the goals I outlined earlier.

RoVE and COVID-19 have both meant a considerable amount of extra work for everyone at ServiceIQ. All staff stepped up and did what was required while ensuring that our business serving customers continued to grow, and that the organisation developed and implemented continuous improvement. I echo the Chair's and Board's sentiments that this is outstanding.

Thanks to our staff who are the single most important key to ServiceIQ's success and, through that, the success of our customers as we help them grow their talent. The teams and individuals that make up our staff excelled in 2020 and again in 2021, despite challenging circumstances in both years. As 2022 unfurls, and the challenges continue, they have kept up the pursuit of excellence, all of which stands them and ServiceIQ in good stead to add value at their new home in Te Pūkenga.

I must also thank our many customers in our sectors firstly for their business with ServiceIQ, and those many who have stepped forward regularly and willingly to contribute time and expertise to overcome issues and challenges. Your involvement with Hinonga Kōkiri, RoVE and Industry Advisory Groups has been invaluable.

I would like to thank my Board for their leadership over what has been a challenging time. The success or not of an organisation starts from the top with a quality Board and we have that. I would note that our Board Members hold six Directorships on new RoVE entities which will ensure the voice of our services industry is strong.

Lastly, thanks to the ServiceIQ Executive and Leadership team for their support, contribution and sheer hard work in leading ServiceIQ to more successful outcomes.

We finished 2021, and head into 2022, with customers and staff highly engaged and aware of the potential that RoVE can deliver. Together, we are working hard to do our bit to ensure the changes produce outcomes that are for the better and will make a real difference. That's what we are here for.



Andrew McSweeney
Tāhuhu Rangapū
Chief Executive

Kia tika te tīmatanga

Apprenticeships boost retail careers

Top retailers across Aotearoa New Zealand are embracing the opportunity to offer eligible staff an apprenticeship.

“Apprenticeships are common in the trades, as well as for chefs, food and beverage professionals, and aircraft engineers,” says Andrew McSweeney, ServiceIQ chief executive. “They are an effective time-honoured system that provides huge advantages for employer and employee. This is recognised with employers able to apply for support under the government’s Apprenticeship Boost Programme.

“Apprenticeships are relatively new to retail, so it’s fantastic to see employers welcome the concept, demonstrating to all New Zealanders that retail is a robust and vital professional sector, full of opportunity and benefits for people wanting fulfilling jobs and rewarding careers.”

Greg Harford, Chief Executive of industry association Retail NZ, says: “We’re absolutely delighted that retail employers can offer an apprenticeship. There are some amazing jobs out there and a programme like this reinforces to employees and potential employees that they will be well supported, trained, and given all the key requirements for a successful career. The retail sector has so many opportunities to develop and grow, be it in a store, management, ownership, marketing, or warehousing and distribution to name a few different facets that exist in the sector.”

The ServiceIQ Retail Apprenticeship results in the award of two New Zealand Certificate qualifications over the two-year on-job programme. After completing their apprenticeship, employees have knowledge and skills applicable across the wide range of modern retail businesses and environments. Sales and business performance, team leadership, staff performance, applicable legislation, stock maintenance and loss prevention, and customer

experience, service and complaints are just a few of the aspects covered.

Andrew McSweeney says the ServiceIQ retail apprenticeship benefits employers as much as their apprentices.

“The apprenticeship helps employees move along their chosen career pathway, building their skills and experience. At the same time, because the apprenticeship is fully on-job, the employer has increasingly skilled and talented employees working daily in its business. Offering apprenticeships helps attract good people to, and retain them in, the business while providing a solid and supported structure for their training.”

Because the apprenticeship is entirely workplace-based it is highly relevant to both the employer and the employee. However, because of the depth of training, it may not suit every employee in every workplace. For these cases, we have ensured there is a suite of retail training options available. Employers operating in retail, or the supply chain side, can choose from a range that covers short induction training; full New Zealand Certificate retail, distribution, team leadership, and management qualifications; as well as the apprenticeship.

“It may be a surprise to many Kiwis that there is a retail apprenticeship, and such a comprehensive range of nationally recognised training and qualifications,” says Andrew McSweeney. “It is less surprising when you discover that retail is about 14% of the economy from 76,000 retailers employing more than 427,000 people – more than 16% of all jobs. Further, in the last 20 years, retail has never seen a negative job opening rate (new jobs plus openings in existing jobs), even during COVID.”





“The Retail Apprenticeship has offered us the ability to upskill our team and give them further opportunities to progress in a career in retail, and of course the learning is so incredibly relevant to their role that they can make use of those skills on the shop floor immediately!”

Kristine Johnson, People and Culture at Smiths City



“The Retail Apprenticeship has been a great way to retain and develop our team; it’s a great way to engage with trainees whilst checking our processes and policies as they learn. People don’t always see Retail as a career choice, the apprenticeship programme helps embed good skills and behaviour, whilst developing our next leaders.”

Wendy McLaughlin – Head of Retail Sales at 2degrees



“The apprenticeship programme has been an amazing opportunity to upskill our workforce in difficult times.

People development remains a high priority in our business so that we have a robust strategy to retain and recruit people, get sales growth in our business through performance, and to offer something different from our competitors.

Our initial numbers in the programme exceeded our target by double, and we look forward to year two of the qualification as this brings a new pathway (New Zealand Certificate in Retail L4) that we haven’t offered before.

The feedback from learners has been very positive and the pastoral support has been effective and very much appreciated.”

Dianne Sherrock, Learning and Development Manager at Green Cross Health



“Interesting times to say the least with the current labour market. What we have found is that you must offer something that resonates with both current and potential employees, as right now they have choice and lots of it.

So, what can you offer that others don’t? Yes, you might have a cool brand, product, and slick marketing... but what else?

That is the space that Resene has found itself in over the past two to three years more so than in the past; plus, add in all that COVID has brought to our business. It has made the people side of Resene just as challenging as bringing in the materials that we use to manufacture in New Zealand.

Often, I find that we are asked what do you do that would make someone want to join a paint company of all things? Also, why should/would someone pick our company over others that might offer more tech or even more attractive incentives?

For us, one of the key elements has been training, and not just any old training, but a long-standing culture of ‘on the job training’. Training where you are encouraged to further yourself in whatever

you do (in some cases way past what was their perceived comfort zone). Better still for Resene, we ‘just happen’ to have a long-standing relationship with a key educational provider called ServiceIQ that now stretches back well over 20-plus years.

Over this period, literally thousands of Resene employees have gained NZQA accreditation in two main areas: the New Zealand Certificate in Retail and the Business Levels 3 and 4 qualifications. We’ve recently added the Retail Savvy Award too. So, for us, this isn’t a new revolution of education and recognition that keeps us in front, but one that is now so intertwined in our own world that it is just part of who we are and what we do. So much so that these recognised qualifications are part of the criteria for the Resene Paint Professionals programme, which is where we recognise our elite, on both their technical knowledge and what we call their ‘Reseness’.

So, to say it is nice to have a business partner that you trust is an understatement; now, it is just what we do together.”

Andrew McPherson, Retail Manager at Resene

Ko ngā kiritaki ngata

Customer satisfaction grows

In 2021, ServiceIQ undertook a major customer satisfaction study. With the complication of COVID-19, we were unsure if employers and trainees felt we were still doing well.

We were delighted that satisfaction was up over 2019's already high levels. This is a testament to the quality of ServiceIQ's people, training programmes and products, and customer support.

Satisfied customers

88% of employers (up 7%) and 84% of trainees (up 2%) stated that they were satisfied with ServiceIQ. The Net Promoter Score from both groups also jumped, by 9 points for trainees (to 21) and 12 points for employers (to 29).

ServiceIQ CEO Andrew McSweeney noted that the increase among small to medium enterprises (SMEs; 20-99 employees) was especially pleasing.

"We've long been aware that it's often easier for large businesses to engage with credentialised on-job training, and we've been working hard for the last few years to bring the benefits to more employers and their employees. The 11% increase in SME's likelihood to engage with workplace training leading to qualifications is testament to the work our people have done and continue to do."

Importance of ServiceIQ training

Training remains one of the top motivators for both trainees and employers. Less than a third (32%) of employers believed employees already have the skills and knowledge without the need for any further training (previously, 42% thought so, indicating that the value of on-job training is increasing).

In line with the data from 2019, an overwhelming majority (93%) of employers agreed that having relevantly trained employees is very important for their business/industry; and 83% of employers believed ServiceIQ's training programmes and qualifications add value to their business.

ServiceIQ's two key service factors received positive responses from both trainees and employers.

These are:

- 1. ServiceIQ's training and qualifications are relevant and meet job/career needs.**
 - 2. ServiceIQ's training advisors have the required knowledge and skills to do their job.**
-

Andrew McSweeney admits that the survey also identified a few areas where further improvement is needed.

"As in 2019, we asked the hard questions and got a lot of valuable information. We used that data as inputs into our continuous improvement process, and the increase this time around indicates that this approach is working. We have done the same this time and work is well underway – and some completed already – to identify issues, root causes and solutions; as well as capture and extend best practice."

Haerenga umanga

Journey from school to career

Despite COVID continuing to disrupt, student participation increased.

The 2020 success in developing solutions to allow schools and students to continue to progress during the first COVID lockdowns was built upon during 2021, despite the continuing – and changing – situation during the year.

Many of the initiatives that were rapidly deployed in 2020, while remaining fit for purpose, were modified and improved. ServiceIQ's experience in online and blended (a mix of online and paper-based) learning meant that schools and students were impacted as little as possible.

Testament to this is the increase in Gateway participation, with improved completion too. We saw a 34% increase in Gateway students; that is 639 more than in 2020.

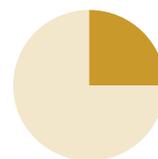
The journey from school to career was also able to be highlighted with a series of events that connected students with employers, giving them a look behind the scenes at a variety of workplaces. This was also the opportunity for these young students to meet trainees and apprentices who, just a year or two before, were in their school shoes and on the cusp of transitioning into employment.

Again, despite the uncertainties of COVID-19, the other side of the school coin was not neglected, with more than 100 teachers participating at well-received professional development days throughout the country.

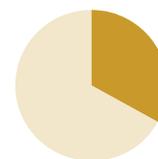
2021 Gateway student numbers

Blue Shirts in Schools	165
Countdown SEEDS Programme	913
Noel Leeming's Passionate Experts in Schools	120
Red Shirts in Schools	1,065
Farmers Gateway	68
Mitre 10	59
Māori Cultural camps	128
Grand Total	2,518
(639 more than 2020; a 34% increase)	

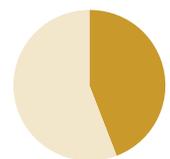
Participation rates



25%
Pacific People

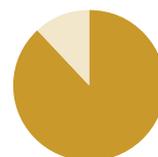


33%
Māori

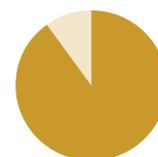


42%
Non-Pacific
or Māori

Completion rates



88%
for taura Māori



90%
for taura Pacific



93%
for Non-Pacific
or taura Māori

Tangata mahi, tangata ora

Chef, apprentice, parent and teacher: Learning and earning on-job makes the difference

Moving seamlessly from school to the workplace can be a big leap, but a good employer, with a commitment to on-job training programmes or apprenticeships, makes all the difference.

It helps too that young Kiwis enter the workforce with real-world work experience.

As the industry training organisation for Aotearoa New Zealand's service sectors, ServiselQ works across the entire school to work transition: everything from classroom teaching resources and Gateway workplace programmes to on-job training programme awards, qualifications, and apprenticeships.

ServiselQ has produced a series of three related videos to showcase a real-life example of the value of a robust vocational education partnership that includes employer, whānau, teacher, trainee and industry training organisation.



Brent Martin

Executive Chef at Park Hyatt Auckland, Brent's world-class team is a top-performing unit – much of that down to passionate people trained on the job. He understands why employing and training the next generation of service sector professionals in the workplace makes great business sense.

"It's good business to have an apprentice. Training on-job is great because we can really show them how a kitchen is run. My advice to other employers is to get on board. We have the ability to reset the hospitality industry and what we do. Let's make it exciting for the younger generation."



Felix Kluge

Felix is a young cookery apprentice. He knew he wanted to be a chef, so studied hospitality at school. The industry Unit Standards he gained there are recognised by employers, helping him build a stand-out resume and land a coveted apprenticeship at the 5-star luxury Park Hyatt Auckland.

"One of the cool things is I don't have a student loan: I'm getting paid to work. I'm getting my qualification through it. I'm working with some of the best chefs in the world at the moment and they're teaching me a lot."



Frances Kluge

As well as a proud mum, Frances is also a qualified chef and a hospitality teacher at Northcote College. Having all these bases covered, she knows it makes sense for school leavers to transition directly into the workplace.

"As a teacher and a parent my advice is moving straight into an apprenticeship from school is a great step. For me, on-job training is so beneficial. If you make mistakes, you learn from them straight away. You don't have a student loan, and you're getting paid as you work. The support he's getting as an apprentice is priceless."

The videos are on ServiselQ's website.

Kia ako, kia ea

School students get NCEA credits for hospo competitions

In pre-COVID times, hundreds of hospitality professionals joined battle for the accolade of being the best of the best, pitting their skills against each other in world-class cookery and food & beverage competitions.

Each year, too, hundreds more young Kiwis did the same thing when keen high school cookery and hospitality students competed in local, regional, and national hospitality contests. Students and their teachers put huge effort and practice into these endeavours, often in their own time but with little opportunity to turn that experience into industry relevant NCEA learning credits.

As the country heads to a post-COVID world, ServicelQ has made the two hospitality industry competition unit standards accessible to schools.

Students can now be rewarded for their successful work in preparing for – and competing in – hospitality contests, including relevant online events. Better yet, both these Level 3 standards, and the credits attained, can be put towards many New Zealand Qualifications or Apprenticeships in hospitality.

“Now, every ākonga participating gains, no matter where they place in the competition. The hard mahi they put in is recognised towards NCEA,” says Doug Pouwhare, ServicelQ’s General Manager for Talent Supply Transitions and Operations.

“With the availability of the industry competition unit standards, all students who properly prepare, and compete, benefit by gaining 10 NCEA and industry training credits as well as attaining the two standards. The two-standard package fits perfectly with our suite of school hospitality teaching and Gateway resources, which also strongly integrate with what industry expects and looks for when recruiting.”



While cookery is what you probably think of when ‘hospitality competitions’ are mentioned, the food & beverage, or front of house, side of the profession is what most people experience, and many competitions include this component too.

“Although the cooking part is strongest in schools, we have created the materials for these unit standards so that they can apply to the full range of culinary arts, giving more schools and students the opportunity to gain skills and knowledge.”

One of the unit standards is theory-based. The other is more focused on the preparation for, and activity in, competition. Both are worth five credits at Level 3.

Hinonga Kōkiri

Service sectors set up for success



1 July 2022 is when ServiceIQ's next chapter begins. As mentioned in the Chair's Report and Chief Executive's Overview, the 'lift and shift' into Te Pūkenga's Work Based Learning Limited subsidiary is effective from that date.

As also noted, the skills development responsibilities of ITOs like ServiceIQ moved to Workforce Development Councils (WDCs) on 1 October 2021. The WDC for services is Ringa Hora.

On 28 February 2022, ServiceIQ announced the transfer of \$3 million to Ringa Hora to create a fund for workforce and skills development projects in hospitality, tourism, retail, aviation, and travel. In addition, ServiceIQ's substantial body of past work in this area was also gifted.

Funding the future

ServiceIQ has made this transfer because its Board and industry Members believe it is vital that the skills leadership and workforce development mahi ServiceIQ has carried out over many years should continue. By gifting to Ringa Hora both the completed work and funding for more, the service sectors, its employers, employees, and ultimately all Kiwis as its customers, will benefit.

At the official ceremony in February, Bruce Robertson, Board Chair for ServiceIQ, noted that many people underestimate the value these sectors bring to the nation's economy and individuals' lives.

These sectors contribute 17% to the country's GDP – that's \$57 billion – generated from 653,000 jobs, which is 25% of all jobs in the country. While those numbers are down on 2019, they will grow again and are predicted to be as high, and probably higher, by 2025. The other side of the coin is the contribution to the quality of each of our lives. It's important

not to undervalue something as simple as a good coffee with friends or having access to shops when you urgently need something. Or having a great holiday experience with whānau or being able to get a flight when loved ones are ill and need care.

"As with many other industries in New Zealand, COVID has had a big impact and employers and their staff are hurting. There is, however, opportunity to recover and, at the same time, do things better. ServiceIQ has recognised that, and it is with this in mind that these taonga of a fund and existing knowledge have been gifted to Ringa Hora. We have also established a structure that ensures the future work on industry skills needs is in full collaboration with the associations and bodies that represent employers in the sectors ServiceIQ has represented since 2013."

The funding has two main requirements:

- ▶ it can only be used for key projects that will help address the many issues facing the service sectors' general workforce
- ▶ industry and Ringa Hora must agree the projects before any funds can be used.

This ensures the greatest industry value and benefit and facilitates two vital aspects of investment in workplace development and skills leadership, both key drivers for the establishment of WDCs:

- ▶ the voice of industry is heard
- ▶ industry and Ringa Hora collaborate.

Service IQ

Whakangungu Ahumahi Ratonga
HELPING OUR CUSTOMERS SUCCEED
BY GROWING THEIR TALENT



Bruce Robertson and Jamie Williams (Council Member – Ringa Hora)

Kari Scrimshaw (CEO Ringa Hora) and Andrew McSweeney

Hinonga Kōkiri / Head Start

While the ServiceIQ skills and workforce development mahi is freely available on our website, the data behind the recent and substantial Hinonga Kōkiri project is a valuable contribution towards the development of Ringa Hora's inaugural Workforce Development Plan.

Hinonga Kōkiri was funded under the government's COVID-19 Response Projects Fund, administered by TEC. It took 11 months, over three stages:

- ▶ The first stage was creating nine Sector Summaries for the sectors that ServiceIQ has worked with for many years;
- ▶ Then came another seven Summaries for the sectors that Ringa Hora would inherit from other ITOs;
- ▶ And finally, the creation of four key documents:
 - ▶ a Thematic Analysis on the impact of COVID-19;
 - ▶ a 'Plan on a Page – Embracing Manaakitanga';
 - ▶ a summary analysis of Māori in the service sector;
 - ▶ and a final over-arching report.

Three crucial themes were clear from the contributions of more than 700 people from across Aotearoa who attended workshops and focus groups or were interviewed or surveyed:

1. The need for resilient businesses and employees in the face of disruption and change;
2. The value of people-facing service roles, and the breadth and depth of skills, knowledge and attributes required for these roles;
3. The need to upskill, reskill and cross-skill, and the critical importance of transferable skills – for individuals, workplaces and across industries.

As Bruce Robertson said, when he officially handed over the taonga to Ringa Hora: *“There is a wonderful whakatauki that sums up what we are to celebrate today: ‘Mā te huruhuru me te mātauranga. Ka whakapakaria te manu kia rere, kia whakatupu ai ngā kōrahoraho’ – ‘Adorned with feathers and knowledge, the bird will be strengthened to fly and to nurture the young unfledged birds.’”*

He rangapū

Queenstown dream come true

Eleven talented students with tourism and hospitality running in their veins beat out stiff competition to win places on a fantastic trip to Queenstown.



Back row: Waimarama Tapiata-Bright, Raurukitahi Fitzgerald, Rakairoa Campbell, Jackson Flavall (GWT), Vanessa Mohi-Goodchild (ServiceIQ), Heidi Gillingham (GWT), Corey Wynyard (Teacher), Shannon Lacey
Front row: Monica Yu, Ali McGregor (Teacher), Kieralee Gilson, Nakita Parish, Sentain Robertson (Teacher Gore HS), Sarah Hose, Temorie Wihongi

During the year ServiceIQ and Go with Tourism ran a school competition each Term, one with a hospitality focus and the other tourism. Over the year, students who entered all three competitions in one of the categories could edge closer to a place on the Grand Prize trip to Queenstown where they would encounter the iconic region as visitors do and, better yet, get exclusive behind-the-scenes experiences.

Congratulations to the student winners and the talented tourism and hospitality teachers, who were also on the trip and able to see first-hand the skills and talent it takes to make these Kiwi industries tick.

Hospitality winners

Sarah Hose – John Paul College, Monica Yu – Christchurch Adventist School, Temorie Wihongi and Shannon Lacey – Taumarunui High School

Tourism winners

Waimarama Tapiata-Bright, Rakairoa Campbell and Raurukitahi Fitzgerald – Te Kura Kaupapa Māori o Ngā Mokopuna, Libby Briggs – Otago Girls, Kieralee Gilson – Gore High School, Nakita Parish – St Kevin’s College, Jacinda Sione – Tauraroa Area School (unable to join us)



“Qualifications achieved through our on-the-job training and the partnership with ServicelQ provide real life benefits not only to our business but also the individual staff members themselves. Working with ServicelQ gives us great confidence that our offering remains relevant to industry trends and also NZQA requirements. It is a pleasure working with the ServicelQ team.”

Andrew Sutton – Learning & Development Manager
McDonald's NZ Ltd



“We’re stoked about giving Kathmanduers the opportunity to gain recognised national Retail Qualifications they can be proud of for life. Our team are already passionate about service and our gear; completing this training allows them to learn and grow as retailers from experience, which is what an apprenticeship is all about!

With support from ServicelQ’s locally based Training Advisors we have been able to provide team members a credible pathway into a retail career. It has allowed us to harness talent and identify leaders in our retail network. The apprenticeship has provided us with an engagement tool, supporting talent attraction and retention. As we head into 2022, we’re looking forward to celebrating the achievements of our year one intakes and putting our knowledge into action with our customers.”

Nova Knight – Learning and Development Programme Manager
Kathmandu



“As a customer-led, people-focussed organisation, TWG appreciates and supports the access to Aotearoa New Zealand-recognised qualifications available through our partner, ServicelQ. The quality of learning ServicelQ provides our team members to build their skills, knowledge and ability is invaluable in helping us support our people’s wellbeing and resilience in a dynamic world.”

Catherine Paul – Merchandise Learning and Development Partner
The Warehouse Group



“We provide the opportunity for everyone to learn, train and develop in their role and career. It doesn’t matter if this is your first job or you’ve been around a while, we believe in helping our people succeed because that’s what drives customer satisfaction and business success for our owner-operators.

These team members are contributing to the overall continuing success of Mitre 10 by leading stores and increasing store productivity and sales by applying sound business practice in their roles. These qualifications really enable our people to keep striving forward in their career in retail.”

Arahi Ruffell – Learning Product Owner
Mitre 10

THE EXPERIENCE COLLECTIVE

The ServiceIQ training system is easy for our team to follow. It includes lots of hands-on support and it enables our team to feel valued and continually grow on the job. We have seen greater staff retention and engagement, and get more from our team members. It has been very easy to implement and non-disruptive to our business.

Rosie Rogers – Co-owner
The Experience Collective

LITTLE SAVANNA

We thoroughly enjoy the relationship and on the job training we have with ServiceIQ. Through the apprenticeship programmes our apprentices are far more motivated, they have access to in-depth training which leads to clear expectations of the job and reduces our training costs. We feel that it allows our apprentices to grow their knowledge base and improve their skills resulting in increased productivity. Through the training they have greater understanding of how to carry out their roles safely and competently and it gives us the opportunity to assess their skills more frequently than we normally would.

Margie Holmes – Director/Owner
Little Savanna

MILLBROOK
Escape the everyday

We endorse ServiceIQ's qualifications and the diverse unit standards suitable for short- and long-term staff learning and development. The unit standards are easily tailored to our business practices and processes and lead to our employees gaining invaluable qualifications as part of a 'learn and earn' pathway.

The qualifications help to identify continuous improvement plans for systems and practices. They provide an opportunity for the employees to analyse and evaluate current practices and processes and then implement improvement plans and projects where appropriate.

Through ServiceIQ training and qualification, employees learn how to manage and supervise teams, and reflect on the best management styles and techniques to ensure productive and successful department operations.

Offering the opportunity to 'learn and earn' through ServiceIQ is attractive to potential recruits and demonstrates that we are a learning organisation and are willing to invest in our people. Employees have the opportunity to gain a meaningful and practical qualification whilst working at Millbrook Resort, in partnership with ServiceIQ.

Katie Church – People & Culture Manager
Millbrook Resort



We have been using ServiceIQ's workplace training programmes with our front of house and kitchen staff for many years. We believe that, besides the obvious educational advantage to staff, there is a decided benefit to the organisation with better trained staff, decreased staff turnover and increased staff loyalty. We highly recommend ServiceIQ training programmes to any hospitality venue.

Michael O'Brien – Food Services Manager
Knox & Salmond Colleges



We greatly value the 'ServiceIQ' service. It allows us to engage those willing to put time and effort into an apprenticeship within a well-organised structure that would not be practical for a small/medium-sized business itself to build. As well as being governed under the NZQA framework, it means the employee has a valuable qualification and skillset at the end. We find that our apprentices quickly become of added value more rapidly through this system and are exposed to a broader scope of learning on the job than they might be otherwise.

Corey Hume – Executive Chef
The Rees Hotel, Luxury Apartments and Lakeside Residences



At Kaiteriteri Recreation Reserve we recognise the benefits of on-job training and qualifications for our staff. It helps us as an employer to attract and retain great people. We have a high number of younger businesses. When they are unsure what they would like to do after completing their studies we have been able to offer them a taster of different areas and chat through the qualification options. It is great to see them grow in the roles and know they have skills for the future and can continue to work at the Reserve and enjoy Kaiteriteri.

Lorna Harrison – People and Safety Manager
Kaiteriteri Recreation Reserve



ServiceIQ qualifications have been extremely beneficial for our organisation as they give our people the chance to earn while they learn. Not only do our people get the chance to achieve an NZQA qualification, but Compass also gains a more skilled workforce.

Cara Croft – Organisational Development Business Partner
Compass Group



The team at Bluecarrot are loving watching trainees grow. With each module, skills increase along with confidence, adding more skill and depth to the entire kitchen.

Adrian Hornsby – Managing Director
Blue Carrot Catering

Ngā tauanga Statistics



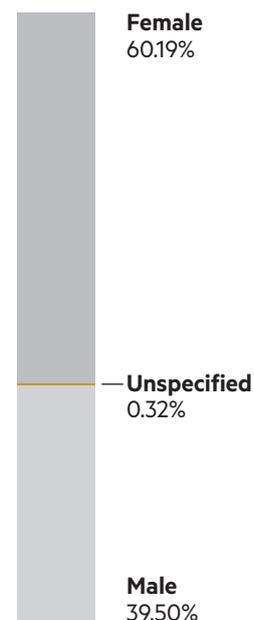
10 credits
achievement

Trainee engagement 2021

Trainees by sector and fund type

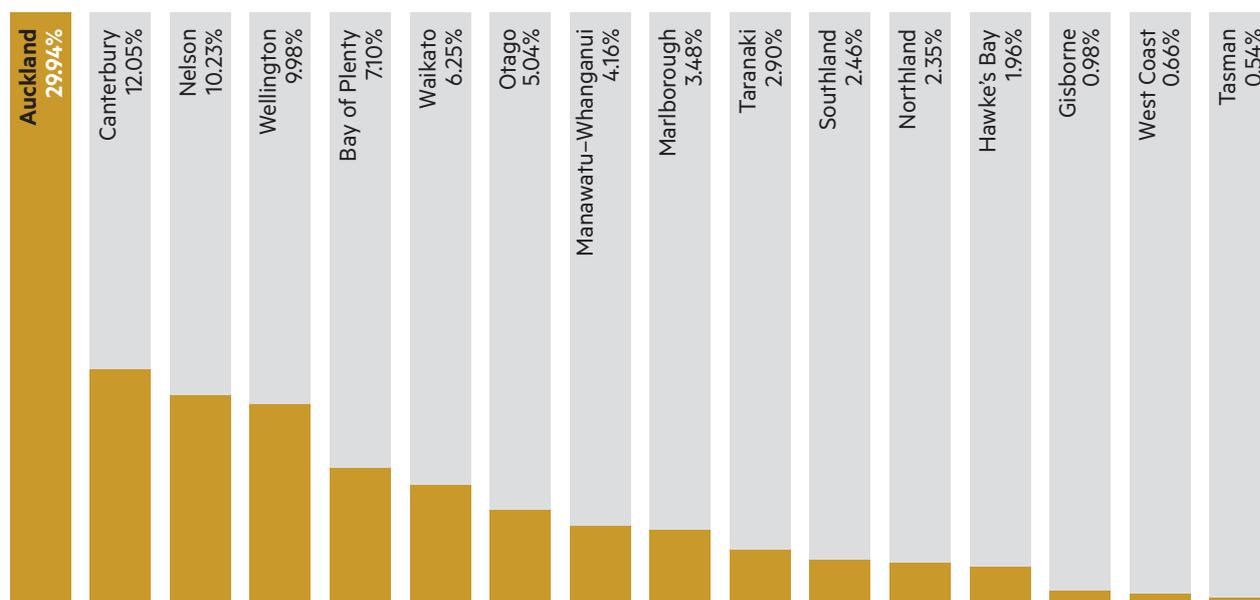
Sector	NZ Apprentice	Trainee	Grand Total	Percentage
Accommodation	82	302	384	3%
Aviation	274	804	1,078	8%
Cafés, Bars, Restaurants	606	497	1,103	8%
Clubs	15	26	41	0%
Food Services	139	770	909	7%
Museums	0	90	90	1%
Quick Service Restaurants	0	5,865	5,865	43%
Retail and Retail Supply Chain	1,256	2,499	3,755	28%
Tourism	19	277	296	2%
Travel	0	110	110	1%
Grand Total	2,391	11,240	13,631	100%

Gender identification

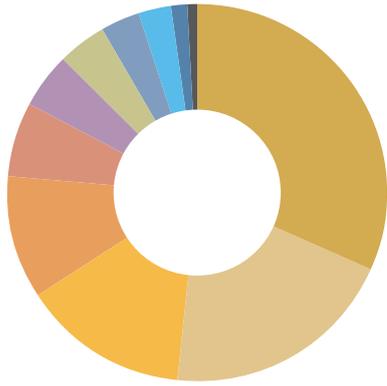


Percentages may not add up to 100% due to rounding. Data does not count multiple NSNs.
Data source: CRM

Trainees by region

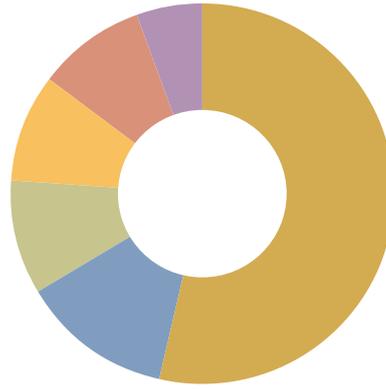


Trainee age group



15-19 32.76%	20-24 19.84%	25-29 13.98%	30-34 10.43%
35-39 6.16%	40-44 4.65%	45-49 4.09%	50-54 3.42%
55-59 2.74%	60-64 1.32%	65 and Over 0.60%	

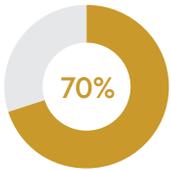
Trainee ethnicity



European 53.58%	Māori 13.01%	Indian 9.46%
Asian 9.21%	Pasifika 9.27%	Other/Unknown 5.47%

Educational Performance Indicators 2021

Summary



Overall ITO credit achievement rate



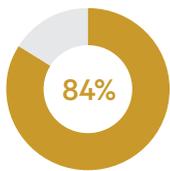
Overall ITO cohort-based programme completion rate



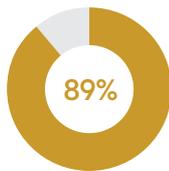
Overall ITO apprentice retention rate



Māori L4+ credit achievement rate



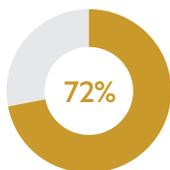
Pasifika L4+ credit achievement rate



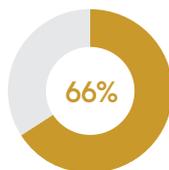
Non-Māori and Non-Pasifika L4+ credit achievement rate



Māori L4+ programme completion rate



Pasifika L4+ programme completion rate



Non-Māori and Non-Pasifika L4+ programme completion rate

Participation rate		
Level 4 and above	2021 Target	2021 Actual
Māori	13%	14.2%
Pasifika	8%	7.4%
Young people	35%	32.1%

Credit achievement rate		
Level 4 and above	2021 Target	2021 Actual
All learners	72%	69.5%
Māori	80%	70.2%
Pasifika	87%	84.0%
Young people	84%	77.0%

Programme completion rate		
Level 4 and above	2021 Target	2021 Actual
Industry training level 4 and above	78%	66.1%
Māori	78%	63.9%
Pasifika	78%	71.5%
Young people	78%	69.1%

First year retention rate for apprentices		
	2021 Target	2021 Actual
Overall	78%	75.1%
Māori	78%	69.2%
Pasifika	78%	78.9%
Young people	78%	73.2%



Ngā ahumoni Financials

Service Skills Institute Incorporated
Financial Report
for the year ended
31 March 2022

SERVICE SKILLS INSTITUTE INCORPORATED
FINANCIALS TABLE OF CONTENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	PAGE
Institute Directory	22
Statement of Comprehensive Income	23
Statement of Changes in Equity	24
Statement of Financial Position	25
Statement of Cash Flows	26
Notes to the Financial Statements	27–38
Independent Auditor’s Report	39–40

**SERVICE SKILLS INSTITUTE INCORPORATED
INSTITUTE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2021**

Nature of Business	Transitional Industry Training Organisation for Aviation, Tourism, Travel, Museums, Cafes, Bars, Restaurants, Accommodation, Food Services, Quick Service Restaurants, Clubs, Retail and the Retail Supply Chain.
Business Location	Wellington
Registered Office	Plimmer Towers 2-6 Gilmer Terrace Wellington 6011
Board Members	Fergus Brown Trevor Douthett Des Flynn Maxine Gay Maryann Geddes Jill Hatchwell Andrew Olsen Bruce Robertson (Board Chair) John Selby
Chief Executive Officer	Andrew McSweeney
Bankers	BNZ Wellington
Auditor	Grant Thornton New Zealand Audit Limited 215 Lambton Quay Wellington 6011

**SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

		31 Dec 2021	31 Dec 2020
		\$	\$
REVENUE			
Revenue from Non-Exchange Transactions:			
Government funding	8a	10,997,171	15,386,068
Industry income	2	4,808,028	3,354,016
Revenue from Exchange Transactions:			
Industry income	2	147,510	444,517
Other income		210,313	270,723
Interest and investment income		97,616	138,765
TOTAL REVENUE		<u>16,260,638</u>	<u>19,594,089</u>
EXPENSES			
Operating expenses	3	14,230,035	16,895,078
Finance costs		123,770	168,078
Depreciation	4	109,256	179,489
Amortisation	5	142,078	150,587
TOTAL EXPENSES		<u>14,605,139</u>	<u>17,393,232</u>
SURPLUS/(DEFICIT) FOR THE PERIOD		<u>1,655,500</u>	<u>2,200,857</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u>1,655,500</u>	<u>2,200,857</u>

The accompanying notes form part of these financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Contributed equity		10,527,015	10,527,015
Opening retained earnings		(3,765,870)	(5,966,727)
Total comprehensive income for the period		1,655,500	2,200,857
Closing retained earnings		(2,110,370)	(3,765,870)
Closing balance		8,416,645	6,761,145

The accompanying notes form part of these financial statements.



SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
EQUITY			
Contributed Equity		10,527,015	10,527,015
Retained earnings		(2,110,370)	(3,765,870)
		8,416,645	6,761,145
CURRENT ASSETS			
Cash and cash equivalents	6	3,457,068	3,464,261
Short term investments	7	5,619,556	3,564,694
Receivables from non-exchange transactions		172,899	67,008
Receivables from exchange transactions	14	326,517	717,426
Inventory		28,123	22,017
		9,604,163	7,835,406
NON-CURRENT ASSETS			
Property, plant and equipment	4	227,010	155,058
Intangibles	5	141,394	283,472
Long term investments	7	625,000	1,167,594
		993,403	1,606,123
TOTAL ASSETS		10,597,566	9,441,529
CURRENT LIABILITIES			
Accounts payable		343,812	329,747
Accruals and other payables	8	1,046,221	1,562,172
Provisions	9	790,888	788,466
		2,180,921	2,680,384
TOTAL LIABILITIES		2,180,921	2,680,384
NET ASSETS (LIABILITIES)		8,416,645	6,761,145

For and on behalf of the Board



Bruce Robertson Board Chair Date: 22 April 2022



John Selby Board Member Date: 22 April 2022

The accompanying notes form part of these financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Note	31 Dec 2021 \$	31 Dec 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Revenue from Non-Exchange Transactions:		
Tertiary Education Commission Funding	10,526,270	14,441,661
Sale of Goods & Services	5,075,219	3,494,326
Revenue from Exchange Transactions:		
Sale of Goods & Services	147,510	413,327
Other Income	210,313	270,723
Interest & Investment Income	100,748	157,030
	<u>16,060,060</u>	<u>18,777,067</u>
Cash was disbursed to:		
Payments to suppliers/employees	(14,376,608)	(16,807,053)
Net cash (outflow)/ inflow from operating activities	<u>1,683,452</u>	<u>1,970,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was disbursed to:		
Sale of investments	424,094	-
Purchase of investments	(1,932,813)	(240,021)
Purchase of Fixed Assets	(181,927)	(74,032)
Net cash (outflow)/ inflow from investing activities	<u>(1,690,646)</u>	<u>(314,053)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net cash (outflow)/ inflow from financing activities	<u>-</u>	<u>-</u>
Net cash inflow/ (outflow) from investing and financing activities	<u>(1,690,646)</u>	<u>(314,053)</u>
Net increase in Cash	(7,193)	1,655,961
Opening Cash Balance 1 January 2021	3,464,261	1,808,300
CLOSING CASH BALANCE FOR THE YEAR ENDING 31 DECEMBER 2021	<u><u>3,457,068</u></u>	<u><u>3,464,261</u></u>

The accompanying notes form part of these financial statements.



SERVICE SKILLS INSTITUTE INCORPORATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These financial statements comprise the financial statements of Service Skills Institute Incorporated ("ServiceIQ") and its non-trading subsidiary ServiceIQ International Limited for the period beginning 1 January 2021 and ending 31 December 2021. ServiceIQ is an incorporated society, registered and domiciled in New Zealand. ServiceIQ International Limited is a New Zealand limited company fully owned by ServiceIQ. ServiceIQ is an incorporated society under the Incorporated Societies Act 1908 and registered as a charitable entity under the Charities Act 2005.

ServiceIQ is the transitional Industry Training Organisation for the Aviation, Tourism, Travel, Museums, Cafes, Bars, Restaurants, Accommodation, Food Services, Quick Service Restaurants, Clubs, and Retail and the Retail Supply Chain.

The financial statements were authorised for issue by the Board on 22 April 2022.

Basis of Preparation

(a) Statement of Compliance

On 1 July 2022 Service Skills Institute Inc will transfer all its arranging training activities to Work Based Learning Ltd (WBL) a subsidiary of Te Pūkenga, and will not trade after that date. Consequently the financial statements for the year ended 31 December 2021 have been prepared on a realisation basis. As it is assumed that all arranging training assets and liabilities (excluding cash and term deposits) will be transferred at least at carrying value on the date of transition, and that all leases will be assumed by WBL, there have been no adjustments to the carrying value of assets or liabilities as measured under ServiceIQ's existing accounting policies.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR), as appropriate for Tier 2 not-for-profit public benefit entities, for which all reduced disclosure regime exemptions have been adopted.

ServiceIQ's primary objective is to provide goods and services for industry rather than for financial return. Accordingly, ServiceIQ has designated itself as a public benefit entity for the purposes of financial reporting.

ServiceIQ qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis except that certain assets and liabilities are stated at their fair value. The accruals basis of accounting has been used unless otherwise stated.

(c) Use of Estimates and Judgments

The preparation of the financial statements in conformity with PBE Standards RDR requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(d) Presentational Currency

The financial statements are presented in New Zealand dollars (\$) which is ServiceIQ's functional and presentation currency, rounded to the nearest dollar.

(e) Realisation basis

These financial statements have been prepared on a realisation basis (2020: going concern basis).



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Significant Accounting Policies

The accounting policies set out below have been applied consistently in the period of these financial statements.

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recognised at their cash settlement value.

(b) Trade Debtors and Other Receivables

Trade debtors and other receivables are recognised initially at their fair value, and then subsequently measured at amortised cost using the effective interest method less any impairment losses.

A provision for impairment is established where there is objective evidence that ServiceIQ will not be able to collect all amounts due according to the original terms of the receivable. The measurement of the provision is the difference between the assets carrying value and the present value of discounted estimated future cash flows.

Receivables with a short duration are not discounted.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the weighted average principle and includes expenditure in acquiring the inventories and bringing them to their existing location and condition.

(d) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to ServiceIQ and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to ServiceIQ and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense when incurred.

Depreciation

Depreciation is provided on a straight-line ("SL") basis on all property, plant and equipment over the estimated useful life of the asset. Depreciation is charged to the Statement of Comprehensive Income.

The estimated useful life of each class of property, plant and equipment is as follows:

ICT Hardware	3 years
Office Equipment	3 years
Office Furniture & Fixtures	5 years
Work in Progress	Not Applicable

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining lives of the improvements, whichever is shorter. An asset is only recognised where ServiceIQ has the unencumbered right to the asset.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.



SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(e) Intangible assets

Intangible assets acquired by ServiceIQ, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible asset, from the date that they are available for use. The estimated useful life of each class of intangible assets is as follows:

Acquired computer software	3 years
Internally Developed Software	2-7 years

Computer software licenses are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. Cost associated with maintenance of computer software are recognised as an expense when incurred.

(f) Financial Instruments

Financial instruments are recognised in the Statement of Financial Position initially at fair value plus, for instruments not at fair value through the Statement of Comprehensive Income, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when ServiceIQ becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if ServiceIQ's contractual rights to the cash flows from the financial assets expire, or if ServiceIQ transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if ServiceIQ's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in shares, trade and other receivables, cash and cash equivalents (including bank overdrafts), and trade and payables.

ServiceIQ has no off-balance sheet financial instruments.

Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when ServiceIQ becomes a party to the contractual provisions of the financial instruments. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents includes 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 change in value and bank overdrafts.

Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest method. Trade payables of a short-term nature are not discounted.

Subsequent Measurement of Financial Assets

The subsequent measurement of financial assets depends on their classification based on the purpose for which financial assets were acquired.

Subsequent Measurement of Financial Liabilities

Trade payables and other liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Classification of Financial Instruments:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used is the current bid price.

(i) Financial Assets held at "Fair Value through Statement of Comprehensive Income"

Financial assets held at fair value are shares which are held in ServiceIQ's name. After initial recognition these assets are measured at quoted market prices as at balance date. Gains and losses when asset is revalued are recognised in the Statement of Comprehensive Income.

(ii) Held to Maturity Investments

Held to maturity investments are bank deposits and corporate bonds with fixed or determinable payments and fixed maturities that ServiceIQ has the positive intention and ability to hold to maturity. These are classified as long and short term investments on the statement of financial position. After initial recognition these assets are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired are recognised in the Statement of Comprehensive Income.

(iii) Loans and receivables

Trade and other receivables are measured at amortised cost, using the effective interest method, less impairment losses. Trade receivables of a short-term nature are not discounted. Discounting is omitted where the effect of discounting is immaterial.

(iv) Financial liabilities measured at amortised cost

Accounts payable and other payables are measured at amortised cost, using the effective interest method.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(g) Impairment

Impairment of Financial Assets

All financial assets are subject to review for impairment at least once each reporting date. Accounts receivable are reviewed for impairment when accounts are past due or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables are presented in the Statement of Comprehensive Income, within expenses.

All impairment losses are recognised in Statement of Comprehensive Income and reflected in an allowance account against receivables. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted. For trade receivables, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered indicators that the receivable is impaired. When the receivable is uncollectible, it is written off against the allowance account for receivables.

Impairment of Non-financial Assets

The carrying amounts of ServiceIQ's assets other than inventories are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in Statement of Comprehensive Income.

The estimated recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the other assets or groups of assets. In the case of ServiceIQ the cash generating unit is the entire entity.

(h) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

ServiceIQ recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent ServiceIQ anticipates it will be used by staff to cover those future absences.

Long service leave

The provision for long service leave is calculated using the projected unit credit method, bringing to account the current estimate of future payments in respect of service that employees have accumulated at balance date.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans (including KiwiSaver) are recognised as an expense in Statement of Comprehensive Income when they are due.

(i) Provisions

A provision is recognised when ServiceIQ has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Reinstatement Provision for Operating Leases

The estimated cost of reinstatement for the Wellington Auckland and Christchurch leased properties will be provided for over the life of the lease up to the first right of renewal option date based on an estimated current cost based on a square metre rate for a reinstatement in accordance with the Deeds of Lease.

Provision for Employee Termination Entitlements

This is the estimated cost of the termination entitlements that will be paid when staff cease employment with ServiceIQ.



SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(j) 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

Government Funding

ServiceIQ receives funding from the Tertiary Education Commission based on Standard Training Measures (STMs). The income 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.

Industry Income

Industry income consists of resource sales and course registration fees, which is considered non exchange revenue, and NZQA Moderation Rebate revenue, which is considered exchange revenue. From October 2021 ServiceIQ no longer earned NZQA Moderation Rebate revenue, as this function transferred to Ringa Hora Services WDC. Resource sales and course registration fee are recognised when the fees are charged, or income is due. This revenue is considered non-exchange on the basis that the fees, and by extension, resources, are significantly subsidised by TEC, so the transaction is not of approximately equal value. NZQA moderation rebate is recognised when received, in the year which the related moderation occurs. This revenue is considered exchange on the basis that this is essentially a full cost recovery subcontracting arrangement with NZQA, who holds ultimate responsibility for moderation of tertiary level qualifications. From 1 July the Government introduced the Targeted Training and Apprenticeship Fund (TTAF) which has meant some fees revenue has been received via this fund, rather than collected from employers or apprentices.

Other income

Other income is related to sundry income. Revenue is recognised when fees are charged, or income is due. This revenue is considered exchange on the basis that it is made of a number of miscellaneous sales agreements.

Interest income

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

(k) Income Tax

ServiceIQ is registered under the Charities Act 2005 and has been granted exemption from income tax under section CW41 and 42 of the Income Tax Act 2007. As such no provision has been made for current or deferred tax.

(l) Goods and Services Tax

With the exception of trade payables and receivables, all items are stated exclusive of Goods and Services Tax.

(m) Associates

Mediasphere New Zealand Limited is an Associate, as ServiceIQ holds 50% of the shares in Mediasphere New Zealand Limited.

Associates are those entities in which ServiceIQ has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when ServiceIQ holds between 20% and 50% of the voting power of another entity. Investments in are accounted for using the equity method and are recognised initially at cost, including directly attributable transaction costs.

The consolidated financial statements include ServiceIQ's share of the surplus or deficit and other comprehensive revenue and expense of its equity accounted associates and jointly-controlled-entities, after adjustments to align the accounting policies with those of ServiceIQ, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When ServiceIQ's share of losses exceeds its interest in its equity accounted associates and jointly-controlled-entities, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that ServiceIQ has an obligation or has made payments on behalf of the investee.

(n) Leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis. Lease inducements are recognised over the term of the lease. Operating leases are not recognised in the statement of financial position.

(o) Changes in Accounting Policies

There have been no changes in accounting policies.

(p) Comparative Figures

Certain comparatives have been reclassified for disclosure purposes.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. INDUSTRY INCOME	31 Dec 2021	31 Dec 2020
The following are included within industry income:	\$	\$
Moderation & Credit Reporting	147,510	444,517
Resource & Training	4,793,021	3,288,584
Assessment & Casual Trainee	15,007	65,433
Balance as at 31 December 2021	<u>4,955,538</u>	<u>3,798,534</u>

3. OPERATING EXPENSES	31 Dec 2021	31 Dec 2020
The following are included within operating expenses:	\$	\$
Audit fee	32,577	30,857
Premises Rental	751,080	801,354
Operating lease costs	228,141	257,506
Legal fees	32,001	33,434
Bad debts expense	4,410	6,337
Employee benefit expenses:		
Wages and salaries	8,346,038	9,796,564
Contributions to defined contribution plans	235,621	271,643

4. PROPERTY, PLANT AND EQUIPMENT

	ICT Hardware	Equip; Furn & Fittings	Office Fit Out	Total
Cost or Valuation				
Balance as at 1 January 2021	466,649	53,953	345,135	865,737
Additions	181,927			181,927
Disposals	(2,587)			(2,587)
Balance as at 31 December 2021	<u>645,989</u>	<u>53,953</u>	<u>345,135</u>	<u>1,045,077</u>

	ICT Hardware	Equip; Furn & Fittings	Office Fit Out	Total
Accumulated depreciation and impairment				
Balance as at 1 January 2021	366,109	47,515	297,055	710,679
Depreciation	76,256	2,559	30,441	109,256
Disposals	(1,868)			(1,868)
Balance as at 31 December 2021	<u>440,497</u>	<u>50,074</u>	<u>327,496</u>	<u>818,067</u>
Net Book Value	205,492	3,879	17,639	227,010

	ICT Hardware	Equip; Furn & Fittings	Office Fit Out	Total
Cost or Valuation				
Balance as at 1 January 2020	399,433	262,535	345,135	1,007,103
Additions	70,071	3,960	-	74,031
Disposals	(2,855)	(212,542)	-	(215,397)
Balance as at 31 December 2020	<u>466,649</u>	<u>53,953</u>	<u>345,135</u>	<u>865,737</u>

	ICT Hardware	Equip; Furn & Fittings	Office Fit Out	Total
Accumulated depreciation and impairment				
Balance as at 1 January 2020	275,171	234,043	224,145	733,359
Depreciation	93,555	13,024	72,910	179,489
Disposals	(2,617)	(199,552)	-	(202,169)
Balance as at 31 December 2020	<u>366,109</u>	<u>47,515</u>	<u>297,055</u>	<u>710,679</u>
2020 Net Book Value	100,540	6,438	48,080	155,058



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. INTANGIBLE ASSETS

	Software	Total
Cost or Valuation		
Balance as at 1 January 2021	1,223,279	1,223,279
Additions	-	-
Disposals	-	-
Balance as at 31 December 2021	<u>1,223,279</u>	<u>1,223,279</u>
	Software	Total
Accumulated amortisation		
Balance as at 1 January 2021	939,807	939,807
Amortisation	142,078	142,078
Disposals	-	-
Balance as at 31 December 2021	<u>1,081,885</u>	<u>1,081,885</u>
Net Book Value	141,394	141,394
	Software	Total
Cost or Valuation		
Balance as at 1 January 2020	1,223,279	1,223,279
Additions	-	-
Disposals	-	-
Balance as at 31 December 2020	<u>1,223,279</u>	<u>1,223,279</u>
	Software	Total
Accumulated amortisation		
Balance as at 1 January 2020	789,220	789,220
Amortisation	150,587	150,587
Disposals	-	-
Balance as at 31 December 2020	<u>939,807</u>	<u>939,807</u>
2020 Net Book Value	283,472	283,472
6. CASH AND CASH EQUIVALENTS		
	31 Dec 2021	31 Dec 2020
	\$	\$
Operating Bank Accounts and Cash on Hand	3,447,859	3,403,471
Cash Management Account with Craigs Investments	9,209	60,790
Total Cash and Cash Equivalents	<u><u>3,457,068</u></u>	<u><u>3,464,261</u></u>



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. SHORT AND LONG TERM INVESTMENTS

	31 Dec 2021	31 Dec 2020
	\$	\$
Short term investments		
Bank Term deposits	5,079,556	3,146,743
Bonds, Notes and Debentures	540,000	417,951
Total Current Investments	<u>5,619,556</u>	<u>3,564,694</u>
Long term investments		
Bonds, Notes and Debentures	625,000	1,167,594
Total Non-current Investments	<u>625,000</u>	<u>1,167,594</u>
Total Short and Long-term investments	<u><u>6,244,556</u></u>	<u><u>4,732,288</u></u>

NB. Bank Term Deposits are held for Guarantees of \$446,638 (2020: \$534,726) for tenancy lease agreements, and a \$386,100 (2020: \$386,100) letter of credit over the payroll.

8. ACCRUALS AND OTHER PAYABLES

	31 Dec 2021	31 Dec 2020
	\$	\$
Employee Benefits		
Liability for long-service leave (current & non-current)	29,952	28,333
Liability for annual leave (current)	469,513	476,414
Total Employee Benefits	<u>499,465</u>	<u>504,747</u>
Other payables		
TEC Targeted Training and Apprenticeships Fund	-	588,660
TEC Hardship Fund for Learners	117,759	-
GST Payable	205,087	295,740
Other payables	223,911	173,025
Total Other Payables	<u>546,756</u>	<u>1,057,425</u>
Total Accruals and Other Payables	<u><u>1,046,221</u></u>	<u><u>1,562,172</u></u>

8a. Tertiary Education Commission

	31 Dec 2021	31 Dec 2020
	\$	\$
The TEC funding summary for 2021 was as follows:		
Funding received	10,997,171	15,386,068
	<u><u>10,997,171</u></u>	<u><u>15,386,068</u></u>

9. PROVISIONS

	31 Dec 2021	31 Dec 2020
	\$	\$
Premises Reinstatement Provision	148,888	128,466
Provision for Employee Termination Entitlements	642,000	660,000
Total Provisions	<u><u>790,888</u></u>	<u><u>788,466</u></u>

The provision of \$148,888 for the reinstatement of the leased premises in Auckland, Wellington and Christchurch is estimated based on the most recent make good expenditure. The provision for employee termination entitlements is the estimated cost of payments when staff cease employment with ServiceIQ.

Reconciliation of provisions

	Reinstatement Provision	Employee Entitlement Provision
Opening Balance	128,466	660,000
Provision utilised	-	(40,000)
	<u>128,466</u>	<u>620,000</u>
Increase in Provision	20,422	22,000
Closing Balance	<u><u>148,888</u></u>	<u><u>642,000</u></u>



SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. RELATED PARTY TRANSACTIONS

The following Board members of ServiceIQ worked for companies which entered into training agreements with and purchased resources from ServiceIQ during the year. All transactions are undertaken in the normal course of business on standard terms and conditions.

Board Member	Organisation	Nature of Transaction	Paid to ServiceIQ	Paid by ServiceIQ	As at 31 Dec 2021 Balance owed to/(by) ServiceIQ
			\$	\$	\$
Fergus Brown / Bruce Robertson	Tourism Industry Aotearoa	Sponsorship / Membership		24,375	-
Trevor Douthett	Baby City	Training Fees	1,382		69
Des Flynn	Retail NZ	Sponsorship		20,000	-
Des Flynn	The Warehouse Ltd	Training Fees	30		-
Maryann Geddes	Southern Institute of Technology	Training Fees & Resources / Staff training	6,730	436	-
Maryann Geddes	Otago Polytechnic	Training Fees & Resources / Staff training	6,164	2,174	-

Board Member	Organisation	Nature of Transaction	Paid to ServiceIQ	Paid by ServiceIQ	As at 31 Dec 2020 Balance owed to/(by) ServiceIQ
			\$	\$	\$
Fergus Brown	Holiday Parks New Zealand	Sponsorship		4,020	-
Fergus Brown / Bruce Robertson	Tourism Industry Aotearoa	Membership Fees	-	24,025	-
Trevor Douthett	Baby City	Training Fees	1,575		190
Des Flynn	Retail NZ	Sponsorship	-	23,000	-
Maxine Gay	Victoria University	Staff Training		2,237	-
Maryann Geddes	Queenstown Resort College	Training Fees	567	-	-
Maryann Geddes	Southern Institute of Technology	Training Fees	7,279	-	-
Maryann Geddes	Otago Polytechnic	Staff Training		2,174	-

Terms of trade are settlement month following invoice. No guarantees or securities are given and no bad debts or bad debts provision have been recorded during the period.

Key management personnel remuneration

Key management personnel are classified as either:

- ServiceIQ Board
- Executive Team

ServiceIQ board members are paid monthly directors' fees. The executive team are employed as employees of ServiceIQ, on normal employment terms.

The aggregate level of remuneration paid and number of persons (measured in 'people' for board members, and 'full-time equivalents' (FTEs) for the executive team) in each class of key management personnel is presented below:

	31 Dec 2021		31 Dec 2020	
	Remuneration	Number of individuals	Remuneration	Number of individuals
ServiceIQ Board	304,007	9	304,000	9
Executive Team	1,493,194	7 FTEs	1,465,886	6.9 FTEs
	<u>1,797,201</u>		<u>1,769,886</u>	

There were no loans made to key management personnel or close family members during this period.

Other related parties

ServiceIQ does not have any further related party transactions.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

As at 31 December 2021:	Held to Maturity	Fair Value through Statement of Comprehensive Income	Loans and Receivables	Financial Liabilities at Amortised Cost	Total Carrying Amount	Total Fair Value
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents			3,457,068		3,457,068	3,457,068
Short term investments	5,619,556				5,619,556	5,619,556
Trade receivables			172,899		172,899	172,899
Other receivables			326,517		326,517	326,517
Trade payables				343,812	343,812	343,812
Other payables				339,669	339,669	339,669
Long term investments	625,000				625,000	625,000
	6,244,556	-	3,956,484	683,481	10,884,521	10,884,521

There were no financial instruments classified in the 'Available for sale' category. (2020: none)

As at 31 December 2020:	Held to Maturity	Fair Value through Statement of Comprehensive Income	Loans and Receivables	Financial Liabilities at Amortised Cost	Total Carrying Amount	Total Fair Value
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents			3,464,261		3,464,261	3,464,261
Short term investments	3,564,694				3,564,694	3,564,694
Trade receivables			67,008		67,008	67,008
Other receivables			717,426		717,426	717,426
Trade payables				329,747	329,747	329,747
Other payables				769,774	769,774	769,774
Long term investments	1,167,594				1,167,594	1,167,594
	4,732,288	-	4,248,695	1,099,521	10,080,504	10,080,504

12. SERVICEIQ INTERNATIONAL LIMITED

Service Skills Institute Incorporated registered ServiceIQ International Limited on 4 November 2014. Service Skills Institute Incorporated owns 100% of the shares of ServiceIQ International Limited. Other than an initial grant in 2015, from Education New Zealand, ServiceIQ International Limited has not generated trading income. ServiceIQ International Limited did not trade in 2021.

ServiceIQ International Limited is consolidated into these group financial statements although as it has not traded there is no impact on these group financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. OPERATING LEASES	31 Dec 2021 \$	31 Dec 2020 \$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	932,172	861,659
Between one and five years	169,118	677,363
More than five years	-	-
	1,101,290	1,539,022

Operating leases comprise office rental costs up to the first renewal date (or surrender date) and motor vehicle lease contracts. The operating lease commitments disclosed above are based on the expectation that the Christchurch lease opt out option will be exercised at December 2022 and the Wellington lease opt out option will be exercised at March 2023.

Finance leases comprise printer and photocopier rental and service agreements.

14. OTHER RECEIVABLES	31 Dec 2021 \$	31 Dec 2020 \$
NZQA Moderation income	-	268,255
Prepayments	301,692	316,388
Other receivables	24,825	132,783
	326,517	717,426

15. ASSOCIATES

In November 2019 the decision was made to write off ServiceIQ's investment in Mediasphere New Zealand Ltd. As at 31 December 2021, ServiceIQ's investment in Mediasphere New Zealand Limited was \$nil (2020: \$nil). No revenue was received in 2021.

There are no contingent liabilities in relation to Mediasphere New Zealand Limited as at 31 December 2021 (2020: nil).

16. COMMITMENTS

ServiceIQ has no major forward commitments as at 31 December 2021 (2020: nil).

17. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2021 (2020: nil).

18. REVIEW OF VOCATIONAL EDUCATION (RoVE)

In October 2021 ServiceIQ's qualifications development, standard setting, and moderation functions, along with eight staff, were transferred to Ringa Hora Services Workforce Development Council. This transfer included the NZQA Moderation Rebate revenue earning function.

In December 2021, a transfer agreement between ServiceIQ and Te Pūkenga was signed, agreeing a transfer date of 1 July 2022 for ServiceIQ's remaining functions (arranging training including Gateway), along with all staff employed at that time, to be transferred to Work Based Learning Ltd (WBL), a subsidiary of Te Pūkenga. WBL will acquire ServiceIQ's arranging training assets, and will assume ServiceIQ's arranging training liabilities including leases.

(2020: The Review of Vocational Education (RoVE) has meant that ServiceIQ became a Transitional ITO on 1 April 2020. ServiceIQ's functions will be split into two, with the arranging training and Gateway functions to be transferred to Te Pūkenga (or to other providers), and the qualifications development, standard setting, and moderation functions to be transferred to a Workforce Development Council (WDC). ServiceIQ, as a TITO, will continue to operate as it currently does until its functions can transition to the Services WDC in 2021, and to Te Pūkenga (or other providers) before December 2022. The decisions on how the arranging training functions are going to be transferred should be finalised in 2021, and the transfers are expected to be completed late 2022. Our goals with respect to arranging training are to ensure our employer relationships are merged with Te Pūkenga (or other providers) seamlessly and without disruption, and employers see no deterioration in current service or quality, and continue to enrol the same or more staff, in undertaking vocational workplace qualifications. Also, to ensure that our learners' (trainees and apprentices) relationships are merged with Te Pūkenga (or other providers), seamlessly and without disruption, and learners see no deterioration in support or quality, and continue to complete their current vocational workplace qualifications. It is likely that will mean that many of our ServiceIQ staff delivering our arranging training functions and related activities will be employed with Te Pūkenga (or other providers), to provide the capability they need, and give confidence to employers and learners their needs will be met during transition up to the point of full integration and beyond. ServiceIQ has over \$6.5m in reserves and has sufficient current assets, which exceed current liabilities, so is able to meet all obligations (including leases) as they fall due, therefore meeting all liquidity and solvency tests. Lease commitments for Wellington and Christchurch office leases at the expected time of transition are valued at \$468,790. However if the Christchurch lease opt-out option is exercised this would be reduced to \$170,840. The financial implications of RoVE cannot yet be fully determined, however it is not expected to have any material impact within the next twelve months. Based on this, the going concern basis of accounting is deemed to be appropriate. There has been no decision made as to how any remaining reserves will be distributed upon disestablishment.)



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. EVENTS OCCURRING AFTER THE REPORTING DATE

On 1 July 2022 ServiceIQ will transfer all arranging training activities to Work Based learning Ltd, a subsidiary of Te Pūkenga, who will receive ServiceIQ's assets and will assume ServiceIQ's related liabilities. On 11 April 2022 an agreement was signed by Service Skills Institute Inc, Services Workforce Development Council (Ringa Hora), Retail NZ Inc, Hospitality New Zealand Inc, Restaurant Association of New Zealand, Tourism Industry Aotearoa, Aviation New Zealand, and Travel Agents Association of New Zealand for the purpose of providing future training strategies for industry. As part of this agreement Service Skills Institute Inc will distribute \$3 million dollars to Ringa Hora. This distribution is expected to be paid on or around 29 April 2022. Prior to transition it is expected that remaining liabilities will be paid and there will be a distribution from cash reserves to entities involved with arranging training, and with meeting industry needs, for the ServiceIQ industries. Service Skills Institute Inc will then be wound up. ServiceIQ subsidiary ServiceIQ International Limited was placed into voluntary liquidation on 10 March 2022. ServiceIQ associate Mediasphere New Zealand Limited was placed into voluntary liquidation on 22 March 2022. These subsequent events are not expected to affect these financial statements, and there were no other events subsequent to reporting that would affect the financial statements.

(2020: ServiceIQ is in discussions to extend the lease of its Auckland office by one year (to 24 March 2023). There is continued uncertainty regarding the timing and the manner of transition under the Review of Vocational Education (RoVE). Otherwise, there were no significant events after balance date requiring adjustment in these financial statements.)



Independent Auditor's Report

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To the Members of Service Skills Institute Incorporated ("ServiceIQ")

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Service Skills Institute Incorporated ("ServiceIQ") on pages 23 to 38 which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 31 December 2021 then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ServiceIQ as at 31 December 2021 and its financial performance and cash flows for the 31 December 2021 then ended 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 in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. 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 ServiceIQ 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 auditors and assurance providers, we have no relationship with, or interests in, ServiceIQ.

Emphasis of Matter

We draw attention to the disclosures in the notes to the financial statements related to the Reform of Vocational Education and the Basis of Preparation of the financial statements. These disclose the facts and circumstances leading to the adoption of a realisation basis of accounting in the preparation of the financial statements.

Our opinion is not modified in respect of this matter.

Other Information Other than the Financial Statements and Auditor's Report thereon

The Board is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request remediation thereof.

Board Member' Responsibilities for the Financial Statements

The Board Members are responsible on behalf of ServiceIQ for the preparation and fair presentation of these financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance on behalf of the entity are responsible for assessing ServiceIQ'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 the Board Member's either intend to liquidate ServiceIQ 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 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) 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

Restriction on use of our report

This report is made solely to the Members of ServiceIQ, as a body. Our audit work has been undertaken so that we might state to the Board Members as a body, 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 ServiceIQ or its Board Members as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Brent Kennerley

Partner

Wellington

22 April 2022

Chartered Accountants and Business Advisers
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