

ANNUAL REPORT | 2019

Te Pae Tawhiti | Journey towards a new future



SERVICEIQ is the Industry Training Organisation (ITO) for the service sectors. We arrange on-job training programmes for businesses keen to provide their staff with relevant skills, training and qualifications, knowing that it's great people who make a great business.



HOSPITALITY



RETAIL & RETAIL
SUPPLY CHAIN



TRAVEL



TOURISM



AVIATION



MUSEUMS

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CONTENTS

Board Members	1
Chairman's report	2
Chief Executive's overview	3
Research finds high satisfaction with on-job training	4
McDonald's: Qualifications on the menu	5
Mitre 10: Helping their people do it right	7
Winning formula equals Holiday Park success	9
Ambassador announced by ServiceIQ	10
Statistics	11
Financials	13

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.



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 is Managing Director. Trevor is a Finance graduate (BCA) from Victoria University and has become a career retailer with a strong interest in training. Trevor is a member of 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 their 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.



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 President, 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.



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. She 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 and the Civil Aviation Authority (CAA). Jill is a member of the ServiceIQ Audit & Risk Committee.



Maxine Gay

EMPLOYEE INTERESTS

Maxine is the Northern Regional 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.



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 the NZ Institute of Skills and Technology (NZIST) and is a Director of Ara Christchurch, Otago Polytechnic Dunedin and SIT Invercargill.



John Selby

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 ViLink and chairs the ServiceIQ Audit & Risk Committee.



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 the Travel Agents Association of New Zealand (TAANZ) where he has 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. Andrew is a director of the World Travel Agents Association Alliance (WTAAA). He is also a member of the New Zealand Institute of Directors.

CHAIRMAN'S REPORT

This, my first Report as the Chair of ServiceIQ, is written in the midst of what is the most challenging environment we have experienced; for our sectors of aviation, hospitality, museums, travel, tourism and retail; for New Zealand; and globally, with the consequences of the Covid-19 pandemic taking a tremendous toll. For ServiceIQ's Board, Management Team and staff, seeing so many businesses we work with contract or close is of deep concern, and we are all affected by the impact of what has happened.



In sharp contrast, 2019 was a very good year for our sectors. In 2019, the service industry accounted for 28.7% of all New Zealand jobs; contributed over \$61 billion to GDP – 20.5% of New Zealand's total GDP – and made up 21.3% of all New Zealand's businesses. It was at the forefront of increased demand for people to take up jobs and skills training.

For ServiceIQ, the 2019 focus was to embed the reset of our approach to and relationship with our funders and customers, and progress improving our systems and processes in preparation for our next External Evaluation and Review (EER) in June 2020.

I'm pleased to credit our Chief Executive, Andrew McSweeney, for making positive changes to the organisation's culture, and our interaction with government partners, employers across our sectors and industry associations.

We also welcomed a new Board member representing hospitality, Fergus Brown, who has had a key role in our Industry Advisory Groups as Chief Executive of the Holiday Parks Association of New Zealand.

The ServiceIQ team continues to deal with the complexities of the Reform of Vocational Education (RoVE), first proposed by the Minister of Education in February 2019. That reform being confirmed, ServiceIQ is cooperating with the various government agencies to assist as best we can with the transition of the 11 Industry Training Organisations into six Workforce Development Councils (WDCs) early next year.

This reform process is now underway, with the arranging training function of our and other ITOs to be absorbed into the new polytechnic system in 2022, under the mantle of the New Zealand Institute of Skills and Technology (working name).

My thanks to my fellow Board members for their input and support in 2019, our Industry Advisory Groups and industry associations for their feedback, the employers, trainees, and schools we work with to arrange on-job and at-school training and, not least, all the team at ServiceIQ.

The Board has appreciated the team's positive reaction to the reset and revitalisation of ServiceIQ; and is also very pleased to see their recent response, during the Covid-19 lockdown, in assisting our customers, trainees and schools where we could. We will all need to keep working together to support the recovery of what was so recently a thriving service sector while we continue to offer credentialised training to ensure a skilled and productive workforce. The service sector remains one of the largest employers in New Zealand and will return to growth with economic recovery.

Bruce Robertson
Board Chair

CHIEF EXECUTIVE'S OVERVIEW

Heading into 2019, ServiceIQ had a clear and refreshed strategy, with four strategic pillars – our customers and key stakeholders; our people; our systems and processes; and our financial sustainability. Our focus was firmly on our core business of helping our customers succeed by growing their talent.



In 2019, the shortage of, and demand for, qualified staff in New Zealand's retail, hospitality, aviation, travel, tourism and museum industries was still growing. ServiceIQ's Regional Roadmaps, backed by data from Infometrics, forecast employment growth across the service industry from 2019 to 2024.

Accordingly, ServiceIQ expected high demand for growth in trainees in the service sector; one that plays such an important role in New Zealand's labour force and accounts for close to 29 per cent of the workforce. Supporting our Māori and Pasifika peoples, young people, those returning to work, and school leavers, to gain the skills needed in the workplace and that contribute to communities, regions and New Zealand was then, and still is, our goal.

However, as our Chair notes in his Report, what we are seeing in 2020, due to the drastic downturn caused by the Covid-19 pandemic, brings a very changed outlook for each of our sectors, other sectors and for New Zealand.

In February 2019, the Minister of Education announced a major Review of Vocational Education (RoVE). As a result, we will see ServiceIQ transition into one of six Workforce Development Councils, which will be formed by early 2021, and longer term, employers, workplace trainees and many of our staff will be transferred to the New Zealand Institute of Skills and Technology or other providers no later than December 2022. Responding to these proposed changes took up a good deal of industry and ServiceIQ time in 2019, and also caused staff some understandable concern as to the future of ServiceIQ and their roles. However, many of our people will be valuable assets in the new vocational education system.

In December, Telarc auditors examined our processes and systems for our first ISO 9001:2015 (Quality Management System) revalidation assessment. The report noted that "the audit confirmed that ServiceIQ is predominantly maintaining an effective management system" and that "the organisation has continued to modify and enhance its systems and processes to improve service delivery to its identified clients. This includes significant projects to improve the

customer experience which were noted during this audit and will be significantly advanced at the next review." This complimentary report, and our subsequent ISO revalidation, was the welcome result of hard work by the ServiceIQ team over the year.

Progress was also made in preparing for another external review – our NZQA External Evaluation and Review (EER) set for mid 2020. We conducted our own internal Evaluation and Review in the latter half of 2019, with the assistance of an independent assessment company, and were encouraged by the results. While there was still some work to do, our systems and processes had very much improved – again, due to the ongoing focus on self-assessment and continuous improvement culture.

And I'm also pleased to report a significantly better financial result for 2019 than the previous year, albeit it was not the breakeven we were looking to achieve. This was primarily due to having to make a small Tertiary Education Commission under-achievement payback. We made a conscious effort across the business to build a wider customer base, reduce costs and make efficiencies while still maintaining good services to our customers. My thanks go to the Chair and Board for their governance and guidance over what was a challenging year.

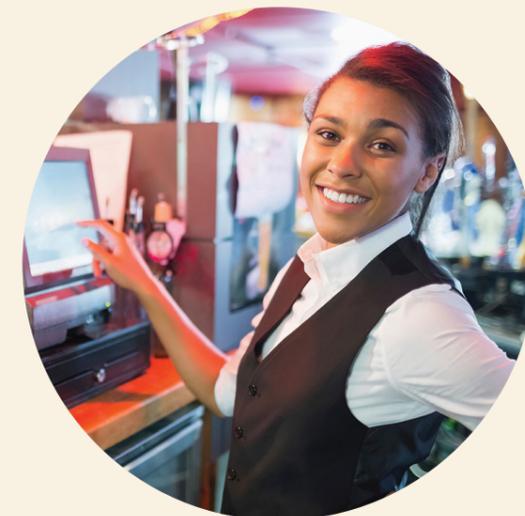
Finally, I want to acknowledge and thank the staff at ServiceIQ for their support, commitment and resilience in 2019. The team's focus on our customers – employers and their business, and trainee experience and support, and on arranging workplace training for our customers to help them succeed by growing their talent, is the core of what we do and will continue to do.

Kia kaha to all our customers, colleagues and friends in the service sector as we navigate the challenging times ahead.

Andrew McSweeney
Chief Executive

RESEARCH FINDS HIGH SATISFACTION WITH ON-JOB TRAINING

A new study from Research First shows that service sector on-job training arranged by industry training organisation ServiceIQ has high levels of satisfaction.



Trainees reported an overall 82% rate of satisfaction with ServiceIQ; with employers at 81%. Both employees in training and their employers were asked about their satisfaction with ServiceIQ's training services and support. Across all of the factors measured (personal interactions, relevance, needs met, level of support, training resources and communication) both groups were generally highly satisfied. And 80% of trainees and 75% of employers responded that ServiceIQ's training programmes meet the needs of those in their industry.

It was also clear that on-job training is strongly preferred, especially for new employees. "The employers' responses show that nearly twice as many employers preferred to train their employees in-house rather than offering outside training (such as paying fees for polytechnics and consultants). Training a new employee via an ITO was a popular choice (by three-quarters) of the employers. This indicates that employers do prefer to train new employees on the job," states the report.

The research also delved into the reasons that employers and employees made the decision to undertake ServiceIQ on-job training programmes that lead to qualifications.

THE TOP THREE FOR EMPLOYEES WERE:

- ▶ **To gain practical on-job training and experience (66%)**
- ▶ **Career development/progression (62%)**
- ▶ **Improve my management/leadership capability (48%)**

When questioned on their motivations, gaining relevant on-job training was very important to effectively all trainees.

As expected, reasons to engage in training on-job and the key motivator was different for employers.

FOR EMPLOYERS, THE TOP FOUR REASONS WERE:

- ▶ **Career development/progression and reward/recognise achievement (62%)**
- ▶ **Employee interest and commitment to learning (42%)**
- ▶ **Improved customer satisfaction and product/service quality (35%)**
- ▶ **Improved employee efficiency and self-reliance (35%)**

The report noted: "Having relevantly trained employees was the key decision motivator for employers and the vast majority of employers felt this was very important. The training programmes offered by ServiceIQ were also very important and were recognised by employers as adding value to their businesses."

ServiceIQ CEO Andrew McSweeney says the results show that the organisation is performing well.

"It's a great testament to the hard work that all of the ServiceIQ team has done working with industry, employers and trainees. Overall the results are very positive, but we're not dropping pace. Work has already started on areas where we can improve.

"The confirmation that on-job training is highly valued is great; we'll be looking to further increase satisfaction for our employer and trainee customers. Helping our customers succeed by growing their talent is our mission."

MCDONALD'S: QUALIFICATIONS ON THE MENU

To quote their website: “At Macca’s we love watching our employees grow” .

The well-known and much-loved restaurant chain is true to its word. 3,480 McDonald’s crew members signed up to a ServiselQ qualification in 2019, earning while they learned, including the NZ Certificate in Food & Beverage Service (Level 3), NZ Certificate in Food & Beverage Service (Level 4) and NZ Diploma in Hospitality Level 5.

By partnering with ServiselQ, McDonald’s is able to offer its people nationally recognised qualifications at different stages throughout their career.

There are advantages for the company as well, including demonstrating commitment to its staff, skilled and knowledgeable people who understand the importance of every aspect of the business – from food safety to customer service, and a clear career pathway from crew member to store ownership or head office executive. A prime example is David Howse – he started with McDonald’s as a schoolboy – and is now the managing director of McDonald’s New Zealand.

The McDonald’s ethos of skills and learning extends into the community too, with on-job training that delivers NCEA credits to school students. The popular Offering Assistance to Students in Schools (OASIS) Gateway programme is a ServiselQ and McDonald’s initiative to support hospitality training in schools. It provides a head start for students wanting a career in the hospitality/food industry, and is linked to nationally recognised unit standards.

As the company says: “At McDonald’s, our people are fundamental to our brand and to building our business. That’s why we offer training and development from day one, and why we make our people a priority.”



International brand with a local heart

Like its local approach to staff training, where all employees are given the opportunity to learn, upskill and gain New Zealand qualifications, McDonald’s here is committed to the country. About 85 per cent of McDonald’s restaurants are owned and operated by local franchisees. That local heart extends to the food served as well:

- ▶ Only 100% pure beef is used, sourced from farmers in regions such as King Country and Canterbury.
- ▶ Burger buns are baked by ARYZTA, on Auckland’s North Shore.
- ▶ Eggs – from free-range suppliers – come from Otaika Valley Farms near Whangarei and Kaharoa, and Zeagold Foods who have farms in Waitaki.
- ▶ McDonald’s cheese is made in Eltham with milk from dairy farms around the country. The Fonterra factory there produces three billion burgers’ worth of cheese for local and export use each year.
- ▶ The lettuce grows year-round, primarily from farms in the Bombay area of Franklin, just outside of Auckland.
- ▶ Canterbury is where the potatoes are all grown. The McCain’s facility in Timaru turns them into McDonald’s fries.
- ▶ Tomatoes primarily come from farms in the Franklin region south of Auckland.
- ▶ Local New Zealand onions are grown on farms in Franklin, Waikato and Hawke’s Bay.
- ▶ All the chicken comes from leading New Zealand supplier, Ingham.
- ▶ The fish used is New Zealand-caught Hoki.



MITRE 10: HELPING THEIR PEOPLE DO IT RIGHT

For more than 45 years, Mitre 10 has been a brand trusted by Kiwis all over the country and has grown to have 84 stores and more than 6,000 team members.

The key to the continued – and growing – success of the locally-owned and operated retail icon has been a focus on training and developing people and their careers with the business. Among the many advantages of being a member of the big Mitre 10 team is the range of training and development programmes on offer, including ‘earn and learn’ on-the-job training.

“We provide the opportunity for everyone to learn, train and develop in their role and career,” says Kirsten Riechelmann, Group Manager Learning and Change. “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.”

Mitre 10’s on-the-job training is to national standards, and many programmes lead to recognised New Zealand qualifications, right up to Diploma level. Recently, another nine Mitre 10 team members were awarded their ServiceIQ Diploma in Business Level 5. ServiceIQ is the industry training organisation for the retail sector and works alongside Mitre 10 to support the skills development of its people.

“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,” says Kirsten. “We’ve received great feedback from all of the Diploma graduates and will be continuing to develop the qualifications we offer to continue to provide a leading offering that enables our people to keep striving forward in their career in retail.”



One of the nine to be awarded the Diploma was Hayden Autridge, who started out working in the trades before moving into retail. He’s now Group Inventory Manager for Mitre 10 MEGA Dunedin and Mitre 10 Mosgiel, and was awarded the title of ‘Young Retailer of the Year’ at the Hardware Awards 2019, something he attributes to Mitre 10 and its upskilling, learning and qualification opportunities.

“For me, going into the training, I didn’t expect to take as much out of it as I have. The biggest change I’ve noticed is that my beliefs and ideas about things have been challenged. I’ve learnt that everyone in our business can bring something extraordinary to the team and, as a leader, it’s my job to help them deliver this. I’ve really learnt a lot about myself and my natural tendencies and styles, and how I can work on this to deliver the best ‘me’ for the situation, both in and out of the business.”

A cooperative that cares about community

The local owners and operators of Mitre 10 stores have been consistently committed to staff training for many years. That dedication to upskilling and credentialing their local employees flows right through the business, with opportunities for New Zealand Certificates available to the rawest retail recruit to advanced Diplomas for career retail professionals.

Mitre 10’s dedication flows into the community too, with involvement in the:

- ▶ Mitre 10 Takahē Rescue project – in association with the Department of Conservation, the project has helped ensure the survival of this iconic New Zealand bird, including establishing populations on the predator-free Kapiti, Maud, Mana, Tiritiri Matangi and Motutapu islands.
- ▶ New Zealander of the Year (New Zealand Community of the Year Award) – in 2019, this went to Pillars, a charity dedicated to supporting children of prisoners. It provides support, resources, education and opportunities to ensure these children do not become future prison inmates.
- ▶ Neurological Foundation’s Annual Appeal – helps fund vital research and on-going education of the next generation of neuroscientists and neurologists.
- ▶ A significant number of individual projects supported by local stores to help their local communities.



WINNING FORMULA EQUALS HOLIDAY PARK SUCCESS

Living and breathing the 'great training = winning visitor experience' formula has seen Lake Tekapo Motels and Holiday Park chalk up another win: **the ServiceIQ Holiday Park Visitor Experience 2019 award.**



It's a well-deserved accolade, which recognises excellence through on-job staff training. Comments on review sites back up the award:

- ▶ **'The reception staff are very friendly and super helpful.'**
- ▶ **'We arrived late and were nicely welcomed by the reception.'**
- ▶ **'We were so impressed with the facilities, location, view, staff, etc, that we went back for another night.'**

ServiceIQ Chief Executive, Andrew McSweeney, is impressed by Lake Tekapo Motels and Holiday Park's continuous commitment to staff training and career progression.

"The team has completed several ServiceIQ on-job qualifications and are working to complete additional training programmes. It's great to see the park committed to joining us on the journey to further professionalise New Zealand's economically and socially vital hospitality industry."

Campground Manager, Andrea Cox, is thrilled to see the team's efforts recognised.

Alongside customer service, over the last 15 years Lake Tekapo Motels and Holiday Park has also invested in their accommodation offering including the introduction of glamping tents, new lakeside cabins, upgraded campsite facilities and a dedicated backpacker lodge.

The ServiceIQ Holiday Park Visitor Experience 2019 award was presented at the Holiday Parks Conference & Trade Exhibition.

"We are invested in our staff and strive to constantly up-skill and provide the best experience for visitors. Our philosophy is simple: nothing is a problem and we promote a family-friendly culture for our staff and guests, always remembering to be kind and helpful."



AMBASSADOR ANNOUNCED BY SERVICEIQ

Auckland War Memorial Museum Visitor Host, Parai Parai, has been recognised as a ServiceIQ Ambassador.

Parai received the honour at the awards event at the 2019 Museums Aotearoa annual conference. The award recognises Parai's commitment and skills as a Visitor Host, and his strong advocacy for credentialed on-job workplace training.

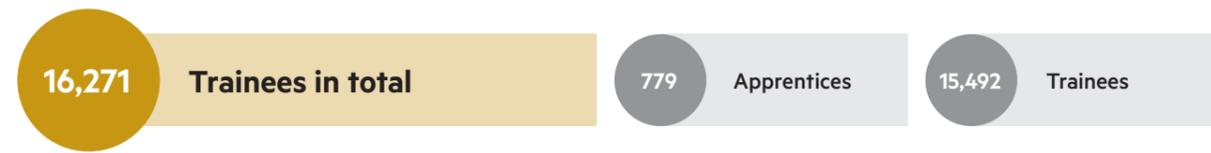
His career journey has taken him, in just four years, from one of the Museum's cleaners to Visitor Host, a vital role that ensures millions of visitors enjoy an all-round memorable experience from the moment they arrive. The Ambassadorship highlights the commitment that Auckland War Memorial Museum shows to its people, and the commitment that those staff have to workplace upskilling through industry training organisations such as ServiceIQ.

Ambassadors are individuals or teams selected by ServiceIQ who hold qualifications and exemplify workplace training. Ambassadors bring people together within the workplace and the sector to highlight the business and personal value of earn and learn opportunities and qualifications.

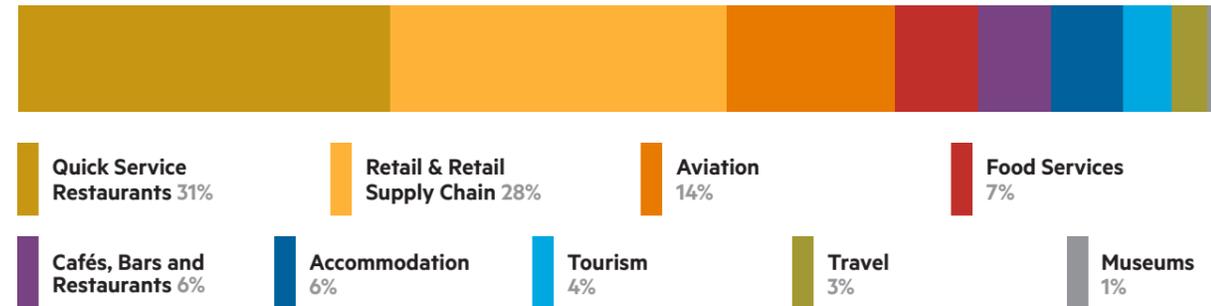


SERVICEIQ STATISTICS

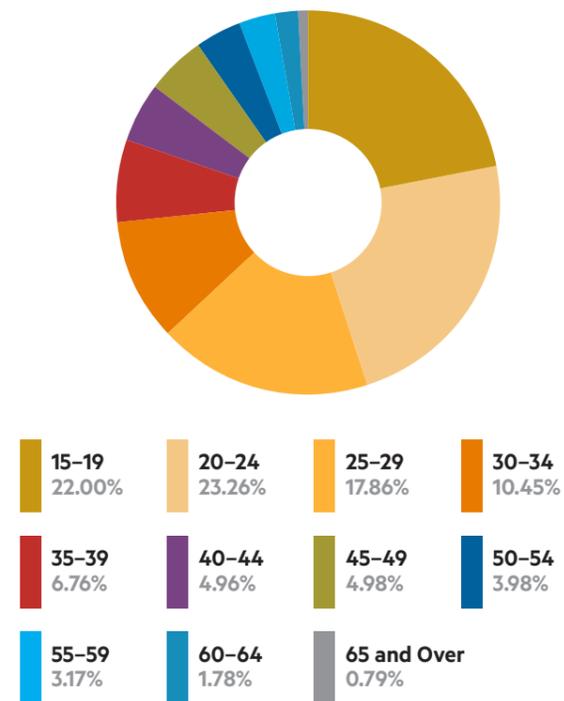
TRAINEE ENGAGEMENT 2019



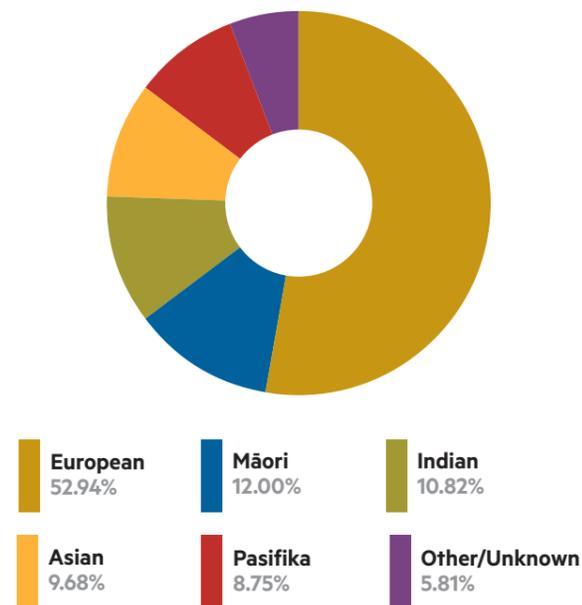
Trainees by sector



Trainee age group



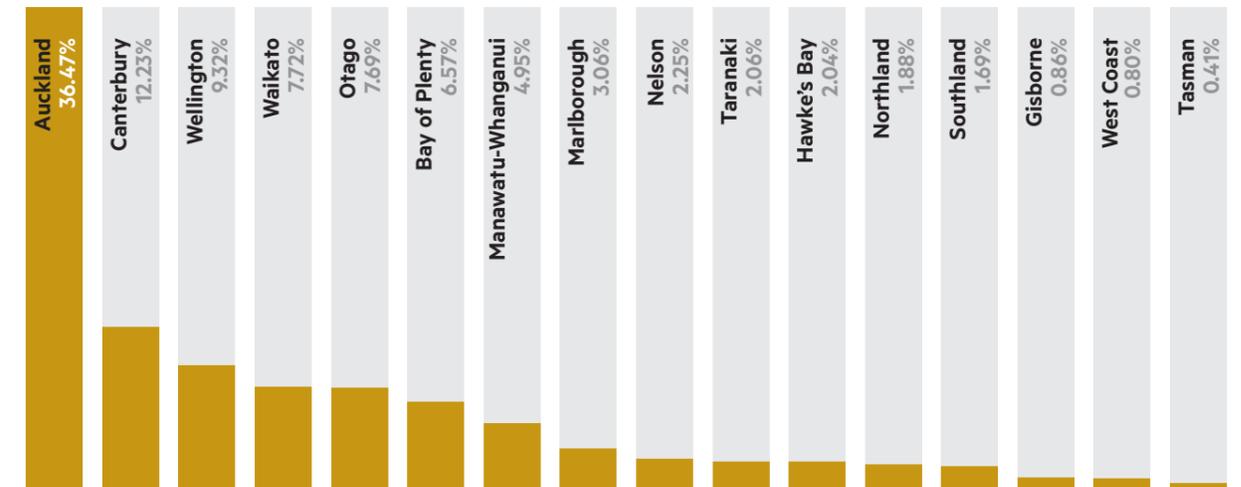
Trainee ethnicity



Gender identification

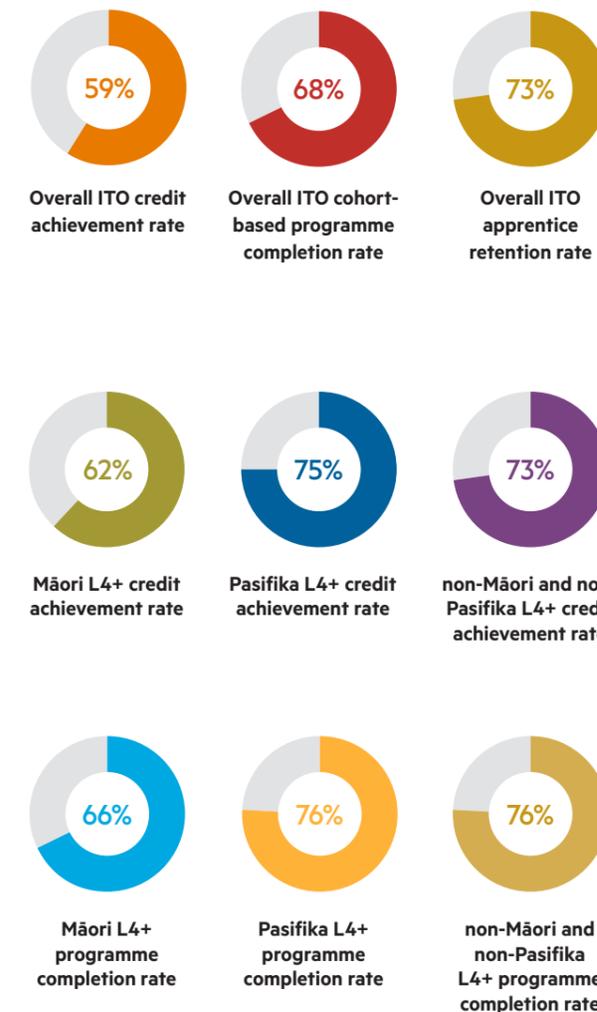


Trainees by region



Educational Performance Indicators 2019

Summary



Participation rate		
	2019 Target	2019 Actual
Level 4 and above		
Māori	11%	13%
Pasifika	6%	7%
Young people	30%	32%

Credit achievement rate		
	2019 Target	2019 Actual
All learners	79%	59%
Level 4 and above		
All learners	-	72%
Māori	77%	62%
Pasifika	77%	75%
Young people	77%	77%

Programme completion rate		
	2019 Target	2019 Actual
Overall	64%	68%
Level 4 and above		
Industry training level 4 and above	76%	76%
Māori	63%	72%
Pasifika	52%	80%
Young people	68%	73%

First year retention rate for apprentices		
	2019 Target	2019 Actual
Overall	77%	73%

SERVICEIQ FINANCIALS

Service Skills Institute Incorporated Financial Report
for the year ended 31 December 2019

SERVICE SKILLS INSTITUTE INCORPORATED TABLE OF CONTENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	PAGE
Institute Directory	2
Statement of Comprehensive Income	3
Statement of Changes in Equity	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-17

**SERVICE SKILLS INSTITUTE INCORPORATED
INSTITUTE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2019**

Nature of Business	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 (from December) Rick Christie Board Chair (January to June) Trevor Douthett Des Flynn Maxine Gay Maryann Geddes Jill Hatchwell Andrew Olsen Bruce Robertson Board Chair (from July) John Selby
Chief Executive Officer	Andrew McSweeney
Bankers	BNZ Wellington
Auditor	Grant Thornton New Zealand Audit Partnership 215 Lambton Quay Wellington 6011

**SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		31 Dec 2019	31 Dec 2018
		\$	\$
REVENUE			
Revenue from Non-Exchange Transactions:			
Government funding	8a	13,474,983	13,343,350
Industry income	2	4,349,105	4,545,598
Revenue from Exchange Transactions:			
Other income		174,858	135,136
Interest and investment income		275,534	294,905
TOTAL REVENUE		<u>18,274,480</u>	<u>18,318,989</u>
EXPENSES			
Operating expenses	3	18,365,429	23,488,941
Finance costs		178,011	198,481
Depreciation	4	240,590	254,489
Amortisation	5	166,641	281,905
TOTAL EXPENSES		<u>18,950,671</u>	<u>24,223,816</u>
SURPLUS/(DEFICIT) FOR THE PERIOD		<u>(676,191)</u>	<u>(5,904,827)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u>(676,191)</u>	<u>(5,904,827)</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 2019**

Note	31 Dec 2019 \$	31 Dec 2018 \$
Contributed equity	10,527,015	10,527,015
Opening retained earnings	(5,290,536)	614,291
Total comprehensive income for the period	(676,191)	(5,904,827)
Closing retained earnings	(5,966,727)	(5,290,536)
Closing balance	4,560,288	5,236,479

The accompanying notes form part of these financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

Note	31 Dec 2019 \$	31 Dec 2018 \$
EQUITY		
Contributed Equity	10,527,015	10,527,015
Retained earnings	(5,966,727)	(5,290,536)
	4,560,288	5,236,479
CURRENT ASSETS		
Cash and cash equivalents	6 1,808,300	2,405,325
Short term investments	7 2,892,523	3,112,542
Receivables from non-exchange transactions	243,862	207,196
Receivables from exchange transactions	15 734,801	775,709
Inventory	25,646	25,857
	5,705,132	6,526,629
NON-CURRENT ASSETS		
Property, plant and equipment	4 273,744	353,169
Intangibles	5 434,059	600,700
Long term investments	7 1,592,645	2,111,576
Investment in Associate Entity - Mediasphere NZ Ltd	-	215,061
Other	-	2,302
	2,300,447	3,282,807
TOTAL ASSETS	8,005,579	9,809,436
CURRENT LIABILITIES		
Accounts payable	541,368	344,170
Accruals and other payables	8 2,770,267	4,101,001
	3,311,635	4,445,171
NON CURRENT LIABILITIES		
Provisions	9 133,656	127,786
TOTAL LIABILITIES	3,445,291	4,572,957
NET ASSETS (LIABILITIES)	4,560,288	5,236,479

For and on behalf of the Board

 Bruce Robertson Board Chair Date: 13 May 2020

 John Selby Board Member Date: 13 May 2020

The accompanying notes form part of these financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Note	31 Dec 2019 \$	31 Dec 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Revenue from Non-Exchange Transactions:		
Tertiary Education Commission Funding	14,843,350	15,220,452
Sale of Goods & Services	4,320,836	4,549,602
Revenue from Exchange Transactions:		
Interest & Investment Income	185,480	348,862
Other Income	174,858	135,136
	<u>19,524,524</u>	<u>20,254,052</u>
Cash was disbursed to:		
Payments to suppliers/employees	(20,736,109)	(24,405,097)
Net cash (outflow)/ inflow from operating activities	(1,211,586)	(4,151,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was disbursed to:		
Sale of investments	799,035	4,861,000
Purchase of investments	-	(671,751)
Purchase of Fixed Assets	(184,977)	(191,597)
Net cash (outflow)/ inflow from investing activities	614,058	3,997,652
CASH FLOWS FROM FINANCING ACTIVITIES		
Mediasphere NZ Ltd	503	-
Net cash (outflow)/ inflow from financing activities	503	-
Net cash inflow/ (outflow) from investing and financing activities	614,561	3,997,652
Net increase in Cash	(597,025)	(153,393)
Opening Cash Balance 1 January 2019	2,405,325	2,558,718
CLOSING CASH BALANCE FOR THE PERIOD ENDING 31 DECEMBER 2019	<u>1,808,300</u>	<u>2,405,325</u>

For consistent reporting, some of the 2018 comparative figures have been re-categorised.
The accompanying notes form part of these financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These financial statements comprise the financial statements of Service Skills Institute Incorporated ("ServiceIQ") and its subsidiaries ServiceIQ International Limited and ServiceIQ International DMCC for the period beginning 1 January 2019 and ending 31 December 2019. 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 an 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 13 May 2020.

Basis of Preparation

(a) Statement of Compliance

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) Going Concern

These financial statements have been prepared on a going concern basis.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 measurements 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 or 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 2019**

(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 2019**

(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 and Auckland 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.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(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. 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.

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.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. INDUSTRY INCOME

The following are included within industry income:

	31 Dec 2019 \$	31 Dec 2018 \$
Moderation & Credit Reporting	496,960	535,480
Resource & Training	3,790,779	3,960,841
Assessment & Casual Trainee	61,366	49,277
Balance as at 31 December 2019	4,349,105	4,545,598

3. OPERATING EXPENSES

The following are included within operating expenses:

	31 Dec 2019 \$	31 Dec 2018 \$
Audit fee	27,030	37,987
Premises Rental	937,299	1,018,143
Operating lease costs	312,759	313,716
Premises fit out amortisation	2,302	9,207
Legal fees	18,525	77,589
Bad debts expense	8,137	3,300
Employee benefit expenses:		
Wages and salaries	10,253,242	11,278,745
Contributions to defined contribution plans	272,431	283,449
TEC investigation repayment	-	2,819,417
Other fees paid to auditor were for:		
Internal Control review	-	-
Accounting Services	-	-

4. PROPERTY, PLANT AND EQUIPMENT

	ICT Hardware	Equip; Furn &Fittings	Office Fit Out	Total
Cost or Valuation				
Balance as at 1 January 2019	410,048	288,067	293,619	991,734
Additions	86,674	6,982	91,324	184,980
Transfer from WIP				-
Disposals	(97,289)	(32,514)	(39,808)	(169,611)
Balance as at 31 December 2019	399,433	262,535	345,135	1,007,103

	ICT Hardware	Equip; Furn &Fittings	Office Fit Out	Total
Accumulated depreciation and impairment				
Balance as at 1 January 2019	254,317	237,447	146,801	638,565
Depreciation	115,965	24,723	99,902	240,590
Disposals	(95,111)	(28,127)	(22,558)	(145,796)
Balance as at 31 December 2019	275,171	234,043	224,145	733,359
Net Book Value	124,262	28,492	120,990	273,744
2018 Net Book Value	155,731	50,619	146,820	353,169



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. INTANGIBLE ASSETS

	Software	Work in Progress	Total
Cost or Valuation			
Balance as at 1 January 2019	1,223,279	-	1,223,279
Additions	-	-	-
Transfer from WIP			-
Disposals	-	-	-
Balance as at 31 December 2019	1,223,279	-	1,223,279

	Software	Work in Progress	Total
Accumulated amortisation			
Balance as at 1 January 2019	622,579	-	622,579
Amortisation	166,641	-	166,641
Disposals	-	-	-
Balance as at 31 December 2019	789,220	-	789,220
Net Book Value	434,060	-	434,059
2018 Net Book Value	600,700	-	600,700

6. CASH AND CASH EQUIVALENTS

	31 Dec 2019 \$	31 Dec 2018 \$
Operating Bank Accounts and Cash on Hand	1,764,589	2,303,188
Bank Deposit Accounts with 90 days or less maturity	-	-
Cash Management Account with Craigs Investments	43,711	102,137
Total Cash and Cash Equivalents	1,808,300	2,405,325



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. SHORT AND LONG TERM INVESTMENTS

	31 Dec 2019 \$	31 Dec 2018 \$
Short term investments		
Bank Term deposits	2,892,523	3,112,542
Bonds, Notes and Debentures	-	-
Total Current Investments	<u>2,892,523</u>	<u>3,112,542</u>
Long term investments		
Bonds, Notes and Debentures	1,592,645	1,602,311
Equities	-	509,265
Total Non-current Investments	<u>1,592,645</u>	<u>2,111,576</u>
Total Short and Long-term investments	<u>4,485,168</u>	<u>5,224,118</u>

NB. Bank Term Deposits are held for Guarantees of \$396,300 (2018: \$555,801) for tenancy lease agreements, and a \$386,100 (2018: \$386,100) letter of credit over the payroll.

8. ACCRUALS AND OTHER PAYABLES

	31 Dec 2019 \$	31 Dec 2018 \$
Employee Benefits		
Liability for unpaid salary (current)	268,709	251,839
Liability for long-service leave (current & non-current)	43,774	89,681
Liability for annual leave (current)	444,305	497,125
Total Employee Benefits	<u>756,788</u>	<u>838,645</u>
Other payables		
Tertiary Education Commission under delivery provision	1,533,067	164,700
Tertiary Education Commission investigation provision	-	2,819,417
GST Payable	302,540	24,721
Other payables	177,872	253,518
Total Other Payables	<u>2,013,479</u>	<u>3,262,356</u>
Total Accruals and Other Payables	<u>2,770,267</u>	<u>4,101,001</u>

8a. Tertiary Education Commission under delivery provision

	31 Dec 2019 \$	31 Dec 2018 \$
The TEC funding summary for 2019 was as follows:		
Funding received	15,008,050	13,508,050
Under delivery provision	(1,533,067)	(164,700)
	<u>13,474,983</u>	<u>13,343,350</u>

9. NON CURRENT LIABILITIES

	31 Dec 2019 \$	31 Dec 2018 \$
(i) PROVISIONS		
Non-current provisions		
Premises Reinstatement Provision	133,656	127,786
Total Provisions	<u>133,656</u>	<u>127,786</u>

Provision of \$133,656 is for the reinstatement of the leased premises in Auckland and Wellington.



**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. RELATED PARTY TRANSACTIONS

Key Management Personnel

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 / by ServiceIQ		As at 31 Dec 2019
			\$	\$	Balance owed to/(by) ServiceIQ
Trevor Douthett	Baby City	Training Fees	6,210	-	1,673
Des Flynn	The Warehouse Limited	Training Fees	15	-	17
Des Flynn	Retail NZ	Sponsorship	-	20,000	-
Maryann Geddes	Skyline Enterprises Ltd	Training Fees	4,670	-	-
Maryann Geddes	Queenstown Resort College	Training Fees	3,664	-	222
Andrew Olsen	Travel Agents Assn	Subscription	-	460	-
Bruce Robertson	Tourism NZ Trust	Conference	-	560	-
Bruce Robertson	Tourism Industry Aotearoa	Membership Fees	-	23,525	-

Board Member	Organisation	Nature of Transaction	Paid to / by ServiceIQ		As at 31 Dec 2018
			\$	\$	Balance owed to/(by) ServiceIQ
Maryann Geddes	Skyline Enterprises Ltd	Training Fees	12,956	-	-
Maryann Geddes	Queenstown Resort College	Training Fees	1,361	-	1,565
Maxine Gay	FIRST Union Inc	Advertising	-	1,700	-
Andrew Olsen	Travel Agents Association of NZ	Sponsorship/Subscription	-	13,210	(16,100)
Bruce Robertson	Skyline Enterprises Ltd	Training Fees	12,956	-	-
Bruce Robertson	Aged Care Association	Marketing Costs	-	2,500	-
Bruce Robertson	Tourism Industry Aotearoa	Membership Fees	-	49,990	-
Des Flynn	The Warehouse Limited	Training Fees	100,630	-	(12,167)
Des Flynn	Massey University	Sponsorship	-	2,000	-

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 2019		31 Dec 2018	
	Remuneration	Number of individuals	Remuneration	Number of individuals
ServiceIQ Board	304,000	10	309,000	9
Executive Team	<u>1,068,519</u>	5.2 FTEs	<u>1,303,398</u>	4.5 FTEs
	<u>1,372,519</u>		<u>1,612,398</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 2019**

11. FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

As at 31 December 2019:	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			1,808,300		1,808,300	1,808,300
Short term investments	2,892,523				2,892,523	2,892,523
Trade receivables			243,862		243,862	243,862
Other receivables			734,801		734,801	734,801
Trade payables				541,368	541,368	541,368
Other payables				1,710,939	1,710,939	1,710,939
Long term investments	1,592,645				1,592,645	1,592,645
	4,485,168	-	2,786,963	2,252,307	9,524,438	9,524,438

There were no financial instruments classified in the 'Available for sale' category. (2018: none)

As at 31 December 2018:	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	-	-	2,405,325	-	2,405,325	2,405,325
Short term investments	3,112,542	-	-	-	3,112,542	3,112,542
Trade receivables	-	-	207,196	-	207,196	207,196
Other receivables	-	-	775,709	-	775,709	775,709
Trade payables	-	-	-	344,170	344,170	344,170
Other payables	-	-	-	3,237,635	3,237,635	3,237,635
Long term investments	1,602,311	509,265	-	-	2,111,576	2,111,576
	4,714,853	509,265	3,388,230	3,581,805	12,194,153	12,194,153

There were no financial instruments classified in the 'Available for sale' category.

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 2019. ServiceIQ International Limited is consolidated into these group financial statements.

13. SERVICEIQ INTERNATIONAL DMCC

Service Skills Institute Incorporated registered ServiceIQ International DMCC on 19 April 2017. ServiceIQ International Limited owns 100% of the shares of ServiceIQ International DMCC. In December 2018 the Board resolved to wind up operations for ServiceIQ International DMCC and a liquidator was appointed 18 December 2018. ServiceIQ International DNCC was de-registered in March 2020. ServiceIQ International DMCC is consolidated into these group financial statements.

14. OPERATING LEASES

	31 Dec 2019	31 Dec 2018
	\$	\$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	979,102	971,074
Between one and five years	744,544	854,159
More than five years	72,108	-
	1,795,754	1,825,233

Operating leases comprise office rental costs up to the first renewal date and motor vehicle lease contracts. Finance leases comprise printer and photocopier rental and service agreements.

15. OTHER RECEIVABLES

	31 Dec 2019	31 Dec 2018
	\$	\$
NZQA Moderation income	299,445	276,744
Prepayments	383,232	436,045
Other receivables	52,124	62,920
	734,801	775,709

16. ASSOCIATES

In November 2019 the decision was made to write off ServiceIQ's investment in Mediasphere New Zealand Ltd. As at 31 December 2019, ServiceIQ's investment in Mediasphere New Zealand Limited was \$nil (2018: \$215,061). No revenue was received in 2019. There are no contingent liabilities in relation to Mediasphere New Zealand Limited as at 31 December 2019 (2018: nil).

17. COMMITMENTS

ServiceIQ has no major forward commitments as at 31 December 2019 (2018: nil).

18. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2019 (2018: nil).

19. REVIEW OF VOCATIONAL EDUCATION (RoVE)

On 13 February 2019, the Minister of Education announced a plan to reform vocational education which will affect the roles of ITOs, like Service Skills Institute Inc., in vocational education. Although the proposed reforms will affect Service Skills' current operating model, there is no certainty regarding the timing. Accordingly, these financial statements do not reflect the impact of any changes which might result from the government's announcement due to lack of certainty.

20. EVENTS OCCURRING AFTER THE REPORTING DATE

On 11 March the WHO declared a global pandemic in respect to the COVID 19 virus outbreak. Following establishment of a foothold within the New Zealand population, the New Zealand Government initiated a full societal lockdown with significant isolation and movement restrictions imposed on citizens (with essential services permitted to operate). The countrywide lockdown commenced on 26 March 2020 and is initially forecast to run for a 4 week period. The countrywide lockdown is expected to have significant economic impact on New Zealand, with flow through to the organisation's financial results considered to be highly likely. Due to the nature of the countrywide lockdown and flow on economic impacts it is not practicable to estimate the financial impact on the organisation at this time. It is also likely the timelines regarding the reform of Vocational education will be delayed.

There were no other significant events after balance date requiring adjustment in these financial statements. (2018: On 13 February 2019, the Minister of Education announced a plan to reform vocational education which could potentially affect the roles of ITOs, like Service Skills Institute Inc. in vocational education. At the date of signing these financial statements, the government had not completed its consultation, had not confirmed its final plans and no changes had occurred to legislation or regulations. Service Skills has been actively participating in the initial consultation period for the proposed reforms since the announcement. Although the proposed reforms could affect Service Skills' current operating model, there is no certainty regarding the magnitude of effects nor the timing. Accordingly, these financial statements do not reflect the impact of any changes which might result from the government's announcement due to lack of certainty.)

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ServiceIQ and its controlled entities (the "Group") on pages 3 to 17 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit) Reduced Disclosure Regime 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)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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 consolidated 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.



Other Matter

The consolidated financial statements of the Group, for the year ended 31 December 2018, was audited by another auditor who expressed an unmodified opinion thereon on 15 May 2019.

Board's Responsibilities for the Consolidated Financial Statements

The Board is responsible on behalf of the Group for the preparation and fair presentation of these consolidated financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standards (Not-For-Profit) Reduced Disclosure Regime 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing the Group'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 either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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-7/>

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 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 members, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

B Kennerley

Partner

Wellington

13 May 2020

Service IQ

HELPING OUR CUSTOMERS SUCCEED
BY GROWING THEIR TALENT

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