

Service



SMARTER PEOPLE FOR  
SMARTER BUSINESSES

# ANNUAL REPORT 2017

*A bridge to the future: building strong connections with our regions*



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# BOARD MEMBERS



## Rick Christie

Rick is a Director and company Chairman with appointments in the private and public sectors. He is Chairman of NeSI, (the NZ Supercomputer Network), ikeGPS, and ServelQ; a Director of Southport Ltd, Powerhouse Ventures Ltd, Solnet Solutions Ltd, and a Trustee of the Victoria University Foundation. Recently he was Chairman of EBOS Group Ltd. He was also Director of Acurity Health Ltd, Tourism Holdings Ltd, the NZ Pork Industry Board, Deputy Chairman of the Victoria University Foundation Board of Trustees. He has held a number of CEO roles including Rangatira Ltd and Tradenz. He is a Chartered Fellow of NZ Institute of Directors, a Hunter Fellow of Victoria University of Wellington, and a Companion of the Royal Society of NZ.



## John Albertson

John has over 20 years in the retail sector. His experience includes a number of years as an Associate Director (Marketing) at R Hannah and Co, and as the Chief Executive of the New Zealand Retailers Association (now Retail New Zealand), a position he held for 17 years. In addition, John has extensive governance experience from roles for GS1 NZ, NZ Wine Company, Standards Council of NZ (Deputy Chair) and the New Zealand Food Safety Authority Advisory Board. He has also been involved in retail training for many years – as a board member of ServelQ since it began, and its retail predecessor, the Retail Institute.



## Trevor Douthett

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.



## Jill Hatchwell

Jill has 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 NZAX-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, and she is also a director of aviation consultancy company, Air Ops NZ Limited. Jill is a member of the ServelQ Audit & Risk Committee.



## Maxine Gay

Maxine was a Director on the Retail Institute Board. She is currently the Sector Secretary – Retail with FIRST UNION, where she has worked since 2007. FIRST UNION is a trade union representing more than 27,000 workers in the Finance, Industrial, Retail, Stores, and Transport sectors.



## Maryann Geddes

Since 1994 Maryann has held senior HR management positions with Skyline Enterprises based in Queenstown, where she is currently Group Manager Risk and Compliance. Maryann is responsible for the management of business risk and compliance within 13 operating 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.



## Bruce Robertson

Bruce is the Deputy Board Chair for ServelQ. 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. He joined Hospitality New Zealand in 1995 leading a revival of the organisation, seeing it grow from 700 members covering mostly bars, to 3,200 members representing the breadth of the hospitality industry from cafés to luxury lodges. Bruce left Hospitality New Zealand after 20 successful years and is now undertaking a number of governance and advocacy roles across hospitality, gaming, tourism, industry training and childhood well-being.



## Andrew Olsen

Andrew joined the ServelQ 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.



## 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 VicLink and chairs the ServelQ Audit & Risk Committee.

# CHAIRMAN'S REPORT

2017 was another year of prodigious growth for New Zealand, driven by substantial increases in tourism and immigration, and a strong demand for construction services.

With this level of expansion, the demand for work-based training has never been higher. This need was reflected in the growth of ServiceIQ's training programmes across our coverage areas of aviation, tourism, hospitality, retail and retail supply chain. Tourism in particular has continued its exponential growth path, putting pressure on infrastructure and across the associated service industries of retail, hospitality, museums and travel.

At time of writing, fifty-eight per cent of workers covered by ServiceIQ have qualifications at Level 3 and below. New Zealand's service sector provides an entry point to employment for a significant number of people (704,000 workers or 29% of the total workforce.) While the average GDP per FTE is \$78,000 compared to \$94,000 for the total economy, this figure can be improved by educating and training on-job the number of service sector workers who have no post-school qualifications (54%). As more trainees take up higher level positions in service sector industries, productivity gains will be made as a result of higher wages and lower staff churn, both of which will improve the GDP per employee over time.

During 2016-17, ServiceIQ produced action plans for both Māori and Pasifika trainees in the workplace.

For Māori, ServiceIQ has established Gateway Cultural Tourism Camps. These are a collaboration between marae, schools and ServiceIQ, to expose Year 12 and 13 students to the opportunities and scope in Māori cultural tourism, in an authentic learning environment.

For Pasifika learners, ServiceIQ is leading the Pasifika action plan for the services sector, focussing on building relationships with Pasifika communities, to provide better information and support for learners and families. The Tertiary Education Commission is intentionally targeting learners in South Auckland where many Pasifika people reside. ServiceIQ recently established an office in the Auckland International Airport precinct to better reach businesses and their employees in the area.

Looking back over the past year, through its development of the Regional Roadmaps, and other efforts, ServiceIQ has forged even better relationships with our country's regions, including local authorities, business owners and schools. This will be strengthened further during 2018 and beyond.

Financially, 2017 saw ServiceIQ post a deficit, primarily because of lower than anticipated trainee numbers. I should also note that, since balance date, we have been working with TEC and NZQA to resolve some process issues; hence the as yet unquantified contingent liability, mentioned in a note to the Accounts.

In closing, it is with regret that I note the departure of our CEO of the last five years, Dean Minchington, who is leaving us to explore opportunities elsewhere.

Dean joined ServiceIQ as its first CEO in early 2013, soon after the organisation was formed from the merger of three service sector industry training organisations.

He quickly built and maintained a stable and successful organisation from three very different and far smaller precursor industry training organisations.

He also developed from scratch an international presence that has led to work in Dubai with Emirates Flight Catering and the Knowledge and Human Development Authority, and in Hong Kong with the Vocational Training Council, an organisation with 250,000 students a year.

At this time, we are also marking the departure of the departure of one of our longest serving Directors, John Albertson. John has served the retail industry and ServiceIQ for many years, and has always brought wise counsel to our Board meetings. The Board join with me in wishing both Dean and John well in the future.

**Rick Christie**  
Board Chair



# CEO OVERVIEW – SERVICEIQ 2017

2017 is ServiceIQ's fifth year in operation. How time flies. We've been busy serving the skills development needs of New Zealand's tourism, travel, aviation, hospitality, retail and retail supply chain, and museums service sectors. To our country, a skilled service industry is vitally important.

My firm belief has always been that our work starts with strong "skills leadership". By that I mean our priorities must be anchored and aligned with our owners; being the industries we serve. Our focus on their needs must respond to what drives them in order to solve problems facing employers in our industry, and, at the same time, seek to align our efforts with government priorities wherever we can. We are truly successful in our role as an ITO when we can satisfy both.

For instance, we've looked at what government have asked of tertiary education organisations and what industry has asked from us as an ITO, and I think we've found a very good blend. ServiceIQ now has activity across our organisation that address all six of the government's tertiary education strategy priorities, including internationalisation, and delivers real value to industry.

Another example, one of the most important achievements this year for both industry and government, was ServiceIQ's completion and launch of the Regional Roadmaps. Each Roadmap highlights initiatives to build a skilled workforce, create benefits for our regions, development opportunities for low skilled workers, and help build the economy – both locally and nationally.

These 15 Regional Roadmaps, along with the National Workforce Development Plan, and our individual plans around Māori, Pasifika and LLN, is a prime example of skills leadership in action, especially when you consider all the analytics and data that sits behind the reports.

I'll also mention the independent research project we commissioned with aligned service sector ITOs in 2017. This work completed for our ITO group – At Your Service Aotearoa – signalled the employment-wide labour force issue. Conducted by BERL, the research showed there would be significant growth but also significant skills gaps that the service sector will need to face in the next few years. The gaps present challenges at a national and regional level. This is where the Regional Roadmaps, in helping to build a skilled workforce, are going to be invaluable for the future.

In 2017, I was heartened by projects like the work we've done with Workbridge NZ. In essence, it's all about seeing what can be done to help people with specific challenges or barriers to entering the workforce and connect them with industry in a positive way.

It's a great example of building skills and careers while also helping to solve the skills shortage. This work is just the beginning. The next phase we've started in late 2017 is to build additional internal capability to provide careers advice, and support the transition for school leavers and people from all walks of life, into industry training, jobs and careers complementing our successful school Gateway programmes in retail, hospitality and Māori tourism through Cultural Camps.

Each year, we've made considerable progress in technology development. This year was no exception with the extension of our digital offer. We have always pushed digital boundaries to make access and learning easier, more flexible and better for the end-users – employers and their employees, school teachers and their students. I'd love to think that sometime in the next five years, every trainee engaged in on-job or school based programmes will be able to track their progress in real time, thanks to ServiceIQ's technology.

This will be my last annual report as CEO of ServiceIQ. With the changing environment in the education sector I have decided it is now time for new leadership to guide the organisation through the next exciting evolution of industry training as the Government makes its mark on the education landscape.

One of the things I'm most proud of is that ServiceIQ has such a strong sense of community which has been built by the dedicated people who have worked here and who work here now. When I look at the graduations, the awards events, and all the talented and determined New Zealanders who are achieving by training on-job in the services industry, I can say that it's been a real privilege to lead ServiceIQ; an organisation that has a very important role to play for a vibrant and successful New Zealand well into the future.

**Dean Minchington**  
Chief Executive



# SNAPSHOT 2017 – A YEAR OF CONNECTIONS

2017 was another action-packed year at ServiceIQ, with plenty of initiatives to help increase capability and productivity across our sectors, creative ways to engage our many different audiences in schools and workplaces around the country, and some excellent results with targeted workforce development plans for every region. Here's a snapshot of just some of the highlights.

## Creating a vision for the future

Our Service Sector **Workforce Development Plan 2017** is the culmination of extensive research and consultation to prepare for industry challenges and opportunities in the next four years. The process has brought together business, individuals and the community, with a focus on meeting employer demands for skilled people across New Zealand's fastest-growing service sectors.

The plan provides a solid framework for workforce development, explores the changes and trends affecting the service sector workforce, shares a vision for the service sector of a world class service industry through qualified people, and outlines the priorities to respond to service sector needs.



## Focusing on workforce development in the regions

Massive growth forecast across the service sector in the next four years presents a massive opportunity for many regions. Our **Regional Roadmaps**, launched at Parliament in 2017, are the result of intense consultation involving contributions from a combination of employers, industry representatives, government and local government agencies on how to maximise that value for each of these regions: Northland, Auckland Tourism, Auckland Retail, Waikato, Bay of Plenty, Gisborne, Hawke's Bay, Taupō-Lakes, Taranaki, Manawatū-Whanganui, Wellington, Nelson Marlborough-Tasman-West Coast, Christchurch, Queenstown and Otago-Southland.

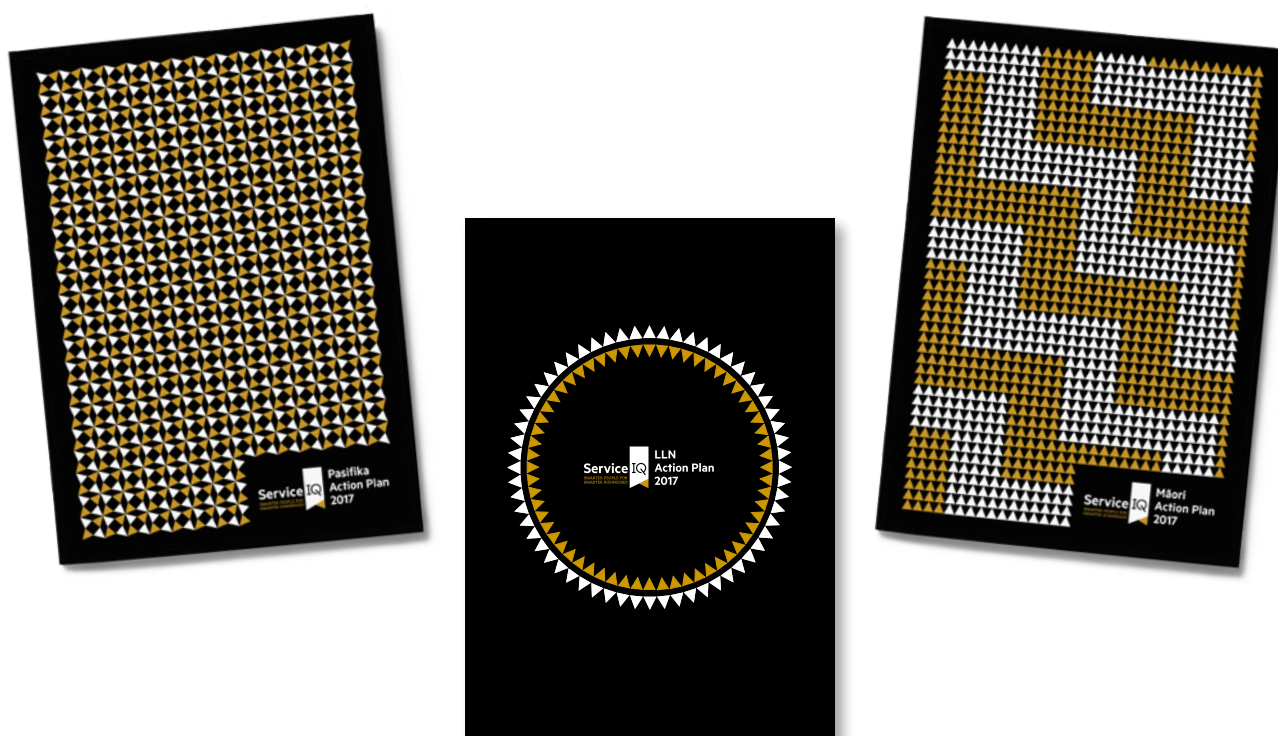
Each roadmap features significant initiatives with the key focus on strategies to develop a skilled workforce that supports the sectors, benefits the regions, includes prospects for low-skilled workers and helps boost the local and national economy.



## Supporting Māori and Pasifika skills development

Māori and Pasifika make a significant contribution to the service sector workforce, and ServiceIQ is committed to encouraging and celebrating their success. In 2017, we released action plans developed following close consultation and engagement with Māori and Pasifika communities, businesses, and learners.

The plans support further development of Māori and Pasifika with a strong focus on exploring and enhancing real opportunities for skill development in New Zealand's booming service sectors that include tourism and hospitality.



## Increasing literacy and numeracy across our sectors

ServiceIQ recognises that a LLN focus is essential to increase job satisfaction and productivity across the service sector.

Our **Literacy, Language and Numeracy (LLN) Action Plan** fully supports core skills development to ensure successful outcomes for talented trainees contributing to the economy in all kinds of businesses across our service sectors – from hotels and tourism attractions through to retail stores and retail distribution.



## New career guide for school leavers and job seekers

In October, we launched our new **Service Career Kick- Starter**, a comprehensive guide for school leavers and job seekers to training on-job for a career in New Zealand's great service sectors.

It's packed full of helpful information, case studies, sector profiles, statistics, job and career paths, and real success stories with just a few of the thousands of talented young New Zealanders gaining an education and industry qualifications on the job, including up-and-coming pilots, aviation engineers, chefs, tour guides, retail managers, museum curators and many more. The magazine was circulated nationwide via the Sunday Star Times and is given to schools throughout the country.



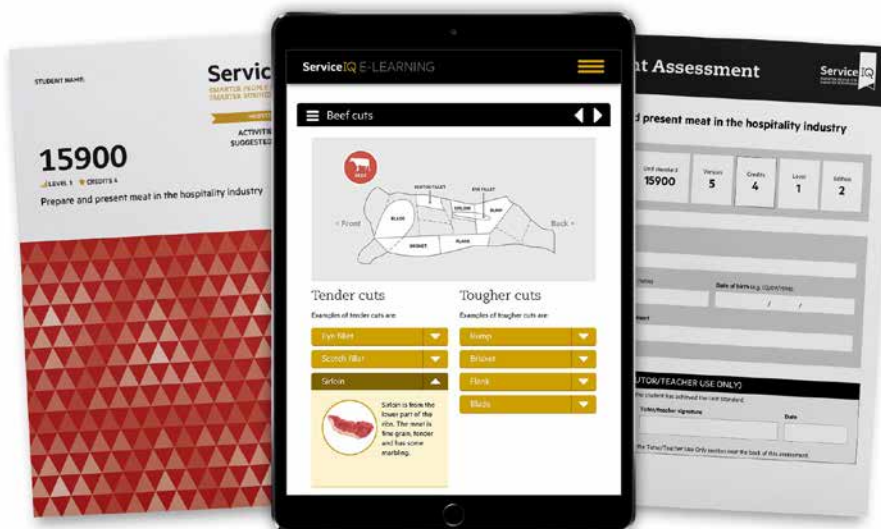
## Introducing new blended Schools Cookery Courses

Online learning is now more popular than ever and ServiceIQ is responding to that demand. In 2017, we launched a rich and exciting mix of new online and paper-based learning resources for school students interested in kick-starting a career in cookery.

Prior to this, cookery resources had been entirely on paper. But with over 50 per cent of hospitality teachers showing a preference for products that are a mix of online and paper, we know that the new blended format is now giving teachers and students the best of both worlds.

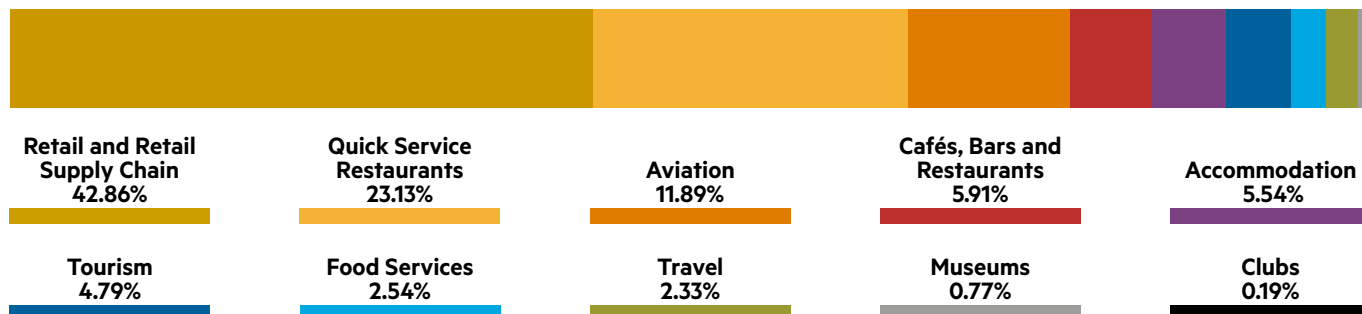
Features include engaging videos, quizzes, and a level of interactivity to enhance the learning experience that will be added to with subsequent upgrades.

Launched in time for schools to use in 2018, the online resources are fast becoming classroom favourites. The affirmative feedback we've received just shows that bringing our original learning material to life in an engaging, intuitive and flexible format provides a deeper learning experience for students now and in the future.

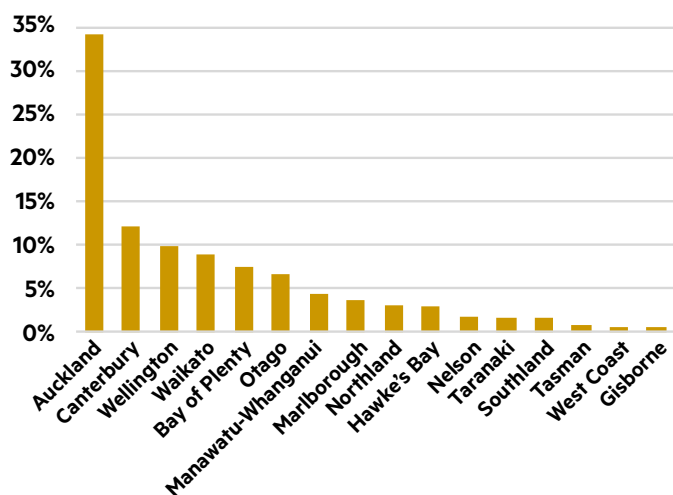


# STATISTICS

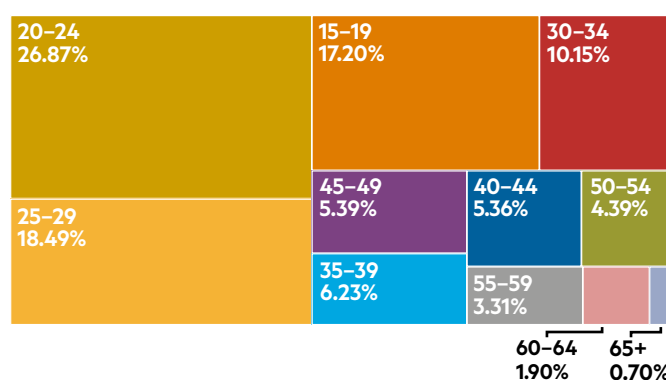
## Trainees by Sector



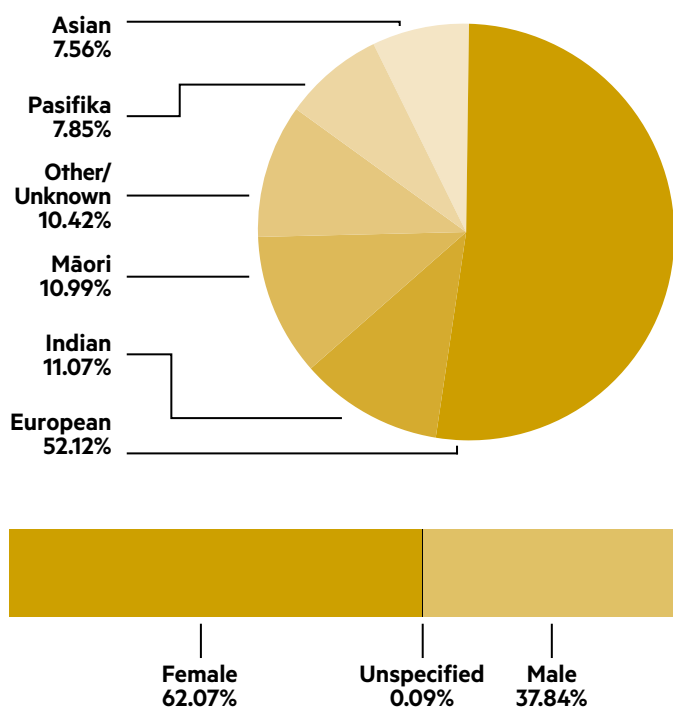
## Trainees by Region



## Trainee Age Group



## Trainee Ethnicity and Gender Balance



## EPI Performance 2017

Participation Rate	2017 Target	2017 Actual
Māori L4 +	11%	12%
Pasifika L4 +	5%	7%
Under 25 L4 +	27%	33%

Credit Achievement Rate	2017 Target	2017 Actual
All Learners	72%	76%
Māori L4 +	72%	73%
Pasifika L4 +	72%	92%
Non-Māori/Pasifika L4+	-	89%
Under 25 L4 +	72%	82%

Programme Completion Rate	2017 Target	2017 Actual
All Learners	72%	65%
Māori L4 +	72%	68%
Pasifika L4 +	72%	57%
Non-Māori/Pasifika L4+	-	70%
Under 25 L4 +	72%	68%

Retention Rate	2017 Target	2017 Actual
Apprentice Retention Rate	-	84%

# **SERVICEIQ FINANCIALS**

Service Skills Institute Incorporated Financial Report  
for the year ended 31 December 2017

**SERVICE SKILLS INSTITUTE INCORPORATED  
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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**SERVICE SKILLS INSTITUTE INCORPORATED  
INSTITUTE DIRECTORY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>Nature of Business</b>	Industry Training Organisation for Aviation, Tourism, Travel, Museums, Cafes, Bars, Restaurants, Accommodation, Catering, Quick Service Restaurants, Clubs and the Retail Supply Chain.
<b>Business Location</b>	Wellington
<b>Registered Office</b>	Plimmer Towers 2-6 Gilmer Terrace Wellington 6011
<b>Board Members</b>	Rick Christie, Board Chair John Albertson Trevor Douthett Maxine Gay Maryann Geddes Jill Hatchwell Andrew Olsen Bruce Robertson John Selby
<b>Chief Executive Officer</b>	Dean Minchington
<b>Bankers</b>	BNZ BNZ Harbour Quays Wellington
<b>Auditor</b>	BDO Wellington 50 Customhouse Quay Wellington

**SERVICE SKILLS INSTITUTE INCORPORATED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

		31 Dec 2017	31 Dec 2016
		\$	\$
<b>REVENUE</b>			
Government funding	8a	16,068,885	17,056,400
Industry income	2	4,585,724	4,426,237
Other income		121,449	110,301
Interest and investment income		430,466	292,581
<b>TOTAL REVENUE</b>		<u>21,206,524</u>	<u>21,885,519</u>
<b>EXPENSES</b>			
Operating expenses	3	22,032,070	20,986,959
Finance costs		140,443	171,034
Depreciation	4	229,644	221,850
Amortisation	5	257,000	134,655
<b>TOTAL EXPENSES</b>		<u>22,659,157</u>	<u>21,514,498</u>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<u>(1,452,633)</u>	<u>371,021</u>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD</b>		<u>(1,452,633)</u>	<u>371,021</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 2017


Note	31 Dec 2017 \$	31 Dec 2016 \$
Contributed equity	10,527,015	10,527,015
Opening retained earnings	2,066,924	1,695,903
Total comprehensive income for the period	<u>(1,452,633)</u>	<u>371,021</u>
Closing retained earnings	614,291	2,066,924
Closing balance	<u>11,141,306</u>	<u>12,593,939</u>


The accompanying notes form part of these financial statements.

**SERVICE SKILLS INSTITUTE INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	31 Dec 2017 \$	31 Dec 2016 \$
<b>EQUITY</b>			
Contributed Equity		10,527,015	10,527,015
Retained earnings		614,291	2,066,924
		<u>11,141,306</u>	<u>12,593,939</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	2,558,718	1,986,187
Short term investments	7	7,752,405	8,577,299
Trade receivables		233,594	223,600
Other receivables	15	716,723	794,897
Inventory		19,144	21,645
		<u>11,280,584</u>	<u>11,603,628</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	509,572	369,400
Intangibles	5	797,010	1,238,838
Long term investments	7	1,660,962	1,141,256
Investment in Associate Entity - Mediasphere NZ Ltd		215,061	215,061
Other		11,509	20,716
		<u>3,194,113</u>	<u>2,985,270</u>
<b>TOTAL ASSETS</b>		<b>14,474,697</b>	<b>14,588,898</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		664,932	627,056
Accruals and other payables	8	2,566,338	1,281,920
		<u>3,231,270</u>	<u>1,908,976</u>
<b>NON CURRENT LIABILITIES</b>			
Provisions	9	102,121	85,983
<b>TOTAL LIABILITIES</b>		<b>3,333,391</b>	<b>1,994,959</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>11,141,306</b>	<b>12,593,939</b>

For and on behalf of the Board

  
 Rick Christie Board Chair Date: 12 June 2018

  
 John Selby Board Member Date: 12 June 2018

The accompanying notes form part of these financial statements.



**SERVICE SKILLS INSTITUTE INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

Note	31 Dec 2017 \$	31 Dec 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Tertiary Education Commission Funding	17,175,900	17,056,400
Interest & Investment Income	458,316	427,023
Sale of Goods & Services	4,752,221	4,542,463
	<u>22,386,437</u>	<u>22,025,886</u>
Cash was disbursed to:		
Payments to suppliers/employees	(21,930,458)	(21,141,083)
<b>Net cash (outflow)/ inflow from operating activities</b>	<u>455,979</u>	<u>884,803</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was disbursed to:		
Sale/(Purchase) of Investments	305,188	(2,523,320)
Purchase of Fixed Assets	(188,636)	(791,440)
<b>Net cash (outflow)/ inflow from investing activities</b>	<u>116,552</u>	<u>(3,314,760)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mediasphere NZ Limited funding	0	(215,061)
<b>Net cash (outflow)/ inflow from financing activities</b>	<u>0</u>	<u>(215,061)</u>
<b>Net cash inflow/ (outflow) from investing and financing activities</b>	<u>116,552</u>	<u>(3,529,821)</u>
<b>Net increase in Cash</b>	<u>572,531</u>	<u>(2,645,018)</u>
Opening Cash Balance 1 January 2017	1,986,187	4,631,205
<b>CLOSING CASH BALANCE FOR THE PERIOD ENDING 31 DECEMBER 2017</b>	<u>2,558,718</u>	<u>1,986,187</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 2017**

**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 2017 and ending 31 December 2017. 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, Catering, Quick Service Restaurants, Clubs, and the Retail Supply Chain.

The financial statements were authorised for issue by the Board on 12 June 2018.

**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 2017**

**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  
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**(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  
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**(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  
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**(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 grants received from the Hospitality Training Trust and other 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**  
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<b>2. INDUSTRY INCOME</b>		<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
The following are included within industry income:		\$	\$
<b>Exchange Transactions</b>			
Moderation & Credit Reporting		596,290	767,907
<b>Non-exchange Transactions</b>			
Resource & Training		3,887,251	3,553,181
Assessment & Casual Trainee		102,183	105,149
<b>Balance as at 31 December 2017</b>		<b>4,585,724</b>	<b>4,426,237</b>

<b>3. OPERATING EXPENSES</b>		<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
The following are included within operating expenses:		\$	\$
Audit fee		27,555	26,500
Premises Rental		837,614	829,317
Operating lease costs		62,546	290,617
Premises fit out amortisation		9,207	9,207
Legal fees		14,564	29,271
Bad debts expense		1,556	9,491
<b>Employee benefit expenses:</b>			
Wages and salaries		10,860,403	9,971,246
Contributions to defined contribution plans		268,281	236,987
<b>Other fees paid to auditor were for:</b>			
Internal Control review		-	4,813
Accounting Services		-	-

<b>4. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Cost or Valuation</b>	<b>ICT Hardware</b>	<b>Equip; Furn &amp; Fittings</b>	<b>Office Fit Out</b>	<b>Total</b>
<b>Balance as at 1 January 2017</b>	311,614	334,620	81,514	727,748
<b>Additions</b>	145,927	15,431	1,400	162,758
<b>Transfer from WIP</b>	-	-	210,707	210,707
<b>Disposals</b>	(99,656)	(78,647)	-	(178,303)
<b>Balance as at 31 December 2017</b>	<b>357,885</b>	<b>271,404</b>	<b>293,621</b>	<b>922,910</b>

<b>Accumulated depreciation and impairment</b>	<b>ICT Hardware</b>	<b>Equip; Furn &amp; Fittings</b>	<b>Office Fit Out</b>	<b>Total</b>
<b>Balance as at 1 January 2017</b>	141,508	212,702	4,139	358,349
<b>Depreciation</b>	112,496	63,576	53,572	229,644
<b>Disposals</b>	(96,180)	(78,475)	-	(174,655)
<b>Balance as at 31 December 2017</b>	<b>157,824</b>	<b>197,803</b>	<b>57,711</b>	<b>413,338</b>
<b>Net Book Value</b>	<b>200,061</b>	<b>73,601</b>	<b>235,910</b>	<b>509,572</b>
<b>2016 Net Book Value</b>	<b>170,111</b>	<b>121,912</b>	<b>77,376</b>	<b>369,400</b>

**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
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**5. INTANGIBLE ASSETS**

	Software	Work in Progress	Total
<b>Cost or Valuation</b>			
Balance as at 1 January 2017	845,047	477,466	1,322,513
Additions	25,879	-	25,879
Transfer from WIP	266,759	(477,466)	(210,707)
Disposals	-	-	-
<b>Balance as at 31 December 2017</b>	<b>1,137,685</b>	<b>-</b>	<b>1,137,685</b>
<b>Accumulated amortisation</b>			
Balance as at 1 January 2017	83,675	-	83,675
Amortisation	257,000	-	257,000
Disposals	-	-	-
<b>Balance as at 31 December 2017</b>	<b>340,675</b>	<b>-</b>	<b>340,675</b>
<b>Net Book Value</b>	<b>797,010</b>	<b>-</b>	<b>797,010</b>
<b>2016 Net Book Value</b>	<b>761,373</b>	<b>477,466</b>	<b>1,238,838</b>



**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. CASH AND CASH EQUIVALENTS**

	31 Dec 2017	31 Dec 2016
	\$	\$
Operating Bank accounts and Cash on hand	1,717,194	1,271,296
Bank Deposit Accounts with 90 days or less maturity	-	-
Cash Management Account with Craigs Investments	841,524	714,891
<b>Total Cash and Cash Equivalents</b>	<b>2,558,718</b>	<b>1,986,187</b>

**7. SHORT AND LONG TERM INVESTMENTS**

	31 Dec 2017	31 Dec 2016
	\$	\$
<b>Short term Investments</b>		
Bank Term deposits	7,606,727	7,907,141
Bonds, Notes and Debentures	145,678	670,158
<b>Total current investments</b>	<b>7,752,405</b>	<b>8,577,299</b>
<b>Long term Investments</b>		
Bonds, Notes and Debentures	1,283,770	795,431
Equities	377,192	345,825
<b>Total non-current investments</b>	<b>1,660,962</b>	<b>1,141,256</b>
<b>Total Short and Long-term Investments</b>	<b>9,413,367</b>	<b>9,718,555</b>

NB. Bank Term Deposits are held for Guarantees of \$554,212 (2016: \$493,212) for tenancy lease agreements, and a \$386,100 (2016: \$386,100) letter of credit over the payroll.

**8. ACCRUALS AND OTHER PAYABLES**

	31 Dec 2017	31 Dec 2016
	\$	\$
<b>Employee Benefits</b>		
Liability for unpaid salary (current)	208,831	207,220
Liability for long-service leave (current & non-current)	134,868	49,848
Liability for annual leave (current)	589,038	541,646
<b>Total Employee Benefits</b>	<b>932,737</b>	<b>798,714</b>
<b>Other payables</b>		
Tertiary Education Commission under delivery provision	1,107,015	-
GST Payable	224,153	210,889
Other payables	302,433	272,318
<b>Total Other Payables</b>	<b>1,633,601</b>	<b>483,207</b>
<b>Total Accruals and Other Payables</b>	<b>2,566,338</b>	<b>1,281,921</b>

**8a. Tertiary Education Commission under delivery provision**

	31 Dec 2017	31 Dec 2016
	\$	\$
The TEC funding summary for 2017 was as follows:		
Funding received	17,175,900	17,056,400
Under delivery provision 2017	- 1,107,015	-
	<b>16,068,885</b>	<b>17,056,400</b>

**SERVICE SKILLS INSTITUTE INCORPORATED  
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**9. NON CURRENT LIABILITIES**

	31 Dec 2017	31 Dec 2016
	\$	\$
<b>(j) PROVISIONS</b>		
<b>Non-current provisions</b>		
Office equipment lease liability	-	-
Premises Reinstatement Provision - due 31 March 2019	102,121	85,983
<b>Total Provisions</b>	<b>102,121</b>	<b>85,983</b>

Provision of \$102,121 was made in the year toward the reinstatement of the leased premises in Auckland and Wellington.

**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 2017
			\$	\$	Balance owed to/(by) ServiceIQ
Maryann Geddes	Skyline Enterprises Ltd	Training Fees	1,752	-	-
Andrew Olsen	Travel Agents Association of NZ	Sponsorship/Subscription	-	7,960	-
Bruce Robertson	Skyline Enterprises Ltd	Training Fees	1,752	-	-
Bruce Robertson	Aged Care Association	Marketing Costs	-	3,750	-
Bruce Robertson	Tourism Industry Aotearoa	Membership Fees	-	49,965	-
John Selby	Onslow College	Training Fees	2,005	-	212

Board Member	Organisation	Nature of Transaction	Paid to / by ServiceIQ		As at 31 Dec 2016
			\$	\$	Balance owed to/(by) ServiceIQ
Maryann Geddes	Skyline Enterprises	Training Fees & Resources	3,613	-	557
Grant Lilly	Tourism Industry NZ Trust	Professional Development	-	1,855	-
Bruce Robertson	Hospitality Training Trust	Repayment of Grant	-	3,000	-
John Selby	Onslow College	Training Fees & Resources	2,984	-	-

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' (FTE's) for the executive team) in each class of key management personnel is presented below:

	31 Dec 2017		31 Dec 2016	
	Remuneration	Number of individuals	Remuneration	Number of Individuals
ServiceIQ Board	310,042	9	294,500	10
Executive Team	1,159,991	6 FTE's	1,126,439	6 FTE's
	<u>1,470,033</u>		<u>1,420,939</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  
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**11. FINANCIAL INSTRUMENTS**

Financial instruments are classified into the following categories:

As at 31 December 2017:	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	-	-	2,558,718	-	2,558,718	2,558,718
Short term investments	7,752,405	-	-	-	7,752,405	7,752,405
Trade receivables	-	-	233,594	-	233,594	233,594
Other receivables	-	-	716,723	-	716,723	716,723
Trade payables	-	-	-	664,932	664,932	664,932
Other payables	-	-	-	1,417,289	1,417,289	1,417,289
Long term investments	1,283,770	377,192	-	-	1,660,962	1,660,962
	<b>9,036,175</b>	<b>377,192</b>	<b>3,509,035</b>	<b>2,082,221</b>	<b>15,004,623</b>	<b>15,004,623</b>

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

As at 31 December 2016:	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	-	-	1,986,187	-	1,986,187	1,986,187
Short term investments	8,577,299	-	-	-	8,577,299	8,577,299
Trade receivables	-	-	223,600	-	223,600	223,600
Other receivables	-	-	454,122	-	454,122	454,122
Trade payables	-	-	-	627,057	627,057	627,057
Other payables	-	-	-	242,319	242,319	242,319
Long term investments	795,431	345,825	-	-	1,141,256	1,141,256
	<b>9,372,730</b>	<b>345,825</b>	<b>2,663,909</b>	<b>869,376</b>	<b>13,251,840</b>	<b>13,251,840</b>

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 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. ServiceIQ International DMCC is registered to provide education services in the United Arab Emirates (UAE).

ServiceIQ International DMCC is consolidated into these group financial statements.

**14. OPERATING LEASES**

	31 Dec 2017	31 Dec 2016
	\$	\$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,162,503	1,160,463
Between one and five years	1,708,229	2,474,866
More than five years	-	-
	<b>2,870,732</b>	<b>3,635,329</b>

Operating leases comprise office rental costs up to the first renewal date and motor vehicle lease contracts.

**15. OTHER RECEIVABLES**

	31 Dec 2017	31 Dec 2016
	\$	\$
NZQA Moderation income	291,353	343,005
Prepayments	345,491	340,775
Other receivables	79,879	111,117
	<b>716,723</b>	<b>794,897</b>

**18. ASSOCIATES**

As at 31 December 2017, ServiceIQ's investment in Mediasphere New Zealand Limited was \$215,061 (2016: \$215,061). No profit was received in 2017. There are no contingent liabilities in relation to Mediasphere New Zealand Limited as at 31 December 2017 (2016: nil).

**17. COMMITMENTS**

ServiceIQ has no major forward commitments as at 31 December 2017 (2016: nil).

**18. CONTINGENT LIABILITIES**

The funder is currently investigating previously funded trainees the outcome of which is unknown at the date of signing the financial statements. There are no other contingent liabilities at 31 December 2017. (2016: nil).

This note does not disclose any maximum contingent liability as the final extent of the investigation and funding at risk are not yet known.

**19. EVENTS OCCURRING AFTER THE REPORTING DATE**

There were no events subsequent to reporting that would affect the financial statements (2016: nil).

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SERVICE SKILLS INSTITUTE INCORPORATED AND GROUP**

**Opinion**

We have audited the consolidated financial statements of Service Skills Institute Incorporated ("ServiceIQ") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year 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)"). 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 ServiceIQ or its subsidiaries.

**Directors' Responsibilities for the Consolidated Financial Statements**

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with PBE Standards RDR, and for such internal control as the directors 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, the directors are responsible on behalf of the Group 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 directors either intend 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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Who we Report to

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

*BDO Wellington Audit Limited*

**BDO Wellington Audit Limited**  
Wellington  
New Zealand  
12 June 2018





