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Service IQ

SMARTER PEOPLE FOR
SMARTER BUSINESSES

20
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ANNUAL
REPORT

PEOPLE & STATISTICS



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Everyone in New Zealand experiences the service industry every day. Buying a coffee, groceries or petrol, dining out, staying in hotels, visiting museums and travelling by plane are just some examples of how we all connect with this vibrant and growing industry.

There are many career pathways and opportunities in the service industry: pilots to chefs, baristas to flight attendants, travel agents to tour guides, retail salespeople to event organisers, museum guides to bartenders, supervisors, hotel managers – and many more. On-the-job training is available for all roles, from entry level to senior management, through ServiceIQ.

PEOPLE & STATISTICS





ServiceIQ is the Industry Training Organisation (ITO) for the Aviation; Accommodation; Cafés, Bars and Restaurants; Clubs; Food Services; Quick Service Restaurants; Museums; Tourism; Travel; Retail and Wholesale sectors of New Zealand's service industry.

Funded by Government and industry, ServiceIQ develops and arranges on-the-job training that has a tangible positive impact on the businesses we work with. It also results in fulfilling, real careers for employees who undertake the training programmes and achieve a national qualification. ServiceIQ helps develop smarter people for smarter businesses.

Our Mission

We believe industry training is essential to improving productivity and profitability in the service industry by producing performance improvements contributing to a stronger New Zealand economy.

We will act with conviction, supporting our employer, learner and Government stakeholders by:

- ▶ setting relevant standards, and the quality assurance of those standards
- ▶ facilitating the training needs of the service industry
- ▶ advocating on behalf of the industry for workforce development and
- ▶ providing national perspective, leadership and policy setting across the service industry sector.

Our Vision

Our vision is for a world class service industry through qualified people.

Our Goals

- ▶ Engage industry in workplace training using a method aligned to the size and nature of the business.
- ▶ Aspire to be an employer of choice through the provision of an engaging workplace and a culture of professional development.
- ▶ Be innovative in the facilitation of training, keeping up with industry, educational, technological and political trends.
- ▶ Set employer and employee-focussed standards aligned to current and evolving industry need established through comprehensive consultation.
- ▶ Maintain a sustainable business model, ensuring longevity for the organisation, its staff and the industries we serve.

Service sector employment



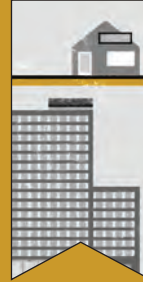
563,000 people
(457,000 FTEs)*
26% of NZ workers

Service sector GDP



\$36 billion
18% of NZ GDP
Increased by 2.6% pa
from 2002–2012
compared to 2.3% for NZ

Businesses



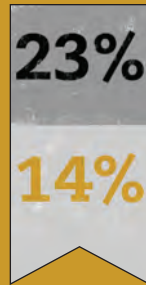
Just under 100,000
businesses in the sector
Businesses with under
10 people =
88% of businesses with
32% of workers
Businesses with
100+ people =
0.6% of businesses with
20% of workers

GDP per FTE



Service sector:
\$78,000
NZ:
\$107,000

Age



Service sector:
23% 15–24 years old
NZ:
14% 15–24 years old

Ethnic groups



Asian: 16.3% –
larger than NZ (11.1%)
Māori: 10.1% –
smaller than NZ (11.2%)
Pasifika: 5.0% –
same as NZ

Part-time workers



Service sector:
27% part-time
NZ:
21% part-time

Qualifications



People with no
qualifications
Service sector:
54%
NZ:
43%

ServiceIQ



Service industry
qualifications
Smarter people for
smarter businesses

*Full-time equivalents



Rick Christie

The merger of three major service industry training organisations (ITOs) into one new ITO was formally approved in 2012 by Minister of Tertiary Education, Skills and Employment Steven Joyce, and took effect on 1 January 2013. The Aviation Tourism Travel Training Organisation (ATTTO), Hospitality Standards Institute (HSI) and Retail Institute (RI) joined forces to become ServiceIQ, the ITO for the aviation, hospitality, museum, tourism, travel, retail and wholesale sectors. The collective sectors provide a wide range of services to both international and domestic customers, and enhance visitors' experience.

Announcing his approval, Minister Joyce said he was “pleased to see a collaborative approach being taken to better meet the needs of employers, education providers and trainees”.

This integration heralds a new era for the service industry. Our large and growing sectors now have a stronger voice and greater influence with Government, befitting the considerable contribution they make to the country's economy.

Conservative estimates are that the sectors ServiceIQ represents contribute more than \$36 billion to the New Zealand economy, a sizeable contribution of approximately 18 per cent towards national GDP. They are also responsible for 26 per cent of employment. One of our sectors, tourism, which is one of New Zealand's largest export industries, earned around \$24 billion in the year to March 2013.

Each of the three precursor ITOs had been around for some time when ServiceIQ was formed and we have retained much of the expertise and institutional knowledge gained by them in their respective sector groupings. As the incoming Chair in February, I was indebted to the presence and input of the three outgoing Chairs, Rick Bettle (ATTTO) Phillip Shewell (RI) and Carol Stigley (HSI), all of whom stayed on the Board for six months until June 2013. I sincerely thank them for their support and contribution over that time.

ServiceIQ has developed from those three nuclei organisations into one of the biggest and most significant ITOs, representing one of the most important slices of the New Zealand economy. About 457,000 people are employed fulltime by just under 100,000 businesses in the sectors represented by ServiceIQ, many of them small to medium-sized enterprises (SMEs), as well as large national organisations.

It's vital that these 457,000 people have the training, skills and knowledge to do well in their jobs: for their own wellbeing knowing they are equipped to do the work; for the good of the organisations they're part of; for the benefit of the fellow Kiwis paying for the service; and to enhance New Zealand's reputation as a place to visit and live.

We are working very hard at ServiceIQ to ensure we are relevant and that we deliver value. Our work through the Industry Advisory Groups and Sector Advisory Groups, established this year, ensured that our sectors had a clear voice to us, and to government, meaning we will continue to provide direct and targeted support where needed.

Our progress with the Targeted Review of Qualifications (TRoQ) continued, and we are well ahead of the curve in working with the New Zealand Qualifications Authority (NZQA) to deliver new standards in New Zealand's ever-changing educational environment.

ServiceIQ helps provide skilled employees for businesses ready to capitalise on newly starting economic growth. Our reports show us that, in general, our sectors are performing well in the wide context of the global economy, but strong and sustained growth is yet to come. In the wake of the recent global economic recession, and the ongoing effects of our national misfortunes, namely the Christchurch earthquakes in 2010–2011, and the prolonged drought in 2013 – we are all searching for more solutions to revitalise New Zealand's economy.

I believe it is in New Zealand's service sectors that we will find a large part of the answer – through building jobs in new tourist, hospitality, accommodation, retail, and aviation markets – through new tourist growth from Asia and through to the economic stimulus of the Christchurch rebuild, to the burgeoning expansion of Auckland and its requirements for adequate service infrastructure.

Another challenge we face is that many of our sector workforces – and population – are ageing, and we must attempt to encourage the upcoming and current workforce to value our sectors. However, our future is bright, as we continue to work with Government, and with industry, to provide incentives for businesses and their employees to help develop a skilled workforce in New Zealand, by providing training programmes that deliver business benefits and lead to nationally recognised qualifications.

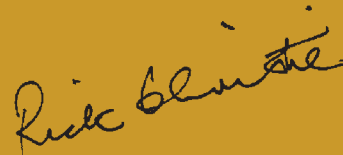
In 2012, Ministers Joyce and Parata announced two Better Public Service targets for education. These are to lift the number of 18 year-olds with NCEA Level 2 to 85 per cent; and to lift the number of 25 to 34 year-olds with a Level 4 qualification or above to 55 per cent.

These are ambitious targets, as acknowledged by both the Ministers. It is pleasing to note that we are on track to successfully achieve these targets in our sectors, by working with industry to provide new and industry relevant training programmes at higher levels, and to transition and upskill an employee throughout their employment.

2013 has been a challenging yet successful year for ServicelQ. We have introduced new products and worked with businesses to increase both the number of people being trained and the proportion successfully completing their courses. We have made significant progress with developing new business models that help us better meet the needs of businesses and providers.

The organisation is gearing up to do even more in 2014, with planned innovations and exciting developments in many areas, including electronic delivery and the use of new technologies.

We are very fortunate to have such a well-balanced and capable Board, with a real depth of knowledge across the service sector. I thank them for their support and advice throughout the past year. On behalf of the Board, I also congratulate the ServicelQ Chief Executive and his team on making 2013 a successful year and, of course, salute the sectors, businesses and people we work with every day.



Rick Christie
Board Chair



Dean Minchington

It is with pleasure and considerable pride that I report on the first year of operation for ServiceIQ.

ServiceIQ had a successful year in 2013, over-delivering on our contracted number of industry trainees. A key driver allowing the ITO to also return a favourable fiscal result has been the additional support provided by the Tertiary Education Commission (TEC) in the approval of an in-year plan amendment for an additional 500 Standard Training Measures (STMs).

The key inputs and milestones achieved during 2013, and what we will continue to build on in 2014, include:

Industry consultation – ServiceIQ has invested heavily to ensure strong ties with our industries and other participants in the tertiary sector. Very early after the merger into ServiceIQ we set out to design and implement a two-tier consultation structure which:

1. links membership through to Governance in a structured and inclusive way, and
2. provides key industry input on workforce development to the ITO. From this input, relevant industry stakeholder groups can assist the ITO develop near term qualification development for current skills need while considering longer term workforce trends.

We see continued participation in skills leadership and workforce development as essential to ensuring the emerging skills required by the service sector are met. Our Sector Skills Advisory Groups (SSAGs) and Industry Advisory Groups (IAGs) formed in 2013 will continue to meet and work on future industry needs and workforce development issues. Key people at chief executive, general management and HR levels – from companies such as Air New Zealand, the Warehouse, McDonald's, Z Energy and Skyline Enterprises, as well as all the relevant industry associations, schools, providers, unions and employees – have been part of this process.

Having an in-depth understanding of our sectors and industry organisations, their dynamics, key drivers and future training needs will ensure that we have robust alignment to outcomes desired by Government and Industry. All of these groups remain committed and positive, strengthening both ServiceIQ and the sectors and industries they represent.

In late 2013, ServiceIQ embarked on a project to better profile each of our eleven sectors and, using common data provided by the Ministry of Business, Innovation and Employment (MBIE), add to the number of Occupation Outlook reports available. We have shared and will continue to share this information with MBIE, working closely with the People, Science and Enterprise departments among others. It is our intention to update the resulting Sector Profiles annually and continue to build on the number of Occupation Outlook reports available.

Business engagement – The service sectors we cover have the largest number of full time equivalent employees (FTEs) covered by an ITO; 457,000 FTEs makes it largest by a considerable margin. However, the sectors are also characterised by low wages and almost 73 per cent of employers having five or fewer staff. These factors drive ServiceIQ to engage industry in a way that may differ from more traditional trades training, as our sectors have predominantly indicated a desire to consume skills training solely in the workplace, and in smaller packages.

ServiceIQ has moved to adopt an offer that is flexible and accessible to the majority, with business models that cater to large and small enterprise alike, removing barriers to participation and completion. Our continued focus for 2014 is on business improvement and product development for consumption by the service industry, by providers or by schools providing training to the service sector.

Technology – In December 2013 ServiceIQ launched its online training platform, initially to cater to the training requirements driven by changes to the Sale and Supply of Alcohol

Act. By the end of January 2014, some 4500 people had enrolled in our online training.

In 2014 ServiceIQ will complete the development of this platform with enhanced assessment capability which will allow us to better reach our SME market for access to short courses and qualifications alike.

ServiceIQ has negotiated a flat rate of just \$1 per month for each learner account, with no upfront cost and no limitation to content; and we will make the platform available to any Tertiary Education Organisation (TEO) interested by referring them to the developer. Our vision is that with a large number of providers and ITO (and perhaps schools) using a common platform, material sharing and trainee movement could be made seamless. ServiceIQ will continue to explore ways in which technology can improve access to industry training.

Tertiary Provider engagement

ServiceIQ has had a successful year building rapport and engagement with tertiary providers, including Massey University, as we continue to seek and take advantage of industry training opportunities. We are keen to develop more executive level management options and pathways for our sectors.

Schools and Vocational Pathways

Throughout the year, and a continuing key plank in the ServiceIQ Strategy, there has been a focus on ensuring clear vocational pathways into our sectors. Our programmes for schools link strongly into the upskilling programmes for business. It is vital that the career opportunities for both potential and existing employees – and the skills needed to follow those opportunities – are clear and stepped so as to be, and seen to be, attainable.

Qualification Review – December 2013 saw a milestone event as the new package of retail qualifications was approved by the New Zealand Qualifications Authority (NZQA). With this approval, ServiceIQ completed the Targeted Review of Qualifications (TRoQ) process for all the highly consumed

qualifications under its coverage, with some large employers already adopting new industry training programmes based on post-TRoQ qualifications.

With the last of our reviews scheduled to occur or already underway this year, we would expect to be completely clear of the Targeted Review of Qualifications process by the end of 2014, subject to the capacity of NZQA to assist with this.

Our focus is now on the completion and registration of Industry Training Programmes and the development of associated materials to allow our sectors to move to consuming the new qualification structure. Subject to capacity, we will also assist smaller Institutes of Technology and Polytechnics (ITPs) and Private Training Establishments (PTEs) develop Programmes of Study with associated materials, in a move to see collaboration and consistency throughout the service sectors in tertiary education.

Outlook for 2014

The year ahead for ServiceIQ will see a continued focus on business improvement and leveraging the increased capability established by merger. It is our intent to position ServiceIQ as an ITO with leading edge processes, educational material and support structures as we move into 2015. I see a strong finish to 2014, with our industry engagement increasing throughout the year as our sectors transition from old to new qualifications and New Zealand continues to see economic growth.

My thanks go to the ServiceIQ Board, our staff and our industry members for their input and contribution to this first successful year.



Dean Minchington
Chief Executive

Our Board



Rick Christie

Bruce Robertson

Grant Lilly



Jill Hatchwell

John Albertson

Maxine Gay



Maryann Geddes

John Selby

Trevor Douthett

Rick Christie, Chair

Rick has extensive experience as a company Chairman and professional Director. He is also Chairman of Ebos Group, NeSI (the recently formed NZ supercomputer network), and the Science Media Centre. He is a Director of Southport Ltd., Tourism Holdings Limited, South Port Limited, Solnet Solutions Ltd., and the NZ Pork Industry Board.

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 NZAX-listed Chatham Rock Phosphate. Jill is an executive director of financial advisory consultancy company Nevay Holdings and is also a director of Vincent Aviation.

Maryann Geddes

Since 1994, Maryann has held senior positions with Skyline Enterprises, based in Queenstown, where she is Group Manager Human Capital & Compliance. She has had close involvement in hospitality and human resource issues at both national and international level.

Bruce Robertson

Bruce is CEO of Hospitality New Zealand. He was the nominee of Hospitality New Zealand as the Liquor representative on the HSI Board. He was part of the team which led the restructuring of the Hotel Industry Training Board to the Hospitality Standards Institute. Bruce was Chairman for five years from 1997 to 2002 and then served as Deputy Chair.

John Albertson

John was Chief Executive of the New Zealand Retailers Association, a position he held from 1996 until early 2014. The Association represents the interests of nearly 5,500 members and they in turn account for well over two-thirds of retail expenditure through some 12,000 to 13,000 shop-fronts.

John Selby

John has had an extensive career in Price Waterhouse Cooper where, for 25 years, he was a partner working in the New Zealand, Australian and Asian markets, providing advisory and audit and risk management services to a wide range of organisations. He has served on a variety of private company Boards, including Shell New Zealand, Sky Television, Zero, L&M Group, Downer EDI, and Tenix. John is the chairman of Syl Semantics.

Grant Lilly

Grant Lilly works as a professional Director with a varied portfolio of governance appointments including central Government (Civil Aviation Authority, Aviation Security Service), local Government (Chairman Hanmer Springs Thermal Pools and Spa, Auckland Regional Amenities Funding Board), corporate (New Zealand Experience [NZX listed], Queenstown Airport Corporation), and industry organisations (Tourism Industry Association).

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, Transport sectors.

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.

SERVICEIQ INVESTMENT PLAN 2013

Educational Performance Indicators

	Target	Actual
Credit Achievement rate – for all trainees and apprentices	72.5%	67.7%
Credit-weighted programme completion rate – overall	66.9%	65.2%

Source: TEC Reports 2014

Key Performance Indicators – Standard Training Measures (STMs) by Fund Type

	Contracted STMs	Delivered STMs (after offsets)
Industry Training Fund	4,446.2	4,782.5
Modern Apprenticeship Fund	325.0	234.5

Source: TEC Reports 2014

TEC registered-funded trainees by: ITO SECTOR AND FUND TYPE

ITO Sector	MA*	Trainees
Accommodation	58	901
Aviation	191	1,467
Cafés, Bars, Restaurants	181	1,248
Clubs	5	145
Food Services	34	447
Museums	0	113
Quick Service Restaurants	0	7,315
Retail	189	7,565
Tourism	19	288
Travel	1	933
Wholesale	8	88
Total	686	20,510

Source: ITOMIC

Notes:

(1) Totals are not the same as trainees and MAs can report to more than one ITO Sector.

(2) Data is from 1 January 2013 to 31 December 2013.

*Modern Apprenticeships

TEC registered-funded trainees by: REGION AND FUND TYPE

Region	MA	Trainees
Auckland Region	163	8,446
Bay of Plenty Region	33	1,509
Canterbury Region	86	2,133
Gisborne Region	4	115
Hawke's Bay Region	23	581
Manawatu-Wanganui Region	29	1,015
Marlborough Region	161	324
Nelson Region	13	284
Northland Region	22	611
Otago Region	22	934
Southland Region	12	317
Taranaki Region	13	401
Tasman Region	6	51
Waikato Region	42	1,690
Wellington Region	49	1,981
West Coast Region	8	91
Total	686	20,483

Source: ITOMIC

Notes:

(1) Totals are not the same as some trainees and MAs reported working in more than one region.

(2) Data is from 1 January 2013 to 31 December 2013.

TEC registered-funded trainees by: AGE GROUP AND FUND TYPE

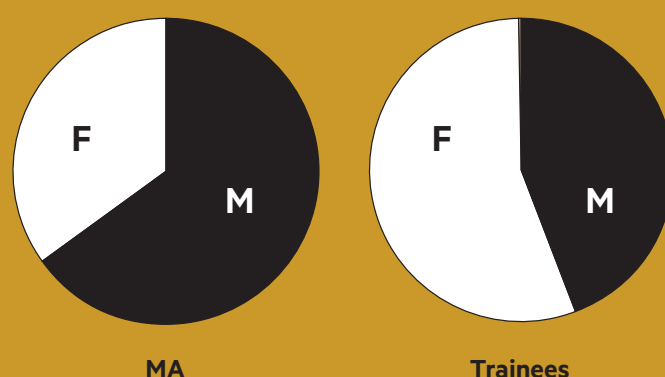
Age	MA	Trainees
15–19	107	2,784
20–24	504	6,485
25–29	60	3,687
30–34	5	2,020
35–39	6	1,393
40–44	1	1,195
45–49	1	994
50–54	1	821
55–59	0	588
60–64	0	466
Total	685	20,433

Source: ITOMIC

TEC registered-funded trainees by: GENDER AND FUND TYPE

Gender	MA	Trainees
Male	446	9,067
Female	239	11,320
Unknown	0	46
Total	685	20,433

Source: ITOMIC



TEC registered-funded trainees by: ETHNICITY AND FUND TYPE

Ethnicity	MA	Trainees
Asian	14	1,733
European	518	10,279
Indian	8	3,443
Māori	88	2,582
Other	15	681
Pasifika	28	1,573
Unknown	14	148
Total	685	20,439

Source: ITOMIC

Notes:

(1) Totals are not the same as trainees and MAs can report more than one ethnicity.

HIGHLIGHTS & ACHIEVEMENTS



IQ

Skills online, anywhere, anytime

December saw service sector businesses gain the ability to upskill staff with great convenience but at low cost. ServiceIQ Skills Online (www.ServiceIQskillsonline.org.nz) launched with four short courses, plus the Ministry of Justice LCQ Bridging Test.

The short courses cover some key essentials businesses in the service industry have asked for: customer service skills, resolving complaints effectively, and consumer legislation. Specific to the hospitality sector is a course on being a responsible host.

The ServiceIQ online solution also provides those looking for a job in our sectors with a few extra skills that could get them near the top of the preferred candidate list.

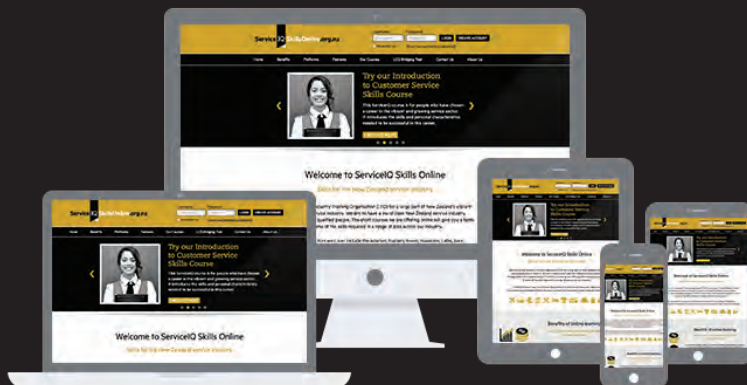
Courses can be accessed by smartphone, tablet or computer. More courses, covering a wide range of topics, will be added throughout 2014.

ServiceIQ CEO Dean Minchington says the online courses cover some of the same material as qualifications taught offline. “Everyone can learn useful skills and gain new knowledge from these courses because they are based on parts of training programmes. Think of them as a taste of what it’s like to study towards a qualification, as well as the opportunity for you to upskill your people.

“Every successful course completion also generates a certificate that can be printed out to show that you have acquired new skills and knowledge. That makes it valuable for anyone in a role, or looking for a job in a service industry, or indeed anywhere in work or life where good customer or personal relationships are important.

“ServiceIQ’s Skills Online learning is an excellent option for many people and businesses because it’s time and cost-effective, and the course can be done on any device whenever time allows. Whether you want to sit and complete the course in one session, or break it up into chunks, it’s up to you. The system remembers where you got up to, and you simply pick up from where you left off.”

Registering at ServiceIQ Skills Online is free.



Black and Gold for Kiwi achievers

One of the things that reminds us here at ServiceIQ every day of our purpose is the colours we chose when the new organisation was formed. Black and gold with white are strong colours that remind us what we do for the service industry and New Zealand.

For most Kiwis, black is the New Zealand colour. We have All Blacks, Black Caps, Tall Blacks, Black Sox, Diamondblacks, Black Sticks and Ice Blacks, as well as black yachts, race cars and uniforms in many sports. The national colours of Māori are black, white and red. The traditional black singlet and gumboots was for decades a symbol of our agricultural heritage.

Gold is the colour of success and signifies achievement, for the people, businesses and organisations we work with. We’re all proud when New Zealand wins a gold medal, and it’s always good to see golden summer weather, golden sunsets and the gold leaves of autumn.

Together, black and gold represent everything that ServiceIQ is and strives to be for our customers.

We’re a Kiwi organisation helping Kiwis to succeed. We strive to be the best, to be inclusive of all cultures and people, to understand and embrace everything that makes New Zealand great.

Parliamentary launch



Six successful months were celebrated at Parliament in June with ServiceIQ's official recognition in the corridors of power of the nation's capital.

Hosted by Minister for Tertiary Education, Skills and Employment, Steven Joyce, guests included Ministers, senior MPs from government and opposition political parties, representatives from service sector industry associations, ITOs and ServiceIQ board members and executive staff. Chair Rick Christie thanked the Minister for hosting the evening to celebrate the launch of our merged organization, ServiceIQ.

In his speech, Rick noted that in one sense, as a merged entity, we are very new. "We have a virtually new Board, a new and enlarged mandate, a new CEO and management team, and a new spring to our step.

"In another sense we are less new. We were formed from three precursor ITOs, all of which had been around for some time, and have retained much of the expertise and institutional knowledge gained by them in their respective sector groupings," he said.

"Through this merger, the creation of ServiceIQ ensures that Kiwi business has wide access to a skilled workforce, and a workforce that can be recognised in their cross-sector skill development and qualifications. In doing so, we support the Government and its Business Growth Agenda to help secure a robust New Zealand economy and workforce. As a businessman and company director I can relate to that."

Minister for Tertiary Education, Skills and Employment, Steven Joyce (centre) with ServiceIQ Board Chair, Rick Christie (right) and Chief Executive Dean Minchington.

ServiceIQ has new Christchurch home

Our new premises in Christchurch, a ground floor office at 107 Hereford Street, are ideally placed near the heart of the city and on the edge of the revitalised Red Zone.

Officially opened on 16 October by ServiceIQ Board Chair Rick Christie and CEO Dean Minchington, the new office has become the centre for our work helping upskill South Island people working in service sectors.

ServiceIQ CEO Dean Minchington said he is delighted that the organisation has a new office in the centre of the city. "It's great for our people to be able to settle in and concentrate even more on helping the businesses and organisations we work with to build skills and knowledge in their staff. Christchurch, Canterbury, and indeed the whole South Island, is important to all aspects of New Zealand's service industry and especially the burgeoning travel and tourism with wine and food as much a focus as the spectacular scenery and unique adventure."

Chair Rick Christie thanked the Christchurch businesses at the opening for their support and their contribution to increasing the IQ of New Zealand's critical service industries through their continued focus on upskilling.



Achievement Gallery Celebrate your success by sharing your ServiceIQ ribbon to Facebook

CONGRATULATIONS
Bravo > Well Done > Good Job

If you've achieved a ServiceIQ qualification since January 2013 your achievement is celebrated here.

Search for your name, then click on 'View Ribbon' to create a personalised ribbon image that you can share on your Facebook page. If your name is missing, please [let us know](#). If you'd like to see your name in the Achievement Gallery, check out the [help page](#) or [contact us](#) that you can add to your name.

FIND SOMEONE:

NAME	QUALIFICATION	LEVEL	DATE	VIEW RIBBON
Jason Tsao	National Certificate in Retail	Level 2	February 2014	
Michelle Fisk	National Certificate in Aviation (Flight Attendants)	Level 4	February 2014	
Kishore Kaur Singh	National Certificate in Retail	Level 2	February 2014	
Aimee Ng Shu	National Certificate in Travel	Level 4	February 2014	
Siddhant Kaur	National Certificate in Hospitality (Quick Service Restaurants)	Level 2	February 2014	
Liamora Pageta	National Certificate in Hospitality (Introductory Cookery)	Level 2	February 2014	
Anthony Plover	National Certificate in Hospitality (Quick Service Restaurants)	Level 2	February 2014	
Ronald Piray	National Certificate in Retail	Level 2	February 2014	
Amanek Singh	National Certificate in Retail	Level 2	February 2014	
Cheng Yung Yang	National Certificate in Aeronautical Engineering	Level 4	February 2014	

Achievement Gallery

Everyone who achieves a service industry qualification has their name and the National Certificate or Diploma they now have posted on the Achievement Gallery on ServiceIQ's website. The new graduate can click on the ribbon beside their name to take them to an image they can post to their Facebook page, so friends, family and colleagues can congratulate them.

During 2013, various businesses, schools and people won ServiceIQ sponsored awards, in international and local events. We feature some of those winners here.

Our skills are world skills

Kiwis have always punched above their weight. Think of any field of endeavour and you'll find a New Zealander that's been in the top few, or even the world's best. Business, sport, science, art, medicine, music... the list goes on.

One of 2013's global achievers is Mike West, a young aircraft maintenance engineer and a member of the Tool Blacks. He took out a silver medal at the WorldSkills International in Germany. A remarkable achievement, especially considering that New Zealand had just 13 of the 1004 competitors, from 52 countries.

Mike, a Whenuapai-based leading aircraftsman with the Royal New Zealand Air Force, combined the knowledge he gained from his New Zealand qualifications and training with intensive practice to beat some highly experienced competition. New Zealand's team of 13 Tool Blacks each competed in a trade category, and included apprentice chef William Mordido from SKYCITY who competed in the Cooking section.

There were more than 200,000 visitors over the four days of the competition. To give that perspective, the Rugby World Cup attracted 133,200 visitors to New Zealand, so WorldSkills really is a big deal.

WorldSkills is held every two years and is considered the Olympics for trade skills, with young people between 18 and 22 striving to be the best in the world at skills sectors that include aircraft maintenance, cooking, floristry, bricklaying, restaurant service, joinery, automatic technology, autobody repair, hairdressing and carpentry.

ServiceIQ supported both Mike West and William Mordido to compete in WorldSkills. In 2014, ServiceIQ will be sponsoring four WorldSkills categories, with retail visual merchandising and hospitality front of house service added to cookery and aircraft maintenance.



Mike West



Mike West, a young RNZAF aircraft maintenance engineer and a member of the Tool Blacks, took out a silver medal at his first appearance at the 2013 WorldSkills International in Germany. See the WorldSkills story (opposite) for more on Mike and the team, including chef William Mordido.

Te Puia



One of New Zealand's most iconic cultural visitor attractions was recognised at the Rotorua Hospitality Awards in June 2013. Te Puia won the ServiselQ Outstanding Māori Dining Experience award for its indigenous evening event, Te Pō, which is a feast of storytelling, entertainment and high quality Māori cuisine. Te Puia Chief Executive, Tim Cossar, says, "Our people have been welcoming and hosting visitors at Te Whakarewarewa Thermal Valley for more than 170 years, and this passion and knowledge continues today. Te Pō is about sharing our culture, cuisine and heritage with our manuhiri (visitors) as we seek to open their eyes to the interconnectedness of life in the Māori world, touch hearts across cultures and share knowledge, wisdom and traditions that have been handed down through time."

Tamara Johnson



Tamara Johnson of St Heliers Bay Café & Bistro in Auckland outshone fellow apprentices in the 2013 ServiselQ Modern Apprentice Chef of the Year competition, winning the gold medal. The competition was held at the 2013 New Zealand Culinary Fare, and judged by professional chefs. Beating seven other future stars, Tamara excelled across the board at menu creation, flavour matching, technical skills in preparing and cooking both her dishes, and in presentation. Her prize was a trip to the annual Melbourne Food & Wine Festival, giving her the opportunity to attend master classes with internationally renowned chefs.

Manurewa High School



The coveted 2013 ServiselQ Secondary Schools Excellence Award trophy is spending another year proudly displayed at Manurewa High School. Awarded each year to the school with the greatest number of points in the four secondary school classes of the New Zealand Culinary Fare, the trophy recognises the high level of skill of the competing students as well as the expertise of the dedicated teachers who train them. Scoring impressive results in all four categories, the team members are all deserving winners of the ServiselQ Secondary Schools Excellence Award and are living proof of the school's motto "Piki Atu Ki Te Rangi – Aim High, Strive for Excellence".

CONGRATULATIONS



Young retailer wins award

Winner of the 2013 Wares Young Retailer of the Year was Chris Templeton, of Noel Leeming Dunedin.

Chris is a strong supporter of staff up-skilling and many of the Noel Leeming Dunedin team have completed ServiceIQ qualifications, which is likely a factor in the success of the store.

Wares magazine said: As Store Manager since 2008, 31 year-old Chris is not only in charge of the brand's fourth largest store by turnover but also responsible for the lower South Island's distribution hub as well as a technical solutions service covering Invercargill to Timaru.

Chris also works at a higher, strategic level across matters of strategy, for example, with the top managers in Noel Leeming's Store Leadership Group.

His top achievement in the last year has been becoming Fisher & Paykel's single largest retail partner by value and by volume, despite "challenging" retail conditions. This has been achieved by not only stocking the iconic Kiwi brand's range in-depth but also creating a culture where the 35 plus staff really believe in the brand and are proud to sell it.

A mark of Chris's "great attitude" is that he always looks at things with a "glass half full" view. He is a real team builder to the extent that a former Assistant Manager at the store went on to win Young Retailer of the Year himself.

ServiceIQ congratulates Chris and the team at Noel Leeming Dunedin.



A batch of awards

Invercargill's The Batch Café was named the ServiceIQ Excellence in Training and Staff Development winner at the September 2013 Hospitality New Zealand black tie Awards for Excellence dinner.

The southern-most city café also took home the top honour when it was named Supreme Champion. It also won the Best Café award. Hospitality New Zealand chief executive, and ServiceIQ board member, Bruce Robertson said it was the first time that the Supreme Champion award had been presented to a café. Traditionally, the accolade had been bestowed on bars, accommodation hotels, and large restaurants.

"This achievement by The Batch is a reflection that café culture in New Zealand has well and truly come of age. Kiwis have known for more than a decade that our coffee is among the best anywhere in the world, and now a café has battled it out with some of the biggest players in the country's hospitality sector to deservedly take out the top title," Mr Robertson said.

As ServiceIQ chief executive, Dean Minchington, who presented the Excellence in Training and Staff Development award said, well trained and qualified people clearly make a difference to the success of a service business.

"There are many elements that go into making a business really fly, but in every case one of the most important is the staff. Whether it's behind the scenes or dealing directly with customers, everyone must have great service and top quality foremost in mind. The Batch Café has proved that they know what they're doing. All three awards are well deserved. The people of Invercargill can be proud that they have created and supported a business that does them and New Zealand proud."

Finalists for the ServiceIQ Excellence in Training and Staff Development award were The Batch Café, Invercargill (winner); Degree Gastrobar, Auckland; and St Johns Heineken Bar, Wellington.



Award for i-SITE tourism network

New Zealand's official visitor information network, i-SITE, won recognition from ServiceIQ, with the Invercargill i-SITE receiving the Staff Professional Development Award.

Presented at the annual i-SITE conference in September, the award recognises the Invercargill i-SITE for its commitment to upskilling staff. Over the past few years they have enrolled trainees in Level 4 Tourism qualifications as well as Front Line Management Levels 3 and 4, and progressing through to the Tourism Business Practice qualification. Invercargill i-SITE has unrivalled levels of staff professional development in 2013.

By investing in staff training, Invercargill i-SITE has shown commitment to ensuring that visitors to the city will have a great customer service and tourism experience, as well as giving its team nationally recognised qualifications.

The country's 80-plus i-SITE centres provide international visitors, domestic travellers and locals with comprehensive, up-to-date information and a New Zealand-wide booking service for activities, attractions, accommodation and transport. They are managed by Tourism New Zealand and accredited members must meet standards in staff training, professionalism and information technology.

Tourism is one of New Zealand's largest export industries, second only to the dairy industry in terms of foreign exchange earnings. The around \$24 billion industry directly employs 6.2 per cent of the New Zealand workforce and indirectly employs a further 3.4 per cent.

ServiceIQ, as the ITO for tourism and travel, supports i-SITES with nationally recognised qualifications. "As Tourism New Zealand recognises, it's vital that people have the skills and knowledge to do their job well. Every day, Kiwis and visitors to New Zealand alike interact with people in the tourism and other service sectors. If those people have the skills and knowledge to excel and provide a memorable tourism, travel or other service experience then the reputation of that business and of New Zealand grows," said ServiceIQ Chief Executive Dean Minchington.



Young Hotel Professional of the Year

Shane Michael, Concierge Supervisor at the James Cook Hotel Grand Chancellor, won the 2013 ServiceIQ Outstanding Young Hotel Executive award, announced at the annual Hotel Industry Conference.

During his time at the hotel, he worked across areas from reception to restaurant work, and spent time as a porter or duty manager. As our CEO Dean Minchington remarked, "Shane clearly impressed the judges with his entry, and it is very good to see that we have this high standard and calibre of young people in the hotel industry. We certainly agree that Shane is indeed a 'Rising Star'. People are the greatest assets in the hotel industry, and of the wider service sector; it's skilled and motivated people that mean hospitality lives up to its name."



Museum's youth programme scoops award

ServiceIQ was proud to sponsor the Project Achievement Award for Public Programmes at the 2013 New Zealand Museum Awards.

The award was won by the Auckland War Memorial Museum for its URBANLIFE project. In presenting the award, ServiceIQ CEO Dean Minchington said it was a great example of a museum being innovative to attract visitors.

“This programme invited young Aucklanders to create a multi-media exhibition which reflected New Zealand youth culture and showcased it to the world.”

ServiceIQ has strong working relationships with key players in the sector including Museums Aotearoa, Te Papa National Services Te Paerangi, and many other museums and galleries around New Zealand.

These places enrich our communities by protecting our history, educating our people and showcasing our cultural identity to locals and visitors.

There are around 3,500 people currently employed in museums and many more who volunteer their time. The New Zealand Museum Awards were celebrated in Hamilton as part of Museums Aotearoa's MA13 conference, Leading Museums, in April.

The judges were so impressed by the range of public programme projects entered in the awards this year that this new category was created.

The winner is chosen for an outstanding new museum programme that contributes to best practice in the museums sector in Aotearoa New Zealand, and demonstrates community engagement, responsiveness and collaboration.

Judges said all the finalists achieved these requirements but these came together with great effect in Auckland Museum's URBANLIFE project.

Three businesses win after tourism trade event

ServiceIQ announced the lucky winners of the Tourism Aotearoa competition, held as part of the annual TRENZ tourism trade event in April 2013.

Paul Fuimaono of Indigenous Journeys, Henare Johnson of Auckland Tourism, Events and Economic Development, and Maurice and Heather Manawatu of Māori Tours in Kaikoura, each won ServiceIQ's Tourism Aotearoa product for one of their staff. This specialised New Zealand tourism training package blends Māori culture and Māori concepts with practical tourism skills.

The training programme, worth over \$500, provides a uniquely New Zealand approach to staff development and customer service through understanding the visitor's desire to experience Māori culture, language, stories and traditions.

It is ideal for New Zealand tourism operators and their staff to gain a base knowledge of Māori customs, place names and history.

The staff member who undertook the training earned while they learned, gained a national certificate and improved their tourism career as well as benefiting the business.

Paul Fuimaono from Indigenous Journeys said, "This product is a wonderful treasure. It is a great opportunity for both the trainee and the employer to actively create a developmental culture within the business."







FINANCIALS



IQ



**SERVICE SKILLS INSTITUTE INCORPORATED
FINANCIAL REPORT
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013**

ServiceIQ (Service Skills Institute) is the Industry Training Organisation (ITO) for the Aviation; Accommodation; Cafés, Bars and Restaurants; Clubs; Food Services; Quick Service Restaurants; Museums; Tourism; Travel; Retail and Wholesale sectors of New Zealand's service industry.

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**SERVICE SKILLS INSTITUTE INCORPORATED
INSTITUTE DIRECTORY
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013**

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

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

		Period ended 31 Dec 2013
		\$
REVENUE		
Government funding	9a	15,280,441
Industry income		4,208,886
Other income		70,379
Interest and investment income		448,343
TOTAL REVENUE		<u>20,008,049</u>
EXPENSES		
Operating expenses	2	18,336,164
Finance costs		151,623
Depreciation	3	334,691
Amortisation	4	339,298
TOTAL EXPENSES		<u>19,161,776</u>
SURPLUS/(DEFICIT) BEFORE MERGER AND LEGACY COSTS		<u>846,273</u>
Merger and legacy costs	5	1,462,847
SURPLUS/(DEFICIT) FOR THE PERIOD		<u>(616,574)</u>
Other comprehensive income		-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u>(616,574)</u>

The accompanying notes form part of these financial statements.

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013



	Note	Period ended 31 Dec 2013 \$
Opening capital		-
Contributions from HSI, ATTO, and RI	6	10,527,015
Closing capital		<u>10,527,015</u>
Opening retained earnings		-
Total comprehensive income for the period		<u>(616,574)</u>
Closing retained earnings		<u>(616,574)</u>
Closing balance		<u>9,910,441</u>

The accompanying notes form part of these financial statements.

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	As at 31 Dec 2013 \$
EQUITY		
Contributed Capital	6	10,527,015
Net surplus/(deficit) for the period		(616,574)
		<u>9,910,441</u>
CURRENT ASSETS		
Cash and cash equivalents	7	3,882,919
Short term investments	8	3,008,156
Trade receivables		290,711
Other receivables	16	1,066,272
Inventory		42,616
		<u>8,290,674</u>
NON-CURRENT ASSETS		
Property, plant and equipment	3	812,238
Intangibles	4	400,795
Long term investments	8	2,673,327
Other		48,338
		<u>3,934,698</u>
TOTAL ASSETS		12,225,372
CURRENT LIABILITIES		
Accounts payable		808,595
Accruals and other payables	9	1,485,219
		<u>2,293,814</u>
NON CURRENT LIABILITIES		
Provisions	10	21,117
TOTAL LIABILITIES		2,314,931
NET ASSETS (LIABILITIES)		<u>9,910,441</u>

For and on behalf of the Board

 Board Member 7/5/2014 Date
 Board Member 7/5/2014 Date

The accompanying notes form part of these financial statements.

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

	Note	Period ended 31 Dec 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Tertiary Education Commission Funding		14,081,217
Interest & Investment Income		389,876
Sale of Goods & Services		4,202,342
		<u>18,673,435</u>
Cash was disbursed to:		
Payments to suppliers/employees		(19,130,883)
Net cash (outflow)/ inflow from operating activities	13	<u>(457,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was disbursed to:		
Sale/(Purchase) of Investments		243,900
Purchase of Fixed assets		(1,086,283)
Purchase of fitout not owned		(55,243)
Net cash (outflow)/ inflow from investing activities		<u>(897,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
TEC Reboot Funding		53,750
Cash contributions from legacy ITOs		5,184,243
Net cash (outflow)/ inflow from financing activities		<u>5,237,993</u>
Net cash inflow/ (outflow) from investing and financing activities		<u>4,340,367</u>
Net increase/ (decrease) in Cash		3,882,919
Opening Cash Balance 15 November 2012		-
CLOSING CASH BALANCE FOR THE PERIOD ENDING 31 DECEMBER 2013		<u>3,882,919</u>

The accompanying notes form part of these financial statements.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013**

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Services Skills Institute Incorporated ("ServiceIQ") is an incorporated society, registered and domiciled in New Zealand. These financial statements comprise the financial statements of ServiceIQ for the period beginning 15 November 2012 and ending 31 December 2013. 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, hospitality, retail, travel, tourism, museums and wholesale sectors.

The financial statements were authorised for issue by the Board on 7 May 2014.

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 New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for non-profit orientated entities.

ServiceIQ's primary objective is to provide goods and services for the aviation, hospitality, retail, travel, tourism, museums and wholesale industry rather than for financial return. Accordingly, ServiceIQ has designated itself as a public benefit entity for the purposes of NZ IFRS financial reporting.

ServiceIQ qualifies for Differential Reporting exemptions as it has no public accountability, and is not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted, except for:

- Accounting for Government Grants, and
- Statement of Cash Flows

(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 and the financial statements have been prepared on a going concern basis.

(c) Use of Estimates and Judgments

The preparation of the financial statements in conformity with NZ IFRS 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 key judgement area is:

- TEC under delivery provision: refer note 9a for judgement around this

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.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013**

(e) Comparatives

These financial statements are the first set prepared by ServiceIQ as it was formed during the period, therefore there are no comparatives.

(f) Going Concern

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

Significant Accounting Policies

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

(a) Cash and Cash Equivalents

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

(b) Trade Debtors and Other Receivables

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

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

Receivables with a short duration are not discounted.

(c) Inventories

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

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

(d) Property, Plant and Equipment

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

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

Additions

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

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

Disposals

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

Subsequent Costs

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

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

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.

(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
----------------------------	---------

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.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013**

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. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

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.

(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.

(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.

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

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.

(j) Revenue

Government funding

ServiceIQ received funding from the Tertiary Education Commission based on Standard Training Measures (STMs). This income is recognised when received in accordance with contracted delivery and when conditions of the agreement are met.

An under delivery provision has also been recognised based on the difference between contracted and actual performance- refer also to Note 9a.

Industry income

Industry income consists of resource sales, course registration fees, assessment and moderation income. Revenue is recognised when the fees are charged, or income is due.

Other income

Other income relates to grants received from the Hospitality Training Trust and other sundry income. Revenue is recognised when invoices are raised or income is received.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013**

Interest and investment income

Interest and investment 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. 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) Changes in Accounting Policies

These are the first financial statements prepared by ServiceIQ; there are no comparatives or changes in accounting policies.

2. OPERATING EXPENSES

The following are included within operating expenses:

	31 Dec 2013
	\$
Audit fee	25,000
Premises Rental	720,281
Operating lease costs	379,434
Premises fit out amortisation	6,905
Legal fees	70,690
Employee benefit expenses:	
Wages and salaries	7,801,179
Contributions to defined contribution plans	151,404
Other fees paid to auditor were for:	
Internal Control review	10,000
Accounting Services	15,345

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

3. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2013
	\$
ICT Hardware	
Cost	631,534
Accumulated Depreciation	<u>(227,100)</u>
Book Value	<u>404,434</u>
Depreciation for the Period	<u>227,100</u>
Office Equipment, Furniture & Fittings	
Cost	252,972
Accumulated Depreciation	<u>(87,831)</u>
Book Value	<u>165,141</u>
Depreciation for the Period	<u>87,831</u>
Office Fit Out	
Cost	264,849
Accumulated Depreciation	<u>(53,271)</u>
Book Value	<u>211,578</u>
Depreciation for the Period	<u>53,271</u>
Work In Progress	
Cost	31,085
Accumulated Depreciation	<u>-</u>
Book Value	<u>31,085</u>
Depreciation for the Period	<u>-</u>
Total Property, Plant & Equipment	
Cost	1,180,440
Accumulated Depreciation	<u>(368,202)</u>
Book Value	<u>812,238</u>
Depreciation for the Period	<u>368,202</u>
Shown in the Statement of Comprehensive Income	
Depreciation expense	334,691
Merger costs	<u>33,511</u>
Total Depreciation	<u>368,202</u>

4. INTANGIBLE ASSETS

	31 Dec 2013
	\$
ICT Software	
Cost	740,093
Accumulated Amortisation	<u>(339,298)</u>
Book Value	<u>400,795</u>
Amortisation for the Period	<u>339,298</u>

5. MERGER AND LEGACY COSTS

On 1 January 2013, Hospitality Standards Institute (HSI), Aviation, Tourism and Travel Training Organisation Incorporated (ATTTO), and Retail Training New Zealand Incorporated (RI), merged into ServiceIQ.

All of the organisations' assets, rights, entitlement, liabilities, contracts and obligations transferred to ServiceIQ on that date.

Merger and legacy costs are costs associated with the merger that are outside of the normal operational expenses of ServiceIQ. These include costs such as onerous lease expenses, merger costs, legacy asset write-offs, and legal costs.

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

6. EQUITY

	31 Dec 2013
	\$
Aviation, Tourism and Travel Training Organisation (ATTO)	
2012 Closing Equity as per their financial statements	1,903,475
Adjustments	59,677
Contributed Equity	<u>1,963,152</u>
Hospitality Standards Institute (HSI)	
2012 Closing Equity as per their financial statements	4,873,971
Adjustments	173,968
Contributed Equity	<u>5,047,939</u>
Retail Training New Zealand (RI)	
2012 Closing Equity as per their financial statements	3,653,020
Adjustments	(137,096)
Contributed Equity	<u>3,515,924</u>
Total Contributed Equity	<u><u>10,527,015</u></u>

On 1 January 2013, ATTO, HSI and RI merged into ServiceIQ.
Contributions from HSI, ATTO, and RI make up the equity contributed to ServiceIQ from these ITOs.

A fair value adjustment for HSI of \$241,456 related to the value of the Craig's investments transferred to ServiceIQ. There were no other fair value adjustments arising from the merger. The book value of all other assets are a reasonable estimate of fair value.

Other adjustments to equity related to prior year income and expenses received by, or paid from ServiceIQ, on behalf of these ITOs.

7. CASH AND CASH EQUIVALENTS

	31 Dec 2013
	\$
Operating Bank accounts and Cash on hand	556,847
Bank Deposit Accounts with 90 days or less maturity	3,300,000
Cash Management Account with Craigs Investments	26,072
Total Cash and Cash Equivalents	<u><u>3,882,919</u></u>

8. SHORT AND LONG TERM INVESTMENTS

	31 Dec 2013
	\$
Short term investments	
Bank Term deposits	2,356,100
Bonds, Notes and Debentures	652,056
Total current investments	<u>3,008,156</u>
Long term investments	
Bonds, Notes and Debentures	2,673,327
Total non-current investments	<u>2,673,327</u>
Total Short and Long-term Investments	<u><u>5,681,483</u></u>

NB. Bank Term Deposits are held for Guarantees of \$596,212 for Tenancy lease agreements, and a \$386,100 letter of credit over the payroll.

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

9. ACCRUALS AND OTHER PAYABLES

	31 Dec 2013
	\$
Employee Benefits	
Liability for unpaid salary (current)	60,982
Liability for long-service leave (current & non-current)	36,571
Liability for sick leave (current)	-
Liability for annual leave (current)	383,103
Total Employee Benefits	<u>480,656</u>
Retail - Modern Apprenticeship programme - Subsidy Provision	23,229
Tertiary Education Commission under delivery provision	582,074
Other payables	399,260
Total Accruals and Other Payables	<u><u>1,485,219</u></u>

9a. Tertiary Education Commission under delivery provision

The provision of \$582,074 relates to the under delivery of STM targets and offsets. This is based on the latest report available at time of the audit. The final TEC performance results are not expected until late April 2014.

The TEC funding summary for 2013 was as follows:

Funding received	15,862,515
Under delivery provision	(582,074)
	<u><u>15,280,441</u></u>

10. NON CURRENT LIABILITIES

(i) PROVISIONS

	31 Dec 2013
	\$
Non-current provisions	
Premises Reinstatement Provision - due 31 March 2019	21,117
Total Provisions	<u><u>21,117</u></u>

11. 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 ServiceIQ	Paid by ServiceIQ	As at 31 Dec 2013 Balance owed to/(by) ServiceIQ
			\$	\$	\$
Rick Christie	Masterpet Corporation	Training Fees	1,925		
Maryann Geddes	Skyline Enterprises Ltd	Certificates	17		
Jill Hatchwell	Vincent Aviation Ltd	Training Fees	315		
	Vincent Aviation Ltd	Subsidy		2,186	(438)
Grant Lilly	Queenstown Airport Corporation	Training Fees	120		
	Tourism Industry NZ Trust	Sponsorship		5,929	
Bruce Robertson	Industry Training Federation	Certificates	134		
	Industry Training Federation	Membership		45,823	
	Hospitality Training Trust	Secretarial Services	1,000		
	Hospitality Training Trust	Provides Grants	40,009		
John Selby	Onslow College	Resource sales	3,140		240
John Albertson	NZ Retailers Assoc Inc.	Sublease of Premises	88,238		

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.

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

Key management personnel compensation amounted to \$786,925 representing short term employee benefits. There are no long term or post employment benefits.

Board members received honorariums during the 14 months of \$310,824 in this capacity of office bearers.

There were transactions between ServiceIQ and Hospitality Standards Institute (HSI), the Aviation, Tourism and Travel Training Organisation Inc. (ATTO), and Retail Training New Zealand Inc. (RI) in relation to the merger:

The Hospitality Standards Institute advanced to ServiceIQ \$1,000,000 of funds to assist with the start up of ServiceIQ.

The Aviation, Tourism and Travel Training Organisation Inc advanced to ServiceIQ \$1,000,000 of funds to assist with the start up of ServiceIQ.

Retail Training New Zealand Inc advanced to ServiceIQ \$1,000,000 of funds to assist with the start up of ServiceIQ.

Other related parties

ServiceIQ does not have any further related party transactions.

12. FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

As at 31 December 2013:	Held to Maturity \$	Loans and Receivables \$	Financial Liabilities at Amortised Cost \$	Total Carrying Amount \$	Fair Value \$
Cash and cash equivalents	-	3,882,919	-	3,882,919	3,882,919
Short term investments	3,008,156	-	-	3,008,156	3,008,156
Trade receivables	-	290,711	-	290,711	290,711
Other receivables	-	1,066,272	-	1,066,272	1,066,272
Trade Payables	-	-	808,595	808,595	808,595
Other payables	-	-	1,506,334	1,506,334	1,506,334
Long term investments	2,673,327	-	-	2,673,327	2,673,327
	5,681,483	5,239,902	2,314,929	13,236,314	13,236,314

There were no financial instruments classified in the 'Fair value through the Statement of Comprehensive Income' or in the 'Available for sale' categories.

13. RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE PERIOD TO NET CASH FLOWS FROM OPERATIONS

	Period ended 31 Dec 2013 \$
Surplus/(Deficit) for the period	(616,574)
Add Non Cash Items	
Loss/(Profit) on Disposal of Fixed Assets	262,319
Depreciation & Amortization	707,501
Amortisation of Premium on Purchase of Investments	110,787
Other Amortisation - Provision and write off (Fit out & Reinstatement)	28,023
Non cash working capital assets contributed by legacy ITOs	1,754,943
Non cash working capital liabilities contributed by legacy ITOs	(3,544,910)
	(681,337)
Add movements in Working Capital	
(Increase)/decrease in net accounts receivable	(816,162)
(Increase)/decrease in other debtors	(408,235)
(Increase)/decrease in accrued interest	(75,093)
(Increase)/decrease in prepayments	(42,616)
(Increase)/decrease in stock	(57,494)
Increase/(decrease) in accounts payable	808,594
Increase/(decrease) in TEC funding liability	480,656
Increase/(decrease) in Employee Entitlements	582,094
Increase/(decrease) Accruals and other creditors	368,719
	840,463
Net Cash Flows from/(used) in Operating Activities	(457,448)

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 14 MONTHS ENDED 31 DECEMBER 2013

14. NZ SKILLS CONNECT LTD AND SKILLS CONNECT LTD

ATTTO purchased 100% shares of these two companies on 7 June 2012 for no consideration. Following the merger, Service Skills Institute purchased the shareholding from ATTTO on 1 January 2013 for no consideration. Neither company has traded during the year, and accordingly, we do not produce consolidated financial statements for ServiceIQ, NZ Skills Connect Ltd and Skills Connect Ltd.

NZ Skills Connect Ltd and Skills Connect Ltd ceased business on 31 October 2013 with the companies being deregistered in February 2014.

15. OPERATING LEASES

	31 Dec 2013
Leases as lessee	\$
Non-cancellable operating lease rentals are payable as follows:	
Less than one year	1,308,072
Between one and five years	3,604,400
More than five years	984,401
	<u>5,896,873</u>

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

16. OTHER RECEIVABLES

	31 Dec 2013
	\$
Landlord reimbursement of fit out costs and expenses	525,451
NZQA Moderation income	360,079
Prepayments	57,494
Other receivables	<u>123,248</u>
	<u>1,066,272</u>

17. COMMITMENTS

ServiceIQ has no major forward commitments for 2014.

18. CONTINGENT LIABILITIES

ServiceIQ has adopted the TEC funding liability recognition based on achievements reported by ServiceIQ. If there is any variation of these once TEC have reconciled their reporting system this could result in a contingent liability that is not currently booked.

There are no other contingent liabilities as at 31 December 2013.

19. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events subsequent to reporting that would affect the financial statements.



BDO WELLINGTON

INDEPENDENT AUDITOR'S REPORT
To the Members of Service Skills Institute Incorporated

Report on the Financial Statements

We have audited the financial statements of the Service Skills Institute Inc. ("ServiceIQ") on pages 3 to 17, which comprise the statement of financial position as at 31 December 2013, and the statement of changes in equity, and statement of comprehensive income and statement of cash flows for the 14 month period then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the Incorporated Societies Act 1908, Charities Act 2005, and the Constitution of ServiceIQ. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members, as a body, for our audit work, for this report, or for the opinions we have formed.

The Board's Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In addition to audit services, our firm provided other services in the areas of merger advice services and internal controls testing. We have no other relationship with or interests in ServiceIQ.

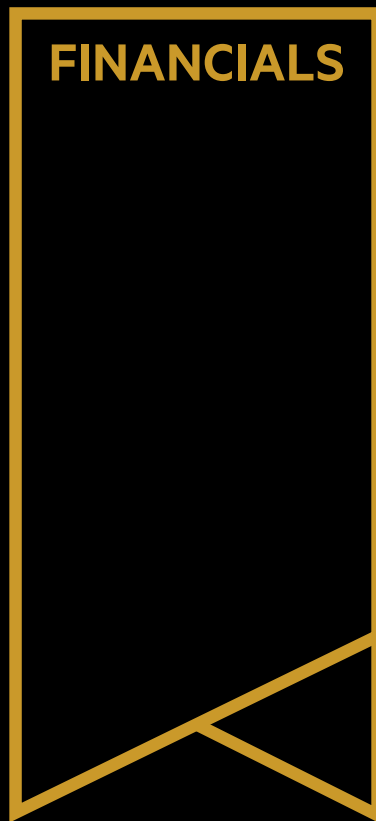
Opinion

In our opinion, the financial statements on pages 3 to 17, present fairly, in all material respects, the financial position of Service IQ as at 31 December 2013, and its financial performance and its cash flows for the 14 month period then ended in accordance with generally accepted accounting practice in New Zealand.

BDO Wellington
7 May 2014

50 Customhouse Quay
Wellington
New Zealand

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Service IQ
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