



# ANNUAL REPORT | 2018

Te Pae Tawhiti | Journey towards a new future

**Service IQ**  
SMARTER PEOPLE FOR  
SMARTER BUSINESSES



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



HOSPITALITY



RETAIL & RETAIL  
SUPPLY CHAIN



TRAVEL



TOURISM



AVIATION



MUSEUMS

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## CONTENTS

Board Members	1
Chairman's Report	2
Chief Executive's Overview	3
Showcasing On-job Training	4
Statistics	6
ServiceIQ Financials	8



# 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 ServiceIQ; 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 and 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.



## 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. Trevor is a member of the ServiceIQ Audit & Risk Committee.



## Andrew Olsen

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



## Des Flynn

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



## 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 ServiceIQ Audit & Risk Committee.



## Maxine Gay

Maxine is the Northern Regional Manager of the child charity Pillars. She was a director on the Retail Institute Board, and most recently the Sector Secretary – Retail with FIRST UNION, where she worked 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.



## 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 ServiceIQ Audit & Risk Committee.



## Bruce Robertson

Bruce is the Deputy Board Chair for ServiceIQ. 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.

# CHAIRMAN'S REPORT

This will be my last report, as I have decided to retire after seven busy and fulfilling years as the Chair of ServiceIQ. Ironically, 2018 proved to be the most challenging of those years, with a new CEO and refreshed Management Team, an ever-increasing demand for trades and services workers, and, most recently, some major proposed changes in how the current Government wants to run vocational education.



The first task for ServiceIQ in 2018 was to close out a Tertiary Education Commission (TEC) investigation arising out of an isolated trainee sign-up issue in the previous year, and a need to reset our approach to funders and customers. This, with ongoing work to address issues following our 2017 External Evaluation and Review (EER), was tackled very competently by our team and is now largely complete.

Our new Chief Executive, Andrew McSweeney, joined us in August 2018 after a successful career in the private sector. Andrew hit the ground running and has already made some significant changes to the team culture and how we interact with our government partners and key industry sectors. He has a strong yet consultative management style and has worked very constructively with the Board over his first ten months in the role.

He and the management team has also had the unenviable task of dealing with the VET reforms proposed by the Minister of Education in February and the extremely short consultation period which followed. In my view, the whole exercise suffers from a flawed concept and process, and, together with other Industry Training Organisations (ITOs), the Industry Training Federation (ITF) and our service sector industry leaders and associations, we have made numerous submissions to the Minister and officials to consider and make some essential changes to ensure that the reforms do not fail. Central to this would be the continuation of the roles of ITOs which have strong industry support and have been very successful over time.

New Zealand employers, working with their ITOs, currently deliver 57 per cent of all vocational education, qualifying over 50,000 people a year on the job. Each industry qualification costs the taxpayer \$3,000 compared with \$19,000 for a vocational qualification through a polytechnic. In the most recent OECD Adult Skills Survey, New Zealand is placed first for the proportion of workers who reported getting formal on-job training. That strong performance suggests we should be focusing on ways to grow our numbers, by encouraging and supporting many more employers to train their people as part of the current system. If we did that, skills would match the labour market, and our vocational providers would be busy with people training as part of their employment, rather than training so they can then look for a job. New Zealand needs essential trades and services skills more than ever, with our sectors at the forefront of increased demand.

In closing, I thank my fellow Board members for their input and support over the past years, our Industry Advisory Groups and industry associations for their feedback, the employers, trainees, and schools we work with to arrange on-job and at school training, and of course all the team at ServiceIQ. My best wishes to you all for a bright future.

**Rick Christie**  
Board Chair

# CHIEF EXECUTIVE'S OVERVIEW

It is a pleasure to provide my first annual report since joining ServiceIQ as Chief Executive in August 2018. This inaugural report coincides with what will be Rick Christie's final report as our Chair, a role he has held since 2013. Rick signalled nearly 12 months ago that he would be stepping down in 2019 and I am grateful to him for his guidance and support since taking up the CEO role. I and all the team at ServiceIQ wish him well in his future endeavours.



The 2018 year was a challenging one for the organisation, with a big focus on, and significant time and resource responding to, several issues – some senior management changes, the ongoing improvements needed to respond to the NZQA EER rating we received in 2017 and finalising a TEC investigation into some trainee sign-up issues. That investigation resulted in the need for ServiceIQ to repay TEC funding related to a portion of those trainees. In addition, and due to some of those issues, the 2018 financial year was also challenging, resulting in a sizeable consolidated deficit.

In the last part of 2018 we reset our strategy, which is now based on a balanced scorecard approach with four strategic pillars – our customers and key stakeholders; our staff; our systems and processes; and our financial sustainability. As we formalised these, we also made some decisions to focus on our core business and reviewed various costs and investments. One key outcome was the decision to cease our endeavours in the UAE education sector.

Against this backdrop, the shortage of and demand for qualified staff in New Zealand's retail, hospitality, aviation, travel, tourism and museum industries continues to grow. As the ServiceIQ Regional Roadmaps show, there is forecast employment growth across the industry from 2019 to 2024. For example, between now and 2024, Auckland's service sector will have 23,407 new job openings, the highest in the country, while the Queenstown-Lakes District is set to be the fastest growing at 27.9 per cent. The massive number of job openings across the regions shows that workplace credentialed training is more important than ever before.

Consequently, ServiceIQ is seeing high demand for growth in trainees in the service sector; a sector that plays such an important role in New Zealand's labour force, accounting

for 26 per cent of the workforce. Supporting our Māori and Pasifika peoples, young people, those returning to work and school leavers to gain the skills they need in the workplace and that will contribute to their communities, regions and New Zealand is key.

To help attract the right people into industry, ServiceIQ contributes in several ways. This includes working with secondary schools and industry to offer students a wide range of Gateway programmes that give them real hands-on experience of what it's like to work in retail, hospitality, aviation and tourism. Our 2018 launch of a new suite of credentialed short on-job training programmes is giving people the essential skills they need for service sector roles. It is vitally important that new recruits get the right skills not only to do a great job but also to help them use the opportunity to start building a career by learning while they earn.

Lastly, I would like to acknowledge and compliment the staff at ServiceIQ. It's their passion for industry training, focus on trainee experience and support, and on arranging workplace training for our customers, to help them succeed by growing their talent, that is at the heart of what we do. We're all proud to showcase on the next pages just some of the many success stories of the trainees that ServiceIQ has seen making progress in their careers.

**Andrew McSweeney**  
Chief Executive

# SHOWCASING ON-JOB TRAINING

We're pleased to showcase several trainee case studies showing how on-job training benefits talented Kiwis by giving them the skills, knowledge and qualifications that lead to job satisfaction, career pathways, and increased workforce capability across New Zealand's booming service industries: hospitality, tourism, retail, museums, aviation and travel.

These career success stories show why ServiceIQ's qualification training programmes motivate, inspire and make a significant difference to the lives of young people upskilling on-job, whether it's their first real qualification or the next step to building an exciting and successful career.



## Hooked on tourism!

NEW ZEALAND CERTIFICATE IN TOURISM WITH OPERATIONS AND VISITOR INFORMATION ENDORSEMENTS

### Renée Bennett-Shields

ServiceIQ's on-job training programmes are a good fit for Renée Bennett-Shields, manager of Nelson Tasman's thriving i-SITE information office. In summer, she manages up to 13 staff looking after around 1,500 visitors a day, plus she's flat-out leading the marketing, communications and retail side of the non-stop seven-day a week operation. Read more about Renée [here](#).



## For the joy of cooking

SERVICEIQ COOKERY APPRENTICESHIP

### Eliesa Sime

When Eliesa Sime was a student at Mt Roskill Grammar in Auckland, his goal was to become a chef. For the last five years, he has been part of the team preparing delicious dishes for travellers at Auckland Airport's luxury Novotel hotel.

In late 2017, he successfully completed ServiceIQ's premiere Cookery Apprenticeship achieving the New Zealand Certificate in Cookery Level 4 qualification and was promoted to demi chef. Find out about Eliesa's success story [here](#).



## Career lands on top of the world

SERVICEIQ AERONAUTICAL ENGINEERING APPRENTICESHIP

### Jarrod Wood

There was a chance top aircraft engineer Jarrod Wood could have ended up as a car mechanic. After all, he'd always been interested in engines and some of his family were involved in motorsport so it was definitely in the blood.

But a couple of childhood days he spent with his grandfather, enjoying the wonder of flight at air shows, made a lasting impression on him. Read more about Jarrod [here](#).





### Best foot forward

NEW ZEALAND CERTIFICATE IN BUSINESS

#### Lialiai Semisi

While Lialiai Semisi had the right attitude and commitment for a management degree, her bank account couldn't quite stretch to cover all the bills she was accruing to study at university.

She reluctantly quit being a student and got a job in retail. And wouldn't you know it, she's now managing a flagship New Zealand store with a management qualification under her belt thanks to on-job training. Find out about Lialiai's journey [here](#).



### Would you like a career with that?

NEW ZEALAND CERTIFICATE IN FOOD & BEVERAGE

#### Sean Cardiff

Sean Cardiff got a part time job at McDonald's to help pay his own way in the last year at high school. He wanted to help his family out by being financially independent but it became much more than that.

He left Botany College in Auckland with NCEA Level 3 and started studying for a degree in software engineering at Manakau Institute of Technology, with his sights set on becoming a software developer. He carried on with his McDonald's job as a way of earning cash. Find out about Sean's success story [here](#).



### Bringing the museum to life

NEW ZEALAND CERTIFICATE IN TOURISM

#### Parai Parai

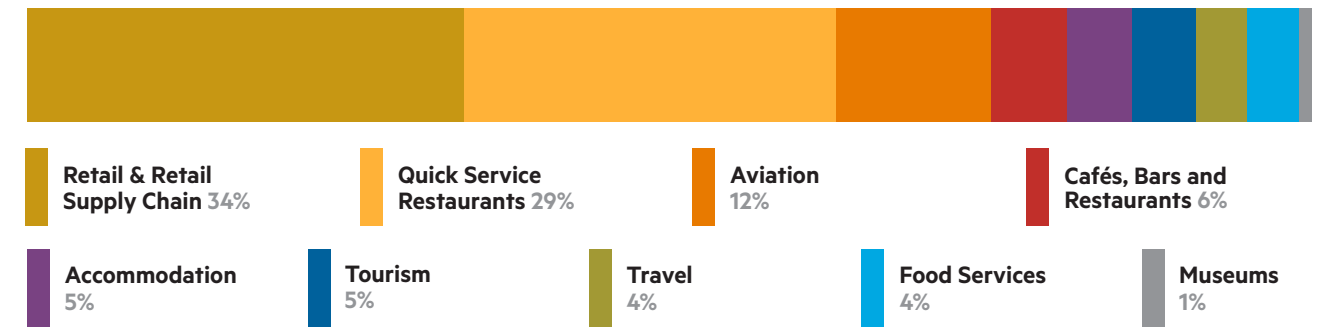
Today's best museums are about putting across educational information in a way that's entertaining and engaging and makes the most of a visitor's time. Auckland War Memorial Museum is one of the most outstanding in Australasia. Being one of its Visitor Hosts is among the most important jobs, ensuring millions of visitors enjoy an all-round memorable experience from the moment they arrive.

Learn more about Parai's story [here](#).

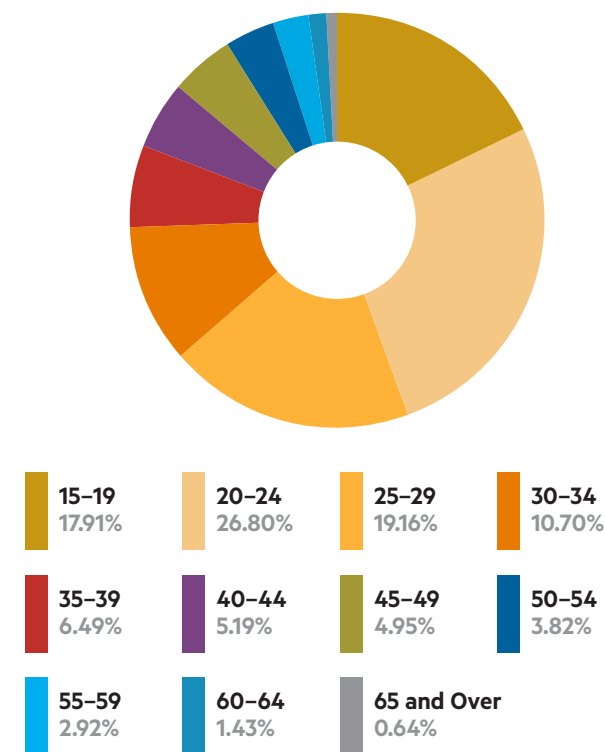


# SERVICEIQ STATISTICS

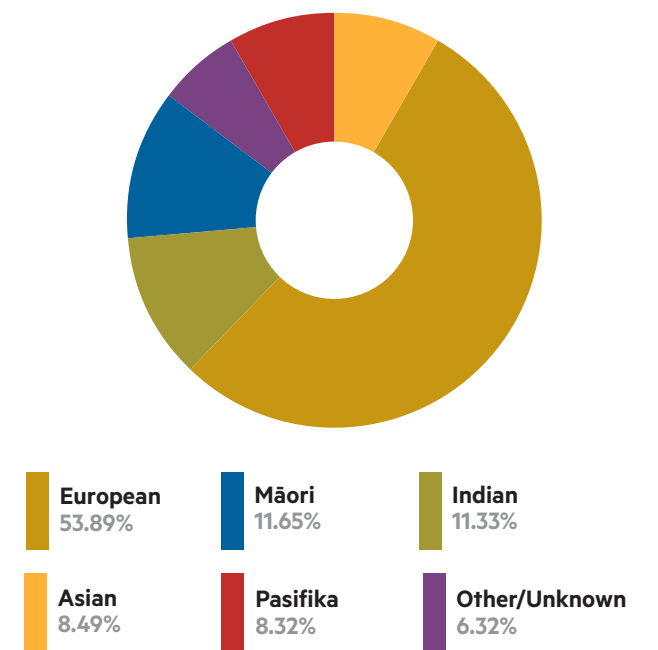
## Trainees by sector



## Trainees age group



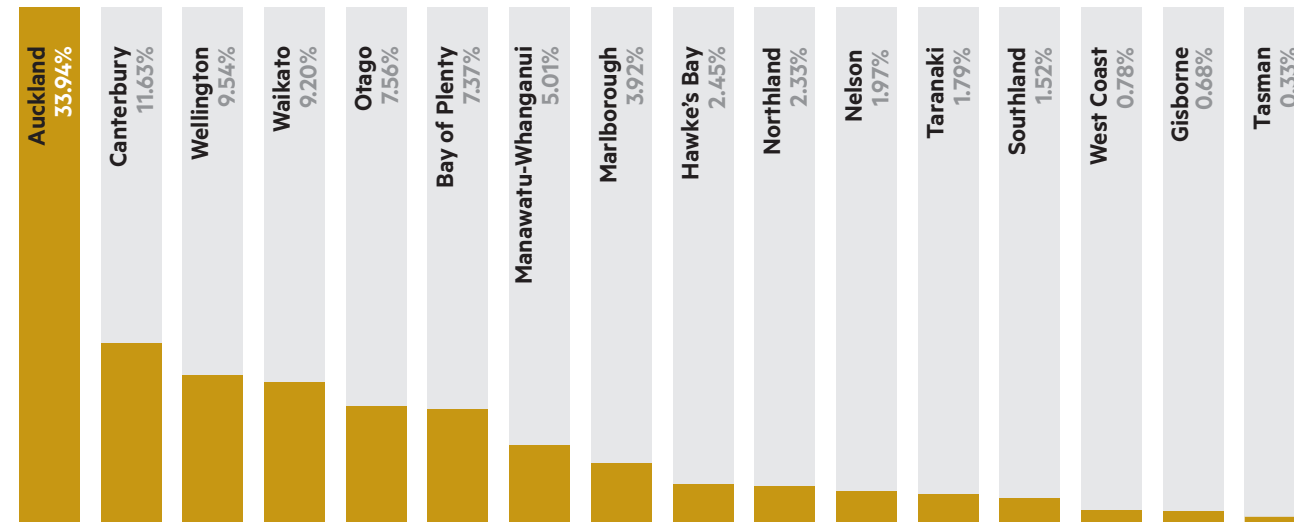
## Trainees ethnicity



## Gender identification

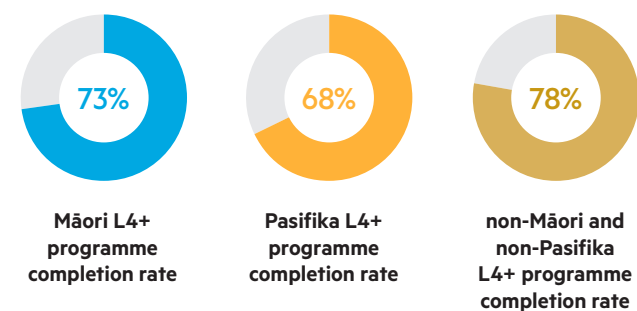
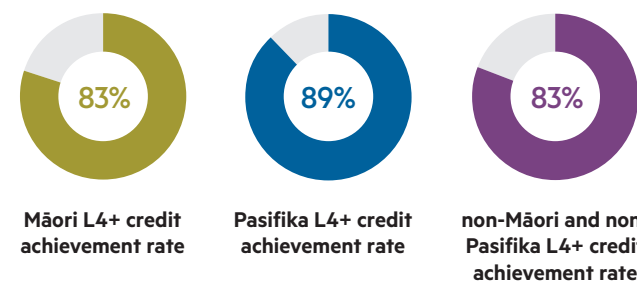
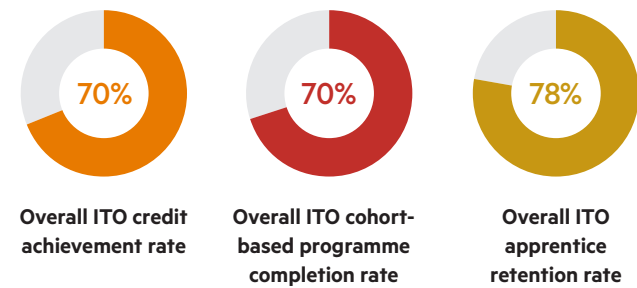


## Trainees by region



## Educational Performance Indicators 2018

### Summary



Participation rate		
	2018 Target	2018 Actual
Level 4 and above		
Māori	11.00%	12.54%
Pasifika	6.00%	7.33%
Young people	30.00%	34.36%

Credit achievement rate		
	2018 Target	2018 Actual
All learners	74.00%	70.40%
Level 4 and above		
All learners	-	83.53%
Māori	74.00%	82.57%
Pasifika	74.00%	89.47%
Young people	74.00%	83.32%

Programme completion rate		
	2018 Target	2018 Actual
Overall	-	69.75%
Level 4 and above		
Industry training level 4 and above	75.00%	77.56%
Māori	62.00%	73.46%
Pasifika	51.00%	68.27%
Young people	67.00%	69.67%

First year retention rate for apprentices		
	2018 Target	2018 Actual
Overall	76.00%	78.34%

# SERVICEIQ FINANCIALS

Service Skills Institute Incorporated Financial Report  
for the year ended 31 December 2018

**SERVICE SKILLS INSTITUTE INCORPORATED  
TABLE OF CONTENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**SERVICE SKILLS INSTITUTE INCORPORATED  
INSTITUTE DIRECTORY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>Nature of Business</b>	Industry Training Organisation for Aviation, Tourism, Travel, Museums, Cafes, Bars, Restaurants, Accommodation, Food Services, Quick Service Restaurants, Clubs, Retail 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 Trevor Douthett Des Flynn Maxine Gay Maryann Geddes Jill Hatchwell Andrew Olsen Bruce Robertson John Selby
<b>Chief Executive Officer</b>	Andrew McSweeney (August to December) Dean Minchington (January to July)
<b>Bankers</b>	BNZ Wellington
<b>Auditor</b>	BDO Wellington Audit Limited 50 Customhouse Quay Wellington



**SERVICE SKILLS INSTITUTE INCORPORATED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		31 Dec 2018	31 Dec 2017
		\$	\$
<b>REVENUE</b>			
Government funding	8a	13,343,350	16,068,885
Industry income	2	4,545,598	4,585,724
Other income		135,136	121,449
Interest and investment income		294,905	430,466
<b>TOTAL REVENUE</b>		<u>18,318,989</u>	<u>21,206,524</u>
<b>EXPENSES</b>			
Operating expenses	3	23,488,941	22,032,070
Finance costs		198,481	140,443
Depreciation	4	254,489	229,644
Amortisation	5	281,905	257,000
<b>TOTAL EXPENSES</b>		<u>24,223,816</u>	<u>22,659,157</u>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<u>(5,904,827)</u>	<u>(1,452,633)</u>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD</b>		<u>(5,904,827)</u>	<u>(1,452,633)</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 2018**

	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Contributed equity		10,527,015	10,527,015
Opening retained earnings		614,291	2,066,924
Total comprehensive income for the period		(5,904,827)	(1,452,633)
Closing retained earnings		<u>(5,290,536)</u>	614,291
<b>Closing balance</b>		<u>5,236,479</u>	<u>11,141,306</u>

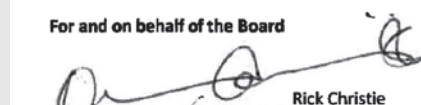
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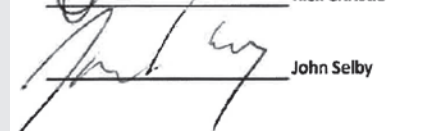


**SERVICE SKILLS INSTITUTE INCORPORATED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Note	31 Dec 2018 \$	31 Dec 2017 \$
<b>EQUITY</b>			
Contributed Equity		10,527,015	10,527,015
Retained earnings		(5,290,536)	614,291
		<u>5,236,479</u>	<u>11,141,306</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	2,405,325	2,558,718
Short term investments	7	3,112,542	7,752,405
Trade receivables		207,196	233,594
Other receivables	15	775,709	716,723
Inventory		25,857	19,144
		<u>6,526,629</u>	<u>11,280,584</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	353,169	509,572
Intangibles	5	600,700	797,010
Long term investments	7	2,111,576	1,660,962
Investment in Associate Entity - Mediasphere NZ Ltd		215,061	215,061
Other		2,302	11,509
		<u>3,282,807</u>	<u>3,194,113</u>
<b>TOTAL ASSETS</b>		<u>9,809,436</u>	<u>14,474,697</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		344,170	664,932
Accruals and other payables	8	4,101,001	2,566,338
		<u>4,445,171</u>	<u>3,231,270</u>
<b>NON CURRENT LIABILITIES</b>			
Provisions	9	127,786	102,121
<b>TOTAL LIABILITIES</b>		<u>4,572,957</u>	<u>3,333,391</u>
<b>NET ASSETS (LIABILITIES)</b>		<u>5,236,479</u>	<u>11,141,306</u>

For and on behalf of the Board

  
Rick Christie Board Chair Date: 15 May 2019

  
John Selby Board Member Date: 15 May 2019

The accompanying notes form part of these financial statements.

**SERVICE SKILLS INSTITUTE INCORPORATED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	31 Dec 2018 \$	31 Dec 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Tertiary Education Commission Funding		15,220,452	17,175,900
Interest & Investment Income		348,862	458,316
Sale of Goods & Services		4,684,738	4,752,221
		<u>20,254,052</u>	<u>22,386,437</u>
<b>Cash was disbursed to:</b>			
Payments to suppliers/employees		(24,405,097)	(21,930,458)
<b>Net cash (outflow)/ Inflow from operating activities</b>		<u>(4,151,045)</u>	<u>455,979</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was disbursed to:</b>			
Sale/(Purchase) of investments		4,189,249	305,188
Purchase of Fixed Assets		(191,597)	(188,636)
<b>Net cash (outflow)/ Inflow from investing activities</b>		<u>3,997,652</u>	<u>116,552</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash (outflow)/ Inflow from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net cash Inflow/ (outflow) from Investing and financing activities</b>		<u>3,997,652</u>	<u>116,552</u>
<b>Net Increase in Cash</b>		<u>(153,393)</u>	<u>572,531</u>
<b>Opening Cash Balance 1 January 2018</b>		2,558,718	1,986,187
<b>CLOSING CASH BALANCE FOR THE PERIOD ENDING 31 DECEMBER 2018</b>		<u>2,405,325</u>	<u>2,558,718</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 2018**

**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 2018 and ending 31 December 2018. ServiceIQ is an incorporated society, registered and domiciled in New Zealand. ServiceIQ International Limited is a New Zealand limited company fully owned by ServiceIQ. ServiceIQ is an incorporated society under the Incorporated Societies Act 1908 and registered as a charitable entity under the Charities Act 2005.

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

The financial statements were authorised for issue by the Board on 15 May 2019.

**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 2018**

**Significant Accounting Policies**

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

**(a) Cash and Cash Equivalents**

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

**(b) Trade Debtors and Other Receivables**

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

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

Receivables with a short duration are not discounted.

**(c) Inventories**

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

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

**(d) Property, Plant and Equipment**

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

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

**Additions**

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

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

**Disposals**

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

**Subsequent Costs**

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

**Depreciation**

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

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

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

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

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



**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**(e) Intangible assets**

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

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

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

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

**(f) Financial Instruments**

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

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

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

**Non-derivative financial instruments**

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

ServiceIQ has no off-balance sheet financial instruments.

**Recognition and de-recognition of financial assets and liabilities**

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

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

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and bank overdrafts.

**Trade and other payables**

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

**Subsequent Measurement of Financial Assets**

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

**Subsequent Measurement of Financial Liabilities**

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

**Classification of Financial Instruments:**

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

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

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

**(ii) Held to Maturity Investments**

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

**(iii) Loans and receivables**

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

**(iv) Financial liabilities measured at amortised cost**

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

**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**(g) Impairment**

**Impairment of Financial Assets**

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

All impairment losses are recognised in Statement of Comprehensive Income and reflected in an allowance account against receivables.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted. For trade receivables, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default in payments are considered indicators that the receivable is impaired.

When the receivable is uncollectible, it is written off against the allowance account for receivables.

**Impairment of Non-financial Assets**

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

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

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

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

**(h) Employee Benefits**

**Short-term employee benefits**

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

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

**Long service leave**

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

**Defined contribution pension plans**

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

**(i) Provisions**

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

**Reinstatement Provision for Operating Leases**

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

**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**(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  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. INDUSTRY INCOME**

The following are included within industry income:

	31 Dec 2018	31 Dec 2017
	\$	\$
Exchange Transactions		
Moderation & Credit Reporting	535,480	596,290
Non-exchange Transactions		
Resource & Training	3,960,841	3,887,251
Assessment & Casual Trainee	49,277	102,183
<b>Balance as at 31 December 2017</b>	<b>4,545,598</b>	<b>4,585,724</b>

**3. OPERATING EXPENSES**

The following are included within operating expenses:

	31 Dec 2018	31 Dec 2017
	\$	\$
Audit fee	37,987	27,555
Premises Rental	1,018,143	837,614
Operating lease costs	313,716	62,546
Premises fit out amortisation	9,207	9,207
Legal fees	77,589	14,564
Bad debts expense	3,300	1,556
Employee benefit expenses:		
Wages and salaries	11,278,745	10,860,403
Contributions to defined contribution plans	283,449	268,281
TEC investigation repayment	2,819,417	-
Other fees paid to auditor were for:		
Internal Control review	-	-
Accounting Services	-	-

The TEC investigation repayment expense has resulted from the TEC investigation and review of trainees funded in prior years. This is the outcome from the 2017 contingent liability described at note 18.

**4. PROPERTY, PLANT AND EQUIPMENT**

	ICT Hardware	Equip; Furn & Fittings	Office Fit Out	Total
<b>Cost or Valuation</b>				
<b>Balance as at 1 January 2018</b>	357,885	271,404	293,621	922,910
<b>Additions</b>	89,340	16,663		106,003
<b>Transfer from WIP</b>				-
<b>Disposals</b>	(37,177)			(37,177)
<b>Balance as at 31 December 2018</b>	<b>410,048</b>	<b>288,067</b>	<b>293,621</b>	<b>991,736</b>

	ICT Hardware	Equip; Furn & Fittings	Office Fit Out	Total
<b>Accumulated depreciation and impairment</b>				
<b>Balance as at 1 January 2018</b>	157,824	197,803	57,711	413,338
<b>Depreciation</b>	125,754	39,645	89,090	254,489
<b>Disposals</b>	(29,262)			(29,262)
<b>Balance as at 31 December 2018</b>	<b>254,317</b>	<b>237,448</b>	<b>146,801</b>	<b>638,565</b>
<b>Net Book Value</b>	155,731	50,619	146,820	353,169
<b>2017 Net Book Value</b>	200,061	73,601	235,910	509,572



SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

5. INTANGIBLE ASSETS

	Software	Work in Progress	Total
<b>Cost or Valuation</b>			
Balance as at 1 January 2018	1,137,685	-	1,137,685
Additions	85,594		85,594
Transfer from WIP			-
Disposals	-	-	-
<b>Balance as at 31 December 2018</b>	<b>1,223,279</b>	<b>-</b>	<b>1,223,279</b>
<b>Accumulated amortisation</b>			
Balance as at 1 January 2018	340,675	-	340,675
Amortisation	281,905	-	281,905
Disposals	-	-	-
<b>Balance as at 31 December 2018</b>	<b>622,580</b>	<b>-</b>	<b>622,580</b>
<b>Net Book Value</b>	<b>600,700</b>	<b>-</b>	<b>600,700</b>
<b>2017 Net Book Value</b>	<b>797,010</b>	<b>-</b>	<b>797,010</b>

SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

6. CASH AND CASH EQUIVALENTS

	31 Dec 2018	31 Dec 2017
	\$	\$
Operating Bank accounts and Cash on hand	2,303,188	1,717,194
Bank Deposit Accounts with 90 days or less maturity	-	-
Cash Management Account with Craigs Investments	102,137	841,524
<b>Total Cash and Cash Equivalents</b>	<b>2,405,325</b>	<b>2,558,718</b>

7. SHORT AND LONG TERM INVESTMENTS

	31 Dec 2018	31 Dec 2017
	\$	\$
<b>Short term investments</b>		
Bank Term deposits	3,112,542	7,606,727
Bonds, Notes and Debentures	-	145,678
<b>Total current investments</b>	<b>3,112,542</b>	<b>7,752,405</b>
<b>Long term Investments</b>		
Bonds, Notes and Debentures	1,602,311	1,283,770
Equities	509,265	377,192
<b>Total non-current investments</b>	<b>2,111,576</b>	<b>1,660,962</b>
<b>Total Short and Long-term investments</b>	<b>5,224,118</b>	<b>9,413,367</b>

NB. Bank Term Deposits are held for Guarantees of \$555,801 (2017: \$554,212) for tenancy lease agreements, and a \$386,100 (2017: \$386,100) letter of credit over the payroll.

8. ACCRUALS AND OTHER PAYABLES

	31 Dec 2018	31 Dec 2017
	\$	\$
<b>Employee Benefits</b>		
Liability for unpaid salary (current)	251,839	208,831
Liability for long-service leave (current & non-current)	89,681	134,868
Liability for annual leave (current)	497,125	589,038
<b>Total Employee Benefits</b>	<b>838,645</b>	<b>932,737</b>
<b>Other payables</b>		
Tertiary Education Commission under delivery provision	164,700	1,107,015
Tertiary Education Commission Investigation provision	2,819,417	-
GST Payable	24,721	224,153
Other payables	253,518	302,433
<b>Total Other Payables</b>	<b>3,262,356</b>	<b>1,633,601</b>
<b>Total Accruals and Other Payables</b>	<b>4,101,001</b>	<b>2,566,338</b>

Ba. Tertiary Education Commission under delivery provision

	31 Dec 2018	31 Dec 2017
	\$	\$
The TEC funding summary for 2018 was as follows:		
Funding received	13,508,050	17,175,900
Under delivery provision	(164,700)	(1,107,015)
	<b>13,343,350</b>	<b>16,068,885</b>

**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**9. NON CURRENT LIABILITIES**

	31 Dec 2018 \$	31 Dec 2017 \$
<b>(i) PROVISIONS</b>		
<b>Non-current provisions</b>		
Premises Reinstatement Provision	127,786	102,121
<b>Total Provisions</b>	<b>127,786</b>	<b>102,121</b>

Provision of \$127,786 is for 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 ServiceIQ	Paid by ServiceIQ	As at 31 Dec 2018 Balance owed to/(by) ServiceIQ
			\$	\$	\$
Maryann Geddes	Skyline Enterprises Ltd	Training Fees	12,956	-	-
Maryann Geddes	Queenstown Resort College	Training Fees	1,361	-	1,565
Maxine Gay	FIRST Union Inc	Advertising	-	1,700	-
Andrew Olsen	Travel Agents Association of NZ	Sponsorship/Subscription	-	13,210	(16,100)
Bruce Robertson	Skyline Enterprises Ltd	Training Fees	12,956	-	-
Bruce Robertson	Aged Care Association	Marketing Costs	-	2,500	-
Bruce Robertson	Tourism Industry Aotearoa	Membership Fees	-	49,990	-
Des Flynn	The Warehouse Limited	Training Fees	100,630	-	(12,167)
Des Flynn	Massey University	Sponsorship	-	2,000	-

Board Member	Organisation	Nature of Transaction	Paid to ServiceIQ	Paid 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

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 2018		31 Dec 2017	
	Remuneration	Number of individuals	Remuneration	Number of individuals
ServiceIQ Board	309,000	9	310,042	9
Executive Team	1,303,398	4.5 FTE's	1,159,991	6 FTE's
	<u>1,612,398</u>		<u>1,470,033</u>	

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

*Other related parties*

ServiceIQ does not have any further related party transactions.

**SERVICE SKILLS INSTITUTE INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. FINANCIAL INSTRUMENTS**

Financial instruments are classified into the following categories:

As at 31 December 2018:	Held to Maturity	Fair Value through Statement of Comprehensive Income	Loans and Receivables	Financial Liabilities at Amortised Cost	Total Carrying Amount	Total Fair Value
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	-	-	2,405,325	-	2,405,325	2,405,325
Short term investments	3,112,542	-	-	-	3,112,542	3,112,542
Trade receivables	-	-	207,196	-	207,196	207,196
Other receivables	-	-	775,709	-	775,709	775,709
Trade payables	-	-	-	344,170	344,170	344,170
Other payables	-	-	-	3,237,635	3,237,635	3,237,635
Long term investments	1,602,311	509,265	-	-	2,111,576	2,111,576
	<b>4,714,853</b>	<b>509,265</b>	<b>3,388,230</b>	<b>3,581,805</b>	<b>12,194,153</b>	<b>12,194,153</b>

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

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.

**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.

In December 2018 the Board resolved to wind up operations for ServiceIQ International DMCC and a liquidator was appointed 18 December 2018.



14. OPERATING LEASES

	31 Dec 2018	31 Dec 2017
	\$	\$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	971,074	1,162,503
Between one and five years	854,159	1,708,229
More than five years	-	-
	<u>1,825,233</u>	<u>2,870,732</u>

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

15. OTHER RECEIVABLES

	31 Dec 2018	31 Dec 2017
	\$	\$
NZQA Moderation Income	276,744	291,353
Prepayments	436,045	345,491
Other receivables	<u>62,920</u>	<u>79,879</u>
	<u>775,709</u>	<u>716,723</u>

16. ASSOCIATES

As at 31 December 2018, ServiceIQ's investment in Mediasphere New Zealand Limited was \$215,061 (2017: \$215,061). No profit was received in 2018. There are no contingent liabilities in relation to Mediasphere New Zealand Limited as at 31 December 2018 (2017: nil)

17. COMMITMENTS

ServiceIQ has no major forward commitments as at 31 December 2018 (2017: nil).

18. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2018.

As at 31 December 2017, a contingent liability was disclosed as TEC was investigating previously funded trainees, the outcome of which was unknown at the time. The outcome of this investigation has now been realised and is included within the year ended 31 December 2018 financial report. There were no other contingent liabilities as at 31 December 2017.

19. EVENTS OCCURRING AFTER THE REPORTING DATE

On 13 February 2019, the Minister of Education announced a plan to reform vocational education which could potentially affect the roles of ITOs, like Service Skills Institute Inc. In vocational education. At the date of signing these financial statements, the government had not completed its consultation, had not confirmed its final plans and no changes had occurred to legislation or regulations. Service Skills has been actively participating in the initial consultation period for the proposed reforms since the announcement.

Although the proposed reforms could affect Service Skills' current operating model, there is no certainty regarding the magnitude of effects nor the timing. Accordingly, these financial statements do not reflect the impact of any changes which might result from the government's announcement due to lack of certainty. (2017: 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 2018, 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 2018, 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



BDO Wellington Audit Limited

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.

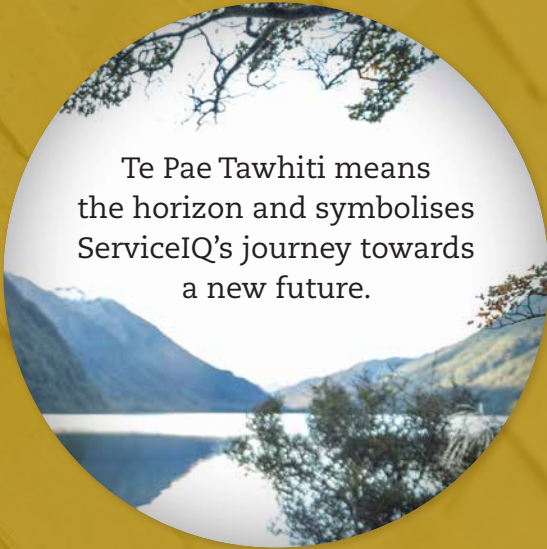
#### Who we Report to

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  
15 May 2019





Te Pae Tawhiti means  
the horizon and symbolises  
ServiceIQ's journey towards  
a new future.

**Service IQ**  
SMARTER PEOPLE FOR  
SMARTER BUSINESSES

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