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Service IQ

SMARTER PEOPLE FOR
SMARTER BUSINESSES

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Service IQ

SMARTER PEOPLE FOR
SMARTER BUSINESSES

ANNUAL REPORT 2014

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O U R
V I S I O N
I S F O R A
W O R L D -
C L A S S
S E R V I C E
I N D U S T R Y
T H R O U G H
Q U A L I F I E D
P E O P L E .



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-focused 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.

SNAPSHOT OF THE SERVICE SECTOR

Service sector employment



610,000 people
27% of NZ workers

Service sector GDP



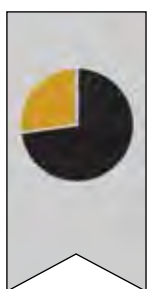
\$40 billion
19% of NZ GDP
Increased by 2.5% pa from 2004–2014 compared to 2.0% for NZ

Businesses



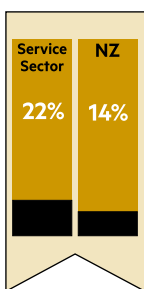
Businesses with under 10 people = 88% of businesses with 32% of workers
Businesses with 100+ people = 0.6% of businesses with 20% of workers

GDP per FTE



Service sector: \$80,000
New Zealand: \$110,000

Age



Service sector: 22% 15–24 years old
New Zealand: 14% 15–24 years old

Ethnic groups



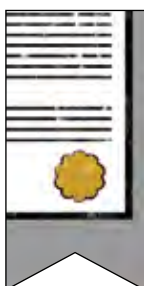
Asian: 15.9% – larger than NZ (11.0%)
Māori: 10.2% – smaller than NZ (11.1%)
Pasifika: 5.0% – same as NZ

Part-time workers



Service sector: 27% part-time
New Zealand: 21% part-time

Qualifications



People with no post-school qualifications
Service sector: 53%
New Zealand: 43%

ServiceIQ



Service industry qualifications
Smarter people for smarter businesses



Rick Christie, Chair

The industries that ServiceIQ works with employ a quarter of New Zealand's workforce. That gives you a pretty good idea of the size and breadth of the skill development challenge with those industries, and the work we do together to achieve their goals. In a very real way, ServiceIQ, and the businesses we partner with, play a key role in the future success of New Zealand.

One sector to 'lead them all'

In 2014, leveraging off international exposure from the *Lord of The Rings* and *Hobbit* movies, the tourism sector for New Zealand continued to grow in importance, and currently provides a much needed supplement to earnings from the primary sector, which are going through a period of weakness. The power of the tourism dollar is evident, and vital for both our national and regional economies.

The word "tourism" can cover a wide range of New Zealand industries: from tourism operators to cafés, bars and restaurants, retail, accommodation, travel and aviation. All these parts contribute to the whole visitor experience that New Zealand offers. The fact that we serve all of these sectors by setting standards and providing world-class skills and qualifications means that we're helping increase profitability and productivity for thousands of businesses and the wider economy.

In 2014, ServiceIQ worked closely with tourism employers and other key industry stakeholders, such as the Tourism Industry Association. We developed a tourism training programme that focuses on the total visitor experience. The reality is that giving both local and international visitors an outstanding experience is absolutely at the heart of a successful tourism industry. This nationally recognised qualification combines a number of core tourism skills and is designed to meet the differing needs of individual businesses. It's an exciting and important development that will contribute to the growth strategy of the tourism industry.



Graphic supplied by
Tourism Industry Association
New Zealand (TIA)

Focus on cultural diversity

New Zealand's unique indigenous culture is a tremendous attraction for overseas visitors, and our focus on supporting Māori, young people and Pacific Islanders to gain skills and qualifications continues to be important. In 2014, the number of Māori achieving qualifications of Level 4 and above was almost 20% higher than our commitment to the Tertiary Education Commission.

From school to careers

ServiceIQ is also playing a major role helping Kiwi school leavers gain jobs which lead to satisfying careers: in 2014, more than 20,000 secondary school students studied Hospitality, Tourism or Retail, so that by the time they leave school they will be on the front foot for finding work and developing a career.

Building capability

In ServiceIQ's first year, we reviewed our business models, with an aim to introduce and implement a simple effective engagement with industry in 2014. That review highlighted the necessity of focusing on building capability in industry, to enable an increased uptake of workplace training. As a result, ServiceIQ moved from a traditional transactional business model to a systemic investment approach.

The right skills for the future

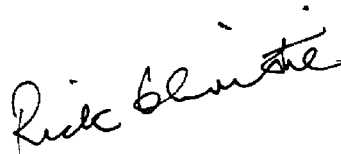
Industry demands are changing as new consumer trends emerge. As ServiceIQ has a great deal of specialist knowledge in these areas, it was only natural that in 2014, we became the lead on workforce development planning. We are focusing on future proofing and mapping skills demand for the service industry. Our Workforce Development Plan has been shared and given complete endorsement by the industries we work with.

We also worked alongside major employers to help create individual workforce development plans. In 2015, we will also develop regional roadmaps, to enhance service industry workforce readiness at regional level.

The input we receive from our Industry Advisory Groups on capability and skills issues makes a real and valuable contribution. With their assistance and a strong focus on continual improvement, ServiceIQ was able to deliver real benefits for our sectors, and will continue to do so.

Thanks too for the cooperation we have also received from our partners both in the private and public sectors as we work together to improve the performance of our Services workforce.

Last, but not least, special thanks to my Board, our CEO and his team for their work in 2014, in what has been a very busy and productive year for ServiceIQ .



Rick Christie
Board Chair



Dean Minchington, *Chief Executive*

For ServiceIQ, 2014 was the year in which we stayed true to the course we set ourselves on the day we began.

Our first year was all about the challenges of creating New Zealand's most innovative ITO – one that can make a real positive difference to the skill, capability and performance of New Zealand's service industries – from tourism to travel, accommodation to retail, aviation to museums, quick service restaurants to clubs and cafés, bars and restaurants.

This, our second year, has been about investing in people, industry relationships, infrastructure, technology and far better processes to be able to deliver innovative real-time approaches to our sectors, and robust and effective learning and assessment

materials fit for a changing world.

In 2013, we were laying the foundations for the future. In fact in that year, the

biggest challenge we had on our plates was data currency, an issue which has now been largely overcome.

2014 was the year the future arrived. A lot of what we planned for, and many of the ideas we had, have come to fruition, and are beginning to improve outcomes for our industry.

OUR INDUSTRY ADVISORY GROUPS, AND SECTOR SKILLS ADVISORY GROUPS, ARE AT THE HEART OF OUR DECISION MAKING. WE CONTINUE TO MEET REGULARLY TO TACKLE WORKFORCE SKILLS ISSUES AND OPPORTUNITIES.

Together with Industry

The industries we support employ 610,000 people – over a quarter of New Zealand's workforce – and together, they contribute a total of \$40 billion to our economy every year. The tourism industry delivers a major part of that total, around \$24 billion, with a growth strategy that is firmly on track. Delivering a world class visitor experience is a critical factor to the success of tourism, and to the other sectors – hospitality, retail, aviation, museums - that add value to that experience.

From the start of ServiceIQ, we aimed to work hand in glove with industry. In 2014, that's exactly what we achieved.

Our Industry Advisory Groups, and Sector Skills Advisory Groups, are at the heart of our decision making. We continue to meet regularly to tackle workforce skills issues

and opportunities.

And both groups have major input into setting skill standards and the development of training programmes and resources. Our partnerships with

industry associations are fostering valuable links to businesses large, medium and small. These vital relationships help to ensure that industry now and in the future can count on having capable, qualified people with the right skills and knowledge to respond to the fast changing needs of business and consumers.

Customer focus in 2014

As a result of working closely with industry and its leaders, I believe ServiceIQ demonstrates customer focus. In 2014, we implemented our strategy for enhanced customer service. It underpins our entire operation, and everything we do to ensure businesses across our sectors can easily access and benefit from skills training and quality assessment in the workplace.

Our market-leading new digital technology has been customised to help simplify people's lives by making it far easier for businesses nationwide to sign-up trainees and keep them on track to achieve qualifications. We are also creating customised solutions to meet the skills needs for a range of sectors and specific businesses. And we changed our engagement models and how our support services team works, to better fulfil customer demands and exceed expectations.

'Success breeds success'

In 2013, we wanted to construct business models that would build capability in the workplace, across the industries we represent. Naturally, this took time to test and polish. However, in 2014 and ongoing, we are moving from old qualifications to new qualifications, from paper to digital and from price to capability and investment. This was also the year in which we continued to lead completion of the targeted review of our qualifications, to ensure they meet the needs of industry and remain rigorous on the qualification framework. We now see the majority of the service sector training in post review programmes of study.

IN 2014 AND ONGOING, WE ARE MOVING FROM OLD QUALIFICATIONS TO NEW QUALIFICATIONS, FROM PAPER TO DIGITAL AND FROM PRICE TO CAPABILITY AND INVESTMENT.

By staying true to our industry directive, we are able to offer many benefits to many people across the 11 sectors we serve. Whether that's helping business performance, giving school students the

opportunity to get into a positive career by providing different entry points for young people via our Gateway programmes, or

helping to develop skills for the future for those trainees already employed in their chosen industry.

We're finding that our customer base is growing and we're growing engagement from across our sectors and across the country. Our graduates – trainees gaining Certificates and Diplomas – are recognised in our online Achievement Gallery, and can join our LinkedIn Alumni. We celebrate their success.

I would like to thank our Industry Advisory Groups, the Board of Directors and Chair for their support. I would also like to thank our staff and management team for all their good work and dedication. Together, we set a course and in 2014 we stayed true to it. That's why we can be confident that we're going in the right direction, and looking forward to a successful 2015, for us and the service industry we represent.



Dean Minchington
Chief Executive

▼ About us

▶ ServiceIQ Board/
Chair

▼ Industry Advisory
Groups (IAGs)

▶ IAG members –
Hospitality

▶ IAG members –
MATT

▶ IAG members –
Retail

▶ CEO/Exec Team

VIEW FROM OUR INDUSTRY ADVISORY GROUPS

ServiceIQ works closely with its Industry Advisory Groups (IAGs) in developing the right on-job training programmes to help New Zealand businesses succeed with skilled, knowledgeable and qualified people. To confirm we're on course, we canvassed the views of the thought leaders for our three IAGs.

Adam Cunningham,
Chair – Hospitality Industry Advisory Group

Managing Director – Raconteur Limited, Village Accommodation Group, Trek Global Backpackers

BEST SERVICEIQ TRAINING INITIATIVE FOR EMPLOYEES IN YOUR SECTOR IN 2014?

We still see fantastic value in the management diploma programmes. Training is on-job, real life and you get a qualification at the end – it doesn't get better than that.

HOW DOES SERVICEIQ ENABLE SKILL DEVELOPMENT IN YOUR SECTOR?

They continue to offer options that work for our industry's different needs. Whether short and punchy or long-term development programmes, they directly influence career advancement at entry and leadership level.

ONE THING SERVICEIQ COULD DO TO ADVANCE TRAINING AND DEVELOPMENT IN YOUR SECTOR?

It's an age old issue: industry needs to understand what is on offer to engage. It's not just ServiceIQ's role to do this – as an industry we need to buy in to formal qualifications and structured training to retain career focused staff.

BIGGEST CHALLENGE IN 2014?

Retaining and engaging quality staff to lead our industry into the future. People skilled in leadership roles are becoming dangerously few in New Zealand.

WHAT IS THE MAIN CHALLENGE FACING YOUR INDUSTRY IN THE NEXT 5 YEARS?

Profitability and service standards. The industry profit is getting marginalised by increasing costs, both legislative and contractual, while struggling to increase prices to match. Service standards, as our pool of potential staff gets eaten into by other industries struggling with finding people that want to work.

WHAT ARE YOU MOST LOOKING FORWARD TO?

Continuing to develop the New Zealand industry as a unique and genuine experience, with service that shows real interest in looking after our guests and visitors. We have a fantastic opportunity to be different from the rest of the world.

Left: Adam Cunningham, Chair –
Hospitality Industry Advisory Group

Middle: Andrew Olsen, Chair –
MATT Industry Advisory Group

Right: Des Flynn, Chair –
Retail Industry Advisory Group



Des Flynn,
Chair – Retail Industry
Advisory Group

Executive General Manager
Customer Support –
The Warehouse Group

HOW DOES SERVICEIQ ENABLE SKILL DEVELOPMENT IN YOUR SECTOR?

By having a robust strategy which clearly articulates the Qualification Pathways, and showcases retail as a genuine career option.

ONE THING SERVICEIQ COULD DO TO ADVANCE RETAIL TRAINING AND DEVELOPMENT?

ServiceIQ stays in touch with their clients in a true partnership to better understand and respond to the sector's needs. They're responsive, flexible and an innovative training partner.

HIGHLIGHT OF 2014?

Developing and confirming the Bachelor of Retail and Business Management Degree in Massey University's curriculum. It proves retail is a genuine career option.

WHAT IS THE BIGGEST OPPORTUNITY?

Developing strong team engagement and retention by providing sound career pathways, so our team members will see retail as a strong career option.

WHAT ARE YOU MOST LOOKING FORWARD TO?

Retail being recognised as a genuine career, and ServiceIQ and The Warehouse Group playing a market leading role in delivering this for the retail sector.

Andrew Olsen,
Chair – Museums, Aviation, Travel and Tourism (MATT)
Industry Advisory Group

Chief Executive Officer –
Travel Agents Association of New Zealand
(TAANZ)

HOW DOES SERVICEIQ ENABLE SKILL DEVELOPMENT IN YOUR SECTOR?

They understand the best (and only) way an ITO can be an 'enabler' is to work with industry to find out what it needs and do what it takes to deliver. Comprehensive analysis has been done and we're confident that relevant, specific and general industry programmes will be delivered.

WHAT IS ONE THING THAT SERVICEIQ COULD DO TO ADVANCE TRAINING AND DEVELOPMENT IN YOUR SECTOR?

The topic based discussions planned for the 2015 Secondary Schools Advisory Groups (SSAGs) will help establish commonalities across sectors. It's a natural evolution of the sector based discussions and good work completed in 2014.

TO GROW YOUR SECTOR, WHAT SKILLS ARE THE MOST IMPORTANT FOR EMPLOYEES?

ServiceIQ and MATT have been working on what employers need as far as skills are concerned. The Targeted Review of Qualifications (TRoQ) continues to take place, revising and improving the skill base and widening the talent pool. Employers also need better pathways to finding this talent to prepare for employee intake in times of business growth. ServiceIQ is an important connector in this process.

WHAT IS THE BIGGEST OPPORTUNITY?

Promoting the MATT group to schools and colleges. We can all be busier promoting these vibrant rewarding careers to the next generation and their parents and caregivers.

WHAT ARE YOU MOST LOOKING FORWARD TO?

The results of the industry breakfasts planned in 2015 will be interesting. It's a good initiative and will get ServiceIQ even closer to business.

OUR BOARD

Left: Rick Christie
Middle: Bruce Robertson
Right: Grant Lilly



Left: Jill Hatchwell
Middle: John Albertson
Right: Maxine Gay



Left: Maryann Geddes
Middle: John Selby
Right: Trevor Douthett



Rick Christie, Board Chair

Rick has extensive experience as a company Chairman and professional Director. He is also Chairman of Ebos Group, Ike GPS, NeSI (the NZ supercomputer network) and the Science Media Centre. His directorships include Tourism Holdings Limited, Acuity Health Ltd, South Port New Zealand Limited and Solnet Solutions Ltd.

Jill Hatchwell

Jill has over 30 years' experience in financial and corporate management. She is a formation director of NZX-listed Aore Resources Limited and a director of NZAX-listed Chatham Rock Phosphate Limited. Jill is an executive director of financial advisory consultancy company Nevay Holdings.

Maryann Geddes

Since 1994 Maryann has held senior management positions with Skyline Enterprises based in Queenstown, where she is Group Manager Training Development and Risk. Maryann is responsible for training development of approximately 1000 staff within the 11 operating companies, and the management of business risk and compliance. Over the past 25 years Maryann has held a number of director roles within industry organisations and has had a close involvement in tourism and hospitality issues, both at national and international level.

Bruce Robertson

Bruce is one of New Zealand's most experienced lobbyists, who began interacting with Cabinet Ministers while in his early 20s. At that time he was Federated Farmers advocate for the arable and transport sectors. Since he joined Hospitality New Zealand in the 1990's, Bruce has led a revival of the organisation, seeing it grow from 700 members covering mostly bars, to 2,400 members today who represent the breadth of the hospitality industry from cafés to luxury lodges. With ongoing skill and labour shortages in hospitality, Bruce takes a leading role in industry training, including Chairman of the Hospitality Standards Institute and as a board member of ServiceIQ.

John Albertson

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

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 Grosvenor Assurance, a director of VicLink and chairs the ServiceIQ Audit & Risk Committee. He is also a member of the governance advisory group for the Ministry of Business, Innovation and Employment.

Grant Lilly

Grant Lilly is a professional Director with varied 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 (Chair of 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, and 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.

TEC registered-funded trainees by:
ITO SECTOR AND FUND TYPE 2014

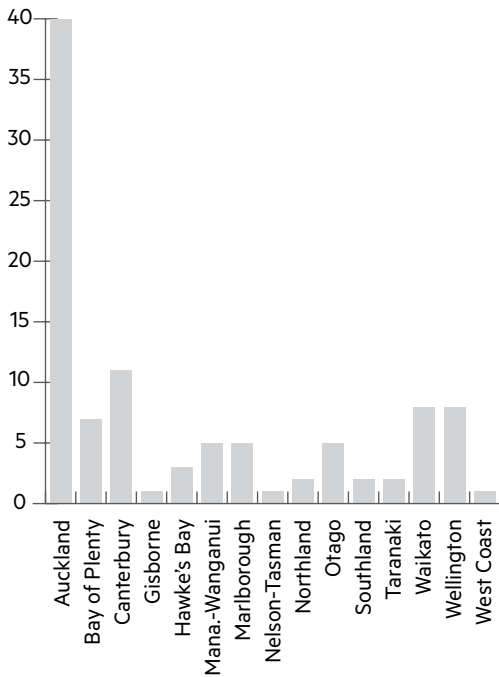
ITO Sector	Apprentices	Trainees	Total	%
Accommodation	54	1,089	1,143	6%
Aviation	451	1,737	2,188	12%
Cafés, Bars, Restaurants	235	682	917	5%
Clubs	5	67	72	0%
Food Services	62	483	545	3%
Museums	0	122	122	1%
Quick Service Restaurants	0	5,754	5,754	31%
Retail	120	6,516	6,636	35%
Tourism	58	305	363	2%
Travel	0	929	929	5%
Wholesale	5	55	60	0%
ServiceIQ Other	1	9	10	0%
Total	991	17,748	18,739	100%

Source: ITOMIC

Notes:

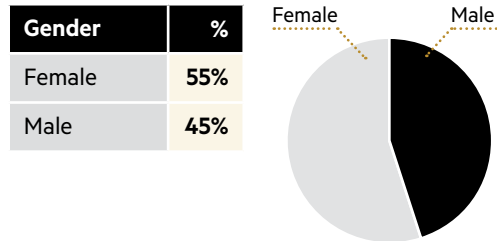
(1) Trainees and apprentices may report working in more than one sector.

TEC registered-funded trainees by: **REGION 2014**

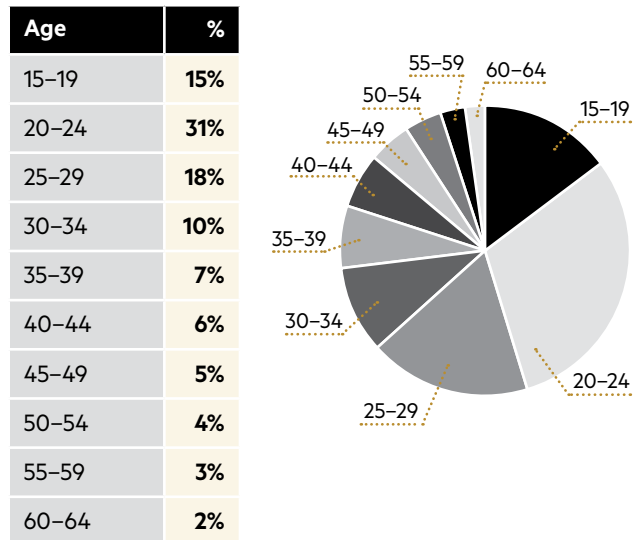


Region	%
Auckland	40%
Bay of Plenty	7%
Canterbury	11%
Gisborne	1%
Hawke's Bay	3%
Manawatu-Wanganui	5%
Marlborough	5%
Nelson-Tasman	1%
Northland	2%
Otago	5%
Southland	2%
Taranaki	2%
Waikato	8%
Wellington	8%
West Coast	1%

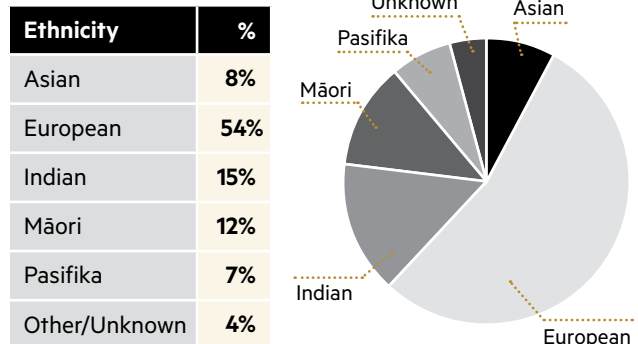
TEC registered-funded trainees by: **GENDER 2014**



TEC registered-funded trainees by: **AGE GROUP 2014**



TEC registered-funded trainees by: **ETHNICITY 2014**



Source: ITOMIC

Notes:

(1) Trainees and apprentices may report working in more than one region.

SECRETS TO REMARKABLE SUCCESS

Congratulations to Skyline Queenstown, winner of the inaugural ServicIQ Visitor Experience Award at the 2014 Tourism Industry Association Summit.

With a highly skilled team and a commitment to constant improvement, Skyline Queenstown has established itself as a top New Zealand attraction offering a successful world-class visitor experience.

In addition to a stunning location, great restaurant, luge, gondola and remarkable views, Skyline Enterprises Group Manager Human Resources Maree Aoake says it's the personal touch that makes the world of difference.

She says: "We pride ourselves on treating every visitor as a friend. Though we have a huge number of visitors, we like to offer a personal service for everyone."

The award recognises the company's high level of training and the career progression offered to employees.

"We believe it's extremely important to have consistent standards across everything we do, so no matter what activity a visitor has come to experience – a well-trained team helps to ensure that they will receive great service," says Maree.

Skyline's comprehensive training for employees includes formal career development plans, management progression, and team members are encouraged to attain the nationally recognised qualification New Zealand

Certificate in Tourism (Visitor Experience) Level 3. This new programme has been developed by ServicIQ in collaboration with the tourism industry.

"ServicIQ's training programmes mean that our service standards are consistent and measureable," says Maree. "They help us deliver exemplary customer service across the company."

Skyline Queenstown is also a sought-after workplace. In addition to the exciting location and activities, people are attracted by a real opportunity to build a career in visitor experience.

"Our staff development plans make us an employer of choice which we are really proud of," says Maree. "And our guests really appreciate our people. We get great comments, letters, cards and online reviews written by visitors from all over the world."



HOW COACHING MAKES GREAT TOURIST COACH DRIVERS

Top New Zealand coach company Nimon & Sons Ltd recently took their successful business up a few more gears when investing in tourism training for their drivers.

The family-owned Hawke's Bay business is over 100 years-old. It employs over 100 bus drivers to do school runs, special events and take cruise ship passengers from the Port of Napier on tour.



FOCUSED ON ON-GOING IMPROVEMENT AND INNOVATION

In 2014, Nimon & Sons gave its drivers the opportunity to gain tourism skills and a qualification by training on job with the 'New Zealand Certificate in Tourism (Visitor Experience)' developed by industry and ServiceIQ.

This is in addition to the drivers all holding National Certificates in Large Passenger Service qualifications which are linked to a substantial wage increase, and completing the NZTA-linked SAFED course to help cut costs on brake repairs and fuel.

Nimon & Sons General Manager Pete Patterson says the skills are important for a business involved in serving tourists: "We felt our business could gain because our drivers are the company representatives dealing with our cruise ship customers. We aim to wow our customers and want every experience to be great when they're on tour with us."

"We encourage our friendly drivers to give an interesting commentary and establish rapport early with everyone aboard. All those vital skills are covered in the training."

DRIVING REWARDS FOR ALL

Many drivers are now on the road to gaining the qualification. It's a winner for tourist customers, drivers, and the company which relies on its first-class reputation to attract repeat business.

Pete Patterson says "We get positive feedback from passengers who may discuss our performance with the ship's captain or ground handlers who are the agents between us and the cruise lines.

"And our drivers get larger tips when they drop their happy customers off at the end of a tour!"

SHOP FLOOR CASUAL TO FULL-TIME SUPERVISOR

Shannon Dixon jumped at the chance when his manager recommended that he be part of the first intake of The Warehouse Red Shirts in Schools programme. Not long before, he'd been getting a bit of work experience and pocket money from his after-school job at The Warehouse in Petone.

Two years later and with even more training and another qualification under his belt, Shannon has risen to the role of Supervisor with a full-time position and up to six staff under his watch, on busy weekends at the popular store.

“It was new and exciting, and it offered retail qualifications and a lot more experience for me,” says Shannon of the debut Red Shirts in Schools training programme, which is run by The Warehouse in partnership with ServicelQ, and available to students keen to pursue a career in retail.

“I gained knowledge about how a large business like The Warehouse is run, which included learning about staff management and how to manage stock. Because it is such a big operation it takes a lot of knowledge and a lot of time to understand how it all works.”

The Red Shirts in Schools programme involves on-job training once a week over about 10 weeks. It includes a mix of shop floor training and work book study.

Shannon's next big break was being one of only 13 in the country to be selected to attend the Future Leaders' Programme – another The Warehouse and ServicelQ partnership.



RETAIL SERVICE KING GETS HIS DREAM JOB

All the hard work has paid off for Ashley Brunel. First he was crowned ServiceIQ Retail Professional of the year at Retail New Zealand's Top Shop Awards. Then, on gaining his Level 4 retail qualification, he was promoted to manager of Liquor King's Hillcrest store in Hamilton.

"It's an honour making it to the top in New Zealand," says Ashley. "Training has given me a better opportunity to step up into management, which is what I've wanted to do since I joined Liquor King three years ago."

Ashley has been supported by his employer to increase his skills and boost his career opportunities while working his way up to management.

"The beauty of on-job training is that you can start the job from scratch, earn as you learn and gain qualifications to develop your career for the future," says Ashley.

"It gives you a better understanding of how the business works. You get insights into the customer experience, and you also learn skills like merchandising to make sure everything in the store works together to make it a more enjoyable experience for your customers.

"The ServiceIQ programmes are specifically set up for retailers to improve the shopping experience for their customers. And because you learn while you work, you are applying new knowledge on a day to day basis," says Ashley.

Ashley's background is in hospitality and he and his wife once ran a travel agency – two other sectors for which ServiceIQ is the ITO. Satisfaction for him is all about helping people.

"I get to share my knowledge and tailor our products for customers' specific needs. We get a lot of repeat customers which gives us the opportunity to find out what they like and introduce them to new products I think they'll enjoy," he says.

Liquor King Northern Regional Manager Lee-Ann Barns Lawton says Ashley has shown real drive and passion for the business. She says: "He has shown great wins. The team has given great feedback on Ashley and thrived from his management style."



LIKE A BRILLIANT CAREER WITH THAT?

One of McDonald's ingredients for global success is fantastic service. So it puts in huge effort to upskill its people to create future business managers and leaders.

Advancing employees' careers can be life-changing for McDonald's crew...

Kaye Fraser was a 38 year-old solo mother raising four children, when she started work at McDonald's in Invercargill in 2010.

"I started at the bottom of the ladder, cleaning, making coffee and serving customers," says Kaye. "My plan was to get a full-time salary and a qualification so that I could find something better."

In fact, Kaye's "better" job was right in front of her.

PATHWAY TO INTERNATIONAL SUCCESS

For McDonald's, ServiceIQ provides on-job skills programmes for school leavers through to advanced training and qualifications for employees.

Kaye's boss, McDonald's Franchise Manager Simon Rhind, put her on a skills pathway to help her improve her financial situation.

In less than three years, she'd gained five NZQA accredited qualifications including a National Diploma in Hospitality, and became the restaurant manager.

Under Kaye's leadership, the Invercargill store is regularly one of the top performing McDonald's restaurants in New Zealand. She's also just received a McDonald's Restaurant Manager of the Year Award 2014 in Los Angeles.

Simon Rhind is delighted for his star graduate: "Hats off to her. She's done a fantastic job and now she uses her experience to help others."

Kaye sums up her stunning success: "Training teaches you what you need to know to develop your people. Look after your people and they take care of your customers. It's really a big circle."

LIFT OFF!

Delaware North is a leading global food service and hospitality company based in New York, that serves half a billion customers a year and has some of most prestigious contracts on the planet: from NASA's Kennedy Space Complex Visitor Centre to London's Wembley Stadium, Australia's Tennis Open, and Wellington's International Airport.

The family-owned company celebrating its 100th birthday in 2015 knows that success all starts with its employees.

Delaware North New Zealand Business Manager, Harish Purohit says: "We believe that if our team are successful in their roles, we'll be successful in our business."

In New Zealand, the company has 65 employees running seven different concept stores and the conference centre at Wellington International Airport.

COMMITTED TO CONTINUOUS IMPROVEMENT

It has eight employees upskilling on job to gain the nationally recognised qualification:

New Zealand Certificate in Hospitality (Food & Beverage) developed by industry and ServiceIQ. The goal is to get 75% of the team qualified by 2016.

The New Zealand training integrates with 'Guestpath', Delaware North's global continuous improvement programme for staff and management worldwide.

Purohit says: "By giving employees opportunities to qualify, you raise the benchmark and create momentum in the business. We mentor our people to have their own goals more than just getting paid."

THE PAY-OFF

Purohit says training leads to an energised team who are motivated to develop their skills and provide a special experience for customers.

"Our customers can expect to receive a superior service from knowledgeable and helpful employees."



PUTTING WORLD-CLASS SERVICE ON DISPLAY

Museums used to be able to rely solely on the strength of their collections to attract visitors. But these days, there are many other options competing for people's time and attention: from movies, the internet, all kinds of outdoor pursuits and sporting events to markets, shopping, and more.



In order to be on the consideration list, museums are taking an even more strongly customer-focused view by responding to what people want, with outstanding service being a vital part of the mix. The challenge is to offer an overall visitor experience that helps attract larger audiences.

TRAINING BRINGS BENEFITS

Canterbury Museum in Christchurch took the lead with ServiciQ's museum training programme.

"It provided a really good background to both specialists and non-trained people as to how a museum operates," says Canterbury Museum Best Practice Manager, Lesley Colsell.

Lesley believes it's important for all staff – from curators to collections managers and the frontline team – to have a solid appreciation of what others do in order to do their work well and create the right experience for customers. Getting that initial touch point right and making sure everything goes off without a hitch is crucial to creating the right impression that makes people want to visit again.

"Take our front-of-house team, they do things in a certain way because their whole focus is about helping our customers and making the right impression when they arrive. When our behind-the-scenes people understand how our front-of-house people operate, it improves team work and that's good for business," she says.

She also recommends the Māori component of the programme. It dovetails seamlessly with the Museum's own

learning and development programme which incorporates bicultural understanding.

PROOF POINTS

The big question though, is whether the training along with other initiatives is really working for customers.

With a goal to provide world-class service and keep customers coming back for more, the museum's customer satisfaction surveys provide the best indication.

"We easily achieved our KPI with over 95% of visitors saying that they were satisfied or very satisfied with their visit to Canterbury Museum," says Lesley.

The museum experienced a bit of a drop in visitors after the Canterbury earthquakes. But this lull was short-lived and now visitor numbers are back to pre-earthquake levels and rising.

It was also the first company in New Zealand and one of only a handful in Australasia to gain Gold Accreditation as an 'Investor in People' in 2014.



The ongoing success of the ServiciQ programme at Canterbury Museum has helped encourage many more New Zealand museums to follow suit. Institutions which have also invested in the training include: Toitū Otago Settlers Museum, Govett Brewster, Pataka, Te Papa, The Dowse Art Museum, Southland Museum, Nelson Museum, Carter Observatory, Wellington Museum of City & Sea, Napier's National Aquarium of New Zealand, RNZAF Airforce Museum in Christchurch, and the Bank of New Zealand Museum in Wellington.

FLEDGLING TO FULLY-FLEDGED PILOT



On the day after passing her commercial pilot's test, Bayleigh McGuire can't quite believe her own story. This includes a solo flight earlier that week where she flew through the majestic Southern Alps and landed at Mt Cook, "and I'm still only 19 years-old!" she says.

When she was just 15, Bayleigh was the youngest and one of the first to go on ServicelQ's Aviation Gateway Flying Programme for secondary school students.

That experience got her career off to a flying start. The talent she showed on Gateway helped her to get accepted into full-time training at the New Zealand Aviation Academy in Invercargill. Now she's close to becoming a fully-fledged pilot, with additional skills in tricky acrobatic manoeuvres – loops, rolls and spins.

"It feels amazing," says Bayleigh. "This is what it was all about and what it has all led up to. I'm stoked that all the hard work has paid off."

The programme also helped her choose her flight path – helicopter or fixed wing.

She'd dreamed of becoming a helicopter pilot. But she changed her mind when she came top of the Gateway class and won the chance to fly up front with the pilots of an Air New Zealand 737.

For students who dream of becoming a pilot or training for a career in the aviation industry, the Gateway programme offers a unique experience that's hard to beat. As well as the thrill of learning to fly, students get a feel for the wider world of flight in New Zealand – both in the air and on the ground.

"Our instructor gave us a taste of everything in the aviation industry. We were really lucky to be able to go behind the scenes to meet the people – pilots, aeronautical engineers, air traffic controllers, airline stewards – and see the workplaces, which most people don't have access to," says Bayleigh, who is a passionate supporter of the Gateway programme that helped launch her career.

"I would recommend it to anyone who has even the slightest interest in the aviation industry because you get such a good opportunity to experience what it's like.

Everyone we met loved their jobs and loved coming to work each day."



**SERVICE SKILLS INSTITUTE INCORPORATED
FINANCIAL REPORT
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014**

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.

**SERVICE SKILLS INSTITUTE INCORPORATED
INSTITUTE DIRECTORY
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014**

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 12 MONTHS ENDED 31 DECEMBER 2014**

		Period ended 31 Dec 2014	Period ended 31 Dec 2013
		\$	\$
REVENUE			
Government funding	9a	14,436,624	15,280,441
Industry income		4,415,699	4,208,886
Other income		154,213	70,379
Interest and Investment income		471,791	448,343
TOTAL REVENUE		<u>19,478,327</u>	<u>20,008,049</u>
EXPENSES			
Operating expenses	2	18,466,673	18,336,164
Finance costs		111,591	151,623
Depreciation	3	303,850	334,691
Amortisation	4	181,122	339,298
TOTAL EXPENSES		<u>19,063,236</u>	<u>19,161,776</u>
SURPLUS BEFORE MERGER AND LEGACY COSTS		<u>415,091</u>	<u>846,273</u>
Merger and legacy costs	5	92,046	1,462,847
SURPLUS/(DEFICIT) FOR THE PERIOD		<u>323,045</u>	<u>(616,574)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		<u>323,045</u>	<u>(616,574)</u>

The accompanying notes form part of these financial statements.

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

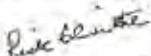
	Note	Period ended 31 Dec 2014 \$	Period ended 31 Dec 2013 \$
Opening capital		10,527,015	-
Contributions from HSI, ATTD, and RI	6	-	10,527,015
Closing capital		<u>10,527,015</u>	<u>10,527,015</u>
Opening retained earnings		(616,574)	-
Total comprehensive income for the period		323,045	(616,574)
Closing retained earnings		<u>(293,529)</u>	<u>(616,574)</u>
Closing balance		<u>10,233,486</u>	<u>9,910,441</u>

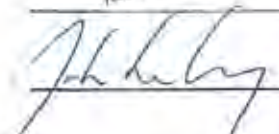
The accompanying notes form part of these financial statements.

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	As at 31 Dec 2014 \$	As at 31 Dec 2013 \$
EQUITY			
Contributed Capital	6	10,527,015	10,527,015
Retained earnings		(293,529)	(616,574)
		<u>10,233,486</u>	<u>9,910,441</u>
CURRENT ASSETS			
Cash and cash equivalents	7	6,384,193	3,882,919
Short term investments	8	3,983,210	3,008,156
Trade receivables		234,354	290,711
Other receivables	16	654,504	1,066,272
Inventory		42,821	42,616
		<u>11,299,082</u>	<u>8,290,674</u>
NON-CURRENT ASSETS			
Property, plant and equipment	3	796,567	812,238
Intangibles	4	325,890	400,795
Long term investments	8	1,454,014	2,673,327
Other		39,130	48,338
		<u>2,615,600</u>	<u>3,934,698</u>
TOTAL ASSETS		13,914,682	12,225,372
CURRENT LIABILITIES			
Accounts payable		631,945	808,595
Accruals and other payables	9	2,973,068	1,485,219
		<u>3,605,013</u>	<u>2,293,814</u>
NON CURRENT LIABILITIES			
Provisions	10	76,183	21,117
TOTAL LIABILITIES		3,681,196	2,314,931
NET ASSETS (LIABILITIES)		<u>10,233,486</u>	<u>9,910,441</u>

For and on behalf of the Board


 Rick Christie Board Chair May 14 2015 Date


 John Selby Board Member May 14 2015 Date

The accompanying notes form part of these financial statements.

SERVICE SKILLS INSTITUTE INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

	Note	Period ended 31 Dec 2014 \$	Period ended 31 Dec 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Tertiary Education Commission Funding		15,843,577	14,081,217
Interest & Investment Income		515,637	389,876
Sale of Goods & Services		5,141,777	4,202,342
		<u>21,500,991</u>	<u>18,673,435</u>
Cash was disbursed to:			
Payments to suppliers/employees		(18,712,896)	(19,130,883)
Net cash (outflow)/ inflow from operating activities	13	<u>2,788,095</u>	<u>(457,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was disbursed to:			
Sale/(Purchase) of Investments		181,000	243,900
Purchase of Fixed assets		(442,020)	(1,086,283)
Purchase of fitout not owned		-	(55,243)
Net cash (outflow)/ inflow from investing activities		<u>(261,020)</u>	<u>(897,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
TEC Reboot Funding		(25,800)	53,750
Cash contributions from legacy ITO's		-	5,184,243
Net cash (outflow)/ inflow from financing activities		<u>(25,800)</u>	<u>5,237,993</u>
Net cash inflow/ (outflow) from investing and financing activities		<u>(286,820)</u>	<u>4,340,367</u>
Net increase in Cash		2,501,275	3,882,919
Opening Cash Balance 1 January 2014		3,882,919	-
CLOSING CASH BALANCE FOR THE PERIOD ENDING 31 DECEMBER 2014		<u>6,384,193</u>	<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 12 MONTHS ENDED 31 DECEMBER 2014**

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Service 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 1 January 2014 and ending 31 December 2014. ServiceIQ is an incorporated society under the Incorporated Societies Act 1908 and registered as a charitable entity under the Charities Act 2005.

ServiceIQ is an Industry Training Organisation for the Aviation, Tourism, Travel, Museums, Cafes, Bars, Restaurants, Accommodation, Catering, Quick Service Restaurants, Clubs, Retail and Wholesale sectors.

The financial statements were authorised for issue by the Board on 14 May 2015.

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 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 as defined by the reporting standards, 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 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) Comparatives

These financial statements are the second set prepared by ServiceIQ, the comparatives are for the 14 months from formation to 31 December 2013.

(f) Going Concern

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

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014**

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 12 MONTHS ENDED 31 DECEMBER 2014**

(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.

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) 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.

(ii) 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 12 MONTHS ENDED 31 DECEMBER 2014

(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.

(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.

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

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.

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 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) Changes in Accounting Policies

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

2. OPERATING EXPENSES

The following are included within operating expenses:

	31 Dec 2014	31 Dec 2013
	\$	\$
Audit fee	25,880	25,000
Premises Rental	758,292	720,281
Operating lease costs	328,272	379,434
Premises fit out amortisation	9,207	6,905
Legal fees	40,153	70,690
Employee benefit expenses:		
Wages and salaries	8,398,689	7,801,179
Contributions to defined contribution plans	183,488	151,404
Other fees paid to auditor were for:		
Internal Control review	22,550	10,000
Accounting Services	7,500	15,345

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

3. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2014	31 Dec 2013
	\$	\$
ICT Hardware		
Cost	725,120	631,534
Accumulated Depreciation	(422,688)	(227,100)
Book Value	<u>302,232</u>	<u>404,434</u>
Depreciation for the Period	210,407	227,100
Office Equipment, Furniture & Fittings		
Cost	382,564	252,972
Accumulated Depreciation	(154,470)	(87,831)
Book Value	<u>178,094</u>	<u>165,141</u>
Depreciation for the Period	66,639	87,831
Office Fit Out		
Cost	267,181	264,849
Accumulated Depreciation	(121,761)	(53,271)
Book Value	<u>145,420</u>	<u>211,578</u>
Depreciation for the Period	68,490	53,271
Work in Progress		
Cost	170,821	31,085
Accumulated Depreciation	-	-
Book Value	<u>170,821</u>	<u>31,085</u>
Depreciation for the Period	-	-
Total Property, Plant & Equipment		
Cost	1,495,686	1,180,440
Accumulated Depreciation	(699,119)	(368,202)
Book Value	<u>796,567</u>	<u>812,238</u>
Depreciation for the Period	345,536	368,202
Shown in the Statement of Comprehensive Income		
Depreciation expense	303,850	334,691
Merger costs	41,687	33,511
Total Depreciation	<u>345,537</u>	<u>368,202</u>

4. INTANGIBLE ASSETS

	31 Dec 2014	31 Dec 2013
	\$	\$
ICT Software		
Cost	843,110	740,093
Accumulated Amortisation	(517,220)	(339,298)
Book Value	<u>325,890</u>	<u>400,795</u>
Amortisation for the Period	181,122	339,298

5. MERGER AND LEGACY COSTS

On 3 January 2013, Hospitality Standards Institute (HSI), Aviation, Tourism and Travel Training Organisation Incorporated (ATTO), and Retail Training New Zealand Incorporated (RTI), 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, sub lease costs and legal costs.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014**

6. EQUITY

	31 Dec 2014	31 Dec 2013
	\$	\$
Aviation, Tourism and Travel Training Organisation (ATTO)		
Opening balance	1,963,152	-
2012 Closing Equity as per their financial statements	-	1,903,475
Adjustments	-	59,677
Contributed Equity	<u>1,963,152</u>	<u>1,963,152</u>
Hospitality Standards Institute (HSI)		
Opening balance	5,047,939	-
2012 Closing Equity as per their financial statements	-	4,873,971
Adjustments	-	173,968
Contributed Equity	<u>5,047,939</u>	<u>5,047,939</u>
Retail Training New Zealand (RI)		
Opening balance	3,515,924	-
2012 Closing Equity as per their financial statements	-	3,653,020
Adjustments	-	(137,096)
Contributed Equity	<u>3,515,924</u>	<u>3,515,924</u>
Total Contributed Equity	<u><u>10,527,015</u></u>	<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 ITO's.

A fair value adjustment for HSI of \$241,456 occurred during the period ended 2013 which 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 ITO's.

7. CASH AND CASH EQUIVALENTS

	31 Dec 2014	31 Dec 2013
	\$	\$
Operating Bank accounts and Cash on hand	570,254	556,847
Bank Deposit Accounts with 90 days or less maturity	5,790,000	3,300,000
Cash Management Account with Craigs Investments	23,939	26,072
Total Cash and Cash Equivalents	<u>6,384,193</u>	<u>3,882,919</u>

8. SHORT AND LONG TERM INVESTMENTS

	31 Dec 2013	31 Dec 2013
	\$	\$
Short term investments		
Bank Term deposits	2,886,100	2,356,100
Bonds, Notes and Debentures	1,097,110	652,056
Total current investments	<u>3,983,210</u>	<u>3,008,156</u>
Long term investments		
Bonds, Notes and Debentures	1,454,014	2,673,327
Total non-current investments	<u>1,454,014</u>	<u>2,673,327</u>
Total Short and Long-term investments	<u><u>5,437,224</u></u>	<u><u>5,681,483</u></u>

NB. Bank Term Deposits are held for Guarantees of \$493,212 (2013: \$596,212) for Tenancy lease agreements, and a \$386,100 (2013: \$386,100) letter of credit over the payroll.

**SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014**

9. ACCRUALS AND OTHER PAYABLES

	31 Dec 2014	31 Dec 2013
	\$	\$
Employee Benefits		
Liability for unpaid salary (current)	100,179	60,982
Liability for long-service leave (current & non-current)	44,695	36,571
Liability for sick-leave (current)	-	-
Liability for annual leave (current)	360,865	383,103
Total Employee Benefits	<u>505,743</u>	<u>480,656</u>
Retail - Modern apprenticeship program - Subsidy Provision	8,400	23,229
Tertiary Education Commission under delivery provision	1,989,047	582,074
Other payables	469,878	399,260
Total Accruals and Other Payables	<u>2,973,068</u>	<u>1,485,219</u>

9a. Tertiary Education Commission under delivery provision

The provision of \$1,989,047 relates to the under delivery of STM targets and offsets in 2014. This is based on the latest report available at time of the audit.

The provision of \$12,481 relates to the under delivery of STM targets and offsets in 2013. This adjustment information was not available at time of the audit.

The TEC funding summary for 2014 was as follows:

Funding received	16,438,152	15,862,515
Under delivery provision 2014	(1,989,047)	-
Under delivery provision 2013	(12,481)	(582,074)
	<u>14,436,624</u>	<u>15,280,441</u>

10. NON CURRENT LIABILITIES

(i) PROVISIONS

Non-current provisions

Office equipment lease liability	29,088	-
Premises Reinstatement Provision - due 31 March 2019	47,095	21,117
Total Provisions	<u>76,183</u>	<u>21,117</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	Paid by	As at 31 Dec 2014
			ServiceIQ	ServiceIQ	Balance owed to/(by) ServiceIQ
			\$	\$	\$
Jill Hatchwell	Vincent Aviation Ltd	Training Fees	195	-	-
	Vincent Aviation Ltd	Subsidy	-	1,732	-
Grant Lilly	Queenstown Airport Corporation	Training Fees	-	47	-
	Tourism Industry NZ Trust	Sponsorship	-	10,691	-
Bruce Robertson	Industry Training Federation	Membership	-	87,500	(8,625)
	Hospitality Training Trust	Provides Grants	30,000	-	-
John Selby	Onslow College	Resource sales	1,995	-	-
John Albertson	NZ Retailers Assoc Inc.	Sublease of Premises	114,807	-	-
	NZ Retailers Assoc Inc.	Sponsorship	-	22,485	-

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

11. RELATED PARTY TRANSACTIONS (continued)

Board Member	Organisation	Nature of Transaction	Paid to	Paid by	As at 31 Dec 2013
			ServiceIQ	ServiceIQ	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 Uilly	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.

Key management personnel compensation amounted to \$972,614 (14 months to 31 December 2013: \$786,925) representing short term employee benefits. There are no long term or post employment benefits.

Board members received honorariums during the 12 months of \$251,000 (14 months to 31 December 2013: \$310,824) in the capacity of office bearers.

There were no transactions between ServiceIQ and Hospitality Standards Institute (HSI), the Aviation, Tourism and Travel Training Organisation Inc. (ATTO), and Retail Training New Zealand Inc. (RT). In the period ending 31 December 2013 the following occurred 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.

ATTO acquired 100% of the shares of NZ Skills Connect Ltd and Skills Connect Ltd on 7 June 2012 for no consideration. Following the merger, Service Skills Institute purchased the shareholding from ATTO on 1 January 2013 for no consideration. NZ Skills Connect Ltd and Skills Connect Ltd have not traded during the year, and accordingly, we do not produce consolidated financial statements for them. NZ Skills Connect Ltd and Skills Connect Ltd ceased business on 31 October 2013 with the companies being deregistered in February 2014.

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 2014:	Held to Maturity	Loans and Receivables	Financial Liabilities at Amortised Cost	Total Carrying Amount	Fair Value
	\$	\$	\$	\$	\$
Cash and cash equivalents	-	6,384,193	-	6,384,193	6,384,193
Short term investments	3,983,210	-	-	3,983,210	3,983,210
Trade receivables	-	234,354	-	234,354	234,354
Other receivables	-	449,425	-	449,425	449,425
Trade Payables	-	-	631,945	631,945	631,945
Other payables	-	-	2,766,839	2,766,839	2,766,839
Long term investments	1,454,014	-	-	1,454,014	1,454,014
	5,437,224	7,067,972	3,398,784	15,903,980	15,903,980

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

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

12. FINANCIAL INSTRUMENTS (Continued)

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	-	1,008,778	-	1,066,272	1,066,272
Trade Payables	-	-	808,595	808,595	808,595
Other payables	-	-	1,321,925	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 2014 \$	Period ended 31 Dec 2013 \$
Surplus/(Deficit) for the period	323,045	(616,574)
Add Non Cash Items		
Loss/(Profit) on Disposal of Fixed Assets	5,935	262,319
Depreciation & Amortisation	535,866	707,501
Amortisation of Premium on Purchase of Investments	63,256	110,787
Other Amortisation - Provision and write off (Fit out & Reinstatement)	25,976	28,023
Non cash working capital assets contributed by legacy ITO's	-	1,754,943
Non cash working capital liabilities contributed by legacy ITO's	-	(3,544,910)
	631,038	(681,337)
Add movements in Working Capital		
(Increase)/decrease in net accounts receivable	581,808	(816,162)
(Increase)/decrease in other debtors	36,785	(408,235)
(Increase)/decrease in accrued interest	(2,682)	(75,093)
(Increase)/decrease in prepayments	(147,585)	(42,616)
(Increase)/decrease in stock	(205)	(57,494)
Increase/(decrease) in accounts payable	(176,650)	808,594
Increase/(decrease) in TEC funding liability	1,406,953	480,656
Increase/(decrease) in Employee Entitlements	25,087	587,094
Increase/(decrease) Accruals and other creditors	110,701	368,719
	1,834,012	840,463
Net Cash Flows from/(used in) Operating Activities	2,788,095	(457,448)

SERVICE SKILLS INSTITUTE INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 12 MONTHS ENDED 31 DECEMBER 2014

14. SERVICEIQ INTERNATIONAL

Service Skills Institute Incorporated registered ServiceIQ International Limited on 4 November 2014.

ServiceIQ International has not traded during the year, and accordingly, consolidated financial statements for ServiceIQ International Limited are not included.

15. OPERATING LEASES

	31 Dec 2014	31 Dec 2013
	\$	\$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,235,906	1,308,072
Between one and five years	3,268,189	3,604,400
More than five years	365,947	984,401
	<u>4,870,042</u>	<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 2014	31 Dec 2013
	\$	\$
Landlord reimbursement of fit out costs and expenses	-	525,451
NZQA Moderation income	371,450	360,079
Prepayments	205,079	57,494
Other receivables	77,975	123,248
	<u>654,504</u>	<u>1,066,272</u>

17. COMMITMENTS

ServiceIQ has no major forward commitments as at 31 December 2014 (2013: nil).

18. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2014 (2013: nil).

19. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events subsequent to reporting that would affect the financial statements (2013: nil).



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. ("Service IQ") on pages 3 to 17, which comprise the statement of financial position as at 31 December 2014, and the statement of changes in equity, and statement of comprehensive income and statement of cash flows for the year 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 Service IQ. 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 are 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 (New Zealand). 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 area of internal controls testing. We have no other relationship with or interests in Service IQ.

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 2014, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand.

BDO Wellington
14 May 2015
50 Customhouse Quay
Wellington
New Zealand



Service
SMARTER PEOPLE FOR
SMARTER BUSINESSES



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