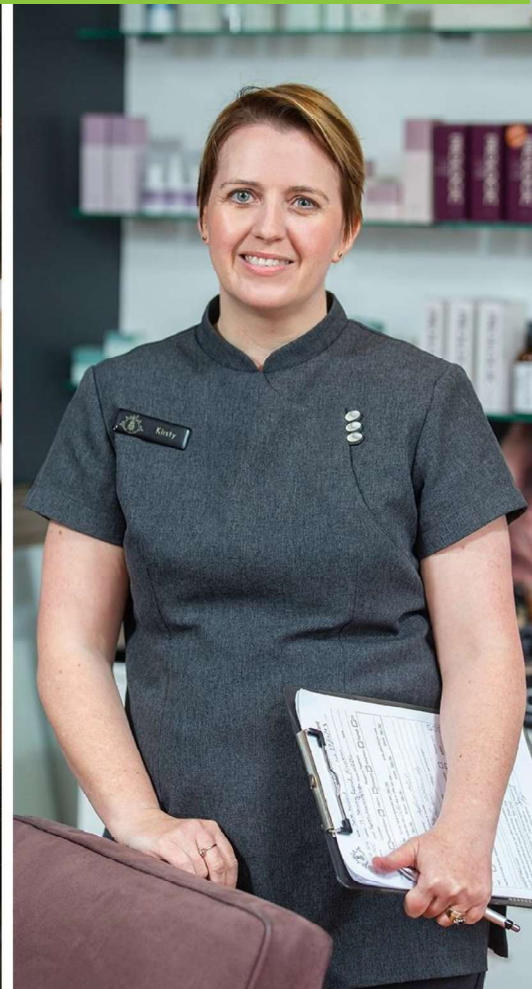




NZ Hair and Beauty Industry Training Organisation Inc.

# ANNUAL REPORT 2019



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## CHAIR'S REPORT

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While this report covers the 2019 time period, I will add in the COVID-19 response as it is so pertinent to the organisation and how industry has had to really batten down the hatches to survive.

In early 2019 the number of new trainee sign-ons and those continuing in training was high. Management had been doing a very good job attracting new talent and in understanding why terminations were still relatively high and what could be done to better control these. HITOs terminations, while in the lower range compared with other ITOs, were still of concern. After an intense period of focus on terminations, management and the Sales and Training Advisors were really getting these under control. The Board was very happy with the direction we were traveling in all three industries. Hairdressing apprentices were up,

Barber apprentices were growing significantly and we were very pleased when their new qualification was approved. Beauty was starting to sign trainees as beauty salon owners were becoming more confident in the apprenticeship concept.

Then the Minister of Education announced the Reform of Vocational Education (RoVE). All the previous statements by the Minister were that he thought the ITO sector was very effective and efficient and that our roles would be strengthened especially around industry leadership. We were stunned with the RoVE announcement, which was basically a death knell approach to ITOs, where their roles of qualification development and standard setting were to be transferred to six new bodies called Workforce Development Councils. Plus, all arranging, monitoring and assessing training was to be done through the new New Zealand Institute of Skills and Technology or other providers.

Despite the very short period allowed by the Minister for feedback on this new vocational education system, the industry responded strongly with feedback and petitions against the RoVE proposal to disestablish ITOs. The Minister was surprised at the vociferous feedback and noted it, but it was all to no avail and very little in the RoVE proposal changed.

This affected, not surprisingly, the industry who retrenched and new sign-ons dropped. Management have worked extremely well to maintain the level of sign-ons.

By the end of 2019 we were in a better place, the industry provided feedback to the Minister that being placed initially in the Services WDC was to be refuted. The fact that our industries are a real mix of “science and art” and that we are Creative industries was noted and acted upon. So for this to be reviewed and changed to the Creative sector brings some relief to us.

One of the sad aspects of RoVE changes is that as we will no longer be the qualification awarding organisation, a key requirement for IPSN, therefore we are not able to continue as a member. This is disappointing as we were a founding member of this international network.

Then at the beginning of 2020 a new threat was circling the world and in March when New Zealand closed its border and was put into Level 4 ‘shut down’ all hairdressing, barbering and beauty clinics were forced to close their doors. This situation is only now just changing

as we enter Level 2. We know many businesses will struggle to survive the lockdown and whilst no one wants to compromise health and safety I am sure everyone is delighted to be back to some sort of normal.

Making things more difficult for HITO is the RoVE changes are still being pushed through and we are now a Transitional Industry Training Organisation (TITO), which will remain in place until the end of 2022.

However, there may be some good news on the horizon as HITO is an independent charity (i.e. not government owned) which means we have other options for the future. At this AGM we are suggesting some small changes to our Constitution and this will allow us to still service our industries albeit in a different format. 100% Qualified, which is our vision, will continue to be our mantra.

My thanks go to Kay Nelson our CEO her management and staff in these difficult circumstances. She has remained positive throughout. Also, my thanks go to the HITO Board, we have held tight through this very difficult year and the start of 2020.

This AGM we will be voting for two new elected members, and a new employee representative. Amelia London (employee representative) is at the end of her term and we thank her for her excellent contribution.

Anne Millar who has been the Deputy Chair for the last 5 years and Board member for the last 9 years is now at the end of her term.

She has been an absolute stalwart for the hairdressing industry and the Board. Her experience, networks and dedication to the organisations has been really remarkable. She is passionate about the sustainability of the industry and has spent many of her weekends assessing trainees and really living the vision of HITO – 100% qualified. The Board, and especially I, thank her for her professionalism and support over this time.

A handwritten signature in black ink, appearing to read 'Flora Gilkison', with a stylized flourish at the end.

Flora Gilkison  
Board Chair

## CHIEF EXECUTIVE'S REPORT

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I continue to feel privileged to lead this organisation and support and engage with our vibrant and creative industries.

I am delighted to report that in 2019 we were able to maintain apprentice numbers after strong growth the previous year. To me, this indicates we are making progress on getting it right and working to ensure the hairdressing, barbering and beauty therapy industries are well-placed with a pipeline of skilled, qualified

professionals.

While the year started out very strong, we noticed a dip in business confidence in the second half of the year and our growth slowed. Despite this and the disruption caused by the Reform of Vocational Education, we did manage to increase apprentice continuing numbers across all three disciplines. Overall, we saw an increase in Hairdressing apprenticeship continuing learners over 2018 of approximately 6%, Beauty 23%, and Barbering 26%.

The industry trainee numbers were significantly lower, representing the decrease in Green Cross Health numbers following the pilot in the previous year.

Our strategy for Gateway was successful as we concentrated on fewer schools, 65 in 2019 compared with 85 in 2018, however resulting in a greater number of enrolments, 169 compared with 145 the previous year.

We conducted an Internal Evaluation and Review, a valuable exercise, where we received a report from an external consultant to identify and reflect on all the happenings in the organisation since the last NZQA External Evaluation and Review in 2015 and where to focus improvements. The formal External Evaluation and Review will take place in September 2020.

The upgrade of our learning management system was a major investment. We have moved to a cloud-based model which has a reduced upfront cost, reduced overheads and improved reliability. Staff underwent comprehensive training and are now appreciating the new features and functionality.

Our Learning and Development team developed the new barbering qualification for New Zealand. Based on feedback gathered from the industry, the qualification is shorter and includes a major focus on barbering skills. New apprentice training materials were created, including video demonstrations of key skills.

Training plans to support hairdressing and beauty therapy employers and apprentices were also developed. The distribution of our training materials was centralised, and assessment marking streamlined.

In response to industry feedback, we changed the way we offered Off-Job-Training for hairdressing and barbering with most apprentices now attending classes one day a week at a nearby provider.

An exciting development during July was the transition to work pilot in Christchurch with the Ministry of Social Development. This was a great experience for those learners selected and our industry employers were very supportive.

We maintained a line-up of successful events to support and celebrate our industries, including working with L'Oreal to offer apprentices an opportunity to help at New Zealand Fashion Week shows, another successful Industry Awards in collaboration with the New Zealand Association of Registered Hairdressers (NZARH) and Kitomba and our annual graduation ceremony.

Our excellent working relationship with industry associations the New Zealand Association of Registered Beauty Therapists (NZARBP) and New Zealand Association of Registered Hairdressers has been of great value this year and we are grateful for their role in informing their members about the education reform. We were proud to be the gold sponsor at NZARBP's New Zealand Beauty Awards and to sponsor the NZARH regional hairdressing and barbering competitions as well as partnering with them for the Industry Awards.

I am pleased to report the financial deficit in 2019 was substantially reduced from that in 2018 as many of the projects and investment in our three-year strategic change programme come to a conclusion.

I was humbled by the level of support for the organisation's work and for apprentice training in general during the RoVE consultation. Our industries were highly engaged – attending the 17 meetings we held around the country and making many submissions. Over 1,000 hairdressers signed a petition organised by NZARH. We tried to communicate the reform plans clearly and widely across the industries, employing video, social media and face-to-face channels. The Board Chair and myself presented our case to the select committee, along with the President of NZARH. The Minister however decided to go ahead with the reforms which will see the ITOs being disestablished in 2022, to be replaced by Workforce Development Councils and the new Polytechnic.

In October, HITO hosted an industry forum in Wellington with key industry stakeholders to gauge feedback on the best vocational pathway option in the newly proposed workforce development councils. After much discussion, it was decided that out of the six Workforce Development Councils being established, hairdressing, barbering and beauty therapy should be included in the Creative council.

Thank you to all of you who participated in the consultation around the reform and who offered support throughout the year. It is a privilege to work with passionate professionals dedicated to the future of their industries.

I consider myself very lucky to have such a professional, committed and supportive Board and wish to thank them the Chair for her mentoring.

I have an outstanding group of people working with me every day, the team at HITO are exceptional and work every day to support our vibrant and creative industries. I would like to officially record my thanks for their commitment over this challenging time.



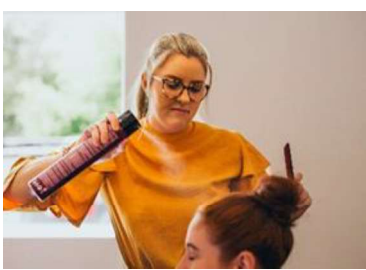
A handwritten signature in black ink, appearing to read 'Kay Nelson', with a stylized flourish at the end.

Kay Nelson  
Chief Executive



## HIGHLIGHTS

### Increase in apprentices\*

		
Barbering ↑ <b>26%</b>	Beauty ↑ <b>23%</b>	Hairdressing ↑ <b>6%</b>

\*Continuing Number of Learners, NZ Apprentice programme

### Qualified and proud

To support HITO's vision to see 100% of the hairdressing, beauty therapy and barbering industries 100% qualified, we launched a new programme to give professionals that have qualified with HITO the opportunity to show current and prospective clients that they have a trusted New Zealand qualification.

We produced 100% New Zealand Qualified pins for eligible professionals to wear and updated our certificate design to make it more appealing to display.

We also developed pins for HITO apprentice trainers, recognising their valued contribution to our industries, along with window stickers for salons employing apprentices.

The pins, certificates and window stickers were received positively, with many recipients sharing images on social media.

We introduced the programme with a social media campaign and print advertisements in local newspapers to recognise the contribution made by trainers and to encourage customers to see the window stickers and pins as a mark of quality.



## New barber qualification

A new barbering qualification for New Zealand was developed to better suit the industry's needs. Based on feedback gathered during the 2018 review of barbering qualifications, one Level 4 qualification replaced the two existing qualifications. An apprentice will now be able to complete the new qualification in two years. Accompanying training material was printed and new videos created to assist apprentices and trainers master key skills. The new qualification was officially launched at networking events early in 2020.



*A still from one of barbering skills videos*

## New Zealand Fashion Week

In partnership with L'Oreal, HITO was able to give 11 hairdressing apprentices from around the country the opportunity to work backstage at New Zealand Fashion Week. The apprentices joined L'Oreal's teams of stylists as they worked on looks for New Zealand designers' shows.



*Apprentices Ann Vosataki, Grace Wilkinson (right) and Jason Parker working backstage at New Zealand Fashion Week.*



## Welcome and guidance materials



Apprentices now receive a welcome pack on registration, containing a handbook outlining the programme and study aids. To improve our support for trainers, employers and apprentices, we introduced more comprehensive training plans that clearly outline the training journey. Yearly wallplanners have also been designed to help apprentices and their trainers keep track of progress towards qualification. Our Sales and Training Advisors use these materials to provide clearer expectations to apprentices in their training site visits.

## Ten years of The Industry Awards








Hosted by HITO, Kitomba and NZARH, these awards celebrate the best business, training and creative talent in New Zealand's hair, beauty and barbering industries. 2019 marked the 10th anniversary of The Industry Awards, and with 20 awards there was a lot to celebrate.

We received an unprecedented number of Apprentice of the Year entries and along with the four regional winners (Vienna Moore, Tee Tupara, Eilish Mooney and Grace Wilkinson), the judges chose to give a Special Mention to barber Ben Tuetue.

This year's awards took place at Te Papa Tongarewa in Wellington and despite the change in location all 300 tickets sold in the weeks preceding.

To create a year-round online buzz, we launched @industryawardsnz on Instagram, sharing pictures of the event, finalists, winning hairstyles and salon designs. The account has proved popular with our industries.

		
<p><i>Left to right: Vienna Moore, Southern Apprentice of the Year, Tee Tupara, Northern Central Apprentice of the Year and winner of the Jasmine McBeth Memorial Scholarship, Eilish Mooney, Central Apprentice of the Year and Ben Tuetue.</i></p>	<p><i>HITO CEO Kay Nelson with Grace Wilkinson, Northern Apprentice of the Year.</i></p>	
		
<p><i>Trainer of the Year Cathy Davys.</i></p>	<p><i>Kirsten Kennish, owner of Absolute Hair, Workplace of the Year.</i></p>	<p><i>Vienna Moore, Apprentice of the Year.</i></p>

## Celebrating success

HITO's annual graduation ceremony is a chance to celebrate the achievements of all those that qualified with HITO in the preceding year. Internationally-recognised hairdresser and MC Mana Dave said he had started at the same point as the graduates in the room – by getting qualified. He now owned two Auckland salons and had the opportunity to represent New Zealand on a world stage as a brand ambassador.

“Clients will tell you things they wouldn’t dare to confess to a priest and be open about matters they would try to conceal from others. Understand how your clients trust you and don’t lose that trust. Value your skills and put the correct price on them.”



This year's recipients of the Honorary Awards from the International Professional Standards Network (IPSN) were London-based hairdresser and educator Patrick Cameron, and David Shields, a huge contributor to training and mentoring in New Zealand.

Amelia London, hairdresser and barber at Spectra in Palmerston North, spoke on behalf of the graduates. Amelia started her hairdressing apprenticeship at the age of 15 and at 24 completed a second apprenticeship, in barbering.

"Apprenticeships give you fantastic experience in the working world and show employers that you can 'hit the ground running'."



*MC Mana Dave*



*Graduate barber Amelia London*



*2019 Graduates*

## Secondary schools

Our strategy for Gateway was successful as we concentrated on fewer schools, 65 in 2019 compared with 85 in 2018, however resulting in a greater number of enrolments, 169 compared with 145 the previous year.

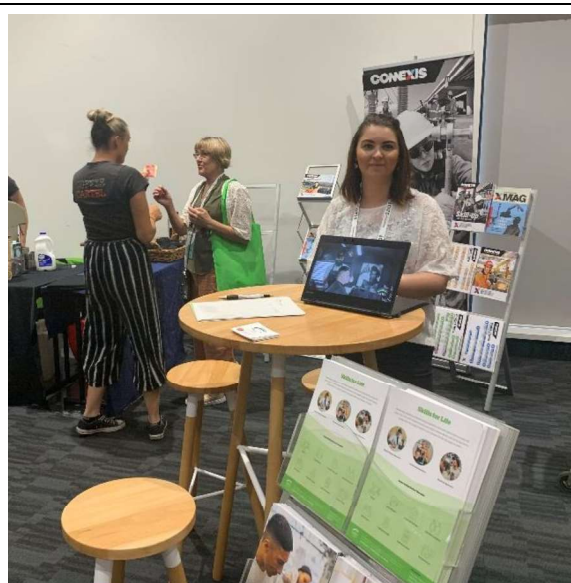
We attended the CATE conference in Napier with other ITOs under the Got a Trade branding. Although our presence was limited by display space, the conference was a valuable opportunity to gather feedback from Gateway Co-ordinators and promote our programmes and collateral to Careers Advisors.

HITO was part of a successful joint ITO bid to run regional speedmeets for employers and prospective employees in regions around the country in 2020.

Oliver George from Inglewood High School, a HITO Gateway Barbering student, was one of the recipients of the inaugural Prime Minister's Vocational Excellence Awards. Oliver completed his Gateway placement at King's Society Barbershop in New Plymouth and has put his \$2000 prize towards barber equipment.



*Gateway student Oliver George with trainer Jaide Whiteman.*



*Sales and Trainer Advisor Beth Davies at the CATE Conference.*

## Beauty therapy



Apprenticeship continues to become more popular as a form of beauty therapy training, with 2019 numbers up 23%. This year we focused on increasing the number of beauty therapists with a New Zealand qualification so they were able to take on apprentices. Following intensive mapping of the most common international qualifications, we offered those holding selected international qualifications a free New Zealand qualification if they took on an apprentice.

## Mana in Mahi

An exciting development during July was the transition to work pilot programme with the Ministry of Social Development. Twelve Christchurch job seekers were introduced to the hairdressing and barbering industries and spent 20 days working with local employers. This was a great experience for the learners selected and we are very grateful for the support from employers. Following on from the pilot, three learners went into HITO apprenticeships. A second pilot was held in Wellington in January 2020 and more programmes are planned.

## Qualification review

The three-year plan for the review of qualifications progressed well. This year, along with the review and development of the new barbering qualification, HITO also oversaw the review of the Hairdressing Salon Skills unit standards offered by some providers.

In our standard setting role, we moderated 36 training providers. Seven providers were lifted to best practice status, bringing the total number at that status to 18.

## Supporting industry bodies



*NZARH Next Generation winners clockwise from left: Teighan Robinson (left) and HITO Sales and Training Advisor Anne-Marie Wauchop, Corey McNicholl and HITO Sales and Training Advisor Billie Kaponga, Natalie Knox*

As sponsors of the NZARH Hairdressing and Barbering Competitions, we were proud to award the NZ Hairstylist of the Year Next Generation winners \$1000 towards their apprenticeship fees or professional development.

HITO was gold sponsor of the NZARBP (NZ Association of Beauty Professionals) awards. Along with presenting the Beauty Therapist of the Year, we used the opportunity to promote apprenticeships through displays at the venue.

We also sponsored the inaugural Behind the Cut barbering competition in Wellington. Our aim was to support activities for barbers to showcase their skills and further develop their own networking opportunities.



*NZARBP Therapist of the Year Ngiare Wade (right) of Mint Beauty, with owner Niki Gibbison.*



## Generating interest and awareness

We used the traditionally quieter winter months to promote apprenticeships to employers, offering the chance to win business coaching sessions to the value of \$3000.

In an incentive campaign in the last half of the year, new apprentices were offered \$250 worth of tools on sign-up and a further \$250 after three months in the job.

Employers taking on apprentices before Christmas were automatically entered into our Santa's Special promotion offering a prize of professional development for the whole team.

Thanks to a donation from the Auckland Association of Registered Hairdressers, twelve employers from the Auckland region received \$1000 towards the costs of employing their new apprentice. The surrounding campaign encouraging employers to invest in the future of their business proved very popular.





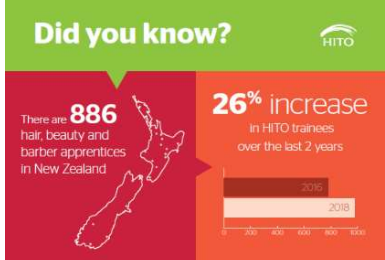
Promotional material from the Christmas and Apprentice Tools campaigns

## Hosts with the most

As hosts of the International Network of Professional Services (IPSN) AGM in Auckland, HITO welcomed representatives from Japan, Hong Kong, Korea and Australia. IPSN and HITO Board member Anne Millar attended the Board and Technical meetings along with Stakeholder Engagement Manager Debra Hawkins and HITO Board Chair Flora Gilkison. Our partner, L'Oréal, kindly donated use the L'Oréal Academy for the formal meetings. Delegates visited Manakau Institute of Technology, Maloney's Barbershop and heard from internationally-renowned New Zealand hairdresser Grant Bettjeman. In the spirit of Kiwi hospitality, they also dined in a New Zealand home.

## Having your say

We aimed to provide clear and timely communications to ensure everyone in the hairdressing, beauty therapy and barbering industries knew about the Government's Reform of Vocational Education and had the opportunity to participate in the consultation. We kept our messages factual and easy to understand and saw high engagement across all channels.

 <p><b>17 meetings</b> <b>400 + attendees</b></p>	 <p><b>1263 video views</b></p>	 <p><b>12 Facebook posts</b> <b>2735 engagements</b></p>
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## PERFORMANCE

### CONTINUING PROGRAMMES

**NZA = New Zealand Apprentice**

IT = Industry Trainee

NF = Non-Funded (not reported to TEC)

PROGRAMME	<b>NZA 2018</b>	<b>NZA 2019</b>	IT 2018	IT 2019	NF 2018	NF 2019	2018 TOTAL	2019 TOTAL
Hairdressing	<b>730</b>	<b>773</b>	45	11	19	7	794	791
Advanced Cutting			1	0	0	1	1	1
Barbering	<b>39</b>	<b>49</b>	8	4	13	4	60	57
Beauty Therapy L4	<b>43</b>	<b>53</b>		1	14	8	57	62
Makeup and SkinCare L3			76	14			76	14
Nail Technology L4					1	0	1	0
<b>TOTAL</b>	<b>812</b>	<b>875</b>	130	30	47	20	989	925

### QUALIFICATION COMPLETIONS

PROGRAMME	2018 COUNT	2019 COUNT
Hairdressing (Professional Stylist)	296	202
Hairdressing (Advanced Cutting)	2	0
Commercial Barbering	36	34
Beauty Services Level 3	1	1
Beauty Therapy Level 4	16	22
Nail Technology Level 4	5	2
Makeup and Skin Care Level 3	5	8
Business	4	N/A

**COMPLETED FINAL ASSESSMENTS**

UNIT STANDARD	2018 COUNT	2019 COUNT
2757	242	179
2759	216	113
10650	13	19

**GATEWAY SCHOOLS PARTICIPATION**

PROGRAMME	SCHOOLS 2018	SCHOOLS 2019	STUDENTS 2018	STUDENTS 2019
Hairdressing Year 1	46	N/A	90	N/A
Hairdressing Year 2	11	43	27	120
Beauty	13	12	16	37
Barbering	15	10	17	12

**LEARNER AGE RANGE**

AGE	2018 COUNT	2019 COUNT
15-19	213	212
20-24	413	425
25-29	155	139
30-34	32	68
35-39	51	38
40-44	25	19
45-49	15	11
50-54	19	9
55+	11	4

## GENDER COMPARISON

GENDER	2018 COUNT	2019 COUNT
Male	8.4%	9.1%
Female	91.5%	90.7%
Unspecified	0.1%	0.2%

## LEARNER ETHNICITY

ETHNICITY	2018 COUNT	2019 COUNT
NZ European	68.8%	71.9%
NZ Maori	13.3%	11.5%
Other	14.8%	13.7%
Pasifika	3.1%	2.9%

## 10 CREDIT ACHIEVEMENT

ACHIEVEMENT	2018 COUNT	2019 COUNT
Overall Percentage	80.14%	80.87%
Eligible Trainees	1309	1197
Eligible Trainees Achieved 10 Credits	1049	968

## APPRENTICE SIGN-ONS

PROGRAMME	2018 COUNT	2019 COUNT
Hairdressing	517	442
Barbering	37	44
Beauty Therapy	32	39



## INDUSTRY TRAINEE SIGN-ONS

PROGRAMME	2018 COUNT	2019 COUNT
Business (L3)	*	*
Nail Technology (L3)	*	0
Makeup and Skin Care (L3)	87	5
Hairdressing (Finals only)	24	*
QbyE - Hairdressing	49	27
QbyE - Barbering	18	6
QbyE - Beauty	4	2
Advanced Cutting (L5)	3	0

\* = Programme not available in year stated

# FINANCIAL STATEMENTS

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**FOR THE YEAR ENDING 31 DECEMBER 2019**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF NEW ZEALAND HAIR AND BEAUTY TRAINING ORGANISATION INC**

**Opinion**

We have audited the financial statements of New Zealand Hair and Beauty Training Organisation ("the Society"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2019, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Society in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

**Emphasis of Matter - COVID-19**

Without modifying our opinion, we draw attention to the disclosures in Note 17 to the financial statements, which outlines the possible effects to the Society as a result of the COVID-19 pandemic. It is difficult to determine the full effect of it on the Society at this time.

**Directors' Responsibilities for the Financial Statements**

The directors are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Society for assessing the Society'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 Society or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these 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 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 Society'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 Society'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 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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Society'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 the Society and the Society'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  
11 May 2020

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2019**

<b><u>REVENUE</u></b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Revenue	2	4,056,378	4,229,794
Cost of Goods Sold	3	(109,790)	(89,494)
Gross Surplus		3,946,588	4,140,300
Other Income	4	129,414	177,888
<b><u>EXPENDITURE</u></b>			
Administration	5	3,284,040	3,548,500
Course Development	6	332,853	494,995
Promotion	7	146,483	464,888
Provision of training services	8	981,690	1,463,193
<b><u>TOTAL EXPENDITURE</u></b>		<b>4,745,066</b>	<b>5,971,576</b>
<b>NET OPERATING SURPLUS</b>		<b>(669,064)</b>	<b>(1,653,388)</b>

These Statements are to be read in conjunction with the notes on pages 8 to 14



**STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

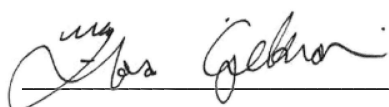
	<b>Note</b>	<b>2019</b>	<b>2018</b>
Equity At Start of Period		5,224,461	6,877,850
Net Operating Surplus After Tax		(669,064)	(1,653,388)
<b><u>EQUITY AT END OF PERIOD</u></b>		<b><u>4,555,397</u></b>	<b><u>5,224,461</u></b>

These Statements are to be read in conjunction with the notes on pages 8 to 14

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

<b>EQUITY</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Equity		<u><b>4,555,397</b></u>	<u><b>5,224,461</b></u>
<b><u>CURRENT ASSETS</u></b>			
Accounts Receivable	9	321,210	204,572
Stock on Hand	10	14,608	11,871
Work in Progress		18,402	0
Prepayments		67,490	45,129
GST Refund		0	0
Cash & Cash Equivalents	11	783,705	160,668
Investments		<u>3,407,279</u>	<u>4,391,069</u>
		4,612,694	4,813,309
<b><u>NON CURRENT ASSETS</u></b>			
Fixed Assets	12	188,230	257,528
Intangible Assets	13	<u>464,771</u>	<u>571,931</u>
		653,001	829,459
<b><u>TOTAL ASSETS</u></b>		<b>5,265,696</b>	<b>5,642,769</b>
<b><u>CURRENT LIABILITIES</u></b>			
Apprentice Fees Received in Advance		272,988	32,638
Accounts Payable and Accruals	14	324,857	368,508
GST Payable		40,773	5,997
TEC Liability	2.a	<u>71,682</u>	<u>11,165</u>
		710,299	418,308
<b><u>TOTAL LIABILITIES</u></b>		<b>710,299</b>	<b>418,308</b>
<b><u>NET ASSETS</u></b>		<u><b>4,555,397</b></u>	<u><b>5,224,461</b></u>

For and on behalf of the Executive Board



Flora Gilkison  
Chairperson  
11 MAY 2020



Kay Nelson  
Chief Executive Officer  
11 MAY 2020

These Statements are to be read in conjunction with the notes on pages 8 to 14

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
<b>Cash flows from operating activities</b>		
Operating revenue	4,187,571	4,317,503
Interest received	121,933	176,547
Payments to suppliers and employees	(4,655,167)	(6,053,488)
GST (paid)/received	34,776	18,896
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(310,887)</b>	<b>(1,540,542)</b>
<b>Cash flows from investing activities</b>		
Investments	983,790	888,300
Purchase of Fixed Assets	(3,328)	(72,715)
Purchase of intangible assets	(46,538)	(305,814)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>933,924</b>	<b>509,772</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>623,037</b>	<b>(1,030,771)</b>
Cash and cash equivalents at the beginning of the period	160,668	1,191,439
<b>Cash and cash equivalent at end of the year</b>	<b>783,705</b>	<b>160,668</b>

These Statements are to be read in conjunction with the notes on pages 8 to 14

**NOTES TO THE FINANCIAL STATEMENTS**

**1 STATEMENT OF ACCOUNTING POLICIES**

These statements have been prepared in accordance with the Incorporated Societies Act 1908 and the Financial Reporting Act 1993.

**A. REPORTING ENTITY**

New Zealand Hair and Beauty Industry Training Organisation Inc (HITO) is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

**B. PARTICULAR ACCOUNTING POLICIES**

**Statement of Compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("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.

New Zealand Hair and Beauty Industry Training Organisation Inc ("HITO") qualifies as a Tier 2 reporting entity for the current and prior periods it has had between \$2m and \$30m operating expenditure.

These financial statements were authorised for issue by the Board on 18 May 2020

The financial statements are prepared on the assumption HITO will continue to operate in the foreseeable future.

**Measurement Basis**

The financial statements have been prepared on a Historical cost basis using accrual accounting.

**Functional & Presentational Currency**

The financial statements are presented in New Zealand dollars (\$) which is the entity's functional currency, and have been rounded to the nearest whole dollar.

**Taxation**

HITO registered as a Charitable Trust in June 2008, Taxation Provision was only provided up to this period. There is no tax provision for the 2019 year.

**Goods and Service Tax**

The Financial Statements are stated exclusive of Goods and Service Tax except for Accounts Receivable and Accounts Payable which have been stated inclusive of Goods and Services Tax.

**Changes to Accounting Policies**

There has been no change in accounting policy for HITO.

**Investments Accounting Policy**

Investments comprise bank term deposits for periods exceeding three months and are initially measured on the amount invested. Interest is subsequently accrued and recognised as Interest Income.

Term deposits are recognised at amortised cost using the effective interest method less impairment. Term deposits with original maturities of three months or less are readily transferable to cash, and are therefore recognised as Cash and Cash Equivalents.

**Changes to 2018 Comparatives**

The value of investments in 2018 have been recategorised for comparison to the 2019 balances.

**2 REVENUE***Revenue is comprised of the following:*

	2019	2018
HITO Trainee Fees	1,121,199	1,110,969
NZARH / Regional Associations	0	18,100
Workshops	0	0
Corrections Revenue	0	10,000
Other Government Revenue	16,040	0
Industry Development Recovery	10,735	109,542
Moderation Recovery	74,999	116,136
Project Funding	0	20,000
Tertiary Education Commission Funding (2a)	2,766,978	2,785,666
Publication Sales	3,276	4,484
Gateway Income	63,152	54,898
	<u>4,056,378</u>	<u>4,229,794</u>

**(2a) Tertiary Education Commission Funding**

Funding Received	2,838,659	2,796,831
Overpaid Funding to be returned (accrued liability)	(71,682)	(11,165)
Recognised Income	<u>2,766,978</u>	<u>2,785,666</u>

The TEC funding recovery has been accrued in line with the information available from TEC.

**REVENUE ACCOUNTING POLICIES**

Revenue is recognised when the amount of revenue can be measure reliably and it is probable that economic benefits will flow to HITO, and measured at the fair value of consideration received or receivable.

The following specific recognition criteria in relation to the HITO's revenue streams must also be met before revenue is recognised.

***Revenue from exchange transactions*****Publication Sales**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

**Moderation Recovery**

Moderation recoveries are based on a per credit achievement rate with NZQA. Recoveries are received quarterly in arrears based on the credits registered with NZQA.

***Revenue from non-exchange transactions*****Tertiary Education Commission (TEC) Funding**

HITO has a contract with TEC which stipulates conditions around the provision of training services to apprentices and trainees. HITO recognises income when the income has been received and those conditions are met. A liability is recognised when the income has been received but there are conditions of the funding which remain unmet as at balance date. The value of the obligation is based on the funding recovery advised by the TEC.

**Other Non-Exchange Revenue**

Other revenue streams such as HITO trainee fees and industry development recovery are considered non-exchange as the service delivery is either subsidised by the TEC funding or fair value of the service provided to the end user cannot be readily established. Income from other non-exchange revenue sources is recognised when the underlying activity to which it is generated from has been performed.

**3 COST OF SALES***Cost of Sales is comprised of the following:*

	2019	2018
Publications	101,112	72,752
Gateway	8,678	16,742
	<u>109,790</u>	<u>89,494</u>



**4 OTHER INCOME**

	2019	2018
<i>Other Income is comprised of the following:</i>		
Interest - National & Regional Offices	121,933	176,547
Management, Business & Advanced Qualifications	0	1,330
Sundry Income	7,481	10
	<u>129,414</u>	<u>177,888</u>

**OTHER INCOME ACCOUNTING POLICIES**Interest Revenue

Interest is recognised on an accrual basis as earned, using the effective interest method.

**5 ADMINISTRATION EXPENSE**

	2019	2018
<i>Administration is comprised of the following:</i>		
Membership Expenses	0	591
Bad Debts Provision/Written Off	11,658	10,250
Accounting, Audit, & Legal Expenses	23,269	18,430
Amortisation, Depreciation, & Loss on Asset Disposal (12) & (13)	226,324	186,855
IT Expenses	298,594	99,941
General Meeting Costs	26,176	40,479
ITO Federation Subscription	23,138	26,599
Travel & Accommodation	77,507	135,253
Board Meetings & Honoraria	100,888	105,056
Office Expenses	365,171	339,740
Staff Costs	1,989,868	2,416,408
Vehicle Expenses	141,447	168,899
	<u>3,284,040</u>	<u>3,548,500</u>

**6 COURSE DEVELOPMENT**

	2019	2018
<i>Course Development is comprised of the following:</i>		
Industry Development	55,419	95,015
Project Spend	274,365	371,232
Qualification Advisory Committee/Regional Meetings	3,069	28,748
	<u>332,853</u>	<u>494,995</u>

**7 PROMOTION**

	2019	2018
<i>Promotion is comprised of the following:</i>		
Advertising/Marketing	146,483	462,208
Advertising White Pages	0	2,680
	<u>146,483</u>	<u>464,888</u>

**8 PROVISION OF TRAINING SERVICES**

	2019	2018
<i>Provision of Training Services is comprised of the following:</i>		
Seminar/Workshop Expenses	7,169	15,280
Assessment Expenses	122,951	126,281
Off Job Training Paid	655,014	1,019,039
Board & Travel Subsidy	32,494	149,374
National Certificate Costs	11,200	6,163
Accreditation/Credit Fees	108,703	115,462
Moderation Expenses	44,159	31,595
	<u>981,690</u>	<u>1,463,193</u>

**9 ACCOUNTS RECEIVABLE**

*Accounts Receivable is comprised of the following:*

	2019	2018
Accounts receivable from customers - exchange transactions	337,141	242,280
Allowance for Doubtful Debts	(15,931)	(37,708)
	<u>321,210</u>	<u>204,572</u>

**ACCOUNTS RECEIVABLE ACCOUNTING POLICY**

Accounts receivable are valued at expected realisable value. HITO has a policy of provisioning for bad debt. In 2019, the bad debt provision was based on the expected likelihood of recovering specific debts.

**10 STOCK IN HAND ACCOUNTING POLICY**

Stocks are valued at the average cost on a FIFO basis or net realisable after due allowance for damaged or obsolete stock.

**11 CASH & CASH EQUIVALENTS**

*Cash & Cash Equivalents is comprised of the following:*

	2019	2018
Current Account	174,132	57,921
Call Account	609,574	102,747
	<u>783,705</u>	<u>160,668</u>
Bank Term Deposits	<u>3,407,279</u>	<u>4,391,069</u>

There are no restrictions over any of the cash and cash equivalent balances held by HITO.

**12 FIXED ASSETS**

*Fixed Assets are comprised of the following:*

Cost	Furniture & Fixtures	Computer Hardware	Leasehold Improvements	Office Equipment	Total
Opening	59,584	210,904	178,042	23,172	471,703
Additions	0	1,343	1,985	0	3,328
Disposals	0	204	0	0	204
Closing	<u>59,584</u>	<u>212,043</u>	<u>180,027</u>	<u>23,172</u>	<u>474,827</u>
<u>Accumulated Depreciation</u>					
Opening	26,429	146,258	21,844	19,644	214,175
Depreciation	4,670	53,751	13,991	10	72,422
Disposals Depreciation write-back	0	0	0	0	0
Closing	<u>31,099</u>	<u>200,009</u>	<u>35,834</u>	<u>19,655</u>	<u>286,597</u>
Net Book Value 2019	<u>28,485</u>	<u>12,034</u>	<u>144,193</u>	<u>3,518</u>	<u>188,230</u>
Net Book Value 2018	33,155	64,646	156,199	3,528	257,528
Net Book Value 2017	37,281	73,832	170,086	3,868	285,067

**FIXED ASSETS ACCOUNTING POLICIES**

Fixed Assets are recorded at cost less depreciation to date.

All fixed assets are depreciated over their expected useful lives using the straight line method of depreciation.

The HITO board test for impairment and reassess the useful lives when deemed necessary.

The Depreciation Rates used are as follow:

Furniture & Fixtures	10.5 – 30%
Office Equipment	0 – 36%
Computer Hardware	48%
Leasehold Improvements	7.8%

**13 INTANGIBLE ASSETS**

*Intangible Assets are comprised of the following:*

<u>Cost</u>	Computer Software	Training resources	Total
Opening	141,132	730,161	871,294
Additions	46,538	0	46,538
Disposals	0	0	0
Closing	187,670	730,161	917,831
<u>Accumulated Depreciation</u>			
Opening	61,226	238,137	299,363
Amortisation	23,718	129,980	153,698
Disposals Amortisation write-back	0	0	0
Closing	84,944	368,117	453,061
Net Book Value 2019	102,726	362,045	464,771
Net Book Value 2018	79,906	492,025	571,931
Net Book Value 2017	0	353,086	353,086

**INTANGIBLE ASSETS ACCOUNTING POLICIES**

Intangible Assets are recorded at cost less accumulated amortisation. Only intangible assets over \$500 are capitalised.

Amortisation is recognised in the profit and loss on a straight line basis.

The HITO board test for impairment and reassess the useful lives when deemed necessary.

The amortisation rates used are as follows:

Training Resources	15 – 20%
Computer Software	20 – 48%

**14 ACCOUNTS PAYABLE AND ACCRUALS**

	2019	2018
<i>Accounts Payable and Accruals is comprised of the following:</i>		
Accounts payables from exchange transactions	99,900	174,257
Credit Cards	9,392	8,474
Accruals	103,630	108,096
Holiday Accrual Provision	52,152	77,680
Promotions Provisions	59,782	0
	324,857	368,508

**15 OPERATING LEASE COMMITMENTS**

	2019	2018
The future non-cancellable minimum lease payments of operating leases as lessee at reporting date are detailed in the table below:		
Less than one year	210,794	220,086
Between one and five years	185,169	320,927
Greater than 5 years	0	0
	395,963	541,013

Leases entered into are for vehicles and office spaces.

Lease cost for 2019 totalled: \$245,289.

**16 COMMITMENTS AND CONTINGENCIES**

There are no capital commitments or contingent liabilities at balance date (2018: NIL)

**17 SUBSEQUENT EVENTS****Going Concern**

These financial statements have been prepared based on management's and the Board's assessment that HITO is a going concern. It is noted that there are currently no plans to liquidate or cease the business, and after carefully considering the impacts of COVID-19 on HITO's current and future operations as discussed below, we believe there are no material uncertainties which cast doubt upon the ability of HITO to continue to operate as a going concern for the foreseeable future.

HITO Board has agreed to continuing the organisation indefinitely, first supporting employers under the transitional ITO funding agreement from TEC and then looking into other options depending on timing of changes.

**Reform of Vocational Education**

On 24 February 2020 the Education (Vocational Education and Training Reform) Amendment Bill received Royal assent. The amended Education Act repeals the Industry Training and Apprenticeships Act 1992 and establishes a new regulatory framework for vocational education and training, enables Workforce Development Councils to be established and provides transitional arrangements to enable a smooth transfer of functions and responsibilities from the current to the new system. The current government timeline for transitional plans allow for HITO to continue with the arrangement of training until 2022. There will be no significant change to operations in 2020.

Based on the dates for changes to the operating model, these financial statements have been prepared on a going concern basis.

**COVID-19**

At the reporting date a number of cases of a new virus, COVID-19 (which is also known as Coronavirus), had been reported in the Wuhan province of China. The Society does not source products from, or sell products to, Wuhan province, and does not have any other exposure to Wuhan province. Consequently, the financial statements for the current period are not impacted by COVID-19.

Subsequent to the reporting date, COVID-19 was declared a pandemic by the World Health Organization. The result of this pandemic has been a substantial reduction in economic activity throughout the world.

In March 2020, New Zealand was entered into a government-imposed lockdown. The COVID-19 compulsory shut down will have some impact on our business, however risk mitigation strategies have been put in place to offset the key potential impacts. Our staff continue to work from home, our Government funding has been confirmed as continuing, much of our learner payments are protected by the employer wage subsidy, and our risk of apprenticeship terminations has been mitigated by our internal arrangements to defer receipt of some apprenticeship payments.

We have considered a scenario of reduced apprenticeship sign-ons and renewals in the short term and calculated the effect on our accounts. We estimate a possible income loss against the 2020 budget of \$346,000 but this will be offset by some reduction in expenses. HITO has sufficient reserves to cover this potential net loss.

No events subsequent to balance date have materially impacted the accuracy of these financial statements.

**18 RELATED PARTY DISCLOSURES****Key Management Personnel Remuneration**

Members of the senior management team and the CEO are classified as key management personnel. The aggregate level of remuneration paid to key management personnel and the full-time equivalent number of personnel is presented below:

	2019	2018
Remuneration	506,538	688,596
Number of FTEs	3	4.8

**Other related party disclosures**

A Millar (Board member) is also an Industry Assessor.

Peter Wells (Board member) is also an Industry Assessor.

**19 INDUSTRY CONTRIBUTION**

TEC requires the amount of industry contribution calculated according to TEC guidelines to be disclosed in the notes to the financial statements. This can include both monies received by HITO and payments by industry in pursuit of the achievement of HITO's qualifications. The Industry Contribution received includes \$372,939 of fees free funding from the TEC.

	2019	2018
Industry contribution received by HITO and recorded in audited accounts	1,136,948	1,241,383
	<u>1,136,948</u>	<u>1,241,383</u>

**20 FINANCIAL INSTRUMENTS**

All financial assets are classified as loans or receivables for financial measurement purposes.

These are:

	Financial Assets at amortised cost		Financial Liabilities at amortised cost	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash and cash equivalents	783,705	160,668	-	-
Bank term deposits	3,407,279	4,391,069	-	-
Receivables	321,210	204,572	-	-
Trade Payables	-	-	219,643	279,863
TEC Liability	-	-	71,682	11,165
Apprentice Fees Received in Advance	-	-	272,988	32,638

## COMPANY INFORMATION

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