



NZ Hair and Beauty Industry Training Organisation Inc.

# ANNUAL REPORT 2020



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## CHAIR'S REPORT

*"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair."*

The year of 2020 can be best summed up by Charles Dickens in a Tale of Two Cities. HITO in 2020 was a Tale of Two Events, COVID and RoVE implementation, coupled with the extraordinary embrace our industries gave towards training where we have had record sign ons in all areas. The number of apprentices reached record heights. Financially we had a real year of growth.

2020 has been an extraordinarily busy year for HITO. We implemented plans for significant improvements to our qualifications with the review of Hairdressing started. New apprentice sign ons were at record levels making our management team develop new streamlined processes to support this growth and development. All the while quality has been our mantra and this meant high demands on our learners, our employers, our trainers, and our quality focused staff.

The first half of 2020 was dominated by the COVID-19 global pandemic, which affected all New Zealand, especially our industries and HITO. Working from home became for a while the new normal but we were acutely aware the pain our industries were going through, where they were forcibly stopped from earning a living. History will tell us the rights and wrongs of the decisions, but when you are at the start of an unforeseen pandemic the best decision is to stay home and protect yourself.

I am very grateful to the Board and the management team especially Kay Nelson our CEO for leading the organisation through this and being so responsive to our industries' needs. By the end of June, as some of New Zealand re-emerged and we moved down the alert levels, the demands of the RoVE team intensified – requests for new information and meetings, and yet more new information and even more meetings dominated the year. This put an extraordinary stress on management as we are a small ITO with a lean team.

The new Education Act went through in April 2020 and forecasts huge change for apprenticeship training. ITOs became Transitional ITOs from 1 April 2020.

The Act determines that between April 2020 and December 2022 the coverage and role of transitional ITOs will be transferred to Workforce Development Councils (WDC) and other education organisations, including the NZ Institute of Skills Technology (now called Te Pūkenga). Over this period

WDCs will be established. WDCs will set standards and be responsible for qualifications for the industries that they are responsible for, as well as work with the related industries and sectors.

Tertiary education organisations, including Te Pūkenga and its subsidiaries, will take over the administration and support of workplace learning from transitional ITOs.

The announcement that the Workforce Development Council (WDC) that Hair, Barbering and Beauty would be transferred into was the Creative Cultural Recreation and Technology WDC was received with gratification. However, it was alarming when the new Interim Establishment Board (IEB) was announced that there was no representation for our industries. On inquiry by our CEO, we were told that this wasn't of necessity a representative board. I'm afraid this was not a sufficient answer for me. A call to the CEO of TEC to strongly voice our concerns resulted in a change of mind. We were very thankful this occurred. Niq James representing our industries through the New Zealand Association of Registered Hairdressers, and who had applied to be on the Board supported by us, was appointed to redress this decision. Niq has been working hard to represent the industries on the IEB and we are grateful for his work.

In conjunction with coming to terms with these changes which our industry did not support, coupled with the intensity of demand for in depth data and analysis plus more meetings from the Government representatives our staff have also been dealing with concerns raised by industry. Responding to industry questions, dealing with the pandemic and still managing to sign on more apprentices than has been seen for many many years has been astounding and outstanding.

The financial side of the business has been booming with a very good financial result for year end. The Auditors gave us a clean record and a surplus of \$684,251.00 was achieved. This was the turn around the change programme implemented by the Board was hoping for. The Board and I are so proud to say that every staff member has served everyone very well. They have been always professional and positive in their manner, ably lead by their CEO Kay Nelson and her management team.

The future is spelt out in the new Act, HITO as we know it will change, what to we are not sure as yet. Rest assured everything is being done to comply with the objects in our Constitution, abide by our legislative obligations and work to support quality training and assessment to ensure the sustainability of our apprentices and industries.

We have a great team, committed Board members and supportive staff and I look forward to working through the changes of the next year.

I sincerely thank the Board and all our staff for their commitment and professionalism.



A handwritten signature in black ink, appearing to read 'Flora Gilkison'.

Dr Flora Gilkison  
Independent Chair

## CHIEF EXECUTIVE'S REPORT

2020 certainly wasn't the year any of us expected or could have planned for! Reflecting on the year, there were no doubt huge challenges, but also numerous highlights.

The strength, resilience, teamwork and bravery displayed by HITO staff and industry members right across the country was something we can all be proud of.

Industry members pivoted from uncertainty and fear about the impact of COVID-19 to ensuring their clients and staff were safe and looked after, again reminding me what an awesome industry this is to work in. My own staff went from a full office environment to their makeshift home offices with all functions fully operational within 24 hours – a testament to their commitment to HITO and our industries. Our apprentices were practising on plants, taking part in interactive online learning and attending online meetings, a complete contrast to what they were used to and amazing to see.

Another interesting result of COVID was the huge increase in public awareness of our industries and the positive impact our industry members have on people's lives.

Well done everyone!! Well done indeed, I am so proud to lead this organisation and to support all the amazing professionals that work in hairdressing, beauty therapy and barbering.

As the second half of the year arrived and we returned to some sort of normal, we were always going to be chasing to catch up with the plans we had in place for 2020.

The announcement of free fees for all apprentices in July 2020 was a welcome boost to our learners. We are very pleased it removes barriers to gaining a qualification in hairdressing, barbering or beauty therapy.

The following month a fund was announced to help employers support their apprentices in their training and employment and for HITO, this led to an increase in apprentice numbers. We are delighted with the uptake of apprenticeship training across all our industries. For the first time in more than five years, HITO exceeded the targeted number of apprentices and trainees, which of course is fantastic news for everyone as we need more qualified people in our industries. We know qualifications help with confidence, succession planning and productivity levels and are a win/win for employer and apprentice alike.

I would like to acknowledge the efforts of the New Zealand Association of Registered Hairdressers who launched a website listing qualified, registered hairdressers and barbers. This, along with our 100% Qualified pins, provides reassurance to customers in an unregulated environment.

The future is also looking bright for our secondary school Gateway programmes. We worked quickly to adjust materials to provide everything in a digital form and modified our programmes to provide theory-only options to introduce students to our industries. These had a good uptake, and we are confident this is a worthwhile option for converting people to the industry after secondary school.

Our partnership with the Department of Corrections came to fruition and the first hairdressing programme was delivered at Christchurch Women's Prison. We continued to work with the Ministry of Social Development offering Mana in Mahi transition to work programmes in Christchurch and Wellington. Elements of these programmes were incorporated into the Introduction to Hairdressing pathway programme designed for workers displaced by COVID-19.

Quality assurance was also an important focus for HITO in 2020. In September we underwent our NZQA External Evaluation and Review of our quality systems internally and externally and I am delighted to report HITO was awarded Category One status by NZQA's Review Team. This reflects the past five years of continuous improvement across the organisation and puts us at the top level of tertiary education organisations.

The reviewers commented that HITO qualifications are valued by employers, and ensure apprentices develop the relevant skills, achieve their goals, and contribute to a qualified workforce. They noted the organisation's connections and engagement with industry, and the internal feeling of "family" which is something I am particularly proud of.

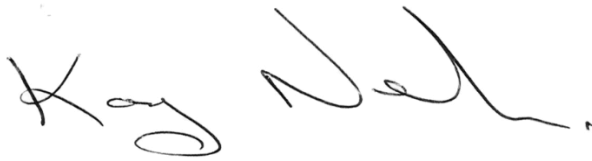
We went on the road to consult with our members and the wider industry for the review of the hairdressing qualifications. The qualifications are only reviewed every five years and we have fielded numerous requests over the years to make changes. We were excited to get such great input from all parts of the country, thank you very much. The new qualifications were approved by NZQA at the end of the year, and we now embark on the review of the individual unit standards.

We are still working through the processes of the Reform of Vocational Education for both our standard-setting role and the arrangement of apprenticeship training. Please be assured our priority is securing the best possible outcome for employers and apprentices.

After a very challenging year for all of us, it was a joy to see so many people celebrating at our Graduation and Industry Awards in November. When I spoke to the Parliamentary Epidemic Response Committee, I said our strong, brave, smart and hardworking industry members would bounce back and help to lead the recovery. This proved to be true, and I feel enormously privileged to support and engage with such resilient professionals.

The entire team at HITO has embraced the challenges and changes of 2020, including the exponential growth of apprentices, I wish to thank all the HITO team for their tireless work.

I am also very grateful to my representative Board and Independent Chair for the support and advice in an unprecedented challenging year.



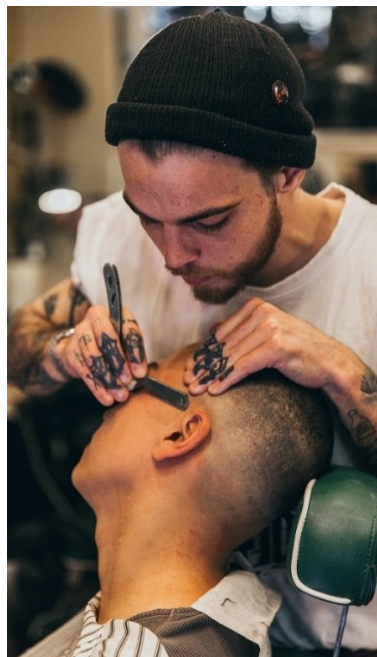
Kay Nelson  
Chief Executive



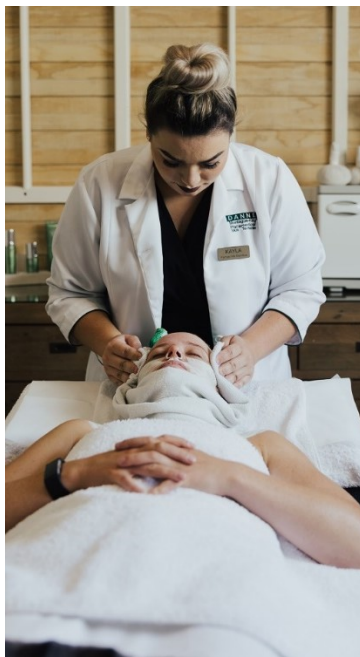
*Left to right: Billie Kaponga, Beth Davies, Amber Linton (HITO Sales and Training Advisors), Kay Nelson, Debra Hawkins (GM Stakeholder Engagement), Anne-Marie Wauchop, Kylie Dalley, Bronwen Piddington (Sales and Training Advisors).*

## HIGHLIGHTS

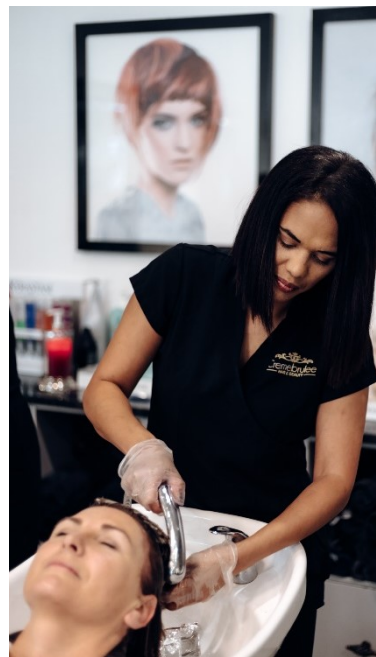
### Increase in apprentices\*



**Barbering**  
**76%**



**Beauty Therapy**  
**55%**



**Hairdressing**  
**47%**

The number of HITO apprentices increased across all sectors, particularly in the second half of the year as a result of the Government's Apprentice Boost and Fees Free funding packages.

*\*Continuing Number of Learners, NZ Apprentice Programme*

### Organisational Excellence

In NZQA's regular External Evaluation and Review, HITO was deemed to be a Category One provider, Highly Confident in organisational performance and Confident in self-assessment. The reviewers said HITO consulted widely to support its industries with relevant standards and qualifications, meeting their skills development and credentialing needs well.

*"Qualifications are valued by employers, and ensure apprentices develop the relevant skills, achieve their goals, and contribute to a qualified workforce."*

*"Industry engagement and connectivity contribute to effective self-assessment throughout the organisation."*

*"Understanding stakeholders well, and being supported by industry, has created an environment of mutual respect."*

Quotes from NZQA's External Evaluation and Review Report 2021



## Beers 'n' Banter

Barbers from across the country gathered to talk shop at our three networking events held to introduce the new barbering qualification. All Blacks legend Buck Shelford helped us launch the new barbering qualification and spoke about the importance of men's health.



*Beers 'n' Banter barber network event in Auckland*

## Hair4Change

In partnership with Corrections, HITO developed a new hairdressing programme for Christchurch Women's Prison. The trainees undertake practical and theory training five days a week for 12 weeks at the onsite salon, Hair 4 Change. Course tutor Penny Hawker said the women learn basic hairdressing skills and also develop their self-esteem and confidence to converse with others. "They build confidence and develop the softer skills of hairdressing; learning how to talk with customers, choose appropriate topics to discuss, being aware of customer's body language, and also the personal presentation and expectations of a salon assistant."



*HITO Board Member Jacqui Victor (left) with a trainee.*

## **Hair Qualification Review**

HITO reviewed New Zealand's hairdressing qualifications to ensure they were fit for purpose, met the needs of industry and encompassed future skills requirements. We held a nationwide series of review workshops with industry and provider representatives. Proposed changes were circulated online for further feedback.

Early in 2021, the suite of qualifications were approved by NZQA. HITO will develop the specific unit standards that make up the qualifications and present them for consultation. The main changes include removing the Emerging Stylist qualification, adding cutting skills to the Level 3 Certificate in Hairdressing, reducing the number of credits in the Level 4 Certificate in Hairdressing (Professional Stylist) and the updating general conditions across all qualifications to reflect current industry expectations. For more details, see the NZQA website.

HITO will form the unit standards that make up the qualifications in 2021, incorporating feedback gathered during the review.



*A qualification review workshop in Auckland*

## **Introduction to Hair**

In response to a request from the Ministry of Social Development, HITO designed a four-week online programme to introduce jobseekers to hairdressing. We were delighted to provide workers displaced by COVID-19 the opportunity to learn about the industry.

The programme incorporated many of the elements of the successful Mana in Mahi transition-to-work programmes HITO had previously run with the Ministry of Social Development.

Participants learned about different aspects of hairdressing, career opportunities, how a salon operates and employers' expectations. They developed communication and presentation skills and met hairdressers at different stages of their careers.

## **Lifetime achievement**

Auckland hairdressers Anne and Phillip Millar were presented with a Lifetime Achievement Award at HITO's Graduation ceremony. Anne and Phillip have trained many apprentices in their Auckland salon Headquarters and assessed hundreds of apprentices' final assessments. Anne has also served on HITO's board and is currently New Zealand's representative on the International Professional Standards Network.

Thank you, Anne and Phillip for your huge contribution to the hairdressing industry!



*Phillip and Anne Millar with HITO Board Chair Flora Gilkison*

## **Maintaining industry standards**

Following an increase in apprentice numbers, we undertook a recruitment drive to attract experienced beauty therapists, barbers and hairdressers to our team of assessors. Assessors conduct practical assessments and ensure graduates are up to industry standard.

We designed a new induction process and training sessions to ensure consistent assessment across regions. A Facebook group was developed for assessors to pass on tips.

We also expanded our team of markers to ensure efficient processing of theory assessments.

## **A year to celebrate**

There was much to celebrate at the 2020 Industry Awards ceremony in Auckland in November, not least the ability to get together. The awards were the largest yet, with over 300 hairdressers, beauty therapists and barbers attending.

Trainer of the Year Diana Beaufort said she felt blessed to be part of the industry and acknowledged the support she received from industry bodies, suppliers and other salons.

“I am constantly awed by the level of resilience salon owners show, and never more than now.”

For the first time, HITO awarded an Apprentice of the Year in hairdressing, barbering and beauty therapy. We also introduced an award for Industry Assessor of the Year.



*Mercy Barrett, Hairdressing Apprentice of the Year*



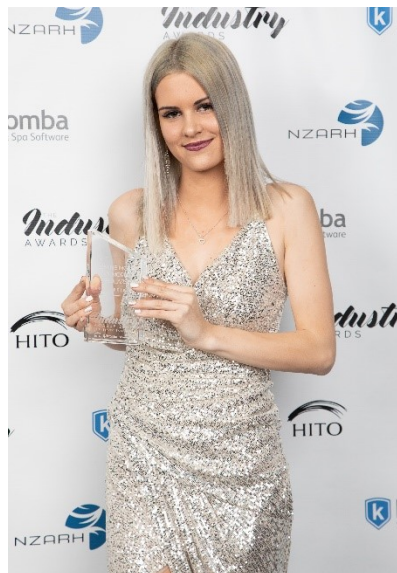
*Samantha Maloney, Beauty Therapy Apprentice of the Year*



*Bradley Proctor, Barbering Apprentice of the Year*



*Diana Beaufort, Trainer of the Year*



*Destiny Henry, Jasmine McBeth Memorial Scholarship*



*Pip Grundy, Industry Assessor of the Year*



*Aurum Hairstylists and Barbers,  
Workplace of the Year*

**2020 Graduation**

HITO's graduation ceremony was held in Auckland, in November.



## STATEMENT OF SERVICE PERFORMANCE 2020

### CONTINUING LEARNERS BY PROGRAMME

The number of trainees enrolled in a HITO programme as at 31 December 2020.

NZA = New Zealand Apprentice IT = Industry Trainee NF = Non-Funded (not reported to TEC)

PROGRAMME	NZA 2019	NZA 2020	IT 2019	IT 2020	NF 2019	NF 2020	2019 TOTAL	2020 TOTAL
Hairdressing	773	1135	11	28	7	6	791	1169
Advanced Cutting			0	3	1	1	1	4
Barbering	49	86	4	9	4	6	57	101
Beauty Therapy L4	53	82	1	6	8	6	62	94
Makeup and Skincare L3			14	5			14	5
Nail Technology L4				1	0	0	0	1
Introduction to Hairdressing						3		3
<b>TOTAL</b>	<b>875</b>	<b>1303</b>	<b>30</b>	<b>52</b>	<b>20</b>	<b>22</b>	<b>925</b>	<b>1377</b>

### QUALIFICATION COMPLETIONS

PROGRAMME	2019 COUNT	2020 COUNT
Hairdressing (Professional Stylist)	202	121
Hairdressing (Advanced Cutting)	0	1
Commercial Barbering	34	29
Beauty Services Level 3	1	N/A
Beauty Therapy Level 4	22	15

Note: Qualification completions in 2020 were impacted by COVID-19.

**QUALIFICATION COMPLETIONS cont.**

PROGRAMME	2019 COUNT	2020 COUNT
Nail Technology Level 4	2	0
Makeup and Skin Care Level 3	8	5

*Note: Qualification completions in 2020 were impacted by COVID-19.*

**COMPLETED FINAL ASSESSMENTS**

UNIT STANDARD	2019 Count	2020 Count
2757	179	112
2759	113	109
10650	19	23

*Note: Final Assessments in 2020 were impacted by COVID-19*

**GATEWAY SCHOOLS PARTICIPATION**

PROGRAMME	SCHOOLS 2019	SCHOOLS 2020	STUDENTS 2019	STUDENTS 2020
Hairdressing	43	33	120	75
Hairdressing Theory L2	N/A	14	N/A	19
Hairdressing Theory L2 (Reduced Credit)	N/A	6	N/A	6
Hairdressing and Beauty Therapy L3	N/A	18	N/A	35
Hairdressing and Beauty Therapy L3 (Reduced Credit)	N/A	4	N/A	7
Beauty	12	10	37	14
Barbering	10	13	12	15
Total	65	98	169	171

*Note: A number of theory programmes were introduced in 2020 to respond to the impact of COVID-19*

### LEARNER AGE RANGE

AGE	2019 COUNT	2020 COUNT
15-19	381	225
20-24	306	563
25-29	110	252
30-34	59	155
35-39	34	69
40-44	16	64
45-49	9	22
50-54	7	15
55+	3	12

### GENDER COMPARISON

GENDER	2019 COUNT	2020 COUNT
Male	9.1%	11.5%
Female	90.7%	88.3%
Unspecified	0.2%	0.2%

### LEARNER ETHNICITY

ETHNICITY	2019 COUNT	2020 COUNT
NZ European	71.9%	67.5%
NZ Maori	11.5%	12.3%
Other	13.7%	17.6%
Pasifika	2.9%	2.6%



## 10 CREDIT ACHIEVEMENT

ACHIEVEMENT	2019	2020
Overall Percentage	80.87%	68.99%
Eligible Trainees	1197	1432
Eligible Trainees Achieved 10 Credits	968	988

*Note: 2020 results impacted by COVID-19*

## APPRENTICE SIGN-ONS

PROGRAMME	2019 COUNT	2020 COUNT
Hairdressing	442	682
Barbering	44	107
Beauty Therapy	39	54

## INDUSTRY TRAINEE SIGN-ONS

PROGRAMME	2019 COUNT	2020 COUNT
Nail Technology (L3)	0	1
Makeup and Skin Care (L3)	5	5
QbyE - Hairdressing	27	30
QbyE - Barbering	6	13
QbyE - Beauty	2	7
Advanced Cutting (L5)	0	5

# FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2020

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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 2020, and the statement of financial performance, statement of movements in 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 2020, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

**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.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>.

This description forms part of our auditor's report.

#### **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  
19 May 2021

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b><u>REVENUE</u></b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Revenue	2	4,917,068	4,056,378
Cost of Goods Sold	3	(83,094)	(109,790)
Gross Surplus		4,833,974	3,946,588
Other Income	4	83,474	129,414
<b><u>EXPENDITURE</u></b>			
Administration	5	3,160,960	3,284,040
Course Development	6	107,374	332,853
Promotion	7	17,099	146,483
Provision of training services	8	947,764	981,690
<b><u>TOTAL EXPENDITURE</u></b>		<b>4,233,197</b>	<b>4,745,066</b>
<b>NET OPERATING SURPLUS</b>		<b>684,251</b>	<b>(669,064)</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 2020**

	Note	2020	2019
Equity At Start of Period		4,555,397	5,224,461
Net Operating Surplus After Tax		684,251	(669,064)
<b><u>EQUITY AT END OF PERIOD</u></b>		<b><u>5,239,648</u></b>	<b><u>4,555,397</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 2020**

EQUITY	Note	2020	2019
Equity		<u>5,239,648</u>	<u>4,555,397</u>
<u>CURRENT ASSETS</u>			
Accounts Receivable	9	68,411	321,210
Stock on Hand	10	7,671	14,608
Work in Progress		5,250	18,402
Prepayments		42,278	67,490
Cash & Cash Equivalents	11	1,215,383	783,705
Investments		3,645,000	3,407,279
TEC Receivable	2.a	198,267	0
		<u>5,182,260</u>	<u>4,612,694</u>
<u>NON CURRENT ASSETS</u>			
Fixed Assets	12	157,070	188,230
Intangible Assets	13	327,095	464,771
		<u>484,165</u>	<u>653,001</u>
<b><u>TOTAL ASSETS</u></b>		<b>5,666,425</b>	<b>5,265,696</b>
<u>CURRENT LIABILITIES</u>			
Apprentice Fees/Revenue Received in Advance		18,019	272,988
Accounts Payable and Accruals	14	339,771	324,857
GST Payable		68,989	40,773
TEC Liability	2.a	0	71,682
		<u>426,779</u>	<u>710,299</u>
<b><u>TOTAL LIABILITIES</u></b>		<b>426,779</b>	<b>710,299</b>
<b><u>NET ASSETS</u></b>		<b><u>5,239,648</u></b>	<b><u>4,555,397</u></b>

For and on behalf of the Executive Board



Flora Gilkison  
Chairperson  
19 MAY 2021



Kay Nelson  
Chief Executive Officer  
19 MAY 2021

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 2020**

	2020	2019
<b>Cash flows from operating activities</b>		
Operating revenue	4,915,443	4,187,571
Interest received	82,928	121,933
Payments to suppliers and employees	(4,336,549)	(4,655,167)
GST (paid)/received	28,217	34,776
<b>Net cash inflow/(outflow) from operating activities</b>	<b>690,038</b>	<b>(310,887)</b>
<b>Cash flows from investing activities</b>		
Investments	(237,721)	983,790
Purchase/Disposal of Fixed Assets	1,003	(3,328)
Purchase of intangible assets	(21,642)	(46,538)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(258,360)</b>	<b>933,924</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>431,678</b>	<b>623,037</b>
Cash and cash equivalents at the beginning of the period	783,705	160,668
<b>Cash and cash equivalent at end of the year</b>	<b>1,215,383</b>	<b>783,705</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 19 May 2021

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 2020 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 2019 Comparatives**

There are no changes to 2019 comparatives.

**2 REVENUE**

<i>Revenue is comprised of the following:</i>		<b>2020</b>	<b>2019</b>
HITO Trainee Fees		1,501,737	1,121,199
Other Government Revenue		86,096	16,040
Industry Development Recovery		1,252	10,735
Moderation Recovery		34,836	74,999
Project Funding		22,100	0
Tertiary Education Commission Funding	(2a)	3,194,017	2,766,978
Publication Sales		2,652	3,276
Gateway Income		74,378	63,152
		<u>4,917,068</u>	<u>4,056,378</u>

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

Funding Received		2,995,749	2,838,659
Funding to be received - Asset (Overpaid funding to be paid - liability)		198,267	(71,682)
Recognised Income		<u>3,194,017</u>	<u>2,766,978</u>

The TEC funding has been accrued in line with the information available from TEC.  
TEC confirmed that no funding recovery will be applied to the "Under Achievement Rate" in 2020 due to COVID-19.

**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**

		<b>2020</b>	<b>2019</b>
<i>Cost of Sales is comprised of the following:</i>			
Publications		83,094	101,112
Gateway		0	8,678
		<u>83,094</u>	<u>109,790</u>

#### 4 OTHER INCOME

	2020	2019
<i>Other Income is comprised of the following:</i>		
Interest - National & Regional Offices	82,928	121,933
Sundry Income	546	7,481
	83,474	129,414
	83,474	129,414

#### OTHER INCOME ACCOUNTING POLICIES

##### Interest Revenue

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

#### 5 ADMINISTRATION EXPENSE

	2020	2019
<i>Administration is comprised of the following:</i>		
Membership Expenses	800	0
Bad Debts Provision/Written Off	5,050	11,658
Accounting, Audit, & Legal Expenses	23,715	23,269
Amortisation, Depreciation, & Net Loss on Asset Disposal	190,304	226,324
IT Expenses	257,077	298,594
General Meeting Costs	9,339	26,176
ITO Federation & NZQA Subscription	7,245	23,138
Travel & Accommodation	41,174	77,507
Board Meetings, Honoraria and expenses	90,452	100,888
Office Expenses	264,824	365,171
Staff Costs	2,145,776	1,989,868
Vehicle Expenses	125,204	141,447
	3,160,960	3,284,040
	3,160,960	3,284,040

#### 6 COURSE DEVELOPMENT

	2020	2019
<i>Course Development is comprised of the following:</i>		
Industry Development	34,892	55,419
Project Spend	72,482	274,365
Qualification Advisory Committee/Regional Meetings	0	3,069
	107,374	332,853
	107,374	332,853

#### 7 PROMOTION

	2020	2019
<i>Promotion is comprised of the following:</i>		
Advertising/Marketing/Promotion	17,099	146,483
	17,099	146,483
	17,099	146,483

#### 8 PROVISION OF TRAINING SERVICES

	2020	2019
<i>Provision of Training Services is comprised of the following:</i>		
Seminar/Workshop Expenses	70	7,169
Assessment Expenses	180,464	122,951
Off Job Training Paid	639,297	655,014
Board & Travel Subsidy	29,107	32,494
National Certificate Costs	8,166	11,200
Accreditation/Credit Fees	87,435	108,703
Moderation Expenses	3,226	44,159
	947,764	981,690
	947,764	981,690

## 9 ACCOUNTS RECEIVABLE

	2020	2019
<i>Accounts Receivable is comprised of the following:</i>		
Accounts receivable from customers - exchange transactions	92,695	337,141
Allowance for Doubtful Debts	(24,284)	(15,931)
	68,411	321,210

### ACCOUNTS RECEIVABLE ACCOUNTING POLICY

Accounts receivable are valued at expected realisable value. HITO has a policy of provisioning for bad debt. In 2020, 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

	2020	2019
<i>Cash &amp; Cash Equivalents is comprised of the following:</i>		
Current Account	105,556	174,132
Call Account	1,109,828	609,574
	1,215,383	783,705
Bank Term Deposits	3,645,000	3,407,279

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:*

<u>Cost</u>	Furniture & Fixtures	Computer Hardware	Leasehold Improvements	Office Equipment	Total
Opening	59,584	212,043	180,027	23,172	474,827
Additions	0	0	0	0	0
Disposals	2,989	13,286	0	0	16,275
Closing	56,595	198,757	180,027	23,172	458,552
<u>Accumulated Depreciation</u>					
Opening	31,099	200,009	35,834	19,655	286,597
Depreciation	4,393	11,712	14,042	10	30,157
Disposals Depreciation write-back	1,986	13,286	0	0	15,272
Closing	33,506	198,435	49,877	19,665	301,482
Net Book Value 2020	23,090	322	130,151	3,507	157,070
Net Book Value 2019	28,485	12,034	144,193	3,518	188,230
Net Book Value 2018	33,155	64,646	156,199	3,528	257,528

### 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	187,670	730,161	917,831
Additions	0	21,642	21,642
Disposals	0	0	0
Closing	187,670	751,803	939,473
<u>Accumulated Depreciation</u>			
Opening	84,944	368,117	453,061
Amortisation	29,147	130,170	159,318
Disposals Amortisation write-back	0	0	0
Closing	114,091	498,287	612,378
Net Book Value 2020	73,579	253,516	327,095
Net Book Value 2019	102,726	362,045	464,771
Net Book Value 2018	79,906	492,025	571,931

### 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

*Accounts Payable and Accruals is comprised of the following:*

	2020	2019
Accounts payables from exchange transactions	97,868	99,900
Credit Cards	7,705	9,392
Accruals	107,184	103,630
Holiday Accrual Provision	127,014	52,152
Promotions Provisions	0	59,782
	339,771	324,857

### 15 OPERATING LEASE COMMITMENTS

The future non-cancellable minimum lease payments of operating leases as lessee at reporting date are detailed in the table below:

	2020	2019
Less than one year	118,558	210,794
Between one and five years	54,321	185,169
Greater than 5 years	0	0
	172,879	395,963

Leases entered into are for vehicles, copiers and office spaces.

Lease cost for 2020 totalled: \$186,872

### 16 COMMITMENTS AND CONTINGENCIES

There are no capital commitments or contingent liabilities at balance date (2019: NIL)

### 17 SUBSEQUENT EVENTS

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:

	<b>2020</b>	<b>2019</b>
Remuneration	608,604	506,538
Number of FTEs	2.9	3

**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 \$148,842 of fees free funding and \$776,010 of TTAF from the TEC.

	<b>2020</b>	<b>2019</b>
Industry contribution received by HITO and recorded in audited accounts	1,503,459	1,136,948
	<u>1,503,459</u>	<u>1,136,948</u>

**20 FINANCIAL INSTRUMENTS**

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

These are:

	<b>Financial Assets at amortised cost</b>		<b>Financial Liabilities at amortised cost</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,215,383	783,705	-	-
Bank term deposits	3,645,000	3,407,279	-	-
Receivables	68,411	321,210	-	-
Trade Payables	-	-	212,606	219,643
TEC Liability	-	-	198,267	71,682
Apprentice Fees/Revenue Received in Advance			18,019	272,988

**21 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 December 2022. There will be no significant change to operations in 2021.

The Reform of Vocational Education means that HITO's major source of funding from the Tertiary Education Commission for arranging of training will cease at the end of 2022. HITO's Board and members have implemented changes to the constitution to allow HITO to pursue other opportunities in the future that do not rely on industry training activities and TEC funding.

The going concern requirement is safely met, through the current level of reserves, and the confirmation of funding through to December 2021.

## COMPANY INFORMATION

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