

ANNUAL REPORT

2021



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Chair's Report 2021



Flora Gilkison, HITO Board Chair

Dear Members,

Welcome to what in all intents and purposes will be the last HITO AGM as we know ourselves today.

We will call a SGM later in the year, likely to be August, to go over the final requirements for the closure of HITO as a TITO (Transitional Industry Training Organization) and to give some options of where to from here.

This is part of the Education (Vocational Education and Training Reform) Amendment Act 2020 and the Reform of Vocational Education (RoVE), which requires work-placed learning to shift from ITOs to TITOs then onto to providers.

In the new system, providers - either Te Pūkenga, the big government owned learning institute, PTE's and the Wānanga will support both on-job, on-campus, and online learning to move seamlessly through the vocational education system. Six industry - governed Workplace Development Councils will provide leadership across the whole vocational education system and hopefully industry will have greater control over all aspects of vocational education.

On 1 April 2020, all TEC-funded ITOs became Transitional ITOs, as part of the Education (Vocational Education and Training Reform) Amendment Act. This required the ITO to transfer their previous functions of:

- Setting skills standards, qualifications development, and moderation and assessment activities to the relevant WDCs.
- Arranging work-based training (including apprenticeship training) activities for providers,
- and any relevant assets to the TITO in preparation for transfer to the final receiving provider.

This meant HITO governance and management started to work on a transition plan, which must be approved by the TEC. As such, HITO had to show how we could:

- Implement and maintain the plan.
- Support the providers specified by TEC in transferring the responsibility for the activities described in the plan.

This is part of what had been happening in HITO for 2021.

In 2021, Management and the Board investigated three options for the “lift and shift” to a new provider. One was Te Wānanga, another Te Pūkenga and the third was a

potential PTE. This required a lot of work from Management and the Board to ensure we aligned the best interests of industry training and our members with the receiving organisation. By end of the year, we were still contemplating the best fit.

On 4 October 2021 we transferred the standard-setting functions – qualifications review and provider moderation to two Workforce Development Councils (WDC).

The functions of these are:

- Qualification and unit standard development and reviews.
- Applications for programme endorsement support letters.
- Consent to assess applications.
- Pre moderation applications.
- Post moderation submissions.

The split in WDC coverage for qualifications is **Toi Mai WDC**: Hairdressing, Barbering and Makeup Artistry and to **Toitū Te Waioira**: Nail Technology and Beauty Therapy.

Moving Forward: In 2022, we will decide early on as to which receiving organization is the best fit and then further develop the **Transition plan** with TEC (our funder), following approval for that the **Transfer Plan** with the new organization, either a PTE or Te Pūkenga.

TEC will work with us as a TITO to ensure the transition is seamless for employers, learners, and staff currently involved in on-job training and receiving support from us as a TITO.

It's worthwhile noting that the Government's plan is to enable the integration of Vocational Education of on-job, on-campus and online training to occur. The transition of activities must take place before 31 December 2022.

Financially, we have done very well. We were audited as a TITO and a tier 2, not for profit, as this is the organisation that receives government funding. In effect, it's exactly the same as HITO the Incorporated Society. As such we had to prove in 2020 that we were a going concern for the next 12 months, as detailed in the 2020 audit. For the 2021 audit year, we had to note that we may not be a going concern for the next 12 months as we need to have transferred before then. You can see this detailed in the audit.

Legislation requires by December 2022, all TITOs to have transferred their arranging training functions to other providers. After 1 January 2023, these providers will be the ones who are arranging and supporting work-based training, as well as delivering education and training in the classroom and online settings. The aim is for learners to be able to move seamlessly across the vocational education system, i.e., if there is a time of high unemployment, learners will be able to shift to classroom based learning, and when the labour market requires more employees, then work-based training will enable this.

During 2021, Management has continued to grow the “business as usual” part of the organisation, with strong increases in the number of apprentices and strong increases

in numbers of employers taking on apprentices, either as first-timers or by adding more apprentices than they have usually trained. This has been brought about:

1. By continued support and encouragement from HITO's staff towards the industries.
2. The Government policy of employer boosts, (a strategy that has long been wanted by employers as recognition of the work they are required to do to employ and train apprentices). This ensures the sustainability of the industry.
- 3 The targeted training for apprentices fund initiative which has helped apprentices make decisions about their future careers and enable them to continue with their employment.

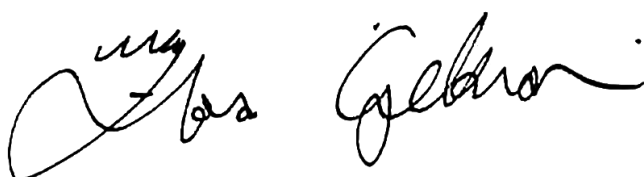
All this has happened amid a background of pandemic lockdowns and traffic light systems, which stopped many employers from operating their businesses. A very tough year and its effects will severely impact many in our industries for years to come.

We thank you for your diligence and tenacity in holding onto your apprentices and being so passionate about your industries.

Part of this increase in business as usual has meant that the revenue flowing into HITO from the government has been very strong. Management and the Board made the decision to keep costs as constrained as possible, giving the organisation a healthy surplus. When the decision is made as to what will happen to any remaining resources left in HITO after transfer, we need to be realistic that much of the surplus is government funding and we are ethically bound to ensure an appropriate portion of this goes to the new organisation, especially if this is the government-owned and operated Te Pūkenga.

The name HITO and virtually all of its functions will be part of the transfer, including a non-competition requirement. As such, HITO can't operate as HITO after the transfer, a shell will be left with some finances, but little else. We can discuss this further as 2022 progresses, as it is a membership decision.

I want to thank Management and especially Kay Nelson, the CEO for all the incredible work done this year. It's been a huge undertaking and by their energy and optimism, they have managed to hold the organisation together. I want also to thank Board members, especially the elected industry members who have also had to assist with industry involvement, providing the key relationships development needed to ensure there are on-going, sustainable and committed industries for each of our apprentices.

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

Dr Flora Gilkison
Chair HITO

Chief Executive Report 2021



Kay Nelson, HITO CEO

We are privileged to support our vibrant hairdressing, barbering and beauty therapy industries as they build the pipeline of skilled, qualified professionals.

I am delighted to report that in 2021 we were able to continue our growth in apprentice numbers following on from strong growth the previous year. Of our total 1443 apprentices, 1213 (84%) are in hairdressing, 116 (8%) are in barbering, and 114 (8%) are in beauty therapy.

Apprentice numbers have increased across all three disciplines. Overall, we saw an increase in hairdressing apprenticeship learners over 2020 of approximately 4%, Beauty 24%, and Barbering 22%. The continuation of the apprentice boost scheme, which provides a monthly contribution to

employers for apprentices in their first and second year of an apprenticeship, has helped maintain and grow our numbers. Also, the subsidised apprentice fees throughout 2021 have been a great benefit to our apprentices.

We continued to offer theory-only Gateway programmes, in addition to our in-work Gateway programmes. These programmes were introduced in 2020 to support schools who were looking to provide opportunities to students to experience our industries and gain NZQA credits but were unable to access workplaces due to the pandemic. This resulted in growth of our Gateway student numbers by 30% in 2021, from 171 to 222. This was accompanied by a 15% increase in number of schools participating in our Gateway programme over 2020, to a total of 113 schools.

COVID 19 has caused significant disruption to our off-job training and capstone assessment processes. Many assessments were unable to proceed at Level 2 and many off-job training classes were cancelled or postponed due to various lockdowns or close contact requirements. We were pleased to see that despite these disruptions our completions increased by 21% compared with 2020 numbers. We are always delighted to see apprentices complete and join their 100% Qualified colleagues in their respective industries.

In response to COVID 19, we also worked with the Ministry of Social Development to deliver an introduction to hairdressing programme. This four-week online programme introduced jobseekers to hairdressing. This was a great opportunity to introduce participants to different aspects of the industry, including the expectations of employers.

Our Learning and Development team continued with the review of the Hairdressing Qualification, developing the specific unit standards that make up the qualification so that they were in good shape to hand over to the Workforce Development Council. We also started the review of the Beauty and Makeup Artistry Qualifications.

In October 2021, we handed over the standard setting role of HITO to two new Workforce Development Councils (WDCs). This is the work that HITO previously did on behalf of NZQA on setting, reviewing and moderating qualifications. Toi Mai WDC has responsibility for Hairdressing, Barbering and Makeup Artistry qualifications and Toitū Te Waiora WDC has responsibility for Beauty Therapy and Nail Technology qualifications.

As always, we love to support and celebrate our industries, including working with our partners, Kitomba, Hair and Barber NZ, New Zealand Association of Registered Beauty Professionals, and L'Oreal on events and to offer opportunities to our apprentices. While it was unfortunate that we were not able to celebrate the 2021 Industry Awards in person, an online event took place to announce our winners. Our annual graduation ceremony was also unable to go ahead, however we were able to provide graduates with complementary IPSN certificates courtesy of the International Professional Standards Network (IPSN), and we will be including 2021 graduates in our 2022 event.

We continued to hold meetings throughout the country to keep our industries informed about the Reform of Vocational Education (RoVE). Thank you to all of you who participated in the meetings 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 for their support and 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. COVID-19 has provided challenges throughout the year, but we have worked through them and continued to stay positive. I would like to express my thanks for their hard work, passion for our industries, and commitment to helping our industries become 100% qualified.

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

Kay Nelson
Chief Executive

2021 Highlights

HITO continued to see an increase in apprentices across the hair, beauty, and barbering industries in 2021.

The total number of apprentices reached 1443, with hairdressing attracting the vast majority of business with 1213 apprentices, 116 in barbering and 114 in beauty therapy.

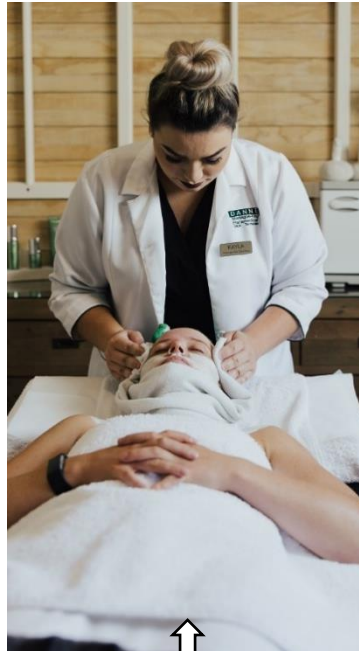
Please see pie chart below to see the split across industries:



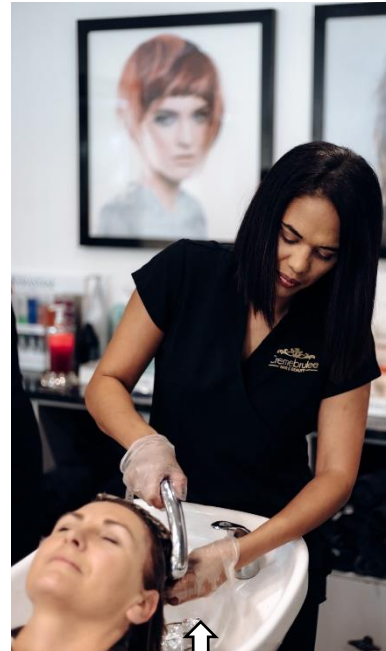
Increase in apprentices*



Barbering
22%



Beauty Therapy
24%



Hairdressing
4%

The number of continuing HITO apprentices increased across all our programmes. This was a continued increase from the strong 2020 numbers that resulted from the introduction of the Government's Apprentice Boost and Fees Free funding packages.

**Continuing Number of Learners, NZ Apprentice Programme*

HITO are delighted to keep bringing more apprentices into our programmes so they can get the opportunity to gain a Level 4 NZQA qualification in their chosen profession.

Workforce Development Councils

In October 2021, the standard setting role of HITO was transferred to two new Workforce Development Councils (WDCs).



The quality assurance standard setting work previously carried out by HITO included reviews of all hairdressing, beauty and barbering unit standards and qualifications, and oversight of moderation of tertiary providers assessing unit standards.

Toi Mai has responsibility for hairdressing, barbering and makeup artistry unit standards and qualifications and Toitu Te Wairoa Workforce Development Council has responsibility for beauty therapy and nail technology.



Gateway

The number of Gateway students increased by 30% in 2021 from 171 to 222. This was accompanied by an increase of 15% in the number of schools participating in our Gateway programme since 2020. This brings the total number of schools participating to 113, which is well up from the 65 schools that participated in 2019.

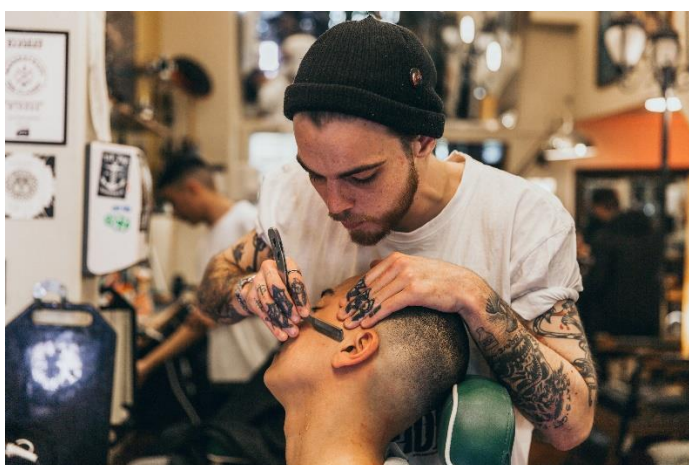
Gateway provides high school students with an introduction to our industries helping to ensure a pipeline of learners for the future.

Completions

It was great to see completions were up by 21% compared with 2020 numbers.

Completions have been disrupted significantly over the past two years as a result of Covid-19. Beauty and barbering finals were unable to be held at all when Level 2 Covid-19 restrictions were in place, and hairdressing finals were significantly disrupted.

HITO are always delighted to see apprentices complete and join their 100% Qualified colleagues in their respective industries.



Qualified barber, Matt Reeves

Reform of Vocational Education

Following the Government's announcement to reform vocational education, HITO is required to transfer its role of supporting apprenticeship training to another (Government-approved training organisation by December 2022).

Meetings were held between 19th July and 23rd August in Dunedin, Christchurch, Wellington, and Auckland to inform members what this may mean for them, our industries and HITO.

Attendees were given the opportunity to ask any questions they may have regarding HITO's transition. Members who were unable to attend physical meetings were invited to attend via Zoom.

A video was also filmed of HITO CE, Kay Nelson, detailing what this transition means. The aim of these meetings and the video was to assure people in our industries that whilst HITO may be changing, there will be visible change for them.

Introduction to Hair

HITO continued running the 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 gave participants the opportunity to learn about different aspects of the industry, such as employer expectations and how salons operate.

Participants were given activities to develop their communication and presentation skills and were shown examples of how successful hairdressers built their careers. The programmes ran over three weeks and were completed by 35 participants who attended one 45-minute, virtual session per week.

Special General Meeting

HITO members voted at a Special General Meeting on February 22 to allow current Board Members to stay in place for a further three years, or until the end of the transition of HITO's business, as part of the Reform of Vocational Education.

AGM

HITO members were invited to the Annual General Meeting on June 22nd, 2021. The Annual General meeting included an update on the Reform of Vocational Education.

Members were able to attend via Zoom, at the Wellington office or to appoint a proxy to attend on their behalf.

Finals Guide

HITO's training materials are being continuously improved, for the benefit of the learner, trainer, and HITO.

A new Finals Guide was introduced, to replace the 'Guidelines Book'.

The Finals Guide was designed to guide hairdressing apprentices through their final assessments. The Guide is sent to apprentices as they enter their third year, approximately 18 months before they sit their finals.



Finals Guide, 2021

L'Oréal x New Zealand Fashion Week (NZFW)

HITO always try to provide exciting opportunities for apprentices, such as working backstage at New Zealand Fashion Week.

In 2021, HITO partnered with L'Oréal to give two apprentices the opportunity to work backstage at Zambesi's New Zealand Fashion Week show.

The chosen apprentices were hardworking and inspiring and recommended by the Sales and Training Advisors.

Unfortunately, the show was unable to go ahead due to Covid-19 restrictions, but each of the apprentices were gifted a Dyson Corale by L'Oréal, which was delivered to each of their salons.

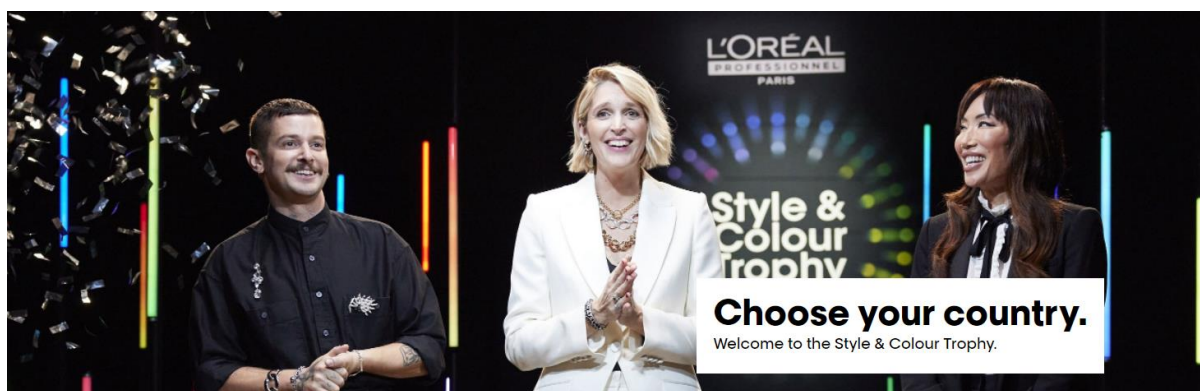
L'Oréal Style and Colour Trophy

Our partners, L'Oréal, asked us to support their competition through our extensive social channels.

L'Oréal's Style and Colour Trophy gave hairdressing apprentices the opportunity to show off their Balayage techniques.

All hairdressers over 18 were eligible to enter. From the entrants, 12 finalists were selected, and the winner went into the global pool of eligible finalists.

The competition hit its 65th year in 2021 and took place virtually.



Beauty and Makeup Artistry Qualification Review

HITO arranged meetings across the country to gain feedback for the Beauty Qualification review.

The meetings were also promoted by New Zealand's Association of Registered Beauty Professionals.

This review was since handed over to the Workforce Development Council in October.

Hairdressing Qualification and Unit Standard Review

The hairdressing qualification was reviewed and approved by NZQA.

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 updating general conditions across all qualifications to reflect current industry expectations.

The preliminary stages of the hairdressing unit standard review continued, as the development of specific units began.

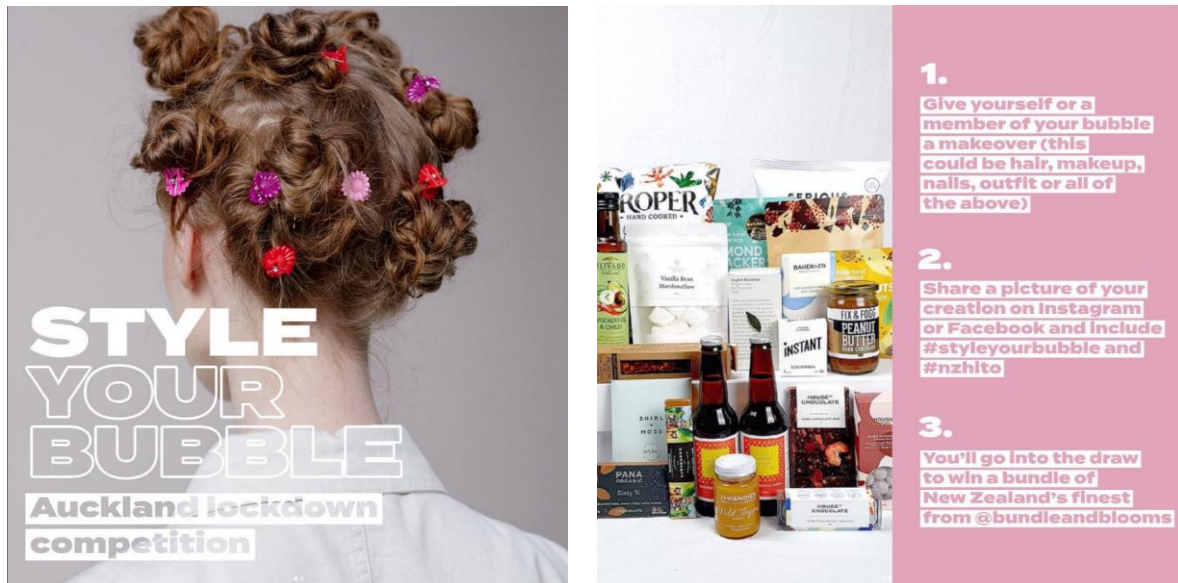
HITO worked towards developing the specific unit standards that make up the qualifications and have handed these over to the Toi Mai WDC to continue consultation with industry.

Style Your Bubble

A campaign was created for apprentices, trainers, and employers in Auckland, during lockdown.

The competition intended to give people at home something fun to do, with the chance of winning a wonderful prize.

We asked followers to give either themselves or members of their bubble a makeover. This could include hair, makeup, nails, or outfit changes, to make it inclusive for each of our industries, as seen below:



This incentive gained a lot of engagement and followers enjoyed getting involved. HITO Sales and Training Advisors also received positive feedback.

Graduation

HITO's annual Graduation ceremony was unable to go ahead, but all those eligible to attend will be invited to the 2022 ceremony in Christchurch.

As an extra token of congratulations, complimentary IPSN certificates were sent to each graduate's workplace.



The Industry Awards

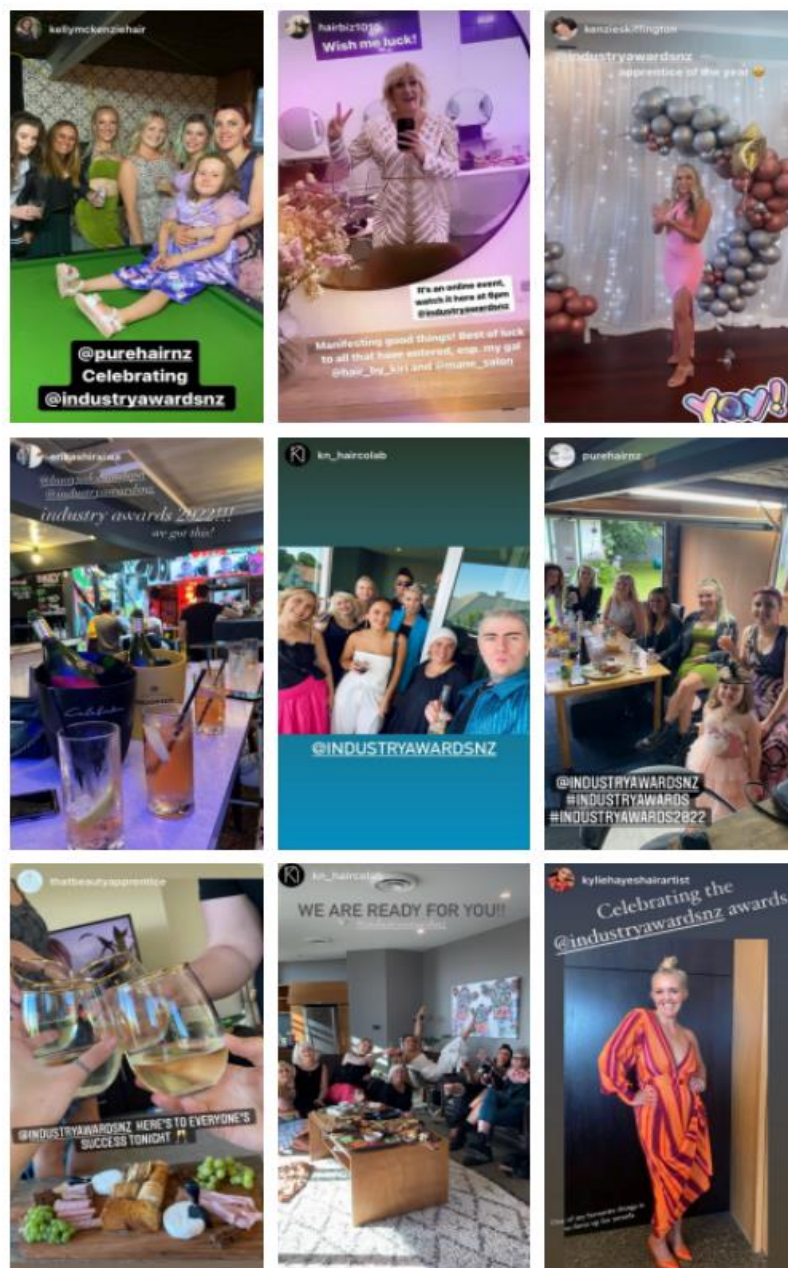
The Industry Awards entries opened in May, and the initial entry deadline was extended to make allowances for entrants in lockdown.

Due to COVID-19 restrictions, the rescheduled event did not take place as planned in 2021, but instead took place virtually on 20 February 2022 via Facebook Live.

150 people logged on to attend, most of whom were joined by friends, family and/or team members, which would suggest around 300 people were watching.

The organisation leaders and sponsors of the Awards were asked to film short videos that were played as part of the presentation, whilst winners were announced live.

The virtual event was a great success, and as always, there was lots to celebrate.



Hairdressing Apprentice of the Year: Tayla Corban, Cremebrulee Hair and Beauty

Barbering Apprentice of the Year: Antonio Arana, Maloney's Barbershop

Beauty Therapy Apprentice of the Year: Emma Peterson, Skin and Beaute

Workplace of the Year: Zibido, Hamilton

Industry Assessor of the Year: Allison Murray-Travers, Hair Technique

Industry Trainer of the Year: Janine Simons, Mane Salon

Jasmine McBeth Memorial Scholarship: Hannah Burton, Hair by the Sea



Beauty Apprentice of the Year, Emma Peterson, Skin and Beauty, Dunedin

Targeted Training and Apprenticeship Fund (Fees Free Training)

The Targeted Training and Apprenticeship Fund (TTAF) was introduced to support learners to sign on/continue with their apprenticeships.

The TTAF have been covering the cost of apprenticeship fees since 1 July 2020, and this plans to continue to 31 December 2022.

The scheme was targeted towards industry skill needs where demand from employers for these skills were strong or expected to grow during New Zealand's recovery period following Covid-19.

This scheme has been of great benefit to our learners.

Apprenticeship Boost

The Apprenticeship Boost scheme was introduced by the Government, to help employers keep and take on new apprentices.

Those eligible are apprentices enrolled or engaged in an apprenticeship programme funded by the Tertiary Education Commission (TEC).

It gives apprentices the opportunity to keep earning and training towards their qualifications, as the economy recovers from the impacts of Covid-19.

The payment is made directly to employers and is currently available until 4 August 2022*. The amount the employer receives is dependent on whether the apprentice is in their first or second year of training.

This scheme resulted in an influx of sign ons for HITO, from both newly engaged and formerly engaged employers and apprentices.

**On 9 May 2022, it was announced the Apprenticeship Boost scheme is to be extended until the end of December 2023.*

TRAINEE PERFORMANCE 2021

CONTINUING TRAINEES BY PROGRAMME

The number of trainees enrolled in a HITO programme as at 31 December 2021.

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

PROGRAMME	NZA 2020	NZA 2021	IT 2020	IT 2021	NF 2020	NF 2021	2020 TOTAL	2021 TOTAL
Hairdressing	1135	1185	28	17	6	11	1169	1213
Advanced Cutting			3	2	1	3	4	5
Barbering	86	105	9	6	6	5	101	116
Beauty Therapy	82	102	6	7	6	5	94	114
Makeup and SkinCare L3			5	3		0	5	3
Nail Technology			1	1	0	0	1	1
Introduction to Hairdressing					3		3	
TOTAL	1303	1392	52	36	22	24	1377	1452

QUALIFICATION COMPLETIONS

PROGRAMME	2020 COUNT	2021 COUNT
Hairdressing (Professional Stylist)	121	167
Hairdressing (Advanced Cutting)	1	1
Commercial Barbering	29	30
Beauty Therapy	15	8
Nail Technology	0	1
Makeup and Skin Care Level 3	5	1

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

COMPLETED FINAL ASSESSMENTS

UNIT STANDARD	2020 COUNT	2021 COUNT
2757	112	118
2759	109	125
10650	23	15

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

GATEWAY SCHOOLS PARTICIPATION

PROGRAMME	SCHOOLS 2020	SCHOOLS 2021	STUDENTS 2020	STUDENTS 2021
Hairdressing	33	33	75	106
Hairdressing Theory L2	14	11	19	13
Hairdressing Theory L2 (Reduced Credit)	6	18	6	25
Hairdressing and Beauty Therapy L3	18	9	35	12
Hairdressing and Beauty Therapy L3 (Reduced Credit)	4	25	7	46
Beauty	10	7	14	9
Barbering	13	10	15	11

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

LEARNER AGE RANGE

AGE	2020 COUNT	2021 COUNT
15-19	225	277
20-24	563	589
25-29	252	239
30-34	155	163
35-39	69	82
40-44	64	49
45-49	22	31
50-54	15	11
55+	12	11

GENDER COMPARISON

GENDER	2020 COUNT	2021 COUNT
Male	11.5%	10.9%
Female	88.3%	88.9%
Unspecified	0.2%	0.2%

LEARNER ETHNICITY

ETHNICITY	2020 COUNT	2021 COUNT
NZ European	67.5%	67.9%
NZ Māori	12.3%	12.1%
Other	17.6%	17.7%
Pasifika	2.6%	2.3%

10 CREDIT ACHIEVEMENT

ACHIEVEMENT	2020	2021
Overall Percentage	68.99%	75.5%
Eligible Trainees	1432	1,801
Eligible Trainees Achieved 10 Credits	988	1,359

Note: 2020 results impacted by COVID-19

APPRENTICE SIGN-ONS

PROGRAMME	2020 COUNT	2021 COUNT
Hairdressing	682	627
Barbering	107	87
Beauty Therapy	54	76

INDUSTRY TRAINEE SIGN-ONS

PROGRAMME	2020 COUNT	2021 COUNT
Nail Technology (L3)	1	1
Makeup and Skin Care (L3)	5	0
QbyE – Hairdressing	30	17
QbyE – Barbering	13	8
QbyE – Beauty	7	6
Advanced Cutting (L5)	5	0

NEW ZEALAND HAIR AND BEAUTY INDUSTRY TRAINING ORGANISATION INC

FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2021

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FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2021

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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 2021, 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 2021, 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.

A handwritten signature in black ink that reads 'BDO Wellington Audit Limited'. The script is cursive and fluid.

BDO WELLINGTON AUDIT LIMITED
Wellington
New Zealand
23 May 2022

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2021**

<u>REVENUE</u>	Note	2021	2020
Revenue	2	6,747,479	4,917,068
Cost of Goods Sold	3	(88,475)	(83,094)
Gross Surplus		6,659,004	4,833,974
Other Income	4	61,764	83,474
<u>EXPENDITURE</u>			
Administration	5	3,443,880	3,160,960
Course Development	6	29,933	107,374
Promotion	7	62,699	17,099
Provision of training services	8	1,213,827	947,764
<u>TOTAL EXPENDITURE</u>		4,750,339	4,233,197
NET OPERATING SURPLUS		1,970,428	684,251

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 2021**

	Note	2021	2020
Equity At Start of Period		5,239,648	4,555,397
Net Operating Surplus After Tax		1,970,428	684,251
<u>EQUITY AT END OF PERIOD</u>		<u>7,210,076</u>	<u>5,239,648</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

EQUITY	Note	2021	2020
Equity		7,210,076	5,239,648
<u>CURRENT ASSETS</u>			
Accounts Receivable	9	24,821	68,411
Stock on Hand	10	12,870	7,671
Work in Progress		7,172	5,250
Prepayments		39,561	42,278
Cash & Cash Equivalents	11	1,619,330	1,215,383
Investments		5,575,000	3,645,000
TEC Receivable	2.a	89,840	198,267
		7,368,592	5,182,260
<u>NON CURRENT ASSETS</u>			
Fixed Assets	12	82,112	157,070
Intangible Assets	13	148,681	327,095
		230,793	484,165
<u>TOTAL ASSETS</u>		7,599,385	5,666,425
<u>CURRENT LIABILITIES</u>			
Apprentice Fees/Revenue Received in Advance		43,355	18,019
Accounts Payable and Accruals	14	253,179	339,771
GST Payable		92,774	68,989
		389,309	426,779
<u>TOTAL LIABILITIES</u>		389,309	426,779
<u>NET ASSETS</u>		7,210,076	5,239,648

For and on behalf of the Executive Board



Flora Gilkison
Chairperson
23 May 2022



Kay Nelson
Chief Executive Officer
23 May 2022

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 2021

	2021	2020
Cash flows from operating activities		
Operating revenue	6,833,734	4,915,443
Interest received	44,436	82,928
Payments to suppliers and employees	(4,540,887)	(4,336,549)
GST (paid)/received	23,785	28,217
Net cash inflow/(outflow) from operating activities	2,361,068	690,038
Cash flows from investing activities		
Investments	(1,930,000)	(237,721)
Purchase/Disposal of Fixed Assets	(27,122)	1,003
Purchase of intangible assets	0	(21,642)
Net cash inflow/(outflow) from investing activities	(1,957,122)	(258,360)
Net increase (decrease) in cash and cash equivalents	403,946	431,678
Cash and cash equivalents at the beginning of the period	1,215,383	783,705
Cash and cash equivalent at end of the year	1,619,330	1,215,383

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 23rd May 2022

The financial statements are prepared on the assumption HITO will continue to operate in 2022. A decision is to be made on the future of HITO (2023 and beyond) in quarter 2 in 2022. Please see note 20.

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 2021 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.

Changes in Accounting Estimates

During the 2021 Financial year HITO has changed the depreciation rate on fixed assets and the amortisation rate on intangible assets due to the 'Reform of Vocational Education' and the resulting impact. Refer to note 12 & 13 for more information.

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.

2 REVENUE*Revenue is comprised of the following:*

	2021	2020
HITO Trainee Fees	2,088,640	1,501,737
Other Government Revenue	50,750	86,096
Industry Development Recovery	0	1,252
Moderation Recovery	90,218	34,836
Project Funding	12,700	22,100
Tertiary Education Commission Funding (2a)	4,434,024	3,194,017
Publication Sales	2,282	2,652
Gateway Income	68,865	74,378
	<u>6,747,479</u>	<u>4,917,068</u>

(2a) Tertiary Education Commission Funding

Funding Received	4,344,185	2,995,749
Funding to be received - Asset	89,840	198,267
Recognised Income	<u>4,434,024</u>	<u>3,194,017</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 2021 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*Cost of Sales is comprised of the following:*

	2021	2020
Publications	88,475	83,094
	<u>88,475</u>	<u>83,094</u>

4 OTHER INCOME*Other Income is comprised of the following:*

	2021	2020
Interest	44,436	82,928
Sundry Income	17,328	546
	<u>61,764</u>	<u>83,474</u>

OTHER INCOME ACCOUNTING POLICIESInterest Revenue

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

5 ADMINISTRATION EXPENSE*Administration is comprised of the following:*

	2021	2020
Membership Expenses	220	800
Bad Debts Provision/Written Off	1,261	5,050
Accounting, Audit, & Legal Expenses	24,907	23,715
Amortisation, Depreciation, & Net Loss on Asset Disposal (12) & (13)	280,911	190,304
IT Expenses	207,897	257,077
General Meeting Costs	31,505	9,339
ITO Federation & NZQA Subscription	4,159	7,245
Travel & Accommodation	74,140	41,174
Board Meetings, Honoraria and expenses	124,322	90,452
Office Expenses	258,964	264,824
Staff Costs	2,299,332	2,145,776
Vehicle Expenses	136,262	125,204
	<u>3,443,880</u>	<u>3,160,960</u>

6 COURSE DEVELOPMENT*Course Development is comprised of the following:*

	2021	2020
Industry Development	2,468	34,892
Project Spend	27,466	72,482
	<u>29,933</u>	<u>107,374</u>

7 PROMOTION*Promotion is comprised of the following:*

	2021	2020
Advertising/Marketing/Promotion	62,699	17,099
	<u>62,699</u>	<u>17,099</u>

8 PROVISION OF TRAINING SERVICES*Provision of Training Services is comprised of the following:*

	2021	2020
Seminar/Workshop Expenses	474	70
Assessment Expenses	258,758	180,464
Off Job Training Paid	754,316	639,297
Board & Travel Subsidy	43,136	29,107
National Certificate Costs	6,578	8,166
Accreditation/Credit Fees	150,511	87,435
Moderation Expenses	53	3,226
	<u>1,213,827</u>	<u>947,764</u>

9 ACCOUNTS RECEIVABLE

	2021	2020
<i>Accounts Receivable is comprised of the following:</i>		
Accounts receivable from customers - exchange transactions	32,946	92,695
Allowance for Doubtful Debts	(8,125)	(24,284)
	<u>24,821</u>	<u>68,411</u>

ACCOUNTS RECEIVABLE ACCOUNTING POLICY

Accounts receivable are valued at expected realisable value. HITO has a policy of provisioning for bad debt. In 2021, 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

	2021	2020
<i>Cash & Cash Equivalents is comprised of the following:</i>		
Current Account	294,869	105,556
Call Account	1,324,461	1,109,828
	<u>1,619,330</u>	<u>1,215,383</u>
Bank Term Deposits	<u>5,575,000</u>	<u>3,645,000</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:

<u>Cost</u>	Furniture & Fixtures	Computer Hardware	Leasehold Improvements	Office Equipment	Total
Opening	56,595	198,757	180,027	23,172	458,552
Additions	0	30,277	0	0	30,277
Disposals	224	2,630	0	191	3,045
Closing	<u>56,372</u>	<u>226,404</u>	<u>180,027</u>	<u>22,981</u>	<u>485,784</u>
<u>Accumulated Depreciation</u>					
Opening	33,506	198,435	49,877	19,665	301,482
Depreciation	12,594	16,800	70,991	1,913	102,299
Disposals Depreciation write-back	0	110	0	0	110
Closing	<u>46,100</u>	<u>215,125</u>	<u>120,868</u>	<u>21,578</u>	<u>403,672</u>
Net Book Value 2021	<u>10,271</u>	<u>11,278</u>	<u>59,159</u>	<u>1,403</u>	<u>82,112</u>
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

FIXED ASSETS ACCOUNTING POLICIES

It is expected that HITO will transition to Te Pūkenga in September 2022. The remaining useful lives of the assets have been accelerated so that by the transition date the net book value will be nil given the assets will no longer have any economic value from the perspective of HITO. Assets acquired going forward that will be transferred to Te Pūkenga will be expensed.

The Depreciation Rates used are as follow:

Furniture & Fixtures	End of Useful life - September 2022
Office Equipment	End of Useful life - September 2022
Computer Hardware	End of Useful life - September 2022
Leasehold Improvements	End of Useful life - September 2022

13 INTANGIBLE ASSETS

Intangible Assets are comprised of the following:

<u>Cost</u>	Computer Software	Training resources	Total
Opening	187,670	751,803	939,473
Additions	0	0	0
Disposals	0	0	0
Closing	187,670	751,803	939,473
<u>Accumulated Depreciation</u>			
Opening	114,091	498,287	612,378
Amortisation	40,134	138,282	178,416
Disposals Amortisation write-back	0	0	0
Closing	154,226	636,568	790,794
Net Book Value 2021	33,444	115,235	148,679
Net Book Value 2020	73,579	253,516	327,095
Net Book Value 2019	102,726	362,045	464,771

INTANGIBLE ASSETS ACCOUNTING POLICIES

It is expected that HITO will transition to Te Pūkenga in September 2022. The remaining useful lives of the assets have been accelerated so that by the transition date the net book value will be nil given the assets will no longer have any economic value from the perspective of HITO. Assets acquired going forward that will be transferred to Te Pūkenga will be expensed.

The amortisation rates used are as follows:

Training Resources	End of Useful life - September 2022
Computer Software	End of Useful life - September 2022

14 ACCOUNTS PAYABLE AND ACCRUALS

Accounts Payable and Accruals is comprised of the following:

	2021	2020
Accounts payables from exchange transactions	72,567	97,868
Credit Cards	13,684	7,705
Accruals	35,726	107,184
Holiday Accrual Provision	131,202	127,014
	<u>253,179</u>	<u>339,771</u>

15 OPERATING LEASE COMMITMENTS

	2021	2020
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	203,232	118,558
Between one and five years	154,245	54,321
Greater than 5 years	0	0
	<u>357,477</u>	<u>172,879</u>

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

Lease cost for 2021 totalled: \$177,319

It is expected that all operating leases will be assigned to Te Pūkenga in September 2022

16 COMMITMENTS AND CONTINGENCIES

The discussion of transition costs made up of; associated assets, working capital, and staff that would follow to Te Pūkenga was ongoing at balance date. While no offers of retention payments, redundancies or other incentives have been made to any employee of HITO, the level of discussion creates a possible obligation that is not remote, that additional costs may be incurred in retaining employees and therefore a contingent liability exists. These costs will be become known as the transition process is worked through, however, at this stage they are difficult to estimate.

There are no other capital commitments or contingent liabilities at balance date (2020: 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:

	2021	2020
Remuneration	676,905	608,604
Number of FTEs	3.8	2.9

Other related party disclosures

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

19 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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash and cash equivalents	1,619,330	1,215,383	-	-
Bank term deposits	5,575,000	3,645,000	-	-
Receivables	24,821	68,411	-	-
Trade Payables	-	-	253,179	212,606
TEC Receivable	89,840	198,267	-	-
Apprentice Fees/Revenue Received in Advance			43,355	18,019

20 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.

Current Timeline:

- HITO's final transition plan is due to TEC by 3rd of May 2022
- During the AGM in June, HITO's Board officially announce the transition decision, based on TEC Board approval, to members at AGM
- HITO's major source of funding from the Tertiary Education Commission for arranging of training will cease at the end of 2022

Workforce Development Councils (WDC):

During 2021 the of responsibilities for qualification systems functions and standard setting transferred to two separate Workforce Development Councils. Hairdressing, Barbering, make-up and skin care functions transferred to Toi Mai WDC. Beauty Therapy transferred to Toitū Te Waiora WDC.

Arranging of training:

Subsequent to balance date, HITO has commenced negotiations with Te Pūkenga, the New Zealand Institute of Skills and Technology ("Te Pūkenga"), to transfer the responsibilities for HITO's arranging of training in September 2022, subject to commercial agreement with Te Pūkenga, and approval of the transition plan by TEC Board. The HITO Board expects that all employees, assets and liabilities related to arranging work-based training will transition to Te Pūkenga, in a lift and shift model.

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. HITO will have sufficient reserves after the transition of the arranging of training activities to continue into 2023 and beyond. On this basis the financial statements have been prepared on a going concern basis. However, a further decision is still to be made on whether the HITO makes further changes to the constitution or wind up in 2023.

Company Information

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