



ANNUAL REPORT

2022



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Chair's Report 2022



Flora Gilkison, HITO Board Chair

An interesting year. HITO was a transitional ITO up until September when it was fully taken over by Te Pūkenga.

This meant a change for staff with changes to websites and changes to letterheads but they stayed in the same location and essentially stayed doing the same work. For management, it was a much bigger change and quite hard to manage – going from a small Not For Profit autonomous organisation to being folded into a very large public service organisation that was new for many and especially so for our management team. They have all been really wonderful. Kay, Rob, Penny and Debra. We have much to thank you for, professional at all times and committed to our industries and apprentices. They have had to fit themselves inside a reasonably chaotic organization as it comes to terms with its size and reach.

For the Board, the year up to September was very busy as we sorted out the handover documentation and then assisted with the establishment of a Charitable Trust called HISO. Hair Industries Support Opportunities and arranged to have sufficient finances to give this Trust a sound platform for moving forward on. Industry board members in the main became the Trustees along with Kay. They will be good guardians of the funds and help your industries with training and development opportunities especially younger trainees.

I want to thank the Board for all the work they did up to September and for continuing on with the governance function until now. It's been a tough ask and everyone has worked willingly to achieve an aim many did not agree with.

At this meeting, I will move that members agree to the liquidation of HITO and appoint a liquidator. The process then requires another meeting after 30 days to confirm members wish the organisation to go into liquidation. Even if some of you wanted HITO to continue it has no income stream and is therefore no longer a going concern and must cease, and hence the liquidation motion.

It's been many years and I want to reflect on the past. Erica Cumming, the previous CEO of HITO was a great custodian of the funds we received from TEC. It's largely these funds that remain unspent that have gone to the new charitable Trust to support your industries. Kay Nelson was the next CEO and she increased the number of apprentices and the suite of products as well as reviewing and updating them. Both were very dedicated, both guardians of the budget. Kay enabled funds to go with the team to Te Pūkenga to enable apprentices to benefit from a free-fee environment for this year.

Both CEOs were passionate about HITO and the industries they served. It's a sad day in some ways but really it's always been about excellent apprenticeship training and these are where the industries and members come in. You have all been stalwart in your training and growing the industry to be professional, innovative, and passionate (my memory of many awards evenings where you let your hair down and showed us you knew how to have fun – these are very happy memories I will always treasure) and very focussed on developing initiative and sustainability in your industries in your trainees. Well done.

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

Flora Gilkison
HITO Board Chair

Chief Executive's Report 2022



Kay Nelson, HITO CEO

It has been a privilege to work with passionate professionals dedicated to the future of their industries over the past few years. I thank you for your support and engagement.

As you are aware, the 2022 year has been a year of significant change for HITO. The culmination of the Reform of Vocational Education, initiated by the government in 2019, resulted in the transition of all HITO apprentices and training-related activities on 19 September 2022 to the new entity NZ Institute of Skills and Technology (Te Pūkenga).

We are fortunate that the HITO Board provided ringfenced funds to look after 2023 fees for those apprentices who were not eligible for the government Fees Free scheme and for the development of a new hairdressing programme to fit the new qualification. These initiatives will provide an enduring HITO legacy for our industries.

I am delighted to report that in 2022 we were able to continue our growth in apprentice numbers following on from strong growth in previous years. Continuing learners to 19 September 2022 comprised a total of 1175 apprentices, 1034 (88%) in hairdressing, 58 (5%) in barbering, and 83 (7%) in beauty therapy.

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. To 19 September our Gateway student numbers totalled 244 across 130 participating schools.

COVID 19 caused significant disruption to our off-job training and capstone assessment processes over the past few years. Many assessments were unable to proceed at Level 2 and many off-job training classes were cancelled or postponed which meant our apprentices were unable to complete within their expected timeframe. It is great to see an increase in the numbers able to complete within 2022 as we are always delighted to see apprentices complete and join their 100% Qualified colleagues in their respective industries.

During 2022, our Learning and Development team continued to support the Workforce Development Council with developing the specific unit standards that make up the new hairdressing qualification. Responsibility for standard setting and qualification development was passed over to the Workforce Development Councils in October 2021.

We continued 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. The 2022 Industry Awards was launched in May 2022 with entries closing at the end of August. Judging was completed in September and the actual event took place after our transition in November at Te Pae in Christchurch. We also organised a graduation ceremony in November in Christchurch and invited graduates for the previous two years so that those affected by the cancelled event due to Covid had the opportunity to attend.

I consider myself very fortunate to have such a professional, committed and supportive Board and wish to thank them for their support during these challenging times, and particularly to the Chair for her mentoring.

I have also had an outstanding group of people working with me every day at HITO. The team at HITO are exceptional and work everyday to support our vibrant and creative industries. In particular, I would like to acknowledge the senior team who have undertaken significant additional work relating to the preparation and implementation of the transition.

I would like to express my thanks to everyone who has contributed to the success of HITO over the years and acknowledge the hard work and passion of the employers, trainers and apprentices who have shared our vision of 100% Qualified.

A handwritten signature in black ink, appearing to read 'Kay Nelson', with a stylized, flowing script.

Kay Nelson
Chief Executive

2022 Highlights

Apprentice Numbers

In 2022, HITO saw a steady continuation of apprentice numbers and completions across the hairdressing, barbering, and beauty therapy industries.

The total number of continuing apprentice learners to 19 September 2022 was 1175. 1034 (88%) of these apprentices were in hairdressing, 58 (5%) in barbering, and 83 (7%) in beauty therapy.

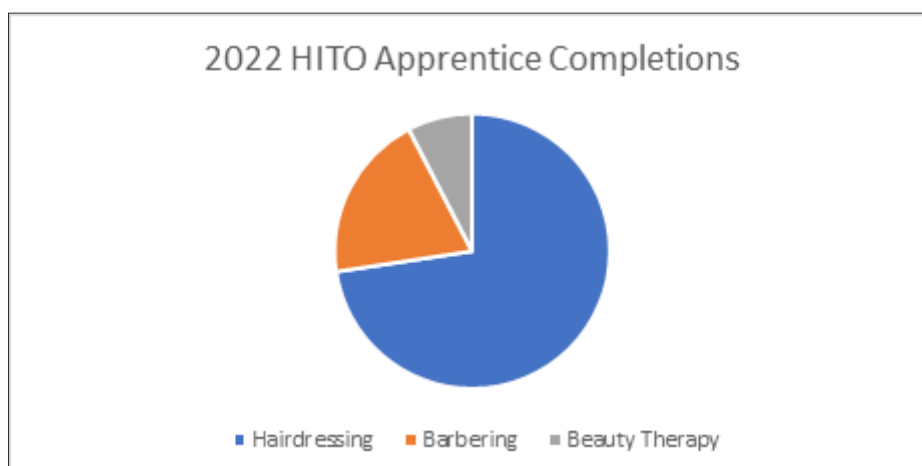


Throughout 2022, apprentice numbers remained stable after strong increases in 2020 and 2021, supported by the Government's Apprentice Boost, Targeted Training and Apprenticeship Fund (TTAF) and Fees Free scheme. We thank the employers and trainers across the country that support the vision of 100% Qualified and are willing to invest in the future of their industry by training apprentices.

HITO's Sales and Training Advisors worked extremely hard to support the employers, trainers and apprentices in their region. Together our 7.5 Sales and Training Advisors conducted a total of 3,897 formal Training Site Visits between January and September 2022.

Completions

Between 1 January and 19 September 2022, 157 apprentices completed their qualifications. 114 (72%) of these were in hairdressing, 31 (20%) in barbering, and 12 (8%) in beauty therapy.



There was a significant increase in the number of capstone assessments for hairdressing and barbering completed in 2022 compared with 2021. In 2022 a total of 271 capstone assessments had been arranged up until 19 September, a 5% increase over the 258 capstone assessments arranged for the whole of 2021. These figures include numerous catch-up assessments for apprentices that were disrupted due to COVID-19 restrictions over the previous couple of years.



Training Site Visit



HITO 100% Qualified Pin



HITO Apprentice

Gateway

In 2022, HITO continued to offer theory-only and work-based Gateway programmes in hairdressing, barbering, and beauty therapy.

To 19 September 2022, there were a total of 244 enrolments in HITO's Gateway programmes. This is a 10% increase in student enrolments from 2021.

A total of 55 students (23%) were enrolled in work-based programmes, and 189 students (77%) were enrolled in theory-only programmes.

Students enrolled in the full range of hair, beauty and barbering Gateway programmes. The largest percentage, 116 students (47%), chose hairdressing programmes. A total of 48 students (20%) were enrolled in the combined hair and beauty programme, 70 students (29%) were enrolled in beauty therapy programmes, and 10 students (4%) were enrolled in the barbering programme.

2022 saw an increase of completions in Gateway. To 19 September 2022, 85 students completed their Gateway programmes. This is an increase of 16%, compared to the total number of Gateway completions in 2021.

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



2022 Guide to Gateway brochure cover



Off-Job Training

2022 Off-Job Training consisted of 80 hairdressing courses and 9 barbering courses, held at 17 provider campuses throughout New Zealand.

HITO's Learning and Development team has worked extremely hard to organise catch-up classes for learners that were disrupted earlier in their apprenticeship by COVID-19.

New Hairdressing Qualification

Work continues on getting the new hairdressing unit standards approved. As required by legislation, HITO handed over responsibility for final development and approval of the suite of hairdressing unit standards to the Toi Mai Workforce Development Council WDC) in October 2021.

Through 2022, HITO continued to support the WDC with work on the new standards as it is of benefit to our industries. The HITO Board has provided ringfenced funds to Te Pūkenga to complete a new apprenticeship programme to meet the requirements of the new qualification once the unit standards have been approved. This is an important legacy for HITO.



Transition to Te Pūkenga

On 19 September 2022, HITO transitioned to become the HITO Business Division of the Work Based Learning Limited (WBL) subsidiary of Te Pūkenga - New Zealand Institute of Skills and Technology.

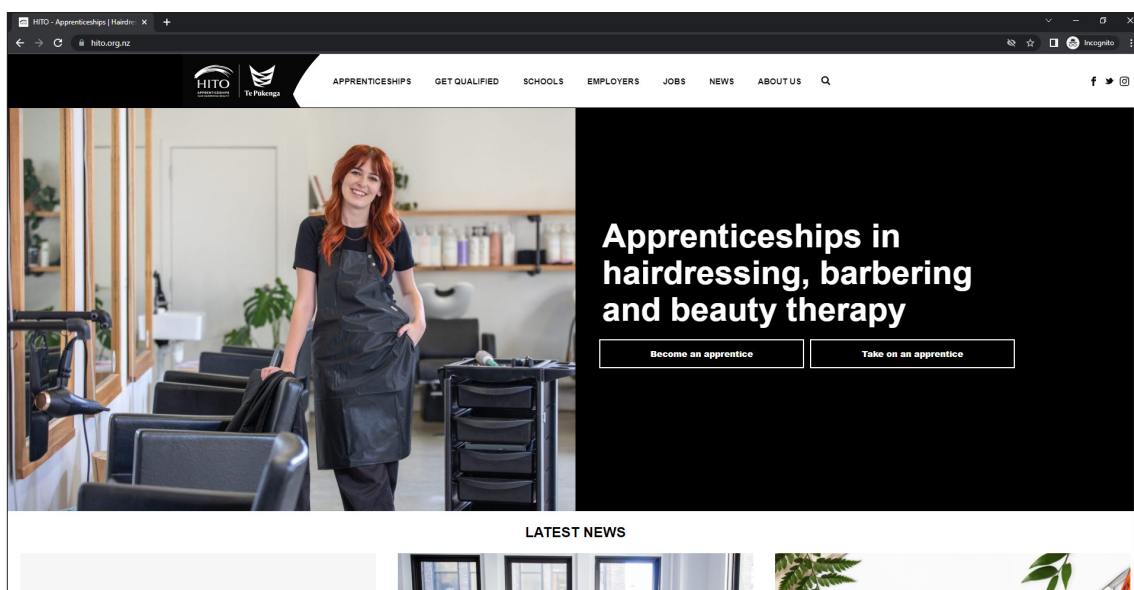


Co-branded HITO | Te Pūkenga brochure

Throughout the transition, HITO's priority was our industry, employers, and apprentices. The HITO Board and management worked hard to ensure the transition agreement included items of importance to our industries and were necessary to ensure the future of apprenticeship training in New Zealand's hairdressing, barbering, and beauty therapy industries.

During the transition, HITO were responsible for keeping industry informed of changes that may have impacted them. Industry were communicated with via physical mail outs, email newsletters, videos, and website updates.

On 1 January 2023, the Work Based Learning Limited (WBL) subsidiary, which included the HITO division, became part of Te Pūkenga - New Zealand Institute of Skills and Technology.



Co-branded HITO | Te Pūkenga website




Between January and December 2022, HITO distributed 12 monthly newsletters to industry. The average number of newsletter recipients in 2022 was 6,378.

These newsletters contained industry news, transition updates, industry profiles, and 100% Qualified features.

Industry Assessors are an important part of the qualification process. Industry Assessors visit learners in their workplace, and conduct assessments to ensure HITO graduates are fit for purpose and performing at the level our industries demand.

Recruitment for new Industry Assessors was ongoing in 2022. Requests for expressions of interest were distributed through HITO monthly newsletters, social media posts, and through ad space in quarterly editions of the BeautyNZ magazine.

In 2022, 5 new assessors came on board, bringing the total number of HITO Industry Assessors and Trainee Assessors across New Zealand to 79.





Become a HITO Industry Assessor

Support future beauty professionals

If you hold a recognised qualification, are working in industry, and have a wealth of experience, contact us today to find out more.

info@hito.org.nz
(04) 499 1180
www.hito.org.nz





HITO
 APPRENTICESHIPS
 AND SKILLING BEAUTY

At the end of 2021, “Hello from HITO” 2022 calendars were distributed to employers across the country.

The “Hello from HITO” calendars featured landscape images from regions around New Zealand, and quotes from HITO staff members, including Sales and Training Advisors, Learning and Development, and Industry Support Coordinators.

"Hello from HITO" 2022 Calendar introduction and June spread

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Over 1200 “Hello from HITO” 2022 calendars were distributed to employers, schools, and industry partners. These calendars were well received by industry and reinforced that HITO is a national organisation, covering all parts of New Zealand.

After the success of the 2022 calendars, 2023 versions were created as 16-month calendars, from September 2022 - December 2023.

Graduation

HITO Graduation was held on Sunday 6th November 2022 at Te Pae Christchurch Convention Centre.

Due to 2021's Graduation ceremony being cancelled due to COVID restrictions, all graduates from October 2020 – October 2022 were invited to attend.

A total of 57 HITO graduates attended the graduation event and walked the stage in front of over 160 guests. HITO Graduation is a particularly special occasion for HITO, as it is so rewarding to see our graduates celebrate the achievement of being fully qualified with their family and friends.

Hairdressing graduate Rahera Tamihana spoke in front of the crowd. She spoke about her experience as an apprentice and gave some advice to her fellow graduates and future apprentices:



Graduate speaker Rahera Tamihana

“Push yourself, be original, and believe that you are one of a kind – because you are, and our industries need you!”



2022 HITO Graduation

Anne Millar presented two special IPSN awards to Mana Dave and Grant Bettjeman, recognising their success and commitment to the hairdressing industry.

HITO Director Kay Nelson was presented with a special award as acknowledgement for her dedication to training and for being a voice for our industries.

After the ceremony, cake and bubbles were enjoyed by graduates and guests.

The Industry Awards

The 13th annual Industry Awards were held in November 2022. For the first time since 2010, the awards were held in the South Island, at the newly opened Te Pae Christchurch Convention Centre.

HITO, along with industry partners Kitomba and Hair and Barber New Zealand, worked together throughout 2022 to bring The Industry Awards to New Zealand's hairdressing, barbering, and beauty therapy industries.

Entries for the awards opened in May and closed at the end of August. The seven Training Award categories garnered a total of 85 entries, and the awards attracted 405 entries overall.

In early September, training Awards judges Mana Dave, Kim Ryan, Sean “Sean the Barber” Faramand, Jeremy Scarle and Rebecca Brent came together to judge the Training Awards entries. Finalists were announced at the end of September.



On Sunday 6th November 2022, The Industry Awards event was held at Te Pae Christchurch Convention Centre. With 440 attendees, the 2022 event was the largest in the history of the awards.

After a few years of cancelled and virtual events, New Zealand's hairdressers, barbers and beauty therapists were excited to gather and celebrate the best training, business and creative talent in their industries.



The Industry Awards 2022 trophies



Hairdressing Apprentice of the Year 2022 Finalists



The Industry Awards 2022 at Te Pae Christchurch Convention Centre

2022 Training Award Winners

Hairdressing Apprentice of the Year - Sarah Warner (Sadie Ellen), Nspyre Red, Christchurch

Barbering Apprentice of the Year - James Harrington, The Barber Lounge, Christchurch

Beauty Therapy Apprentice of the Year - Sarah Manning, Radiance Skin and Day Spa, Cromwell

Jasmine McBeth Memorial Scholarship - Alyssah Swann, CK & Co., Gisborne

Workplace of the Year - MANE Salon, Wellington

Industry Trainer of the Year - Janine Simons, MANE Salon, Wellington

Industry Assessor of the Year - Heidi Christian, Heidi Christian Hair, Hamilton

Jasmine McBeth Memorial Scholarship - 2008-2022

2022 marked the final year of the Jasmine McBeth Memorial Scholarship being presented to a hairdressing apprentice at The Industry Awards.



2022 Jasmine McBeth Memorial Scholarship recipient Alyssah Swann (center) with Denise and Murray McBeth

Started in 2008, the scholarship is in remembrance of hairdressing apprentice Jasmine McBeth, who sadly passed away from cancer in 2007.

The Jasmine McBeth Memorial Scholarship was presented to a hairdressing apprentice who showed drive, passion, motivation and dedication to succeed in their apprenticeship and career. Recipients were awarded \$3,750 to be spent towards professional development.

HITO would like to thank the McBeth family for their continued support of HITO and our industries over the last 14 years.



2017 Jasmine McBeth Memorial Scholarship recipient Joseph Benfell



2019 Jasmine McBeth Memorial Scholarship recipient Jason Parker (center) with Denise and Murray McBeth



2020 Jasmine McBeth Memorial Scholarship recipient Destiny Henry

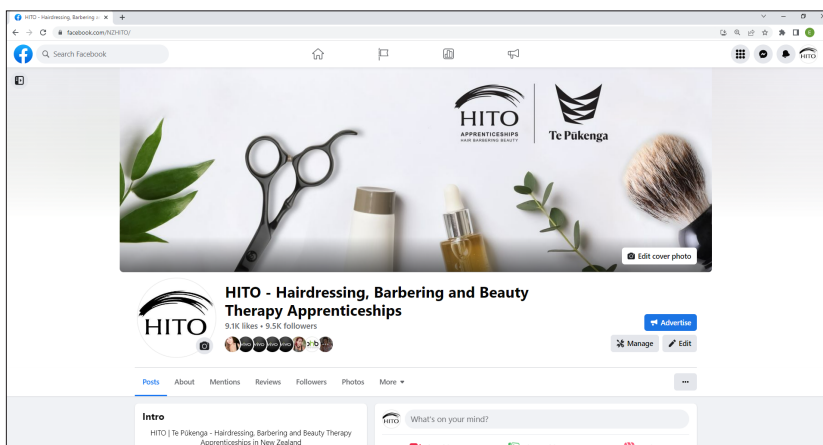
Social Media

Throughout 2022, HITO have continued to grow their social media channels through regular posting of engaging content.

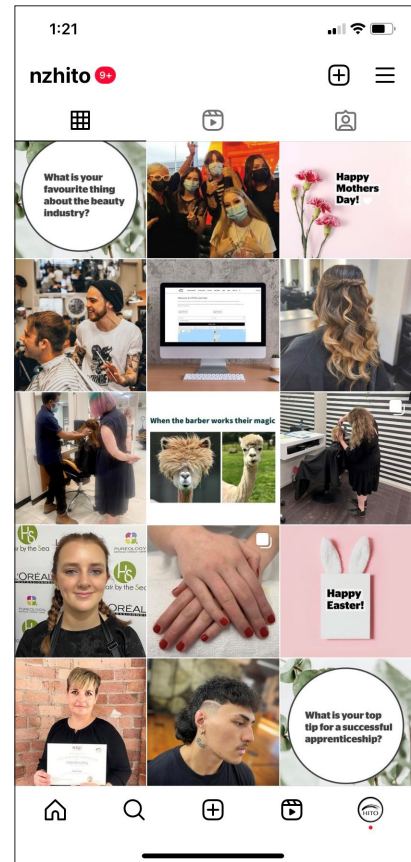
As of September 2022, the @nzhito Instagram account had 2,329 followers, and the HITO Facebook page had 9098 likes.

HITO engage with our industries through social media by posting industry profiles, re-sharing posts and stories from apprentices and employers, posting question prompts with chances to win prizes, and liking and commenting on posts.

Apprentices and employers are encouraged to tag @nzhito in their social media posts and stories for a chance to be re-shared on HITO's social media channels.



HITO Facebook page



HITO Instagram profile

100% Qualified Campaign

HITO continued to celebrate and profile our fully qualified learners through our 100% Qualified social media campaign in 2022.

Learners are encouraged to share a photo of themselves with their certificate on social media and tag @nzhito, #nzhito, and #hitograduate for a chance to be featured on HITO's social media channels and win a \$50 Prezzy Card.

Engagement with this campaign has remained high since its inception in 2017.



Antonio Egusquiza-Arana,
100% Qualified Barber



Maria del Pilar Diaz Rios, 100%
Qualified Beauty Therapist



Don Ferdinando, 100%
Qualified Hairdresser



Kate Nichols, 100% Qualified
Hairdresser

Industry Profiles

In 2022, HITO profiled several industry professionals, including current and past apprentices, employers, trainers, and Industry Assessors. These profiles were shared across HITO's social media platforms, website, newsletter, and marketing materials.

By profiling people in our industries, HITO can keep in contact with the people working in industry, champion the work and effort of those being profiled, and promote qualifications and careers within our industries.

In 2022, HITO collaborated with BeautyNZ magazine to share success stories from beauty professionals in the industry. Those profiled have a connection with HITO and are willing to champion industry training.

Those profiled in BeautyNZ magazine in 2022 include Emma Peterson, 2021 Beauty Therapy Apprentice of the Year, Jodie Stevenson, employer and Beauty Therapy Industry Assessor, and Sarah Manning, 2022 Beauty Therapy Apprentice of the Year.

EMMA PETERSON
@beauty_by_emx



Emma started her beauty therapy apprenticeship by chance. She was helping her future boss by filling in for a few days on the reception desk, and the drive and work ethic she showed opened a new door into a career as a beauty therapist.

"An apprenticeship is a great way to get into the industry," says Emma. "You get to learn from the ground up how the industry and clinic run. You get paid to learn and are left with a job at the end!"

Now fully qualified, Emma believes that having a qualification under her belt at a young age is a testament to the hard work and effort that is involved in the training. "It shows that clients can trust me." Throughout her apprenticeship, Emma discovered a passion for the industry and her commitment to training saw her win 2021 Beauty Therapy Apprentice of the Year.

HANNAH BURTON
@hairbyhannahburton



Hannah wanted a career where she could help people, and starting a hairdressing apprenticeship was the perfect choice. Learning in a hands-on, supportive environment proved to be the right step for Hannah, who is close to completing her final assessment and gaining her qualification.

"Being qualified shows your dedication to your work and your clients," says Hannah. "If you put in the hard work during your apprenticeship, you will reap the rewards."

In 2021, Hannah was the recipient of the Joanne McBeth Memorial Scholarship. She tells future apprentices to be proud of who they are, where they have come from, and to involve themselves in the industry. "I love the inclusivity of the industry; everyone is family and we all work together to educate one another."

DANIELLE CRAWFORD
@detangledbydani



Danielle loves that her job allows her to be creative and engaged every day as a hairdressing apprentice. "The salon environment is one of the most supportive, creative and exciting workplaces," says Danielle.

Now in the second year of her apprenticeship, Danielle has appreciated the hands-on training she has received as an apprentice. "I get to witness how a salon functions, which has allowed me to learn quickly and efficiently while maintaining a healthy work and study balance."

To future apprentices, Danielle says "Don't be scared to take the first step. The industry is full of people who are dedicated to nurturing your growth and helping you succeed."

BRADLEY PROCTOR
@barberbrad_



For Bradley, taking the leap in to an apprenticeship was an easy choice. Interested in developing his barbering skills and getting qualified, a HITO apprenticeship allowed him to work in a real barbershop and learn at the same time.

As the winner of 2020 Barbering Apprentice of the Year, Bradley showed wisdom beyond his years, a strong journey and the understanding of what it takes to be a great barber. Bradley believes this achievement wouldn't have been possible without the support of his workplace, who pride themselves on employing fully qualified barbers.

Now a fully qualified barber himself, Bradley believes an apprenticeship is a no brainer. "Just do it! Develop your skills and gain an internationally recognised qualification at the same time."

Apprentice profiles

EDUCATION & TRAINING

A PASSION FOR LEARNING AND TEACHING

Buy of Beauty business owner Jodie Stevenson believes that becoming a beauty therapist began at an early age. After struggling with her own skin problems as a teenager, Jodie completed a short course that left her hooked on the industry and wanting to learn more.

In 2005, Jodie graduated from the New Zealand College of Beauty Therapy with OHS and CQCCO qualifications. Being awarded National Vocational Certificate in Beauty Therapy and Beauty Therapy is a achievement Jodie is still proud of to this day.

In between caring for her growing family and working in the industry, Jodie discovered her passion for teaching. She worked in polishes and beauty colleges, tutoring students, developing courses, and sharing her knowledge and love for skin.

After the birth of her fifth child, Jodie decided to take the leap and open her own beauty therapy clinic, Belle Me Skin & Body Therapy in Kawerau. She has recently opened a second beauty therapy clinic, and is looking to expand further, with another venture in the works.

Jodie currently employs three apprentices, who she says are an amazing asset to the business. Her love of teaching makes training apprentices a rewarding part of her job.

"I wanted to share the opportunity to study in my community, who otherwise wouldn't have been able to study. All three of my apprentices are mothers, so being able to study while working is a huge deal for them."

In 2019, Jodie applied to be a Beauty Therapy Industry Assessor with HITO, an important role in the assessment process for Beauty Therapy apprentices. HITO Industry Assessors are responsible for actively working in the industry and as a business owner and Beauty Therapy, Jodie was the perfect candidate.

"I am highly passionate about upholding a high standard of knowledge in our industry," says Jodie. "Trainees are changing and becoming more educated, and beauty professionals need a solid foundation of knowledge to build on."

Jodie's love of teaching and mentoring future beauty professionals provide her with a great sense of joy. "I love seeing them gain confidence and become passionate about making others look and feel amazing."

Jodie believes that continually learning and growing is the key to keeping a passion for the industry alive.

"This industry can branch into so many different avenues. It's always changing and growing, so there's never time to be bored of doing the same thing every day."

Jodie is a member of the NZ Association of Registered Beauty Professionals.

Jodie Stevenson

Become a HITO Industry Assessor
Support future beauty professionals

If you hold a recognised qualification, are working in industry and have a wealth of experience, contact us today to find out more.

info@hito.org.nz
0845 409 1180
www.hito.org.nz



94 BEAUTY TRAINING

BeautyNZ Magazine assessor profile

NEW ZEALAND HAIR AND BEAUTY INDUSTRY TRAINING ORGANISATION INC

FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2022

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FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2022

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

Opinion

We have audited the general-purpose financial report of New Zealand Hair and Beauty Industry Training Organisation ("the Society"), which comprise the financial statements on pages 8 to 18, and the service performance information on pages 4 to 7. The complete set of financial statements comprise the statement of financial position as at 31 December 2022, the statement of financial performance, statement of movements in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a statement of accounting policies.

In our opinion the accompanying general purpose financial report presents fairly, in all material respects:

- the financial position of the Society as at 31 December 2022 and of its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended 31 December 2022, in accordance with the entity's service performance criteria,

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 of the financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs and New Zealand Auditing Standard (NZ AS) 1 *The Audit of Service*

Performance Information (NZ). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the General Purpose Financial Report 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.

Emphasis of Matter

We draw attention to Notes 1 and 20 to the financial statements, which state that the financial statements are prepared on a realisation basis. Our opinion is not modified in respect of this matter.

Board's Responsibilities for the General Purpose Financial Report

Those charged with governance are responsible on behalf of the Society for:

- (a) the preparation and fair presentation of the financial statements and service performance information in accordance with Public Benefit Entity Standards RDR issued by the New Zealand Accounting Standards Board;
- (b) service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards RDR; and
- (c) such internal control as those charged with governance determine is necessary to enable the preparation of the financial statements and service performance information that are free from material misstatement, whether due to fraud or error.

In preparing the general purpose financial report those charged with governance are responsible 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 those charged with governance 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 General Purpose Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, and the service performance information 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) and NZ AS 1 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 or collectively, they could reasonably be expected to influence the decisions of users taken on the basis of this general purpose financial report.

A further description of the auditor's responsibilities for the audit of the general purpose financial report is located at the XRB's website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-14/>.

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**

Wellington
New Zealand
17 April 2023

Statement of Service Performance

Who we are and why do we exist?

New Zealand Hair and Beauty Industry Training Organisation Inc “HITO” exist to provide leadership within the barbering, beauty, and hairdressing industry so that trainees and employers experience the benefits of an excellent professional standard of qualifications and ensuring that training is meeting the needs of employees, employers, industry, and the Tertiary Education Commission.

HITO offer apprenticeships and on-job training qualifications in hairdressing, barbering and beauty therapy. We partner with business owners to support trainers and apprentices throughout the qualification journey.

Our vision is 100% qualified – which means we want everyone in our industries to have a professional qualification.

What are our strategic focus areas?

- Ensuring the continued progress and success of our learners and employers as we work towards our vision of 100% Qualified and maximise our revenue and funding.
- Ensuring the continuation and improvement of HITO's high-quality service model to deliver fit for purpose current and future support to our industries, employers, trainers, and learners before and after transition.
- Ensuring a strong and healthy pipeline of apprentices in order to set our industries up with qualified staff for the future.

What did we do and how did we perform?

ACTIVE LEARNERS – at any stage during the year

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

PROGRAMME	NZA 2021	NZA 2022 (Until 19/09/22)	IT 2021	IT 2022 (Until 19/09/22)	NF 2021	NF 2022 (Until 19/09/22)	2021 TOTAL	2022 TOTAL (Until 19/09/22)
Hairdressing	1792	1640	45	26	35	22	1872	1688
Advanced Cutting			3	2	4	3	7	5
Barbering	176	142	18	8	21	11	215	161
Beauty Therapy	157	161	12	10	9	7	178	178
Makeup and SkinCare L3			5	3	0	0	5	3
Nail Technology			2	1	0	2	2	3
Introduction Pathway to Hairdressing L2 – Theory + Practical					5	0	5	0
TOTAL	2125	1943	85	50	74	45	2284	2038

CONTINUING LEARNERS BY PROGRAMME

The number of trainees enrolled in a HITO programme as at 19 September 2022.

PROGRAMME	NZA 2021	NZA 2022 (Until 19/09/22)	NZA 2022 Target	IT 2021	IT 2022 (Until 19/09/22)	IT 2021 Target	NF 2021	NF 2022 (Until 19/09/22)	2021 TOTAL	2022 TOTAL (Until 19/09/22)	2022 Total Target
Hairdressing	1185	1034	1225	17	7		11	3	1213	1044	1225
Advanced Cutting				2	1		3	2	5	3	
Barbering	105	58	100	6	1		5	2	116	61	100
Beauty Therapy	102	83	100	7	2		5	0	114	85	100
Makeup and SkinCare L3				3	0		0	0	3	0	
Nail Technology				1	0		0	0	1	0	
TOTAL	1392	1175	1425	36	11	30	24	7	1452	1193	1475

ENGAGED EMPLOYERS – at any stage during the year (Ex GATEWAY)

	2021 COUNT	2022 COUNT (Until 19/09/22)
Unique Engaged Employers	1062	980

10 CREDIT ACHIEVEMENT

ACHIEVEMENT	2021 COUNT	2022 TARGET	2022 COUNT
Overall Percentage	75.5%	80%	74.5%
Eligible Trainees	1,801		1,788
Eligible Trainees Achieved 10 Credits	1,359		1,329

QUALIFICATION COMPLETIONS

PROGRAMME	2021 COUNT	2022 COUNT (Until 19/09/22)
Hairdressing (Professional Stylist)	167	138
Hairdressing (Advanced Cutting)	1	1
Commercial Barbering	30	46
Beauty Therapy	8	17
Nail Technology	1	1
Makeup and Skin Care Level 3	1	0

GENDER COMPARISON – Based on data from ‘Continuing Learners by Programme’

GENDER	2021 COUNT	2022 COUNT (Until 19/09/22)
Male	10.9%	8.3%
Female	88.9%	91.4%
Unspecified	0.2%	0.3%

APPRENTICE SIGN-ONS

PROGRAMME	2021 COUNT	2022 COUNT (Until 19/09/22)
Hairdressing	627	429
Barbering	87	35
Beauty Therapy	76	56

INDUSTRY TRAINEE SIGN-ONS

PROGRAMME	2021 COUNT	2022 COUNT (Until 19/09/22)
Nail Technology (L3)	1	0
Hairdressing	17	9
Barbering	8	2
Beauty	6	3

EDUCATIONAL PERFORMANCE INDICATORS

	2021	2022 TARGET	2022
PARTICIPATION			
Māori	18.3%	15%	20.7%
Pasifika	4.5%	3%	5.0%
Under 25	59.9%	65%	62.7%
CREDIT ACHIEVEMENT			
All	89.5%	90%	85.7%
Māori	66.8%	90%	78.2%
Pasifika	83.4%	75%	67.3%
Under 25	70.9%	90%	88.4%
FIRST YEAR RETENTION			
All	68.2%	70%	65.5%
Māori	67.9%	70%	63.2%
Pasifika	71.9%	70%	66.7%
Under 25	70.1%	70%	70.0%

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2022**

<u>REVENUE</u>	Note	2022	2021
Revenue	2	5,099,994	6,747,479
Cost of Goods Sold	3	(67,007)	(88,475)
Gross Surplus		5,032,987	6,659,004
Other Income	4	67,912	61,764
<u>EXPENDITURE</u>			
Administration	5	3,069,592	3,461,259
Course Development	6	49,941	12,554
Promotion	7	43,436	62,699
Provision of Training Services	8	841,681	1,213,827
<u>TOTAL EXPENDITURE</u>		4,004,649	4,750,339
Net Assets transferred due to Transition	20	2,945,264	0
NET OPERATING SURPLUS		(1,849,014)	1,970,428

These Statements are to be read in conjunction with the notes on pages 12 to 18

**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

2022	Note	Retained Earnings	Committed Capital	Total
Equity At Start of Period		7,210,076	0	7,210,076
Net Operating Surplus After Tax		(1,849,014)	0	(1,849,014)
Transfers	20	(5,000,000)	5,000,000	0
<u>EQUITY AT END OF PERIOD</u>		<u>361,062</u>	<u>5,000,000</u>	<u>5,361,062</u>
2021	Note	Retained Earnings	Committed Capital	Total
Equity At Start of Period		5,239,648	0	5,239,648
Net Operating Surplus After Tax		1,970,428	0	1,970,428
Transfers		0	0	0
<u>EQUITY AT END OF PERIOD</u>		<u>7,210,076</u>	<u>0</u>	<u>7,210,076</u>

These Statements are to be read in conjunction with the notes on pages 12 to 18

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022	2021
Retained Earnings		361,062	7,210,076
Committed Capital		5,000,000	0
TOTAL EQUITY		5,361,062	7,210,076
 <u>CURRENT ASSETS</u>			
Cash & Cash Equivalents	11	5,369,799	1,619,330
Investments		0	5,575,000
Accounts Receivable	9	0	24,821
Stock on Hand	10	0	12,870
Work in Progress		0	7,172
Prepayments		0	39,561
GST Receivable		8,830	0
TEC Receivable	2.a	0	89,840
		5,378,629	7,368,592
 <u>NON CURRENT ASSETS</u>			
Fixed Assets	12	0	82,112
Intangible Assets	13	0	148,681
		0	230,793
 TOTAL ASSETS		 5,378,629	 7,599,385
 <u>CURRENT LIABILITIES</u>			
Apprentice Fees/Revenue Received in Advance		0	43,355
Accounts Payable and Accruals	14	17,566	253,179
GST Payable		0	92,774
		17,566	389,309
 TOTAL LIABILITIES		 17,566	 389,309
 NET ASSETS		 5,361,062	 7,210,076

For and on behalf of the Executive Board



Flora Gilkison
Chairperson
17 APR 2023



Peter Wells
Deputy Chair
17 APR 2023

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
Cash flows from operating activities		
Operating revenue	5,081,555	6,833,734
Interest received	67,816	44,436
Payments to suppliers and employees	(3,892,321)	(4,540,887)
Cash payments from discontinued operations	(2,945,264)	0
GST (paid)/received	(101,604)	23,785
Net cash inflow/(outflow) from operating activities	(1,789,817)	2,361,068
Cash flows from investing activities		
Investments	5,575,000	(1,930,000)
Purchase/Disposal of Fixed Assets	(34,713)	(27,122)
Purchase of intangible assets	0	0
Net cash inflow/(outflow) from investing activities	5,540,287	(1,957,122)
Net increase (decrease) in cash and cash equivalents	3,750,469	403,946
Cash and cash equivalents at the beginning of the period	1,619,330	1,215,383
Cash and cash equivalent at end of the year	5,369,799	1,619,330

These Statements are to be read in conjunction with the notes on pages 12 to 18

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 17 APR 2023

Due to the matters outlined in the "Reform of Vocational Education" note below (note 20), the financial statements of HITO have not been prepared on a going concern basis for the year ended 31 December 2022. A resolution for the appointment of liquidators and distribution of surplus assets to the Hair Industries Support Opportunities Charitable Trust will be presented to members for approval at the 2023 Annual General Meeting.

Measurement Basis

The financial statements have been prepared on a Realisation basis.

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 2022 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

Changes due to the initial application of a new, revised, and amended PBE Standards

(i) PBE IPSAS 41 Financial Instruments is effective from 1 January 2022 and was adopted on that date.

PBE IPSAS 41 has had no material impact on the measurement and recognition of financial instruments.

All financial assets previously other than Trade Receivables fail the classification for measurement at amortised cost and as such, have been reclassified to being measured at fair value through surplus or deficit.

(ii) PBE FRS 48 Service Performance Reporting PBE FRS 48 Service Performance Reporting is effective for periods from 1 January 2022 and was adopted on that date. PBE FRS 48 requires specific disclosures for the reporting of service performance information which have been provided in the statement of service performance.

2 REVENUE*Revenue is comprised of the following:*

	2022	2021
HITO Trainee Fees	1,514,346	2,088,640
Other Government Revenue	0	50,750
Industry Development Recovery	30,931	0
Moderation Recovery	0	90,218
Project Funding	110,435	12,700
Tertiary Education Commission Funding (2a)	3,392,940	4,434,024
Publication Sales	826	2,282
Gateway Income	50,516	68,865
	<u>5,099,994</u>	<u>6,747,479</u>

(2a) Tertiary Education Commission Funding

Funding Received	3,392,940	4,344,185
Funding to be received - Asset	0	89,840
Recognised Income	<u>3,392,940</u>	<u>4,434,024</u>

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. In 2022 moderation activities were carried out by the Workforce Development councils (TEC)

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

HITO had a contract with TEC which stipulated 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. TEC Funding was washed up in 2022 (shortly after transition) therefore no asset or liability exists at balance date.

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:*

	2022	2021
Publications	67,007	88,475
	<u>67,007</u>	<u>88,475</u>

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

	2022	2021
Interest	67,816	44,436
Sundry Income	96	17,328
	<u>67,912</u>	<u>61,764</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:*

	2022	2021
Membership Expenses	220	220
Bad Debts Provision/Written Off	(6,595)	1,261
Accounting, Audit, & Legal Expenses	25,688	24,907
Amortisation, Depreciation, & Net Loss on Asset Disposal	265,505	280,911
IT Expenses	188,625	207,897
General Meeting Costs	34,444	31,505
ITO Federation & NZQA Subscription	0	4,159
Travel & Accommodation	66,837	74,140
Transition Planning	60,204	17,379
Board Meetings, Honoraria and expenses	118,752	124,322
Office Expenses	243,968	258,964
Staff Costs	1,965,803	2,299,332
Vehicle Expenses	106,143	136,262
	<u>3,069,592</u>	<u>3,461,259</u>

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

	2022	2021
Industry Development	40,699	2,468
Project Spend	9,242	10,087
	<u>49,941</u>	<u>12,554</u>

7 PROMOTION*Promotion is comprised of the following:*

	2022	2021
Advertising/Marketing/Promotion	43,436	62,699
	<u>43,436</u>	<u>62,699</u>

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

	2022	2021
Seminar/Workshop Expenses	36,109	474
Assessment Expenses	179,574	258,758
Off Job Training Paid	528,232	754,316
Board & Travel Subsidy	24,130	43,136
National Certificate Costs	0	6,578
Accreditation/Credit Fees	73,635	150,511
Moderation Expenses	0	53
	<u>841,681</u>	<u>1,213,827</u>

9 ACCOUNTS RECEIVABLE

Accounts Receivable is comprised of the following:

	2022	2021
Accounts receivable from customers - exchange transactions	0	32,946
Allowance for Doubtful Debts	0	(8,125)
	<u>0</u>	<u>24,821</u>

10 STOCK IN HAND ACCOUNTING POLICY

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

11 CASH & CASH EQUIVALENTS

Cash & Cash Equivalents is comprised of the following:

	2022	2021
Current Account	63,413	294,869
Call Account	5,306,385	1,324,461
	<u>5,369,799</u>	<u>1,619,330</u>
Bank Term Deposits	<u>0</u>	<u>5,575,000</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	56,372	226,404	180,027	22,981	485,784
Additions	0	34,713	0	0	34,713
Disposals	56,372	261,116	180,027	22,981	520,497
Closing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Accumulated Depreciation</u>					
Opening	46,100	215,125	120,868	21,578	403,672
Depreciation	10,271	45,991	59,159	1,403	116,824
Disposals Depreciation write-back	56,371	261,116	180,027	22,981	520,496
Closing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value 2021	10,271	11,278	59,159	1,403	82,112
Net Book Value 2020	23,090	322	130,151	3,507	157,070

FIXED ASSETS ACCOUNTING POLICIES

HITO transitioned all training related assets to Te Pūkenga on 19th September 2022. The remaining useful lives of the assets had been accelerated so that on transition date the net book value was nil given the assets no longer had any economic value from the perspective of HITO. Assets acquired in 2022 were 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	187,670	751,803	939,473
Closing	0	0	0
<u>Accumulated Depreciation</u>			
Opening	154,226	636,568	790,794
Amortisation	33,444	115,235	148,679
Disposals Amortisation write-back	187,670	751,803	939,473
Closing	0	0	0
Net Book Value 2022	0	0	0
Net Book Value 2021	33,444	115,235	148,679
Net Book Value 2020	73,579	253,516	327,095

INTANGIBLE ASSETS ACCOUNTING POLICIES

HITO transitioned all training related assets to Te Pūkenga on 19th September 2022. The remaining useful lives of the assets had been accelerated so that on transition date the net book value was nil given the assets no longer had any economic value from the perspective of HITO. Assets acquired in 2022 were 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:

	2022	2021
Accounts payables from exchange transactions	0	72,567
Credit Cards	66.45	13,684
Accruals	17,500	35,726
Holiday Accrual Provision	0	131,202
	<u>17,566</u>	<u>253,179</u>

15 OPERATING LEASE COMMITMENTS

	2022	2021
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	0	203,232
Between one and five years	0	154,245
Greater than 5 years	0	0
	<u>0</u>	<u>357,477</u>

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

Lease cost for 2022 totalled: \$151,932

HITO's lease obligations were assumed by Te Pūkenga Work Based Learning Limited with effect from 19th September 2022

16 COMMITMENTS AND CONTINGENCIES

Other than the \$5 million committed to HISO trust, there are no other capital commitments or contingent liabilities at balance date (2021: 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:

	2022	2021
Remuneration	718,655	676,905
Number of FTEs	2.9	3.8

Other related party disclosures

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

19 FINANCIAL INSTRUMENTS**Accounting Policy**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when HITO becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTSD, transaction costs that are directly attributable to its acquisition or issue. At initial recognition, an entity may measure shortterm receivables and payables at the original invoice amount if the effect of discounting is immaterial.

HITO derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

HITO recognises loss allowances for expected credit losses on financial assets measured at amortised cost where material. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, HITO considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and informed credit assessment and including forward-looking information. HITO assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due

All financial assets are classified as per PBE IPSAS 41 - using one of three classifications:

- FVTSD: financial assets at fair value through surplus or deficit
- FVOCRE: fair value through other comprehensive revenue and expense
- at amortised cost

These are:

	Financial Assets at FVTSD		Financial Liabilities at FVTSD	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash and cash equivalents	5,369,799	1,619,330	-	-
Bank term deposits	-	5,575,000	-	-
Receivables	-	24,821	-	-
Trade Payables	-	-	17,566	253,179
TEC Receivable	-	89,840	-	-
Apprentice Fees/Revenue Received in Advance	-	-	-	43,355

20 Reform of Vocational Education

The Education and Training Act 2020 (“the ETA”) came into effect in August 2020. Pursuant to the Education Act 1989 (now repealed), Te Pūkenga was established on 1 April 2020 as a tertiary education institution and a Crown entity under the Crown Entities Act 2004. Te Pūkenga is continued by section 314 of the ETA.

The creation of Te Pūkenga is a key component of the Reform of Vocational Education (“RoVE”). A component of RoVE is to shift the role of supporting workplace learning from former Industry Training Organisations to Providers (such as Te Pūkenga).

Te Pūkenga incorporated Te Pūkenga Work Based Learning Limited (“WBL”) as its wholly owned subsidiary under section 340 of the ETA.

On 1 April 2020, HITO became a Transitional Industry Training Organisation (“TITO”) for the purposes of clauses 45 to 58 of schedule 1 of the ETA.

Transition to Te Pūkenga Work Based Learning Limited

On the 19th of September HITO transitioned all of its training functions and has continued to operate as a stand alone division of WBL with the transfer agreement dated 13 July between HITO and WBL. As a consideration for the transfer, WBL will hold portion of reserves as a ringfenced amount which will be applied to projects that fall within the best interests of the industries that HITO Supports. The remaining cash reserves will be transferred to the HISO Charitable trust.

WBL acquired certain assets and assumed certain liabilities as part of the agreement with HITO to transfer its arranging training activities to Te Pūkenga.

Transition from HITO to WBL was a “going concern” being a transfer of people, assets and liabilities to WBL. Surplus assets that were not required for RoVE remain with HITO and primarily relate to cash reserves.

Financial Impact to HITO

Other than cash, TEC funding repayable, GST, debtors, all HITO net assets were transferred to WBL for nil consideration on 19 September 2022. All HITO employees transitioned to WBL on the same terms and conditions of employment, except for the position of Chief Executive which was carried over as Division Director at WBL.

The following assets and liabilities were transferred to WBL on 19 September 2022

Current Assets	2,941,494
Current Liabilities	- 207,558
Fixed Assets	-
Total Net Assets	<u>2,733,936</u>

The assets transferred to WBL will continue to be used for the benefit of the employers, learners and industries represented by HITO.

2,740,000 of the current assets transferred are ring-fenced cash for the purposes of:

- (a) Meeting the cost of planned projects or operational budget deficit, HITO liabilities that cannot be met by the New Business Division from surplus operating funds; and
- (b) the Arranging Training Activities for the Beauty Therapy, Barbering, and Hairdressing industries within Te Pūkenga functions

	2022
Net Value transferred to Te Pūkenga	2,945,264

On the 7th of December the HITO board committed a sum of \$5,000,000 will be gifted to the Hair Industries Support Opportunities (HISO) Charitable trust. Once HISO has gained charitable status, the funds will be transferred in 2023. Like the transfer to WBL, the funds transferred to HISO will continue to be used for the benefit of the industries represented by HITO.

