

# ANNUAL REPORT

2020



**Primary ITO**  
Rōpū Whakangungu Ahuwhenua Ahumahi



# He waka eke noa

We are on this  
journey together

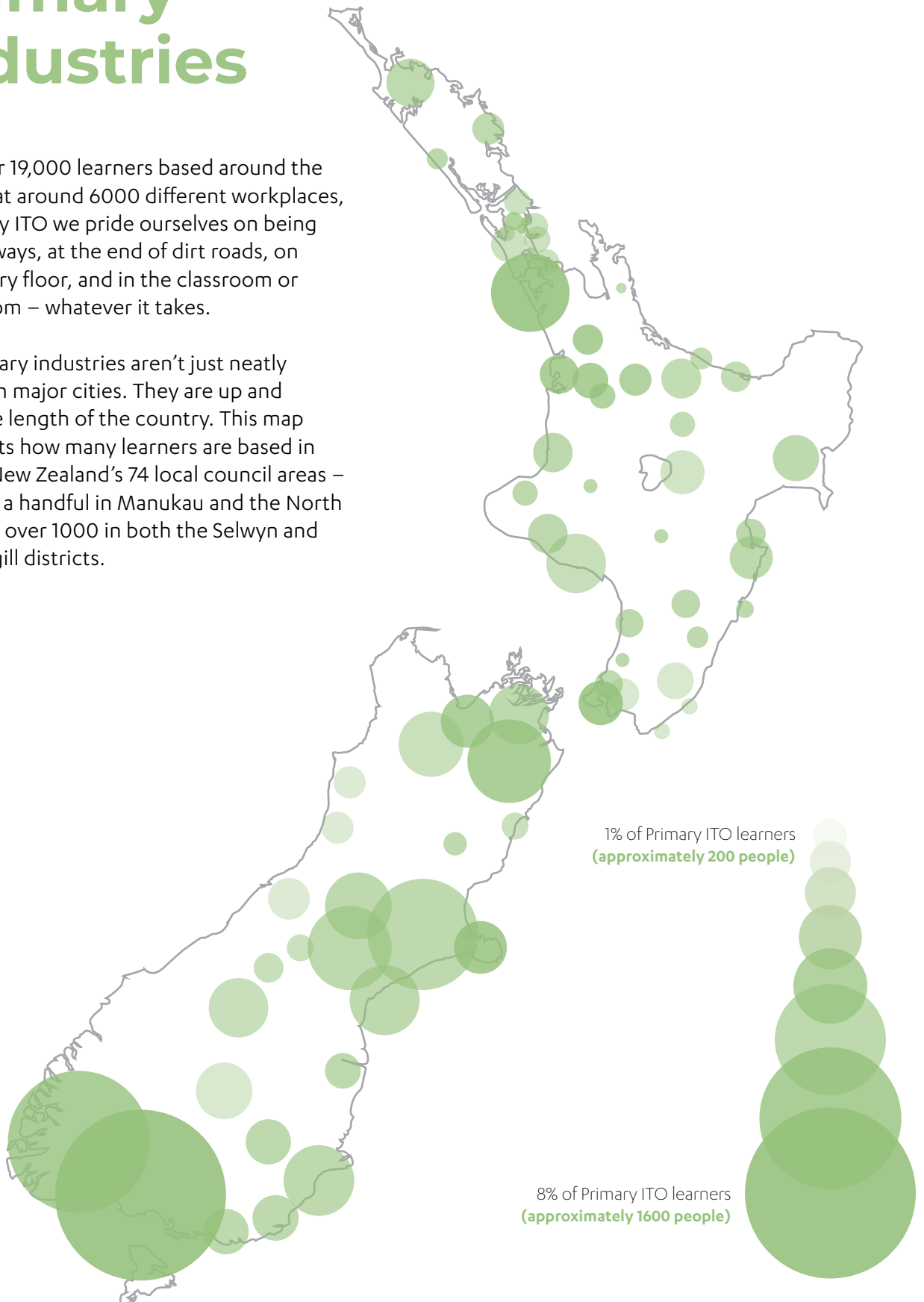
Primary ITO adopted the whakataukī “he waka eke noa” in 2019 in acknowledgement of the leadership and stewardship of our industry partners. In 2020, this whakataukī was an important touchstone both at Primary ITO and around New Zealand with the disruption from Covid-19. Photo: The waka Ngātōkīmatawhaorua in the Treaty grounds at Waitangi, taken by Primary ITO instructional designer Hayley Clement.

# Where people learn in the primary industries

# 2020

With over 19,000 learners based around the country at around 6000 different workplaces, at Primary ITO we pride ourselves on being up driveways, at the end of dirt roads, on the factory floor, and in the classroom or boardroom – whatever it takes.

The primary industries aren't just neatly located in major cities. They are up and down the length of the country. This map represents how many learners are based in each of New Zealand's 74 local council areas – from just a handful in Manukau and the North Shore, to over 1000 in both the Selwyn and Invercargill districts.



# What we cover

With the backing of our industries, Primary ITO has a mandate from the Government to arrange work-based training for a wide range of sectors. This mandate comes under the Industry Training and Apprenticeships Act 1992.

Across these industries, we also set the standards and design the programmes that enable people to gain skills and qualifications in their chosen field. Currently we have employers, industry trainees and apprentices in the broad sectors represented on this page.

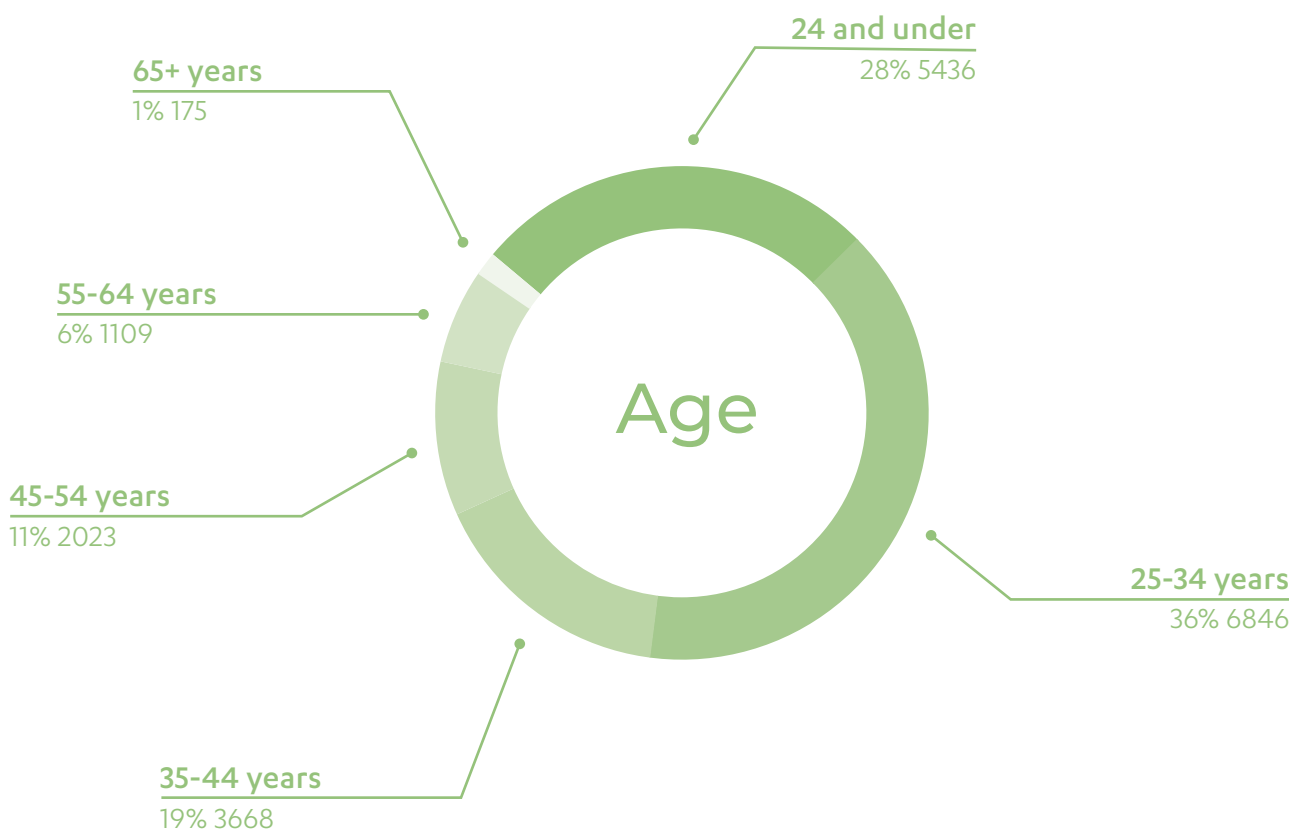
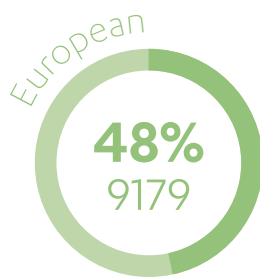
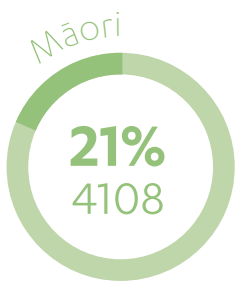
Within each of these sectors, there are many other highly specialised fields, from kiwifruit, wine growing and hops, to milk quality, shearing, equine breeding and many more.



# The people who train with us

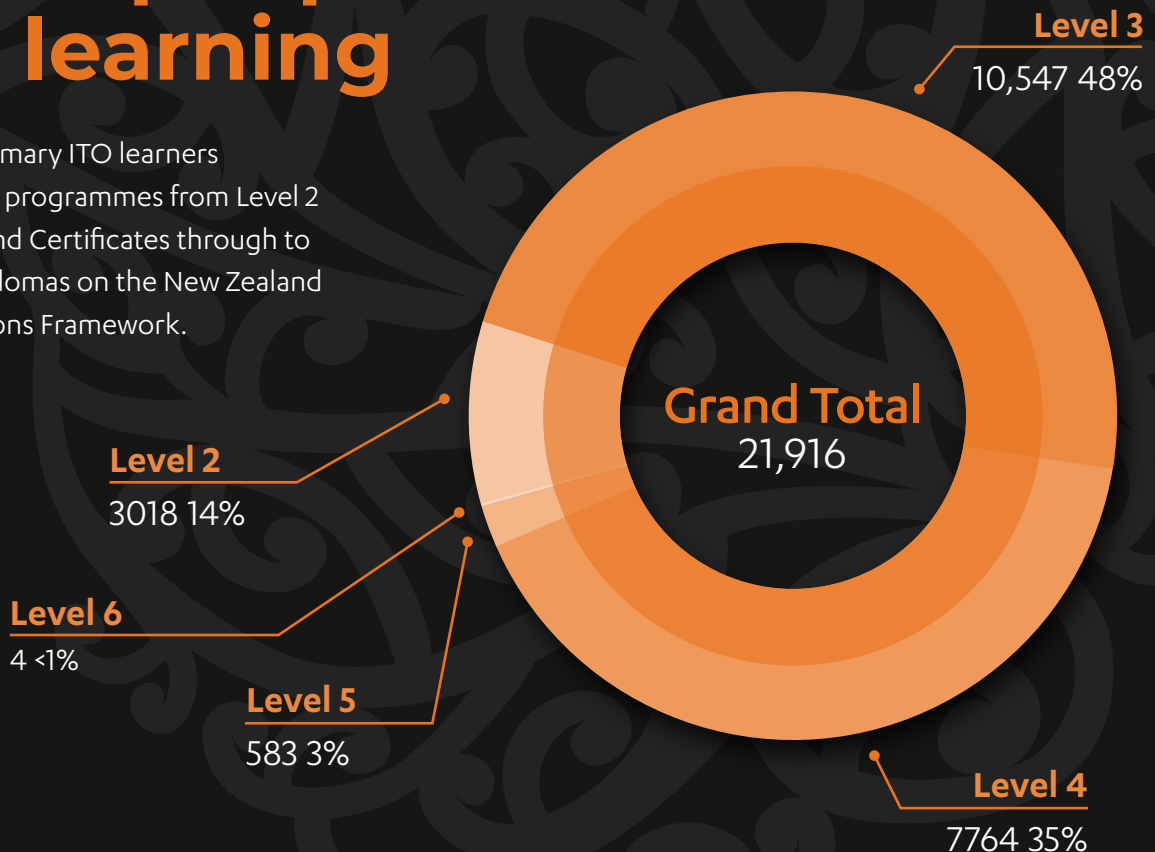
# 19,258

people training with Primary ITO during 2020



# What people are learning

In 2020, Primary ITO learners completed programmes from Level 2 New Zealand Certificates through to Level 6 Diplomas on the New Zealand Qualifications Framework.



## Learning Products and Services

### Current Unit Standards:

Unit standards are the building blocks of qualifications. Each one has a specific outcome to be achieved – like developing a calving plan for a dairy herd, or using and maintaining orchard ladders and stools. Primary ITO has 2129 unit standards on the New Zealand Qualifications Framework. Of these, 1801 are active and 328 are due to expire in 2021.

### Qualifications:

Primary ITO has consent for programmes covering 128 qualifications. Of these, we are the standard setting body for 120, while other standard setting bodies such as other Industry Training Organisations are responsible for 8.

### Micro-credentials:

During 2020 we created 8 new micro-credentials, expired 3, and reviewed 10 existing micro-credentials.

### Unit standards in 2020:

During 2020 we reviewed 231 unit standards, created 33 new ones, and expired 243.

### Programmes:

Primary ITO offers 140 different programmes of industry training, including 40 New Zealand Apprenticeships. In 2020, we created 8 new New Zealand Apprenticeships.

# Achievements and pathways

## Future pathways

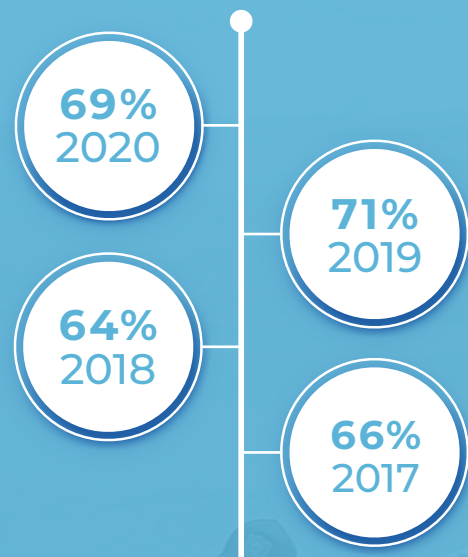
Primary ITO has the largest Trades Academy in New Zealand, covering the length and breadth of the country. The Trades Academy is a pathway into a career in the primary industries. Learners start learning about the sector in their senior years at school, with many progressing in a range of rewarding careers in many industries.

**1070**  
Trades Academy  
Learner places

(an increase of 80 places on 2019).

## Credit achievement rate

The credit achievement rate is a key measure of how many credits learners achieve as at proportion of how many they are expected to.



1128 Trades Academy students

**63** farms visited by tutor-led Trades Academy students

**82%** retention rate within 2020

**93** Trades Academy schools

**26** schools engaged in Gateway delivery

**54%** retention from Year 1 (2020) to Year 2 (2021) Trades Academy

# Employers, workplaces, credits and programmes



390,971  
credits achieved



7807  
programmes completed



5016 employers  
with staff  
across 5964 different  
workplaces.

# Youngest and oldest

15 The age of one of  
our New Zealand  
Apprentice dairy  
farmers

The age of a learner  
completing a New Zealand  
Certificate in  
Animal Care  
(Companion  
Animals)

82

# Technology Access Fund for Learners

The Technology Access Fund for Learners (TAFL) was set up by the Government as part of its Covid-19 response to help tertiary education providers in supporting learners to continue their education and training despite the disruptions in 2020 due to the pandemic.

Primary ITO successfully applied for \$433,000 to provide high-priority learners with laptops and internet access. As a result, we were able to supply learners with 189 laptops and 28 modems with data to enable their learning.



# Strategic Intent

## Vision

**Leading primary sector vocational education**

*Ko te amorangi ki mua, ko te hāpai ō ki muri*

## Outcomes

**A high trust  
stakeholder  
partnership model**

*He waka eke noa*

**High learner  
achievement**

*He kai kei aku ringa*

**Be a sustainable  
education business**

*Whāia te iti kahurangi*

## Strategic Objectives

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Refine sector delivery models

Develop vocational programmes which meet the demands of our industries

Support the RoVE transition

Learners engaged at the right time, right place and supported to do the right thing

Parity of achievement for Māori, Pasifika and all disadvantaged learners

Support the transition under the Reform of Vocational Education

We have the right staff, at the right place, doing the right thing

Our systems and processes enable us

# Chief Executive's Report

Ko te pūrongo a te kaiwhakahaere matua



## Tēnā koutou kia ora anō tātou.

As last year's annual report was being finalised, New Zealand was in the nationwide Level 4 Covid-19 lockdown. A year on, Covid is still at the forefront of people's minds but we take great heart both in how the pandemic is being managed in New Zealand and how Primary ITO has performed throughout.

We learned a lot about how we can work remotely when we have to. We also saw the huge benefits in our brand of face-to-face industry training. During lockdown, while most of our industries were in the essential work category, most training activity had to take a pause. Relationships between our training advisors and sector experts, and learners and employers, had to become "virtual" rather than face to face.

While we can be proud of how we supported our learners and employers in that period, the return to "normal" has again reinforced how employer-led workplace-based training is enhanced by the pastoral support, on-the-ground assessment, and expertise of Primary ITO field staff.

Primary ITO is weathering the Covid-19 economic storm in good financial shape. We posted a \$556,000 surplus for the year, which was a big turnaround from 2019. We achieved this through strong government support and our growth agenda, pursuing efficiency and maximising the opportunities presented by our growing industries and a government focus on industry training.

The advent of Free Trades Training, covering most training fees from last year until the end of 2022 is a huge incentive to train. Alongside this, government financial support for businesses with apprentices means 2021 and 2022 are a great time to learn on the job. It is my assessment that this type of funding will be put on a more permanent footing as the Government acknowledges the critical role of employers within the work-based learning system.

Primary ITO's 2020 was about far more than Covid. We've worked hard on our bicultural journey and to build iwi relationships. Māori learners are over 20 percent of our learners. We've embedded the concepts of whanaungatanga, manaakitanga and mana motuhake into our organisation. In the Primary ITO context, these mean the quality of our interactions with learners and employers, a service mentality, and responsiveness to all people we work with in the primary industries.

The Government's Reform of Vocational Education continues to take shape. Te Pūkenga New Zealand Institute of Skills and Technology has been launched and over the next two years we will be working to transition into being a part of it. How this will happen is still under development, but we have signed a partnership agreement with Te Pūkenga and are advocating for the best possible results for our industries.

We know that industry needs more skilled people and are optimistic that the new framework will enable us to better support them. Ahead of these reforms, we're already looking at the types of innovative solutions and partnerships required.

In 2020 we developed a partnership with the West Coast-based Tai Poutini Polytechnic for learners to gain our Level 3 New Zealand Certificate in Agriculture either on campus at the polytechnic, or on the job with Primary ITO. Rolling out for a pilot in early 2021, what makes this a potential game-changer for the primary industries is the ability to move seamlessly between full-time study and on the job learning. Historically this hasn't been the case and people couldn't transfer their learning achievements between the two education models.

This pilot is being expanded to include the Southland Institute of Technology and may include the use of its Telford campus, where rural training has been a feature for decades.

Another interesting development is what we're calling PIFI – Pathways into the Primary Industries. This seeks to develop and deliver a national pan-sector pre-employment strategy. What makes this different for us is that industry training by its nature generally focuses on people in employment rather than before. We've recognised that the pipeline of skilled workers begins before they begin work and we can add value at that stage too.

Primary ITO is confidently planning for the long term. We know we'll be in a partnership with Te Pūkenga and we are looking forward to supporting learners and employers across the primary industries for the decades to come.

Ngā mihi,

Nigel Philpott  
CHIEF EXECUTIVE

# Chair's Report

Ko te pūrongo a te tiamana



## Tēnā koutou, tēnā tātou.

Primary ITO has a mandate from industry and government to set the standards and arrange training across a broad range of primary sector industries. These range from meat processing to sports turf, from seafood to landscaping, dairy farming to horticultural processing and many more.

Where Primary ITO operates is in the middle of all those industries, identifying both the synergies and points of difference to create work-based training that delivers up to the minute skills in an efficient way.

To ensure we do this, in 2020 Primary ITO refreshed its strategy, refining our focus on what we do best – and what our industries demand of us.

To have the best people with the best skills, New Zealand needs to view the primary sector as an attractive career opportunity. Industry training improves employment outcomes for learners, and provides employers with a skilled workforce who can make a positive impact in their business. That is the heart of our vision.

To enable it, we need high-trust partnerships with industry, high learner achievement, and to be a sustainable education business.

At a governance level, the approximately 140 members of our 14 specialised industry partnership groups provide us with the guidance about training, qualification review and development, industry events and other sector changes. They ensure we remain relevant, future focused and directly involved with the ever-changing nature of their industries.

Our nearly 20,000 learners are at the heart of what we do. Ensuring they achieve is what Primary ITO's training advisors and other field staff aim for every day.

The organisation faced two once-in-a-generation type influences in 2020. Firstly the Covid-19 pandemic was unprecedented in its impact on New Zealand. Primary ITO was fortunate that government funding guarantees and initiatives gave us certainty to continue our work.

Secondly was the Government's Reform of Vocational Education. Completely different from Covid-19, this promises the type of reorganisation and reform of the vocational education sector that has not been seen for many years.

This meant that during 2020, we officially became a "Transitional" Industry Training Organisation. By the end of 2022 we will plan to transition our arranging training function into a work-based learning subsidiary of the new Te Pūkenga New Zealand Institute of Skills and Technology.

We are embracing the opportunity of this and continuing to plan for the long term – as part of a Te Pūkenga subsidiary. Our Strategic Intent was updated in 2020 to cover the period until 2025, reflecting our ongoing place in the vocational education ecosystem.

Being a Transitional Industry Training Organisation will not distract us from what we need to do. We have continued to invest in new product suites, new New Zealand Apprenticeships programmes, more field staff to support more learners, and all the background systems that are needed to enable them.

Following last year's Annual General Meeting, Primary ITO moved to a new board arrangement. I would like to thank my fellow board members Trevor McIntyre, Carla Muller, Mike Chapman, Rick Powdrell and Cathy Webb. Ongoing governance and advocating for industry will continue to be crucially important through 2021 and beyond.

Ko te pōari me ngā kaitautoko o te whare nei, tēnei te mihi. To my board colleagues and industry leaders, thank you.

Ngā mihi,

Bruce Wills

# Industry statistics

Industry Partnership Group	People Training With Us	Credits Achieved	Programmes Completed
Amenity Horticulture Services	1634	31,852	271
Dairy Farming	5954	118,425	1475
Dairy Processing	956	12,960	236
Equine & Racing	283	8,683	130
Kiwifruit & Avocado	282	5,232	65
Meat Processing	5316	113,375	3889
Nursery Production	223	5,169	55
Other Industries (No IPG)	1673	31,393	536
Pipfruit	394	7,428	86
Seafood	781	16,423	496
Sheep, Beef & Deer Farming	758	15,859	157
Sports Turf	248	8,630	62
Unallocated	34	685	28
Vegetables & Other Fruit Production	227	4,894	38
Viticulture	495	9,963	283
<b>Grand Total</b>	<b>19,258</b>	<b>390,971</b>	<b>7807</b>

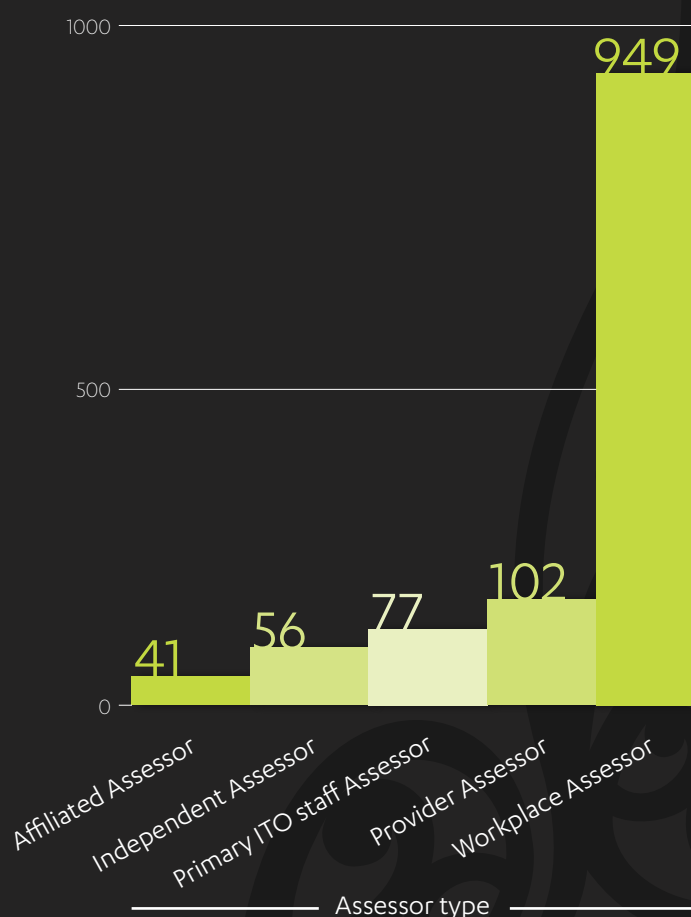
## Making sure learners meet the standards

Primary ITO works with a network of around 950 registered assessors responsible for assessing the work of our thousands of learners. In 2020, 372 new assessors were added to the register.

To ensure learners have actually gained the skills their qualifications require, in 2020 we carried out post-assessment moderation with 94 private training establishments, polytechnics and institutes of technology, as well as 74 secondary schools.

By far the majority of our registered assessors are the employers and colleagues of workplace learners.

We work closely with these people to make sure they have the tools they need to ensure learners meet the standards required. We also work with independent and affiliated assessors as well as ones employed by training providers, and our own Primary ITO staff assessors.



# FINANCIAL STATEMENTS

2020



# Statement of Responsibility

“We are responsible for the preparation of the financial statements of Primary Industry Training Organisation Incorporated (‘Primary ITO’) and its subsidiaries Te Puna Auaha formerly known as Agriculture Services Limited, and Primary Industry Training Organisation Limited (together ‘Primary ITO Group’) for the judgements made in them.

We are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements fairly reflect the financial position and operations of the Primary ITO Group for the year ended 31 December 2020.”



Bruce Wills  
**Board Chair**  
28 April 2021



Nigel Philpott  
**Chief Executive**  
28 April 2021

# Statement of Comprehensive Revenue and Expenses

For the Year ended 31 December 2020

	Note	Primary ITO Group	
		2020 \$000	2019 \$000
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Government funding	2	27,963	24,623
Training fees		2,567	3,833
Industry grants	2	535	1,311
<b>Revenue from exchange transactions</b>			
Industry grants		-	32
Other income	3	706	939
Interest		117	218
<b>Total revenue</b>		<b>31,888</b>	<b>30,956</b>
<b>Cost of Services</b>			
People costs	4	17,425	17,036
Training costs	5	7,479	8,319
Operating costs	6	5,038	6,489
Depreciation, amortisation and impairment	11, 12	1,390	1,226
<b>Total cost of services</b>		<b>31,332</b>	<b>33,070</b>
<b>Surplus/(Deficit)</b>		<b>556</b>	<b>(2,114)</b>
<b>Other Comprehensive Revenue and Expenses</b>			
Other comprehensive revenue and expenses		-	-
<b>Total comprehensive Surplus/(Deficit)</b>		<b>556</b>	<b>(2,114)</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Net Assets

For the Year ended 31 December 2020

	Note	Primary ITO Group	
		2020 \$000	2019 \$000
<b>Balance at 1 January</b>		6,475	8,589
<b>Comprehensive Revenue and Expenses</b>			
Surplus/(Deficit)		556	(2,114)
Other comprehensive revenue and expenses		-	-
<b>Balance at 31 December</b>		<b>7,031</b>	<b>6,475</b>

The accompanying notes form part of these financial statements.





# Statement of Financial Position

As at 31 December 2020

	Note	Primary ITO Group	
		2020 \$000	2019 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,284	1,109
Term deposits	7	3,541	6,000
Receivables from exchange transactions	9	388	606
Receivables from non-exchange transactions	10	1,036	977
Other assets		72	158
<b>Total current assets</b>		<b>8,321</b>	<b>8,850</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	489	238
Intangible assets	12	2,006	1,809
<b>Total non-current assets</b>		<b>2,495</b>	<b>2,047</b>
<b>Total assets</b>		<b>10,816</b>	<b>10,897</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	13	2,802	3,254
Employee entitlements	14	857	651
Income in advance		126	517
<b>Total current liabilities</b>		<b>3,785</b>	<b>4,422</b>
<b>Net assets</b>		<b>7,031</b>	<b>6,475</b>
<b>Net assets</b>			
Retained earnings		7,031	6,475
<b>Total net assets</b>		<b>7,031</b>	<b>6,475</b>

The accompanying notes form part of these financial statements.



# Statement of Cash Flows

For the Year ended 31 December 2020

	Note	Primary ITO Group	
		2020 \$000	2019 \$000
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from:</b>			
Government funding		27,973	24,698
Training fees and other receipts		3,030	4,685
Industry grants		535	1,771
Interest received		117	218
<b>Cash was applied to:</b>			
Payments to suppliers and employees		(30,097)	(32,168)
<b>Net cash provided/(used in) by operating activities</b>	18	<b>1,558</b>	<b>(796)</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash was provided from:</b>			
Term deposits maturing		6,000	6,000
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment		(857)	(38)
Purchase of intangibles		(985)	(803)
Investment in term deposits		(3,541)	(6,000)
<b>Net cash provided by/(used in) investing activities</b>		<b>617</b>	<b>(841)</b>
Net increase (decrease) in cash and cash equivalents		2,175	(1,637)
Cash and cash equivalents at the beginning of the year		1,109	2,746
<b>Cash and cash equivalents at the end of the year</b>		<b>3,284</b>	<b>1,109</b>

The accompanying notes form part of these financial statements.



# Statement of Accounting Policies

For the Year ended 31 December 2020

## 1 Statement of Accounting Policies

### Reporting Entity

Primary Industry Training Organisation (Primary ITO) is contracted by the Government of New Zealand, through the Tertiary Education Commission (TEC), and the Agriculture, Horticulture, Sports Turf and Equine industries to manage vocational education and training for these industries. It does not operate to make a financial return.

Primary ITO Group consists of Primary ITO, Te Puna Auaha Limited (formerly known as Agriculture Services Limited, ASL), and Primary Industry Training Limited. Te Puna Auaha Limited and Primary Industry Training Limited were both non-trading wholly owned subsidiaries of Primary ITO during 2020.

Primary ITO is an Incorporated Society domiciled in New Zealand. The address of its registered office is Level 2, 15 Walter Street, Wellington as at 1 April 2021. (During 2020 the registered address was Level 2, 180-188 Taranaki Street, Wellington.)

Primary ITO has designated itself and the Group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements of Group are for the year ended 31 December 2020 and were authorised for issue by the Board on 28 April 2021.

### Reform of Vocational Education

The Education (Vocational Education and Training Reform) Amendment Act (the Act) came into effect on 1 April 2020. The Act specifies that Industry Training Organisations (ITO's) will be recognised as transitional ITO's from 1 April 2020 and that as soon as practicable after 1 April 2020 they must develop a transition plan for approval by the Tertiary Education Commission (TEC). The final transition plan must be submitted to TEC by 30 September 2021, or earlier. The transition plan will include:

- i) the transfer of responsibilities for developing, setting and maintaining skill standards to a Workforce Development Council (WDC); and
- ii) the transfer of responsibilities for developing and maintaining arrangements for work-based training to one or more specified providers for approval by the Tertiary Education Commission.

Further detail of the reforms can be found at: <https://www.tec.govt.nz/rove/reform-of-vocational-education/>.

#### WDC Transition

The six WDCs are due to be established in 2021. Primary ITO's standard setting and qualification activities are expected to transfer to the Primary Industries WDC after establishment. There are no material assets related to the qualification systems functions. The Directors expect there will be no impairment on the book value of any fixed and intangible assets which may transition to the Primary Industries WDC. A small number of employees are expected to transition to the Primary Industries WDC. No redundancies are expected.

#### Arranging Work-Based training Transition

Primary ITO is in the process of finalising its transition plan and expects they will transfer responsibilities for Primary ITO's arranging work-based training before December 2022, subject to commercial agreement with Te Pūkenga (New Zealand Institute of Skills and Technology), and approval of the transition plan by TEC. The Primary ITO Board of Directors expects that all employees, assets and liabilities related to arranging work-based training will transition to a subsidiary of Te Pūkenga.

#### Potential Impact on Primary ITO

All assets, including intangible assets, are expected to transition to a subsidiary of Te Pūkenga as an ongoing operation at carrying value. All liabilities and leases are expected to be assigned to Te Pūkenga from the effective transition date. Employees transitioning to Te Pūkenga are expected to retain the same terms and conditions of employment with no redundancies as at the transition date.

The Board believes it has the ability, including from existing cash and term deposits of \$6.8 million at 31 December 2020, to meet all obligations as they fall due, including any following transfer of its responsibilities to the WDCs and one or more specified providers.



# Statement of Accounting Policies

For the Year ended 31 December 2020

## Basis of Preparation

Due to the required transfer of operations to Te Pūkenga as outlined in the “Reform of Vocational Education” section above, the Directors have not identified any significant ongoing operations for Primary ITO post transfer to Te Pūkenga. Consequently, these financial statements have been prepared on a realisation basis for the year ended 31 December 2020. As all assets and liabilities of Primary ITO (excluding cash and term deposits) are assumed to be transferred at least at carrying value at the date of transition, and all leases assigned to the acquirer, there have been no adjustments to the carrying values of assets or liabilities as measured under Primary ITO’s existing accounting policies. Should any of the assumptions outlined in the “Reform of Vocational Education” section above prove incorrect, then the carrying values of the assets and liabilities, and the balance sheet classifications used, might require further adjustment to reflect their realisable values.

## Statement of Compliance

These financial statements are prepared in accordance with the Financial Reporting Act 2013 and with Tier 1 Public Benefit Entity (PBE) standards.

## Functional and Presentation Currency

The financial statements are presented in New Zealand dollars, which is Primary ITO’s functional currency. All values are rounded to nearest thousand dollars (\$000) except where indicated.

## Changes in Accounting Policy

The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

PBE IPSAS 3 requires disclosure of the possible impact of new and revised PBE standards that have been issued but are not yet effective. The standards which have a possible impact on Primary ITO are:

(i) PBE IPSAS 41 will replace PBE IPSAS 29, effective date 1 January 2022. It will simplify the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. It will apply a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. Primary ITO financial instruments are term deposits, trainee fee receivables and trade debtor receivables. The receivables currently have a provision for doubtful debts applied based on age of existing debt. This provision calculation will change to reassess expected credit losses based on total current debt at 31 December. This may have an impact of increasing or decreasing the provision for doubtful debts depending on the debt level and forecasted bad debt losses.

(ii) PBE FRS 48 effective date 1 January 2022. It establishes the principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. These high-level requirements provide flexibility for entities to determine how best to ‘tell their story’. Primary ITO currently includes service performance reporting outside its financial statements in the annual report. The change for Primary ITO will be to include reference to the service performance reporting within the financial statements.

## Significant Accounting Policies

### Basis of Consolidation

The Primary ITO Group consolidates in the Group Financial Statements all entities where Primary ITO controls these other entities. The Primary ITO Group Financial Statements are consolidated as result of wholly owning Te Puna Auaha Limited and Primary Industry Training Limited. These consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the Group on a line-by-line basis. All intra-group balances, transactions, revenue, and expenses are eliminated on consolidation.

### Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.



# Statement of Accounting Policies

For the Year ended 31 December 2020

## Revenue

The specific accounting policies for significant revenue items are explained below:

### Government revenue - Tertiary Education Commission (TEC)

Tertiary Education Commission (TEC) funding is Primary ITO's main source of operational funding. This funding is for Industry Training, New Zealand Apprenticeships and Trades Academy. TEC funding is recognised upon entitlement as conditions are fulfilled. To the extent there is a condition attached that would give rise to a liability at balance date, a liability is recognised instead of revenue. Primary ITO considers TEC funding to be non-exchange as the TEC does not directly receive equal value.

### Industry grants

Industry grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and then recognised as revenue when the conditions of the grant are satisfied.

### Training fees

Training fees are subsidised by government funding and are considered non-exchange. Revenue is recognised when the course withdrawal date has passed, which is when a student is no longer entitled to a refund for withdrawing from the course

User pay fees that are not subsidised by government funding are considered exchange. Revenue is recognised on a course percentage of completion basis.

### Other Income

Revenue from sales of goods and services are recognised when the good or service is sold to the customer.

### Interest Income

Interest income is recognised by accruing on a time proportion basis the interest due from the investment.

### Income Tax

Primary ITO is approved for charitable status and is therefore exempt from income tax. Accordingly, no provision has been made for income tax.

### Goods and Services Tax (GST)

All amounts in the financial statements are stated exclusive of GST, with the exception of trade and other receivables and trade and other payables which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of the receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments net of lease inducements under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Financial Assets

### Cash and Cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flows includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less.

### Term deposits



# Statement of Accounting Policies

For the Year ended 31 December 2020

Term deposits held at call with financial institutions are liquid investments with original maturities of more than three months.

## Accounts Receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less provision for doubtful debts. An estimate for doubtful debts is made when recovery of the full amount is no longer probable. Bad debts are written off when identified. During 2020 the government launched the Targeted Training and Apprenticeship Fund (TTAF) as COVID relief. The fund is promoted as free trades training, however it only covers training occurring during July 2020 to December 2022, and only for targeted areas of training. The length of some Primary ITO training will still incur trainee fee debt to the learner or their employer.

## Property, Plant and Equipment

### Cost

Property, plant, and equipment and intangible assets measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

### Depreciation

Depreciation of property, plant and equipment is calculated using the straight line method based on the expected useful life of the assets as follows:

Computer equipment	2 to 4 years
Furniture and fittings/office equipment	2 to 8 years
Leasehold improvements	1 to 6 years

## Intangible Assets

Intangible assets are initially recorded at cost. Where an intangible asset is created for nil or nominal consideration it is also initially carried at cost, which by definition is nil/nominal.

The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. Expenditure incurred on the research phase of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when incurred.

The training products development costs that have been capitalised consist of expenditure associated with design of training product learning, assessment and teaching resources. The majority of the capital expenditure relates to salaries of staff.

### Amortisation

Intangible assets are amortised on a straight-line basis over the following periods

Software	2 to 5 years
Training Products	3 years

# Statement of Accounting Policies

For the Year ended 31 December 2020

## Impairment of Property, Plant and Equipment and Intangible Assets

Assets are reviewed at least annually to determine if there is any indication of impairment. Where there is indication of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessments of the time value of money.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount with an impairment loss recognised in the surplus or deficit.

## Intangibles not yet available for use

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available, are not subject to amortisation and are tested annually for impairment.

## Work in Progress

Work in progress is disclosed separately. Upon completion, the asset's total cost is transferred to the appropriate asset class, at which point depreciation begins.

## Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Revenue and Expenses.

## Financial Liabilities

### Accounts Payable

Accounts payable represent liabilities for goods and services provided to the Group prior to the end of the financial year which remain unpaid. The amounts are unsecured, are usually paid within 30 days of recognition and are initially recognised at fair value and then subsequently measured at amortised cost.

### Employee Entitlements

Employee entitlements include wages and salaries owing and a leave provision representing the value of total annual leave outstanding for all personnel based on amounts expected to be paid when the liabilities are settled.

### Provisions

Provisions are recognised when: a present obligation (legal or constructive) arises as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The accompanying notes form part of these financial statements.



# Notes to the Financial Statements

For the Year ended 31 December 2020

	Primary ITO Group	
	2020 \$000	2019 \$000
<b>2 REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		
<b>Government funding</b>		
Tertiary Education Commission:		
• Industry training funding	14,513	12,244
• Apprenticeship funding	7,586	7,857
Other government revenue	5,864	4,522
	<b>27,963</b>	<b>24,623</b>
<b>Industry grants</b>		
Dairy	361	1,144
Beef and lamb	153	146
Pork	14	14
Poultry	7	7
	<b>535</b>	<b>1,311</b>
<b>3 REVENUE FROM EXCHANGE TRANSACTIONS</b>		
<b>Other Income</b>		
New Zealand Qualifications Authority moderation	295	310
Print room services	121	141
Other	290	488
	<b>706</b>	<b>939</b>



# Notes to the Financial Statements

For the Year ended 31 December 2020

	Primary ITO Group	
	2020	2019
	\$000	\$000
<b>4 PEOPLE COSTS</b>		
Employee remuneration and benefits	16,336	15,222
Defined contribution superannuation	423	414
Contractors	473	1,043
Training & development	87	139
Other staff costs	106	218
	<b>17,425</b>	<b>17,036</b>
<b>5 TRAINING COSTS</b>		
Off-job training	5,898	6,408
NZQA fees	697	973
Other training costs	884	938
	<b>7,479</b>	<b>8,319</b>
<b>6 OPERATING COSTS</b>		
Travel	1,751	1,848
Administration	895	933
Property leases	955	986
Consultancy and professional fees	65	261
Promotion & business development	415	749
Communication	499	542
Boards & committees	301	533
Bad and doubtful debts	(193)	314
Occupancy	196	207
Audit fee	61	59
Legal fees	38	38
Financial charges	51	35
(Gain)/Loss on sales of fixed assets and intangibles	4	(16)
	<b>5,038</b>	<b>6,489</b>

# Notes to the Financial Statements

For the Year ended 31 December 2020

## 7 FINANCIAL INSTRUMENTS

### Credit Risk

Credit risk represents the risk that a counterparty will default on its contractual obligations to the Group. Financial instruments which subject the Group to credit risk consist of bank balances, bank term deposits, trade and other receivables. The maximum exposure are these amounts included in the Statement of Financial Position.

The Group's cash and term deposits are held with ANZ and ASB banks, all of which are registered in New Zealand and rated A1 by Moody's and AA- by Standard & Poors.

The Group has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

### Liquidity Risk

The Group's exposure to interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Details are as follows:

	Primary ITO Group	
	2020 \$000	2019 \$000
Term deposits	3,541	6,000

The interest rate for these deposits is 1.4% (2019: 2.75% to 3.30%) with \$1,500,000 maturing in Feb 2021 and \$2,040,685 maturing in May 2021.

	Primary ITO Group	
	2020 \$000	2019 \$000
<b>Financial Instrument Categories</b>		
<b>Financial Assets</b>		
Loans and receivables:		
• Cash and cash equivalents	3,284	1,109
• Term deposits	3,541	6,000
• Receivables	1,424	1,583
	<b>8,249</b>	<b>8,692</b>
<b>Financial Liabilities</b>		
At amortised cost:		
• Payables	2,409	3,254
• Employee entitlement	857	651
	<b>3,266</b>	<b>3,905</b>

# Notes to the Financial Statements

For the Year ended 31 December 2020

## 8 CAPITAL MANAGEMENT

Primary ITOs capital comprises its retained earnings.

Primary ITO manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of its stakeholders. The organisation's equity is largely managed as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings. The objective of managing the organisation's equity is to ensure that it effectively and efficiently achieves the goals and objectives for which it has been established, while remaining financial sustainable.

	Primary ITO Group	
	2020	2019
	\$000	\$000
<b>9 EXCHANGE RECEIVABLES</b>		
Trade receivables	370	514
Interest receivable	18	68
GST receivable	-	24
	<b>388</b>	<b>606</b>

	Primary ITO Group	
	2020	2019
	\$000	\$000
<b>10 NON-EXCHANGE RECEIVABLES</b>		
TEC receivable	-	120
Industry non exchange receivable	-	331
Training fees receivable	1,163	777
Less Provision for doubtful debts	(127)	(251)
	<b>1,036</b>	<b>977</b>

The government announced Targeted Training and Apprenticeship Funding (TTAF) to cover training between July 2020 and December 2022. TTAF includes partial refunds to training invoiced and paid prior to July 2020, where the training was continuing past July 2020. As at financial year end these refunds were still being calculated.

	Primary ITO Group	
	2020	2019
	\$000	\$000
The ageing profile of the total trade receivables (exchange and non exchange) as at 31 December.		
Receivables 1 - 30 days Covered by government Targeted Training and Apprenticeship Fund	1,253	1,017
Receivables 31 - 60 days Covered by government Targeted Training and Apprenticeship Fund	-	166
Receivables 60 - 90 days Covered by government Targeted Training and Apprenticeship Fund	-	144
Receivables 91+ days	298	507
<b>Total receivables</b>	<b>1,551</b>	<b>1,834</b>
Less Provision for doubtful debts	(127)	(251)
<b>Total Exchange and Non Exchange Receivables</b>	<b>1,424</b>	<b>1,583</b>

# Notes to the Financial Statements

For the Year ended 31 December 2020

## 11 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment \$000	Furniture and fittings, office equipment \$000	Leasehold provements \$000	Total fixed assets \$000
<b>For the Year ended 31 December 2020</b>				
<b>Gross Carrying Amount</b>				
Cost	1,318	823	647	2,788
Additions	852	-	2	854
Impairment	(370)	-	-	(370)
Disposals/transfers	(20)	-	-	(20)
<b>Balance at 31 December 2020</b>	<b>1,780</b>	<b>823</b>	<b>649</b>	<b>3,252</b>
<b>Accumulated Depreciation</b>				
Balance at 1 January 2020	1,109	814	627	2,550
Depreciation charge	212	7	14	233
Disposals/transfers	(20)	-	-	(20)
<b>Balance at 31 December 2020</b>	<b>1,301</b>	<b>821</b>	<b>641</b>	<b>2,763</b>
<b>Net Book Value at 31 December 2020</b>	<b>479</b>	<b>2</b>	<b>8</b>	<b>489</b>
<b>For the Year ended 31 December 2019</b>				
<b>Gross Carrying Amount</b>				
Cost	1,376	823	647	2,846
Additions	54	-	-	54
Disposals/transfers	(112)	-	-	(112)
<b>Balance at 31 December 2019</b>	<b>1,318</b>	<b>823</b>	<b>647</b>	<b>2,788</b>
<b>Accumulated Depreciation</b>				
Balance at 1 January 2019	1,017	796	619	2,432
Depreciation charge	203	18	8	229
Disposals/transfers	(111)	-	-	(111)
<b>Balance at 31 December 2019</b>	<b>1,109</b>	<b>814</b>	<b>627</b>	<b>2,550</b>
<b>Net Book Value at 31 December 2019</b>	<b>209</b>	<b>9</b>	<b>20</b>	<b>238</b>

# Notes to the Financial Statements

For the Year ended 31 December 2020

## 12 INTANGIBLE ASSETS

	Software \$000	Training products \$000	Work in progress \$000	Total intangible assets \$000
<b>For the Year ended 31 December 2020</b>				
<b>Gross Carrying Amount</b>				
Cost	2,062	2,037	670	4,769
Additions	-	-	983	983
Disposals/transfers	-	421	(456)	(35)
<b>Balance at 31 December 2020</b>	<b>2,062</b>	<b>2,458</b>	<b>1,197</b>	<b>5,717</b>
<b>Accumulated Depreciation</b>				
Balance at 1 January 2020	1,829	1,131	-	2,960
Depreciation charge	219	567	-	786
Disposals/transfers	-	(35)	-	(35)
<b>Balance at 31 December 2020</b>	<b>2,048</b>	<b>1,663</b>	<b>-</b>	<b>3,711</b>
<b>Net Book Value at 31 December 2020</b>	<b>14</b>	<b>795</b>	<b>1,197</b>	<b>2,006</b>

Primary ITO internally generates training products and software solutions that support the vocational education and training requirements of the industries we serve. Further information as to the nature of costs capitalised can be found in Note 1 Significant Accounting Policies - Intangible Assets.

### For the Year ended 31 December 2019

#### Gross Carrying Amount

Cost	2,029	1,180	757	3,966
Additions	33	243	598	874
Disposals/transfers	-	614	(685)	(71)
<b>Balance at 31 December 2019</b>	<b>2,062</b>	<b>2,037</b>	<b>670</b>	<b>4,769</b>

#### Accumulated Depreciation

Balance at 1 January 2019	1,374	589	-	1,963
Amortisation charge	455	542	-	997
Disposals/transfers	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,829</b>	<b>1,131</b>	<b>-</b>	<b>2,960</b>

#### Net Book Value at 31 December 2019

<b>233</b>	<b>906</b>	<b>670</b>	<b>1,809</b>
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Primary ITO has a portfolio development roadmap that will result in new programmes of study and associated learning and assessment material being developed over the next three years.

# Notes to the Financial Statements

For the Year ended 31 December 2020

	Primary ITO Group	
	2020	2019
	\$000	\$000
<b>13 PAYABLES</b>		
Trade payables	939	1,346
Accrued expenses and other payables	1,470	1,908
GST Payable	393	-
	<b>2,802</b>	<b>3,254</b>

## 14 EMPLOYEE ENTITLEMENTS

Annual and discretionary leave	857	651
	<b>857</b>	<b>651</b>

A provision is recognised for post employment benefits payable to employees. Employees are entitled to annual leave pay. Annual leave entitlements are expected to be settled within 12 months of the balance date and are measured at the current rates of pay and classified as current liabilities.

	Primary ITO Group	
	2020	2019
	\$000	\$000
<b>15 COMMITMENTS</b>		
<b>Operating Lease Commitments</b>		
<b>Payable within:</b>		
One year or less	1,415	1,887
Between one to two years	788	602
Between two to five years	767	-
Over five years	-	-
	<b>2,970</b>	<b>2,488</b>

Primary ITO leases premises, motor vehicles and office equipment. Operating leases held over properties give Primary ITO the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or rights to purchase in respect of motor vehicles and office equipment held under operating leases.

### Capital Commitments

There were no capital commitments as at 31 December 2020 (2019: nil).

# Notes to the Financial Statements

For the Year ended 31 December 2020

## 16 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2020 (2019: nil).

## 17 KEY MANAGEMENT COMPENSATION

Key management personnel are those people having authority and responsibility for planning, directing and controlling activities of the Group. Key management personnel are designated as all who are members of the executive leadership team and the board of directors. Total termination benefits for all staff were \$125,907 (2019: \$112,603).

	Primary ITO Group			
	2020		2019	
	FTE	\$000	FTE	\$000
Board members' total remuneration	6.8	204	8	223
Executive leadership team total remuneration	4.6	1,205	6	1,414
	<b>11.4</b>	<b>1,409</b>	<b>14</b>	<b>1,637</b>

## 18 RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Primary ITO Group	
	2020 \$000	2019 \$000
Total comprehensive surplus/(deficit) for the year	556	(2,114)
<b>Adjustments:</b>		
Depreciation/amortisation, gain on sale and impairment	1,394	1,210
(Increase)/decrease in trade and other receivables and prepayments	159	644
(Increase)/decrease in inventory	87	13
Increase/(decrease) in accounts payable and accruals	(452)	(465)
Increase/(decrease) in employee entitlements	206	(42)
(Decrease)/Increase in income in advance	(391)	(42)
<b>Net cash provided/(used) by operating activities</b>	<b>1,558</b>	<b>(796)</b>

## 19 SUBSEQUENT EVENTS

There have been no subsequent events.



## Independent auditor's report

To the Directors of Primary Industry Training Organisation Incorporated

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### Our opinion

In our opinion, the accompanying financial statements of Primary Industry Organisation Incorporated (the Organisation), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

### What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive revenue and expenses for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of accounting policies; and
- the notes to the financial statements.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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### Emphasis of matter – Basis of preparation

We draw attention to the disclosures in the notes to the financial statements related to the Reform of Vocational Education and the Basis of Preparation of the financial statements. These disclose the facts and circumstances leading to the adoption of a realisation basis of accounting in the preparation of the financial statements.

Our report is not modified in respect of this matter.





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### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report and statement of responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the Directors for the financial statements**

The Directors are responsible, on behalf of the Organisation, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, 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 for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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### **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) and ISAs 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 economic 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-7/>

This description forms part of our auditor's report.



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**Who we report to**

This report is made solely to the Directors, 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 Group and the Directors, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Sarah Turner.

For and on behalf of:

*PricewaterhouseCoopers*

Chartered Accountants  
4 May 2021

Wellington



Ko te  
amorangi  
ki mua, ko te  
hapai  
ō ki muri

Leading primary sector  
vocational education

# Use of Māori symbolism

## - He taonga tuku iho

Kōwhaiwhai and whakataukī are unique traditional Māori taonga (treasures) that reflect the inseparable connectedness of the Māori people and the environment. Primary ITO has adopted well-known kōwhaiwhai patterns that represent the environment and the use of whakataukī (proverbs) to articulate our Primary ITO commitment to Te Tiriti o Waitangi.

The curvilinear elements of kōwhaiwhai are based on the natural forms of koru (fern shoots), the kape (crescent), and the rauru (spiral), often used as an analogy for change and transformation. The use of kōwhaiwhai and whakataukī respectfully underpins the bicultural commitment Primary ITO is embarking upon, reflecting the values of manaakitanga (a service mentality), whanaungatanga (quality of touch) and mana motuhake (responsiveness) to all people we work with in the primary industries.



Thank you to everybody who let Primary ITO into their workplaces to take photographs, or provided photographs for this report.

National Office: 15 Walter Street, Te Aro, Wellington 6011  
Postal Address: PO Box 10 383, The Terrace, Wellington 6143  
Freephone: 0800 20 80 20 Phone: (04) 801 9616 Fax: (04) 801 9626  
Email: [info@primaryito.ac.nz](mailto:info@primaryito.ac.nz) [www.primaryito.ac.nz](http://www.primaryito.ac.nz)