



PrimaryITO
Rōpū Whakangungu Ahuwhenua Ahumahi

**ANNUAL
REPORT 2021**



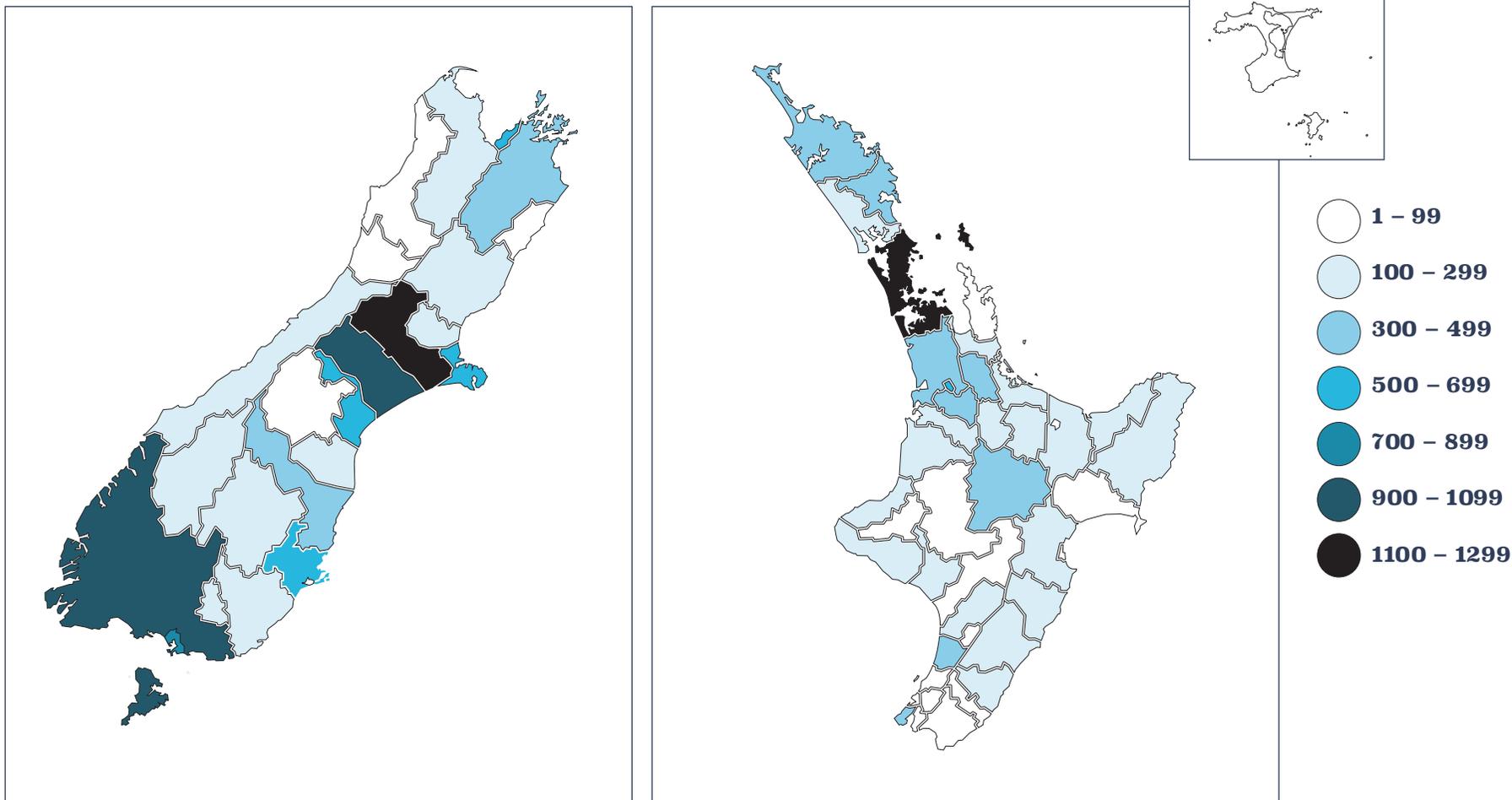
Our success is
toā i te toā takitahi
collaborative effort.

Ehara taku
toā takitini kē.

Where people learn in the primary industries

With over 18,000 learners based around the country at around 6000 different workplaces, at Primary ITO we pride ourselves on being wherever our customers need us. They are up and down the length of the country as the primary industries have a wide spread, from the biggest cities to the most remote rural areas. This map represents how many learners are based in each of New Zealand's 74 local council areas – from fewer than 100 in Wairoa, South Wairarapa and Buller, to over 1000 in both the Selwyn and Southland districts. We've even got 25 learners based in the Chatham Islands.

CHATHAM ISLANDS
(Not to scale)

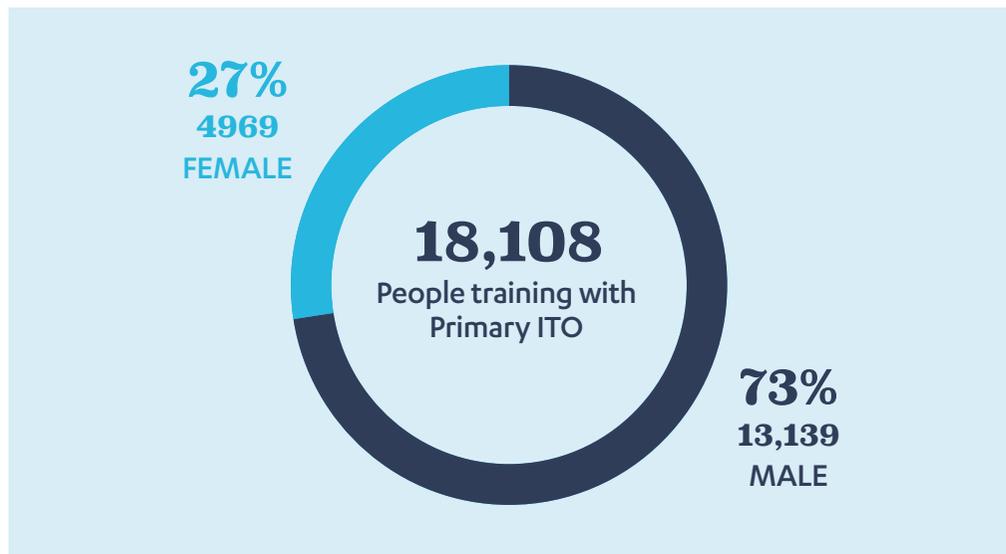


What we cover

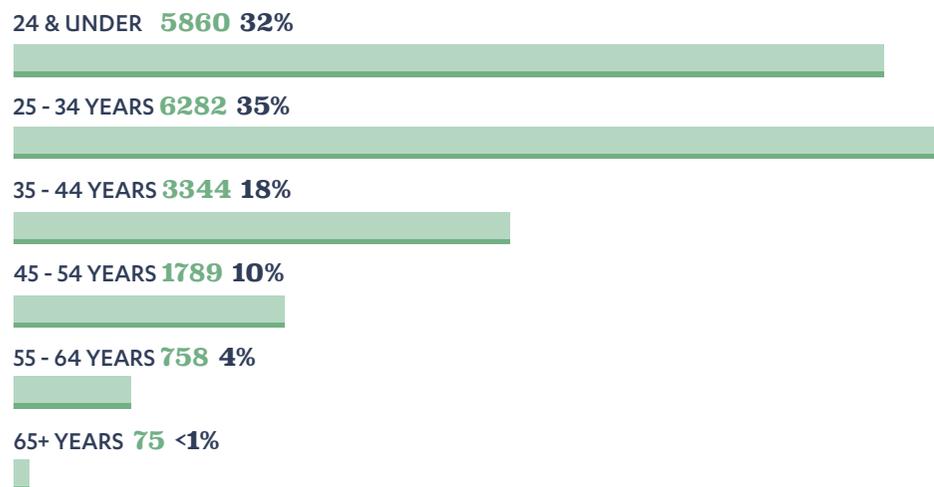
With the backing of our industries, Primary ITO has a mandate from the Government to arrange work-based training for a wide range of sectors. Across these industries, we also design the programmes that enable people to gain skills and qualifications in their chosen field. Currently we have employers, 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



Age of our learners



Samantha Dhand

Ngai Tukairangi Trust orchards, Ngāti Porou:

“I never knew I would get some sort of opportunity to be able to enhance my experience and learn a lot more than I ever knew.”

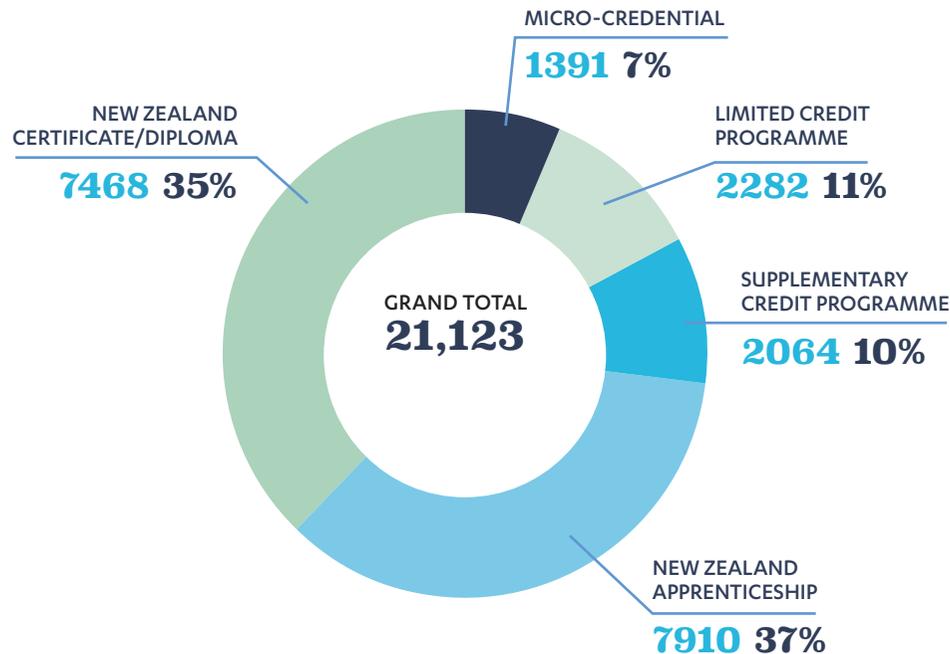
What people are learning

In 2021, Primary ITO learners completed programmes from Level 2 New Zealand Certificates through to Level 5 Diplomas on the New Zealand Qualifications Framework. These programmes ranged from bite-sized micro-credentials, aimed at very specific pieces of learning for the workplace, to multi-year New Zealand Apprenticeships.



Renae McGregor
Westland Milk
Junior Operator

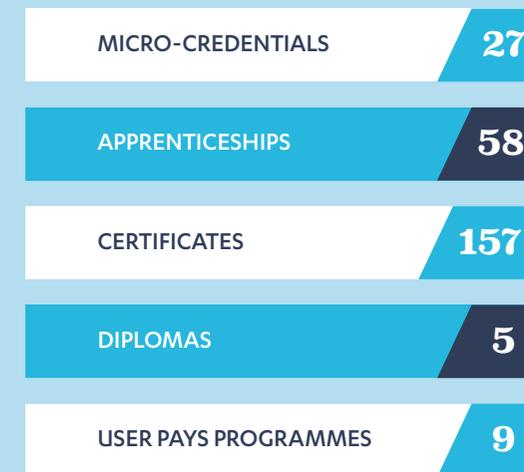
Renae completed her apprenticeship in 2021. "It has definitely opened my eyes on what I might be interested in and where I would like to go with future job opportunities."



Micro-credentials

During 2021 we created 14 new micro-credentials, expired 5, and reviewed 16 existing micro-credentials.

Primary ITO programmes available in 2021



an increase of
80 places
on 2020

1150
TRADES ACADEMY
Learner places



 **65**
Farms visited by tutor-led Trades
Academy students (best estimate)

 **78** Schools engaged in
Gateway delivery

102 Trades Academy
schools

PATHWAYS & ACHIEVEMENTS

154 Individual students engaged in
Gateway programmes



1330
Trades Academy
students

48% Retention from Trades Academy
Year 1 (2021) to Year 2 (2022)

Credit achievement rate **63%**

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

Primary ITO is working hard to ensure all learners earn the credits needed for their qualifications.



Karen Dawson

Primary ITO Sector Advisor Dairy

“We see a lot of keen and motivated young people looking for opportunities in the dairy industry and they all seem to be enjoying it. They do the practical on-farm work, but the Primary ITO programmes teach them the theory, the ‘why’ and it helps them make sense of what they’re doing on-farm.”

Pippa Lucas

Auckland Botanic Gardens
Collection Curator

“Apprenticeship-type of training is really valuable because you can’t learn about horticulture just by reading a book. You need to be practical and hands-on to see how plants grow and respond.”



Employers, workplaces, credits and programmes



413,090
CREDITS ACHIEVED



6754
PROGRAMMES COMPLETED



5244
EMPLOYERS
with staff across
6355
different workplaces

Youngest, oldest, and average

15

The age of our **youngest** dairy farmer who enrolled to learn about milk quality and food safety.

71

The age of a New Zealand Apprentice in Therapeutic Riding Coaching

89

The age of a learner who earned a micro-credential in operating a tractor. NB. To enrol in this micro-credential, you also need to be employed in the primary sector!

32

The average age of a Primary ITO learner.



He

aha

te mea nui o te ao

He tangata he tangata he tangata.

Looking after **PE**♥**PLE** is what we do.



Salvador Delgado Oro Laprida

NZ King Salmon Ltd Tory Channel
Te Kura te Au Regional Manager

“The diploma trains you to apply criteria in the New Zealand context. You get a lot of tools with clear examples on how to use them.”



Jessee Kereopa

Station manager, Ngamatea

“I started off doing Primary ITO courses 8 or 10 years ago when I first got introduced to farming and gradually worked my way up. It helped me get to where I am today.”



Kaia Kerrisk

Golf Course Superintendent, Northland

“I cannot fault anything they do within the training scheme. It’s pretty awesome. There is a whole lot of support so that encourages you to do better and to do well.”

Zoe Taylor

Landscaper, Wellington

“I have learned heaps at the classes and been able to put everything I am learning back into my daily work.”



Mylie Thwaites

Plant operator, Taranaki

“I am quite a detail-orientated person and I like to know how things work. I don’t like to wing it. With the support of the Primary ITO and my employer there is no limit.”

Strategic Intent

Vision

Leading primary sector vocational education

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



Refine sector delivery models

Develop vocational programmes which meet the demands of our industries

Support the RoVE transition (Reform of Vocational Education)

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 RoVE

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.

A genuine highlight of 2021 for me was seeing industry commit to more training than ever before. That was despite the many competing priorities they had, economic, environmental and otherwise.

Covid-19 again provided a significant headwind for our learners in 2021. Across the various lockdowns in the upper North Island in 2021 we estimate that upwards of 30 percent of industry's working days were affected – in an area where a quarter of Primary ITO's customer-facing staff work. Additionally, nearly the same number of our staff working at a national level were also unable to access learners for large parts of the year.

We can be proud that despite these challenges we are supporting more learners in the right training, at the right time. More work is required as all our learners deserve to achieve their learning goals and lifting our credit achievement rate is a major focus. As part of this, in 2021 we established a learner progression group inside Primary ITO which is closely monitoring the key metrics and developing ways to help. In 2021, our overall completion rate was the highest since 2018 and our Māori completion rate was the highest it has been for more than four years.

We are grateful to our government funders for recognising the impact of Covid-19 on learner progression and continuing to support our funding. Financially, after several years of deficits, across 2020 and 2021 Primary ITO has moved towards breakeven. Our staff are excited by the value being placed on primary sector learning.

New learning programmes and pathways are ensuring Primary ITO's relevance. Our sector is incredibly diverse and we must cater to all of it. We have 58 different apprenticeships, 157 New Zealand Certificates and 27 micro-credentials amongst our offering. For an organisation with around 250 staff to do this, I believe we are punching above our weight.

Our work with schools through the Gateway programme and Trades Academy is extremely popular and continues to be oversubscribed for the places available. To bring more people into our sector, we are also progressing our Pathways

into Primary Industries pilot, focusing on matching mentors with keen career seekers. This is a new venture for an industry training organisation and one that our industries are keen to see us succeed with.

A major success story over 2021 was the response to our new suite of vehicle micro-credentials. These were developed in response to and in partnership with industry who had identified the need for some to-the-point but officially recognised training. Making sure they target the specific area of learning that businesses require, these focus on either tractors, motorbikes, quad bikes, side-by-sides, or 4WDs.

Nearly 1000 people enrolled in these programmes – showing that there was a real need for primary sector people to learn how to safely operate vehicles both on and off the road. We even had one 89-year-old learning how to drive a tractor.

As we look ahead to joining Te Pūkenga, Primary ITO is taking a considered approach, making sure the needs of our industries, employers and learners remain at the centre of our work. Our own staff are key to that continuity and I am pleased to report that they are exceptionally engaged. According to

our latest staff survey, 86 percent of staff are fully engaged while just 2 percent would not recommend Primary ITO as a great place to work.

The primary industries continue to need skilled people and will invest in training them. Our Primary ITO workforce needs to be at the forefront of that, both now and into the future and having them so engaged stands us in great stead.

Ngā mihi,

Nigel Philpott
Chief Executive



CHAIR'S REPORT *Ko te pūrongo a te tiamana*

Tēnā koutou, tēnā tātou.

By any measure, 2021 was another extremely challenging one – but one with significant opportunities and successes.

There was incredible growth in apprenticeship numbers where over 4000 new enrolments were achieved, taking the total number of Primary ITO apprentices in training to just under 8000.

We knew there was significant demand for new workers and we welcomed the significant government investment in this area, with the Apprentice Boost (paid to employers with apprentices by Work and Income) undoubtedly contributing to the rise. Likewise, having the Targeted Training and Apprenticeships Fund paying learner fees also supported people to engage in training.

Apprenticeships have not previously been a tradition in the primary industries to the same degree as they have been in sectors like construction, automotive and others. Apprenticeships are now increasingly seen as a premium career pathway in our sector, recognising the ever-increasing demand to meet new environmental and consumer challenges, as well as to be more productive.

We invested heavily in 2021 both in personnel and product development to make sure our

apprenticeships are meeting the latest industry needs and that we have the people to support learners. Apprentices rightly require a large time investment from employers, training providers and Primary ITO. We have added many extra people to our customer-facing workforce in the past two years to meet demand.

Primary ITO's future is strong as we look forward to joining the new Te Pūkenga New Zealand Institute of Skills and Technology in October 2022. The first stage of that will be becoming part of its Work Based Learning subsidiary as a going concern, before carefully and assuredly transforming over the longer term into the people, food and fibre network of provision seamlessly providing a service to all learners, employers and industry. The aim is to ensure this transition is almost imperceptible to learners, employers and industry and they just gradually experience enhanced level of service and support.

Given the transition in October, I anticipate this will be the final standalone annual report for Primary ITO. It will be a neat 10 years exactly since Primary ITO was formed by the merger of Agriculture ITO and Horticulture ITO in October 2012. The 2013 annual

report noted that this “brought many efficiencies, benefits and opportunities that would never have been possible under the previous structure. The aim was to deliver a better service to our customers like access to more training and better-quality training”.

In 2021, Primary ITO again capitalised on the scale and synergies of training across our many diverse industries. It has taken time to fully embed a high-touch training model that caters to the broader agriculture and horticulture sectors. We have also adjusted across the primary services and processing sectors, reflecting that in these industries the employers generally take a far more hands-on approach to training.

Looking ahead to our move into Te Pūkenga, this does suggest that great care will be needed to ensure our industries do receive the benefits of nationally led, locally delivered vocational education that meets their particular needs and business models. Primary ITO is participating heavily in the workstreams needed to do this. We have set the Reform of Vocational Education as a strategic objective. In particular, our chief executive Nigel Philpott will be

devoting a significant part of his time in the following year as one of the small group of industry leaders designing Te Pūkenga's operating model.

While this may be Primary ITO's final annual report, I have no doubt that the organisation will continue to support industry well within the umbrella of Te Pūkenga, and there is opportunity now to build a new vocational system that will deliver a strong future for industry training in the primary sector.

Ngā mihi,

Bruce Wills
Board Chair

Ensuring graduates make the grade

Primary ITO's Academic Integrity team has responsibility for assuring that assessors' decisions are reliable and replicable. Assessors are the people who plan and carry out assessments of learners' knowledge and skills. There are approximately 1100 registered assessors. These include both Primary ITO staff and staff in contracted third-party specialist organisations, while the vast majority of assessors are employees in partnering workplaces. These are known as workplace assessors.

To ensure all assessors can competently appraise learners' skills, we provide them with training and support. All Primary ITO Training Advisers complete a specialist assessor standard. Workplace assessors are also progressively gaining a formal assessor standard, which is more closely focused on their specific needs.

In 2021, Primary ITO quality assured 1745 assessment decisions, and checked 532 planned assessments for compliance before they were carried out. Overall, compliance rates were very high. The results of New Zealand Qualifications Authority reviews of providers offering the same qualifications also confirmed that graduates of our programmes met the required outcomes to an equivalent, nationally acceptable standard.



Mei Petera
Waimarama Orchards
Kaimahi, Ngāti Kuri

“You don’t have to be a certain person to do this (a qualification), anyone can do it. A lot of opportunities come out of this – it opens doors to things like a promotion, working in another business or looking at your own type of business.”

Industry statistics

Industry Partnership Group	People Training With Us	Credits Achieved	Programmes Completed
Amenity Horticulture Services	2038	36,347	118
Dairy Farming	5824	149,318	1833
Dairy Processing	890	23,464	334
Equine	260	5134	55
Meat Processing	3372	74,735	2448
Nursery Production	250	4821	35
Other Industries (No IPC)	2458	49,838	930
Production Horticulture	844	17,255	108
Seafood	744	18,599	612
Sheep, Beef & Deer Farming	808	17,756	164
Sports Turf	281	9324	25
Viticulture	330	6398	89
Wools	9	101	3
Grand Total	18,108	413,090	6754



He
waka eke noa. 

We are on this **journey** together.

FINANCIAL STATEMENTS 2021

He
kai kei aku 
Sustainability
of the Primary Industry **ringa**
supports the **health and wellbeing** of our communities.

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 Limited, and Primary Industry Training Limited (together ‘Primary ITO Group’) and 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 2021.”



Bruce Wills
Board Chair
5 May 2022



Nigel Philpott
Chief Executive
5 May 2022

Statement of Comprehensive Revenue and Expenses

For the Year ended 31 December 2021

		Primary ITO Group	
		2021	2020
	Note	\$000	\$000
REVENUE			
Revenue from non-exchange transactions			
Government funding	2	29,194	27,963
Training fees	3	9,234	2,567
Industry grants	2	227	535
Revenue from exchange transactions			
Other income	3	849	706
Interest		37	117
TOTAL REVENUE		39,541	31,888
COST OF SERVICES			
People costs	4	20,406	17,425
Training costs	5	11,886	7,479
Operating costs	6	6,378	5,038
Depreciation and amortisation	11, 12	1,179	1,390
TOTAL COST OF SERVICES		39,849	31,332
(DEFICIT)/SURPLUS		(308)	556
OTHER COMPREHENSIVE REVENUE AND EXPENSES			
Other comprehensive revenue and expenses		-	-
TOTAL COMPREHENSIVE (DEFICIT)/SURPLUS		(308)	556

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets

For the Year ended 31 December 2021

	Note	Primary ITO Group	
		2021 \$000	2020 \$000
BALANCE AT 1 JANUARY		7,031	6,475
COMPREHENSIVE REVENUE AND EXPENSES			
(Deficit)/Surplus		(308)	556
Other comprehensive revenue and expenses		-	-
BALANCE AT 31 DECEMBER		6,723	7,031

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

		Primary ITO Group	
		2021	2020
	Note	\$000	\$000
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents		20,023	3,284
Term deposits	7	2,070	3,541
Receivables from exchange transactions	9	420	388
Receivables from non exchange transactions	10	495	1,036
Inventory		28	72
Total current assets		23,036	8,321
<i>Non-current Assets</i>			
Property, plant and equipment	11	805	489
Intangible assets	12	3,810	2,006
Total non-current assets		4,615	2,495
Total assets		27,651	10,816
LIABILITIES			
<i>Current liabilities</i>			
Payables	13	4,113	2,802
Employee entitlements	14	1,208	857
Income in advance	15	15,607	126
Total current liabilities		20,928	3,785
Net assets		6,723	7,031
NET ASSETS			
Retained earnings		6,723	7,031
		6,723	7,031

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year ended 31 December 2021

	Note	Primary ITO Group	
		2021	2020
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Government funding		44,468	27,973
Training fees and other receipts		10,832	3,030
Industry grants		180	535
Interest received		54	117
Cash was applied to:			
Payments to suppliers and employees		(36,767)	(30,097)
Net cash provided by operating activities	18	18,767	1,558
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Term deposits maturing		3,540	6,000
Cash was applied to:			
Purchase of property, plant and equipment	11	(619)	(857)
Purchase of intangibles	12	(2,879)	(985)
Investment in term deposits		(2,070)	(3,541)
Net cash used in investing activities		(2,028)	(617)
Net increase in cash and cash equivalents		16,739	2,175
Cash and cash equivalents at the beginning of the year		3,284	1,109
Cash and cash equivalents at the end of the year		20,023	3,284

The accompanying notes form part of these financial statements.

Statement of Accounting Policies

For the Year ended 31 December 2021

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, food processing (including meat, dairy and seafood processing), sports turf, equine and primary services 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 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 2021 and 2020.

Primary ITO is an Incorporated Society domiciled in New Zealand. The address of its registered office is Level 2, 15 Walter Street, Wellington 6011.

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 2021 and were authorised for issue by the Board on 5 May 2022.

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 (ITOs) 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 TEC. On 14 March 2022 TEC approved Primary ITO's transition plan for the transfer of responsibilities for arranging work-based training to Te Pūkenga's subsidiary, Work Based Learning Limited (WBL). Primary ITO's standard-setting and qualification development functions transferred to Muka Tangata People, Food and Fibre Workforce Development Council on 4 October 2021.

Transition to Te Pūkenga Work Based Learning Limited

Primary ITO has finalised its transition plan which has been approved by the TEC on 14 March 2022 and will transfer responsibilities for Primary ITO's arranging work-based training on 1st October 2022, to Work Based Learning Limited (WBL), a subsidiary of Te Pūkenga. The Primary ITO Board of Directors expects that all employees, assets and liabilities related to arranging work-based training will transition to WBL.

Financial Impact on Primary ITO

All assets, including intangible assets, will transfer to WBL as an ongoing operation at carrying value. All liabilities and leases are expected to be assigned to WBL from the effective transition date. All employees will transfer to WBL on the same

terms and conditions of employment with no redundancies as at the transition date. All Primary ITO net assets will transfer to WBL for nil consideration on 1 October 2022.

The Board believes it has the ability, including from existing cash and term deposits of \$22 million at 31 December 2021, to meet all obligations as they fall due, including any following transfer of its responsibilities to WBL.

The assets transferred to WBL will continue to be used for the benefit of the employers, learners and industries represented by Primary ITO. Accordingly, the value of service potential inherent in the transferred assets is unchanged and no impairment has been recognised in these accounts.

Basis of Preparation

Due to the required transfer of operations to WBL, a subsidiary of 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 WBL. Consequently, these financial statements have not been prepared on a going concern basis for the year ended 31 December 2021. As all assets and liabilities of Primary ITO (including cash and term deposits) are to be transferred to Te Pūkenga and will continue to be used by Te Pūkenga, and all leases assigned to Te Pūkenga, there have been no adjustments to the carrying values of assets or liabilities as measured under Primary ITO's existing accounting policies.

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.

Statement of Accounting Policies

For the Year ended 31 December 2021

Changes in accounting policy

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

Primary ITO has reviewed the software intangibles on the Statement of Financial Position to ensure the 2021 change in interpretation of Software as a Service (SaaS) accounting policies has been complied with.

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.

Revenue

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

Government revenue - Tertiary Education Commission (TEC)

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 learner is no longer entitled to a refund for withdrawing from the course. During 2021 some training fees were recognized evenly over the months training due to the complexity of the government COVID relief scheme.

User pay fees that are not subsidised by government funding are considered exchange. Revenue is recognised when the course withdrawal date has passed, which is when a learner is no longer entitled to a refund for withdrawing from the course.

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.

Statement of Accounting Policies

For the Year ended 31 December 2021

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

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 4 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

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.



Statement of Accounting Policies

For the Year ended 31 December 2021

Work in progress

Work in progress that are disclosed separately within intangible assets are initially recorded at cost but are not yet available for use. Upon completion, the asset's total cost is transferred to the appropriate asset class, at which point amortisation 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 2021

	Primary ITO Group	
	2021	2020
	\$000	\$000

2 REVENUE FROM NON EXCHANGE TRANSACTIONS

Government funding

Tertiary Education Commission:

- Industry training funding	8,617	14,513
- Apprenticeship funding	14,288	7,586
Other government revenue	6,289	5,864
	29,194	27,963

Industry grants

Dairy	-	361
Beef and lamb	206	153
Pork	14	14
Poultry	7	7
	227	535

3 REVENUE FROM EXCHANGE TRANSACTIONS

Training fees

Fees charged to learners or employers for training	9,234	2,567
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The training fees have increased from 2020 due to a number of factors. These include a change in mix of learners between Industry Training and NZ Apprenticeships. NZ Apprentices have higher costs and therefore higher training fees. This change of mix was a result of the government Apprenticeship Boost scheme, paying employers of apprentices via the Ministry of Social Development. This change also resulted from the government Targeted Training and Apprenticeship Funding (TTAF), which covers the portion of the training fees between July 2020 and December 2022. Both of these schemes came about from 2020 COVID relief packages. The other factor increasing training fees is the pricing increase to cover the industry grant from Dairy NZ which was ceased when TTAF commenced.

	9,234	2,567
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Other Income

New Zealand Qualifications Authority moderation	202	295
Print room services	117	121
Other	530	290
	849	706

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year ended 31 December 2021

	Primary ITO Group	
	2021	2020
	\$000	\$000
4 PEOPLE COSTS		
Employee remuneration and benefits	18,427	16,336
Defined contribution superannuation	496	423
Contractors	1,201	473
Training & development	107	87
Other staff costs	175	106
	20,406	17,425
5 TRAINING COSTS		
Off-job training	9,124	5,898
NZQA fees	657	697
Other training costs	2,105	884
	11,886	7,479
6 OPERATING COSTS		
Travel	2,305	1,751
Administration	963	895
Property leases	896	955
Consultancy and professional fees	39	65
Promotion & business development	394	415
Communication	532	499
Boards & committees	248	301
Bad and doubtful debts	352	(193)
Occupancy	287	196
Audit fee	75	61
Legal Fees	2	38
Financial charges	6	51
(Gain)/Loss on sales of fixed assets and intangibles	279	4
	6,378	5,038

Notes to the Financial Statements

For the Year ended 31 December 2021

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, ASB, and BNZ 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	
	2021	2020
	\$000	\$000
Term deposits	2,070	3,541

The interest rate for term deposits is 1.4% (2020: 1.4%) maturing in May 2022.

	Primary ITO Group	
	2021	2020
	\$000	\$000

Financial instrument categories

Financial Assets

Loans and receivables:

- Cash and cash equivalents	20,023	3,284
- Term deposits	2,070	3,541
Receivables	915	1,424
	23,008	8,249

Financial Liabilities

At amortised cost:

- Payables	3,629	2,409
- Employee Entitlement	1,208	857
	4,837	3,266

8 CAPITAL MANAGEMENT

Primary ITO's 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.

Notes to the Financial Statements

For the Year ended 31 December 2021

	Primary ITO Group	
	2021	2020
	\$000	\$000
9 EXCHANGE RECEIVABLES		
Trade receivables	417	370
Interest receivable	3	18
	420	388

10 NON EXCHANGE RECEIVABLES		
Training fees receivable	958	1,163
Less provision for doubtful debts	(463)	(127)
	495	1,036

The Government announced the Targeted Training and Apprenticeship Fund (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. The portion of training that is continuing past December 2022 has commenced being invoiced to the learner.

	Primary ITO Group	
	2021	2020
	\$000	\$000
The ageing profile of the total trade receivables (exchange and non exchange) as at 31 December.		
Receivables 1 - 30 days	483	1,253
Receivables 31 - 60 days	89	-
Receivables 60 - 90 days	48	-
Receivables 91+ days	758	298
Total aged receivables	1,378	1,551
Less provision for doubtful debts	(463)	(127)
Total Exchange and Non Exchange Receivables	915	1,424

Notes to the Financial Statements

For the Year ended 31 December 2021

	Computer Equipment	Furniture and Fittings, Office Equipment	Leasehold Improvements	Total Fixed Assets
	\$000	\$000	\$000	\$000

11 PROPERTY, PLANT AND EQUIPMENT

For the Year ended 31 December 2021

Gross carrying amount

Cost	1,780	823	649	3,252
Additions	207	333	79	619
Disposals/transfers		-	-	-
Balance at 31 December 2021	1,987	1,156	728	3,871

Accumulated Depreciation

Balance at 1 January 2021	1,301	821	641	2,763
Depreciation charge	256	33	14	303
Disposals/transfers		-	-	-
Balance at 31 December 2021	1,557	854	655	3,066

Net Book Value at 31 December 2021

	430	302	73	805
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For the Year ended 31 December 2020

Gross Carrying Amount

Cost	1,318	823	647	2,788
Additions	852	-	2	854
Impairment	(370)	-	-	(370)
Disposals/transfers	(20)	-	-	(20)
Balance at 31 December 2020	1,780	823	649	3,252

Accumulated depreciation

Balance at 1 January 2020	1,109	814	627	2,550
Depreciation charge	212	7	14	233
Disposals/transfers	(20)	-	-	(20)
Balance at 31 December 2020	1,301	821	641	2,763

Net Book Value at 31 December 2020

	479	2	8	489
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Notes to the Financial Statements

For the Year ended 31 December 2021

	Software	Training Products	Work in Progress	Total Intangible Assets
	\$000	\$000	\$000	\$000

12 INTANGIBLE ASSETS

For the Year ended 31 December 2021

Gross Carrying Amount

Cost	2,062	2,458	1,197	5,717
Additions	1,492	385	1,002	2,879
Transfers	561	629	(1,190)	-
Disposals	(262)			(262)
Balance at 31 December 2021	3,853	3,472	1,009	8,334

Accumulated depreciation

Balance at 1 January 2021	2,048	1,663	-	3,711
Amortisation charge	226	650	-	876
Disposals/transfers	(63)	-	-	(63)
Balance at 31 December 2021	2,211	2,313	-	4,524
Net Book Value at 31 December 2021	1,642	1,159	1,009	3,810

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.

Notes to the Financial Statements

For the Year ended 31 December 2021

12 INTANGIBLE ASSETS (continued)

	Software	Training Products	Work in Progress	Total Intangible Assets
	\$000	\$000	\$000	\$000

For the Year ended 31 December 2020

Gross Carrying Amount

Cost	2,062	2,037	670	4,769
Additions	-	-	983	983
Disposals/transfers	-	421	(456)	(35)
Balance at 31 December 2020	2,062	2,458	1,197	5,717

Accumulated depreciation

Balance at 1 January 2020	1,829	1,131	-	2,960
Amortisation charge	219	567	-	786
Disposals/transfers	-	35	-	(35)
Balance at 31 December 2020	2,048	1,663	-	3,711

Net Book Value at 31 December 2020	14	795	1,197	2,006
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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.

	Primary ITO Group	
	2021	2020
	\$000	\$000

13 PAYABLES

Trade payables	1,672	939
Accrued expenses and other payables	1,957	1,470
GST Payable	484	393
	4,113	2,802

14 EMPLOYEE ENTITLEMENTS

Accrued employee payments	1,208	857
	1,208	857

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

Notes to the Financial Statements

For the Year ended 31 December 2021

	Primary ITO Group	
	2021	2020
	\$000	\$000

15 COMMITMENTS

Operating lease commitments

Payable within:

One year or less	1,995	1,415
Between one to two years	1,923	788
Between two to five years	104	767
Over five years	-	-
	4,022	2,970

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 2021 (2020: nil).

16 INCOME IN ADVANCE

Income in advance of \$15.6M (2020: \$126k) is made up of three components for 2021.

1. TTAF paid in advance of \$8.9M is to be repaid to the TEC in 2022.
2. Trainee fees of agriculture and horticulture NZ Apprenticeships enrolled during TTAF totalling \$5.3M, required invoicing for entire training up to December 2022, so the TTAF portion could be calculated by TEC for payment to cover the trainee fee debt. Trainee fee revenue is recognised when invoiced regularly to the learner or employer over the course of the training which covers multiple years. Management have applied an estimation as to when that timing would normally occur and recognised the revenue evenly over the year, as the obligation to arrange training still continued for Primary ITO and learner enrolment status continued to be monitored by TEC.
3. Trainee fees invoiced in November and December 2021 of \$1.1M are held as per the Primary ITO refund policy, which provides 100% refund if the learner withdraws within one month of invoice, and 50% refund if the learner withdraws within two months of invoice.

17 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2021 (2020: nil).

Notes to the Financial Statements

For the Year ended 31 December 2021

18 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 \$49,070 (2020: \$125,907).

	2021		2020	
	FTE	\$000	FTE	\$000
Board members' remuneration	6.0	185	6.8	204
Salaries and other short-term employee benefits	3.8	1,049	4.6	1,205
	9.8	1,234	11.4	1,409

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

	Primary ITO Group	
	2021 \$000	2020 \$000
Total comprehensive (deficit)/surplus for the year	(308)	556
Adjustments:		
Depreciation/amortisation and gain on sale	1,379	1,394
Decrease in trade and other receivables and prepayments	510	159
Decrease in inventory	43	87
Increase/(decrease) in accounts payable and accruals	1,311	(452)
Increase in employee entitlements	351	206
Increase/(decrease) in income in advance	15,481	(391)
Net cash provided by operating activities	18,767	1,558

20 SUBSEQUENT EVENTS

Primary ITO Transition Plan for the Transfer of Arranging Training, as required under Reforms of Vocational Education, was approved by the Tertiary Education Commission on 14 March 2022. The Omicron variant of COVID has not had any significant or material impact on Primary ITO as at the time of signing the financial statements.



Independent auditor's report

To the members of Primary Industry Training Organisation Incorporated

Our opinion

In our opinion, the accompanying financial statements of Primary Industry Training 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 2021, 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 2021;
- 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 for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

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.

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 non going concern basis of accounting in the preparation of the financial statements.

Our report is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will 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.



When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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.

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.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
6 May 2022

Wellington