



2019 ANNUAL REPORT



Primary ITO
Rōpū Whakangungu Ahuwhenua Ahumahi

In everything we do, there's always a starting point. It builds and it energises and it makes things happen. For us, that starting point is always people - and the most important thing we can do is to help them grow.

To achieve more. Be confident. Share the learnings.
Lift everyone around them – ka hikitia!



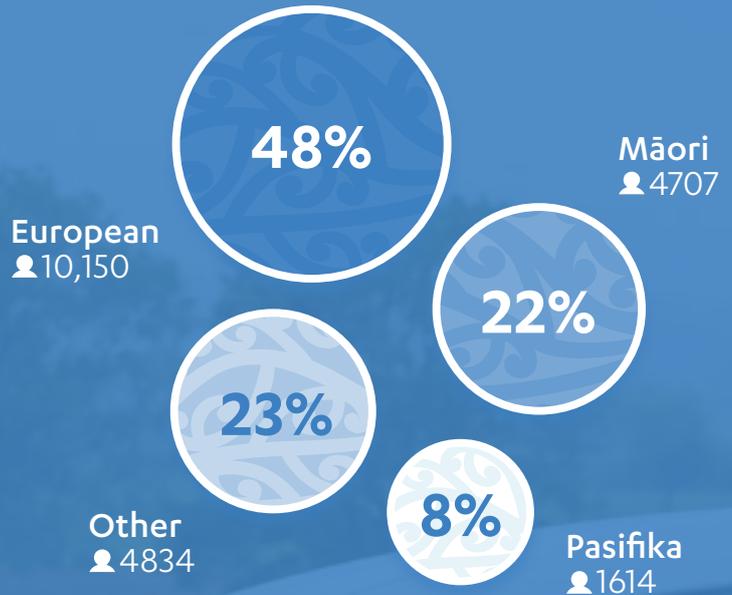
Photo: Primary ITO Training Advisor Sarah King with Waikato dairy farming trainee Travis Dawson



21,305

people training with Primary ITO

Ethnicity



“

I believe that to be able to have a career in any professional field you do need to have the theory to back up any managerial decisions and farming is really no different.

Amanda Guadagnin
- Dairy farm business manager



At every level, our industries depend on knowledgeable, innovative, skilled people – and we're here to help them.

From kura.

To starting out.

To climbing the ladder.

To running the place.



Age

	Number of trainees	%
24 & Under	5903	28%
25 - 34	7374	35%
35 - 44	4052	19%
45+	3976	19%
21,305		

Level of Training



In 2019 we reviewed **539 Unit Standards**, created 64 new ones and expired 48. We carried out changes to **29 programmes of study**, reviewed 25 qualifications, had **3 new New Zealand Apprenticeships** approved, and updated a further **12 New Zealand Apprenticeships**. We have **17 micro-credentials** registered with NZQA.



There are a lot of career opportunities related to agriculture out there and we need to be encouraging more people to enter the industry and make the most of apprenticeships and on-the-job training rather than heading off to university and racking up big student loans.

Ryan Esler - Sheep and beef farmer



Primary ITO's proud to be on the whenua working with individuals, businesses, communities and industry.

It's about combining science and technology, hard work with smart thinking and growing a global view of our local ambition.



Credit Achievement Rate



*The Tertiary Education Commission's target Credit Achievement Rate is 75 percent.

Social media



We received **62,500** **Twitter** impressions and have around **2150** followers



We increased **Facebook** followers from **8328** to **9176**, and our posts had an organic reach of **220,000**



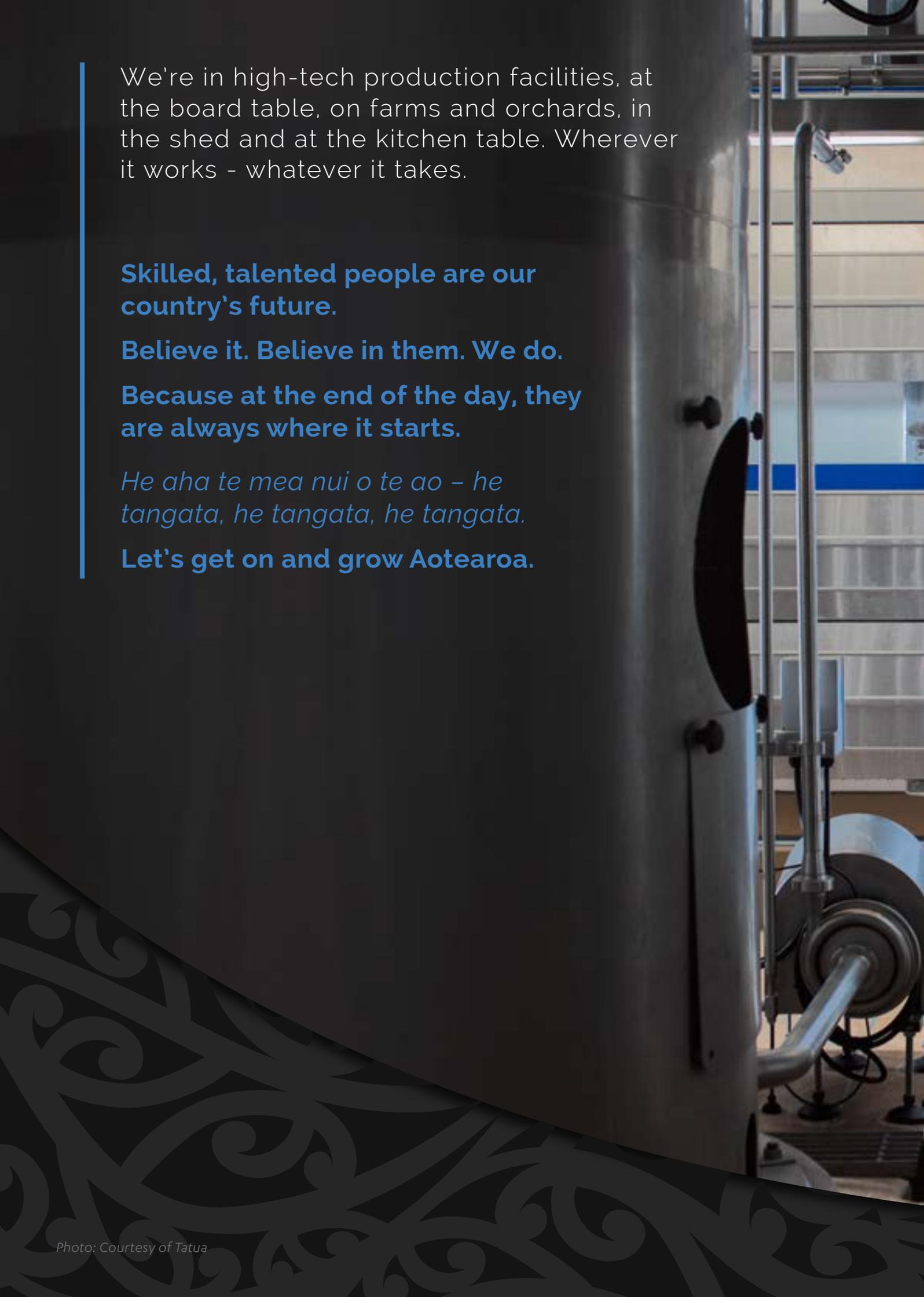
We have over **1300** **LinkedIn** followers, around **300** up on **2018**. Our posts had around **21,000** organic impressions

“

The course work that you get from Primary ITO shows different methods that you wouldn't necessarily learn on site. You need to have that knowledge as to why things are done the way they are, and that's where the ITO helps.

Kae Combridge - Landscaper





We're in high-tech production facilities, at the board table, on farms and orchards, in the shed and at the kitchen table. Wherever it works - whatever it takes.

Skilled, talented people are our country's future.

Believe it. Believe in them. We do.

Because at the end of the day, they are always where it starts.

He aha te mea nui o te ao – he tangata, he tangata, he tangata.

Let's get on and grow Aotearoa.



5123
Employers
with staff across
6071 different
workplaces



465,942
Credits achieved



10,269
Programmes
completed

“

My youngest child was only two years old when I first started studying. I just studied whenever I had a spare minute and regarded it as part of my work day because I was ultimately improving my own business.

Angela Strawbridge - Farm manager



Our Four Strategic Organisational Goals

We have four overall organisational goals that support the achievement of our journey to 2025. These goals set the direction for our activities that support our game changing focus.

OUR GOALS



LEAD AND INNOVATE

Primary ITO leads innovation within the primary industries learning ecosystem. We will achieve this by taking a leadership role in growing workforce capability, enhancing education delivery and growing pathways to higher-level learning to meet the needs of industry.



TRUSTED PARTNER

Primary ITO is a trusted partner for the primary industries. We will achieve this by strengthening relationships, increasing understanding and collaboration with our strategic partners and doing what we say we will.



COMPETITIVE ADVANTAGE & PRODUCTIVITY

Primary ITO increases the value and productivity of the primary industries. We will achieve this through growing people capability and strengthening the future workforce, broadening its impact amongst businesses and building internal infrastructure to deliver growth.



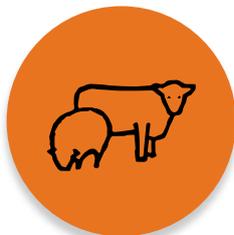
HIGH PERFORMING

Primary ITO is a high-performing organisation. We will achieve this by having effective systems and processes, a strong brand and nurturing a culture that supports our people to live our Purpose.

OUR SECTORS



Primary Services



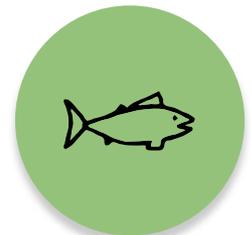
Meat and Fibre



Horticulture



Dairy



Seafood



Chair's Report

Ko te pūrongo a te tiamana

Tēnā koutou, tēnā tātou.

While we publish the Annual Report for 2019 and reflect on the year past, as a matter of necessity our focus is understandably on the significant issues affecting 2020 and the years immediately ahead.

As we prepare this report, the world is grappling with the magnitude of the Covid-19 pandemic. But with every problem there are opportunities and it is the companies that are able to quickly adapt that will ultimately survive and succeed. I am very proud with how Primary ITO has responded; operating safely, responding to the event itself, and being resilient and adaptive in a changing world. My personal thanks to the management team, the Board and all our stakeholders for safe passage thus far through the pandemic. It will, however, have impacts on short-term training numbers, which we will need to carefully monitor and manage.

This is all against the backdrop of RoVE – the Government's ambitious Reform of Vocational Education. RoVE is a generational change of our sector and aims to create a unified vocational education system in New Zealand. This has significant consequences for Primary ITO. Industry training organisations will not exist as they currently stand when RoVE is fully implemented over the next two to three years.

During 2019 we provided industry with a forum through symposia and discussions for thought leadership around formation of a primary sector Workforce Development Council (WDC), and worked interactively with officials. WDC coverage has now been confirmed and we have committed to working with the WDC, when formed, and all the industries we currently serve to maintain and improve the services we provide

and ensure continuity throughout the pending changes.

On 1 April 2020 (subsequent to the Balance Date for this report) we became a "Transitional ITO". We now set about consulting and working with industry as to how we transition and what form we transition to, in order to provide the primary sector with the very best long-term training and skills outcomes.

In recognition of the Transitional entity, our Stakeholder Council will change the governance structure from May 2020 to a transitional Board. This aims to provide strong, connected, direct, and agile governance for the organisation as we navigate through the next few years of change, in a fairly fluid environment. This board structure will ensure strong industry connection with the organisation, which is paramount to ensure the critical decisions required in the next period are absolutely industry-driven, while still providing quality governance overview.

During the 2019 year we welcomed new directors Carla Muller and Mike Chapman and thank them for their immediate contributions. I take this opportunity to thank the entire Board in working through what has been an extraordinary year placing huge demand on the core governance function. I also acknowledge Robyn Clements whose Board term ended in 2019 and sincerely thank her for her very valuable contribution.

We also welcomed new Chief Executive Nigel Philpott who joined us from the Ministry of Education, where he was the National Programme Director Future Focused Education Workforce Strategy. Nigel has settled in quickly and we see positive changes to our industry relationships and with team dynamics, and he is providing solid leadership in a

changing and challenging environment.

Primary ITO continues to use its reserves to provide a high service level even with the long-term trend of less training in the sector. We are focused on delivering the best possible financial result for our stakeholders in 2020, acknowledging the impact of Covid-19 and the underlying support from the Tertiary Education Commission. Maintaining a strong financial position is imperative as we look forward to the significant consultation process and resulting change management that will be needed throughout the transition period of RoVE.

Despite the pending changes and current challenges, Primary ITO remains in great heart and we feel confident that we have the team needed over these crucial few years ahead.

Underpinning all this change is the refreshed realisation that New Zealand Aotearoa will be relying on the primary sector as a critical part of the economic response. Primary ITO, in whatever form it takes in the future, needs to be, and will be, an important part of achieving that through a high-skilled primary workforce.

Ko te pōari me ngā kaitautoko o te whare nei, tēnei te mihi.

Mark Darrow
CHAIR, PRIMARY ITO

RoVE indicative timeline

August
2019

Government decision
to establish WDCs,
NZIST, CoVEs.

December
2019

Government releases outline of
WDC coverage. Select committee
issues report on proposed
legislation.

April
2020

Education Amendment Act 2020
comes into force. Creates NZIST,
WDCs, Transitional ITOs.

1 July
2020

Earliest possible time for new
primary sector WDC to come
into effect.

June
2021

All WDCs in operation.

December
2022

Transition of all Primary
ITO activities complete.

June
2023

NZIST fully operational.



Chief Executive's Report

Ko te pūrongo a te kaiwhakahaere matua

Tēnā koutou kia ora anō tātou.

In 2019, Primary ITO embraced the challenge of planning for a new future under the Government's Reform of Vocational Education (RoVE), while ensuring our focus remained 100 percent on delivering for industry, businesses, and learners.

As our Board Chair Mark Darrow has previously noted, at the time of writing this Annual Report along with the rest of New Zealand we are responding to the nationwide Covid-19 emergency.

Despite this, we have a genuine optimism for the primary sector, and for our place in it. The signals are strong for the broader sector. People still need food, fibre and textiles, parks, gardens and all the other things our industries produce. They will also still need skilled people to do that and I am confident that Primary ITO is in the right position to help grow those people, however they come to the sector.

We also have a strong foundation for the changes coming in vocational education. As a "transitional" industry training organisation, there is no immediate impact on our operations, but we are seizing the opportunity to deliver for our industries, employers and learners now, as well as setting our organisation up to succeed under RoVE.

Covid-19 has accelerated our work across new ways of learning and digital platforms, leading the way for learners to move to a truly blended learning experience. As New Zealand recovers from Covid-19 lockdown, we want our Primary ITO people back out at the farms, orchards, processors, packhouses and more, working with learners and employers. But we also want digital learning to be set up for the future.

Increasingly each of our industries need the ability for people to move seamlessly

between learning on the job and off-job, along with the portability and flexibility to move between industries.

A real strength of Primary ITO for learners has been the high-touch face-to-face engagement with training advisors. Our people are trusted advisors – for trainees and apprentices, for employers, for industry as a whole, and for government.

We don't want to lose this, but the new ways of learning will mean people will learn in the workplace in the way that best suits them and their employers. Our field team of training advisors, regional delivery managers and sector managers are focused on supporting learners and employers and are ready to support the new ways of learning.

We are also focusing on pathways into our vibrant primary sector, whether those are from school, other tertiary study, or a change of career. We need to design pathways that are attractive, accessible, widely known and understood, and provide a real and valued alternative to university.

Over 21,000 people trained with Primary ITO in 2019. We had particularly strong growth in training numbers in our meat and dairy processing sectors, as well as viticulture and dairy farming. In total, our learners achieved over 460,000 credits and completed more than 10,000 individual programmes.

Among the highlights in our educational performance indicators was a significant increase in our credit achievement rate, along with meeting our target of at least 80 percent of learners achieving 10 credits within their first three months.

This will be the last Annual Report where we outline progress against four goals. We have set three new strategic goals to help us deliver for learners, employers, industry and New Zealand Inc.

Firstly, we want to build a high-trust partnership model. As well as continuing our work to partner with businesses, employers, learners and education providers, this also reflects what we'll do to support the RoVE transition and embrace the opportunity for a holistic reform of the vocational education system.

A key part of delivering on this goal is our new Māori strategy, developed to ensure we deliver for Māori, with the vision *kia mahi ngātahi tātou* – working together we can grow New Zealand. This has the goal of achieving parity of performance for our Māori learners, and meeting the needs of Māori business.

Secondly, we are redoubling our efforts on learner achievement. With a focus on learner needs, this means ensuring the right learners are enrolled in the right programme at the right time.

Thirdly, we need to be a sustainable education business. We are using our leadership and business systems to build the capability of staff and instil a best-practice mentality, while focusing on the core products demanded by industry.

Thank you for taking the time to read this report and for your ongoing commitment to the primary industries.

Ko ngā kaimahi o te whare nei nōku te hōnore.

Ngā mihi,

Nigel Philpott
CHIEF EXECUTIVE



Photo: Primary ITO Board members on a vineyard tour at Villa Maria in Auckland

Board of Directors

AS AT APRIL 2020

The role of the Board of Directors is to represent the interests of Primary ITO. They must exercise good governance, including establishing a strategic plan and monitoring the performance of Primary ITO against that plan. They address the on-going viability and sustainability of Primary ITO, and receive and consider advice and direction from the Stakeholder Council.

Mark Darrow CHAIR



Mark Darrow is an experienced businessman and professional director, specialising in corporate governance. Mark has a number of current board roles, including Chair of Armstrong Motor Group, Leighs Construction, Primary ITO and The Lines Company. He is also a Director for Balle Brothers Group and Signum Holdings and an external member for the Audit & Finance Committee at Panuku Development Auckland. Previously he held ministerial appointments with NZTA and Counties Manukau DHB, and previous Board roles including with Trustees Executors, Zend Distribution, Motor Trade Association, VTNZ, MITO, and AA Finance. Mark has held a number of senior executive positions including as Managing Director for Sime Darby New Zealand and Continental Car Services, General Manager of Peugeot New Zealand, Executive Director for GE Money and CEO for PGG Wrightson Finance Limited. Mark is a Chartered Fellow of the New Zealand Institute of Directors, a 25-year member of Chartered Accountants Australia & New Zealand, and a Justice of the Peace of New Zealand.

Chris Flatt DEPUTY CHAIR



Chris has been the National Secretary of the NZ Dairy Workers Union Inc – Te Runanga Wai U (DWU) since August 2012 and served as a director on the NZITO Board for two years prior to the merger with Primary ITO. He is also a director on several other boards including the Union Medical Benefits Society (UniMed) Ltd, Norman Kirk House Ltd and the Waikato Trade Union Centre Ltd. Chris has been a trustee of the Workers' Education Trust Incorporated since April 2017 and the Waikato Community Trust Incorporated (Trust Waikato) since July 2018. He is an Associate Member of Governance New Zealand (formerly NZ Chartered Company Secretaries) and was the General Secretary of the NZ Labour Party from 2009 to 2012. Chris has been the Affiliates Vice President on the New Zealand Council of the NZ Labour Party since 2016. He has also worked as a private practice employment lawyer in law firms in both Auckland and Sydney and holds a Bachelor of Laws (Hons) and Bachelor of Social Sciences (Hons) from Waikato University.

Traci Houpapa



Traci is an award-winning company director and a recognised industry leader. She currently chairs FOMA (the Federation of Māori Authorities), Hineuru Holdings Limited, Te Arawa Group Holdings, W3 Wool Unleashed PGP and the National Advisory Council for the Employment of Women. Traci holds governance roles within a wide range of other organisations including the Waikato River Authority, Ontario Teachers' Pension Plan NZ Forest Investments, Predator Free 2050, Massey University and NZTE. She is also an Honorary Advisor for New Zealand to the Asia NZ Foundation and an Honorary Vice President for Fieldays. She was reappointed to the Primary ITO Board in May 2019.

Jane von Dadelszen



Jane is an independent consultant providing advice and analysis to government agencies and educational organisations in New Zealand and internationally.

She is a Council Member of the Hong Kong Council for the Accreditation of Academic and Vocational Qualifications (HKCAAVQ), a member of the HKCAAVQ task force reviewing accreditation criteria and standards, and a member of the Boards of Toi Whakaari, New Zealand Drama School, Te Whaea Services, and English Language Partners New Zealand.

Until December 2015, Jane was Deputy Chief Executive, Quality Assurance, at the New Zealand Qualifications Authority (NZQA) responsible for regulating the quality of tertiary and vocational education and the New Zealand Qualifications Framework (NZQF). Previously, for ten years, Jane led tertiary education policy at the Ministry of Education.

Jane's government experience also includes gender issues, crime and justice issues, family violence, child protection, alcohol and drug issues, and climate change and natural resource management.

Jane is a Member of the Royal Society of New Zealand and a Member of the Institute of Directors and has a Master of Arts degree in Psychology from Otago University.

Pamela Storey



Pamela has been involved in the New Zealand primary sector for many years as Managing Director of a Waikato-based dairy farming enterprise, as well as holding senior executive and governance roles across a variety of industries.

She is a councillor with Waikato Regional Council and a director of Wintec. Pamela is a Trustee of the Dairy Women's Network, Director and Deputy Chair of The Good Collective, Chair of the Rabobank Upper North Island Client Council, as well as a member of the Dairy Environmental Leaders Forum.

She is a previous Chair of Go Eco, previous Board member of the Energy Management Association of New Zealand (EMANZ), Access HomeHealth, and the US-based Council for Women in Energy and Environmental Leadership, as well as being a finalist in the 2017 New Zealand Women of Influence Awards.

Pamela has a Bachelor of Science Degree in Electrical Engineering from Washington State University (USA) and an MBA from University of Reading Henley School of Business in the UK.

Trevor McIntyre



Trevor has a strong governance background in the tertiary education, local authority and not for profit sectors including a range of advisory board roles at government and local authority levels in the education/employment areas.

Trevor was formerly employed in the Ministry of Education Youth Guarantee programme where he was involved in Primary pathway initiatives. He is currently the General Manager Pathways with the New Zealand Young Farmers, leading a team of nine staff who are engaging with schools and universities promoting the Primary Industries pathway.

Trevor holds a Bachelor of Agricultural Science from Lincoln University.

Carla Muller



Carla is an environmental and agricultural economist, currently working as a senior consultant with Perrin Ag Consultants. She was previously an economist with NIWA and DairyNZ. Carla's partner currently manages a sheep and beef farm on the East Cape where she is based, primarily working from home.

Carla is currently the president of the New Zealand Institute of Primary Industry Management, a board advisor to Cycling New Zealand, and a committee member for the Waikato Institute of Directors. She was previously an associate director with Wintec, until they transferred to the NZIST and has held a range of other board roles.

Carla was the 2018 Waikato Institute of Directors Emerging Director Award winner. She was a finalist in the 2017 Westpac Women of Influence awards in both the rural and young woman categories as well as a recipient of a Hamilton City Council 30 under 30 award.

She has a Bachelor of Applied Economics and a Masters in Environmental Management from Massey University. Carla joined the Primary ITO Board in May 2019.

Mike Chapman



As chief executive of Horticulture NZ, Mike had a close working relationship with Primary ITO for a number of years before joining the Board in May 2019. He has also been the chief executive of NZ Kiwifruit Growers Inc and Kiwifruit New Zealand.

He was an inaugural Director of Kiwifruit Vine Health Incorporated, and was the Deputy Chair of Toi Ohomai Institute of Technology.

A qualified lawyer, Mike previously worked for the Auckland District Law Society, the Commerce Commission and the Royal New Zealand Navy.

Goal 1: Lead and Innovate

Primary ITO leads innovation within the primary industries learning ecosystem.

We aim to achieve this by taking a leadership role in growing workforce capability, enhancing education delivery and growing pathways to higher-level learning to meet the needs of industry.

Early in 2019 the Government announced plans to reform vocational education, including a new nationwide New Zealand Institute of Skills and Technology (NZIST) and new Workforce Development Councils (WDCs).

The impact of the reforms would mean that Primary ITO's roles in setting standards and arranging training would eventually move to NZIST and a new WDC covering the primary sector.

As at the end of 2019, Primary ITO continued to focus on its core work of working with industry to design and launch new programmes to meet their needs, and to arrange training for our crucially important sector.

Advocating for the primary industries

During 2019, Primary ITO consulted widely on the Government reforms and held two industry-wide symposiums to ensure industry's voices were heard on how they wanted primary sector vocational education in the future.

Senior government education officials and ministers attended these symposiums.

Primary ITO also made two submissions to the Government on the proposed reforms and appeared at both the Education and Workforce, and Primary Production select committees to

explain the impact of the reforms, and how best the vocational education system can deliver for primary sector employers and employees.

Primary ITO carried out extensive consultation with our industry partners, providing support for partners to give feedback to the Government on the proposals.

As at the start of 2020, Primary ITO is embarking on a five-year strategic plan to ensure industry continues to get the skills training it needs throughout the period of the reforms.

Our role as a standard-setting body: new programmes and qualifications

As the standard-setting body for the primary industries, we are recognised as experts in establishing standards for national qualifications. Our gazetted coverage includes agriculture, animal care and handling, animal products inspection, baking yeasts manufacturing, dairy processing and manufacturing, equine (including racing), fellmongering, floristry, greyhound racing, horticulture, irrigation and hydrology, leather manufacturing, meat processing and manufacturing (excluding poultry), petrochemical, energy and chemical plant, rural servicing, seafood, and sports turf industries.

At any time, Primary ITO has a significant number of programmes, unit standards and qualifications under review. During 2019, we had three new New Zealand Apprenticeships approved (in Seafood Processing, Distribution, and Sports Turf), and made significant updates to 12 existing New Zealand Apprenticeships in response to industry feedback. We reviewed 25 other certificate qualifications.

We also reviewed 539 Unit Standards last year, created 64 new ones and stopped using 48 outdated ones.



KO TE AMORANGI KI MUA, KO TE HĀPAI Ō KI MURI¹

Micro-credentials

By the end of 2019, we had developed and received NZQA approval for 17 micro-credentials, the bite-sized pieces of learning, aiming to recognise or teach specific skills for the workplace on the job in a short time.

Of particular note was the launch of the package of micro-credentials in wool harvesting, to help solve a critical need to train shearers and wool handlers. The wool micro-credentials are a template of one of the future directions of training in primary industries - the emphasis is on 'just in time' learning, rather than a lengthy 'just in case' qualification.

We have also had very positive feedback to our "Biosecurity Advice to Action" micro-credential, along with a range of others.

Online Learning Management System (LMS)

We identified the need for a new learning platform where learners will be able to access audio, video, and interactive materials anytime and anywhere along with feedback on learning. It will provide a single channel for businesses with staff spread across the country to engage their people in learning. Distance will no longer be a barrier for the geographically-dispersed industries served by Primary ITO. For Primary ITO it will reduce paper records, support better learning analytics and improve learner retention and progression.

As at the start of 2020, we have contracted an external company to develop a customised LMS prototype for Primary ITO. We then plan to pilot the system. The system is being developed with the aim of full compatibility with any future organisational structure under the Government's education reforms.

"To be relevant and attract the right learners, we will innovate. We need to invest in our people and in modern and innovative ways of training. Changes in industry mean a greater focus on subjects such as environmental management, carbon emissions, water quality, nutrient management, animal welfare and biosecurity. Blending learning across traditional and online systems, and taking advantage of emerging technologies like virtual or augmented reality, will be particularly effective for our dispersed primary sector learners." Nigel Philpott

¹'Amorangi' – the important role of leadership to lead from the front underpinned by an equal enabling force or 'hāpai' from behind.

Goal 2: Trusted Partner

Primary ITO is a trusted partner for the primary industries.

Primary ITO aims to be a trusted partner across the primary industries. We work to strengthen relationships, increase understanding and collaboration with our industry partners, and provide industry-focused solutions.

This means workers can receive training to accelerate the pace of innovation, improve farming, fishing and horticulture practices, and deliver more profitable growth for New Zealand's largest export sector.

Primary ITO received the Minister of Education's approval in 2019 to continue our work as the industry training organisation responsible for agriculture, horticulture, processing and services. Although the Government's education reforms mean there will be structural changes in the future, the Minister's recognition of Primary ITO was in response to industry feedback that Primary ITO was giving the service it needs, and that industry training works for the primary sector.

Industry Partnership Groups

Primary ITO's IPGs are the key interface between the organisation and the industry partners giving guidance. Ko te amorangi ki mua, ko te hāpai ō ki muri¹.

Primary ITO has 14 IPGs covering sectors across the broader agriculture, horticulture and primary services groupings.

Late in 2019 and at the beginning of 2020, one of these IPGs reformed, and is set to drive what it needs from training.

This covers vegetables and other fruits (not including avocado, kiwifruit, pipfruit, and viticulture). Industry has given strong support to this IPG, increasing membership and diversity of the group.

Our Māori Strategy

In 2019 we set ourselves the targets of delivering more for our Māori learners, and supporting Māori businesses and meeting their needs. To do this we launched an engagement plan to increase the number of Māori businesses we are engaging with.

We have also focused on tracking and reporting on educational performance indicators for Māori by sector, along with a primary industries workforce scan for Māori and other initiatives.

In our Māori strategy we have set the goal of achieving parity of performance for our Māori learners, especially those enrolled at levels 4 and above. At the heart of the strategy is the vision *kia mahi ngātahi tātou* – working together we can grow New Zealand.

Around 22 percent of our learners identify as Māori, which is higher than the general population, and with a large proportion of iwi groups being involved in the primary industries, delivering for Māori is a key goal for Primary ITO.

Dairy career pathway

Primary ITO supported DairyNZ in the redevelopment of its Dairy Career Pathway. By modularising our programmes to be skills-based, they align with the Dairy Career Pathway, offering the training needed at every stage of someone's career. This reflects Primary ITO's efforts to provide learning at the time people need it, rather than upfront learning just in case it's needed on the job.

Additionally, we partnered with DairyNZ to develop non-formal learning in animal care, financial literacy and learner well-being. Primary ITO's focus is traditionally on formal qualifications, but one of the key changes in approach over the last 18 months has been the broader promotion of non-formal learning from a range of providers as part of a learning plan.

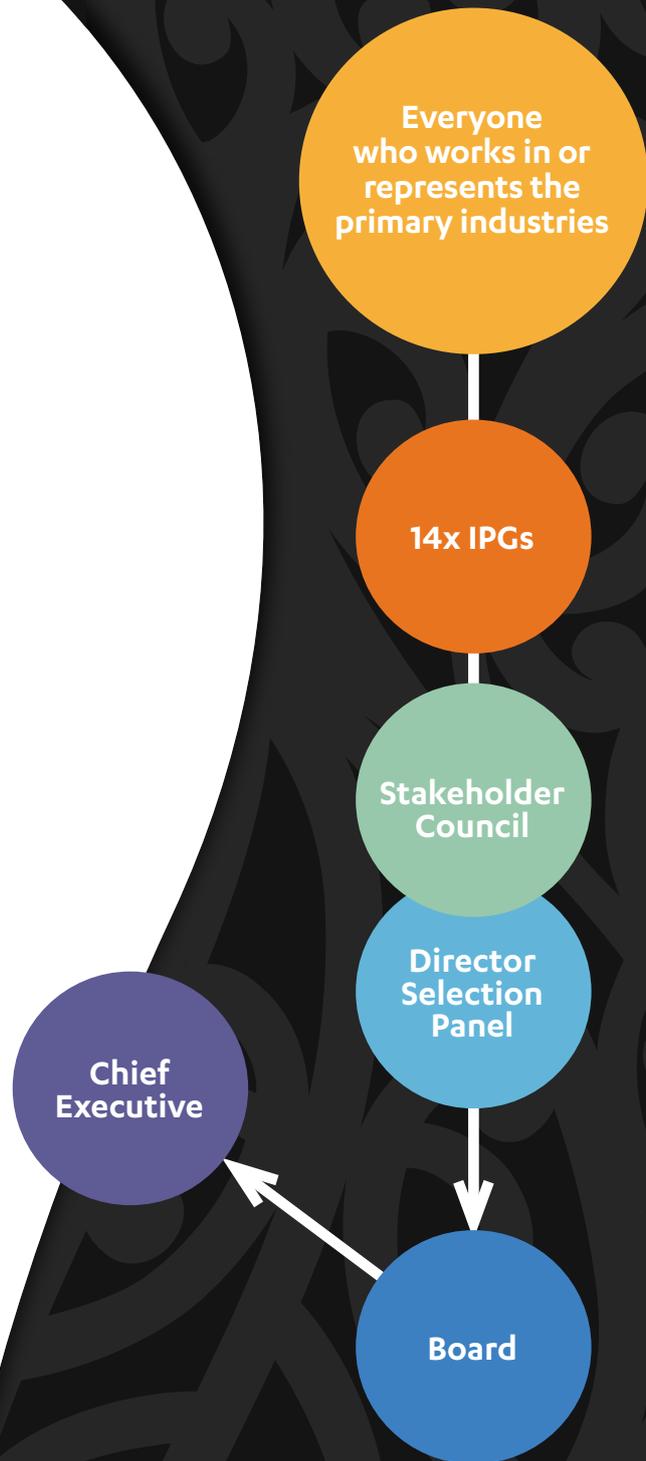
Strategically this repositions our team as trusted advisers in capability planning, recommending the right learning at the right time, in contrast to an historically rigid recommendation of formal qualifications. Generally, we see non-formal learning as complementary and it often acts as a gateway to formal qualifications.

In 2019, Primary ITO invested in our own people, focusing on our values, how we live those values with customers, and how we use our capability planner to be key advisors.

Building trust with industry means protecting the integrity of our qualifications, so that a Primary ITO qualification awarded in one part of the country is consistent in terms of quality with that in another. Employers can have confidence that employees will have the same base level of skills as anybody else who has earned that qualification. We are building that trust by investing in assessor training across our entire team of training advisers.

¹This whakatauki is an acknowledgement of the leadership and stewardship of our industry partners.

Primary ITO's Governance Structure



Department of Corrections

Throughout 2019, the Department of Corrections and Primary ITO worked together on a number of initiatives. Around 200 prisoners are enrolled in Primary ITO programmes, in a range of sectors including dairy, sheep and beef, horticulture production, nursery production, and apiculture.

In 2019, new resources were rolled out to better support learning among prisoners with diverse learning needs. Of particular note was the use of buff-coloured paper, which improves comprehension for people with dyslexia and Irlen's syndrome, where people struggle to look at highly contrasting colours.

Primary ITO also participated in Corrections' initiatives at the Waikeria Prison dairy farm. Around 40 inmates work and train on the 1000-hectare farm. Primary ITO supports them to gain industry qualifications, and also to connect them with dairy farmers to find work on release.

As part of Primary ITO's Māori strategy, we work with Corrections and the Ministry of Business, Innovation and Employment to successfully reintegrate Māori offenders into the primary industry workforce.

Quality

We have made holding Unit Standard 4098 (use standards to assess candidate performance) the minimum benchmark for being a registered workplace assessor with Primary ITO. People have until 31 December 2020 to achieve this standard, or be recognised by Primary ITO as having an equivalent level of competence.

This is an important component of ensuring our qualifications are trusted and valued by industry. The people who are carrying out assessments must have the skills to ensure in a consistent way that candidates are meeting the requirements of qualifications.

As well as our network of external assessors, we have already ensured all of our own training advisors hold an even more stringent standard, enabling them to explain assessment processes, prepare for and carry out assessment, and act ethically and professionally, in a culturally safe and inclusive manner.

HE WAKA EKE NOA

We are on this journey together

Goal 3: Competitive Advantage & Productivity

Primary ITO increases the value and productivity of the primary industries through growth in people capability.

He kai kei aku ringa

Primary ITO increases the value and productivity of the primary industries through growing people's capability.

This strengthens the current and future workforce and builds internal infrastructure, broadening and deepening the impact amongst businesses to help deliver growth.

We focus on ensuring we deliver programmes that deliver the skills needed by the primary industries while the standards for workplace training means the industries are well-placed to compete internationally.

New Zealand Apprentice Scholarships

In October, Primary ITO responded to the urgent need for skilled workers in agriculture and horticulture by launching a scholarship programme for apprentice fees. The two-month campaign offered applicants full fees for the whole duration of the apprenticeship programmes, which generally take 2-3 years.

The scholarships were a way of encouraging people to build a career in the primary industries, and a response to the pressure being placed on the sector through issues like trade, biosecurity, the environment, and competition.

Schools pathway

Attracting school leavers (and career changers) to the primary sector was identified as a key component of Primary ITO's 2019 focus on strengthening our customer-experience driven mindset.

At the start of the year, we took over the former Taratahi Agricultural Training Centre's trades academy students, bringing our allocation to 885 students. This means Primary ITO's Trades Academy is the largest in the country.

The Taratahi model was new for Primary ITO, delivered by Primary ITO tutors as opposed to teachers at the schools involved. The tutor-led model was delivered in the North Island while the school-based delivery continued to be delivered nationwide.

Primary ITO's Schools Team was actively involved in engaging with providers and employers during the year and attended conferences, field days and Speed Meets. This continued to increase the visibility of pathways into the industry and Trades Academy delivery in schools.

Interest in Primary ITO Gateway programmes increased. Gateway enables schools who may not be involved in Trades Academy programmes to offer courses to their students. A review of this programme took place at the end of 2019, based on feedback from stakeholders, and changes were made for 2020 to ensure both student and school needs were being met.

At the end of 2019 the Primary ITO School Pathways Strategy 2020 to 2022 was developed and the Schools Team was realigned to deliver on this strategy. The realignment is intended increase profile and connectivity between the work we do with schools and the primary industries. In addition to this, the Schools Team was successful in its application for additional Trades Academy funding for 2020 and was allocated 240 additional places for the Primary ITO Trades Academy across both delivery models.

East Coast Māori Cluster opportunity

Primary ITO is involved in three distinct pieces of work with Māori clusters on the North Island's East Coast. These are the culmination of three years of whakawhanaungatanga – building links and relationships.

The clusters are groups of Māori involved in agribusiness on collectively owned land. Bringing the groups together as clusters helps give the scale required to look at local training solutions, as well as the groups' other interests such as changes to land use.



In the first of these clusters, building off work by DairyNZ and external agribusiness consultant William McMillan, Primary ITO is working with five iwi trusts with seven farms on biosecurity training. We have also had \$70,000 in funding approved from the Ministry of Primary Industries, Te Puni Kōkiri and the Ministry of Social Development for the training of farm workers, farm managers and trustees, with 133 individual enrolments.

The second is a change of use project with Ministry of Primary Industries funding to look at land use changes and sustainability of smaller Māori blocks working together. Primary ITO will provide the support for cross-strand training on blocks that could potentially provide an eclectic mix of agriculture, horticulture and seafood product from the same land.

The third piece of work involves our Schools team making Gateway and Trades Academy programmes available at East Coast schools at Cape Runaway, Opotiki and Taneatua.



Goal 4: High Performing

Primary ITO is a high-performing organisation.

Professionalism and business performance excellence

Our new “Ara hou ways of working” competency framework was implemented for all staff in 2019. This marked a change in the way we measure performance, recognising that how we do things is as important as what we do.

The framework clarifies how staff, in every role, can demonstrate that they are meeting the five competencies of professionalism, business management, leadership, relationships and collaboration, and communication.

This was in direct response to staff feedback that they needed increased clarity on what the organisational values meant for them in their individual roles.

Sector alignment

After the successful sector-based realignment of our field force in 2018, we have further streamlined our sectors to agriculture (taking in dairy farming, and sheep, beef and deer farming), horticulture, and primary services and food processing.

This has meant better sharing of expertise across closely aligned sectors, such as dairy processing and meat and seafood processing. We saw strong growth in dairy and meat processing training numbers, and a good response to the launch of new seafood programmes in the middle of 2019.

Educational performance

A key performance indicator for Primary ITO is meeting the Tertiary Education Commission’s requirement for 80 percent of trainees to achieve 10 credits of learning within three months of enrolling. We met this target, with a strong performance from our field team. This is a critical target as it ensures we retain funding for trainees.

In 2019, we increased our credit achievement rate to 71 percent from 64 percent in 2018, against a target of 75 percent. Primary services and food processing had a particularly strong result with 81 percent credit achievement. Credit achievement is a measure of the number of credits achieved as a proportion of the credits expected to be achieved.

Distribution

Led by Primary ITO’s dairy processing team, we rolled out new distribution qualifications across levels 3 and 4 and New Zealand Apprenticeships in the first half of 2019.

The dairy processing sector has engaged closely with the development of the qualifications and Fonterra, Miraka, Yashili and others have all enrolled their people.

Recognising the need across many of our industries, the qualifications are also proving popular with rural servicing, meat and fibre, and horticulture, enabling greater efficiency in qualifications development.

Māori Strategy

Our Māori strategy informed our goal to make Primary ITO a bicultural organisation. We developed a bicultural framework for all staff to use, and which is included in the Ara hou framework of competencies, which form part of the performance assessment of all Primary ITO staff.

To help our staff understand the transition, we overlaid our existing Primary ITO values with complementary Māori ones:

Manaakitanga - to **Lead** and **Innovate**. In this we aim to look after the best interests of our Māori customers and learners.

Whanaungatanga - to be **Brave** and be a **Trusted Partner**. We are forging collaborative relationships that create value for our Māori customers.

Mana Motuhake - to be **Productive** and **High-Performing**. We aim to instil a service mentality that understands and responds to an iwi, hapū and whanau context.

Staff have embraced these concepts, with a number of teams sharing noho marae experiences and embedding te reo.

We have also revisited the imagery used across our external resources, and are implementing a bicultural look and feel across these. The changes visually capture the essence and spirit of our core values, while emphasising our desire to build and deepen a service mentality to meet the needs of all our customers.

Primary ITO is using the model pictured to the right as part of our bicultural approach to achieving our high-performance goals as an organisation for all learners, underpinned by our core values.

The Te Ako Tikitike model was originally developed by the Ako Aotearoa National Centre for Tertiary Teaching Excellence. This shows some of what is distinctive about Māori learners in trades training and a model for how to use that knowledge for better learning outcomes.

At Primary ITO, we aim to use it to ensure we use the appropriate approach for Māori learners, acknowledging that it is the interconnectedness of these factors that builds success.

A Model For Successful Māori Learners In Workplace Settings

Cain Kerehoma, Jenny Connor, Loretta Garrow and Carmin Young

Personal commitment, attitude & motivation

Individual readiness, motivation and success is dependent on the interplay of the 5 elements underpinned by the contribution, acknowledgement and investment of all involved.

Tuakana-teina

Culturally competent mentors/peers who can incorporate cultural understanding, practices and values is important



Strong foundations for workplace learning

This is a key priority area for many learners particularly for Māori. Learning materials and support resources need to reflect different styles of learning, be responsive to learning gaps with flexible assessment models for success.

Connectedness

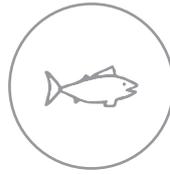
Expectations are high yet realistic. Clear direction with a culturally supportive environment, easy to use resources and positive reinforcement to succeed.

Whānau support & encouragement

Alignment with community networks, iwi, hapū, whānau is key. An invitation to participate.

WHĀIA TE ITI KAHURANGI

Pursue excellence



SECTOR REPORT: Dairy

DAIRY FARMING

In 2019 we received very positive feedback from employers about our dairy farming capability planner. Training Advisors work with employers, using the planner to outline specific learning needs for people in their businesses.

These can be linked to farm goals so teams can be developed to ensure they meet these goals and the planner provides a framework to drive consistent conversations across the country with both employers and trainees.

Feedback suggests it will be a useful tool to aid retention of skilled people. It shows employees how training can help develop the skills they need and how their employers are committed to helping progress their career. It also represents a progression-based approach to learning, as opposed to a traditional compliance-based focus.

Redeveloped livestock husbandry programmes

Primary ITO redeveloped the existing Level 3 livestock husbandry programmes across the dairy, sheep and beef sectors, enabling a more learner-centric focus and improved progression.

Workshops are better tailored to seasonal content. Learners can see how their learning is achieved throughout the programme and how their learning matches what they're doing on the farm at the specific season.

Dairy Goat Co-operative

In partnership with the Dairy Goat Co-operative, we introduced new programmes with the aim of upskilling and ensuring consistent standards in the dairy goat industry.

Working with the Co-operative meant the industry could get training more specific to their needs than offered in previous programmes, which were adapted from the bovine dairy industry.

The Co-operative and Primary ITO's work on livestock and milk quality Level 3 programmes supports the need for innovation and more value in the primary sector, as opposed to more volume.

The initial rollout was successful with good feedback and a full class. With funding from the Ministry of Primary Industries, the Co-operative and Primary ITO have committed to working on a Level 4 programme to further build industry capability.

High performing organisation

All new Primary ITO dairy Training Advisors receive a thorough induction, ensuring that everyone meeting with customers has the skills to act as a trusted advisor.

DAIRY PROCESSING

2019 saw strong growth in dairy processing training numbers, including the number of trainees, programmes and credits completed. Across the year there were around 1000 people training with Primary ITO in dairy processing and a number of new organisations came on board.

Performance metrics

During 2019, Primary ITO initiated a major drive in the dairy processing sector to understand trainees' progress and the people supporting them in the workplace.

Overall, we saw a significant improvement in the rate of trainees' progression through their dairy processing qualifications, rising to a 74 percent credit achievement rate, compared to 30-40 percent historically. The number of credits achieved rose from around 12,000 in 2018 to nearly 20,000 in 2019.

Halal

There is now a more diverse group of programmes available for the dairy processing industry. Examples of this include the development of an assessment for a Halal unit standard, which was rolled out in the first half of 2019. So far, 56 people have enrolled.

A new requirement from the Ministry of Primary Industries meant that any dairy processor manufacturing Halal products is required to have at least one person on a site who is accredited with a specific unit standard in Halal dairy production. Recognising a gap for companies who already had Halal certification with training, policies

and procedures for their people specifically for Halal manufacture in place, Primary ITO designed new assessment material to enable staff from these companies to gain this accreditation.

We worked closely with both larger and smaller organisations to ensure the solution developed was suitable for all processors as long as they already had their Halal certification.

New businesses

Several new processors such as Over the Moon Dairy, Waiū Dairy Partnership, Miraka, Epicurean Dairies and Talley's Ice Cream enrolled people in training. Industry is seeing the value in formalised training and are looking at ways to invest in their people.

A strong focus on whanaungatanga (relationships) in 2018 laid the groundwork for enrolments in 2019.

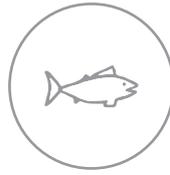
Overall, Primary ITO worked with over 20 dairy processors in 2019. Fonterra accounted for a majority of trainees but other corporates also contributed significantly.

New unit standards

Primary ITO has continued to adapt to the flexibility required by industry and to enable trainees to complete their qualifications. As examples, at the end of 2019, we added new nutritional electives at Level 3 and Level 4, new unit standards for distillation and separation in ethanol at Level 4, and added units to milk treatment at Level 3. These were all based on customer engagement around their needs.

Looking forward, we see nutritionals as one example of a process needing more development, with businesses looking to add more value from their milk.





SECTOR REPORT: Horticulture

There is significant diversity within the horticulture sector – from truffles, olives and tulips, to sports turf, hops and everything in between. Primary ITO has made a conscious effort to support new and growing sectors, and the innovation within those sectors.

We adapted our training programmes to meet the needs of new businesses, looking at the training programmes to support a base level of horticultural knowledge, and then layering that with the expertise of specific industries.

Scholarships

The apprentice scholarship programme in late 2019 provided a significant opportunity for sectors where budgets for training have traditionally been low.

New qualifications in the sector, and a new pricing structure, meant Primary ITO could test whether the scholarships would increase participation in training. During the scholarship campaign, we received around 900 enrolments, with around half being New Zealand Apprentices. We plan to use the evidence that cost was proving a barrier to training to plan for future enrolments.

Corporate relationships

Large corporates continued to play an important role in the governance of horticulture for Primary ITO. Across our viticulture, sports turf, and amenity Industry Partnership Groups in particular, some of New Zealand’s biggest producers gave guidance on their industries’ training needs.

Qualification reviews and programme changes

Industry training requires a compromise between the basic skills that should be acquired as part of a standardised qualification, and the realities of a workplace which may use a more specialised range of skills. The horticulture qualification reviews and programme changes started in 2019 to meet the needs of employers and trainees for qualifications that both meet their immediate needs and the expectations of future employers.

Te Whakamahi Whenua

Te Whakamahi Whenua are specific Māori unit standards, and developed for use in horticulture. Primary ITO has included these as options within a Level 2 New Zealand Certificate in Primary Industry Skills. This means that people can learn in areas such as how te whānau mārama (observations of stars, constellations and planets) or traditional insecticides

can be applied, leading to a qualification. This work was done in partnership within the Department of Corrections and the Ministry of Business, Innovation and Employment.

Apiculture

In 2019, Primary ITO launched apiculture training, enrolling over 100 people. Feedback was extremely positive with anecdotal feedback suggesting industry valued the opportunity to better understand the theory behind why particular apiculture practices are important. The new block courses have also proved successful in apiculture, as has the two-year Apiculture Apprenticeship, developed with Apiculture New Zealand.

User pays

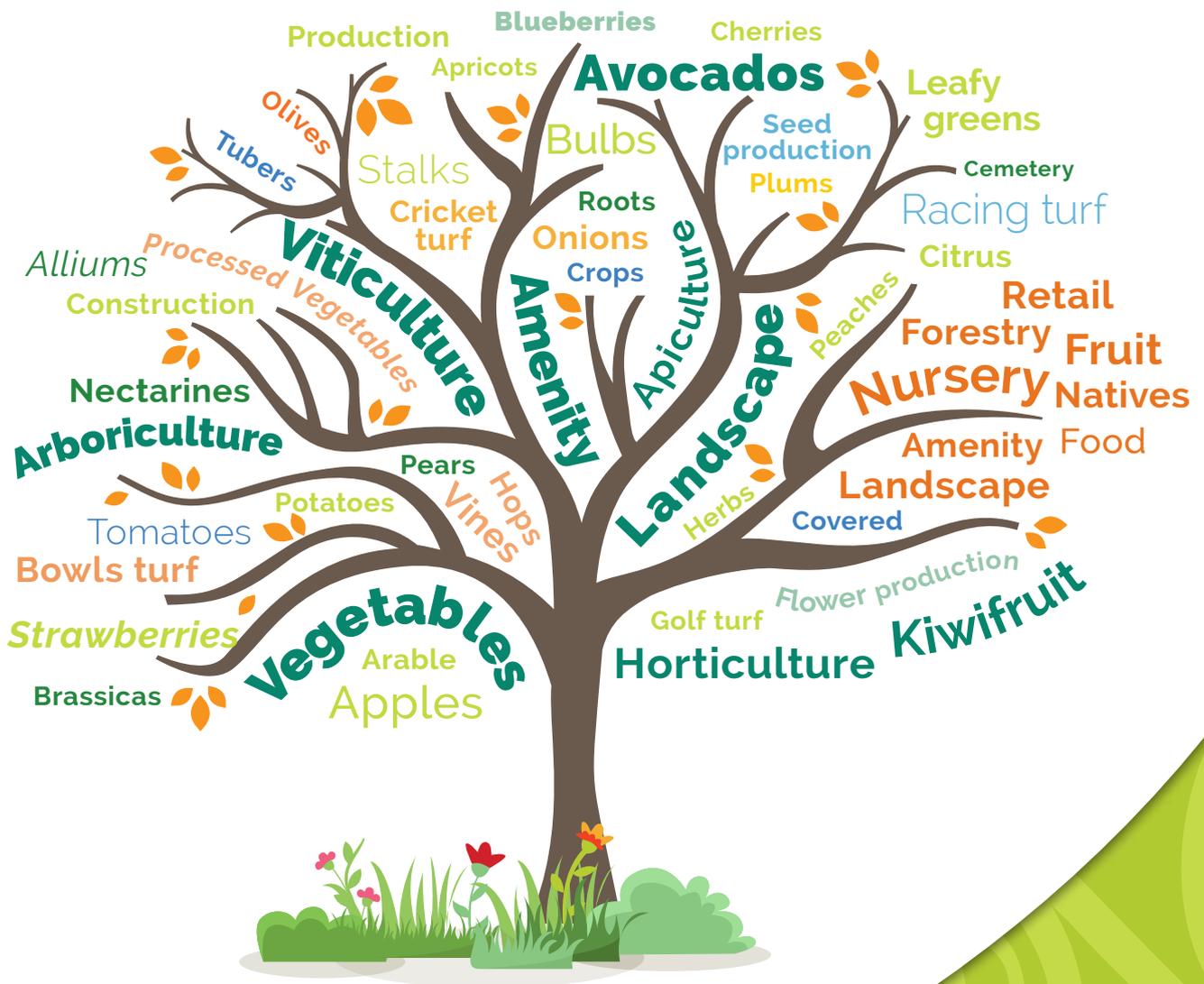
In response to requests from the horticulture industry, we have introduced more flexibility to training, with people able to sign up for individual unit standards on a user pays basis. As government funding is allocated only on the basis of a full programme of study, making these unit standards also available as user pays opens up additional training for people who already have a full qualification, or who may not need one.

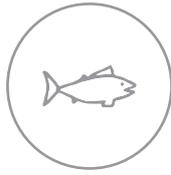
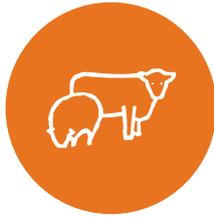
Arboriculture and Landscape Apprenticeship programmes

These two new programmes were launched in 2019, offering the most up-to-date industry standard operating procedures. The new resources are being well-received by learners and they were developed in partnership with industry.

Arboriculture now has around 30 percent of its entire workforce in industry training, demonstrating the value of bringing people up to speed with the latest in industry practices.







SECTOR REPORT: Meat and Fibre

Our Meat and Fibre group supports our meat production and processing sectors as well as wool harvesting. In 2019, our priority continued to be ensuring that our products, services and relationships deliver at every level.

Meat production

In 2019, we began offering workshops alongside industry events. Doing this means we can better match the seasonal requirements of farming, and make the best use of learners' time. Aligning with industry events can mean a good number of participants at workshops and a good geographical spread. Industry partners have offered strong support.

Distance learning

The sheep, beef and deer industries are distinctive in that they are very dispersed through the country, often with trainees in remote locations. Through the South Island and the lower North Island it is often not practical to have sufficient sector-specific class sizes. In 2019, we used Skype for the Level 5 Certificate in Primary Industry Production Management.

This meets a strong need for learners to interact with their peers despite working in remote locations. While it does not replace face to face meetings with tutors and advisors, it makes formal workplace learning more accessible.

Redevelopment of career pathway documents

This combines role descriptions that people can aspire to through their career, along with formal Primary ITO training, non-formal industry training with partners like Beef + Lamb and Deer Industry New Zealand, and professional development.

Agri-Women's Development Trust

Primary ITO had the opportunity to present at the Agri-Women's Development Trust's "Understanding Your Farming Business" workshops in 2019. AWDT training programmes aim to equip and support women in the primary sector and rural communities, and Primary ITO qualifications can build on this work.

Beef + Lamb New Zealand and Deer Industry New Zealand

The relationships with BLNZ and DINZ mean we collaborate to promote each other's training – non-formal and formal. This industry-wide approach means businesses and employees get the best information on the support and training available to develop their skills.

Apprentice scholarships

Late in 2019, Primary ITO launched a scholarship programme for agriculture and horticulture apprenticeships. This programme covers fees for the entire two-three year duration of the apprenticeship. Over 50 sheep and beef apprentices signed up in the two-month campaign. The scholarships acted both as a valuable offering for businesses and as a way to re-engage with employees and businesses who were not currently participating in formal training.

Ahuwhenua

Primary ITO again sponsored the prestigious Ahuwhenua Trophy's Young Māori Farmer Award, won by shepherd Kristy Roa (Ngāti Maniapoto, Ngāti Apakura) of Iwinui Station near Tolaga Bay. Maintaining a strong presence at events like the Ahuwhenua is one way we aim to deliver on our Māori Strategy.

Meat Processing

Meat processing was one of the strongest areas of training growth with Primary ITO in 2019. Five new meat and pet food companies began training with Primary ITO, and there was a significant increase in training with existing customers.

A focus for training was increasing the offering from Level 2 qualifications through to Levels 3 and 4, meaning companies can train their staff to a much higher level. Additionally, supplementary credit programmes (SCPs) and limited credit programmes (LCPs) are being tailored to provide specific skills training.

As an example, a Level 2 LCP in meat processing is a 20 to 24-credit programme, providing fundamental skills for entry-level employees and a pathway towards a full New Zealand Certificate.

Likewise, SCPs are useful for employees who already hold a New Zealand Certificate in meat processing but need to upskill in an area such as dispatch or livestock welfare.

There continues to be strong support for the New Zealand Apprenticeship programme as an industry standard for a career in meat processing.

Towards the end of 2019, a new Compliance Advisor joined the Primary ITO team for meat processing. This means better day-to-day support for plant managers.

Meat processing continued to have strong Educational Performance Indicators, demonstrating strong relationships between industry and Primary ITO. The credit achievement rate was around 80 percent and the rate of completing 10 credits in the first three months of learning was around 90 percent.



Primary ITO trainees from left: Sam Corbett, Jane Mulholland, Matt Baxter, Olivia Ashworth and Louis McDonald.

SECTOR CASE STUDY: Meat and Fibre

The kitchen table discussion that took place on Mike Salvesen's Mid Canterbury farm in December looked like one replicated by farmers and rural professionals everyday throughout the country.

Laptops and books were open, cups of tea and biscuits consumed and talk was focused on various aspects of farm management, particularly breeding and animal health and husbandry.

The five young people gathered at the table were Primary ITO trainees working with their Training Advisor, host farmer and industry expert in what is a new Primary ITO workshop initiative.

The trainees, all studying for their New Zealand Certificate in Agriculture (Livestock Husbandry Level 3 in Sheep and Beef), spent two hours indoors working on theory before heading out on a farm tour, seeing how the theory is put into practice – in this case, on Mike's sheep, beef and deer farm.

Mike had opened his home and farm to the students, two of whom were working for him, because he not only believes it is important for young people to have qualifications, but that programmes such as the one being run by Primary ITO, with funding help from Beef + Lamb New Zealand, were important for their professional development.

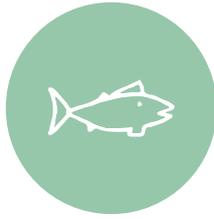
These on-farm workshops were the brainchild of Rachael Handy, Primary ITO Sector Manager Sheep, Beef and Deer, who saw the need to get Livestock Husbandry trainees out of the classroom and on to farms in an environment where they can learn from industry experts, the host farmer and each other.

The students gathered at Mike's kitchen table were Olivia Ashworth, Matt Baxter, Sam Corbett, Jane Mulholland and Louis McDonald.

They came from a range of farming and non-farming backgrounds and all of them saw their future being in the sheep and beef industry and all of them valued the informal, practically-focused learning environment offered by the Primary ITO Livestock Husbandry workshops.

While only in its pilot stages, so far the workshops have met with universal approval from students and farmers who see the value of combining theory and practice in smaller interactive group sessions on different farms.

*Story and image courtesy of
Beef + Lamb New Zealand*



SECTOR REPORT: **Seafood**

New seafood programmes to deliver New Zealand Certificate qualifications were successfully launched in the middle of 2019.

The previous National Certificates had served the sector for around 20 years and the new programmes reflected a significant investment from Primary ITO and the members of our Seafood Industry Partnership Group.

The new programmes have been well-supported by industry enrolments and the credit achievement rates are around 90 percent.

From the introductory Primary Skills Level 2 programme to Commercial Fishing or Seafood Processing at Levels 3 and 4, there is now a pathway of training to assist both people new to the sector and more experienced operators to gain skills and knowledge.

We expect the wider seafood industry will use these new programmes, given the huge effort the industry has put into development. With the successful registration of the new Seafood Trades Academy at Motueka High School and further development underway with schools, the new assessment material and resources may be used more widely to assist and support young people into a career in the New Zealand seafood sector.

By introducing school students to the seafood industry for a day a week, this helps build a pipeline of future employees.

The Ministry of Social Development and Primary ITO have worked together with Te Ahi Kaa in the Coromandel region to introduce people to the sector. In the programme, 15 students in the Coromandel region are learning the skills to enter the seafood industry through a Level 2 New Zealand Certificate in Primary Industry Skills.

Workforce Development Council (WDC)

As outlined earlier in this annual report, under the Government's Reform of Vocational Education, responsibility for standard setting and some other functions will move from Primary ITO to WDCs.

Primary ITO and the seafood industry advocated strongly to keep seafood processing alongside the fishing and marine farming sectors in a new primary industries WDC. With a number of seafood companies being vertically integrated with linked operations in both harvesting and processing, it was critical for one WDC to have responsibility for training across the sector.

The decision has now been made to align seafood processing, farming and fishing together under the new WDC.





Photo courtesy of Mt Cook Alpine Salmon.

SECTOR CASE STUDY: **Mt Cook Alpine Salmon**

The roots of Mt Cook Alpine Salmon were established over 20 years ago when a group of industry pioneers started to farm freshwater salmon in the glacier-fed canals at the base of Aoraki Mt Cook.

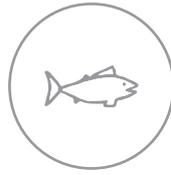
These existing canals were part of a network of waterways, which support New Zealand's largest renewable hydro scheme. King salmon thrive in the fast, clean glacial waters. Mt Cook Alpine Salmon has farms in the upper Waitaki canals, and produces premium high-quality salmon. The company employs nearly 200 staff and is proactive towards training.

Over the last three years, 75 staff from both the farming operation and processing site have enrolled in training programmes in processing and freshwater fish farming.

In 2019, 17 staff at Mt Cook Alpine Salmon's Timaru factory completed the Level 3 New Zealand Certificate in Seafood Processing for fish and fish products. They were the first trainees in New Zealand to use the new programme.

The training was done with an independent seafood assessor and the site's own workplace assessor, who is an expert in pin boning/filleting for king salmon.

Paula Campbell, the site's compliance co-ordinator, has been instrumental in the successful programme. "Training provides the staff with new skills and gives them the confidence that learning can happen anytime through their lifetime. It's very satisfying seeing staff achieve a qualification, as for some staff this could be their first formal NZQA recognised qualification."



SECTOR REPORT: **Primary Services**

Our Primary Services sector group supports a large number of businesses and sectors operating within the primary industries.

LIC

LIC is a dairy farmer co-operative and Primary ITO works with them for qualifications in artificial breeding. In 2019 the organisation moved to an in-house assessor model, which means their own assessors can assess both the on-job and off-job learning of their people. LIC and Primary ITO worked closely to ensure the quality of their assessment and as a result of the changes, LIC is seeing a significant improvement in the rates of progression through qualifications.

LIC's technicians are sought around the world for their skills, with the rigour of their qualifications a factor.

Enchem and Petrochem

During 2019, we carried out our biggest ever qualifications review, and reviewed over 200 unit standards. Industry participated strongly in the review, demonstrating a willingness to contribute to the type of training they want.

Partly as a result of engaging with the review, there was a large increase in the number of trainees in the sector, up from around 183 in 2018 to over 310 in 2019.

We have also developed two micro-credentials in response to industry demand, particularly in food processing, with

refrigeration supervision and supervising the operation of unattended small steam or hot water boilers. A third micro-credential is planned for 2020.

Corrections

Primary ITO and Corrections have held pilot programmes at Waikeria Prison's dairy farm near Te Awamutu. By working and training on the Corrections farms, people develop skills and Primary ITO, Corrections, Dairy NZ and others work closely to find work opportunities ahead of release. Primary ITO's partnership with Federated Farmers also means that the farm's inmates can work with good employers, committed to industry leading standards.

Animal care

At the end of 2019, the Tertiary Education Commission approved funding for a micro-credential as a marine mammal medic. Working in partnership with Project Jonah, this will add official recognition to the training they provide for volunteers who wish to go on a national register to help with whale and dolphin strandings.

Following on from a successful 2018 working with the SPCA, in 2019 we developed new micro-credentials – Care for Dogs in an Animal Facility, and Care for Companion Cats in an Animal Facility. These micro-credentials meet the need for specific training for one type of animal, where other qualifications would require learners to be working with multiple types.



Industry Statistics

INDUSTRY PARTNERSHIP GROUP	People Training With Us	Credits Achieved	Programmes Completed
Amenity Horticulture Services	1637	36,269	432
Dairy Farming	6166	151,556	2279
Dairy Processing	972	19,971	292
Equine & Racing	262	9904	101
Kiwifruit & Avocado	324	3926	47
Meat Processing	6721	131,501	4933
Other Industries (No IPG)	1835	45,663	798
Nursery Production	217	3841	69
Pipfruit	420	11,020	188
Seafood	840	17,767	641
Sheep, Beef & Deer Farming	695	13,559	151
Sports Turf	292	9792	71
Unallocated	121	1392	63
Vegetables & Other Fruit Production	238	4168	58
Viticulture	565	5613	146
Grand Total	21,305	465,942	10,269



Auditor's Report



Independent auditor's report

To the Directors of Primary Industry Training Organisation Incorporated

We have audited the financial statements which comprise:

- the statement of financial position as at 31 December 2019;
- 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.

Our opinion

In our opinion, the accompanying financial statements of Primary Industry Organisation Incorporated (the Organisation), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

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.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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.

Material uncertainty related to going concern

We draw attention to the Basis of Preparation in the notes to the financial statements, where the Directors have outlined the impact on the Organisation of the passing of the Education (Vocational Education and Training Reform) Amendment Bill, the actions they are intending to take as a result, and the assumptions underpinning the adoption of the going concern basis of preparation. There are material uncertainties arising regarding the outcome of these events that may cast significant doubt on the ability of the Organisation to continue as a going concern. Our opinion is not modified in respect of this matter.

*PricewaterhouseCoopers, 10 Waterloo Quay, PO Box 243, Wellington, New Zealand
T: +64 4 462 7000, F: +64 4 462 7001, pwc.co.nz*



Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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 auditor's 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.

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/standards-for-assurance-practitioners/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 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.

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

For and on behalf of:

A handwritten signature in black ink that reads "Christopher Ussher".

Chartered Accountants
13 May 2020

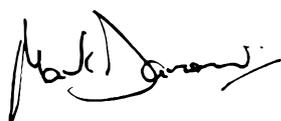
Wellington

Statement of Responsibility

We are responsible for the preparation of the financial statements of Primary Industry Training Organisation Incorporated ('Primary ITO') and its subsidiary Te Puna Auaha formerly known as Agriculture Services 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 2019.



Mark Darrow
Board Chair

13 May 2020



Nigel Philpott
Chief Executive

13 May 2020

Statement of Comprehensive Revenue and Expenses

For the Year ended 31 December 2019

	NOTE	PRIMARY ITO GROUP	
		2019 \$000	2018 (RESTATED) \$000
Revenue			
Revenue from non-exchange transactions			
Government funding	2	24,623	25,270
Training fees	2	3,833	3,110
Industry grants	2	1,311	1,229
Revenue from exchange transactions			
Industry grants		32	167
Other income	3	939	3,145
Interest		218	330
Total revenue		30,956	33,251
Cost of Services			
People costs	4	17,036	17,104
Training costs	5	8,319	10,090
Operating costs	6	6,489	7,752
Depreciation and amortisation	11, 12	1,226	610
Total cost of services		33,070	35,556
(Deficit)/Surplus		(2,114)	(2,305)
Other Comprehensive Revenue and Expenses			
Other comprehensive revenue and expenses		-	-
Total comprehensive (Deficit)/Surplus		(2,114)	(2,305)

Statement of Changes in Net Assets

For the Year ended 31 December 2019

	NOTE	PRIMARY ITO GROUP	
		2019 \$000	2018 (RESTATED) \$000
Balance at 1 January		8,589	10,894
Comprehensive Revenue and Expenses			
(Deficit)/Surplus		(2,114)	(2,305)
Other comprehensive revenue and expenses		-	-
Balance at 31 December		6,475	8,589

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2019

		PRIMARY ITO GROUP	
	NOTE	2019 \$000	2018 (RESTATED) \$000
Assets			
Current assets			
Cash and cash equivalents		1,109	2,746
Term deposits	7	6,000	6,000
Receivables from exchange transactions	9	606	1,168
Receivables from non-exchange transactions	10	977	1,059
Inventory		158	171
Total current assets		8,850	11,144
Non-current assets			
Property, plant and equipment	11	238	414
Intangible assets	12	1,809	2,003
Total non-current assets		2,047	2,417
Total assets		10,897	13,561
Liabilities			
Current liabilities			
Payables	13	3,254	3,720
Employee entitlements	14	651	693
Income in advance	13	517	559
Total current liabilities		4,422	4,972
Net assets		6,475	8,589
Net assets			
Retained earnings		6,475	8,589
Total net assets		6,475	8,589

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year ended 31 December 2019

	NOTE	PRIMARY ITO GROUP 2019 \$000	2018 \$000
Cash Flows from Operating Activities			
Cash was provided from:			
Government funding		24,698	24,718
Training fees and other receipts		4,685	6,838
Industry grants		1,771	1,216
Interest received		218	330
Cash was applied to:			
Payments to suppliers and employees		(32,168)	(34,217)
Net cash (used in)/provided by operating activities	18	(796)	(1,115)
Cash Flows from Investing Activities			
Cash was provided from:			
Term deposits maturing		6,000	9,889
Cash was applied to:			
Purchase of property, plant and equipment		(38)	(237)
Purchase of intangibles	12	(803)	(1,079)
Investment in term deposits		(6,000)	(6,000)
Net cash provided by/(used in) investing activities		(841)	2,573
Net increase (decrease) in cash and cash equivalents		(1,637)	1,458
Cash and cash equivalents at the beginning of the year		2,746	1,288
Cash and cash equivalents at the end of the year		1,109	2,746

The accompanying notes form part of these financial statements.

Statement of Accounting Policies

For the Year ended 31 December 2019

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 and Te Puna Auaha Limited formerly known as Agriculture Services Limited (ASL) a wholly owned subsidiary of Primary ITO.

Primary ITO is an Incorporated Society domiciled in New Zealand. The address of its registered office is 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 2019 and were authorised for issue by the Board on 13 May 2020.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

On 1 August 2019, the Government confirmed its proposals to reform vocational education in New Zealand which will significantly impact the industry training sector. Further detail of the reforms can be found at: <https://www.tec.govt.nz/rove/reform-of-vocational-education/>.

The Education (Vocational Education and Training Reform) Amendment Bill came into force on 1 April 2020. The Bill specifies that ITO's will be recognised as transitional ITO's from 1 April 2020 and that as soon as practicable after 1 April 2020, it must develop a transition plan for:

- i) the transfer of responsibilities for developing, setting and maintaining skill standards to a Workforce Development Council; 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.

Consequently, there are material uncertainties arising from the outcome of this legislation that may cast significant doubt on the ability of Primary ITO to continue as a going concern. These include:

- (i) The timing of approval of the transition plan and the transfer of responsibilities to one or more specified providers;
- (ii) What value, if any, Primary ITO will receive for all or parts of its assets or liabilities upon transfer of its responsibilities; and
- (iii) Whether Primary ITO can identify and execute on opportunities to redefine its business model to continue commercial business operations after transfer of its responsibilities.

The accompanying notes form part of these financial statements.

Statement of Accounting Policies

For the Year ended 31 December 2019

These financial statements have been prepared on a going concern basis due to the expectation by the Directors of Primary ITO that the transition of responsibilities to one or more specified providers will be commercially negotiated to ensure that any assets or liabilities transferred will be at fair value. The Directors have also commenced identifying opportunities for Primary ITO to continue commercial business operations after the transfer of its responsibilities. Consequently, the Board of Primary ITO believes it has the ability, including from existing cash and term deposits, to meet all its expected obligations following the transfer of its responsibilities to one or more specified providers.

However, there exists a material uncertainty that Primary ITO may be required to transfer some or all its assets, including existing cash and term deposits, to one or more specified providers at significantly less than the values recorded on the balance sheet at 31 December 2019. In this scenario, and in the absence of successful continuing commercial business operations generating other cash inflows, then this may result in the inability of Primary ITO to realise its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if Primary ITO was unable to continue as a going concern.

Statement of Accounting Policies

For the Year ended 31 December 2019

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 2021. 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. 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 2019

Prior Period Adjustment

In 2016 Primary ITO adopted PBE IPSAS 23 to record non-exchange revenue recognition accounting treatment of government revenue, trainee fees and industry grants revenue. Primary ITO began recognising the total future inflow of revenue expected in relation to a trainee for the duration of their training programme, at the time of signing the training agreement and once the contracted withdrawal period (two months) had passed. This treatment resulted in Primary ITO recognising a receivable from the TEC for future cash inflows expected from the TEC over the period of time trainees take to complete their entire qualification. In the case of Primary ITO, this time period could be four to five years. The debtor recognised for amounts expected from TEC, by Primary ITO was \$6.9M at 31 December 2018.

Primary ITO adopted this treatment because it was considered probable that future economic benefits or service potential associated with the training agreement and funding expected from the TEC would flow to Primary ITO (an asset/debtor with TEC) for which the fair value can be measured reliably. Primary ITO used forecasted trainee withdrawal rate and training duration to measure the fair value of the asset.

The recognition of a receivable for amounts expected from the TEC over the entire term of a trainee's training programme of up to four to five years, beyond TEC's commitment to fund Primary ITO for training delivered, is an error. This is because, although Primary ITO does expect to receive economic benefits from the TEC, Primary ITO does not have the ability to control future funding from the TEC for training not yet delivered. Therefore, the definition of an asset is not satisfied for the funding expected from the TEC for training not yet delivered.

The correction of this error results in Primary ITO recognising non-exchange revenue in the financial statements in respect of funding confirmed by TEC as training occurs, and no receivable from the TEC is recognised for anticipated future cash flows from the TEC for training yet to be provided. Therefore, the receivable (if any) amounts only to the difference between funding confirmed for which training has been provided but for which payment has not yet been received from the TEC.

Adjustments to the Statement of Financial Position

	31/12/2018 \$000	INCREASE / (DECREASE) \$000	31/12/18 (RESTATED) \$000	31/12/2017 \$000	INCREASE / (DECREASE) \$000	01/01/2018 (RESTATED) \$000
Receivables from non exchange transactions	7,923	(6,864)	1,059	6,181	(5,411)	770
Net assets	7,923	(6,864)	1,059	6,181	(5,411)	770
Retained earnings	15,453	(6,864)	8,589	16,305	(5,411)	10,894

Adjustments to the Statement of Comprehensive Revenue and Expense

	31/12/2018 \$000	INCREASE / (DECREASE) \$000	31/12/18 (RESTATED) \$000
Government funding	26,723	(1,453)	25,270
Surplus / (deficit)	(852)	(1,453)	(2,305)
Total comprehensive revenue and expenses	(852)	(1,453)	(2,305)

Statement of Accounting Policies

For the Year ended 31 December 2019

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. TEC funding is recognised as training occurs (consumption 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.

Statement of Accounting Policies

For the Year ended 31 December 2019

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.

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	3 to 7 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 2019

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.

Statement of Accounting Policies

For the Year ended 31 December 2019

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.

Notes to the Financial Statements

For the Year ended 31 December 2019

	PRIMARY ITO GROUP	
	2019 \$000	2018 (RESTATED) \$000
2 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Government funding		
Tertiary Education Commission:		
• Industry training funding	12,244	14,381
• Apprenticeship funding	7,857	7,580
Other government revenue	4,522	3,309
	24,623	25,270
Training fees		
Fees	3,833	3,110
	3,833	3,110
Industry grants		
Dairy	1,144	1,058
Beef and lamb	146	150
Pork	14	14
Poultry	7	7
	1,311	1,229
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Other Income		
Consultancy services	-	1,630
Other cost recoveries	-	697
New Zealand Qualifications Authority moderation	310	354
Print room services	141	122
Other	488	342
	939	3,145

Notes to the Financial Statements

For the Year ended 31 December 2019

	PRIMARY ITO GROUP	
	2019 \$000	2018 \$000
4 PEOPLE COSTS		
Employee remuneration and benefits	15,222	14,603
Defined contribution superannuation	414	373
Contractors	1,043	1,730
Training & development	139	138
Other staff costs	218	260
	17,036	17,104
5 TRAINING COSTS		
Off-job training	6,408	8,501
NZQA fees	973	858
Other training costs	938	731
	8,319	10,090
6 OPERATING COSTS		
Travel	1,848	2,225
Administration	933	1,266
Property leases	986	1,133
Consultancy and professional fees	261	998
Promotion & business development	749	856
Communication	542	537
Boards & committees	533	358
Bad and doubtful debts	314	(40)
Occupancy	207	245
Audit fee	59	47
Legal Fees	38	71
Financial charges	35	58
(Gain)/Loss on sales of fixed assets and intangibles	(16)	(2)
	6,489	7,752

Notes to the Financial Statements

For the Year ended 31 December 2019

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 & Pools.

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	
	2019 \$000	2018 \$000
Term deposits	6,000	6,000

The interest rate range for these deposits is 2.75% to 3.30% (2018: 3.45% to 3.60%) with \$3,000,000 maturing in Jan 2020, \$1,000,000 maturing in February 2020, and \$2,000,000 maturing in August 2020.

	PRIMARY ITO GROUP	
	2019 \$000	2018 (RESTATED) \$000
Financial Instrument Categories		
Financial Assets		
Loans and receivables:		
• Cash and cash equivalents	1,109	2,746
• Term deposits	6,000	6,000
• Receivables	1,583	2,227
	8,692	10,973
Financial Liabilities		
At amortised cost:		
• Payables	3,254	3,720
• Employee entitlements	651	693
	3,905	4,413

Notes to the Financial Statements

For the Year ended 31 December 2019

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 a going concern.

	PRIMARY ITO GROUP	
	2019 \$000	2018 \$000
9 EXCHANGE RECEIVABLES		
Trade receivables	514	891
Interest receivable	68	66
GST	24	211
	606	1,168

	PRIMARY ITO GROUP	
	2019 \$000	2018 (RESTATED) \$000
10 NON-EXCHANGE RECEIVABLES		
TEC receivable	120	76
Industry non exchange receivable	331	428
Training fees receivable	777	679
Less Provision for doubtful debts	(251)	(123)
	977	1,060

At 31 December 2019 total trade receivables (exchange and non exchange) of \$564,783 (2018: \$231,953) were past due (31+ days) but not impaired. These related to a number of independent customers who were not in any significant financial difficulty and, based on past experience, the overdue amounts can be recovered.

	PRIMARY ITO GROUP	
	2019 \$000	2018 (RESTATED) \$000
The ageing profile of the total trade receivables (exchange and non exchange) as at 31 December.		
Current	1,017	1,996
Receivables 1 - 30 days overdue	166	81
Receivables 31 - 59 days overdue	144	107
Receivables 60+ days overdue	507	167
Total receivables	1,834	2,351
Less Provision for doubtful debts	(251)	(123)
Total Exchange and Non Exchange Receivables	1,583	2,228

Notes to the Financial Statements

For the Year ended 31 December 2019

11 PROPERTY, PLANT AND EQUIPMENT

	COMPUTER EQUIPMENT \$000	FURNITURE AND FITTINGS, OFFICE EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	TOTAL FIXED ASSETS \$000
For the Year ended 31 December 2019				
Gross Carrying Amount				
Cost	1,376	823	647	2,846
Additions	54	-	-	54
Disposals/transfers	(112)	-	-	(112)
Balance at 31 December 2019	1,318	823	647	2,788
Accumulated Depreciation				
Balance at 1 January 2019	1,017	796	619	2,432
Depreciation charge	203	18	8	228
Disposals/transfers	(111)	-	-	(111)
Balance at 31 December 2019	1,109	814	627	2,550
Net Book Value at 31 December 2019	209	9	20	238
For the Year ended 31 December 2018				
Gross Carrying Amount				
Cost	1,342	828	640	2,810
Additions	233	-	7	240
Disposals/transfers	(199)	(5)	-	(204)
Balance at 31 December 2018	1,376	823	647	2,846
Accumulated Depreciation				
Balance at 1 January 2018	987	780	612	2,379
Depreciation charge	229	20	7	256
Disposals/transfers	(199)	(4)	-	(203)
Balance at 31 December 2018	1,017	796	619	2,432
Net Book Value at 31 December 2018	359	27	28	414

Notes to the Financial Statements

For the Year ended 31 December 2019

12 INTANGIBLE ASSETS

	SOFTWARE \$000	TRAINING PRODUCTS \$000	WORK IN PROGRESS \$000	TOTAL INTANGIBLE ASSETS \$000
For the Year ended 31 December 2019				
Gross Carrying Amount				
Cost	2,029	1,180	757	3,966
Additions				
• Internally generated	-	243	484	727
• Purchased	33	-	126	159
• Returned to OPEX	-	-	(12)	(12)
Disposals/transfers	-	614	(685)	(71)
Balance at 31 December 2019	2,062	2,037	670	4,769
Accumulated Amortisation				
Balance at 1 January 2019	1,374	589	-	1,963
Depreciation charge	455	542	-	997
Disposals/transfers	-	-	-	-
Balance at 31 December 2019	1,829	1,131	-	2,960
Net Book Value at 31 December 2019	233	906	670	1,809

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 2018

Gross Carrying Amount				
Cost	1,539	645	804	2,988
Additions				
• Internally generated	-	375	327	702
• Purchased	175	-	-	175
Disposals/transfers	315	160	(374)	101
Balance at 31 December 2018	2,029	1,180	757	3,966
Accumulated Amortisation				
Balance at 1 January 2018	1,230	481	-	1,711
Amortisation charge	215	139	-	354
Disposals/transfers	(71)	(31)	-	(102)
Balance at 31 December 2018	1,374	589	-	1,963
Net Book Value at 31 December 2018	655	591	757	2,003

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 2019

	PRIMARY ITO GROUP	
	2019 \$000	2018 \$000
13 PAYABLES		
Trade payables	1,346	1,888
Accrued expenses and other payables	1,908	1,832
	3,254	3,720

Income in Advance consists of revenue washup owing to TEC, and trainee fees held 50% November and 100% December as per Primary ITO refund policy.

14 EMPLOYEE ENTITLEMENTS

Accrued employee payments	-	5
Annual and discretionary leave	651	688
	651	693

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

	PRIMARY ITO GROUP	
	2019 \$000	2018 \$000
15 COMMITMENTS		
Operating Lease Commitments		
Payable within:		
One year or less	1,887	1,969
Between one to two years	602	1,442
Between two to five years	-	345
Over five years	-	-
	2,488	3,756

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 2019 (2018: nil).

Notes to the Financial Statements

For the Year ended 31 December 2019

16 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2019 (2018: 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 Senior Leadership Team and the Board of Directors. Total termination benefits for all staff were \$112,000 (2018: \$234,000), of which \$nil (2018: \$45,000) were paid to key management personnel during the financial year.

	2019		PRIMARY ITO GROUP		2018	
	FTE	\$000	FTE	\$000		
Board members' remuneration	8	223	8	200		
Salaries and other short-term employee benefits	6	1,414	8	1,545		
	14	1,637	16	1,745		

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

	PRIMARY ITO GROUP	
	2019 \$000	2018 (RESTATED) \$000
Total comprehensive (deficit)/surplus for the year	(2,114)	(2,305)
Adjustments:		
Depreciation/amortisation and gain on sale	1,210	607
(Increase)/decrease in trade and other receivables and prepayments	644	120
(Increase)/decrease in inventory	13	(4)
Increase/(decrease) in accounts payable and accruals	(465)	929
Increase/(decrease) in employee entitlements	(42)	14
(Decrease)/increase in income in advance	(42)	(476)
Net cash (used in)/provided by operating activities	(796)	(1,115)

19 SUBSEQUENT EVENTS

The coronavirus outbreak (COVID-19) was declared a public health emergency and later declared a pandemic by the World Health Organisation on 30 January 2020 and 11 March 2020 respectively. The pandemic represents a non-adjusting post balance date event. As such no changes have been made to these financial statements. The government will continue to pay all tertiary institutions including Primary ITO, the agreed funding plan for 2020 with no requirement to meet educational performance measures (EPI's). Primary ITO has forecasted a decrease in trainee fees for 2020, offset by a decrease in training and operational costs, as a result of the lockdown and economic impact. There is uncertainty around the economic impact of COVID-19 on Primary ITO for 2021 and beyond. Primary ITO will continue to monitor the situation closely.



Young horticulturists

(1)



Claire Faane and Matt

(2)



Whanganui community hui

(3)

2019
IN PICTURES



Hout @ Mokai

(4)



Rachael

(5)



At the river

(6)



HQ Māori network

(7)



Anna

(8)



Tony and Kristen

(9.)



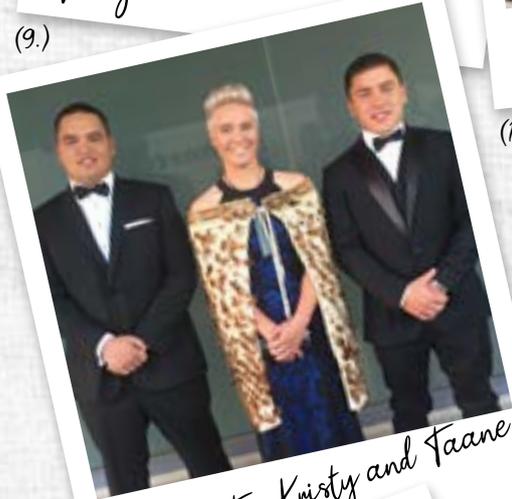
Parawera Marae

(10.)



Seeka!

(11.)



Tu Kristy and Taane

(12.)



Lilly and Andrea

(13.)



Schools in

(14.)



Mokai Marae Sheep & Beef

(15.)



Inspecting the competition

(16.)



George and Adam

(17.)

Left page 1. Five of the six finalists for the 2019 Young Horticulturist of the Year: Simon Gourley - Young Viticulturist, Jessie Wakeling - Floristry Finalist, George Trower - Young Landscaper, Rico Mannall - Young Achiever, Anika Jackson - Young Amenity. 2. Caberfeidh Station shepherd Taane Hubbard, finalist in the 2019 Young Māori Farmer Award at the Ahuwhenua Trophy, with Caberfeidh's Matt and Claire Smith. 3. Primary ITO staff at a Whanganui community hui. 4. Horticulture team enjoying Mokai marae manaakitanga. 5. Primary ITO's Rachael Handy. 6. Tū Te Ngana Hau (the breath of endeavour) community project on the Whanganui awa. 7. Te Rautaki Whakarōpū Māori network for Industry Training Organisations. 8. Primary ITO's Anna Yarnley and some of her favourite cows.

Right page 9. Coleridge Downs General Manager Tony Plunkett and Training Manager Kristen Hubbard. 10. Primary ITO North Island Dairy Team noho at Parawera Marae. 11. Seeka NZ team members. 12. Kristy Roa (centre), winner of the 2019 Ahuwhenua Young Māori Farmer Award with fellow finalists Tumoanakotore-i-Whakairioratia Harrison-Boyd and Taane-nui-a-Rangi Hubbard. 13. Schools Pathway Manager Andrea Adams with Lilly Deihl at the CATE Conference in Napier. Lilly was awarded a Farm Cadetship at Waipaoa Farm in Gisborne. 14. The Primary ITO Schools team. 15. Sheep and Beef team noho at Mokai marae. 16. Primary ITO's Daniel Chong and Mark Orr at the Young Landscaper Of The Year Competition. 17. George Trower, Career Development Award winner at the Young Horticulturist Competition, with Adam Fleck.

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.



CREDITS/THANKS

Thank you to everybody who let Primary ITO into their workplaces to take photographs, or provided photographs for this report: Shandon Golf Club, Louise and Tony Spence, Ohau Wines, Wellington's Basin Reserve and Sky Stadium, Tatua, Villa Maria, the Dairy Goat Co-operative, Synlait, Beef + Lamb New Zealand, Mt Cook Alpine Salmon, Seafood New Zealand, Todd Energy, Ratanui Farm, and many others.

Front page image: Primary ITO Training Advisor Jonathan Gradwell with Shandon Golf Club's Thomas Aldridge

