

ANNUAL REPORT 2017

Growing  
People,  
Growing  
New Zealand



# Growing People, Growing New Zealand

The Primary Industry Training Organisation (Primary ITO) supports the growth of people working in more than 30 industries that are the foundation of New Zealand's economy.

Our focus is on raising the knowledge and skill levels needed for these industries to grow and become more sustainable, and on enabling more people to pursue productive and rewarding careers.

Primary ITO operates under the Industry Training Act 1992 to set national standards and arrange workplace training. We develop and maintain standards for the achievement of more than 290 qualifications, and we arrange training to those standards through over 160 training providers nationwide. We monitor the quality of training and the assessment of trainees.

Primary ITO works closely with the Tertiary Education Commission (TEC), the New Zealand Qualifications Authority (NZQA) and with our industries - the employers and industry groups whose vision for growth and sustainability we share. Our commitment is to deliver the training and qualifications that they need for success over the long-term.

Primary ITO is on the ground, working with individuals, businesses, communities and other industry organisations. We are on farms and orchards, on fishing vessels and sports fields, in processing plants and on high-technology production sites. We are supporting our trainees and their employers, listening to peoples' needs and sharing knowledge, building confidence and human capability.

We are supporting the growth of New Zealand.

## Highlights - in 2017 we:

- Worked with **28,205** trainees and **6,454** employers.
- **Increased** the number of people undertaking a New Zealand Apprenticeship by **8%** on 2016.
- Achieved an operating cash surplus of just under \$1 million - a **\$4.5 million turnaround** in one year.
- **Reduced our cost** to serve each trainee.
- Tightly managed our operating expenditure, coming in at **5%** lower than in 2016.
- Introduced our sector focus - including our **new National Group Managers** and their teams.
- Joined with DairyNZ and the Horticulture Capability Group to develop the **first micro-credentials** in our industries, and launched the **EduBits micro-credentials pilot** with Otago Polytechnic.
- Undertook many new initiatives to encourage young people into our industries - including taking part in the **Got A Trade? Got it Made!** campaign for the first time.
- Commenced the first five-year **review cycle** of all standards and qualifications, as required by the New Zealand Qualifications Authority (NZQA).
- Were selected by Ako Aotearoa to progress a **pilot solution** for community-led and driven education delivery within remote **Māori communities**.
- Began work on our **new Primary ITO website** and centralised database.
- Continued to work closely with the Ministry of Foreign Affairs and Trade (MFAT) on the New Zealand Aid Programme through our subsidiary Agriculture Services Limited (ASL) - including **starting the Lao Quality Beef Initiative**.

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Front cover image: Mathew O'Connor, Apprentice Arborist from Bark Ltd (Wellington)





# Chairman's Report

## Primary ITO has made positive progress in 2017.

The Board and Management Team entered 2017 intent on re-shaping our connection with customers – those industries and individual businesses served by this organisation through all its standards setting and training oversight. We were determined, also, to reduce the organisation's operating cost base to have a sustainable business, and to strengthen its focus on quality assurance in every area. We recognised new demands arising from fundamental changes in both primary industries and New Zealand's tertiary education sector.

I am delighted to say that Primary ITO has risen to the challenges and 2017 saw huge progress for closer connection with our customers, for sustainable cost reduction, and for new standards and systems that improve quality. All of this came, of course, hard on the heels of the integration work necessary after the merger of three previous organisations into Primary ITO as it now stands.

We established four sector groups in 2017 - Dairy, Meat & Fibre, Horticulture, and Seafood & Primary Services, all of which are led by National Group Managers. These recent appointments created a new layer of strategic leadership and expertise within the organisation, which has led to a significant lift in engagement and confidence by industry. The specialisation approach has been met positively by the industries they serve.

We have moved to a lower cost base in all areas of operation and for the 12 months ended 31 December 2017, Primary ITO achieved a 5.7% reduction in total cost of services. The stronger quality focus will become increasingly evident in how our people work and in the new information systems the organisation will be rolling out to employers, trainees and various partners.

Looking back at 2017, progress is also clear in our financial results. Primary ITO had positive operating net cash flow from operating activities of \$978,000 – a pleasing reversal from the previous year's negative figure of \$3.5 million. This was due largely to our managed reduction in spending throughout the year. The period ended with a surplus of \$1.12 million reflecting a 6.7% decline in our total revenue.

As expected, Primary ITO received a lower level of Government funding in 2017 (\$29.2 million), and this was due entirely to a marginal (172 trainees) decline in trainee and apprentice numbers. The decline reflected Primary ITO's move for adoption of a stronger focus on quality in training programmes with the inevitable loss of some trainees. The Board and management recognise that increasing numbers at the expense of other considerations was not the best way forward for this organisation or our customers.

Relationships are extremely important to this organisation – those with industries, businesses and iwi, and also with the Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA), as well as our own Stakeholder Council and Industry Partnership Groups.

In 2017, the ITO was represented on a number of think tanks and workshops sponsored by the TEC to develop their focus on the primary industries. We were awarded \$0.8 million in TEC contestable funding to develop micro-credentials and recognition of prior learning (RPL) in the horticulture and dairy industries. We were successful in our application to Ako Aotearoa regarding community-led delivery within remote Māori communities. Our CEO was invited to join a working group assisting NZQA to review the entirety of the National Qualifications Framework.

At Primary ITO, we are passionate about the future of the industries we serve, and about the individuals and businesses whose career paths and growth we help to advance. The primary industries remain the powerhouse of the New Zealand economy and we recognise our important part in leading skills development.

I would like to thank my fellow Board members for their diligence, hard work and support, and in particular recognise Barry Harris whose term with us ends in May 2018. Also a massive thank you to the management team and staff who have worked through the changes to transform Primary ITO into a modern and successful organisation.

Mark Darrow  
CHAIR, PRIMARY ITO



Training Adviser Eliza Whalley and Grace Ng





## Chief Executive's Strategic Outlook

**2017 was a year of change for Primary ITO, with an increased industry focus and enhanced emphasis on quality assurance. In addition, there were some important new initiatives that will grow the accessibility and value of training and education for thousands of employees and employers.**

Most significantly, we regrouped our customer facing management by the industry sectors. Four National Group Managers (NGMs) with deep industry experience and relationship networks were appointed. By year-end each had a dedicated team of industry specialists supporting them to be trusted partners to industry.

A major part of the NGMs role is to support and service their respective Industry Partnership Groups (IPGs). The IPGs, and the Stakeholder Council which they are represented on, are made up of industry leaders whose priorities and strategies for their industries direct our work.

While growing Primary ITOs industry credibility is paramount, the value to all our industries of the one team that Primary ITO represents is in mutual learnings and access to the widest relevant pool of potential recruits to the constituent industries.

All primary industries have common challenges to recruit enough smart and career focused employees, whether school or tertiary graduates or career changers; to innovate and automate fast enough to grow our international brands competitiveness. Primary ITO enhanced our secondary school reach in 2017. Not only did we achieve our largest number of Trades Academy students ever, with a waiting list dictated by availability of government funding, we began to work closely with New

Zealand Young Farmers and Taratahi to formalise a school's strategy. This was designed to see us reach all secondary schools and some primary and intermediate, with career pathways and curriculum innovations.

The need to attract higher numbers of apprentices is another common challenge for primary industries employers. We welcomed industry partners such as the Viticulture IPG and The Federated Farmers Dairy Division, who in 2017 formally endorsed the need for more apprentices. We acknowledge the support of MBIE for the Dairy Apprenticeships initiative.

Primary ITO received \$0.8 million in special funding from the TEC to assist with the design and trialling of micro-credentials and innovative, accessible recognition of current competence (RCC) and prior learning (RPL), working with teams from both the Dairy and Horticulture industries. We started to trial these bite-sized pieces of learning, aiming to launch a full suite as soon as NZQA and TEC have the machinery to formally accredit and fund them - expected in 2018.

The potential to provide career opportunities for our iwi members in the primary industries will be widened thanks to the important relationship building by Primary ITO with iwi organisations who own and manage a large portion of our primary resource.

We also commenced the development of a national strategy for Pasifika peoples in New Zealand, who currently make up higher percentages than their population in our meat and seafood processing industries. We believe there is great potential for both Māori and Pasifika to play a large part and leadership role in the primary sector.

Much of our team focus in 2017 was on streamlining and quality assuring the work of the organisation to make it match-fit for the purpose we have by statute. As a result of this, \$1.12 million of organisational efficiencies were locked in, enabling Primary ITO to report a profitable outturn at year end.

Primary ITO is fortunate to have experienced, dedicated and knowledgeable staff, the majority with years of experience in our sector. I would like to offer my thanks and recognition to the whole team for their hard work and dedication in 2017.

The workplace training of employers and employees in the Primary Industries is of major importance to the New Zealand economy. A skilled and innovative industry that can meet the challenges of a fast-changing world is an urgent imperative.

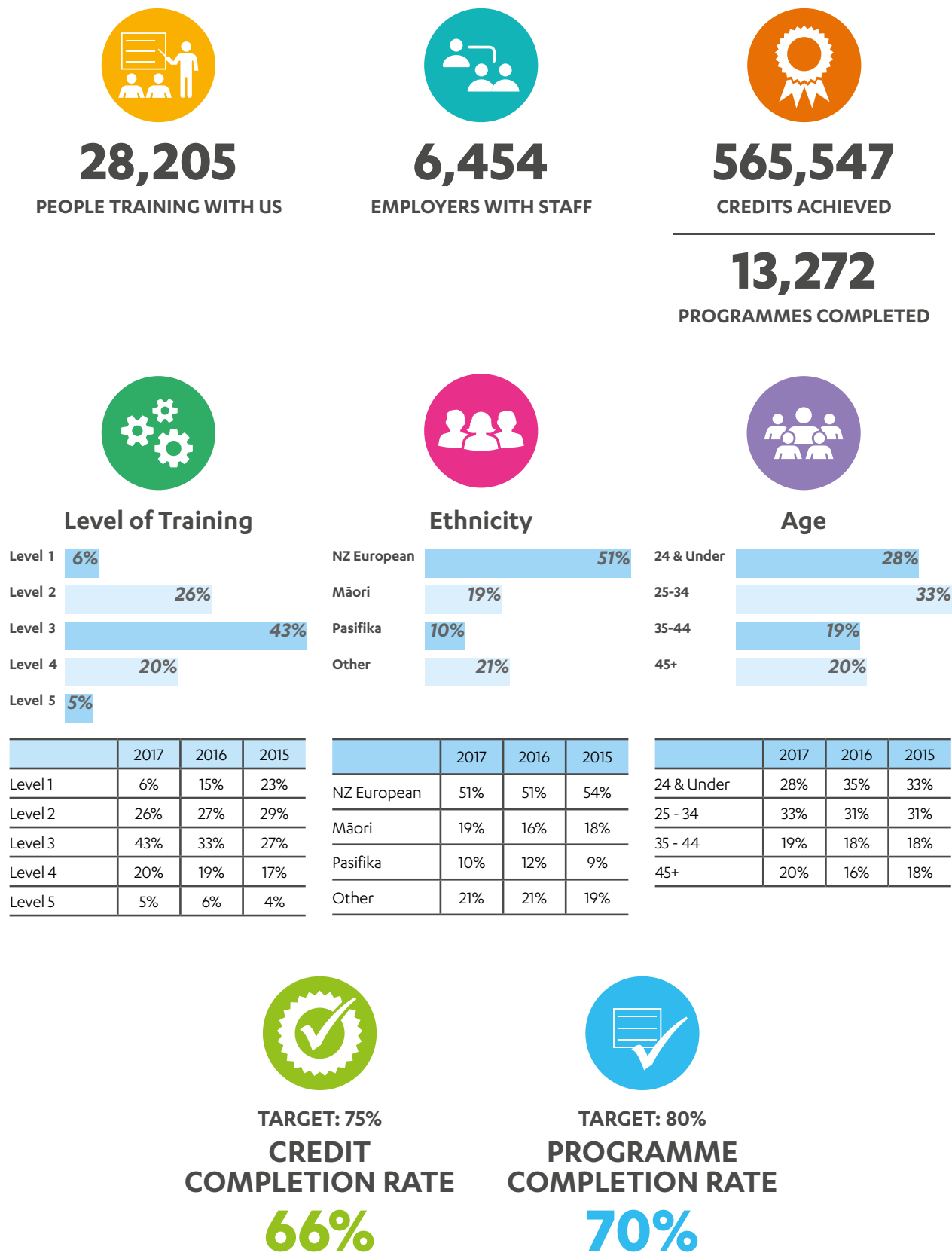
We believe that changes to government policy and funding settings are needed in order to deliver the best results. Primary ITO will make representations to government agencies to ensure our industries are not disadvantaged by a system that had its historical roots in and has worked best for large urban based industries.

Today, Primary ITO is well positioned for the future, having confirmed four strategic goals and restructured our organisation to deliver on these.

Dr Linda Sissons  
CHIEF EXECUTIVE



# Key Results 2017



# Industry Statistics

Industry Partnership Group	People training with us			Credits achieved			Programmes completed*		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Amenity Horticulture	2,201	1,990	1,635	33,247	49,903	43,864	979	1,057	1,249
Avocado & Kiwifruit	551	741	414	14,456	22,122	18,306	310	449	358
Dairy Farming	7,734	8,368	9,079	140,041	194,726	303,214	3,970	4,054	5,552
Dairy Processing	846	688	843	13,706	16,921	15,592	218	348	525
Meat & Leather Processing	5,850	5,468	6,897	123,400	122,714	163,938	2,698	4,170	4,960
Nursery Production	255	264	277	4,969	10,175	9,389	132	181	191
Other Industries (no IPG)	3,912	3,255	2,958	96,171	50,772	60,179	1,606	1,332	1,511
Pipfruit	1,411	1,717	1,101	42,092	47,311	22,182	1,096	897	452
Racing & Equine	502	500	511	8,105	11,046	11,990	200	200	202
Seafood	1,367	1,292	1,440	32,166	35,319	31,759	806	703	858
Sheep, Beef & Deer	1,094	1,215	1,089	13,157	24,444	29,551	373	561	482
Sports Turf	425	462	492	7,437	10,638	11,475	126	218	190
Vegetable & Other Fruit Production	795	854	1,038	17,399	20,104	30,890	377	418	620
Viticulture	547	687	773	7,428	22,421	21,734	201	476	491
Wool Harvesting	715	876	968	11,773	11,778	7,715	180	187	163
Total	28,205	28,377	29,515	565,547	650,394	781,778	13,272	15,251	17,804

\*Industry training programmes completed includes:  
Limited Credit Programmes, Supplementary Credit Programmes, New Zealand Certificates and New Zealand Diplomas.



## 1. STRATEGIC GOAL:

# Industry-focused solutions

**Primary ITO has a critical role in equipping our industries with the people, knowledge and skills needed for competitive advantage, productivity growth and sustainability. This human capability is critical - in many cases it is more important than access to natural resources, technology and supply chains. Our role is to identify the capabilities needed and to establish national standards for workplace training that will ultimately deliver them to our industries.**

### New industry-facing structure

In 2017, we completed our transition to a new structure to better serve our industries. We introduced four new National Sector Groups - Dairy, Meat & Fibre, Horticulture, Seafood & Primary Services - to complement our valued regional Training Adviser network. Their role is to work with industry groups and businesses to lead our strategies in each sector. This new focus enables us to better identify the human capability needs in each sector and establish action plans for delivering the solutions they need.

Each National Sector Group comprises of a team of Sector Managers, Advisers and Learning & Development Consultants, committed to understanding the capability requirements in each of our sectors and developing action plans to meet these.

### Workforce Scan

In 2017, Primary ITO embarked upon workforce development scans for nine of its key industries.

The scans have been framed within the following three themes; **Our changing workforce** (employment growth in the primary sector, an increasingly diverse workforce, attracting, engaging and retaining talent); **Better business capability** (resilient businesses, management capability

developing future managers and leaders); **Developing skills and qualifications** (developing the culture of training, future skill requirements to deliver growth and drive value).

This work will continue through to completion in 2018.

### Qualifications review

We are systematically reviewing all Primary ITO qualifications currently registered with NZQA. This process started in 2017 with the qualifications connected with pastoral farming.

All of our qualifications will be reviewed on a five-year cycle, based on requirements from NZQA. The reviews focus on the relevance of each qualification, how it meets the needs of industries and businesses, the relevance to trainees, and the practicality of delivering the training to the standards required through the workplace.

To date we have set the standards for training achievements that are recognised in 290 qualifications registered by NZQA. These qualifications better enable over 30 primary industries to have the human capabilities they need.

We will finish reviewing the first qualifications (pastoral farming) in the current five-year cycle by December 2018.

### Industry recruitment

We have an increasing focus on programmes to support more young people into primary industries where their knowledge and skills are needed for competitive advantage, productivity and sustainability.

Our programmes for school-to-workplace learning are increasingly well supported. The Primary ITO Trades Academy is one of 25 such government-funded academies aimed at keeping young people engaged in learning through their final years of school and to help them transition into the workforce. Our Trades Academy is provided through 33 schools around the country, many of them partnered with

employers and training providers to provide a mix of secondary education, tertiary training, and work experience suited to students and their prospective future employers. Trades Academy students work towards both credits in the National Certificate of Education Achievement (NCEA) system and unit standards for a Primary ITO qualification.

We continue to provide schools with materials and access to training providers for in-school tuition of young people who are showing interest in primary industry careers. There were 50 schools engaged with this Gateway programme during 2017. In our third school-to-work programme, SWITCH (School, Work, Industry, Transition and Change) students are matched with local employers for a specified amount of workplace experience during school hours. It is a structured transition programme that bridges the gap from secondary school to work and further training.

In 2017, the number of our schools programmes participants who transitioned to a primary industries workplace was 237 across the country - an increase of 46 from 2016.

### National strategy

We continue to work closely with the TEC to maximise returns on their investment in New Zealand's industry training sector. We are also working closely with NZQA as the government agency with expertise in, and responsibility for, the assessment and registration of standards within the New Zealand Qualifications Framework (NZQF). The TEC and NZQA establish requirements for Primary ITO to deliver on and set guidelines for how we accomplish this.



PIANZ Chairman, Adrian Revell presents Henry Miles (right) with the 2017 Poultry Industry Trainee of the Year Award.

## 2. STRATEGIC GOAL:

# Trusted partner

**Primary ITO strives to be a trusted partner across New Zealand's primary and education sectors. We need to work together and share information in order to truly understand capability needs, set standards and arrange the training required. This becomes even more important amid the complexity and change of today's training environment.**

### Stakeholder Council

One representative from each of the 14 Industry Partnership Groups (IPGs) make up the Stakeholder Council. The Council meets with the Board at least twice a year to present each group's needs and viewpoints on industry training.

In 2017, the Stakeholder Council was chaired by Murray Linton (Dairy). Other members, as at May 2017, included; Nicky Cooper (Dairy Processing), Julie Bassett (Viticulture), Ginnie Denny (Equine and Racing), Nikki Johnson (Avocado and Kiwifruit), John Little (Nursery Production), Adam Pollard (Amenity Horticulture Services), Rick Powdrell (Wool Harvesting), Melonie Sheppard (Sheep, Beef, and Deer), Gary Jones (Pipfruit), Carolyn Thomson (Meat and Leather Processing), Cathy Webb (Seafood), Peter Boyd (Sports Turf) and Sue Pickering (Vegetable and other fruit).

### Industry Partnership Groups

We work with guidance from our 14 Industry Partnership Groups (IPGs). Each group is made up of ten volunteer leaders who bring their knowledge of industry capability and workplace training needs to the table. Each IPG meets three or four times a year and we are extremely grateful for their contributions to Primary ITO.

### Industry groups

Primary ITO works closely with DairyNZ, Beef + Lamb New Zealand, Horticulture New Zealand and other primary industry groups on a project-by-project basis. These

relationships are particularly important to our review of qualifications and to the development of new ones - including micro-credentials.

In 2017 Primary ITO, in partnership with DairyNZ and the Horticulture Capability Group, secured \$0.8 million in funding from the TEC to establish a micro-credentials pilot programme by mid-2018.

### Federated Farmers Apprenticeship Dairy

In 2017, we teamed up with Federated Farmers to launch a new apprenticeship to rapidly grow people capability in the dairy industry.

Federated Farmers identify the dairy farm employers and ensure they are equipped to offer a quality work environment while actively supporting the on-job training and development of their apprentice. Primary ITO recruits the apprentices and arranges the formal training towards the NZQA-recognised qualifications. We also support employers with any training needs of their own.

The apprenticeship is generally for three years, during which the apprentice progresses through Level 3 and 4 training. Career development is also a focus and it aims to put the apprentices on-track to leadership through clearly identified pathways and support.

Following a high-profile launch of the Federated Farmers Apprenticeship Dairy in October, expressions of interest were received from over 75 potential apprentices and 60 potential employers before the end of the year - a great start.

### Training providers

Primary ITO works with approximately 160 education and training providers, ranging from schools to polytechnics to small private training providers throughout New Zealand. Our role includes the distribution of funds on behalf of the TEC.

The ITO has a legislated responsibility to set and maintain skill standards. Providers are quality assured by NZQA with support from the Primary ITO. The ITO moderates providers to ensure assessments are conducted to the national standard set by industry.

We work with six training providers across New Zealand to deliver our Diploma in Agribusiness Management - NorthTec, Toi-Ohomai, Wintec, EIT, Taratahi and Ara. Local tutors cover topics that align to the diploma modules.

### Supporting Māori learning and growth

In 2017 Primary ITO was selected by Ako Aotearoa to develop a contextual learning model for young Māori in remote areas. Our proposal, which will get underway in 2018, includes the use of culturally-appropriate learning materials, marae facilities, mentoring, and information technology with an iwi group and their young learners.

We also continued exploring other opportunities to work with iwi in different parts of New Zealand. This is in recognition of the growth potential in the Māori economy and challenges in supporting young Māori learners into the workplace and into training.

Our new Māori Strategy was launched in 2017 and has a focus on building enduring career pathways through collaboration so our Māori trainees have a seamless and enriching experience. We are also a long-standing sponsor of the Ahuwhenua Young Māori Farmer competition.

### Agriculture Services Limited - international projects

We continue to grow our international advisory and training business, Agriculture Services Limited (ASL), in partnership with the New Zealand government and other parties.

During 2017, ASL completed a four-year project to build Chile's capacity for agriculture industry training as part of the New Zealand Aid Programme. We supported the Chile Ministry of Labour to develop workplace training solutions in the dairy and horticulture industries. In addition, we also supported the Chile Ministry of Agriculture with the delivery of programmes to upskill small farmers. Project evaluation has reported great feedback on the approaches taken along with enhanced productivity. ASL's 10-year

association with Chile will continue as we explore new commercial opportunities for workplace training solutions. The business model includes drawing on contributions from both Primary ITO and a range of New Zealand service providers.

ASL is increasingly active in South East Asia, also under the New Zealand Aid Programme. ASL are the delivery agents for the Lao Quality Beef Initiative aimed at improving farm management and quality assurance systems in the Laos beef industry. This five-year initiative began in mid-2017. ASL draws on New Zealand expertise to help Lao farmers, technologists and trainers to apply the best available knowledge to beef production on-farm and along the supply chain, and to help build capacity for industry training into the future.

ASL is now beginning a similar five-year project in Myanmar to help strengthen education and training for Myanmar's dairy and livestock farming industries. This activity includes capacity building work across the education supply chain from university – where we are supported by Massey University – to diploma level and workplace training. Both projects have staff on the ground.

ASL-managed projects led to the workplace training of approximately 830 workers and first line supervisors in Chile. Just over 900 small farmers attended short course workshops in the sheep sector. Soft skills and farm management training was also provided to 130 rural professionals. These results provide a solid base for new commercial initiatives in the future.



Trainee Jimi Hollis-Tiopira and Training Adviser Natalya Sandbrook



### 3. STRATEGIC GOAL:

## Leadership and innovation

**Primary ITO is committed to leading and innovating in primary industries, and also in the industry training sector of which we are a key member. We are undertaking bold initiatives to make learning easier and more valuable for trainees and businesses and are at the forefront of moves to introduce micro-credentials for greater flexibility and speed in the recognition of knowledge, skills and on-the-job experience.**

**We are also meeting the challenge of attracting more young people into primary industry careers which are rewarding for them and will help businesses achieve their growth potential.**

#### Literacy and numeracy support

Primary ITO has a lead role in addressing New Zealand's large need for more literacy and numeracy training in the workplace. Repeated international surveys have shown that 50% of the primary sector workforce are affected by literacy and numeracy issues - this is a major barrier to training. We are working increasingly with employers to assess the language, literacy and numeracy capabilities of new trainees and to provide support and guidance so they can fulfil their potential.

Our literacy and numeracy work includes assisting companies to access the TEC's Workplace Literacy Fund, which supports in-house mentoring and tutoring to upskill employees in ways that directly improve productivity, health and safety and other workplace goals. In 2017 two large employers successfully applied to the Employer Led fund with our support and they now have in-house mentors and tutors working with their large teams. We also brokered seven TEO-Led Workplace Literacy programmes.

We have also led the recruitment and support of more than 400 volunteer mentors who regularly meet trainees individually or in groups throughout the country. The mentoring programme is supported by accounting and business advisory firm Crowe Horwath which donates the use

of rooms for mentor/trainee meetings in locations nationwide.

Seven large employers started workplace literacy programmes with our support in 2016 and 2017 - involving a total of more than 330 trainees.

Fresh produce company T&G Global secured support from the Employer-Led Workplace Literacy Fund in 2017 for the mentoring and tutoring of 150 people - this is an ongoing programme and a first for the New Zealand horticulture industry.

#### Dyslexia support

Primary ITO is widely recognised for our dyslexia work and research. We are very fortunate to have internationally-recognised specialist Mike Styles as part of our team. In 2017 we began leading a research project working with four other tertiary education organisations to create a better future for those in the workforce who have dyslexia. The project, funded by Ako Aotearoa, is a first for New Zealand and the findings are likely to have a significant impact on how training is carried out in future.

In 2017, we screened 50 trainees in primary industries for dyslexia and 39 of them have now had ongoing support put in place.

#### Micro-credentials

We are actively supporting the education sector's move to introduce micro-credentials as a flexible and faster way of recognising the knowledge, skills and experience in the workplace. Micro-credentials can be components of our formal qualifications or 'credentialisation' of specific skills gained in prior learning or through experience. In each instance, the trainee receives a micro-credential certificate which can then be shared on social media sites, online CVs and with employers.

In 2017, we began a partnership with Otago Polytechnic on EduBits - a new micro-credentials pilot scheme. We developed a range of EduBits to fit the needs of people working in the primary sector - including agribusiness planning and budgeting, and assisting with dairy calf rearing.

Eight EduBits were developed during the first six months of the pilot scheme.

#### NZ Talent

In 2017, we were the first ITO to sign up the NZ Talent open letter, in which hundreds of employers have agreed to recognise on-job learning and skills gained through a variety of pathways and experiences when making hiring decisions for skill-based roles. This aligns with our investment in ways to make learning fit around work - especially micro-credentials and recognition of prior learning.

#### Sharing the primary industries with young people

We are making greater use of social media and other digital channels to reach young people and their parents with information on the benefits of primary industry careers, including the ability to earn and learn, and to set themselves up for a great career.

In late 2017, we rolled out a targeted social media campaign to young people and their parents around the government's new fees-free policy. That is, two years of Primary ITO industry training will be fees-free for eligible trainees and apprentices who start in 2018.

In 2017, we also joined nationwide Got a Trade? Got it Made! campaign for the first time. We chose five of our outstanding trainees (from the seafood, sheep & beef and horticulture sectors) as our Primary ITO Got A Trade Industry Training Award nominees and they joined our team at the Industry Training Awards in August. Aaron Finlay, an orchardist from Nelson, was our campaign hero and featured in the campaign publicity. The higher profile for primary industries prompted new interest to our website and requests for information and advice.

Across all of the ITOs, the 2017 Got a Trade? Got it Made! campaign achieved 5.5 million impressions on [gotatrade.co.nz](http://gotatrade.co.nz), 389,000 video views and 11,200 likes on Facebook.

We are also developing an array of online and print career progression pathways to allow prospective new trainees in the dairy processing, viticulture, nursey production and other industries to see at a glance a typical progression of roles and how our training matches with these.



Trainee Travis Dawson and Primary ITO Adviser Sarah King



## 4. STRATEGIC GOAL:

# High performance

Primary ITO seeks high performance in its systems and processes, and in interaction with our customers. Such high performance will demonstrate leadership and innovation to all stakeholders, while helping to manage costs and deliver planned financial results.

We are also developing our own people to ensure they have the capability needed to enable a high performing organisation. This will support our staff being engaged, motivated and empowered to do the best job they can.

### Improving our systems

In 2017, we began several projects to improve our systems and processes - including the merge of our two trainee management systems into one centralised system. This will provide more accurate data and reporting to inform our decisions and support our team to work more efficiently. It will also support our move to an e-learning system for delivery of learning in the workplace and for trainee assessment, which is planned over the next few years.

### Being digitally-led

We also began work in 2017 to become more digitally-led as an organisation and this is a key area of focus going forward. Development started on our new Primary ITO website (launched in April 2018) to better connect with our diverse and segmented customer base - including trainees, employers, industry and schools.

In addition to the targeted social media and digital campaigns already mentioned, we also introduced new email marketing software to allow us to better target and connect with our customers and measure the success of our communications.

### Supporting our people and culture

Primary ITO had 188 employees as at 31 December 2017.

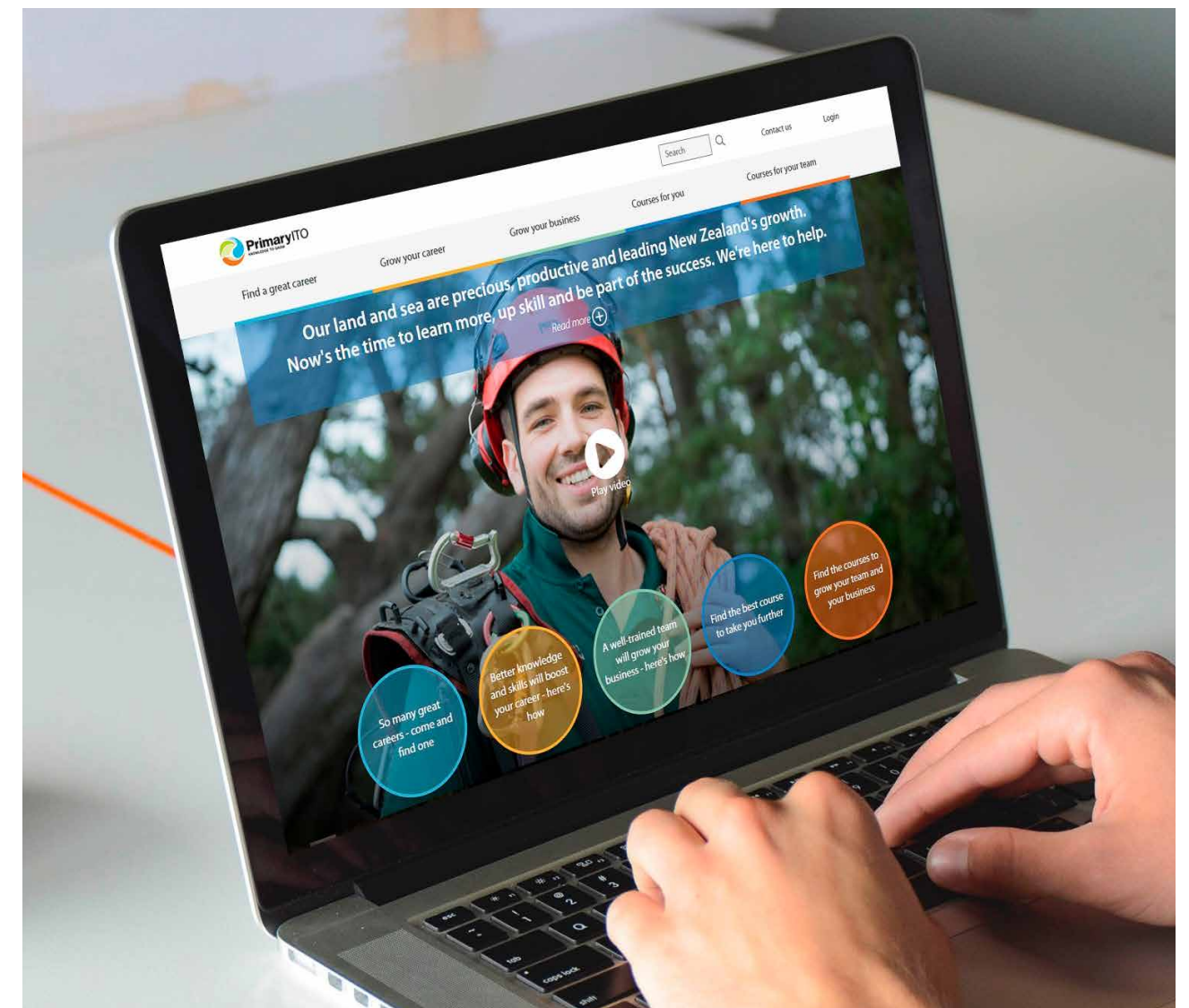
A focus in 2017 was the implementation of the new organisational structure and growing the capabilities within our team to deliver our business plan, and support staff to live our purpose and values.

A business continuity plan was developed to ensure preparedness and offer staff support in the event of a disaster. To support safe driving, all Field staff are required to attend Advanced Driver Training. For office staff, we conduct workplace assessments.

The wellbeing of our staff is a key priority with a number of initiatives being run throughout the year. These have included regular team safety talks, flu vaccinations, EAP counselling services, and an end of year six-week wellbeing programme encouraging teams to get involved in different events and activities to support their health.

In 2017, there were individual professional development plans, and 21 of our leaders attended Leadership for Results training throughout the year. This had a focus on building leadership credibility and maximising performance. We also had 12 staff complete an internal leadership programme focussing on personal development and building successful teams. A number of staff also participated in an internal mentoring programme. With our people spread across the country, this provides a mechanism for developing relationships and contacts across other areas of the organisation and in particular a contact for staff working more remotely.

Acknowledging and rewarding staff for their contribution is a great way of engaging and motivating staff. One of the ways we do this is through Primary ITO's Most Outstanding Employees Awards (PRIMOEs) and the Ka Pai Awards. These give staff members an opportunity to acknowledge and celebrate the efforts, behaviours and team work of their colleagues.



2017 Annual PRIMOE Award winners, with CEO Linda Sissons (far left) and Chairman Mark Darrow (far right)



# SECTOR GROUP: MEAT & FIBRE

SHEEP, BEEF & DEER FARMING

MEAT PROCESSING

PORK

POULTRY

WOOL HARVESTING

Our work has centred on being a trusted partner to enhance people capability with businesses across the meat and fibre sectors.

Relationships, service and products were given equal priority as we focused on building pathways, growing career opportunities and increasing the value of on-job education and training to individuals, workplaces and the broader industry.

## Production

For sheep and beef, we are closely aligned with both Beef + Lamb New Zealand and Red Meat Profit Partnership (RMPP), and our work closely supports their objectives of developing people capability in the red meat sectors. Our aim is to ensure we collaborate across organisations, identifying gaps and finding opportunities to enhance the support we all provide at various levels. Collaboration examples include; e-diary communication updates and Field Day participation.

We have developed strong connections to the deer industry and launched the deer strand of the New Zealand Certificate in Agriculture late in 2017. This was a result of effective collaboration with the sector and is an example of our commitment to this industry.

For both the pork and poultry industries, attention has been placed on establishing a complete picture of industry needs and how we can best support the predicted growth. Our ongoing priority is to develop effective, fit-for-purpose training programmes.

The new New Zealand Certificate in Wool (Level 2) was launched towards the end of the year, opening up opportunities for entrants to the industry.

## Meat processing

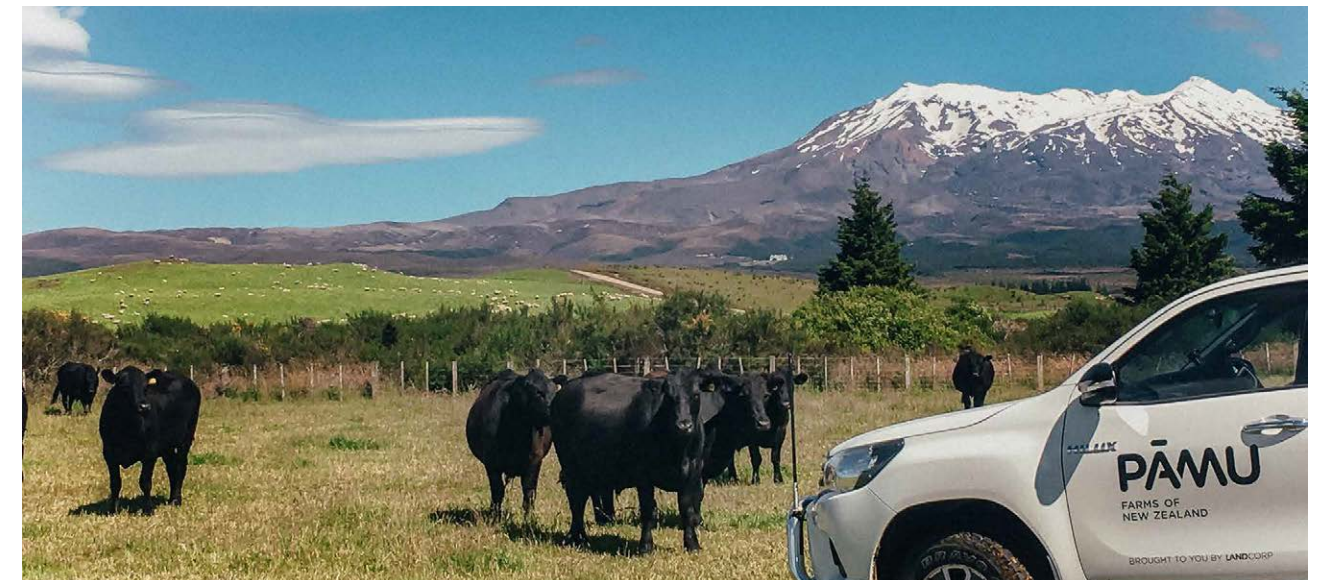
With the appointment of a Sector Adviser and Learning and Development Consultant in September, we initiated a programme of reconnection with industry to ensure processing plants were well

supported and that our product offering was responsive and relevant. A pleasing result is not just the growth in numbers of trainees but also the strength and growth of our relationships. We have held assessor workshops and visited a significant number of plants throughout New Zealand, providing assistance as and where it is needed.

The apprenticeship programme in the meat processing sector has very high completion rates and adds significant value to both trainees and employers.



## CUSTOMER PROFILE: PĀMU



## Pāmu seeks new approaches to learning

Pāmu's Organisational Development Manager Leza Papps says industry training needs are undergoing major change as employers look for a broader set of skills and aptitudes, and as trainees demand online learning tools to address their remoteness and time pressures.

"As more and more people are digitally connected, this needs to be reflected in how they learn, and this definitely includes a move away from the older classroom approach to training," Ms Papps says. "The adult education sector overall is facing disruption, and we need a new model for helping individuals and industries improve their capabilities."

Ms Papps says job opportunities within the company are now less reliant on formal qualifications and more on staff having basic thinking skills and the right personal attributes. "There will always be a need for technical knowledge and skills in farming, but the focus has shifted to how these are being applied every day. We need people to be more self-managing and have capabilities for using a range of tools in different situations, with much less focus on just complying with rules or a fixed body of knowledge."

Ms Papps says Pāmu welcomes Primary ITO's shift to a more industry-focused structure and strategies.

"Training needs to encompass leadership development and behavioural change in areas like safety, as well as the more specific technical knowledge and skills for farming in the 21st century."





“Me and school weren’t the best of friends”

## TRAINEE PROFILE:

### Jordan Biddle

Jordan Biddle is Ngāti Pāhauwera and as a trained farmer, he is very much part of that Hawke’s Bay iwi’s future.

Today Jordan manages an intensive bull finishing operation on Rawhiti Station, part of the Ngāti Pāhauwera Trust’s 3,500 hectares of farm assets in the Raupunga area. His confidence with feed budgeting, weight gain monitoring, environmental enhancement and much more is a far cry from five years ago when this school leaver started as a fencing hand.

In 2017, Jordan won the Ahuwhenua Young Māori Farmer of the Year Award in recognition of his skills, knowledge and dedication to farming.

His progress to date owes much to Primary ITO programmes, beginning with his first on-farm work experience through the Gateway programme in his last year of school. Looking back, he says, “me and school weren’t the best of friends,” but the Gateway programme gave Jordan a taste for farming and kept him learning.

Now aged 22, he has completed three Primary ITO Level 3 qualifications: National Certificates in Agriculture in Stockmanship, in Animal Feeding and Pastures, and a New Zealand Certificate in Vehicles, Machinery and Infrastructure. The mix of practical application and paper-based learning, supported by mentors, has worked well. He is now working towards his Level 4 New Zealand Certificate in Agriculture with a focus on pasture and feeding, livestock management and animal health.

Jordan recalls his first boss on Waitaha Station, a coastal sheep and beef breeding farm north of Raupunga, setting aside time every Friday for on-farm competencies revision. He credits manager Robert Vallar with giving him the right push. “I’d got into a bit of mischief at school and Robert had also seen the ‘dark side’. He didn’t want me to go there and he had good plans for me,” says Jordan.

After two years at Waitaha, Jordan moved to a junior shepherd’s position at Ngāti Pāhauwera’s Pihanui Station and after a while there, was appointed head

shepherd reporting to the manager. At Pihanui, he also became mentor to a youngster from his iwi who came to work as a casual labourer on the station.

Jordan was keen to know more about finishing as well and jumped at the opportunity on Rawhiti Station where he works now. Today he finishes bull beef at about 20 months, and also runs a few beef cows and calves. The role is virtually sole charge and he relishes the challenges.

There is also great on-going support with regular visits to his workplace by his Primary ITO Training Adviser Liz Krawczyk.

For Jordan, partner Aroha Ropitini and their young children Matene (2) and Kyla (5), the future is bright. And the future is also bright for the Ngāti Pāhauwera Trust with such well-trained and experienced young stock managers on its properties.



**The horticulture industry is growing rapidly and the demand for skilled workers requires a collaborative and forward-thinking approach to future-proof the industry.**

A major highlight in 2017 was collaborating with industry to develop new career qualifications pathways together with a significant investment in upgrading our Levels 3 and 4 NZ Certificates in Horticulture Production and Services, including an improved New Zealand Apprenticeship option.

## Horticulture production

We continued to work closely with orchardists, vineyards, vegetable growers, nurseries and postharvest businesses who are mostly small to medium-sized, but also larger companies such as T&G and Mr Apple to meet their capability needs.

A key project outside the upgrade of our products was our collaboration with regional training providers, and industry experts to pilot a Postharvest Diploma (Level 5). The diploma was designed for people who take responsibility for produce after it has been harvested, which has been identified as a role of growing importance to the sector.

In recognition of the need to increase the uptake of diploma level qualifications, Primary ITO was also successful in obtaining additional funding from the TEC to be able to offer more innovative and flexible learning options for the industry through this pilot.

Another important development has been our increased engagement with Māori businesses. We are collaborating with Tūhono Whenua Horticulture, a collective of Māori land trusts, to grow Māori capability in the horticulture sector, specifically in orchard management roles.

## Horticulture services

Our work with horticulture services covers landscaping, arboriculture, amenity and sports turf. We have a diverse customer base, ranging from councils and park managers to large companies such as Downer Group and Citycare Group, through to small-medium enterprises. Our customers have a deep commitment to growing people, seeing it as critical to doing good business.

An increase in total training numbers was driven by growth in the Arboriculture sector. Successful business proposals and relationships formed with the five largest arboriculture businesses in New Zealand, following the change to Primary ITO's organisational structure, contributed to this growth.

Industry training in the sports turf sector is the envy of our trans-Tasman counterparts. To maintain a high training standard, Primary ITO and NZ Sports Turf Institute have signed a new five-year turf training contract. This long-term commitment means that well qualified agronomists will continue to deliver comprehensive training via class-room, correspondence, and on-line formats. This is in parallel with training delivered by the learner's employer facilitated by Primary ITO.



Trainee Brad Ingley and Training Adviser Eliza Whalley

## CUSTOMER PROFILE: T&G GLOBAL



Sonya Hanuera at T&G Global's Tuakau Glasshouses, South Auckland

## T&G Global - Committed to Training People

Fresh fruit production and supply in a global market requires tonnes of horticultural knowledge and business skill. For T&G Global (originally Turners and Growers), recruiting and developing people of knowledge and skill is critical to its business success.

As New Zealand's biggest fruit producer and supplier, T&G Global is also one of Primary ITO's largest customers. The company has around 200 employees in training at any one time.

Capability Manager Greg Turrell says T&G Global needs highly competent people in all areas, and the company's commitment to training is essential to it attracting the right people into the business, and to ensuring they have the knowledge and skills required thereafter.

"Our challenges include creating career opportunities for people who're willing to start in horticultural production at lower-skill levels and to be developed over the years through training, workplace experience and long-term commitment to the business," Mr Turrell says. "Our approach offers the career structure that many young people are seeking and over the years, the rewards to individuals can be huge.

"Primary ITO definitely helps us in developing people in the ways we need. Their challenge from now on is to identify and fill training requirements at higher

levels and across more of T&G's diverse and vertically-integrated operations. Our challenge, in turn, is to ensure that we have the right career pathways for people as they are being developed and as the needs of our business grow."

T&G Global, an NZX-listed company with annual revenues of \$1.1 billion last year, operates worldwide. It is one of New Zealand's biggest producers of pip and citrus fruit, and it trades globally in fresh produce. Full-time employees number around 1500.

Mr Turrell says global demand for high-quality New Zealand produce continues to grow but with this comes increasing pressure on T&G Global to maintain quality and to grow its tonnages of produce – and to do so with more efficiency and less environmental footprint. All of this, he says, adds to the need for the business to have the right people. "Into the future, we need to be a lot more creative about how much fruit we can grow per hectare. That's about innovation and the capabilities of our people – and clearly, training is a big part of this."





## TRAINEE PROFILE:

### Aaron Finlay

There's a lot of variety in apple growing, as well as hard work. Aaron Finlay has turned his love of both into a great career on a large T&G orchard at Riwaka, near Motueka.

As a Senior Leading Hand, Aaron does everything from tree pruning, to helping oversee the large seasonal crew of apple pickers on the 160-hectare property. His Primary ITO training has so far included a Level 4 National Certificate in Fruit Production.

One of the appeals of orcharding, he says, is knowing that how each tree is managed will affect its growth and production well into the future. "It's like a big puzzle," says Aaron. "There are so many factors at play like the weather, pollination, bi-annual bearing and pruning. If you prune too hard, the next year the tree will retaliate and throw out hundreds of branches. It's very challenging and there's a big variety of jobs and tasks to do. Every day can be different."

Aaron's knowledge and practical competence saw him win the runner-up spot in 2017's Nelson Young Fruit Grower competition. It all started with a school boy's part-time job cleaning a fruit packhouse near Nelson picking up discarded apples, sweeping the floor and so on. Aaron's first full-time work was on an apple orchard - only, he thought, to save money for a dairy farming course. "But I ended up loving being outdoors and working with apple trees so I stayed where I was."

Aaron says his work today includes everything to do with the orchard. "Among everything else, I oversee the pruning and canker crews to make sure everything is being done correctly and they don't need any help or supplies. I like to pass my knowledge on to others so they understand what they're doing and why."

Horticulture is becoming increasing high-tech and Aaron relishes the challenges around the introduction of new systems on the property. "This year we hope to get a new automated picking machine that will pick 24 hours a day," he says.

Other developments include a new, multi-million dollar optical grading system, automated bin cards, digital trap logs to record bugs and pests, and a new app which analyses the colour aspect of apples on the trees to help decide whether they're ready to pick. "With some varieties of apple, like Envy, it's very hard for the human eye to detect the colour difference as the apple ripens. This will make it much easier which is pretty cool."

Aaron says orcharding is definitely his future. "I love it and one day I hope to manage a block of my own."



# SECTOR GROUP: DAIRY

DAIRY FARMING

DAIRY PROCESSING

**Dairy is New Zealand's largest export industry and a major provider of employment across the country.**

**There is a growing need for more qualified staff within the dairy industry. Workers are required to have a formal post-school qualification and this is expected to increase from 43% to 57% by 2025.**

The current and future capability needs across the dairy value chain have been a significant focus for Primary ITO and a number of initiatives are underway to ensure these needs will be met.

## Dairy farming

Given the close link between increased management skills and lifting on-farm productivity and profitability, we partnered with select polytechnics across the country to provide regional delivery options for the Diploma in Agribusiness Management. With the option of one module to develop a specific skill, or completing the full diploma, this programme is a major step forward for developing management and leadership capability.

Building future capability is not just about learning and training, nor is it a numbers game. There are broader challenges affecting both the attraction and retention of the dairy workforce such as the quality of the workplace environment and employment practices. Strong industry leadership is central to creating a culture shift and we have been excited to partner with Federated Farmers, with support from the government, to champion dairy apprenticeships on farms. As part of the apprenticeship, farms must commit themselves to a Federated Farmers Farm Charter.

We see celebrating success and achievement as another critical part of retention. We continued our long-standing sponsorship and support of the NZ Dairy Industry Awards (NZDIA), a well-established path for career progression. Recognising the significant amount of effort undertaken by entrants in preparation for judging, we initiated a pilot with

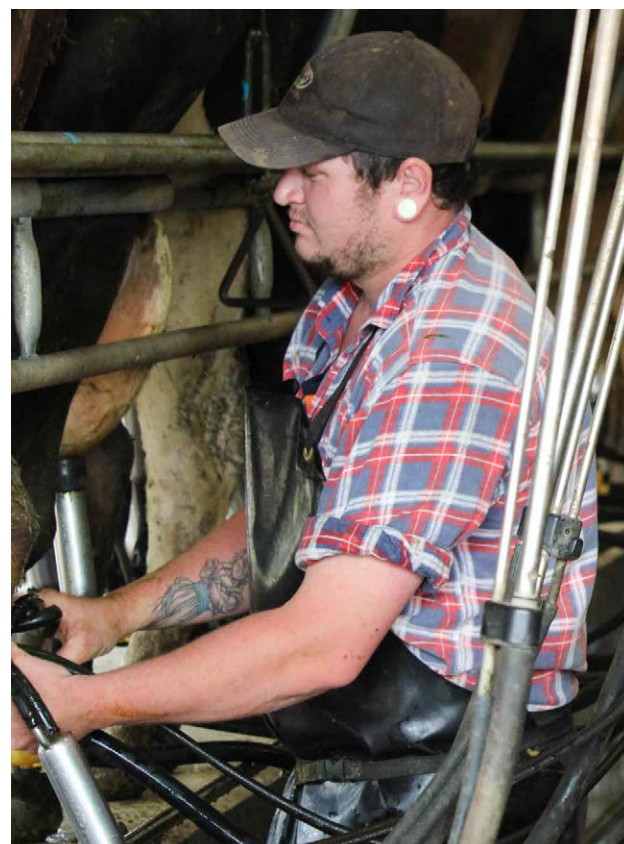
DairyNZ to gauge if the programme could be a recognised pathway of learning for the Diploma in Agribusiness Management.

## Dairy processing

The dairy processing sector is becoming increasingly diverse, with a growing number of multi-national dairy companies now operating in New Zealand alongside the traditional farmer-owner co-operatives and locally-owned companies.

Our collaboration with Fonterra to assist the delivery of their DAIRYCRAFT programme continues to grow and evolve. This innovative training programme involves a dedicated team working together across Primary ITO and Fonterra to provide a broad framework of support.

We also completed a new Level 3 NZ Certificate in Distribution programme. Logistics and distribution go hand-in-hand with dairy processing businesses and other sectors too. This work means we can now provide our customers with a more comprehensive service as well as deliver training opportunities to a significant portion of the dairy workforce.



## CUSTOMER PROFILE: FONTERRA



## Fonterra training for strong capability

Fonterra needs processing plant operators with the right technical knowledge, as well as the ability to think for themselves and to respond positively to the unexpected.

"It's important that we set people up for success at Fonterra. In addition to building technical expertise, we know things like critical thinking and personal resilience are skills that help people perform well in their roles," says Amanda Kennard, Manager of Fonterra's DAIRYCRAFT training programme.

These ideas were built into the company's development of DAIRYCRAFT for the plant operators and distribution specialists who work at 29 sites around New Zealand. The programme, planned and implemented with Primary ITO support, enables people to attain National Certificates in dairying processing (Levels 3 and 4), and in distribution and supply chain operations (Level 3).

Under DAIRYCRAFT, people learn a range of relevant topics, including microbiology and dairy chemistry with a focus on how these apply to milk processing, through to distribution-specific knowledge. Most of the learning, however, is done on the job rather than in the classroom.

"We need our people to have a strong practical understanding of dairy processing, and to be capable of spotting and handling any issues that might arise," Ms Kennard says.

She says the programme, now running for over two years, is very successful. Around 620 of Fonterra's 3,500 operators are either currently in the programme or have been through DAIRYCRAFT and completed certificate qualifications.

"For us, it makes sense to strengthen the capability of our people who are responsible for processing our milk into dairy goodness and nutrition products that are consumed and enjoyed the world over," Ms Kennard says.





"A switched on person can go a long way quickly"

### TRAINEE PROFILE:

#### Hayley Hoogendyk

Hayley Hoogendyk was a Massey University graduate struggling to find work as an event manager when she saw a farm assistant role advertised. She decided to give it a go and five years on, she was Dairy Manager of the Year at the 2017 New Zealand Dairy Industry Awards.

Hayley is now Farm Manager for C & R Passey's 200-hectare property in the Manawatu where she, and her two-man team, milk a high-performing herd of 500 Friesian cows. Along the way, Hayley has become a strong believer that farming can be a great knowledge-based career for young people.

"Ultimately, I see myself overseeing multiple farms and employing young people to give them their first opportunity," Hayley says. "I would also like to have first-time managers and contract milkers, so I can support them and help them learn and embrace new opportunities."

The 29-year-old from Mount Maunganui grew into her current role by learning from her managers on the job, and through dedication to her Primary ITO training. Since 2013, Hayley has completed qualifications on effective supervision, effluent management planning, milk quality, feeding and pastures, GrowSafe, and her New Zealand Apprenticeship Level 4 Dairy Farming. She is now over halfway through her Level 5 Diploma in Agribusiness Management.

"Primary ITO gives you a deeper understanding of how we do things, how to do them properly and how it affects the business as a whole," she says.

She says the support from friends and her classmates and tutors has been invaluable, and that the training has been directly applicable in her work on-farm and in discussions with the farm owners. "There's always something different to think about and so much information to learn. These papers show you other ways of doing things so you can critique and improve your own system which is great."

Hayley's plans for the future include helping others to thrive and challenging some common views about

farming. "At the moment, the general attitude among teachers and career advisors is that farming is for students who aren't academic and have no other options. I really want to change that opinion. It's a very hands-on, varied industry and if you're a switched-on person you can go a long way pretty quickly," she says.

Generally, she believes dairy producers spend a lot of time and money on genetics and young stock to future-proof their herds, but not enough time on future proofing the young people they will also need. Hayley is out to change that!



# SECTOR GROUP: SEAFOOD

COMMERCIAL FISHING

SEAFOOD PROCESSING

RETAIL

AQUACULTURE

Over 17,000 New Zealanders are employed in the seafood industry, either directly or indirectly.

Our work within the seafood industry extends across the entire value chain – from commercial fishing and aquaculture to seafood processing through to wholesale and retail.

Primary ITO continued our important support for seafood businesses to develop the skills and capability needed to produce high quality seafood for domestic and global markets. These businesses ranged from the largest companies in the industry – Sanford, Talley's and Sealord - through to family businesses such as Toby's Seafood. We are proud of the diverse range of businesses we supported over the year.

One of the distinguishing features of the industry is its high levels of vertical integration, with many businesses involved in production, processing, marketing and even wholesaling. This means we have broad relationships with our customers and we are engaged in multiple facets of their business.

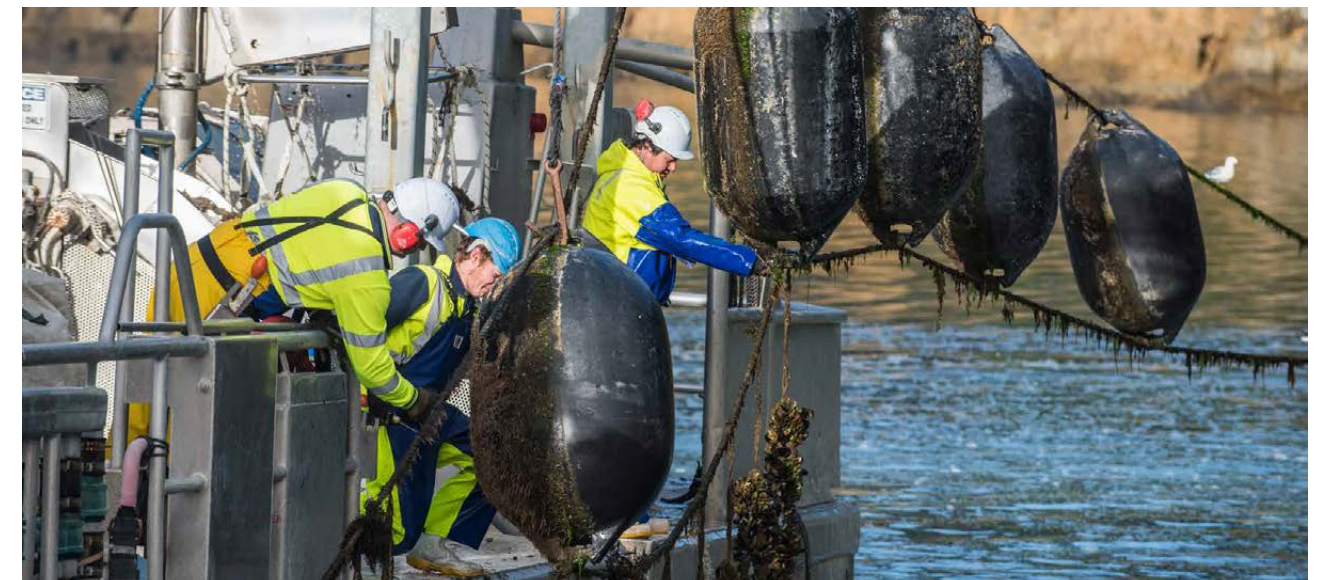
We have actively sought to increase our engagement with Māori businesses to ensure we are responsive and aligned with their needs. Our work with businesses such as Pelco, Ngāi Tahu Seafood, Te Arawa Fisheries and Kono has been a special highlight.

Another major focus has been developing a new suite of programmes for the seafood industry, work that will be completed in late 2018. This has been a significant undertaking and will ensure the seafood industry has training programmes that reflect current standards in New Zealand and, most critically, export standards.

The outlook for the seafood industry is bright. Growth sectors such as aquaculture are expanding and offshore markets are strong. Improving the skill level of the workforce will be essential together with an overall acceleration in training activity.



## CUSTOMER PROFILE: SANFORD



### Sanford – a fishing company that grows people

Sanford strives to be the world's best seafood company. It's a vision dependent on the capabilities and commitment of Sanford people, just as much as on excellence in sustainable fishing and supply of quality products to global markets. Indeed, the company has a goal "to ensure every one of our employees can reach their full potential".

That means people in every area of Sanford having meaningful opportunities for continual learning and development through Primary ITO's workplace training programmes. During 2016-17, employees completed 273 programmes – an increase of 44.4% from the previous year, with a rising proportion at Level 2 and Level 3. The number of National Certificate qualifications earned by Sanford people jumped to 214.

Chief People Officer Karen Duffy says having a capable, competent, motivated and satisfied workforce is integral to everything that Sanford does now and into the future. "We want people to have the skills and knowledge they need to work effectively and safely throughout our operation - that's so fundamental to our culture as a world-class business and to us achieving our vision."

Sanford is New Zealand's largest integrated fishing and aquaculture business. In the past year, it fished 23% of the nation's marine quota, operated 211

aquaculture farms and exported to every corner of the world. Sanford operates with three core values: care, passion and integrity. At 30 June 2017, 72 of the company's 1717 employees were enrolled in Primary ITO programmes – and that number is set to increase as the company continues to grow in scale and quality.

Mrs Duffy says Sanford looks for training opportunities that deliver more of the skills and competencies needed in the business, and that also enable individuals to lead more satisfying and rewarding work lives. "We want to continue strengthening our relationship with Primary ITO and from there, to continue growing our people as much as we can."



# SECTOR GROUP: PRIMARY SERVICES

ANIMAL CARE

PEST CONTROL

EQUINE

RURAL SERVICING

IRRIGATION & HYDROLOGY

PETROCHEM & ENCHEM

**A wide range of service industries provide important support to businesses within the primary industries.**

## Rural services

With growth in the primary sector and increasing workplace and staff expectations, we are seeing an increase in the demand for training in rural services businesses. We work closely with leading rural businesses such as PGG Wrightson, Farmlands, Farm Source and Ravensdown who supply products and services to businesses in the primary industries. To meet the needs of this service sector, our industry training programmes build the skills and capability of technical field representatives. This enables them to assess and advise businesses on primary production systems and provide quality service.

A range of Level 2 to Level 5 training programmes deliver a well-rounded range of skills for specific roles, while also developing careers and supporting business growth.

A special highlight has been our work with the PGG Wrightson Academy which saw 20 staff successfully complete the Level 4 NZ Certificate in Rural Servicing.

Another success has been our long-standing and valued relationship with LIC (Livestock Improvement Corporation) in training artificial breeding technicians. LIC trains over 100 new AB (artificial breeding) technicians each year to provide this specialised service to dairy farmers.

## Animal care

A major growth area in 2017 was our animal care training programmes with the SPCA, an organisation deeply committed to training its staff and volunteers. Our industry training programme builds capability in caring for animals in a non-production context such as animal rescue centres, boarding and training facilities through to lifestyle blocks. There has been good uptake of these programmes across the country.

## Pest control

Primary ITO also works with a wide range of pest control and management businesses operating within the rural sector to control the likes of rabbits, mustelids, avian pests and rodents.

## Equine

2017 has been a year for both Primary ITO and the equine sector to establish future opportunities and structure. A new Level 2 programme has been developed and will be rolled-out in 2018, along with the existing training programmes for Equine Breeding, Harness Racing and Thoroughbred Racing.

There has been good uptake with the Equine Breeding course as numbers grew on the previous year.

## Corrections

The relationship Primary ITO has with the Department of Corrections is going from strength to strength. We are currently working with them to improve the tracking and reporting of prison-based learner's outcomes behind the wire. We also work together closely post release, with Probation and Employment Services at Corrections to encourage on-going training and support. Our Training Advisers have been introduced to key contacts at Correctional Facilities to discuss professional development of staff.





# Board of Directors

AS AT APRIL 2018



**Mark Darrow**  
Chairman

Mark is an experienced businessman and professional director, specialising in corporate governance.

He has a number of Board roles including on the New Zealand Transport Agency and Chairs the Finance & Audit Committee for this organisation. He also chairs Armstrong Motor Group, Signum Holdings, Courier Solutions and The Lines Company and is a Director for MTA and Balle Brothers Group. He previously held directorships with Sime Darby New Zealand, Charlie's Group Limited, Motor Trade Group Investments Limited, GE Capital New Zealand Funding, the New Zealand Motor Industry Training Organisation (MITO), Dekra New Zealand, and several private interest companies.

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 member of the New Zealand Institute of Chartered Accountants, a Chartered member of the New Zealand Institute of Directors, and is a Justice of the Peace of New Zealand.



**Barry Harris**

Barry was Group Director of Fonterra Milk Supply and was on the Fonterra Leadership Team for five years.

He is currently a Director of DairyNZ, OSPRI, and WEL Networks, and Chairman of Food Innovation Waikato, Wintec and McFall Fuels Limited. Barry is also a Board member of the NZ Food Innovation Network, Waikato River Authority and NAIT Access Panel.

Barry has served as the CEO of Hamilton City Council, Greater Wellington Regional Council and Environment Waikato. He was previously the Deputy Chair of AgResearch and a Board member of Hamilton Riverside Hotels, RD1, International Nutritionals Ltd and CentrePort.



**Chris Flatt**

Chris has been the National Secretary of the NZ Dairy Workers Union (DWU) since August 2012.

He is currently the Chair of the Waikato Trade Union Centre Ltd and a Director on several Boards including the Centre for High Performance Work Ltd, Taranaki Trade Union Centre Ltd and Norman Kirk House Ltd. He is also a Trustee for the Workers Education Trust (Charitable Trust) and served as a Director on the NZITO Board prior to the merger with Primary ITO.

Chris 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.

He has also worked as a private practice employment lawyer, in both Auckland and Sydney, and holds a Bachelor of Laws (Hons) and Bachelor of Social Sciences (Hons) from Waikato University.



**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) and a member of the HKCAAVQ task force reviewing accreditation criteria and standards.

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 has a Bachelor of Arts (Hons) and a Master of Arts (Distinction) 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.

Pamela is currently a Trustee of the Dairy Women's Network, Board Chair of Go Eco, Chair of the Waikato Rabobank Client Council and member of the Dairy Environmental Leaders Forum. She is a 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.

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.



**Richard Wanhill**

Richard is the Director of Business Development for Taratahi Agricultural Training Centre. Prior to joining Taratahi, he was the Director of Business Development for the Wellington Institute of Technology (WelTec). Previous roles have included Co-founder and Director of Business Development for Thoughtplanters, a horticultural education and consultancy business.

Richard is currently the Chair of the New Zealand - China Agriculture Growth Partnership (Dairy Farmer Training Project) and a member of the Primary Industry Capability Alliance advisory group. He was the Chair of the United States-based International Society of Arboriculture's Exam Writing Committee (2012 - 2015) and is a Certified Director with the New Zealand Institute of Directors.

He has a Master of Business Administration (MBA) and a Diploma in Agriculture Management (Arboriculture).



**Robyn Clements**

Robyn has over 20 years management and governance experience in the agribusiness and primary sector with a focus on Dairying, Sheep and Beef.

She is currently the Chair of the Primary ITO Audit, Finance & Risk Committee and has been a Director of Agriculture Services Ltd (ASL) since March 2016.

Robyn was formerly a Fonterra Shareholder Councillor, and both Co-Founder and past Chair of Dairy Women's Network. She is also a member of New Zealand Global Women (since 2010) and the Institute of Directors (since 2008).

Robyn is currently Trustee of a family Dairy Support and Drystock farm in the Waikato and a Director of Basketball New Zealand.



**Traci Houpapa**  
MNZM JP

Traci is an award-winning company director and a recognised industry leader. She is also a trusted advisor to Māori, Government, the public and private sectors on strategic and economic development.

Traci has been named as one of the top ten most influential women in New Zealand agribusiness and the Listener's top ten influencers in New Zealand. Traci has been awarded the Massey University Distinguished Alumni Service Award for services to New Zealand agribusiness and Māori, and named amongst the BBC's 100 Most Influential Women in the World. Traci has recently been made a Chartered Fellow of the New Zealand Institute of Directors, the highest level of the IODs Chartered categories, making her a nationally recognised role model for other directors and business leaders.

She has an MBA from Massey University and is a Member of the New Zealand Order of Merit, a Justice of the Peace and a Marriage Celebrant.



# Senior Leadership Team

AS AT APRIL 2018



**Linda Sissons**  
Chief Executive

Linda is responsible for the effective operation of our organisation.

Linda has an extensive background in the education sector. Her previous roles include Deputy Chief Executive of The Open Polytechnic of New Zealand and 15 years as the Chief Executive of the Wellington Institute of Technology (WelTec). She is currently Chair of the Commonwealth of Learning Board and a Board member of Education New Zealand.

Linda's primary industry experience includes her role as Interim Chief Executive of Taratahi Agricultural Training Centre and leading a project to develop the agriculture portfolio of Massey University.



**Anne Haira**  
GM Business and Industry Partnerships

Anne is responsible for proactively leading the design of our relationships with Māori and all industry partnerships and business development, as well as our schools pathways.

Anne has an extensive background in Māori business and is passionate about Māori development in the primary industries. She joined Primary ITO from Fonterra where she was Manager, Māori Relations and Agribusiness.

Anne has previously worked as a senior lawyer with commercial law firm Kensington Swan, and held policy roles at the Ministry of Economic Development and Te Puni Kōkiri (Ministry of Māori Development). She has also worked overseas for the Secretariat of the Pacific Community in New Caledonia as well as the Union of British Columbia Indian Chiefs in Vancouver, Canada.



**Felicity Hislop**  
GM People Capability

Felicity is responsible for the provision of effective human resource management services and organisational development - including leadership, capability and culture.

She has experience working across corporate, government, national and international organisations in human resource and quality management roles - including nine years in the education sector.

Felicity has a passion for workplace wellbeing and undertook research on this as part of her recently completed Graduate Diploma in Management (majoring in Human Resources). She also set up a special interest group in the Hutt Valley on this topic, in partnership with a government-led initiative and local council.

Felicity was a founding member of the Lower Hutt branch of the Human Resources Institute of New Zealand (HRINZ) and has held the position of Branch President.



**James Smith**  
Chief Operating Officer

James is responsible for the leadership of our finances, reporting and quality assurance, the registration of providers, assessors, verifiers, standards and programmes, and a number of other operational services.

James has 16 years experience in the tertiary education sector. His most recent role was Director Finance and Operations at Wellington Institute of Technology (WelTec). He has also held a range of roles in the sector with accountability for finance, project office, facilities, marketing, customer service, academic records, business intelligence and planning teams.

James has chaired the Board of W2 Shared Services Limited owned jointly by WelTec and Whitireia, and has helped in the formation of a variety of joint venture and subsidiary company structures.



**Lily Belabun**  
GM Learning Products and Services

Lily completed her undergraduate and PhD studies in Chemistry and Biochemistry at the University of London.

She considers herself to be fortunate to have had the opportunity to work in an extensive range of roles in tertiary education (in Universities, Polytechnics and Institutes of Technology and Private Training Establishments). She has worked as a senior manager responsible for business development, international education and academic programmes.

Lily's external involvements include Deputy Chair of the Marlborough Chamber of Commerce, work as a Business Mentor and membership of the Wine Research Board.

Lily joins the Primary ITO from the Open Polytechnic where she was a Head of School (responsible for Science, Technology & Engineering programmes).



**Mike Stephens**  
GM Marketing and Communications

Mike is responsible for developing and delivering marketing strategies and plans to support business goals and drive customer engagement. He also leads our diploma programme.

Mike has an extensive agricultural marketing background. He has worked in the animal health sector, nutrition and fertiliser sectors. Mike joined Primary ITO from Ballance Agri-Nutrients where he led the marketing for their dairy business.



**Para Ganesan**  
GM Technology and Innovation

Para is responsible for our information technology, including continuous improvement of our systems and products and services. Para has over 20 years experience in the information technology sector. His most recent role was at the IHC as their Chief Information Officer.

He has also worked at the Tertiary Education Commission (TEC), New Zealand Transport Agency, and at various private sector organisations.



**Dennis Radford**  
GM Agriculture Services Limited – international projects

Dennis is responsible for our international advisory and training business, Agriculture Services Limited (ASL), which operates as a subsidiary.

The scope of work he oversees internationally at ASL includes strategic development and delivery of large industry level projects in human capability development, industry and vocational training and agri-business.

During his 13 years as General Manager of ASL, Dennis has gained considerable international expertise and experience leading projects in partnership with the New Zealand Government and other parties. His most recent achievement was completing a four-year project to build Chile's capacity for agriculture industry training as part of the NZ Aid Programme and securing two new large five year projects in South East Asia.



**Cathy Puanaki**  
Change Process Manager

Cathy is responsible for the introduction of focused collaboration between Sector groups and Field staff, in particular connecting specific Sector knowledge with specialist Training Advisers.

She will be the voice of, and conduit to, our Field teams as we collaboratively look at this work during 2018.

Cathy is seconded to this role from her position as Field Delivery Manager North.



# Financial Commentary

In 2017, the Primary ITO Group delivered a surplus of \$1.1 million, as shown within the Statement of Comprehensive Revenue and Expenses. The following commentary highlights the key contributors to this result with reference to the 2016 comparative.

## Revenue

Primary ITO received 75% of its total revenue from the government in 2017. The majority of this revenue was achieved through Tertiary Education Commission (TEC) Standard Training Measures (STMs) funding recognised during the year.

STMs delivered on a consumption basis tracked behind the TEC Investment Plan target levels through the second half of 2017, finishing the year at \$24.5 million of training to industry trainees and apprentices. This represents a \$137,000 reduction in funding compared to that achieved in 2016 and a 3% unfavourable variance to the Investment Plan funding agreed with the TEC. This reduction in trainee volume and associated income reflects both where demand has trended in the year, and the removal of products from the market which were no longer aligned to stakeholder quality expectations.

On a non-exchange basis, Primary ITO recognised 1,869 apprentice STMs and 5,113 industry trainee STMs in 2017, generating \$26.1 million of revenue. This reflects a 123 STM reduction in apprentices (Dairy Farming, Amenity & Nursery, Horticulture Production, Landscape & Arboriculture sectors all lower than 2016, offset by Meat Processing growing in 2017) and 680 STM reduction in industry trainees (Dairy Farming, Horticulture Production, RSE sectors) compared to 2016.

Industry grants from DairyNZ have increased over the 2016 year, reflecting the close-out of 2016/17 contractual obligations and recognition of 2017/18 project deliverables. This increase in revenue offset the loss of funding from the Equine sector which came to an end in 2016.

Consultancy services revenue generated from the ASL subsidiary was lower in 2017 than that achieved in 2016. This lower revenue figure was offset by a corresponding reduction within the consultancy and professional fees cost category within Operating costs.

## Cost of Services

People costs represent 45% of our total cost of services in 2017 – a \$1.7 million reduction in expenditure compared to 2016. This reduction reflects the implementation of a new 'One Team' organisational structure during the year with our customer facing services aligned into Sector and Field Delivery teams.

Training costs reduced by \$207,000 in 2017 reflecting the reduction in training volume undertaken during the year.

Operating costs were an area of significant focus during 2017 with further efficiencies made within travel (\$344,000) and promotion and business development (\$274,000) cost categories over and above those achieved in 2016. This permanent reduction in the operating baseline was partially offset with \$207,000 of software asset disposals following the development of revised functionality, and \$11,000 of fixed asset disposals during the year.

## Statement of Cash Flows

Net cash provided by operating activities in 2017 at \$978,000 was a significant \$4.5 million improvement on the 2016 result. This reflects additional cash generated from training fees and other receipts (\$910,000), from industry grants (\$466,000) and \$3.5 million saved in payments to suppliers and employees in the past 12 months.

Investing activities undertaken during 2017 can be categorised into three distinct areas:

- Hardware cyclic replacement of end user and infrastructural assets.
- Digital transformation projects – upgrade of the NAVISION financial system (completed), merging of SMART TMS into the ToMoS Training Management System (work in progress), and the development of a new website (work in progress) were all progressed.
- Development of new training products (work in progress) to ensure we have fit-for-purpose solutions for the Horticulture and Apiculture sectors.



## Conclusion

The critical goals of Primary ITO for 2017 were to reshape the organisation as 'One Team' by uniting the disparate legacy ITOs that existed up to the latest merger in 2014, and to put it on a viable footing. This was achieved by:

1. Reshaping our customer interface by means of a sector focus in order to regrow the confidence and trust of industry in our organisation.
2. Sustainably reducing the cost base of the ITOs operations.
3. Implementing a revised focus on quality assurance in order to restore the confidence of stakeholders including central agencies.

The combination of these three initiatives generated the \$4.5 million improvement in net cash provided by operating activities achieved in 2017. The scale of change achieved in 2017 was immense - it reflects the ongoing commitment of staff and stakeholders to the Primary ITO and provides a solid foundation for the future.





# Financial Statements

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# Auditors' Report



## Independent auditor's report

To the Directors of Primary Industry Training Organisation Incorporated

The financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive revenue and expense 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; and
- the notes to the financial statements, which include a statement of accounting policies.

### Our opinion

In our opinion, the financial statements of Primary Industry Training 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 2017, 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.

Our firm carries out other services for the Group in the area of advisory services regarding Agriculture Services Limited. The provision of these other services has not impaired our independence as auditor of the Group.

### 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.

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## Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Organisation, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## 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 Chris Ussher.

For and on behalf of:

Chartered Accountants  
9 May 2018

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 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 2017.



Mark Darrow  
Board Chairperson

9 May 2018



Linda Sissons  
Chief Executive

9 May 2018

## Statement of Comprehensive Revenue and Expenses

For the Year ended 31 December 2017

		PRIMARY ITO GROUP	
	NOTE	2017 \$000	2016 \$000
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Government funding	2	29,178	31,639
Training fees	2	4,761	4,896
Industry grants	2	2,088	1,763
<b>Revenue from exchange transactions</b>			
Industry grants		360	253
Other income	3	2,491	2,906
Interest		278	510
<b>Total revenue</b>		<b>39,156</b>	<b>41,967</b>
<b>Cost of Services</b>			
People costs	4	17,277	18,942
Training costs	5	11,636	11,843
Operating costs	6	8,239	8,671
Depreciation and amortisation		880	886
<b>Total cost of services</b>		<b>38,032</b>	<b>40,342</b>
<b>Surplus</b>		<b>1,124</b>	<b>1,625</b>
<b>Other Comprehensive Revenue and Expenses</b>			
Other comprehensive revenue and expenses		-	-
<b>Total comprehensive surplus</b>		<b>1,124</b>	<b>1,625</b>

The accompanying notes form part of these financial statements.



## Statement of Changes in Net Assets

For the Year ended 31 December 2017

	PRIMARY ITO GROUP	
	2017 \$000	2016 \$000
<b>Balance at 1 January</b>	<b>15,181</b>	<b>13,556</b>
<b>Comprehensive Revenue and Expenses</b>		
Surplus	1,124	1,625
Other comprehensive revenue and expenses	-	-
<b>Balance at 31 December</b>	<b>16,305</b>	<b>15,181</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position

As at 31 December 2017

	NOTE	PRIMARY ITO GROUP	
		2017 \$000	2016 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,288	1,453
Term deposits	7	9,889	9,818
Receivables from exchange transactions	9	1,573	2,188
Receivables from non-exchange transactions	10	6,181	4,532
Inventory		167	118
Prepayments		3	41
<b>Total current assets</b>		<b>19,101</b>	<b>18,150</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	431	574
Intangible assets	12	1,277	1,160
<b>Total non-current assets</b>		<b>1,708</b>	<b>1,734</b>
<b>Total assets</b>		<b>20,809</b>	<b>19,884</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	13	2,790	3,232
Employee entitlements	14	679	1,320
Income in advance		1,035	151
<b>Total current liabilities</b>		<b>4,504</b>	<b>4,703</b>
<b>Net assets</b>		<b>16,305</b>	<b>15,181</b>
<b>Net assets</b>			
Retained earnings		16,305	15,181
<b>Total net assets</b>		<b>16,305</b>	<b>15,181</b>

The accompanying notes form part of these financial statements.



## Statement of Cash Flows

For the Year ended 31 December 2017

	NOTE	PRIMARY ITO GROUP 2017 \$000	2016 \$000
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from:</b>			
Government funding		28,084	28,297
Training fees and other receipts		7,826	6,916
Industry grants		2,482	2,016
Interest received		358	559
<b>Cash was applied to:</b>			
Payments to suppliers and employees		(37,772)	(41,288)
<b>Net cash (used in)/provided by operating activities</b>	<b>18</b>	<b>978</b>	<b>(3,500)</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash was provided from:</b>			
Term deposits maturing		9,818	13,517
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	11	(238)	(200)
Purchase of intangibles	12	(834)	(319)
Investment in term deposits		(9,889)	(9,818)
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,143)</b>	<b>3,180</b>
Net decrease in cash and cash equivalents		(165)	(320)
Cash and cash equivalents at the beginning of the year		1,453	1,773
<b>Cash and cash equivalents at the end of the year</b>		<b>1,288</b>	<b>1,453</b>

The accompanying notes form part of these financial statements.

## Statement of Accounting Policies

For the Year ended 31 December 2017

### 1 Statement of Accounting Policies

#### Reporting Entity

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 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 the Group are for the year ended 31 December 2017, and were authorised for issue by the Board on 9 May 2018.

#### 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.

#### 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 (PBE standards).

#### Functional and Presentation Currency

The financial statements are presented in New Zealand dollars which is Primary ITOs 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.



## Statement of Accounting Policies

For the Year ended 31 December 2017

### 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 a result of wholly owning Agricultural Services 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.

#### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Government funding is recognised as revenue when the formal course withdrawal date has passed, after taking into account the estimated funding recoveries repayable to the TEC, which includes subsequent trainee withdrawals. Management has exercised judgement in applying a weighted average recovery rate to government funding. As the recovery rate is an estimate of future recoveries that could become payable to the TEC, any significant change in actual recoveries could have a material impact on recognised revenue.

### Revenue Recognition

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. Primary ITO considers the TEC funding to be non-exchange as the TEC does not directly receive equal value. TEC funding is recognised as revenue when the appropriate training agreement withdrawal date has passed confirming the contractual obligation and associated inflow of resources within the financial statements.

#### 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.

## Statement of Accounting Policies

For the Year ended 31 December 2017

#### Interest Income

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

#### Income Tax

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

#### Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

#### Operating Leases

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

### Financial Assets

#### Cash and Cash equivalents

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

#### Term deposits

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 subsequently 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.



# Statement of Accounting Policies

For the Year ended 31 December 2017

## 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

## 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 assets 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 2017

## 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 2017

	PRIMARY ITO GROUP	
	2017 \$000	2016 \$000
<b>2 REVENUE FROM NON EXCHANGE TRANSACTIONS</b>		
<b>Government funding</b>		
Tertiary Education Commission:		
• Industry training funding	16,360	18,077
• Apprenticeship funding	9,719	10,817
Other government revenue	3,099	2,745
	<b>29,178</b>	<b>31,639</b>
<b>Training fees</b>		
Training fees	3,758	3,712
Training cost recoveries	1,003	1,184
	<b>4,761</b>	<b>4,896</b>
<b>Industry grants</b>		
Dairy	1,867	1,405
Beef and lamb	200	200
Equine	-	137
Pork	14	14
Poultry	7	7
	<b>2,088</b>	<b>1,763</b>
<b>3 REVENUE FROM EXCHANGE TRANSACTIONS</b>		
<b>Other Income</b>		
New Zealand Qualifications Authority moderation	429	489
Consultancy services	727	1,092
Other cost recoveries	446	328
Print room services	172	211
Other	717	786
	<b>2,491</b>	<b>2,906</b>

## Notes to the Financial Statements

For the Year ended 31 December 2017

	PRIMARY ITO GROUP	
	2017 \$000	2016 \$000
<b>4 PEOPLE COSTS</b>		
Employee remuneration and benefits	15,582	17,381
Contractors	1,212	833
Training & development	204	383
Other staff costs	279	345
	<b>17,277</b>	<b>18,942</b>
<b>5 TRAINING COSTS</b>		
Off-job training	9,872	8,948
Other training costs	806	1,942
NZQA fees	958	953
	<b>11,636</b>	<b>11,843</b>
<b>6 OPERATING COSTS</b>		
Communication	580	639
Travel	2,128	2,472
Occupancy	251	305
Property leases	1,021	1,017
Administration	1,494	1,174
Promotion & business development	1,202	1,476
Boards & committees	347	317
Consultancy and professional fees	787	1,122
Audit fee	52	41
PWC advisory services in respect of Agriculture Services Limited	15	-
PWC data analysis services	-	9
Loss on sales of fixed assets and intangibles	218	5
Financial charges	45	82
Bad and doubtful debts	99	12
	<b>8,239</b>	<b>8,671</b>



## Notes to the Financial Statements

For the Year ended 31 December 2017

### 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, BNZ and Westpac banks, all of which are registered in New Zealand and rated Aa3 by Moody's and AA- by Standard & Poors.

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

The Group periodically has concentrations of credit risk that arise from its funding model. This includes the TEC receivables in note 10. Management actively monitor the aging of accounts receivable balances and take appropriate action when required.

#### 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	
	2017 \$000	2016 \$000
<b>Term deposits</b>	9,889	9,818

The interest rate range for these deposits is 3.05% to 3.70% (2016: 3.20% to 3.75%) with \$800,000 maturing in March 2018, \$2,000,000 maturing in May 2018, \$3,070,000 maturing in June 2018, \$2,018,025 maturing in August 2018, \$2,000,000 maturing in October 2018.

	PRIMARY ITO GROUP	
	2017 \$000	2016 \$000
<b>Financial Instrument Categories</b>		
<b>Financial Assets</b>		
Loans and receivables:		
• Cash and cash equivalents	1,288	1,453
• Term deposits	9,889	9,818
• Receivables	7,689	6,463
	<b>18,866</b>	<b>17,734</b>
<b>Financial Liabilities</b>		
At amortised cost:		
• Payables	2,632	3,232
• Employee Entitlements	679	1,320
	<b>3,311</b>	<b>4,552</b>

## Notes to the Financial Statements

For the Year ended 31 December 2017

### 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	
	2017 \$000	2016 \$000
<b>9 EXCHANGE RECEIVABLES</b>		
Trade receivables	1,507	1,786
Interest receivable	66	145
GST Receivable	-	257
	<b>1,573</b>	<b>2,188</b>

At 31 December 2017 trade receivables of \$917,000 (2016: \$599,000) were past due 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	
	2017 \$000	2016 \$000
<b>10 NON-EXCHANGE RECEIVABLES</b>		
TEC receivable	5,411	3,948
Industry receivable	248	-
Training fees receivable	523	584
	<b>6,182</b>	<b>4,532</b>

As at 31 December 2017 training fees receivables of \$68,000 (2016: \$45,000) mainly individual training fees, were considered impaired and provided for in full.



## Notes to the Financial Statements

For the Year ended 31 December 2017

### 11 PROPERTY, PLANT AND EQUIPMENT

	COMPUTER EQUIPMENT \$000	FURNITURE AND FITTINGS, OFFICE EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	TOTAL FIXED ASSETS \$000
<b>For the Year ended 31 December 2017</b>				
<b>Opening net book amount</b>	<b>368</b>	<b>113</b>	<b>93</b>	<b>574</b>
Additions	223	15	-	238
Disposals	-	(5)	(6)	(11)
Depreciation charge	(236)	(75)	(59)	(370)
<b>Closing book amount</b>	<b>355</b>	<b>48</b>	<b>28</b>	<b>431</b>
<b>As at 31 December 2017</b>				
Cost	1,342	828	640	2,810
Accumulated depreciation	(987)	(780)	(612)	(2,379)
<b>Net book amount</b>	<b>355</b>	<b>48</b>	<b>28</b>	<b>431</b>
<b>For the Year ended 31 December 2016</b>				
<b>Opening net book amount</b>	471	206	167	844
Additions	175	22	3	200
Disposals	(1)	-	-	(1)
Depreciation charge	(277)	(115)	(77)	(469)
<b>Closing book amount</b>	<b>368</b>	<b>113</b>	<b>93</b>	<b>574</b>
<b>As at 31 December 2016</b>				
Cost	1,253	846	656	2,755
Accumulated depreciation	(885)	(733)	(563)	(2,181)
<b>Net book amount</b>	<b>368</b>	<b>113</b>	<b>93</b>	<b>574</b>

## Notes to the Financial Statements

For the Year ended 31 December 2017

### 12 INTANGIBLE ASSETS

	SOFTWARE \$000	TRAINING PRODUCTS \$000	WORK IN PROGRESS \$000	TOTAL INTANGIBLE ASSETS \$000
<b>For the Year ended 31 December 2017</b>				
<b>Opening net book amount</b>	<b>590</b>	<b>433</b>	<b>137</b>	<b>1,160</b>
Additions				
• Internally generated	167	-	667	834
• Purchased	-	-	-	-
Disposals	(207)	-	-	(207)
Amortisation charge	(241)	(269)	-	(1,711)
<b>Closing book amount</b>	<b>309</b>	<b>164</b>	<b>804</b>	<b>1,277</b>
<b>As at 31 December 2017</b>				
Cost	1,539	645	804	2,988
Accumulated amortisation	(1,230)	(481)	0	(1,711)
<b>Net book amount</b>	<b>309</b>	<b>164</b>	<b>804</b>	<b>1,277</b>
Primary ITO internally generates training products and software solutions that support the vocational education and training requirements of the industries we serve. Further information as to the nature of costs capitalised can be found in Note 1 Significant Accounting Policies - Intangible Assets.				
<b>For the Year ended 31 December 2016</b>				
<b>Opening net book amount</b>	<b>692</b>	<b>98</b>	<b>468</b>	<b>1,258</b>
Additions				
• Internally generated	153	436	(331)	258
• Purchased	15	46	-	61
Amortisation charge	(270)	(147)	-	(417)
<b>Closing book amount</b>	<b>590</b>	<b>433</b>	<b>137</b>	<b>1,160</b>
<b>As at 31 December 2016</b>				
Cost	1,749	614	137	2,500
Accumulated amortisation	(1,159)	(181)	-	(1,340)
<b>Net book amount</b>	<b>590</b>	<b>433</b>	<b>137</b>	<b>1,160</b>
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 2017

	PRIMARY ITO GROUP	
	2017 \$000	2016 \$000
<b>13 PAYABLES</b>		
Trade payables	1,004	1,541
GST payable	158	-
Accrued expenses and other payables	1,628	1,691
	<b>2,790</b>	<b>3,232</b>
<b>14 EMPLOYEE ENTITLEMENTS</b>		
Accrued employee payments	1	687
Annual and discretionary leave	678	633
	<b>679</b>	<b>1,320</b>

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	
	2017 \$000	2016 \$000
<b>15 COMMITMENTS</b>		
<b>Operating Lease Commitments</b>		
<b>Payable within:</b>		
One year or less	1,653	1,890
Between one to two years	1,064	1,216
Between two to five years	1,033	1,667
	<b>3,750</b>	<b>4,773</b>

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

### Capital Commitments

There were no capital commitments as at 31 December 2017 (2016: nil).

## 16 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2017 (2016: nil).

## Notes to the Financial Statements

For the Year ended 31 December 2017

## 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.

	PRIMARY ITO GROUP			
	FTE	2017 \$000	FTE	2016 \$000
Board members' remuneration	8	217	11	218
Salaries and other short-term employee benefits	8	1,770	9	2,157
	<b>16</b>	<b>1,987</b>	<b>20</b>	<b>2,375</b>

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

	PRIMARY ITO GROUP	
	2017 \$000	2016 \$000
Total comprehensive surplus for the year	1,124	1,625
Adjustments:		
Depreciation/amortisation and loss on sale	1,098	891
(Increase) in trade and other receivables	(997)	(4,392)
(Increase)/decrease in inventory	(49)	83
(Decrease) in accounts payable and accruals	(442)	(2,167)
(Decrease)/increase in employee entitlements	(641)	460
Increase in income in advance	885	-
<b>Net cash (used in)/provided by operating activities</b>	<b>978</b>	<b>(3,500)</b>

## 19 SUBSEQUENT EVENTS

In March 2018, Te Ako Wools Limited, a training provider utilised by Primary ITO to train and assess trainees within the wool sector, ceased to trade. Primary ITO has appropriately accounted for all costs associated with Te Ako Wools within the 2017 financial statements.

There are no other material events subsequent to balance date.



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