



Annual Report

2018



Primary ITO
Rōpu Whakangungu Ahuwhenua Ahumahi

**In everything we do, there's always a starting point.
It builds and it energises and it makes things happen.**

For us, that starting point is always people - and the most important thing we can do is to help them grow.

To achieve more.

Be confident.

Share the learnings.

Lift everyone around them – ka hikitia!



21,683

people training with Primary ITO



Ethnicity

	Number of people	%
European	10,680	49%
Māori	4820	22%
Pasifika	1611	7%
Other	4572	21%



64% 2018

75% TEC Target

Credit Completion Rate



"I'm really glad I chose to do an apprenticeship and study with Primary ITO. It's set me up really well."

Shane Hollands

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

From kura.

To starting out.

To climbing the ladder.

To running the place.

Primary ITO in 2018



Age	Number of trainees	%
24 & Under	6422	30%
25 - 34	7274	34%
35 - 44	4055	19%
45+	3932	18%

21,683



Level of Training

	Number of trainees	%
Level 1	15	<1%
Level 2	5060	23%
Level 3	10,627	49%
Level 4	5322	25%
Level 5	641	3%
Level 6	18	<1%

21,683

We launched **12 new** full programmes in 2018 along with **7 micro-credentials**.

Significant work was done on another 17 programmes and more micro-credentials for release in 2019.



"I like to lead by example by doing the course I'm expecting other people to do. I completed my Level 3 Certificate a few weeks ago and I believe I'm the first person in New Zealand to have finished it." **Kelly Edmonds - Dairy Processing Expert**

**Primary ITO's proud to be at the heart of it,
on the whenua working with individuals,
businesses, communities and industry.**

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

Primary ITO in 2018



Independent survey

Primary ITO contracted the research firm IPSOS to undertake an independent survey of the satisfaction levels of over 4,000 employers who have dealt with the ITO over the 12 months of 2018.

Of the key reasons for employers being satisfied or very satisfied, the highest rated were:

- **ITO staff (78%), in particular their professionalism and understanding of the employer's/industry's needs.**
- **Training resources and materials (74%), noting their clarity, precision and relevance.**
- **ITO seen as a trusted partner (72%).**
- **69% of employers were satisfied or very satisfied with the training available.**



Social media

- **We increased Facebook followers from 7550 to 8325, and our posts had an organic reach of 345,000.**
- **We received 151,000 Twitter impressions and around 2100 followers.**
- **We had over 1000 LinkedIn followers.**



"It's a job you can travel the world with because there's a golf course or cricket pitch in every town."

Harry Middleton - Sports turf apprenticeship graduate

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

Skilled, talented people are our country's future.

Believe it. Believe in them. We do.

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

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

Let's get on and grow Aotearoa.

Primary ITO in 2018

5284



**Employers
with staff**

473,919



**Credits
achieved**

10,143



**Programmes
Completed**



"Primary ITO cover everything off really well and they make it easy to achieve because you don't have to stick to strict deadlines which is really helpful. Viticulture is a seasonal industry so at times we're really flat out. Primary ITO understands that, so they have flexibility built into their programme."

Jeremiah Love - Viticulture field manager

Our Four Strategic Organisational Goals

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

OUR GOALS



LEAD AND INNOVATE

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



TRUSTED PARTNER

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



COMPETITIVE ADVANTAGE AND PRODUCTIVITY

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



HIGH-PERFORMING

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

OUR SECTORS



Meat and Fibre



Horticulture



Dairy



Primary Services



Seafood



Chair's Report

Primary ITO took a number of important steps in 2018, helping make it fit for a strong future in our key role of working with businesses in the primary industries to grow the capability of their people.

These steps built on the establishment of the national sector groups in 2017 – Dairy, Meat and Fibre, Horticulture, Primary Services and Seafood. In 2018, those changes were fully bedded in with Primary ITO's field force taken from a regional focus into the sector groups, while retaining the regional presence.

That has meant that we can offer genuine sector expertise or a geographic coverage that reflects the numerical strength of the sector. For example, our Dairy team operates as one group, with a network of around 50 processing and farming experts around the country.

Financially, Primary ITO remains in strong position with nearly \$15 million in net assets. The organisation received less government funding in 2018 as well as less revenue from training fees and industry grants. This was partly balanced by increased revenue from consultancy services, other cost recoveries, and lower people, training and operational costs, but overall we recorded a deficit of \$852,000 driven by lower training numbers.

Primary ITO is focused on high-quality industry training in the skills industry wants. Through 2018, we launched a large number of new products, responding to the needs of our industries. A highlight was the launch of the new Apprenticeship in Horticulture Production, with strong support from national industry associations, as was the first complete review of our seafood programmes in 20 years. Both of these initiatives will

be covered later in this annual report.

We have a stated strategic goal to lead and innovate for the primary industries. We are leading the way in micro-credentials – bite-sized pieces of learning to learn specific job skills and cutting-edge knowledge. The Government approved these in 2018, and late in the year we held pilots across the horticulture and dairy sectors for a biosecurity micro-credential.

Micro-credentials have the potential to be game changers for primary industries training. They are strongly focused on "just in time" learning, where people learn the specific skills they need right before they are ready to apply them. For us in the primary industries, the appeal of being able to respond quickly to biosecurity threats, changes in animal care regulations, or emerging product opportunities is compelling.

Primary ITO has also responded to the need across our industries to develop coherent information about current and future workforce needs. We have developed a series of workforce development scans, which are key pieces of analysis in Primary ITO's work to provide industry-focused solutions. MPI has estimated that another 50,000 workers will be needed in the primary industries by 2025. The scans go deeper into our specific sectors, providing both the high-level scene setting around the challenges, changes and key themes, as well as the real specifics that individual businesses will be able to use around the changing workforce and what will be needed to recruit and retain talent.

A genuine strength of Primary ITO is the expertise brought by our 14 industry partnership groups. They are our vital link into the primary industries and ensure what we are doing delivers

the skills needed by industries. The IPGs have helped deliver new programmes and given invaluable advice on training, qualification review and development, industry trends and research. During 2018, we gave a renewed focus to engaging with our IPGs and Stakeholder Council.

Since last year's annual report, the Board has welcomed Trevor McIntyre. Trevor has brought strong governance and education sector experience, as well as his on-the-ground understanding of farming. I'd also like to acknowledge the contributions of Richard Wanhill and Barry Harris who both stood down during 2018 after lengthy periods of service.

The year has not been without challenges in the sector, with Taratahi Agricultural Training Institute being placed into liquidation at the end of 2018, after nearly 100 years in operation. Primary ITO had to move quickly to place our trainees with different providers. The organisation also took on Taratahi's Trades Academy places, in the process nearly doubling the size of our own trades academy to around 850.

Finally, as this report is being completed, the Government is consulting on plans for the Reform of Vocational Education. These would see major changes for the industries depending on Primary ITO both to arrange training, and as the industry body using its expertise to design training and act as a voice in the sector. Industry and Primary ITO invested a great deal in having the organisation set up in the right way to meet industry needs. It is also on a firm footing financially and operationally and I am confident it is well-placed to meet the future.

Mark Darrow
CHAIR, PRIMARY ITO

T&G Global Ltd: "T&G have worked extensively with Primary ITO for many years to ensure the qualifications developed **meet our needs** and that arrangements for the qualifications to be obtained in workplaces and by providers are fit for purpose."

Beef + Lamb NZ: "Thank you for your team's **commitment to our sector**, and your ongoing willingness to be open to the changes required to meet our industry's needs."

Federated Farmers: "For each of our members who employs a person who is trained through the ITO's systems we see **positive impacts** for both the farmer and the trainee."

Coleridge Downs: "We are very pleased to be partnered with Primary ITO for our Cadet programme. It provides our students with the necessary qualifications to leave after two years and secure the best jobs on offer in the farming industry. The support we receive from the Primary ITO team is **exactly what we need**."

Constellation Brands: "We have seen great progress in recent years in Primary ITO's ability to serve our requirements and we are excited by the potential of our continued **collaboration**."

Dairy Women's Network: "As a respected Partner, Primary ITO has enabled us to deliver key business skills, **support and learning** to our members, which in turn has had a positive impact to the industry."

Elliots: "Our association with Primary ITO is very strong. We have a locally based Training Advisor who **engages with our staff** and sets goals regularly to ensure they are progressing with their qualifications."

Foodstuffs: "As part of our values, these qualifications fit extremely well, in assisting New Zealanders Get More out of Life, by valuing our teams to **achieve more and grow** as individuals."

LIC: "LIC has had a collective partnership with Primary ITO for well over a decade which is focused on training artificial breeding technicians. As a result of this partnership we have been able to develop highly skilled AB technicians that are recognised amongst the **best in the world**."

Meat Industry Association: "Primary ITO is an essential part of the training of people in the New Zealand meat industry and an important part of the upskilling of the industry workforce in its desire to create **greater value** from its products."

Ngāi Tahu Farming: "Primary ITO has been **actively working with us** to align the on-job training qualifications to our Ngāi Tahu Farming workforce programmes underpinned by our values and principles."

PGG Wrightson: "We feel that **our voice is heard** by Primary ITO and we get the opportunity to engage with them throughout each calendar year."

Tūhono Whenua Horticulture Ltd: "We are confident that our partnership approach with the ITO provides the professional oversight that will assist us to achieve our goal of investing in **growing our people**, so they are able to care for our orchards today and into the future."

Dairy Holdings Ltd: "Staff on all of our farms are **given opportunities** to complete the Primary ITO training programmes. In a time of growth in our industry we need the partnership and MOU we have with Primary ITO to continue."

SPCA: "With a staff of 600 and 4,500 volunteers across 41 animal centres, it is important that we are able to have qualifications that meet the skills and knowledge that is needed for those working in an animal facility. Primary ITO has worked collaboratively with us, **listened to our needs** and then been able to provide us with options that best suit our needs."



Chief Executive's Report

2018 was a year of both consolidation and innovation for Primary ITO. Consolidation in that we built on the significant changes of 2017, and innovation in the way we charted a future with a smart food and fibre sector workforce, learning when needed, and where needed.

Primary ITO works with approximately 22,000 trainees and apprentices – 49 percent of all learners below degree level in the primary sector. All are learning at work: the leadership and commitment of their employers is therefore critical, and those employers need to see value in what Primary ITO offers. Much of our effort in 2018 was directed at demonstrating value and relevance to employers and industry good bodies, with deeper customer intimacy and more specialised knowledge of their business.

In 2017, we had refocused our internal structure to better align with the major industry sectors: Dairy, Horticulture, Meat and Fibre, Primary Services, and Seafood. In 2018 we completed the realignment, resulting in 15 specialised sector managers, and all field staff reporting through them to National Group Managers. We also designated the secondary schools we work with as sector academies closely reflecting the trends in their regions' economies.

Throughout the year, employers were giving us the clear message that they need skilled workers, and that they're prepared to invest in training these workers. There's a critical need across all our partner industries and we have worked on multiple fronts to address it. With an eye to the future, the new Horticulture Production Apprenticeship launched with an initial target of 100 apprentices, who we expect to become future leaders in the industry.

Likewise, we celebrated the first year of the Federated Farmers Dairy Apprenticeship, which aims to link the best talent with the best employers, both sides with a commitment to excellence.

Helping grow New Zealand through people means attracting smart, innovative people to our sector. We know that the future will be driven by value and innovation rather than volume, and we're focusing closely on delivering our higher-level certificates and diplomas, while at the same time providing the pathways and support to bring people through to those programmes. As a result, 77 percent of our trainees were learning at Level 3 or higher, an increase from 68 percent in 2017.

Our relationships with industry and Government are pivotal to our success. In May, we were proud to host the Education Minister Chris Hipkins to speak at our AGM function for industry stakeholders. In December, the Agriculture Minister Damien O'Connor addressed a joint meeting of our Board and Stakeholder Council. He established a Skills Leaders' Working Group, including Primary ITO, working with him to develop an integrated plan for the food and fibre learning ecosystem.

Primary ITO is responsible for 104 separate qualifications on the New Zealand Qualifications Framework, all subject to regular evaluation and updating to reflect industry trends. In 2018 we led the way in the tertiary sector by designing new micro-credentials to meet industry needs. One in particular, in biosecurity for managers and team leaders, was not only an outstanding success as a valued credential but was also the first product in the biosecurity field, which Primary ITO was given special

development funding by the Tertiary Education Commission to lead. Besides reaching continually out to industry, we took strong action to ensure our quality assurance processes, and our back office enrolment and reporting processing, were strong and trustworthy. We met the TEC's performance threshold of 80 percent of trainees achieving 10 credits in their first 3 months. We reviewed all providers to ensure they were capable of meeting NZQA quality standards. We centralised all enrolment processing and launched our new business intelligence reporting system along with a new portal enabling our industry partners to get real-time data about the progress of industry training for them.

Primary ITO also made significant improvements in our communications channels in 2018. We launched a completely new website, with analytics now showing it's doing much better at meeting the needs of people wanting to know about a career in the primary industries.

We also strengthened our social media communications and traditional media engagement as ways of amplifying our voice for the sector.

We are very much fit for the future and ready for what we've got to deliver in 2019 and beyond.

Dr Linda Sissons
CHIEF EXECUTIVE



Agriculture Minister Damien O'Connor alongside Primary ITO Board and Stakeholder Council members Chris Flatt, Trevor McIntyre and Gary Jones.

Board of Directors

AS AT APRIL 2019

The Board of Directors are responsible for governing and monitoring Primary ITO performance. They make sure we manage the Government, industry, private and public assets in our care.



Mark Darrow CHAIR (Commenced: May 2015)

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

Mark has a number of Board roles including a Ministerial appointment on the New Zealand Transport Agency where he chairs the Audit Risk and Assurance Committee. He also chairs Armstrong Motor Group, Signum Holdings, Courier Solutions, and The Lines Company and is a Director for Balle Brothers Group and Trustees Executors.

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.

He was heavily involved in the 2011 sale of Charlie's Group Limited to Asahi Group, the mergers of MITO with EXITO and Tranzqual, the sale of PGG Wrightson Finance Limited to Heartland New Zealand Limited, the acquisition of Water Dynamics and Aquaspec by PGG Wrightson and the sale of a majority stake in Vehicle Testing Group to Dekra SE. He has been involved in around 30 M&A transactions in the last decade.

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



Jane von Dadelszen (Audit, Finance and Risk Committee Member. Commenced: June 2017)

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 and a member of the Boards of Toi Whakaari, New Zealand Drama School, Te Whaea Services, and English Language Partners New Zealand.

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

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



Trevor McIntyre (Remuneration Committee Member. Commenced: June 2018)

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

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



Robyn Clements (Audit, Finance and Risk Committee Chair. Commenced: June 2015)

Robyn has over 20 years management and governance experience in the agribusiness and primary sector with a focus on dairying, sheep and beef.

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.



Pamela Storey (Audit, Finance and Risk Committee Member. Commenced: June 2017)

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, Director and Deputy Chair of The Good Collective, Chair of the Rabobank Upper North Island Client Council, as well as a member of the Dairy Environmental Leaders Forum. She is a previous Chair of Go Eco, previous Board member of the Energy Management Association of New Zealand (EMANZ), Access HomeHealth, and the US-based Council for Women in Energy and Environmental Leadership, as well as being a finalist in the 2017 New Zealand Women of Influence Awards.



Traci Houpapa (Remuneration Committee Chair. Commenced: June 2016)

Traci is an award-winning company director and a recognised industry leader. She currently chairs Landcorp, FOMA (the Federation of Māori Authorities), W3 Wool Unleashed PGP and the National Advisory Council for the Employment of Women.

She holds governance roles within a wide range of other organisations including the Waikato River Authority, Ontario Teachers' Pension Plan NZ Forest Investments, Hineuru Holdings Limited and Predator Free 2050.

Traci is also an Honorary Advisor to the Asia NZ Foundation and a ministerial appointee on the Victoria University Council.



Chris Flatt (Remuneration Committee Member. Commenced: February 2014)

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

In this capacity, Chris is also a Director on several Boards including the Waikato Trade Union Centre Ltd and the Centre for High Performance Work Ltd. He also served as a Director on the NZITO Board for two years prior to the merger with Primary ITO. Chris has also been a Trustee of the Workers' Education Trust Incorporated since April 2017 and a Trustee of the Waikato Community Trust Incorporated (Trust Waikato) since July 2018.

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 law firms in both Auckland and Sydney.

Goal 1: Lead and Innovate

Primary ITO leads innovation within the primary industries learning ecosystem.

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

During 2018, Primary ITO welcomed the Government's position that industry should regain a role in skills leadership.

There are not enough of the right people coming through to meet the needs of the primary industries. To make the progress needed, Primary ITO believes we must turbocharge our investment in the human resource and capability development of our current and future workforce.

WORKFORCE DEVELOPMENT

Primary ITO has developed a series of eight workforce scans, analysing the work required to achieve this future and provide industry-focused solutions.

These workforce scans provide both the high-level scene setting around the challenges, changes and key themes for a range of sub-sectors, as well as real specifics that individual businesses will be able to use around the changing workforce and what will be needed to recruit and retain talent.

The scans include analysis across industries within Primary ITO's overarching groups – dairy, meat and fibre, seafood, horticulture and primary services.

With the estimated 50,000 extra workers needed in the primary industries by 2025, and the Government's stated aim to double the value of primary industry exports in the same period, this analysis will help industry in its planning.

MICRO-CREDENTIALS, PATHWAYS, AND LEARNING INNOVATION

Micro-credentials have the potential to be a gamechanger for the primary industries. These bite-sized qualifications focus on "just in time" learning, enabling employees to learn effectively within the seasonal framework of their working schedules.

In 2018, we finalised seven micro-credentials. Four of these are as a package for the wool industry. Traditional learning models have struggled to provide training for this seasonal workforce. The first of these wool micro-credentials is a five-credit course teaching people the basics of how to shear. It provides an opportunity for people to try the industry and learn necessary skills before they commit to further training.

The other three wool courses provide the trainee with more in-depth learning – working in a wool shed, wool handling and shearing, and follow industry feedback on the need for updated training.

Simultaneously to the work on micro-credentials, Primary ITO also focused on the need to operate at higher levels of the New Zealand Qualifications Framework, with initiatives like the new Apprenticeship in Horticulture Production, and the bedding in of the Diploma in Agribusiness and Federated Farmers Dairy Apprenticeship.

The ability to provide industry-focused solutions is a key area where Primary ITO adds value for industry. During 2018, in addition to the seven micro-credentials, we launched a total of 12 full new programmes, responding to specific industry needs. These covered all of the major industry groupings supported by Primary ITO.

Following discussions with DairyNZ, we developed the Primary Industry Capability Planner for the dairy sector. This is designed to help guide consistent nationwide conversations on capability development, and demonstrate clear learner journeys using blended learning plans which incorporate both formal and non-formal learning solutions.

BIOSECURITY

The Ministry of Primary Industries led the major Biosecurity 2025 project in the second half of 2017. One of its five working groups focused on "Tomorrow's Skills and Assets", with Primary ITO chief executive Linda Sissons Chairing the skills stream of work. Reports were tabled in early 2018, and led to the Biosecurity 2025 Implementation Plan, Ko Tātou (This is Us).

The skills work stream revealed that there were (and still are) almost no vocational qualifications at sub-degree level in biosecurity. Primary ITO volunteered to take responsibility for developing appropriate qualifications for people working in the primary sector and was successful in gaining funding from the Tertiary Education Commission's new Qualifications Development Fund, which launched in 2018.

We commissioned research into industry's priorities for biosecurity training, which concluded that the most urgent priorities were a micro-credential at Level 5 for managers and team leaders, and elective modules for a range of applied qualifications and programmes. The micro-credential, titled "From Research to Action", was successfully piloted with practitioners in the horticulture

and dairy industry sectors. Joint Ventures and Amalgamations Projects funds were used for the pilot seminars for managers in these industries and the feedback was very positive.

LITERACY AND NUMERACY

Primary ITO's tertiary education-leading work on dyslexia was recognised in August in the 2018 Diversity Awards NZ.

Supporting people with dyslexia or other learning differences is one way the primary sector can develop the smart, innovative people it needs. Experts estimate 20 percent of people in the primary industries have some type of learning difference – this is twice the rate of the general population.

The programme Primary ITO was recognised for uses five steps to support workplace learners – dyslexia screening, providing quality dyslexia information, encouragement and coaching for learners, providing proper information to tutors, employers and colleagues, and access to technology like "reading pens" and voice-to-text apps for smartphones.

During 2018, Primary ITO's literacy and numeracy team supported over 500 employees in the primary industries to improve their literacy and numeracy through intensive literacy programmes, as well as mentors, study nights, and other initiatives. Our expert team also ensures literacy and numeracy is embedded in Primary ITO resources to make them easy for trainees to understand and interpret.

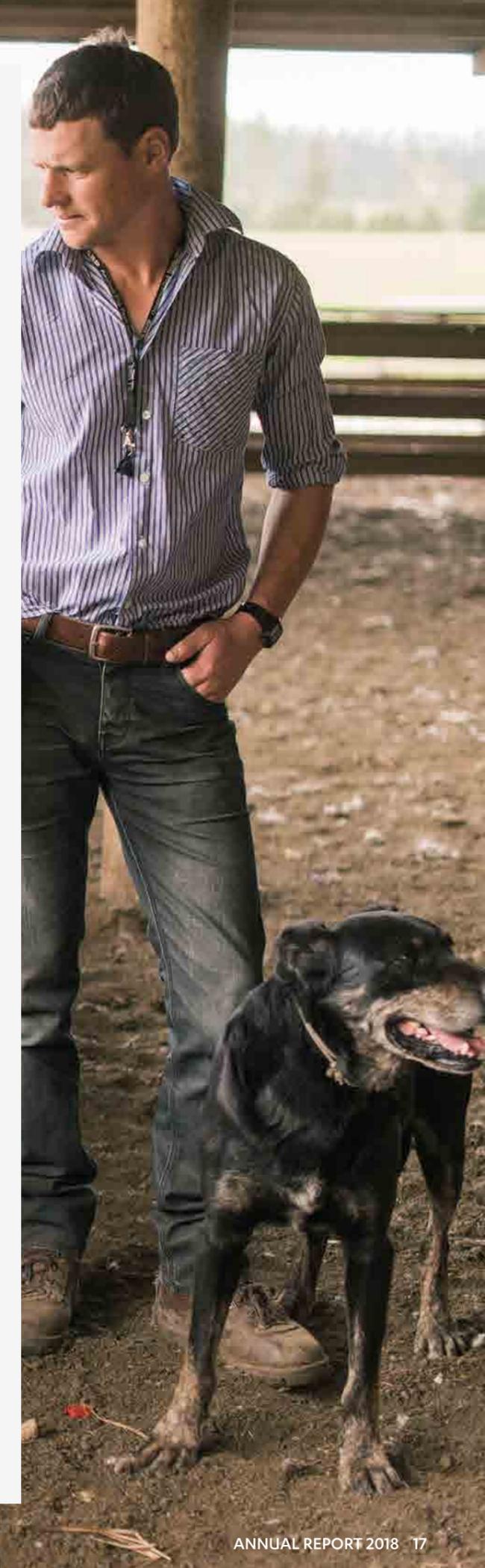
We completed our \$300,000 Ako Aotearoa research project on dyslexia. The findings are available on the Ako website and we are also sharing them at conferences.

LEADERSHIP FOR THE FOOD AND FIBRE LEARNING ECOSYSTEM

Primary ITO was privileged to host the Minister of Agriculture Damien O'Connor in December to meet with our Board and Stakeholder Council to discuss an integrated plan for the food and fibre learning ecosystem.

We have identified four broad work areas: supporting leadership by industry, stabilising and supporting a lower number of better providers, raising the funding rate for primary industry training, and incentivising and accelerating the development of micro-credentials and industry badging.

Along with the Government's proposals for the Reform of Vocational Education, the primary industries need to be an attractive and relevant destination for our young people. We are continuing work to showcase the dynamic and innovative qualities of the sector.



Goal 2: Trusted Partner

Primary ITO is a trusted partner for the primary industries.

Primary ITO aims to be a trusted partner across the primary industries. We work to strengthen relationships, increase understanding and collaboration with our industry partners, and provide industry-focused solutions. This means workers can receive training to accelerate the pace of innovation, improve farming, fishing and horticulture practices, and deliver more profitable growth for New Zealand's largest export sector.

In 2018, we were invited to be part of a leadership group led by the Minister of Agriculture Damien O'Connor, providing expert advice on education needs in the primary industries. We also provided input starting in May on the need for change in primary sector education – this work eventually formed part of the advice that influenced the Government in its Reform of Vocational Education.

A PARTNER FOR THE PRIMARY INDUSTRIES

We have 14 Industry Partnership Groups (IPGs) representing the broad industry sectors where Primary ITO manages workplace-based training. The IPGs share their knowledge of industry capability and workforce training needs.

This ensures we incorporate industry requirements and standards for NZQA-approved qualifications into our programme development and training materials.

Representatives from each of the IPGs form the Primary ITO Stakeholder Council. The Primary ITO Board consults with the Council throughout the year to clearly understand the viewpoints and needs of the respective industry sectors.

Our connection to industry is further strengthened by our work with primary industry groups and associations.

The partnerships we have developed with industry are a robust approach to ensuring the broad and comprehensive needs of the primary industries are represented in our work on workforce development, through our workforce scans, our work with education training providers, our advice into the New Zealand Qualifications Framework (NZQF) review, and the Government's reviews of the education system.

Primary ITO and the Dairy Processing IPG strengthened their relationship in 2018. We worked hard to address identified issues, asked for feedback from the IPG to confirm we were working on the right priorities, and agreed on a plan to continue to grow the sector in 2019 and beyond. This was an example of the IPG-Primary ITO relationship working well.

The advice and feedback we gain through engaging closely with industry feeds directly into unit standards and training

programmes. Through to the end of 2018, we had set the standards for training achievements that are recognised in 210 qualifications registered by NZQA. These qualifications better enable over 30 primary industries to have the human capabilities they need. Across our industry sectors we supervise approximately 22,000 trainees to gain the skills they need.

OUR PARTNERSHIPS WITH PRIMARY INDUSTRY EMPLOYERS

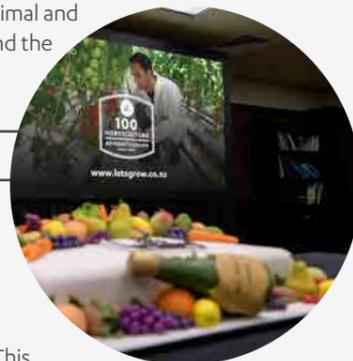
We have continued to strengthen our existing partnerships and broaden our partnerships with primary industry employers. In 2018 we worked with over 5000 employers. Four broad groupings - meat and fibre, horticulture, dairy and seafood – make up the largest export industry in New Zealand. It is important that we work alongside primary industry employers to deliver the rapidly growing needs for skilled workers and employees for their sector to maintain that leadership.

The work we did in 2018 with major employers like Fonterra with the DAIRYCRAFT partnership, Miraka with dairy processing and T&G with biosecurity will help them raise their productivity.

As another example, our focus on partnerships with employers like Foodstuffs, to help with point of sale training with fish bar managers in the supermarkets, means employees in the seafood sector have the competitive advantage needed. Ensuring strong industry partnerships is in recognition that to succeed, our primary sector workers must reflect the impeccable standards of food safety, produced with low carbon sustainable production practices, and the highest standards of animal and fish welfare that both society and the world expect of New Zealand's primary industries.

LET'S GROW CAMPAIGN

Our partnership with employers in the berry fruit, kiwifruit, apples and pears sectors in 2018 showcased how the New Zealand horticulture is big business and growing fast. This focused on the industries' need for qualified, capable people ready to grow. Primary ITO partnered with industry aiming to offer 100 apprenticeship positions to smart, motivated kiwis looking for something more than



just a job. The 'Let's Grow' campaign focused on linking employers with learners looking to land an apprenticeship and career in horticulture.

OPENING THE GATE FOR SCHOOL LEAVERS

Primary ITO again supported the "Got a Trade? Got it Made!" week showcasing the advantages of a career in the trades.

Our involvement focused on working to open the way for talented school leavers to join the primary sector. We challenged schools, school leavers and farmers to open the farm, garden or orchard gate to highlight the huge potential in industry training for a primary sector career.

This is one part of our work with schools to introduce senior students to good employers to give them a taste of the sector. This programme highlights to schools and school leavers how apprentices earn while they learn real and relevant skills in growing and innovative industries.

Sharing the Got a Trade investment with other ITOs and the Industry Training Federation enabled broad awareness and media coverage of the campaign.

JOINT VENTURES AND AMALGAMATIONS PROJECTS

The Tertiary Education Commission funded Primary ITO for two JVAP projects collaborating with the dairy and the horticulture industries. In both cases the goal is to develop innovative delivery and assessment approaches to build management capability. The innovative approaches include micro-credentials, short courses, and Recognition of Prior Learning (RPL). The bulk of the work fell in the 2018 year which saw a wide variety of delivery and assessment experiments in leadership training, with the dairy industry focusing on the Diploma In Agribusiness Management and the Horticulture industry focussing on leadership in the post-harvest arena. Both JVAP teams also participated in the piloting of a biosecurity microcredential (see separate item in Goal 1).



Goal 3: Competitive Advantage and Productivity

Primary ITO increases the value and productivity of the primary industries.

Primary ITO increases the value and productivity of the primary industries through growing people's capability. This strengthens the current and future workforce and builds internal infrastructure, broadening and deepening the impact amongst businesses to help deliver growth.

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

FUTURE OF VOCATIONAL EDUCATION

We continued engaging with the Tertiary Education Commission (TEC), the New Zealand Qualifications Authority (NZQA) and the Ministry of Education throughout 2018 to ensure primary industries are part of the key changes taking place in vocational education.

We have submitted into the NZQA review of the New Zealand Qualifications Framework (NZQF) to ensure the framework meets the ongoing needs of primary industries. Our aim is to ensure that the changes to the framework reflect the needs of our sectors. This means ensuring a competitive advantage internationally, while providing opportunities for adaptive and flexible qualifications to meet the 21st century needs of the primary industries – like micro-credentials.

Since the end of 2018, our consultation on the Government's Reform of Vocational Education (RoVE) focused on ensuring our industry partners Groups (IPGs) were engaged in the proposed changes and adequately consulted on what the proposals meant for their industry and trainees. We look forward to continuing our engagement in this process with the TEC and the RoVE review into 2019.

THE BENEFITS OF TRAINING IN THE PRIMARY INDUSTRIES

Primary ITO focused on helping businesses maximise the benefits of investing in skills. Increasing the skill base of the primary sector workforce also better equips the industry to address risks that threaten farmers' and growers' ability to continue to operate.

Training is essential to achieving the desired business productivity growth – particularly in an environment where farmers and growers can no longer count on converting more land for more production or capital gains on land. Analysis shows that investing in upskilling the primary industry labour force generates \$7 of economic benefit for all New Zealand for every \$1 invested.



The dairy industry has completed its own analysis of the return on investing in specific levels of training for employees (see graph below).

STRENGTHENING THE FUTURE WORKFORCE PIPELINE

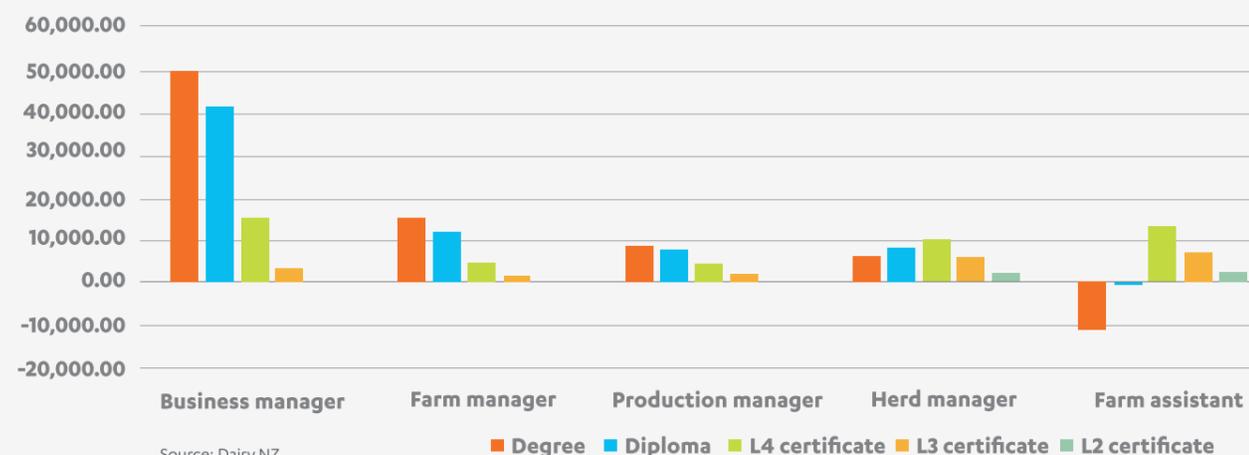
During 2018 our industry partners gave strong feedback that they wanted support in attracting people to the sector.

Initiatives in this area included the Federated Farmers Dairy Apprenticeship and the new Horticulture Production Apprenticeship, both supported by "microsites", which generate leads for employers needing workers. Primary ITO also revamped its website with a strong focus on guiding people to careers in the different industries we support. We also stepped up our use of Facebook and Instagram as channels to learners, with good results. A feature of the website is a new brand video. This is the story of Primary ITO – why we exist and why that matters. It's about the deep-seated passion we have for what we do.



At the end of 2018, Primary ITO responded to the closure of the Taratahi agricultural training centre by taking on its trades academy learners, to ensure school students could continue with the learning they had begun with Taratahi. Our Trades Academy now has over 800 students and is the largest in New Zealand, building a pipeline of school students wanting a career in the primary industries.

Net annual benefit for on-farm dairy industry (\$)



Source: Dairy NZ

Goal 4: High Performing

Being a high-performing organisation is critical in helping Primary ITO deliver on its other goals.

The right people, systems and culture mean we can help New Zealand grow through people.

As we've covered in other parts of this report, in 2018 we completed the re-alignment of our industry-facing teams. We had received strong feedback from industry that bringing the sector view to our training advice was the right thing to do, changing from the previous regional model.

OUR PEOPLE

Completing the realignment work begun in 2017 meant a year of change for many at Primary ITO. Despite that, a new engagement survey in December had many strong results. 95 percent of people agreed or strongly agreed that they support management, 91 percent of staff take responsibility for their own learning and development, 86 percent believe Primary ITO enables them to have a good work life balance, and 86 percent also agree or strongly agree that they know how their work contributes to the success of Primary ITO.

The roll-out of the new engagement survey in 2018 means direct comparisons with previous years are not available but it is expected to mean that quicker "pulse" checks can be more easily carried out, and direction given to areas for improvement.

HOW WE COMMUNICATE

Primary ITO's new website was launched in April and by the end of the year had received approximately 324,000 pageviews with people spending an average of 2 minutes 36 seconds on the site.

The new website is more customer-focused with more engaging content to better inform the audience. From finding a career, to growing careers and businesses, the website aims for an easy and intuitive navigation experience.

The website has generated a significant number of

queries from prospective trainees and employers, and our dairyapprentice.co.nz and letsgrow.co.nz microsites for dairy and horticulture apprentices have also proved successful.

Where these channels enable Primary ITO to reach many people with one communication, our training advisor field force remains the gold standard in providing advice to employers on training needs and supporting trainees in the workplace. Our internal sector realignment is delivering real benefits and positive outcomes in this work.

SINGLE TRAINEE MANAGEMENT SYSTEM

Moving to the Trellis single trainee management system and merging the two previous systems marked the end of a significant integration project and means Primary ITO has an improved and more robust result reporting interface.

The new system is critical for our requirements with the Tertiary Education Commission. It enables accurate reporting of achievement dates, which are particularly important where they need to align with dates of trainees' work visas. It also ensures results are correctly linked to training plans so TEC funding reports can be reconciled.



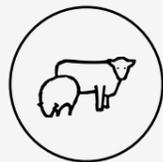
ALIGNING TO MEET INDUSTRY NEEDS

The internal realignment completed in 2018 has strengthened the line of sight our staff have to employers, trainees, education providers and industry representatives for each of our industries. This helps to meet industry's demand for skilled workers in a rapidly growing sector.

Using our NZQA-approved qualifications, our staff work with training providers and provide guidance and support to trainees on the ground in orchards, on boats, in processing factories and on some of the best farms in New Zealand.

Our work starts with industry representatives and moves through the whole cycle of course development, securing accreditation of the units of learning, to training providers, to working with employers and the individual employees working on obtaining qualifications. It is a joined-up robust system.





SECTOR REPORT: Dairy

DAIRY FARMING

Employment in the dairy farming sector is forecast to increase by nearly 17,000 jobs in the decade ending in 2025. Some of the key challenges for the industry include increased technology and innovation and increased social and environmental responsibility. The reliance on a migrant workforce is also a challenge.

Primary ITO has stepped up efforts to ensure employers have a diverse labour pool in the future. We are taking the lead in providing school programmes and pathways to attract school leavers into the dairy industry. We've also refocused the Trades Academy and Gateway programmes as a pipeline for knowledgeable, dynamic and innovative workers.

We also recognised that we can reduce the training barriers for mid-career farmers, or career changers, and are looking at opportunities for short courses to bridge capability gaps, and the ever-increasing use of technology to meet training needs.

FEDERATED FARMERS DAIRY APPRENTICESHIP

Primary ITO was proud to celebrate the first anniversary of the new Federated Farmers Dairy Apprenticeship in 2018.

As at the end of the year, around 270 people had registered their interest, and 80 had started their apprenticeship. A particular highlight was the high level of interest in a career in dairying coming from people away from the dairy heartlands.

The dairy apprenticeship programme is one way Primary ITO is helping address the large number of workers who will be needed by the dairy farming industry by 2025. With more than 85 percent of New Zealanders living in urban areas, encouraging them to consider a career in dairying is a priority.

Becoming an apprentice is a "premium pathway" to leadership and eventually to farm ownership.

The first anniversary function was held in Stratford, with Employment Minister Willie Jackson. Taranaki sharemilker Owen Clegg, a former dairy apprentice told attendees how valuable training was.

"I think farming has changed a lot in the last few years – how we manage our farms in relation to climate change, and how we manage our feed. Going back to basics is not a bad thing. My apprenticeship is where I learnt those basics so training is an important part of moving our industry forward so we continue to grow and remain productive."

DAIRY PROCESSING

Strong employment growth is expected in dairy processing in the next few years and Primary ITO is working with industry to ensure the right qualifications are in place to train new workers and upskill those already in the industry.

In 2018 we were pleased to strengthen our relationships with companies and groups including Yashili and the Dairy Goat Cooperative, and build new relationships with companies like Food Innovation Waikato, Dairy Nutraceuticals Limited and Mataura Valley Milk.

A highlight was working with Kawerau Dairy, New Zealand's second Māori-owned dairy processing plant in their early establishment phase.

Our engagement with our Dairy Processing Industry Partnership Group has also strengthened, and its guidance and feedback ensured we work on the training that industry needs. Strong gains were made in this area in 2018 and this will continue to be a key focus in 2019.

DAIRYCRAFT

The DAIRYCRAFT collaboration with Fonterra grew strongly in 2018, with more than 500 learners engaged in training over the year. DAIRYCRAFT is a technical training programme for Fonterra's plant operators and distribution specialists who work at 29 sites across New Zealand.

RESOURCES

We recognised the need for a full refresh of our resources for the New Zealand Certificate in Dairy Processing at levels 2 and 3. In 2018 we made a significant investment and completed new learner guides, assessor and assessment guides for 61 different unit standards, with strong input and support from industry.



Mid-Canterbury sharemilkers Jared and Victoria Clarke.

SECTOR CASE STUDY: DAIRY

Flexible training increases value of international staff

Mid-Canterbury sharemilkers Jared and Victoria Clarke care a lot about their team and work hard to ensure they employ the right people on their two dairy units near Methven.

They offer a supportive environment and sustainable workload in return for a high level of execution, planning and commitment from staff – and those staff are honing the skills they need to succeed through Primary ITO.

Eight out of nine staff employed by the Clarkes' company, Two Rivers Ltd, are currently studying Level 3 or 4 papers in animal husbandry and livestock feeding. "I teach the guys as they go," Jared explains. "They do their homework at night or whenever suits them and ask me questions during the day."

The flexibility offered by Primary ITO allows Jared's team to study by correspondence. A training advisor visits the farm every two months to provide extra motivation, guidance and support, and the arrangement works well for all involved.

"Unemployment in Ashburton is the lowest in New Zealand and minimum wages are going up. The labour market is really tight right now so offering training helps to retain good people," says Jared.

The majority of the Two Rivers team hail from Sri Lanka, Brazil, India and Chile. Studying with Primary ITO helps strengthen their visa and residency applications so they can continue working in New Zealand, which is a huge plus.

The Clarkes run two dairy units on Tamar Farms – a 1470ha mixed farming operation – and milk 2000 cows twice daily, which graze over 600ha.

As a result of their study, Jared believes his team take more of an interest in what's happening on-farm. "They certainly have a greater understanding of why we're doing things.

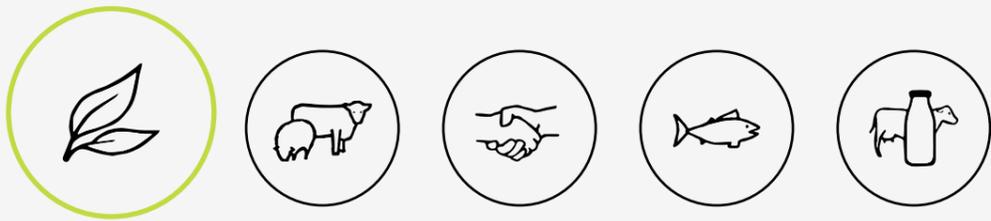
"For example, when a cow calves she has high calcium and magnesium requirements in order to produce milk. In practice we supplement their feed with large bags of magnesium oxide (white powder). Those who are studying will understand how the science works and what's happening as opposed to just making sure the cows eat the white stuff. It's better when they understand a bit more about it."

Jared says Primary ITO training is 100 percent driven by his staff. They pay the initial fees upfront, and the Clarkes reimburse them when they pass. Both Jared and Victoria know the value of study, having graduated from Lincoln University with honours degrees in Agricultural Science.

"Understanding how to think and disseminate information is certainly useful. They do learn cause and effect during their Primary ITO study. Anything that helps your thought process and comprehension is time well spent."

Trainee herd manager Sharanjeet Singh joined the Clarkes in 2017 and is already studying towards his second Level 3 qualification. He says the practical tasks and theory helps to improve his performance day-to-day.

"I've progressed so much. It's good being able to study and work at the same time. If I do have any questions, I can email the tutor and they'll reply. It is helping to advance my career for sure."



SECTOR REPORT: Horticulture

The Horticulture production sector is continuing to show strong export growth which is forecast to rise to over \$6 billion driven by increases in kiwifruit, apple and wine exports. The domestic horticulture services sectors directly contribute to economic and environmental resilience. Regulation change and the implications of work safety, recruitment challenges and contractual responsibilities are strengthening the need for fit-for-purpose qualifications, programmes and training.

Primary ITO is positioned to meet and deliver high quality results for commissioning the training needs of industry. The internal realignment undertaken in 2018 ensures our staff have a clear connection between the coal face and sector governance. This means Primary ITO can better facilitate the training needs of employers to support the demand for skilled workers in a rapidly growing and dynamic sector.

TRADE CERTIFICATION FOR APICULTURE

A new Memorandum of Understanding with Apiculture New Zealand enabled a new suite of programmes to be developed for the sector. The first block courses start in April 2019, covering Levels 3-4 of the NZQF, meaning a career pathway is now available for the apiculture sector, including for the first time an apprenticeship programme. The programme was developed with a sector focus group to ensure it meets industry approval and standards. The sector needs skilled people who can contribute to high productivity along with the health and safety of New Zealand's beehives.

COLLABORATIVE APPRENTICESHIP LAUNCHES

We undertook the '100 Apprenticeships Available' Let's Grow Apprenticeship launch in collaboration with the horticulture production sector. This provided new programmes, learning resources and assessments across fruit production, post-harvest, indoor crop production, outdoor vegetables and nursey production.

There has also been significant development in arboriculture, landscaping and amenity gardening with new programmes in these areas set to be launched in 2019. We are working with major employers such as the Citycare and Downer groups to develop training plans that align with their needs.

SPORTS TURF GOING FROM STRENGTH TO STRENGTH

Following the signing of a long-term contract with Sports Turf New Zealand in 2017, Primary ITO made significant progress in this area. This collaborative agreement was to ensure comprehensive training was commissioned to maintain a high-quality standard for industry. 2018 not only saw an increase in the number of people in the programme, but an increase in the interest in sports turf from the wider sector.

TŪHONO WHENUA HORTICULTURE

Tūhono Whenua Horticulture, a Māori collective based in Bay of Plenty, works to bring more Māori into training with the objective of increasing the number of Māori orchard managers. Primary ITO worked on how to better engage with Māori learners through industry training to raise Māori achievement.

The point of difference is the increased support included in their training provided by Tūhono Whenua Horticulture and the bespoke framework overarching the apprenticeship scheme. We will grow enrolments in this initiative in 2019, with interest from other Māori groups across the primary industries for similar programmes to be considered.



The ability to earn money while learning on the job is one huge benefit, and Sami is soaking up the advice and knowledge shared by those around her.

SECTOR CASE STUDY: HORTICULTURE

Sami Climbs to the Top of her Game

Sami Baker clearly remembers driving past a crew of arborists in Christchurch years ago who were dangling from trees holding chainsaws and thinking 'that would be a dream job'.

Fast forward several years, and the 26-year-old is now the one dangling from great heights – including above an earthquake-ravaged SH2 near Kaikoura.

"We got called in to abseil down the cliff faces and remove all the trees that were in danger of coming down," she explains. "It was a great learning curve but a bit scary because the earthquake had pretty much destroyed the road. You really had to trust your training and the crew members around you."

Sami is now half-way through her three-year apprenticeship with Christchurch and Wellington-based arborist company Treotech. She is learning practical skills on the job while also studying towards her Level 4 Certificate in Arboriculture with Primary ITO.

"I was never really into writing or reading at school. I was always a hands-on learner. So I left school when I was 17 and worked odd jobs in cafes before travelling to Canada for a year."

While overseas, she got a taste for life working outdoors by planting trees in a remote forestry plantation. So when she arrived back in Christchurch and saw Treotech was looking for an apprentice, she went for it.

"I never thought I'd be capable of being an arborist, but I soon realised anyone can do it if you've got the right attitude and you're willing to learn."

The ability to earn money while learning on the job is one huge benefit, and Sami is soaking up the advice and knowledge shared by those around her.

"That's why I believe apprenticeships are a great way of learning because you pick up a wide range of skills from lots of different people. The girls and guys who work in arboriculture are just outstanding people and everyone is very keen to show you their way of doing things."

A typical day could see Sami pruning trees to let more light into people's properties, removing ivy, dismantling hazards or trimming foliage near high voltage power lines on Banks Peninsula.

"You get to walk up hills all day in the middle of nowhere and enjoy nature and scenery that most people will never get to see. It's an awesome feeling being in the tree canopy, surrounded by views and birds flying around you. You're just up there hanging out with nature."

Sami says she learns something new every day and has formed a close bond with her Treotech colleagues. "You're often working with harnesses and high ropes and chainsaws, so you have to rely on those around you and your crew leader to keep you safe."

To extend her skills, Sami has also gotten involved in tree climbing competitions. She qualified for the nationals in Tauranga last year and has recently travelled to Australia twice to compete.

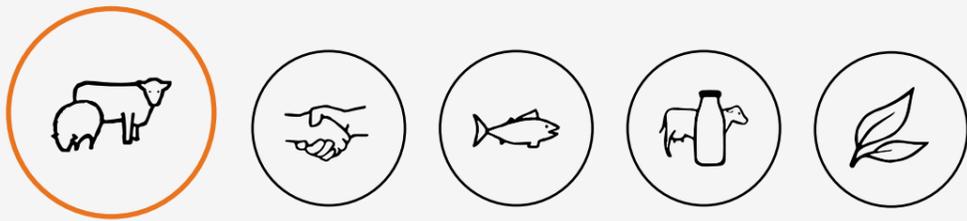
"You spend the first six months of your apprenticeship working on the ground. I'm a rock climber and like heights so I started doing climbing competitions to build up my skills and learn more about the industry."

"The nationals in October last year were awesome. There were four females competing and I came fourth which is what I was expecting but I learnt so much. It's not like other sport – everyone's there to help you get better."

Her work has also taken her to Wellington where she spent several weeks helping clear trees to make way for the new Transmission Gully motorway.

Qualified arborists are highly sought-after and currently feature on Immigration New Zealand's skill shortages list. "There's also a shortage of arborists internationally so wherever you go in the world you could get a job."

Sami's advice to those considering a career in arboriculture is to have a 'can do' attitude and be interested in the job. "Listen and believe in yourself. If you want to learn, everyone wants to pass on knowledge to you so it's a great industry to be involved in."



SECTOR REPORT: Meat and Fibre

Our Meat and Fibre group supports our meat production and processing sectors as well as wool harvesting. In 2018, our priority continued to be ensuring that our products, services and relationships deliver at every level.

MEAT PRODUCTION

A major highlight in 2018 was the establishment of a dedicated national field team for Meat and Fibre, which enabled a significantly greater focus on the meat production sector. Historically, this work was combined with the dairy sector in an agriculture-focused portfolio. Our decision to establish a specialised unit reflected Primary ITO's strong commitment to growing these sectors and aligning our services with their unique needs.

Primary ITO has continued to invest in strengthening our relationships with our industry partners as a trusted professional. We worked closely with Beef + Lamb NZ to ensure our programmes of training align with the workforce development needs. This included introducing simple but sensible ways to build greater cohesion such as adding the Primary ITO calendar of training into the Beef + Lamb NZ e-calendar.

We collaborated with the Agri-Women's Development Trust to promote our Diploma in Agribusiness Management and other programmes as part of their 'Understanding your Farming Business' workshop.

At a product level, in 2018 we worked closely with the Deer Industry Association to deliver a specific deer husbandry programme. Before this, a livestock husbandry programme was available, but now Primary ITO has helped offer a programme specific to deer, better positioned to meet the needs of the industry.

PORK & POULTRY

In 2018 the introduction of sector specific training advisors meant greater connection on the ground to the pork and poultry industries.

We carried out development work on new programmes aligning to the new NZQA-approved qualifications, which are

due to be rolled out mid-2019. The pork and poultry industry bodies provided strong support to develop the resources required for training programmes.

The poultry industry, in particular, relies on programmes produced by Primary ITO to meet animal care requirements.

WOOL

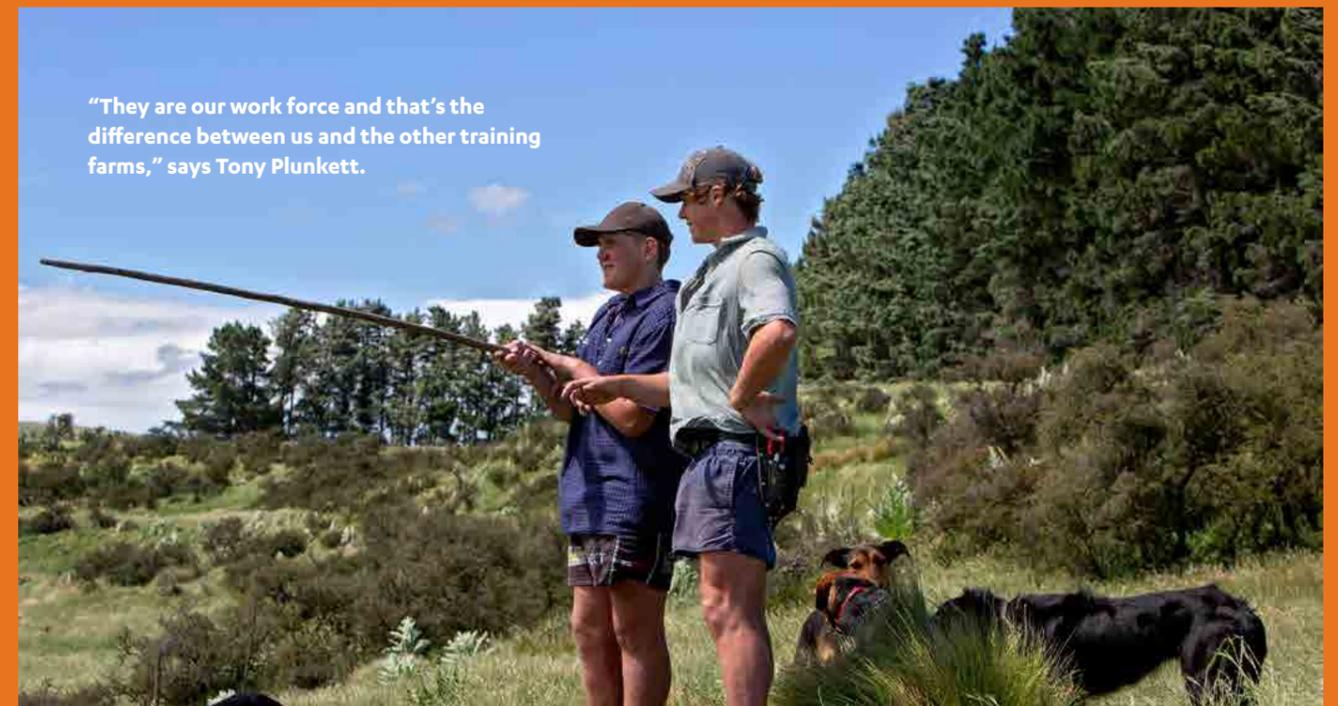
Working alongside industry, Primary ITO has developed wool micro-credentials which were approved by NZQA in 2018. These are a change to traditional formal training for this industry. They will show flexibility to meet the training needs of the wool industry.

MEAT PROCESSING

Our work with the meat processing sector has had the largest impact from our focus on ensuring we provide products which are fit for purpose, that we build trusting and sustainable relationships and offer services which meet industry needs.

Funding from the Food Innovation Technology Trust (FITT) was provided to Primary ITO to develop a capability matrix, which illustrates career opportunities for the meat processing industry. This was appreciated by industry and will be included in our training prospectus. The Meat Industry Association (MIA) is using it in publications and it is available for use anywhere from the staffroom to boardroom walls. The clear understanding Primary ITO has of the industry and its needs is demonstrated by this development and has helped strengthen the relationship with MIA.

Following the development of the industry capability matrix, Primary ITO supported companies to define their capability strategy and provide ongoing support to help them achieve this capability. This includes Alliance Group Ltd who have committed to 60 of their managers completing Primary ITO's New Zealand Certificate in Business (Team Leadership) programme. They plan to train 1000 more employees in various aspects of processing, with the goal of improving staff retention.



"They are our work force and that's the difference between us and the other training farms," says Tony Plunkett.

SECTOR CASE STUDY: MEAT AND FIBRE

Coleridge Downs

Coleridge Downs general manager Tony Plunkett was instrumental in setting up the training farm having identified a gap in the market when his son was leaving school and seeking a hands-on farming cadetship.

He says while the North Island had Waipaoa and Smedley, the only farm training available in the South Island was Jeff Farm in Southland.

All these farms were difficult to get into, with large numbers of eager school leavers – typically hands-on learners – vying for limited spaces.

It was Tony's colleague Sarah Barr and a training advisor for Primary ITO who convinced Tony that Coleridge Downs would be the perfect training farm and in establishing the cadetship programme, Tony was fully supported by the farm owners, the US-based Erdman family. Tony says without their support, it would not have happened.

Where Coleridge Downs differs from the other training farms is that they pay their cadets a salary, so they are essentially part of the farm business. A resident cook supplies all the meals, which ensures all the cadets are well fed and cared for. Cadets need to abide by a set of rules around where they can go and what they can do outside of work hours.

"They are our work force and that's the difference between us and the other training farms," says Tony.

Coleridge Downs also employs training provider Kristen Hubbard who travels to the farm two days a fortnight to help the cadets with their Primary ITO courses.

"The courses really suit us. They are in booklet form and it's very black and white about what the cadets need to do to complete the course," she says.

Kristen relates the courses to what is happening on the farms during the year, so it is very much applied learning.

Now in its third year, Tony says they are constantly evolving the cadetship programme and learning as they go. In the first year the cadets work across three different farms and in their second year they are posted to one farm for the whole year, although they will help elsewhere during busy periods.

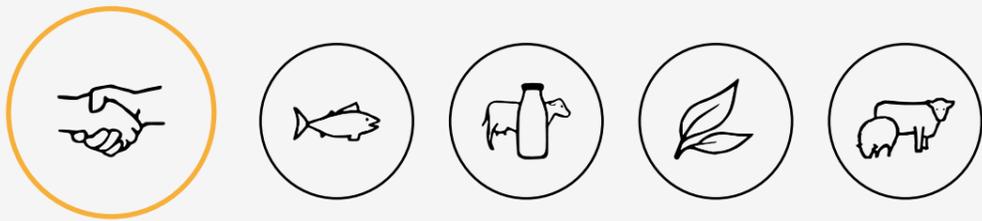
"We find this works well as the cadets get to know the property and become a valuable part of the work force."

For Tony, the cadetship programme harks back to the education he received when he was an 18-year-old straight out of Northland without any farming background.

He worked on several large-scale sheep farms where the staff took the time to teach him the skills which paved the way for a successful career in the sheep and beef industry.

"What we're doing is turning back the clock but fine-tuning it to meet the needs of agriculture today."

A cadetship open day is held on Coleridge Downs in July every year.



SECTOR REPORT: Primary Services

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

Our partnership with PGG Wrightson's continued to deliver a successful annual graduate programme, which enhances the trainee's relationship and understanding with their farmer clients. This programme has been refined, adapted and strengthened year on year so that the training continues to lift the standards and meet industry needs.

LIC is another success where Primary ITO worked with industry to evolve the artificial insemination programme ahead of 2019 enrolments. The old qualification is recognised around the world for the high standards graduates achieve; to graduate from the LIC programme, trainees need to meet regional performance targets for that year comparing them with the best in their regions.

Our relationship with OSPRI strengthened in 2018 with a new TB programme rolled out which aligns with OSPRI's needs in graduate outcomes. Having all moderators at one meeting in 2018 enabled people to discuss what we do together to help achieve both TB-free and predator-free goals with contractors. All qualified trainees now have Primary ITO printed on ID cards.

ANIMAL CARE

Primary ITO continued to build on relationships with organisations in the animal care industry. Working with SPCA, we developed a new Level 3 animal care qualification and are planning for micro-credentials in animal care in 2019.

We worked closely with the Project Jonah national volunteer group in late 2018, developing training for volunteers caring for stranded whales. The approach is about helping to provide recognition to these volunteers for their training and skills, attracting new volunteers and ensuring consistency in the graduate outcomes of the programme. Primary ITO created two unit standards for marine mammal stranding training to go towards a micro-credential.

EQUINE

The focus for 2018 in equine was on continuous improvement and how we set ourselves up well with industry for the qualifications review in 2019. The Quality team at Primary ITO has supported the equine industry's desire to lift the level for internal standards set, to ensure great outcomes for trainees. A highlight of continuous improvement was the block

breeding course in May where employers gave feedback on engagement and learning by trainees and what they have brought back to their workplaces after training.

PETROCHEM AND ENCHEM

Energy and fuel production support the needs of horticulture and agriculture in many ways. Primary ITO invested time working with and understanding this broad sector. Part of that process was how we evolve and adapt programmes of learning to meet the needs of existing energy production and the growing renewables sector, while ensuring people stay safe at work. 2019 will be a year of significant development, with a complete review of all qualifications and training programmes from levels 3 to 5 in partnership with industry and training providers.

DEPARTMENT OF CORRECTIONS

Primary ITO worked closely with the Department of Corrections to facilitate training in a range of primary industries including dairy, horticulture and apiculture.

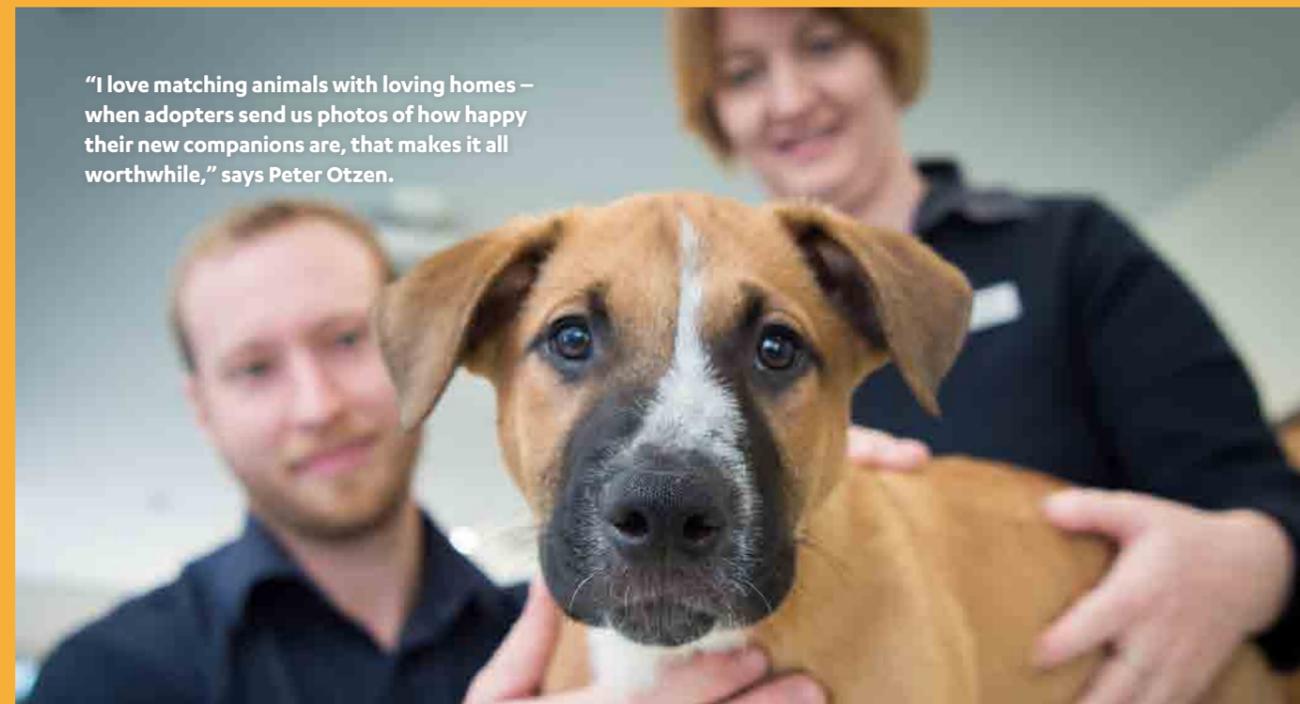
During 2018, Primary ITO launched a number of new programmes for the Department of Corrections. These include further programmes in dairy farming, and starting to embed Māori into horticulture programmes to aid rehabilitation. Around 100 people gained qualifications through agricultural and horticultural programmes and approximately 10,000 credits of learning were reported to NZQA.

The Corrections community day in Rotorua in November allowed for community groups and businesses to look at concepts for training and readjustment into the community. A pilot project was started in Waikato between Primary ITO, Corrections and the local rural community as a result.

We worked with Corrections to help them understand the neurodiversity challenges and the learning difficulties that many face with training and rehabilitation. One of the outcomes from this was Primary ITO putting all learning resources on buff-coloured paper from 2019. This is a simple and effective way to help people with learning difficulties to read, learn and understand things better.

In December Primary ITO was part of a two-day workshop with Corrections. This event allowed us to spend time with instructors focused on learning behind the wire and presenting the work around learning styles and behaviours of offenders.

"I love matching animals with loving homes – when adopters send us photos of how happy their new companions are, that makes it all worthwhile," says Peter Otzen.



SECTOR CASE STUDY: PRIMARY SERVICES

SPCA invests in people for better care of animals

New Zealand's SPCA cares for over 40,000 animals in need every year, with many eventually re-homed or nursed back to good health.

Peter Otzen is one of many dedicated SPCA staff members who help ensure those happy outcomes are achieved.

"I love matching animals with loving homes – when adopters send us photos of how happy their new companions are, that makes it all worthwhile."

Peter joined SPCA's Wellington centre as an Animal Care Lead two years ago and is one of 350 staff and SPCA volunteers who have completed a National Certificate in Animal Care (Level 2) through Primary ITO.

SPCA implemented the training programme in 2017 to help develop their people capability.

"We have over 600 staff and 4500 volunteers who support our 39 animal centres," explains SPCA National Training Manager Kirsty Grant. "By being able to provide training options, particularly in animal health and husbandry, we are able to ensure we build our people capability so staff and volunteers have the knowledge and skills to perform consistently, no matter where in the country they are."

Primary ITO has also developed a specific programme for SPCA around the Level 3 Certificate in Animal Care (Companion Animals), which will be offered to staff and volunteers in 2019.

"We enjoy working with Primary ITO," Kirsty says. "They have the education knowledge and have been able to work with us to develop and implement qualifications that easily match what our staff and volunteers do on a daily basis."

"It enables everyone to have a strong practical understanding of working in an animal facility (big or small), and to be capable of spotting and handling any issues or concerns with the animals early."

Preventing the spread of zoonotic disease within SPCA is a major focus, along with environmental hygiene, suitable housing and handling skills. Study participants work through a theory booklet in their own time, then complete practical assessments under the supervision of experienced SPCA staff members.

Peter says learning about safe working procedures has also been invaluable.

"Health and safety is something that everybody needs to be conscious of. Animals can find a shelter environment stressful so we have to be careful how we handle them – for our safety and for theirs. Knowing what protective equipment to use and how to deal with chemicals is really important."

"I've also completed a wonderful animal first aid workshop with Primary ITO. In the adoption team we typically have animals that are healthy and have been cleared for adoption. But anyone can encounter an animal in distress and in need of immediate assistance so that skill set is really valuable."

Having a large number of colleagues and volunteers complete the same qualifications is another big benefit, he says.

"Working from the same book, so to speak, is really important in an organisation our size. It's much better when everyone's working from the same base of knowledge that's based on scientific research and best practice."



SECTOR REPORT: **Seafood**

In the seafood industry, Primary ITO works across the full value chain - from commercial fishing to transporting, processing, preparing and packing, right through to the point where Primary ITO-trained staff are selling seafood to the New Zealand public or overseas.

The businesses we work with in the seafood sector are diverse. In 2018, these ranged from the three biggest seafood companies in New Zealand - Sanford, Talley's and Sealord - through to iwi-owned businesses, such as Ngāi Tahu Seafood, and a large number of SMEs. We also worked closely with Foodstuffs to assist with point of sale training for fish bar managers in supermarkets.

Our way of commissioning training for the seafood sector is our point of difference. This means providing robust programmes that best suit the sector's needs with on-the-job practical training.

The way Primary ITO facilitates the delivery of training across such a diverse sector is key. Our Affiliated Trainers and Assessors are experts in the seafood industry sector and support businesses on the ground with delivering training. In 2018, we also worked closely with seafood businesses wanting to develop their in-house capacity and supported workplace assessors through training to become registered assessors.

A number of significant new investments were made in the seafood sector in 2018. Our top priority was developing a new product suite for the industry, a major undertaking and one which could not have happened without the support of our industry partners. We completed a significant portion of development work for seven programmes of industry training and these will be rolled out in 2019.

The new suite will provide seafood businesses with new learning and development opportunities to grow their staff, which is critical for retention. These programmes will help companies to not only build their core skills and capability but enhance their staff engagement levels.

In a first for the sector, we are introducing the concept of seafood apprenticeships. In the competition for people, an apprenticeship is a far more compelling value proposition as it provides a structured career pathway for employees.



Industry Statistics

INDUSTRY PARTNERSHIP GROUP	People Training With Us	Credits Achieved	Programmes Completed
Amenity Horticulture Services	1698	34,922	529
Dairy Farming	6199	152,332	2472
Dairy Processing	851	12,045	210
Equine & Racing	385	10,867	135
Meat Processing	6455	133,403	4323
No IPG	1780	41,618	772
Nursery Production	181	3981	64
Pipfruit	569	13,500	268
Seafood	1193	26,548	702
Sheep, Beef & Deer Farming	698	10,461	154
Sports Turf	320	8687	67
Vegetables & Other Fruit Production	247	5814	102
Viticulture	380	6709	113
Wools	277	4063	60
Kiwifruit & Avocado	449	8969	172
Grand Total	21,683	473,919	10,143



Auditors' Report



Independent auditors' report

To the Directors of Primary Industry Training Organisation Incorporated

We have audited the financial statements which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive revenue and expenses for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a statement of accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Primary Industry Organisation Incorporated (the Organisation), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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.

PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, Wellington 6011, PO Box 243, Wellington 6140
T: +64 4 462 7000, F: +64 4 462 7001, www.pwc.co.nz



Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Directors, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Directors, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

Chartered Accountants
7 May 2019

Wellington

PwC

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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 2018.



Mark Darrow
Board Chair
30 April 2019



Linda Sissons
Chief Executive
30 April 2019

Statement of Comprehensive Revenue and Expenses

For the Year ended 31 December 2018

	NOTE	PRIMARY ITO GROUP	
		2018 \$000	2017 \$000
Revenue			
Revenue from non-exchange transactions			
Government funding	2	26,723	29,178
Training fees	2	3,110	4,761
Industry grants	2	1,229	2,088
Revenue from exchange transactions			
Industry grants		167	360
Other income	3	3,145	2,491
Interest		330	278
Total revenue		34,704	39,156
Cost of Services			
People costs	4	17,104	17,277
Training costs	5	10,090	11,636
Operating costs	6	7,752	8,239
Depreciation and amortisation	11,12	610	880
Total cost of services		35,556	38,032
(Deficit)/Surplus		(852)	1,124
Other Comprehensive Revenue and Expenses			
Other comprehensive revenue and expenses		-	-
Total comprehensive (Deficit)/Surplus		(852)	1,124

The accompanying notes form part of these financial statements.



Statement of Changes in Net Assets

For the Year ended 31 December 2018

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
Balance at 1 January	16,305	15,181
Comprehensive Revenue and Expenses		
(Deficit)/Surplus	(852)	1,124
Other comprehensive revenue and expenses	-	-
Balance at 31 December	15,453	16,305

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 31 December 2018

	NOTE	PRIMARY ITO GROUP	
		2018 \$000	2017 \$000
Assets			
Current assets			
Cash and cash equivalents		2,746	1,288
Term deposits	7	6,000	9,889
Receivables from exchange transactions	9	1,168	1,573
Receivables from non-exchange transactions	10	7,923	6,181
Inventory		171	167
Prepayments		0	3
Total current assets		18,008	19,101
Non-current assets			
Property, plant and equipment	11	414	431
Intangible assets	12	2,003	1,277
Total non-current assets		2,417	1,708
Total assets		20,425	20,809
Liabilities			
Current liabilities			
Payables	13	3,720	2,790
Employee entitlements	14	693	679
Income in advance		559	1,035
Total current liabilities		4,972	4,504
Net assets		15,453	16,305
Net assets			
Retained earnings		15,453	16,305
Total net assets		15,453	16,305

The accompanying notes form part of these financial statements.



Statement of Cash Flows

For the Year ended 31 December 2018

	NOTE	PRIMARY ITO GROUP	
		2018 \$000	2017 \$000
Cash Flows from Operating Activities			
Cash was provided from:			
Government funding		24,718	28,084
Training fees and other receipts		6,838	7,826
Industry grants		1,216	2,482
Interest received		330	358
Cash was applied to:			
Payments to suppliers and employees		(34,217)	(37,772)
Net cash (used in)/provided by operating activities	18	(1,115)	978
Cash Flows from Investing Activities			
Cash was provided from:			
Term deposits maturing		9,889	9,818
Cash was applied to:			
Purchase of property, plant and equipment		(237)	(238)
Purchase of intangibles		(1,079)	(834)
Investment in term deposits		(6,000)	(9,889)
Net cash provided by/(used in) investing activities		2,573	(1,143)
Net increase (decrease) in cash and cash equivalents		1,458	(165)
Cash and cash equivalents at the beginning of the year		1,288	1,453
Cash and cash equivalents at the end of the year		2,746	1,288

The accompanying notes form part of these financial statements.



Statement of Accounting Policies

For the Year ended 31 December 2018

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 Group are for the year ended 31 December 2018 and were authorised for issue by the Board on 30 April 2019

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.

Functional and Presentation Currency

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

Changes in Accounting Policy

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



Statement of Accounting Policies

For the Year ended 31 December 2018

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

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 2018

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 2018

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 asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessments of the time value of money.

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

Intangibles not yet available for use

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

Work in Progress

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

Disposals

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



Statement of Accounting Policies

For the Year ended 31 December 2018

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 2018

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
2 REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Government funding		
Tertiary Education Commission:		
• Industry training funding	14,231	16,360
• Apprenticeship funding	9,183	9,719
Other government revenue	3,309	3,099
	26,723	29,178
Training fees		
Fees	3,110	3,758
Training cost recoveries	-	1,003
	3,110	4,761
Industry grants		
Dairy	1,058	1,867
Beef and lamb	150	200
Pork	14	14
Poultry	7	7
	1,229	2,088
3 REVENUE FROM EXCHANGE TRANSACTIONS		
Other Income		
Consultancy services	1,630	727
Other cost recoveries	697	446
New Zealand Qualifications Authority moderation	354	429
Print room services	122	172
Other	342	717
	3,145	2,491

Notes to the Financial Statements

For the Year ended 31 December 2018

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
4 PEOPLE COSTS		
Employee remuneration and benefits	14,976	15,582
Contractors	1,730	1,212
Training & development	138	204
Other staff costs	260	279
	17,104	17,277
5 TRAINING COSTS		
Off-job training	8,501	9,872
NZQA fees	858	958
Other training costs	731	806
	10,090	11,636
6 OPERATING COSTS		
Travel	2,225	2,128
Administration	1,266	1,494
Property leases	1,133	1,021
Consultancy and professional fees	998	787
Promotion & business development	856	1,202
Communication	537	580
Boards & committees	358	347
Occupancy	245	251
Legal Fees	71	-
Financial charges	58	45
Audit fee	47	52
Advisory services by audit firm (PwC)	-	15
(Gain)/Loss on sales of fixed assets and intangibles	(2)	218
Bad and doubtful debts	(40)	99
	7,752	8,239



Notes to the Financial Statements

For the Year ended 31 December 2018

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 or A1 by Moody's and AA- by Standard & Poors.

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

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	
	2018 \$000	2017 \$000
Term deposits	6,000	9,889

The interest rate range for these deposits is 3.45% to 3.60% (2017: 3.05% to 3.70%) with \$2,000,000 maturing in June 2019, \$2,000,000 maturing in August 2019, and \$2,000,000 maturing in November 2019.

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
Financial Instrument Categories		
Financial Assets		
Loans and receivables:		
• Cash and cash equivalents	2,746	1,288
• Term deposits	6,000	9,889
• Receivables	9,091	7,689
	17,837	18,866
Financial Liabilities		
At amortised cost:		
• Payables	3,720	2,632
• Employee entitlements	693	679
	4,413	3,311



Notes to the Financial Statements

For the Year ended 31 December 2018

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	
	2018 \$000	2017 \$000
9 EXCHANGE RECEIVABLES		
Trade receivables	891	1,507
Interest receivable	66	66
GST Receivable	211	-
	1,168	1,573

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
10 NON-EXCHANGE RECEIVABLES		
TEC receivable	6,939	5,411
Industry receivable	428	248
Training fees receivable	679	523
Less Provision for doubtful debts	(123)	-
	7,923	6,182

At 31 December 2018 total trade receivables (exchange and non exchange) of \$240,481 (2017: \$917,000) 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.



Notes to the Financial Statements

For the Year ended 31 December 2018

11 PROPERTY, PLANT AND EQUIPMENT

	COMPUTER EQUIPMENT \$000	FURNITURE AND FITTINGS, OFFICE EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	TOTAL FIXED ASSETS \$000
For the Year ended 31 December 2018				
Gross Carrying Amount				
Cost	1,342	828	640	2,810
Additions	233	-	7	240
Disposals/Transfers	(199)	(5)	-	(204)
Balance at 31 December 2018	1,376	823	647	2,846
Accumulated Depreciation				
Balance at 1 January 2018	987	780	612	2,379
Depreciation charge	229	20	7	256
Disposals/Transfers	(199)	(4)	-	(203)
Balance at 31 December 2018	1,017	796	619	2,432
Net Book Value at 31 December 2018	359	27	28	414
For the Year ended 31 December 2017				
Gross Carrying Amount				
Cost	1,253	846	656	2,755
Additions	223	15	-	238
Disposals/Transfers	(134)	(33)	(16)	(183)
Balance at 31 December 2017	1,342	828	640	2,810
Accumulated Depreciation				
Balance at 1 January 2017	885	733	564	2,182
Depreciation charge	236	75	59	370
Disposals/Transfers	(134)	(28)	(11)	(173)
Balance at 31 December 2017	987	780	612	2,379
Net Book Value at 31 December 2017	355	48	28	431



Notes to the Financial Statements

For the Year ended 31 December 2018

12 INTANGIBLE ASSETS

	SOFTWARE \$000	TRAINING PRODUCTS \$000	WORK IN PROGRESS \$000	TOTAL INTANGIBLE ASSETS \$000
For the Year ended 31 December 2018				
Gross Carrying Amount				
Cost	1,539	645	804	2,988
Additions				
• Internally generated	-	375	327	702
• Purchased	175	-	-	175
Disposals/Transfers	315	160	(374)	101
Balance at 31 December 2018	2,029	1,180	757	3,966
Accumulated Amortisation				
Balance at 1 January 2018	1,230	481	-	1,711
Amortisation charge	215	139	-	354
Disposals/Transfers	(71)	(31)	-	(102)
Balance at 31 December 2018	1,374	589	-	1,963
Net Book Value at 31 December 2018	655	591	757	2,003
For the Year ended 31 December 2017				
Gross Carrying Amount				
Cost	1,749	645	137	2,531
Additions				
• Internally generated	167	-	667	834
• Purchased	-	-	-	-
Disposals/Transfers	(377)	-	-	(377)
Balance at 31 December 2017	1,539	645	804	2,988
Accumulated Amortisation				
Balance at 1 January 2017	1,159	212	-	1,371
Amortisation charge	241	269	-	510
Disposals/Transfers	(170)	-	-	(170)
Balance at 31 December 2017	1,230	481	-	1,711
Net Book Value at 31 December 2017	309	164	804	1,277

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.

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 2018

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
13 PAYABLES		
Trade payables	1,888	1,004
GST payable	-	158
Accrued expenses and other payables	1,832	1,628
	3,720	2,790
14 EMPLOYEE ENTITLEMENTS		
Accrued employee payments	5	1
Annual and discretionary leave	688	678
	693	679

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	
	2018 \$000	2017 \$000
15 COMMITMENTS		
Operating Lease Commitments		
Payable within:		
One year or less	1,969	1,653
Between one to two years	1,442	1,064
Between two to five years	345	1,033
Over five years	-	-
	3,756	3,750

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 2018 (2017: nil).



Notes to the Financial Statements

For the Year ended 31 December 2018

16 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2018 (2017: nil).

17 KEY MANAGEMENT COMPENSATION

Key management personnel are those people having authority and responsibility for planning, directing and controlling activities of the Group. Key management personnel are designated as all who are members of the senior leadership team and the Board of Directors.

	PRIMARY ITO GROUP		2017	
	FTE	2018 \$000	FTE	\$000
Board members' remuneration	8	200	8	217
Salaries and other short-term employee benefits	8	1,545	8	1,770
	16	1,745	16	1,987

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

	PRIMARY ITO GROUP	
	2018 \$000	2017 \$000
Total comprehensive loss for the year	(852)	1,124
Adjustments:		
Depreciation/amortisation and loss on sale	608	1,098
(Increase) in trade and other receivables	(1,334)	(997)
(Increase)/Decrease in inventory	(4)	(49)
Increase/(Decrease) in accounts payable and accruals	929	(442)
Increase/(Decrease) in employee entitlements	14	(641)
(Decrease)/Increase in income in advance	(476)	885
Net cash (used in)/provided by operating activities	(1,115)	978

19 SUBSEQUENT EVENTS

- On 1st January 2019 ASL sold all assets to Agriserv Limited, including contracts with the Ministry of Foreign Affairs and Trade (MFAT). There was no material impact on Primary ITO financial statements.
- In February 2019 the Government released the Reform of Vocational Education consultation discussion document. This includes the proposal to redefine the role of education providers and Industry Training Organisations through new Industry Skills Bodies.
- At the time of signing this annual report the consultation process has closed however no decisions have been announced. The Minister of Education aims to report back to Cabinet so that final decisions can be made by mid-2019 to allow for legislative change and detailed transition planning to proceed this year. As there is no final decision on the reform, the full impact and timing of any changes is not yet reliably known.

There are no other material events subsequent to balance date.





2018 in pictures

- 1 Siobhan O'Malley Dairy Farming IPG member
- 2 Horticulture NZ Conference
- 3 Ahuwhenua Trophy Young Māori Farmer Award winner Harepaora Ngaheu
- 4 Minister Damien O'Connor at the Horticulture NZ Conference
- 5 NZ Merino Shears Finalists
- 6 Noho marae at Mokai (Ngāti Te Kohera)
- 7 Training advisor Daniel Chong at Got a Trade commercial filming
- 8 Speed Meets 2018
- 9 Coleridge Downs Students
- 10 Training advisor Tane Robinson at APTCC
- 11 Team Leaders at Alliance
- 12 Federated Farmers Dairy Apprentice Sarah Cameron
- 13 Anne Hairs speaking at the NZ Seafood Industry Conference
- 14 Tyla-Rose Godfrey, Feilding dairy apprentice
- 15 Jonathan Moonga at TradeQual Southland
- 16 Trades Academy Students
- 17 Federated Farmers Dairy Apprenticeship first year celebration in Stratford



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